



Everpia JSC

ANNUAL REPORT 2019

Sustainable
Development
as **Strategy**

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Everpia JSC.

PLANNING TEAM, EVERPIA JSC

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For any inquiries, please contact Planning Team as follows:



Dear Valued Shareholders,

On behalf of the Board of Directors, it is my pleasure to present to you Everpia JSC's Annual Report for the financial year ended 31 December 2019. As Everpia embarks on a new decade, I would like to express gratitude to all of our employees on their dedicated work for the company thus far. For the past two years we have focused on implementing extensive innovation initiatives in all of our production facilities. Our efforts have resulted in not only more efficient and productive factories but also cleaner and safer ones. By figure, we saved 1330m² of warehouse and workshop space and significantly enhanced the efficiency of warehouse operation. Also, we automated labor-intensive manual processes. Most importantly, employees at each manufacturing site became more aware of the increased productivity benefited from the rigorous innovation initiatives.

Whereas the last two years we focused on innovations inside the company, from 2020, we will shift our attention to innovations outside for sustainable development. Such effort begins with understanding deeply about what matters to each stakeholder whether they be investors, local community, suppliers, or employees. Everpia's vision and mission can only be accomplished upon strong companionship with them.

Ensuring our shareholders' values

Our first and foremost companionship goes to our shareholders. It is our duty and responsibility to maximize shareholder value through corporate performance by expanding our market shares and meeting the demands of customers. As with any other types of business, increasing the shareholder value is one of our fundamental purposes of running business. We thank our shareholders for trusting us throughout the past years and would continue to uphold policies to increase shareholder values in 2020 and beyond. This year the Board of Directors proposes to assign 50% of net profit from FY 2019 for shareholder cash dividend. Moreover, we will buy back our shares, which is currently trading below our best estimate of value in the stock market. Continuous work on IR activities will also assure that the shareholder value is carefully managed at Everpia.

Engaging broader stakeholder values

Perhaps the most important thing for the shareholders would be whether the value is sustained over a long period of time. Listening to the needs of other stakeholders and responding to them has been a vital part of the Board of Directors' role. Customers across business units value our commitment to product quality, after-sales service, and clear and honest instruction and description of products.


We communicate our strict product quality control system and transparent disclosure on product materials. As Vietnam becomes a favorable destination for foreign companies, the competition for market share is ever-more fierce and the consumer's taste more sophisticated, we will continue to develop products with global standards. Moreover, the success of Everpia lies in our capability to attract, recruit, develop, and retain employees through its organizational culture. We strive to provide a working environment that is not only safe and healthy but also stimulating for personal development.

As a business member of the society, we recognize our role and responsibility in promoting the well-being and development of the local communities as well as the wider Vietnamese society. Not only striving to contribute to employment locally, we also take the development of local communities seriously. Everpia will continue to implement community support and social activities. In addition, we will minimize our environmental footprint on local sites by strictly adhering to local environmental policies and international protocols. We will make sure that our facilities leave no unnecessary harm to the environment.

Sustainable Development as Strategy

Our commitment to the stakeholders is not only a moral decision but also a strategic decision. At large, providing environmental, social, and transparent value to each stakeholder has proved to be more profitable as well as a sustainable solution to short-term gains. It brings us greater business opportunities and enables us to create long-term values for all of our stakeholders. Our first comprehensive Sustainability Report lays out specific goals and action plans for each stakeholder, seeking for the strongest companionship to promote and optimize the value creation on every ESG (environment, society, and governance) aspect.

As we step into the new arena, we urge our fellow shareholders and stakeholders to hold our steps accountable in every direction we take and, most of all, join us in the journey to sustainable development.



Lee Jae Eun
Chairman of the Board

April, 2020



CHAPTER

01

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I COMPANY PROFILE

- Company name : Everpia Joint Stock Company
- Short name : Everpia JSC
- Charter capital : VND 419,797,730,000
- Head Office : Noi Thuong Residential Area, Duong Xa Commune, Gia Lam District, Hanoi, Vietnam
- Stock code : EVE
- Business License : 0101402121
- Tel : (+84-24) 3827 6490
- Fax : (+84-24) 3678 2030
- Website : www.everon.com / www.everpia.vn
- Email : info@everon.com

II CORPORATE 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

III KEY FINANCIAL INFORMATION

► Revenue

	2017	2018	2019
Net revenue	999.4	1,180.7	1,004.2

(Unit: bil.VND)

► Profit

	2017	2018	2019
Gross Profit	329.9	381.1	343.7
Profit before Tax	63.3	95.7	93.9
Profit after Tax	50.9	76.2	71.9

(Unit: bil.VND)

► Financial Ratio

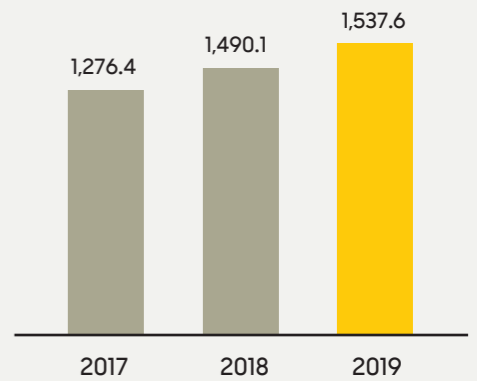
	2017	2018	2019
ROA	4%	5.1%	4.7%
ROE	5.6%	8.4%	7.7%
ROS	5.1%	6.5%	7.2%
EBIT	71.2	112.2	107.7
Debt/Equity	39.3%	63.9%	63.8%

(Unit: bil.VND)

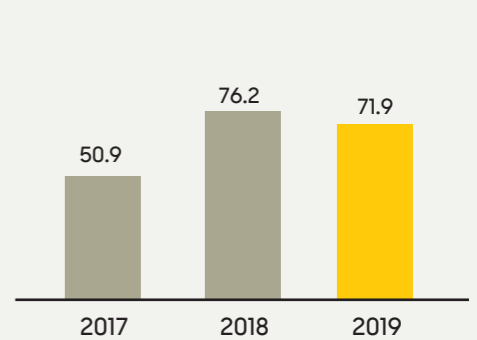
► Other Information

	2017	2018	2019
No. of Branches	5	6	7
No. of Subsidiaries	1	1	1
No. of Showrooms	12	15	20
No. of Agents	375	384	406
No. of Employees	1,295	1,599	1,466

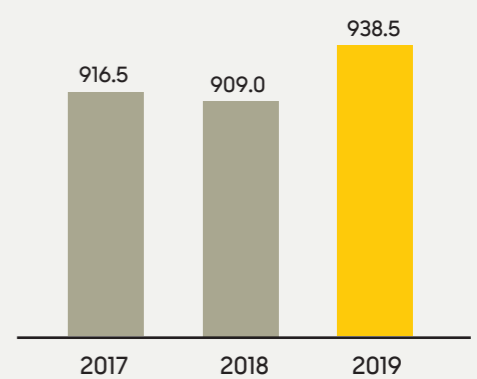
• Total Assets



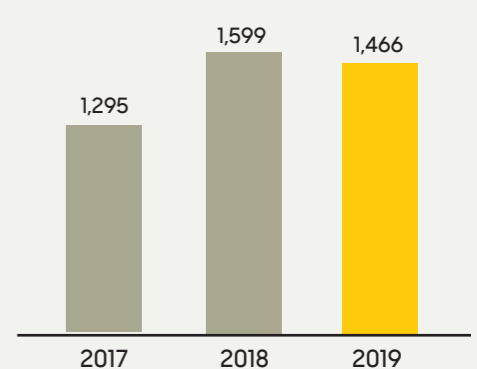
• Profit after Tax



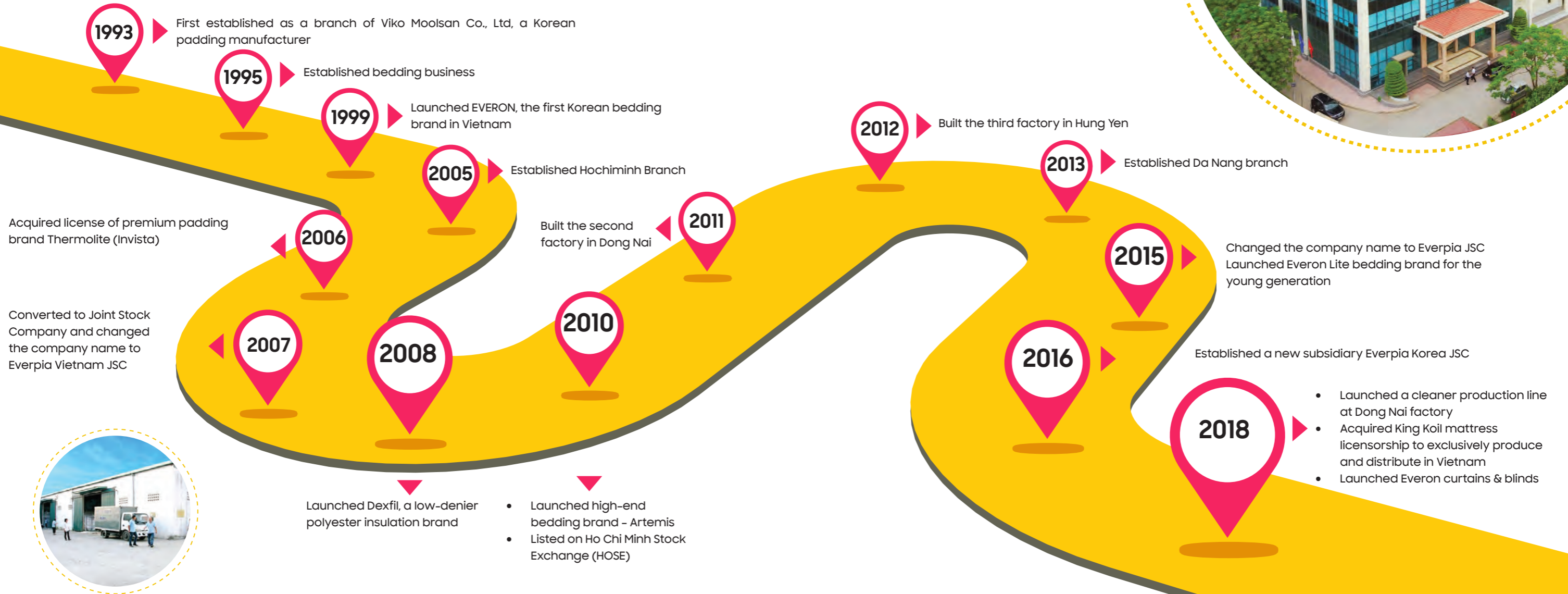
• Owner Equity



• No. of Employees



IV HISTORY OF DEVELOPMENT



V ACHIEVEMENTS



2008

Gold cup for international economic integration



2010

National famous trademark



2012

- Top 50 performing listed companies in Vietnam
- Impressive logo & slogan in 2012
- Golden trademark of the year



2013

- Top 100 products and services for the families
- Top 500 of the biggest corporate income tax payable in Vietnam
- Top 500 of the fastest growing businesses in the year of 2012



2016

- Top 100 Sustainable Business in Vietnam
- Corporate Social Responsibility 2016 for Korean companies in Vietnam



2017

Top 100 Sustainable Business in Vietnam



2018

Top 100 Sustainable Business in Vietnam



2019

- Top 5 Corporate Governance
- Top 100 Sustainable Business in Vietnam

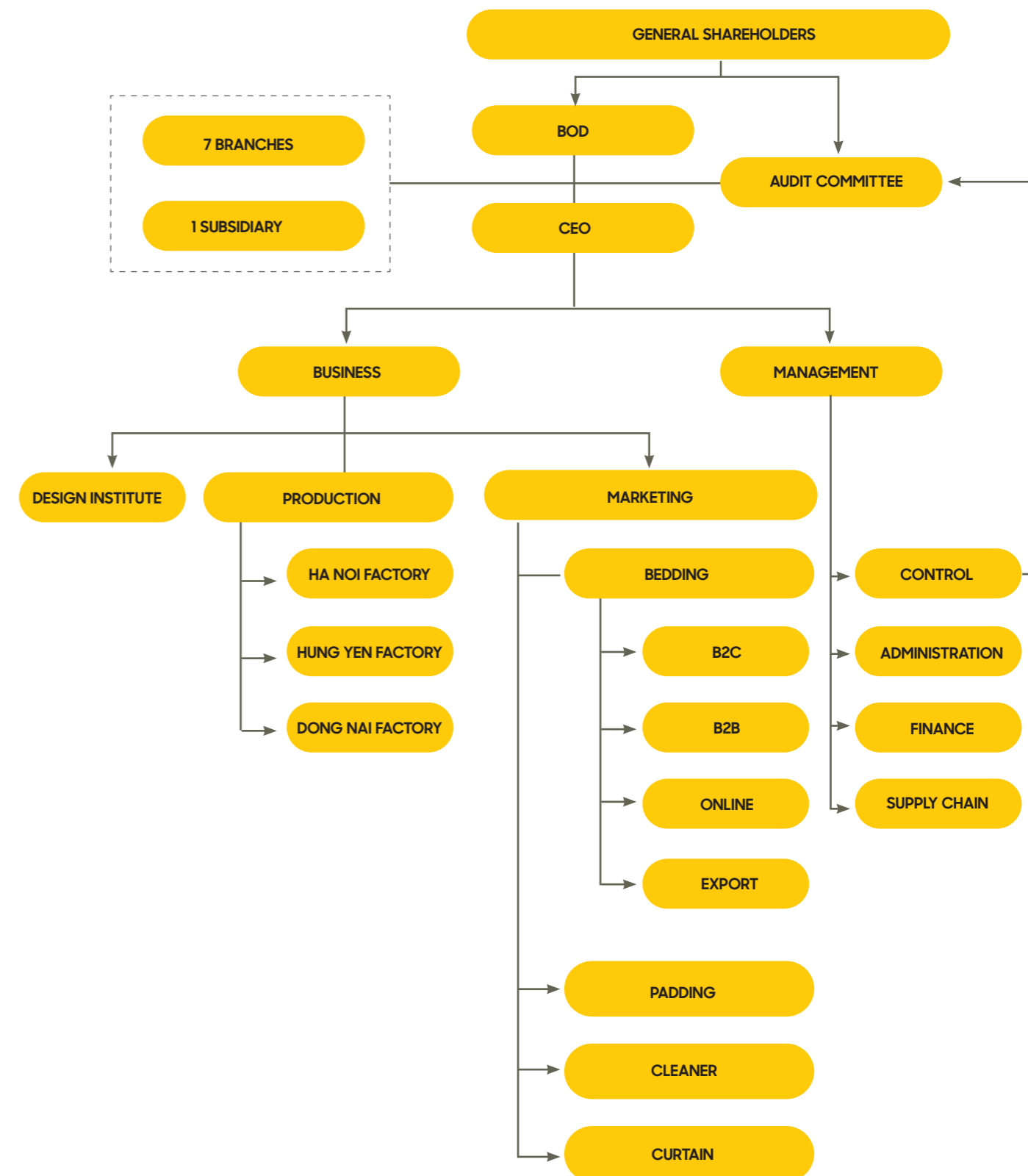
VI CHARTER CAPITAL INCREASING PROCESS

The process of increasing Charter capital after converting into Joint stock company has taken place as below:

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	Private placement - 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

In 2019, the Company did not pay stock dividends or issue any share to increase charter capital.

VII ORGANIZATION CHART



VIII LABOR STRUCTURE

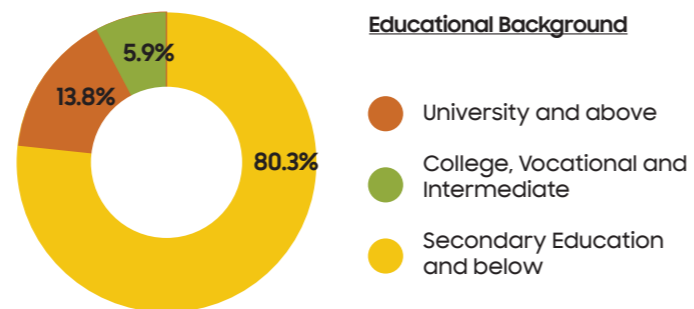
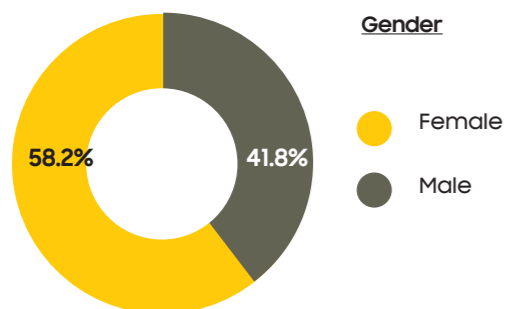
1,466
Employees.

58.2%
Female



As of December 31, 2019, Everpia has 1,466 employees.

	Number of Employees	Rate (%)
Educational Background		
University and above	202	13.8%
College, Vocational and Intermediate	86	5.9%
Secondary Education and below	1,178	80.3%
Age		
Under 30 years	429	29.3%
30 years-50 years	917	62.5%
Over 50 years	120	8.2%
Gender		
Male	613	41.8%
Female	853	58.2%



IX BUSINESSES

BEDDING BUSINESS



Bed Linen (blanket, pillow and bed sheet)



Bedding Insert



Mattress

Over **3,700,000** products sold

614 bil. Revenue



PADDING BUSINESS



Padding (Polyester Insulation)



Quilting

Over **25 mil.** yards of padding rolls sold

12.3 mil. USD in Revenue



CLEANER BUSINESS



Microfiber face towel and bath towel



Microfiber Cleaner

6.5 million cleaner products sold

VND 80 bil. in Revenue



CURTAIN, FURNITURE AND OTHER ITEMS



Curtain & Blind



Furniture and home decoration items

Over **40,000** products sold

VND 26 bil. in Revenue



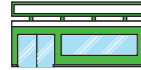
X

DISTRIBUTION SYSTEM

Distribution system is one of the core strengths of Everpia. The Company has developed a wide range of distribution channels in both domestic and global markets.

DOMESTIC MARKET

73.6%*



426 ROADSHOP NATIONWIDE

A large network of traditional roadshops nationwide reaches Vietnamese consumers in both urban and rural areas.

10.8%*



SUPERMARKETS AND MALLS

Modern and large retailers continue to become popular shopping destinations for Vietnamese consumers in urban areas.

0.4%*



E-COMMERCE

With the strong development of the e-commerce environment in Vietnam, Everpia distributes products on its own website and e-commerce markets.

15.2%*



HOTELS AND RESORTS

Continuous growth of the hospitality and tourism industry in Vietnam demands supply of high-quality home textile products, mattresses, and furniture.

EXPORT MARKET



PADDING AND QUILTING

Vietnam is a global sourcing destination for apparel brands and outdoor brands. Everpia supplies customized polyester insulation products to respective buyers.



BEDDING

South Korea, Japan, and Dubai are the main export market of bedding products. With the goal of becoming a global company, Everpia is constantly researching superior quality products and exporting to high-demand markets such as the US and Europe.



TOWELS AND CLEANER

Europe, the United States, and Korea are the main export markets

(* Weight of revenue in Bedding business)

XI

BUSINESS LOCATIONS

01



01 HEAD QUARTER

Noi Thuong residential area, Duong Xa, Gia Lam, Hanoi, Vietnam

01



01 SUBSIDIARY

in Korea

03



03 MANUFACTURING SITES

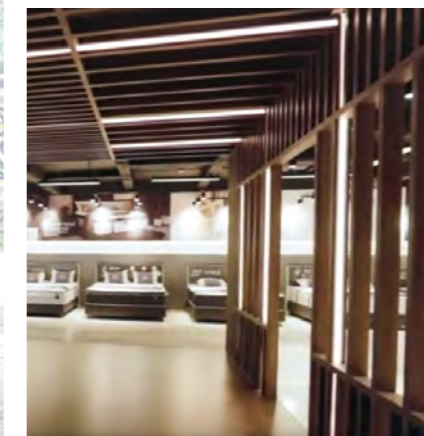
Hanoi, Hung Yen and Dong Nai

05



05 BRANCHES

Da Nang, Ho Chi Minh, Hoa Binh, Binh Duong, Khanh Hoa



BRANCHES

Ho Chi Minh branch

Address: No 27- 31, 9A street,
Trung Son, Binh Chanh District,
Ho Chi Minh City.
Tel: (84-28) 5431 6639
Fax: (84-28) 5431 6634

Da Nang branch

Address: No 439, Hoang Diet
St, Binh Thuan ward, Hai Chau
District, Da Nang City.
Tel: (84-236) 831 5576
Fax: (84-236) 381 5579

Hoa Binh branch

Address: Lam Son commune,
Luong Son District, Hoa Binh
province

Khanh Hoa branch

Address: Lot no.1, block CL5, Hon Ro II resettlement
area, Phuoc Dong commune, Khanh Hoa province.

Binh Duong branch

Address: Lot L3-03, floor L3, Vincom center, Vincom
Plaza Dī An building, Thong Nhat street, Dī An ward, Dī
An town, Binh Duong Province

SUBSIDIARY

Everpia Korea JSC

Percentage of ownership: 100%

Charter capital: 34,000,000,000 VND

Address: 18 Samseong-ro 104-gil, Gangnam-gu, Seoul, 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.

AFFILIATED COMPANY

Texpia Joint Stock Company

Percentage of ownership: 44%

Charter capital: 26,339,590,000 VND

Address: Bien Hoa 1 Industrial area, An Binh district, Bien Hoa
city, Dong Nai province, Viet Nam



MANUFACTURING SITES

MACHINES & EQUIPMENT

HA NOI FACTORY

- Noi Thuong residential area - Duong Xa - Gia Lam - Ha Noi
- Square: 15,000 m²
- Production Items: Padding & Quilting
- Production Capacity: 15 million yards/year

03	padding production lines
01	ball padding production line
01	microfiber line
01	bonding line
25	quilting machines
06	machines
19	sewing machine
05	metal finding machines

HUNG YEN FACTORY

- Tan Quang industrial zone - Tan Quang, Van Lam, Hung Yen
- Square: 17,670m²
- Production Items: Bedding business, including linen and mattress.
- Production Capacity: 3 million bedding items/year

284	sewing machines
24	overlock sewing machine
12	cutting machines
23	wrapped edging machine
12	embroidery machines (1 sample machine)
02	fabric spreader machine
03	fabric intervention machine
01	fabric testing machine
30	machines
02	shuttle machines
04	Fiber mixing machines
03	carding machines
05	inserting machines
01	inserting automatic machine
02	detectors
02	spring mattress lines
01	Packing spring mattress automatic machine
01	Automatic PE mattress line
01	Memory Form

DONG NAI FACTORY

- Lot 4, Bien Hoa I industrial park, Bien Hoa, Dong Nai
- Square: 37,726 m²
- Tel: (84-251) 8869 152
- Fax: (84-251) 8869 151
- Production Items: Padding, bedding & cleaner products
- Production capacity: 10 million padding yards, 1 million bedding items and 15 million cleaner items.

242	sewing machines
87	overlock sewing machines
12	cutting machines
07	embroidery machines
02	blanket/pillow core machines
04	fabric checking machines
37	quilting machines
15	shuttle machines
01	spring mattress line
01	padding mattress line
02	fiber mixing machines
02	carding machines
02	padding production lines
01	ball padding production line
01	microfiber production lines
05	metal detectors
04	Fiber winding machines
03	Embossing machines
32	Power-looms
05	Fabric printing machines
05	drying machines

XII SHAREHOLDER STRUCTURE

Shares

41,979,773 Total number of shares	
38,047,973 outstanding shares	3,931,800 treasury shares

With a total of 41,979,773 shares, Everpia issued an outstanding volume of 38,047,973 shares and 3,931,800 treasury shares. All of these shares are unrestricted ordinary shares. The number of 3,931,800 treasury shares was purchased by the end of 2018. In 2019, the company did not make any treasury shares transactions. Everpia has over 1,200 professional and non-professional investors from both domestic and international markets.

Shareholder structure

According to the shareholder list as at 20th Mar. 2020, Everpia JSC has over 1,200 shareholders including local and foreign individual and professional securities investors.

Professional Securities Investors

No.	Type	No. of shares	Rate of ownership	No. of shareholders	Shareholder structure	
					Institution	Individual
1	Non-professional major shareholders	7,006,800	16.69%	1	0	1
	- Local	0	0%	0	0	0
	- Foreign	7,006,800	16.69%	1	0	1
2	Professional major shareholders	6,067,690	14.45%	2	2	0
	- Local	0	0%	0	0	0
	- Foreign	6,067,690	14.45%	2	2	0
3	Other professional shareholders	3,710,892	8.84%	40	40	0
	- Local	378	0.06%	24	24	0
	- Foreign	3,710,514	8.84%	16	16	0
	TOTAL	16,785,382	39.98%	43	43	1

List of Major Shareholders

Shareholder Name	No. of Shares	Rate of Ownership	Transfer Restriction
LEE Jae Eun	7,006,800	16.7%	0
NH Investment & Securities Co., Ltd.	3,262,905	7.8%	0
KOREA INVESTMENT & SECURITIES CO., LTD.	2,804,785	6.7%	0
TOTAL	13,074,490	31.1%	0

Shareholder Structure by Stock Type

	Transfer Restriction	No Transfer Restriction	Total	Rate of Ownership (%)
I. Special Shareholders	0	7,564,060	7,564,060	18.02%
1. Board of Directors	0	7,541,830	7,541,830	17.97%
2. Managements	0	7,541,830	7,541,830	17.97%
3. Audit Committee	0	18,630	18,630	0.04%
4. CFO	0	70,000	70,000	0.17%
5. Chief Accountant	0	3,600	3,600	0.01%
6. Authorized personnel for information disclosure	0	70,000	70,000	0.17%
7. Appointed personnel by BOD	0	93,030	93,030	0.22%
II. Treasury Shares	0	3,931,800	3,931,800	0.0%
III. Union	0	0	0	0.0%
I V. Shareholders owning preferred shares	0	0	0	0.0%
V. Other Shareholders	0	0	0	0.0%
1. Local	0	10,847,109	10,847,109	25.84%
1.1 Individual	0	10,651,521	10,651,521	25.37%
1.2 Institution	0	195,588	195,588	0.47%
1.3 State	0	0	0	0%
2. Foreign	0	19,636,804	19,636,804	46.78%
2.1. Individual	0	9,812,025	9,812,025	23.37%
2.2. Institution	0	9,824,779	9,824,779	23.40%
TOTAL	0	41,979,773	41,979,773	100%



CHAPTER




02

DEVELOPMENT STRATEGY

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I 2018-19 STRATEGY REVIEW

2020 marks the final year of the three year strategy 2018-2020. Following are notable results from the two previous years as the basis for the 2020 action plan.

Goals 2018-2020	Results in 2018 and 2019
 <p>Expand business scope based on current core business</p>	<ul style="list-style-type: none"> April 2018: signed licensorship to exclusively manufacture and distribute the No. 1 spring mattress brand in the world - King Koil in Vietnam June 2018: launched Everon curtain and blind products 2019: (i) train showroom salespeople and agents about new products, (ii) complete the installation of machines and production processes, (iii) develop new products that are suitable for the market
 <p>Set up a distribution channel of home textile products</p>	<ul style="list-style-type: none"> + Showroom system <ul style="list-style-type: none"> In 2018: opening 3 new showrooms In 2019: opening 8 new showrooms Total number of showroom in 2019: 20 showrooms located in 8 provinces + Agent system <ul style="list-style-type: none"> Bedding agent: increasing from 384 to 406 agents Agent for new business: 23 agents
 <p>Export sales accounts for 50% of domestic revenue</p>	<p>Export sales from bedding, padding and cleaner products accounted for 33.4% of total revenue, equivalent to 50% of domestic sales.</p>



II ACTION PLAN 2020

After reviewing the strategy performance of 2018-2019, the Board of Directors set out the detailed action plan for 2020 to achieve the strategic goals of 2018-2020 as below:

▶ 2.1 Bedding Business

The bedding business is the core business of Everpia. The Company develops detailed strategies to strengthen branding, increase market share and enhance the quality of products and services.

a. B2C Unit

The business direction for 2020: (1) Refresh the brand image; (2) Enhance the online shopping experience; (3) Develop new products.



Refresh the brand image

- Upgrade visual presentation of retail stores and synchronize with branded digital marketing platforms
- Set up experience zones and offer sleep & health consulting service in store
- Collaborate with high-end consumer product brands in marketing campaign and product display



Enhance the online shopping experience

- Develop marketing strategy for each target segment based on customer journey on digital platforms
- Integrate a digital marketing platform with offline retail stores
- Upgrade Everon e-commerce website with user-friendly functions



Develop new products

- Research urban home textile market trends and consumer behavior for new product development.
- Outsource new products with outstanding functions from international markets to domestic consumers.

b. B2B Unit



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

c. Export OEM/ODM Unit



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) 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; (3) Optimize the Vietnam's bilateral and multilateral free trade agreements to expand markets and strengthen supply chain.

▶ 2.2 Padding Business

Competition for market share in the padding industry has become ever fierce due to increase in local market entrants with lower price points and decrease in the global consumer demands for insulated jackets due to global warming. However, as the export turnover of Vietnamese textile and garment industry is expected to increase over 7% annually, the market size of the padding industry in Vietnam is also expected to grow. Everpia aims to increase its market share by strategies in following categories: (1) Sustainable Production (2) Marketing (3) Product Development.



Sustainable Production:

- Upgrade the sustainable production practices by applying international standards such as RCS, GRS, ISO 14001, and Higg Index modules
- Join production optimization programs and initiatives to seek professional advice
- Promote the eco-friendly materials and packaging.



Marketing:

- Tap on the market opportunities on global sustainability trend
- Attend trade shows and related industry events to raise awareness



Product Development:

- Invest in research and development of padding products focusing on innovative materials and production method

▶ 2.3 Cleaner Business



EVFTA provides a growth potential to cleaner exports to European market. In addition to upholding the current export market share, Everpia plans to expand 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.

▶ 2.4 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.

▶ 2.5 Sustainable Development Strategy



Year 2020 marks an important transition from investing in innovations inside the organization to the outside for sustainable development. Transition to environmental, social, and governance focused-business comes from not only a moral choice, but also a positive business model as the demands for sustainable consumption and production soars due to the impact of climate change.

Everpia has developed action plans to reach sustainable development goals with the key contents as below:

01	02	03
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.

▶ 2.6 Other Activities

In addition, the Company further strengthens internal capacity by:



- Adjust incentive policy for the sales force in accordance with the business strategy of each business unit.
- Continue the Factory Innovation program:
- Perform evaluation on 5S and 3 NOs bi-weekly
- Monitor and control production through 4M production management technique.

III DEVELOPMENT STRATEGY 2021-2025

▶ 3.1 Goals



- **Home Total Brand**
Develop Everon as a favored home total brand for Vietnamese families.
- **Sustainable Production & Products**
Greening our factories and products through reaching sustainability goals
- **Revenue & profit growth:**
 - Target to net profit ratio at 10%
 - Maximize the shareholder benefits with committed dividend policy.

▶ 3.2 Long-term Strategy

Below is Everpia's long-term strategy based on the analysis of local and global trends affecting the business environment.


KEY TREND
Macroeconomic Conditions

CONTEXT
Vietnam continues to sustain advantages in the international trade with new FTAs as well as bilateral and multilateral economic cooperation

IMPACT
FTA opens up opportunities for Everpia to access new export markets, as well as reduce the cost of imported inputs; and threats on an increasing number of competitors.

EVERPIA'S STRATEGIES

- Quality management: applying international standards,
- Keep the products updated with the consumer trends in target market,
- Take advantage of tariff preferences to optimize cost and offering price.




KEY TREND
Sustainable Production and Consumption

CONTEXT
Due to the impact of climate change, the trend of promoting naturally sourced/recycled/sustainably produced products increase

IMPACT
As part of the global textile supply chain, Everpia is in urgent need to upgrade sustainability standards for business expansion. However, the appropriate scale and timeline should be considered.

EVERPIA'S STRATEGIES

- Greening the production: efficient use of resources, reduce effluents, waste, emissions.
- Promote global sustainability standards in supply chain:
 - Prioritize suppliers with sustainable practices,
 - Promote sustainable consumption practices.




KEY TREND
Integration of Online and Offline Shopping Experience

CONTEXT
Seamless shopping experience is the modern trend in brick-and-mortar stores. Technology is drastically changing concepts and ways of doing business

IMPACT
Demand for innovating the distribution network to catch up with the digitalization trend.
Demand for promoting effective online business models and coordinating with existing retail distribution networks.

EVERPIA'S STRATEGIES

- Promote the "home total fashion" in product portfolio diversification, and "one-stop shopping" for distribution system.
- Integrate the online business platform with offline retail stores.
- Develop Digital marketing strategy as the key communication and advertisement tool.




IV RISK MANAGEMENT

Successful executions of the Action Plan 2020 and Development Strategy 2021-2025 demand acute analysis of potential risks. Everpia has identified two major risks that may arise from pursuing the long-term strategy; strategic risk and operational risk. Strategic risk pertains to fluctuations in the macroeconomic environment and sudden changes in market developments that may interfere or affect the execution of our business strategies. Operational risk refers to the uncertainties and hazards in our day-to-day business activities resulting from inadequate or failed procedures, systems or policies.

Under the supervision of the Audit Committee, Everpia has identified both financial and nonfinancial risk factors and developed a risk control system to monitor its feasibility and impactability. The control system flags any significant movement in the macro environment as well as internal operations and guides the Company to adjust strategy or implement solutions promptly.


RISK	CONTROL METHOD
------	----------------

STRATEGY RISK

	Investment Strategy Risk
---	---------------------------------

Investment strategy has substantial consequences to capital and cash flow. Everpia is investing in a subsidiary in Korea. The feasibility and potential in the future is still uncertain which is difficult to predict the challenge during operation.

In order to minimize this risk, investment decisions are thoroughly evaluated by the Board of Management and the Board of Director based on the size of the target market such as scalability, competitiveness, finance efficiency, technology-specific and related risks. In addition, the company also has backup plans to respond immediately to the worst scenario.

	Market Strategy Risk
---	-----------------------------

Market strategy determines market share in general or the Company's sales in particular. Misjudging the trends and demand of the target customers will lead to wrong decisions about the price, quality, characteristics, product design, advertising strategy that lead to sales decrease, and losing competitive advantages, increasing inventories and can't take advantage of scale

To mitigate this risk, executives Board, sales and marketing departments regularly research the market, updating trends and demand of different customer segments and media channels as well as advertising channels that have the greatest influences to make decisions on price, quality, product design and advertising strategy, promotion and customer service.

	Risks in new product development strategies
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From 2018, we launched 2 new product lines: Cleaner and Curtain Blinds. The implementation of new product lines arises risks such as strategies to develop new product lines are not suited with the demand of the market, can't not arrange human resources, supply chains, and finance to launch the new product lines.

The company conducted thorough surveys of market demand, competitors and how to reach the target customers; make appropriate human planning, find suppliers, cooperate and implement together; prepare financial resources and assess risks, set up backup plans before launching new product lines.

RISK		CONTROL METHOD	
	Production Strategy Risk	<p>Unreasonable production strategy, not catching up with the production techniques; the ability to innovate products is limited due to the capacity of factory and machines; inefficient investment in machinery; current machinery is not maintained or appropriately maintained which leads to the loss of raw materials, increase breakdown which lead to wasteful, production delay, workmanship decrease, production management level can't catch up with changes and practical demands</p>	<p>Company regularly updates and compares current machinery capacity and production techniques to new production machines and techniques; carefully consider factors of market demand, investment costs, arrangement, operation capability, etc. before deciding to invest in new machinery lines; set up plans for reasonable machine maintenance; periodically training to improve skills and update advanced management skills for factory management level and production planning department.</p>
OPERATIONAL RISKS			
	Business risks	<p>For a manufacturing company like Everpia, the risk of bad debt and high inventory will affect cash flow and working capital.</p>	<p>Establishing a principal contract of debt policy, using the ERP system for statistics of debt indicators, monitoring daily debt reminders and making provisions for bad debts that have helped the Company manage customers receivables debts well.</p>
	Product quality risks	<p>The risks of input material quality and manufacturing errors lead to the decline in the output quality of finished products which greatly affects the brand image of the Company.</p>	<p>To prevent this risk, the company has set standards and procedures to check the quality of input materials and finished products as well as invest in new machinery to ensure new quality requirements for products from customers.</p>
	Risk of counterfeit goods and counterfactual information	<p>Counterfeit goods and counterfactual information on social networks and the Internet damage the brand image, product quality and the reputation of the Company.</p>	<p>To prevent counterfeit products, the Marketing Department regularly checks and updates the market situation to promptly detect the stores and organizations selling counterfeit products. Moreover, the company regularly improves anti-counterfeiting stamps and operates a barcode system to search and check the genuinity of products.</p> <p>To prevent the spread of counterfactual information, the PR Department regularly checks social network platforms and the Internet to identify counterfactual information and react immediately to ensure brand image and reputation of the Company.</p>
	Exchange rate risk	<p>The company's raw materials for production and business activities are mainly polyester fibers and fabrics imported from foreign partners. Fluctuations in exchange rates may affect production costs and profit.</p>	<p>Everpia monitors exchange rate fluctuations forecast and implements material purchasing contracts via L / C to prevent the risk of foreign currency shortage, the impact of exchange rate fluctuation.</p>

RISK		CONTROL METHOD	
	Legal risks	<p>In Vietnam, laws and sub-law documents are often changed and not synchronized. The risks include lawsuits, disputes and penalties in contracts and agreements.</p>	<p>The Legal Department synchronizes company policies with updated laws and regulations.</p>
	Human resource risks	<p>Sudden resignation of employees leads to unprepared human resources to operate the business and increases costs for new employee training.</p>	<p>In order to limit human resource risks, the Everpia implements a long-term remuneration and incentive policy and organizes regular internal training sessions to provide career development opportunities.</p>
	Environmental risk	<p>Increasingly the local governments and international stakeholders raise attention to the environmental impact of businesses. The environmental risks include fines and the reputation of the Company and our brands.</p>	<p>To limit environmental risks, the company invests in waste treatment systems, refrain from using toxic chemicals in the production, and increase the use of environmentally friendly materials. Everpia complies with international standards for responsible production such as Higg FEM, Global Recycling Standards and ISO 14001.</p>
	IT system risks	<p>IT systems are one of the core parts of the management system in the company: risks such as data loss, viruses, malfunctioning, and hacking cause a great threat to the operation of the Company.</p>	<p>In order to prevent risks from IT systems, the company performs daily data backup to avoid data loss, regularly update, refine the software system, and improve the computer system security.</p>
	Others	<p>Risks such as natural disasters, fires, and epidemics seriously affect production and business activities of the company.</p>	<p>The company implements risk mitigation measures by purchasing property insurance, installing fire protection systems, and fully implementing hygiene and safety measures.</p>



CHAPTER

03

BUSINESS PERFORMANCE REPORT

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I BOARD OF MANAGEMENT REPORT

1. Business Performance

Following the average growth rate of 9% during the past 5 years, Everpia's target in 2019 was VND1,300 Bil. in revenue and VND100 Bil. in profit. The target was based on the expected growth of the core businesses as well as new businesses of Kingcoil spring mattress, Curtain and Cleaner.

In 2019, with the slogan "Keep changing, go further", the Board of Management invested in innovation programs not only in the production lines but also in the HR and marketing strategy. The decision was intended to facilitate a full potential of continuous growth in the coming years.

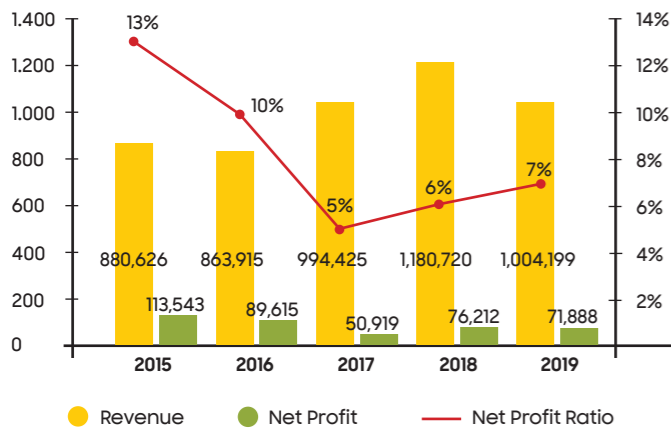
Unit: mil. VND

Item	2019 Actual	2019 Target	2018 Actual	Target Accomplished	Growth Rate
Consolidated Revenue	1,004,199	1,300,000	1,180,720	77.2%	-15.0%
Consolidated NPAT	71,888	100,000	76,212	71.9%	-5.7%

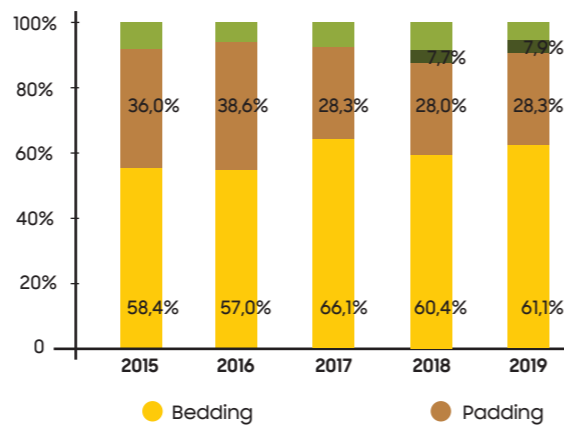
Everpia accomplished 77% of the revenue target and 72% of the profit target, assigned by the General Shareholders, with the negative revenue growth compared to the same period in 2018. The Board of Management would like to take full responsibility before the Board of Directors and general shareholders for failing to meet the sales and profit target.

Despite the disappointing result of business performance in 2019, the Board of Management remains positive to the long-term growth of Everpia. Factory Innovation initiatives and

other efforts to manage costs has significantly improved the gross profit ratio from 32.3% in 2018 to 34.2% in 2019. Moreover, renovations in the B2C distribution channels and B2B customer assessment programs have begun to take positive effects on increasing sales while minimizing insolvency risks. The following analysis of business units will assist the readers to better understand the operating context of each business as well as the commitment of the Board of Management to sustain long-term value to the shareholders.



Revenue and Profit



Revenue Structure

1.1 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. The climate change had a direct impact on the bedding business. The revenue of the bedding sector in 2019 fell down to VND 613,9 bil., 14.0% decrease from 2018. The revenue structure of bedding business in 2019 is divided as follows; B2C sales accounts for VND454,0 bil (73.9%), B2B for VND 93,2 bil (15.2%) and export for VND 66,7 bil (10.9%).

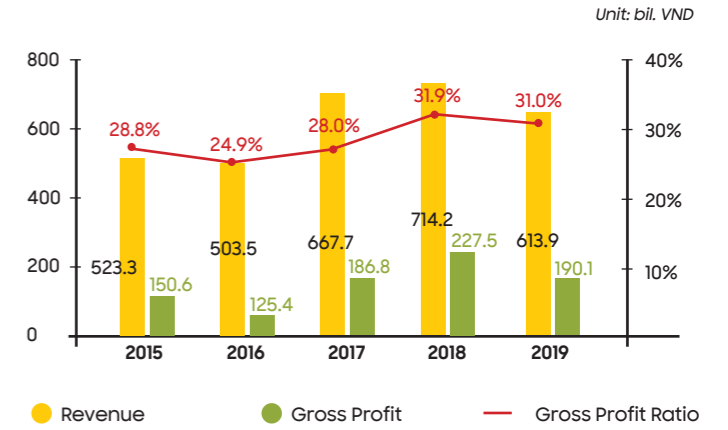
Although the sales have decreased in comparison with the previous year, the Company has invested in numerous preparatory initiatives for long-term sustainable development.

For B2C channels

Everpia conducted surveys on consumer trends and development potentials of Northern provinces and cities. Moreover, it organized 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. Lastly, new product lines with high applicability have been developed, aiming at customers with special requirements for health issues such as: 5-second pillows, shaped pillows, special collections for summer.

For B2B and Export channels

Everpia systematized a survey of customer orders and customer capacity assessment to best meet customers' requirements for each order while minimizing debt risks.

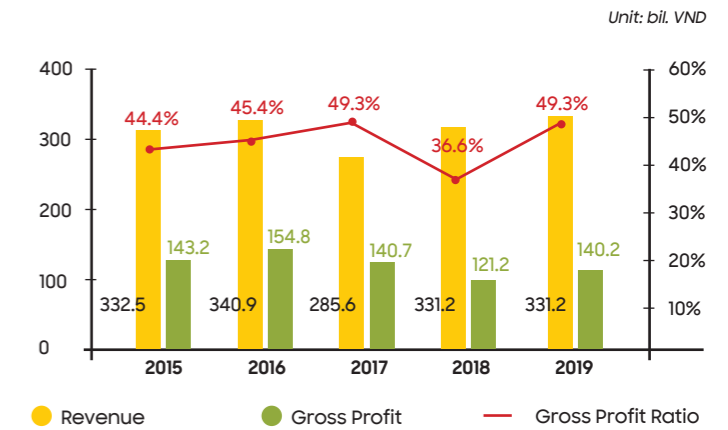


Revenue and Gross Profit of Bedding business

1.2 Padding Business

In the context of a slow increase in global trade in 2019 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 padding revenue has decreased by 15.4% and quilting revenue has decreased by 7.1%.

However, with two reputable certificates of recycled padding products, GRS and RCS, as well as renovations in production management, Everpia has gained great competitive advantages and recorded a 49.3% gross profit ratio for the padding business in 2019. The gross profit ratio of 49.3% is one of the highest performances in the padding industry since the gross profit ratio of the largest competitor recorded 13.6% in 2019.



Revenue and Gross Profit of Padding business

1.3 Cleaner Business

The year 2019 is the second year that Everpia has officially operated manufacturing and trading of microfiber cleaner products following the acquisition of the entire production line from the associated company Texpia. Similar to Padding business, export sales account for 95% of cleaner business. Influenced by the international trade, revenue from the export of cleaner products decreased by 12.7%, with the net revenue of VND 79.8 Bil. In addition, the increase in the raw material cost decreased the gross profit ratio to 6.9%.

Unit: bil. VND

Item	2018	2019	+/-
Revenue	91.4	79.8	-12.7%
Gross Profit	13.5	5.5	-59.0%
Gross Profit Ratio	14.7%	6.9%	

1.4 Curtain Business

Curtain product lines were expected to contribute a significant portion to Everpia's revenue structure when it was launched at the Agent Meeting in June 2018. However, due to the particularity of products with many accessories and the multi-step- sales process including: product introduction - order - measurement - tailoring - installation, the curtain business model could not gain much market share. Despite limited sales, during the period, Everpia has built important foundations for the development of curtain business in the future:

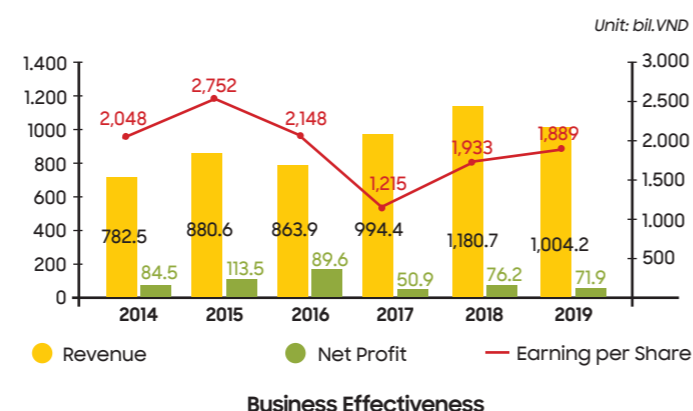
1.5 Other Products

In addition to the core business, the revenue from products such as furniture, home decoration items, and kitchenware was VND 26.0 Bil., accounting for 2.6% of the total revenue structure in 2019.

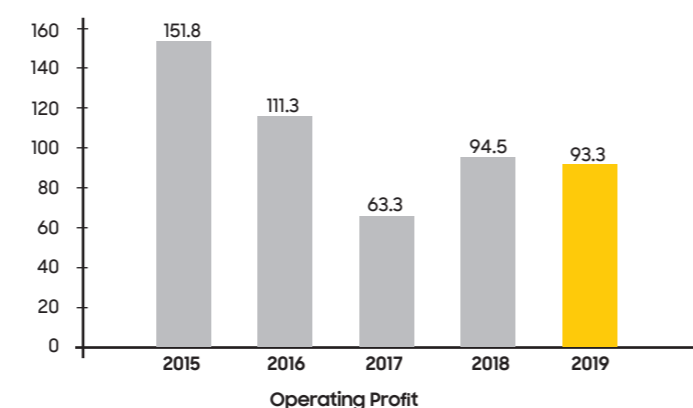
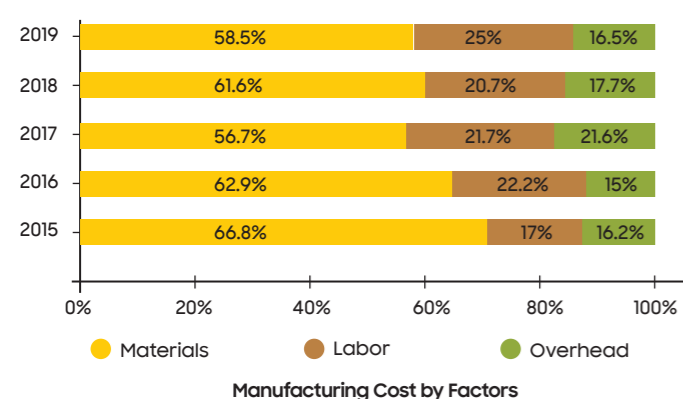
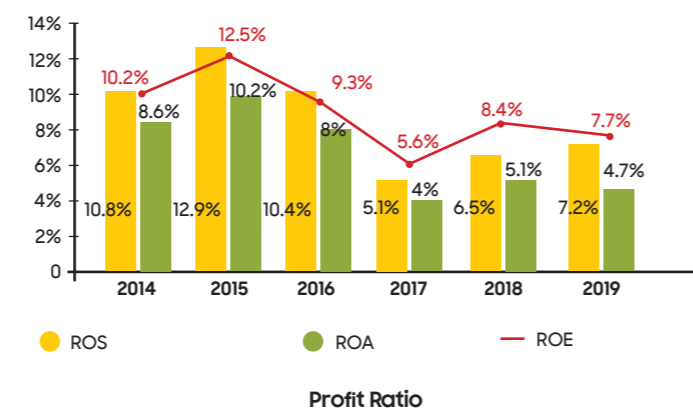
1.6 Business Effectiveness

Thanks to the positive effect of thorough factory innovation, the gross profit ratio has improved significantly from 32.3% in 2018 to 34.2%. In addition, transition from advertising on traditional media to the digital media has mitigated a large sum of cost and resulted in an increase of the profit before tax rate from 8.1% to 9.4%. However, due to the decrease in the overall profit, the ratio of earnings per share decreased from VND1,933 to VND1,889.

- Building a system of suppliers of high-end curtain materials in Korea and China,
- Researching for the improvement and planting new machines automate precise procedures
- Training knowledge about curtains, way of measurement and the installation of products for the whole agents in the Northern region,
- Launching 3 sets of curtain catalogs with 230 fabric samples and 01 set of window blind catalog with 48 fabric samples.

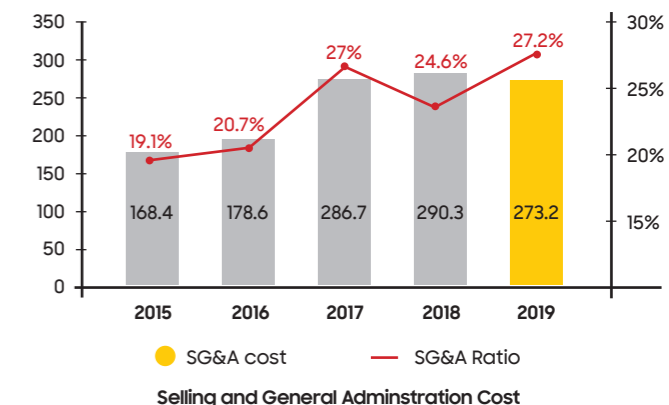


Items	2017	2018	2019
Gross Profit Ratio	33.2%	32.3%	34.2%
Profit before tax ratio	6.4%	8.1%	9.4%
Return on sales (ROS)	5.1%	6.5%	7.2%
Return on equity (ROE)	5.6%	8.4%	7.7%
Return on assets (ROA)	4.0%	5.1%	4.7%



Selling and General Administration Cost

Selling expenses increased from 14.9% to 17.4% due to the expenses for opening new showrooms and setting up new teams; MD and Digital Marketing team. The drastic innovation in production methods has continuously contributed to the general administrative expense to stabilize at 9.8%.



2. Investments

In 2019, Everpia did not invest in any projects. Everpia holds short-term financial investment and investment in other entities.

2.1 Short-term Investments

Held-for-trading Securities

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.

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

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

Currency	Ending balance		Beginning balance	
	Cost	Carrying value	Cost	Carrying value
Term deposits	515,700,000,000	515,700,000,000	452,548,500,000	452,548,500,000

2.2. Investment in other entities

Company	Shares	Ownership	Investment value (VND)
Bac Ninh Pharmaceutical JSC	172,000	4.7%	2,638,200,000
Kalon Investment Asset Co., Ltd	30,000	5.7%	5,781,000,000
Total			8,419,200,000

Since the initial investment in Bac Ninh Pharmaceutical JSC in 2009, Everpia has annually received cash dividend at an average rate of 15%. The return on investment value at the end of 2019 is 52.8%. Kalon Investment Asset is a new investment by Everpia in 2019. The initial investment value is KRW 300 million for 5.7% ownership.

3. Associates Performance

Everpia currently has 1 affiliated company – Texpia JSC and 1 subsidiary – Everpia Korea JSC.

3.1. Texpia JSC

Everpia has invested in Texpia since 31st August 2015 with the amount of shares equivalent to 44% contributed capital. Texpia is a manufacturer of microfiber towels & cleaners; while these are new to Vietnamese market, they have been popular in Europe and America. Texpia mainly exports to customers in the US, Germany, Australia, Korea and Japan. Everpia acquired the entire project of Texpia at the end of 2017. From 2018, Texpia stalled its operation and is running without any assets. Texpia's management will implement all necessary procedures for liquidation in the coming time.

3.2. Everpia Korea JSC

In 2017, the Board of Directors established a subsidiary company in Korea to source high-quality raw materials and machinery and promote marketing activities for export orders. Everpia Korea JSC has contributed a large number of export orders for Padding and Bedding businesses and timely imports of raw materials and machineries. The operation of Everpia Korea remains stable, however, it records a loss of VND 7 Bil. in 2019 due to its limited business function.

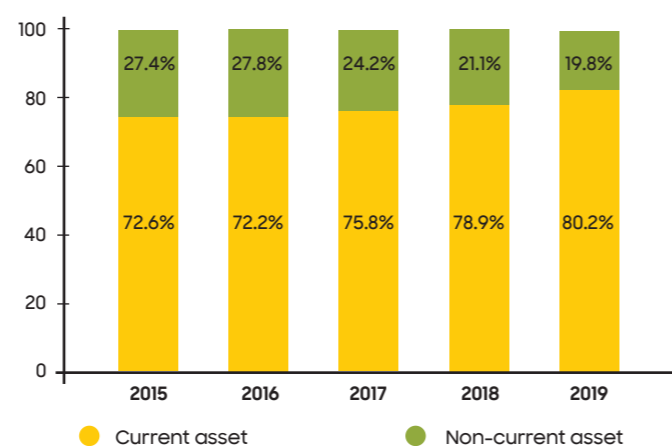
4. Financial Position

4.1 Basic Financial Indicators

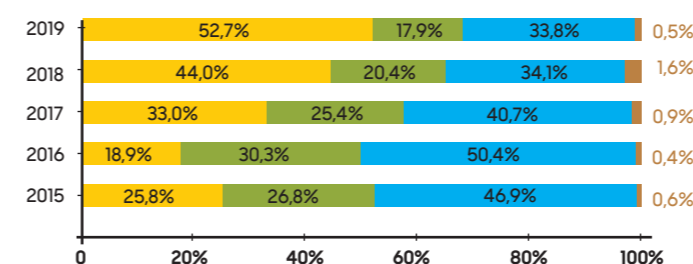
Items	2017	2018	2019
Total Assets (mil.VND)	1,276,449	1,490,113	1,537,633
Asset (%)			
• Non-current assets/Total assets	24.2%	21.1%	19.8%
• Current assets/Total assets	75.8%	78.9%	80.2%
Resources (%)			
• Liabilities/Total resources	28.2%	27.0%	39.0%
• Shareholders' equity/ Total resources	71.8%	73.0%	61.0%
Liquidation Capacity (ratio)			
• Current ratio	5.9	5.5	5.1
• Quick ratio	3.4	3.5	3.4
• Short-term debt coverage	0.6	0.4	0.2
• Accounts Receivable Turnover	4.1	4.9	4.4
• Inventory turnover	1.7	2.0	1.7
Profitability Ratio (%)			
• Gross profit margin	33.2%	32.3%	34.2%
• Operating profit ratio	6.4%	8.0%	9.3%

4.2 Assets

Total assets in 2019 increased by 3.2% compared to 2018, equivalent to VND 1,537 billion. Asset structure has a slight change of 1.3% decrease in non-current assets due to increase in short-term investments.



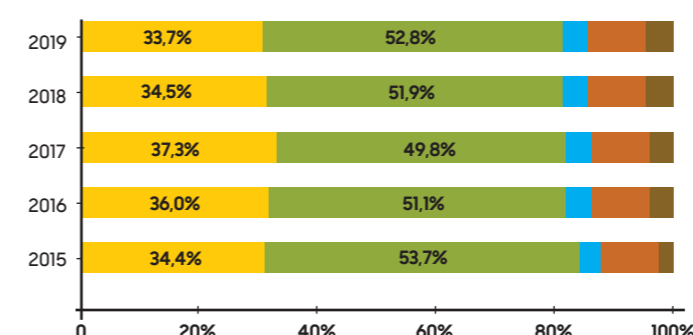
Current Asset Structure



● Cash and short-term deposits ● Short-term receivables
● Inventories ● Other current assets

Inventories and short-term receivables decreased from 34.1% to 33.8% and 20.4% to 17.9% respectively due to tight management of these accounts.

Tangible Fixed Asset Structure



● Buildings and structures ● Motor vehicles ● Others
● Machinery and equipment ● Office equipment

Tangible fixed asset structure remains stable in 2019 with the exception of slight increase in the value of machinery and office equipment corresponding to the increase rate of 4.2% and 10.8% respectively due to investment in machines in Hung Yen factory and office equipment for the Ton That Thuyet office in Hanoi.

Asset Use Efficiency

Item	2017	2018	2019
Inventory Period	220	181	221
Trade Receivable Collection Period	90	75	83
Trade Payable Payment Period	(28)	(30)	(29)
Working Capital Cycle	282	227	275

Inventory Period

Despite the successful result of reducing inventory period by 39 days in 2018, inventory period increased back to 221 days due to decrease in overall sales and high cost (VND 19,8 Bil.) of raw materials for King Koil spring mattress and curtain products. Nevertheless, the Management implemented few solutions to reduce the inventory period in 2019. For example, the B2C pre-order program contributed to a significant reduction in the amount of raw material import for new products. Moreover, the separation of slow-moving raw materials and finished goods into obsolete warehouses increased the efficiency of inventory management

The Management conducted periodic assessments on the impact of uncollected receivables on business operation and enforced strict rules on payment collection. The provision for doubtful short-term receivables was changed from VND53,5bil. in 2017 to VND35,5bil. in 2018 and VND38,8bil. in 2019. This provision evaluation has directly affected the business performance. However, it is always implemented in order to accurately record the actual profit in the period.

Collection Period

The value of short-term and long-term receivables decreased by 12.2% and 9.3% respectively compared to 2018.

Payable period

The payable day increased by 1 day due to the decrease in cost of goods sold in according the decrease in revenue

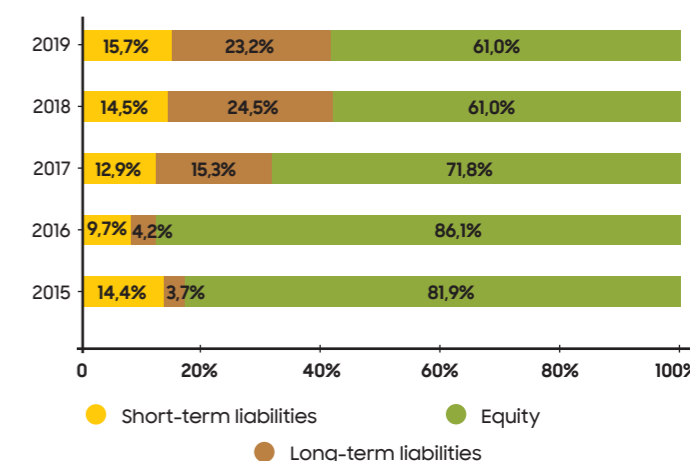
Working Capital cycle

Increase in the inventory period and the receivable collection period has led to a 48 days delay in the working capital cycle in 2019.

4.3 Resources

The owners' equity remains stable at 61% in the resource structure. In 2019, the equity increased by 3.3% in value thanks to the undistributed earnings from 2018 profits.

Total liabilities increased slightly by 3.1% in value mainly due to the increase in short-term borrowings. Borrowings include USD loans for the purchase of raw materials and VND loans with low interest rates to take advantage of the difference between interest rates on deposits and loans.



4.4 Cash Flow Status

Unit: mil. VND

Item	2017	2018	2019
Net cash flow from operating activities	106,010	83,014	51,301
Net cash used in investing activities	(142,640)	(266,275)	(57,059)
Net cash from financing activities	88,443	112,913	8,51
Cash and cash equivalent	131,587	64,672	67,058

The ending balance of cash and cash equivalents in 2019 is VND 67 Bil. The net cash flow from operating activities decreased from VND 83bil. to VND51,3bil. since the Company invested in VND 37 Bil. on a short-term bond with an interest rate of 11.5% per annum. Net cash used in investing activities were VND 57 bil. and net cash from financing activities were VND 8,5 bil. The maintenance of positive cash flow shows that the core business of the Company is still operating efficiently and is capable of generating large cash flow for the Company's operation.

Liquidity Ratio

Item	2017	2018	2019
Current ratio	5.9	5.5	5.1
Quick ratio	3.4	3.5	3.4
Interest coverage ratio	5.8	4.0	5.3

Liquidity ratio and interest coverage ratio were at a high rate, showing a safe development level as well as good profitability of assets. Repurchase of the bonds issued to Vietcombank reduced interest expenses. Moreover, a reasonable balance between capital flows reduced additional expenses from exchange rate losses.

4.5 Financial Leverage

The debt ratio of 2019 remains the same as that of 2018 because no large debts have incurred during the period. That the debt ratio is always below 1 shows that Everpia's assets are mainly financed by owner's equity and the Company does not face any risks in debt payment. There are 2 current largest debts of the Company. The first one is non-convertible bonds, which are VND100bil. in value, issued for Vietcombank with interest paid every 6 months and the interest rate of 8.5% (2019). Another one is convertible bonds, whose value is 10,100,000 US dollar, with the annual interest rate of 1%.

Criteria	2017	2018	2019
Liabilities/Equity	0.39	0.64	0.64
Liabilities/ Total Asset	0.28	0.39	0.39

4.6 Impact of Exchange Rate Fluctuation and Interest Rates

35.7% of material value in 2019 is imported and paid in foreign currencies. Moreover, 33.4% of the revenue in the period is recorded in USD with absolute values equal to the value of imported material. As a result, the Company had minimal impact from the exchange rate fluctuation. Export sales from Bedding, Padding and Cleaner businesses have resulted in the exchange rate gain of VND 865 mil.

Working capital of Everpia is mainly owners' equity. In 2019, the Company had a total bank deposit of VND 551.4bil, of which 6.5% are deposits with term of 1-3 months, 93.5% are deposits with term from 6 months to 1 year which earn the interest rates ranging from 6.9% to 12% per annum.

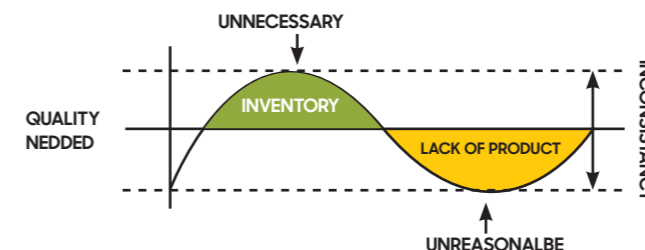
Unit: mil. VND

Item	2017	2018	2019
Financial Income			
Interest	8,582	20,480	36,121
Foreign exchange gains	4,214	10,775	6,759
Financial Expenses			
Interest expenses	7,920	16,466	13,769
Foreign exchange losses	4,428	11,148	5,894

5. Innovation Initiatives

5.1 "3-NOs" and "7 Unnecessaries" in Production

With the slogan "Keep changing, go further" in 2019, Everpia introduced measures to balance production through the application of "3-NOs" model: 1) NO to unnecessary (overproduction that leads to over-storage), 2) NO to unreasonable (customers need that we cannot provide) and 3) NO to inconsistent (production plan that concentrates resources of one item for overproduction but lacks 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 Unnecessaries":

1. Unnecessity of overproduction: manufacturing products which are not guaranteed to be marketable.
2. Unnecessity of storage: the stagnation of raw materials, products, goods, and etc
3. Unnecessity of redundant operations: performing redundant actions.
4. Unnecessity of waiting: waiting due to lack of materials or waiting for the previous stage to finish.
5. Unnecessity of transportation: placing temporarily or moving excessive levels
6. Unnecessity of defective goods: manufacturing products that cannot be sold.
7. Unnecessity 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 Unnecessaries" 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.

6. Evaluation of Environmental and Social Responsibility

In 2019, Everpia received Top 100 Sustainable Business in Vietnam for 4 consecutive years since 2016. Granted by VBCSD (Vietnam Business Council for Sustainable Development), the award signifies Everpia's commitment to become the leader in sustainable business.

Consumed 4,479,085 meters in 2019, bedding fabric accounts for the largest portion of materials in Everpia every year. Of the total amount of the bedding fabric, 53% came from sustainable sources such as Cotton, Tencel, Modal, and Bamboo. Moreover, as a part of the Factory Innovation program, a series of initiatives on energy savings have been launched and saved us 211,000 kWh and 7,700 liters of gasoline per year. Committed to environmental sustainability, Everpia

5.2 Inventory Management

In 2019, the Board of Management has implemented the following solutions to manage inventories in both raw materials and finished products sections:

- i. Sorting inventories by business unit and by inventory date to devise solutions;
- ii. Performing visual management through the presentation of goods stored in each shelves in order to quickly identify storage risks for each item;
- iii. Performing the periodic analysis and evaluation of the goods flow speed of each item to identify the causes for low-speed,
- iv. Applying FIFO (First-in, first-out) method for all products flowing in and out the warehouse.

5.3 Establishment of 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.

5.4 Restructure Marketing Team

To implement the Marketing plan as quickly as possible with the lowest cost, the Company has restructured the Marketing Department whereby:

- i. Clearly divide job responsibilities between Sales and Marketing Department,
- ii. Establish urban office for Marketing Department,
- iii. Set up Digital Marketing Team.

promoted recycled products for padding business. Recent trends in the global apparel industry to reduce carbon emissions have resulted in the increased demand for the recycled padding products from post-consumer PET bottles and helped us reuse 137,041,488 plastic water bottles in 2019.

Everpia also focused in Increasing Access to Quality Education. In 2019, Everpia has contributed VND 2,535,000,000 for the scholarship sponsoring and school infrastructure investment and participated in Korcham (Korea Chamber of Commerce) CSR program to sponsor university students each year. We continue to look out for opportunities to help those who lack access to quality education.

► 1. Review of 2019

2019 continues to be a year of innovation, both in business and production aspects. Under the leadership of the Management, employees from the offices to workshops have shown solidarity, vitality, and responsibility throughout the year.

Business Performance

Operation Management

Distribution Channel

Results of Business Administration

Business Performance: Sales in 2019 reached VND 1,004,199 million, down 15.0% over the same period and only achieved 77.2% of the target sales. Profit reached VND 71,888 million, down 5.7%, achieving 71.9% of target profit. Unsatisfactory business performance was explained by 3 groups of reasons: i) sales of 02 core businesses decreased; ii) sales from new businesses did not meet expectations and iii) selling expenses increased due to the costs of opening new showrooms and establishing new teams in the business division.

Operation Management: The increase of profit ratio in 2019 demonstrates the strong effect of various cost management measures. The Factory Innovation program, in particular, increased the efficiency of warehouse operation and workshop productivity. This program needs to be maintained in the coming years to reach the target of net profit after tax ratio of 10%.

Distribution Channel: In 2019, the Company opened 8 new showrooms including 3 showrooms in Hanoi and 5 showrooms in the provinces of Da Nang, Thua Thien Hue, Nha Trang, Ho Chi Minh and Binh Duong.

Results of Environmental and Social Goals

Environmental Goals: In 2019, the Board of Management applied measures to improve production quality while mitigating the impact on the surrounding environment, through optimization of energy and water consumption, reduction of emissions and efficient management of waste and wastewater quality.

Social Goals: In order for the development of the economy to be associated with the development of community - society, the Company has created more jobs for local labor and contributed more than VND 39 billion to the state budget. For employees, besides the welfare policy according to the law, the employees are also entitled to other preferential welfare policies to encourage them to create more value for society and the economy. For the local community, Everpia has contributed VND 2,535,000,000 for the scholarship sponsoring and school infrastructure investment.

**Details of related assessments are shown in Chapter 5. Sustainability Report.*

► 2. Review of BOD's Activities in 2019

2.1. Core Activities in 2019

Strategic Planning Activities

- Build business strategies for the period of 2018 - 2020
- Evaluate the possibility of selecting and developing new categories
- Promote the implementation of long-term competitiveness building programs
- Evaluate business results and identify potential risks that may affect the Company in the future
- Coordinate with the Board of Management to develop operational plans

Risk Control

- Assess strategies against crisis management, operational risk control based on the report of the compliance with internal processes, the risks of input materials as well as the risks of competitiveness
- Organize meetings with experts to improve management ability, minimize risks during operation and development.

2.2 Evaluation on BOD's Performance

Monitoring Method

The Board of Directors supervises the activities of the Management through monitoring method:

- Monitor the completion of important targets in the year committed by the General Director and the Management Board;
- Request the General Director and the Board of Management to make reports on business performance in the BOD quarterly meetings;
- Independent BOD members works independently and closely coordinated with the Audit Committee to understand the operation status of the Company and proposes to the Board of Management to complete the tasks assigned by the General Shareholders and the Board of Directors;

- Make resolutions after the meetings of the Board of Directors for the Board of Management to have a basis for implementation.

Evaluation

Under the leadership of the General Director, the Board of Management has shown the spirit of solidarity, creativity and high responsibility in the work. The Board of Directors fully understands and shares the difficult decisions of Management in balancing the goals of sustainable development and increasing sales in the period. Although not achieving the targets of sales and profits as assigned by the General Shareholders, with the efforts of the Board of Management, the solutions on the market, distribution system, factory innovation has been completed. Management has built and laid a solid foundation for long-term development.

► 3. Plan for 2020

Business plan: Implementing business plan synchronously and strongly to achieve business targets in 2020; especially the implementation of new businesses. Update, review and adjust the business strategy 2018-2020 in accordance with the market situation.

Production management: Production management plays an important role in enhancing our position in the market. The Company continues to focus more on how to increase the effectiveness in the aspects of manufacturing.

Innovating advertising methods, expanding customer target: applying Digital Marketing activities to reach customers with low cost and also increasing opportunities to reach young customers - new shopping class of the market.

Technology: investing and performing the modern advanced technology system to meet the business needs of the whole Company as well as the target of centralized management.

Investor relation: in the context of Covid 19 pandemic, the Board of Directors requires the Board of Management regularly update and share with shareholders its impact on related to performance, policies, and medium and long-term development strategies of the Company.

Corporate governance regulations: strengthening the corporate governance in accordance with the Vietnam Corporate Governance code of Best practices. *Please refer to Chapter 4: Corporate Governance for more details.*





CHAPTER

04

CORPORATE GOVERNANCE

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BOARD OF DIRECTORS

**MR. LEE JAE EUN**

- ▶ **Title:** Chairman - CEO
- ▶ **Nationality:** Korea
- ▶ **Degree:** Bachelor of Economics - Sung Kyun Kwan University
- ▶ **Experiences:**
Before joining Everpia, Mr. Lee Jae Eun had 20 years of experience in Finance and Investment in Korea. Over the 15 years of running Everpia as General Director, Mr. Lee has lifted the company to be one of the best Korean companies in Vietnam, Top 100 sustainable businesses, and the most trusted bedding brand in Vietnam.
- ▶ **Position of BOD member at other companies:** Texpia JSC
- ▶ **Owned shares:** 7,006,800 EVE shares, ownership ratio 16,7%

**MR. CHO YONG HWAN**

- ▶ **Title:** BOD member - Senior Director
- ▶ **Nationality:** Korea
- ▶ **Degree:** Bachelor of Polymer Chemistry - 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. Mr. Cho joined Everpia since its foundation, currently leading the strategic market expansion plan in the South, he has played an important role in maintaining market shares, developing new products, expanding distribution channels and enhancing overall competitiveness of Everpia.
- ▶ **Position of BOD member at other companies:** None
- ▶ **Owned shares:** 372,000 EVE shares, ownership ratio 0,89%

**MR. YU SUNG DAE**

- ▶ **Title:** BOD member - Senior Director
- ▶ **Nationality:** Korea
- ▶ **Degree:** Master of Accounting - Hanyang University
- ▶ **Experiences:**
Mr. Yu Sung Dae has 26 years of working experience at PricewaterhouseCoopers, and 28 years as a member of Korean audit association. Joining Everpia as an executive BOD 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.
- ▶ **Position of BOD member at other companies:** None
- ▶ **Owned shares:** 70,000 EVE shares, ownership ratio 0,17%

**MR. PARK SUNG JIN**

- ▶ **Title:** BOD member - Senior Director
- ▶ **Nationality:** Korea
- ▶ **Degree:** Bachelor of Business Administration - Yonsei University
- ▶ **Experiences:**
Mr. Park Sung Jin has 20 years experience at a fund management company in Korea. Since he joined Everpia in 2009, Mr. Park has been directing the operation of Southern Vietnam. Under his management, the Dongnai factory and sales in the South has contributed a considerable value for Everpia.
- ▶ **Position of BOD member at other companies:** None
- ▶ **Owned shares:** 93,030 EVE shares, ownership ratio 0,22%

**MS. LE THI THU HIEN**

- ▶ **Title:** Independent BOD Member
- ▶ **Nationality:** Vietnam
- ▶ **Degree:** Fulbright certificate - Harvard Business school
Bachelor of Credit - Banking Academy
- ▶ **Experiences:**
Ms. Hien has consulted numerous corporations as the Head of Corporate Finance and Consulting Department in the Vietnam securities market. As the independent BOD member during two terms, Ms. Hien has provided a great deal of support for investor relation activities and elevating Everpia in the domestic financial market.
- ▶ **Position of BOD member at other companies:** None
- ▶ **Owned shares:** None

**MR. LE KHA TUYEN**

- ▶ **Title:** Independent BOD Member
- ▶ **Nationality:** Vietnam
- ▶ **Degree:** Master of Bachelor of Business Admin - George Mason University
Bachelor of Banking and Finance - National Economics University
- ▶ **Experiences:**
Mr. Tuyen has many years of experience in senior management positions at enterprises in the fields of investment and securities. As an independent member of the Executive Council, he made many contributions to establishing relations with government agencies, consulted investment activities and improved information disclosure activities.
- ▶ **Position of BOD member at other companies:** Vinataba Trading and Investment Joint Stock Company
- ▶ **Owned shares:** None

**MS. NGUYEN LE HOANG YEN**

- ▶ **Title:** Independent BOD Member
- ▶ **Nationality:** Vietnam
- ▶ **Degree:** Bachelor of Foreign Economics - Foreign Trade University Ho Chi Minh City
- ▶ **Experiences:**
A representative of Rhinos Investment Fund - the unit has invested more than 10,100,000 USD of convertible bonds in Everpia and over 60 large corporations in the world, the contributions of Ms. Yen show multi-dimensional and objective views with decisions of the Board of Directors, contributing to increase transparency in Information Disclosure and Corporate Governance.
- ▶ **Position of BOD member in other companies:** Cuu Long Pharmaceutical Joint Stock Company (Pharimexco)
- ▶ **Owned shares:** None

AUDIT COMMITTEE

**MR. TRUONG TUAN NGHIA**

- ▶ **Title:** Head of Audit Committee
- ▶ **Nationality:** Vietnam
- ▶ **Degree:** Master of Banking and Finance - Paris Dauphine University
- ▶ **Experiences:**
He has nearly 15 years of experience working in the field of Finance and Investment. With an in-depth knowledge of accounting and auditing, he applied his knowledge and experience in building, operating and controlling the Company's operations. With his contributions to the Company for the last term, Mr. Nghia was trusted by the General Shareholders Meeting to delegate the responsibilities of Head of Audit Committee for the 2017-2021 term.
- ▶ **Owned shares:** 18,630 EVE shares, ownership ratio 0,04%

**MR. KO TAE YEON**

- ▶ **Title:** Member of Audit Committee
- ▶ **Nationality:** Korea
- ▶ **Degree:** Master of Business Administration - Helsinki University
- ▶ **Experiences:**
Mr. Ko has held senior management positions at LG Electronics. He is currently the Managing Director of the Heesung Electronics Company in Vietnam. The company believes that his extensive experience will help improve the Company's management.
- ▶ **Owned shares:** None

**MR. NGUYEN ĐAC HUONG**

- ▶ **Title:** Member of Audit Committee
- ▶ **Nationality:** Vietnam
- ▶ **Degree:** Bachelor of Business Administration - National Economics University
- ▶ **Experiences:**
As an expert in accounting and business administration with a certificate of Chief Public Accountant and business manager, Mr. Huong has made great contributions to the companies he participated in as a member of AC and a member of BOD. Joining Everpia's AC from August 2018, Mr. Huong contributed to improving the internal accounting system in accordance with accounting standards.
- ▶ **Member of the Board of Directors at other companies:** VINAFINS Technology and Investment Joint Stock Company
- ▶ **Owned shares:** None



2019 marks an important milestone for Everpia's corporate governance. For the first time, Everpia was honored in the top 5 companies for best corporate governance by Vietnam Listed Companies Awards (VLCA). This is a valuable recognition for the efforts of the Board of Directors and Board of Management in enhancing transparent and fair governance practices following national and international standards. The first Vietnam Corporate Governance Code of Best Practices (2019) has set specific goals for Everpia to improve our corporate governance practices further. This Corporate Governance Report is based on the principles of Vietnam Corporate Governance Code of Best Practices.

Principle 1: Establishing Clear Roles, Responsibilities and Commitment of the Board

The roles and responsibilities of the BOD are clearly defined in the Company's Charter and the Internal Regulations on Corporate Governance. The contents of the roles and responsibilities follow current legal regulations and best practices recommended by the OECD and ASEAN scorecard. These documents are approved by the General Shareholders and disclosed on the Company website.

Since public listing in Ho Chi Minh Stock Exchange (HOSE), the Chairman of the Board has been concurrently holding the General Director position of the Company. Running the daily operation of the business, he deeply understands the characteristics, advantages and disadvantages of each business area. On that basis, the Chairman approves the agenda for the Board meeting, plays his role in business monitoring and management in accordance with the Board's policies, business plan and organizational structure of the Company. From 2020, Everpia is separating these two positions in order to enhance the independence and objectivity in decision-making of the BOD, towards higher standards.

The succession plan for the BOD and the BOM is initially built on the basis of training internal senior management combined with seeking qualified personnel from outside. In addition to furthering their expertise, future leaders also cultivate the knowledge of management, leadership and other necessary skills to be ready to take over the jobs as assigned.

Principle 2: Establishing a Competent and Professional Board

As of December 31, 2019, the Board of Directors of Everpia consists of 7 members, including 3 independent members, 2 female members. The board structure demonstrates a diversity of expertise, skills, experience, nationality, and gender and contributes multidimensional perspectives to long-term strategy development. These are professionals selected and trusted by shareholders through official elections according to the process of appointment, dismissal and replacement of BOD members, which is stated in the Company Charter and Internal Regulation on corporate governance. Members of the Board ensure that they devote sufficient time and attention to the operation of Everpia. 100% of members attended fully 09/09 meetings in 2019 and contributed valuable opinions and advice.

On Oct 11th 2019, the Board appointed the Person in Charge of Corporate Governance by the Resolution no. 009/2019/HĐQT/NQ whose role covers 4 key areas: governance, advising, communication and compliance. The responsibility of the Person in Charge of Corporate Governance is to ensure the legal compliance of corporate governance, update BOD members on the Company's performance, communicate between BOD and BOM, and manage IR activities for topics related to corporate governance.

In 2019, the BOD conducted internal training on the Vietnam Corporate Governance Code of Best Practices developed by the State Securities Commission, but not yet participated in any other training outside. The Board will set a specific roadmap to improve the governance knowledge for members, through the combination of internal and external training, to adopt the best corporate governance practices.

Principle 3: Ensuring Effective Board Leadership and Independence

With 3/7 independent members, the decisions of the BOD always obtain the necessary objective, capable of well performing the function of monitoring and evaluating independently the operation of the BOM. Independent directors have privileged access to relevant information through the Planning and Accounting Department. All board members are given full access to any information without restriction.

For quarterly meetings, all related materials must be sent to the members 7 days prior to the meeting. In case of consulting opinions via email, the materials are delivered at least 3 days in advance so that the members have enough time to read, review and give opinions. The quarterly meetings and important events of the Company are scheduled and notified to all members at the fourth quarter meeting of the previous year. In order to ensure the independence and objectivity to the resolutions of the BOD, members with interest conflict or binding are not allowed to vote in related issues.

Independent Directors

The criteria for electing an independent director complies with the provisions of Vietnamese law and the requirements of the G20 / OECD Company Management Principal amended in 2015. Independent directors should not have any relationship with the Company that may interfere with their ability to make a non-biased judgment on any of the matters discussed. Independent members are not allowed to own, directly or indirectly, more than 1% of the total voting shares of the Company.

Independent board members provide recommendations based on industry insights and market forecast as well as financial analysis. They support the Board of Management to shape the strategy and make timely decisions. In 2019,

during a fair and transparent decision-making process of the Board, independent members provided important recommendations in promoting the development of new business lines, effective use of financial leverage and expanding relationships with foreign partners.

Since all issues have been discussed openly, frankly and equally to Board members, we have not recorded any conflicts between Executives and Independent members so far. Therefore, we do not appoint the Leader of the independent Board members.

Principle 4: Establishing Board Committees

Everpia has not set up any committee under the Board of Directors since the scope of the Company's operation can be well managed under direct supervision of the Board itself. Independent audit committee conducts audit and risk management of the Company.

Principle 5: Ensuring Effective Performance for Board

In 2019, the Board of Directors conducted 9 meetings, including 4 regular meetings each quarter and other consultation meetings. The meetings were held in accordance with the procedures and processes with active participation, comments and approval of members from the Board of Directors.

In addition to issues under the authority of the Board of Directors, the meetings in 2019 mainly revolved around issues relating to the implementation of business plan assigned by General Shareholders Meeting; follow up with the business results in each quarter to make timely decisions and policies. Resolutions and decisions of the Board of Directors were approved based on the high consensus of members and ensure the best interests of shareholders and the sustainable development of the Company. At every 4Q meeting, the Board of Directors reviews the overall performance of the Board and evaluates each member on the basis of the assigned roles, responsibilities, and contributions.

Resolutions of the BOD Meetings in 2019(*)

No	No. of Resolution	Date	Contents	Status
01	001/2019/HĐQT/NQ	25/01/2019	Approved on the GSM 2019 plan	Implemented
02	002/2019/HĐQT/NQ	06/03/2019	Approved on the opening of Khanh Hoa branch	Implemented
03	003/2019/HĐQT/NQ	22/03/2019	Approved on the business plan 2019 and 2018 profit distribution plan	Implemented
04	004/2019/HĐQT/NQ	03/05/2019	Approved on the increase of investment capital for Dong Nai investment project	Implemented
05	005/2019/HĐQT/NQ	07/05/2019	Approved on the 2018 cash dividend payment plan	Implemented
06	006/2019/HĐQT/NQ	28/06/2019	Select the independent audit company for the financial statements in 2019	Implemented
07	009/2019/HĐQT/NQ	11/10/2019	Appointment of the Person in charge of Corporate governance	Implemented

(*) 2/9 meetings did not result in any resolution.

Board of Directors' Remuneration

Remuneration for the Board of Directors is approved at the General Shareholders Meeting. Since revenue and profit in the recent years have not reached the target, the remuneration of the independent members of the Board has not increased since 2013.

Members of the Board of Directors holding executive positions do not receive remuneration and only receive salaries corresponding to the executive position. Remuneration structure for independent Board of Director members is paid based on contributions of each member.

Board of Directors Remuneration Structure in 2019

Name	Position	Working Period	Salary	Bonus	Remuneration	Total
Lee Jae Eun	Chairman/General Director	1/1/2019- 31/12/2019	100%	0%	0%	100%
Cho Yong Hwan	Member/S.Director	1/1/2019- 31/12/2019	100%	0%	0%	100%
Yu Sung Dae	Member/S.Director	1/1/2019- 31/12/2019	100%	0%	0%	100%
Park Sung Jin	Member/S.Director	1/1/2019- 31/12/2019	100%	0%	0%	100%
Le Thi Thu Hien	Independent Member	1/1/2019- 31/12/2019	0%	0%	100%	100%
Le Kha Tuyen	Independent Member	1/1/2019- 31/12/2019	0%	0%	100%	100%
Nguyen Le Hoang Yen	Independent Member	1/1/2019- 31/12/2019	0%	0%	100%	100%

Salary of Executive BOD Members

Criteria	2018 (VND)	2019 (VND)	Diff.
Salary (incl. tax)	16,289,007,189	15,001,068,797	-8%*
Incentive	0%	0%	

(Incentive: % net profit)

(*)Reason for Decrease: Since the business results in 2019 could not meet the target as assigned by General Shareholders, the executive members of the BOD voluntarily cut their salary up to 50% during the 4th quarter of 2019.

Remuneration of Independent BOD Members

Criteria	2018 (VND)	2019 (VND)
Remuneration (incl. tax)	196,800,000	259,200,000*

(*)Remuneration for each non-executive member is kept at VND 7.2 million/month as approved at ASM.

Principle 6: Establishing and Maintaining an Ethical Corporate Culture

At the start of the new term in 2017, the Board of Directors and the Board of Management signed a Code of Business Ethics, stipulating 5 principles of conduct for key stakeholders including:

These principles are thoroughly applied by the Board to establish an ethical organizational culture. The Internal Regulations and policies reflect the principles of responsibility, fairness, and transparency. In addition, the Internal Control Department set up a direct hotline for business ethics to encourage employees and stakeholders to report on unethical behaviors. The Code of Business Ethics is published on the website. <http://www.everpia.vn/everon/tro-giup/dao-duc-kinh-doanh.aspx>.

- 01 Respect customers
- 02 Commitment to nation and society
- 03 Respect employees
- 04 Companionship with partners
- 05 Respect shareholders

Principle 7: Establishing a Sound Risk Management and Control Environment

Under the supervision of the Audit Committee, the Board of Directors implemented activities to secure the investments of the shareholders and the company's assets. Complying with Vietnamese laws and regulations, the Board of Directors built an internal risk control system through identifying structural subjects and set up a preventive monitoring system following the Sarbanes-Oxley Act of 2002, under the guidance of PwC auditing unit.

of the financial flow. For the third line of defense, the Board of Directors proposes 4 leading international auditing units to the General Shareholders Meeting for approval. Based on the recommendations of the Audit Committee, the Board of Directors chooses a reputable unit with the most reasonable cost, ensuring the effectiveness of the audit process. The audit contract is disclosed on the Company's website.

The "three lines of defense" model is applied as a basic principle of internal risk management in Everpia. The second line of defense, an internal control department, plays a very important role in supervising and ensuring the transparency of Company's business operations through the controlling

Periodically, based on the reports of the Internal Control Department and the independent audit company on financial control, operation, compliance and information technology, the Board of Directors runs an evaluation of compliance with the relevant laws and protection of the Company assets from potential risks.

Principle 8: Strengthening Company Disclosure Practices

The Board of Directors is responsible for evaluating Everpia's achievements and prospects in the quarterly and annual financial reports. Quarterly financial reports will be released to shareholders within 30 days after the end of each quarter, semi-annual financial reports are issued to shareholders within 45 days and the annual financial report is published within 90 days after the end of the financial year.

the Company's official website. For environmental and social information, the Company publishes a Sustainability Report following the Global Reporting Initiative (GRI) standards.

In addition to financial reports, Everpia complies with the requirements of information disclosure according to current regulations for listed companies. Information is published in both Vietnamese and English to all shareholders on the Ho Chi Minh Stock Exchange Portal, State Securities Committee and

The Planning Department is responsible for investor relations activities; publish information in a non-discriminatory manner; communicate with investors and analysts; organize meetings and factory visits for investors and interested parties. Contact information is available on the website. The Board of Directors and the Audit Committee are required to report all transactions of shares by themselves or related parties within 3 business days before and after the date of arising transactions.

No	Transaction executor	Relationship	Shares owned at the beginning of the period		Shares owned at the end of the period		Note
			Shares	Percentage	Shares	Percentage	
1	Lee Bang Hyun	Son of Chairman	500,000	1.19%	580,000	1.38%	Increase ownership by buying 80,000 shares from 28/10/2019 to 31/10/2019
2	Lee Jung Hyun	Son of Chairman	500,000	1.19%	580,000	1.38%	Increase ownership by buying 80,000 shares from 11/12/2019 to 13/12/2019





Principle 9: Establishing a Framework for Effective Exercise of Shareholder Rights

Everpia recognizes and values the rights of its shareholders. The rights of shareholders are specified in the Company Charter including basic rights to the number of shares owned, the priority to buy newly offered shares corresponding to the percentage of shares owned, and the access to information. In addition, a shareholder or a group of shareholders owning more than 10% of the total ordinary shares for a continuous period of over 6 months has additional rights to nominate members of the Board of Directors and Audit Committee, request to organize a General Shareholders Meeting, request Audit Committee's reviews on specific issues, and request a list of shareholders and other documents according to law.

Transparent Information Disclosure

In addition to transparent publication of information through IR activities, Everpia organizes annual General Shareholders Meeting to ensure that the shareholders are well informed to make important decisions for the Company. The announcement of the final list of shareholders to attend the meeting is published at least 20 days before the final registration date. Meeting invitations and all information related to voting rights of shareholders: issues of opinion collection,

List of transactions with related parties in 2019

Relating Party	Relationship with company	Transaction detail	Transaction Time	Resolution No.
Everpia JSC Korea	Subsidiaries	Transaction of goods and services	2019	009/2017/HĐQT/NQ

(Please see details of transaction in Note 31 of the part Notes to the Consolidated Financial statements)

Consistent Dividend Policy

Since its public listing in Ho Chi Minh Stock Exchange in 2010, Everpia has issued annual cash dividends based on the profit distribution policy: 1/3 for dividends, 1/3 for investments and 1/3 for production and business activities. In 2016, however, as the operation of the factories stabilized, the General Director and the Board of Directors proposed amendment to the profit distribution policy (50% for dividends and 50% for production and business activities) to increase the benefits for the shareholders. Accordingly, in 2018, the Company

voting forms, voting order, process and principle of voting are sent directly to shareholders and/or announced on the website at least 10 days before the meeting. For the 2019 General Shareholders Meeting (April 19th), the final list was announced on January 25th with registration date of March 12th, 2019.

Information on the candidates for Board of Directors and the Audit Committee are disclosed in the meeting documents. During the meeting, the questions of shareholders are answered by the members of the Board of Directors, Board of Management and Audit Committee. Thus, the issues raised for consultation have reached a high agreement. The results and minutes of the meeting are published within 24 hours from the end of the General Shareholders Meeting.

Transactions with related parties are strictly controlled and implemented by the Board of Directors in accordance with the assigned rights, ensuring transparency and prioritizing the interests of the Company. These transactions are also published every 6 months in the Corporate Governance Report.

paid a cash dividend of VND 1,000 / share, with a total payment value more than VND 38 billion. The list of shareholders who received dividends in 2018 is confirmed on June 7, 2019 with confirmed payment on June 19, 2019. Committing to the amended policy, the Board of Directors proposes allocating 50% of net profit in 2019 for cash dividends, equivalent to 9% of par value (VND 900 / share) to be approved at the General Shareholder Meeting.

Principle 10: Building Effective Stakeholder Engagement

Everpia respects the legal rights and interests of related stakeholders. The Code of Business Ethics demonstrates our commitment to strict compliance with the law. Details

on ensuring and overseeing the appropriate dialogues between the Company and stakeholders are listed in the Sustainability Report.

Corporate Governance Plan of the Board of Directors

The Board of Directors plans to implement the following actions to increase compliance with the Vietnam Corporate Governance Code of Best Practices.



Maintain quarterly meetings and hold meetings by collecting written opinions to give in-time directions and guidelines to the Board of Management. Promote IR activities and Information disclosure practices to ensure the transparency.



Separate the position of Chairman of BOD and General Director. Develop a roadmap to improve governance capacity for the Person in Charge of Corporate Governance and BOD members, through the internal and external training on corporate governance. Strengthen corporate governance practices on international standards to create sustainable values.



Develop the matrix of knowledge and skills for BOD members to specify the role and responsibilities of each member. Encourage independent BOD members to make in-depth assessments and analysis of issues under the BOD's authority, providing practical and possible proposals on the agenda for the Board of Directors to discuss and decide.

▶ 3.1 Audit Committee Activities

As a supervisory, the Audit Committee follows meetings of the Board of Directors and updates information from the Board of Management to grasp the business situation and the progress of implementing the tasks assigned by the General Shareholders Meeting and proposes recommendations to the Board of Directors and Board of Management.

3.1.1 Main Activities of the Audit Committee

- Check the implementation status of resolutions of the General Shareholders Meeting and the Board of Directors meetings to ensure its transparent enforcement.
- Supervise the business operation and financial status of the Company: the Audit Committee checks the quarterly, semi-annual and annual financial statement and the audited financial statements to evaluate the transparency and accuracy of the financial data
- Supervise the execution of transparent information disclosure and timely organization of the General Shareholders Meeting to ensure legal compliance
- Coordinate with the Internal Control Department in inspecting and supervising the control environment of the Company and perform periodic checks over internal risk management following the framework of the Sarbanes-Oxley Act
- Advise the Company on business performance and management practices

3.1.2 Audit Committee Meetings in 2019

In 2019, the Audit Committee held 2 regular meetings with the full participation of members and discussed issues under its assigned authority:

1st Meeting (12/3/2019)

1. Review business performance of 2018
2. Review internal control activities in 2018 and audit plan 2019
3. Preparation of GSM 2019

2nd Meeting (06/11/2019)

1. Review the business performance of the first 9 months of 2019
2. Review the implementation of General Shareholders' Meeting resolutions
3. Review internal control activities
4. Update the new regulations on Internal Audit pursuant to the Decree 05/2019/NĐ-CP dated 22/01/2019 and make plan for training and supporting BOD and BOM on implementation

No	Audit Committee Member	Title	Beginning Date	Meetings Attended	Attendance
1	Mr. Trương Tuấn Nghĩa	Head of AC	21/04/2017	2/2	100%
2	Mr. Ko Tae Yeon	AC member	20/04/2018	2/2	100%
3	Mr. Nguyễn Đức Hường	AC member	10/08/2018	2/2	100%

3.1.3 Remuneration of the Audit Committee in 2019

Criteria	Year 2019 (VND)	Year 2018 (VND)
Remuneration	259,200,000	249,600,000
Business trip allowance	0	0
Total	259,200,000	249,600,000

▶ 3.2. Audit Report 2019

3.2.1 Monitoring the Company's Activities

The Audit Committee did not note any abnormal activities of the Board of Directors and the Board of Management. Both Boards operated the Company in accordance with relevant laws and the Internal Regulation.

Implementation of Resolutions

The Company has fully implemented the plans approved by the Resolution of the annual General Shareholders Meeting No. 01/DHDCD2019/NQ dated April 19, 2019, including payment of dividends by cash, selecting independent financial audit company, and remuneration for the Board of Directors and the Audit Committee.

Business Activities

The Board of Directors followed the development goals and orientations approved by the General Shareholders Meeting. Even though business activities in 2019 have not achieved the target revenue and profit, new business lines such as curtains and blinds and Kingcoil mattress have experienced the rise in sales. Innovation activities also contributed to improving the gross profit rate by reducing costs. The financial ratios of liquidity, debt ratio, efficiency of asset use and operation are stable and safe.

Information Disclosure

The Company complied with the current accounting standards and system. It has implemented all requirements of information provision and publication issued by the State Securities Commission and Ho Chi Minh Stock Exchange.

In 2019, the financial statement of Everpia Joint Stock Company is audited by Ernst & Young Vietnam Co., Ltd. The Audit Committee noticed that the reports fully and clearly reflect the financial situation and business results of the Company without any negative opinions.

3.2.2 Advising the Company's Activities

The Committee proposed evaluating the effectiveness of furthering the factory innovation program which was run by a Korean industrial consulting company. After assessment, the Company decided to pursue innovation initiatives with internal resources as two years of the innovation program has fulfilled expected increase in both productivity and efficiency of factory operations.

The Committee proposed shifting communication and advertising channels from television to digital platforms. Based on the analysis of cost-effectiveness, the Company terminated the brand ambassador contract with Korean actor Kim Tae Hee and recruited a new team in charge of digital marketing.

▶ 3.3 Plan of the Audit Committee in 2020

As with the previous years, the Audit Committee will provide oversight of the financial reporting process, the audit process, the company's system of internal controls and compliance with laws and regulations. The Committee will continue to coordinate with the Internal Control Department to analyze the effectiveness of organizational control on pressing topics. In addition to main activities, in 2020, the Committee plans to implement in-depth evaluation of the efficiency of

internal factory innovation activities and advise the Board of Management for future improvement directions. Also, the Committee will strengthen the role of the Internal Control Department by setting up the background for the establishment of the Internal Audit Department according to the Decree 05/2019 / ND-CP dated January 22, 2019.



Chỉ với 5 giây
ngủ ngay lập tức!



CHAPTER

05

SUSTAINABILITY REPORT

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Foreword

Sustainability is in our name, Ever-pia.

Embedded in the name is our vision of a world that lasts for-ever. It has been the direction that guided our decisions and it will continue to withstand as our only destination. Our work on sustainability, therefore, is very much an integral part of the business. However, doing sustainability work right is a challenging job. It is not only about choosing eco-friendlier material over another. It demands us to put extra care into our decision-making processes and consider hidden ramifications for the social and economic issues as well as the environmental ones.

We are very proud that our dedication to sustainability has been recognized by the Vietnamese society. In 2019, the Vietnam Business Council of Sustainable Development has awarded us in the Top 100 Sustainable Business (CSI Index) for four consecutive years since 2016. This remarkable achievement is only possible by the extra care that every Everpian has put into daily operation of the business.

One of the most pressing issues in sustainability today is climate change. Everpia analyzed how the company can contribute to the UN's Sustainable Development Goals and concluded that our biggest contributing impact is to Goal 12; Responsible Consumption and Production. However, we understand that our sustainability effort alone is not enough to address climate change issues. Collaboration with other stakeholders on key issues is necessary to sustain and scale up the impact. Everpia officially joined the Climate Action Corps as one of its founding members. Organized by the US Outdoor Industry Association, the Corps is a collaborative platform where committed companies measure, share, and work together to reduce carbon emissions as a global outdoor industry. This is a good change for Everpia to approach and measure our carbon emissions according to global standards, and thereby proactively plan the effective reduction measures.

As the leading home textile brand in Vietnam and the trusted supplier of global apparel and outdoor industry, we recognize our unique role and responsibility of advancing industries into a more sustainable direction. We set the goals to halve the environmental impact of our operation and enhance the livelihood of local communities, wide Vietnamese society, and the global community. Our newly established Sustainability Committee will proactively monitor our progress and assess the effectiveness of GHG reduction measures towards our goals.

As Everpia publishes its first comprehensive report on sustainability, 2020 is an important milestone for us to understand our current sustainability measures as well as future sustainability projections. I hope the readers of this report can share our vision and walk with us in the journey towards a sustainable future.

Chief Executive Officer

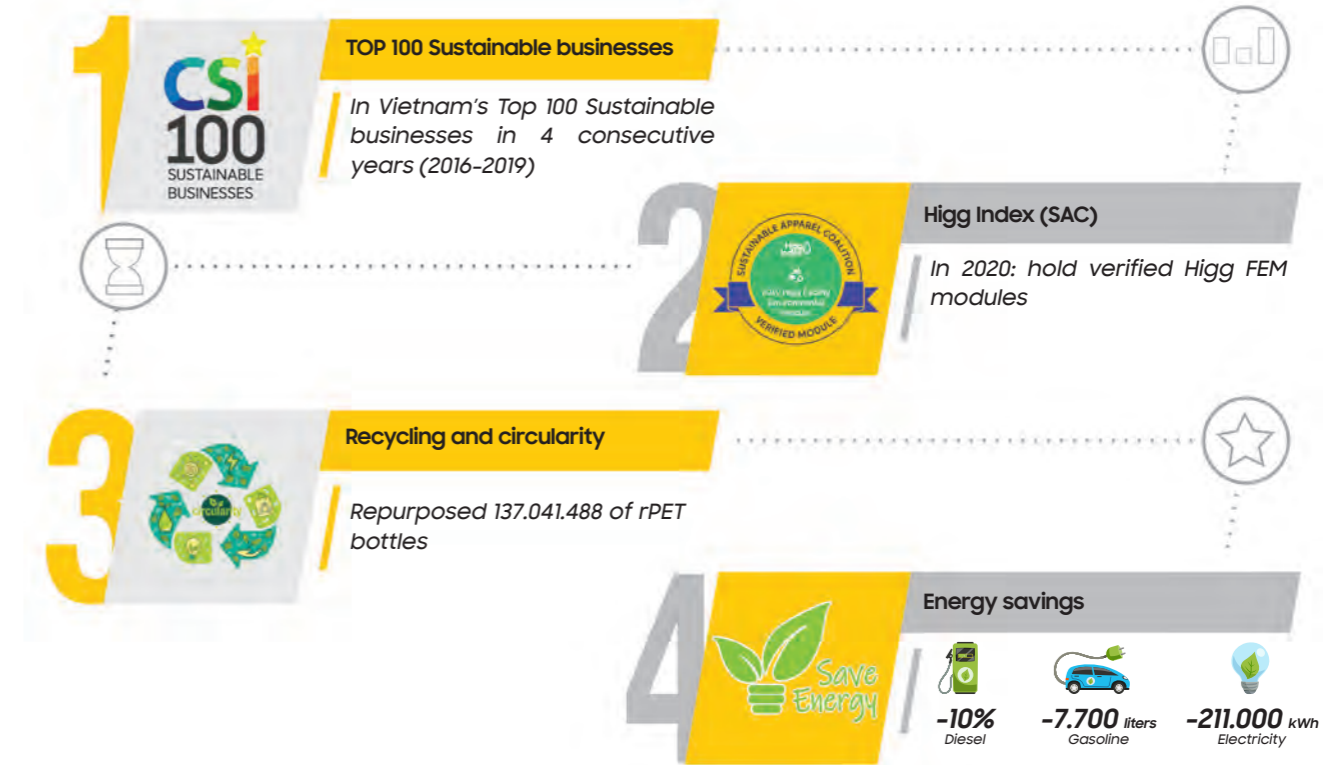


Lee Jae Eun

Sustainability Goals 2023

Area	Topic	Baseline in 2019	Goal	Due	SDG
Foundation	Goal Setting		Announce Science Based Target	2022	13
Environment	Aspirational Goal		Halve our environmental impact	2023	
	Emission		Calculate Scope 1 & 2 GHG emission following GHG protocol	2020	12, 13
			Calculate scope 3 of GHG emission	2023	
	Energy	7.70 MJ/kg	Decrease padding energy intensity 10%	2021	12, 13
			Introduce renewable energy source	2021	12, 13
		67% of total energy in 2019	Decrease diesel and LPG usage to 50% of total energy consumption	2021	12, 13
	Water	Level 1	Achieve Level 2 of Higg Index	2020	12
	Wastewater	Grade A	Maintain Grade A wastewater	2020	12
	Chemical	Incomplete level 1	Achieve Level 1 of Higg Index	2020	12
	Bedding Raw Materials	53% from natural sources	Increase natural source fabric up to 70%	2022	12
	Packaging	0%	Increase the recycled ratio in plastic packaging to 50%	2022	12
		0%	Replace 20% of plastic packaging with environmentally friendly materials	2021	12
	Recycling	47%	Increase the purchase of rPET fiber up to 70% of total fiber purchase	2021	12
Society	Aspirational Goal		Enhance the livelihood of local community and wider Vietnamese society	2023	
			Build corporate culture to inspire greater society	2023	8
	Gender equality	39% Female	Increase the number of female leaders in the management	2021	5
	Career Development	4.9 hours	Develop training programs for skill acquisition and advancement for all levels	2022	8
	Labor diversity		Facilitate the recruitment of ethnic minorities	2020	8, 10
Community Development		Empower local communities by committing 1-2% of net profit	2020	10	

2019 Highlights



I SUSTAINABILITY AT EVERY STAGE

► Governance of Sustainability at Everpia

Our efforts on sustainability are governed by the Sustainability Committee. The Chief Executive Officer has the ultimate responsibility of the Committee decisions and the members of the Committee are responsible for the development and execution of sustainability initiatives. Prioritizing transparency, the corporate governance structure of Everpia has been recognized as the Top 5 Corporate Governance company by Vietnam Listed Companies Awards. To accelerate our commitment to sustainable development, we set up an internal team, Sustainability Committee, to proactively monitor our environmental footprint and assess the effectiveness of reduction measures, as well as to promote the better practices on Social responsibility.

Since January 2018, Everpia has implemented the Factory Innovation program in all production sites in order to improve on the productivity and efficient management of resources. The program has helped us better understand the current status of resource management in our factories and provided the baseline for future improvements regarding environmental impact. A series of initiatives from Factory Innovation has contributed to more lean as well as sustainable manufacturing.

Everpia also collaborates with external organizations to implement more innovative solutions on sustainability issues. Membership and initiatives which Everpia participates in include,

	Higg Index Modules (Sustainable Apparel Coalition)		Global Recycle Standard (GRS)
	Business Social Compliance Initiative (BSCI)		OEKO-TEX
	Climate Action Corps by the U.S. Outdoor Industry Association		International Chiropractors Association
	ISO 14001		Local Schools

For compliance governance, the Sustainability Committee takes the key role for listing, monitoring and updating related laws and regulations.

▶ 1.2 Dialogue with Stakeholders

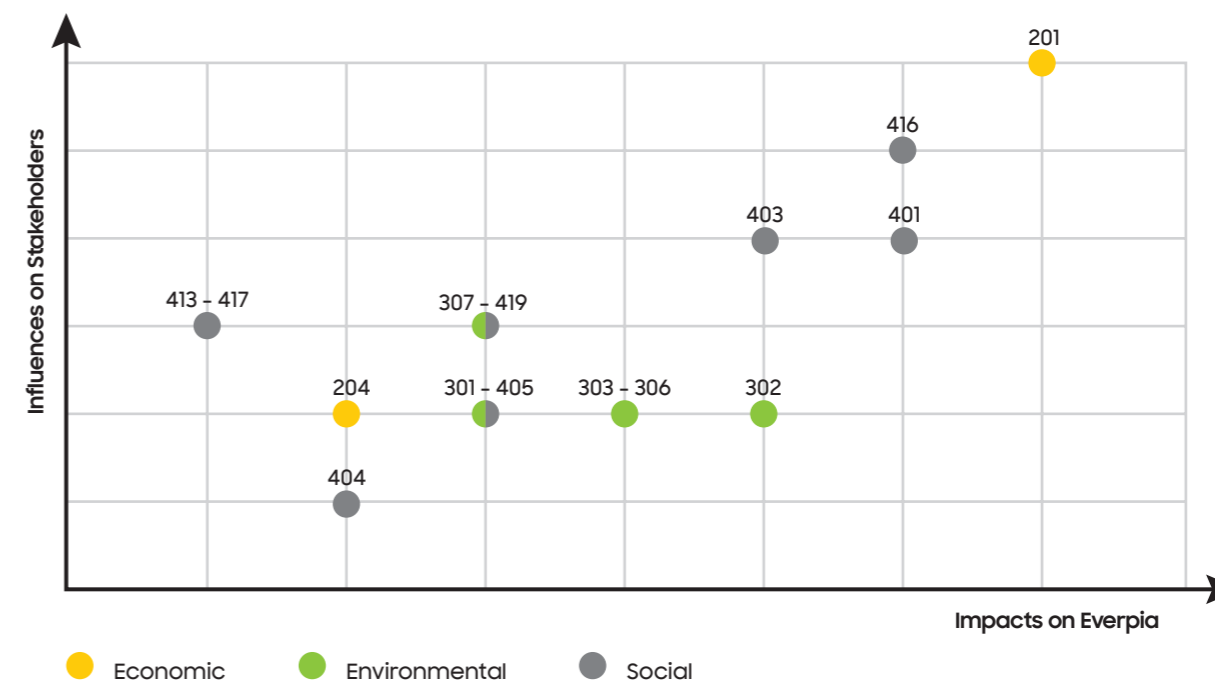
Everpia strives to collaborate with different parties and initiatives to jointly influence and address issues that affect our stakeholders. In order to identify the key stakeholders, we explored the whole value chain of the business, starting with mobilizing capital, purchasing inputs, through production and selling goods to consumers.



Stakeholders	Dialogue
Customers	Customers are one of our most valuable stakeholders. Each business unit engages with its customers through diverse channels; directly at stores, offices, and through online surveys to have clearer understanding about our businesses' impact on them. Customers across business units value our commitment to product quality, after-sales service, and clear and honest instruction and description of products. We communicate our strict product quality control system and transparent disclosure on product materials.
Suppliers	Suppliers are our strategic business partners. Everpia builds partnerships with carefully selected suppliers. Our dialogue with suppliers takes place on various occasions and settings including factory visits, supplier meetings, and regular contacts. Two issues that are essential in these dialogues include the transparent supplier selection process and ethical procurement practices. Everpia discloses ethical management and anti-corruption business commitment on its website.
Employees	Success of Everpia lies in our capability to attract, recruit, develop, and retain employees. We strive to provide a working environment that is not only safe and healthy but also stimulating for personal development. Through periodical dialogues with employees in various areas of the organization, key issues that concern our employees are: fair and clear wage and welfare policy, career advancement training opportunities, and democratic working environment.
Shareholders and investors	Creating a long-term value with high profitability for shareholders and investors through sustainable business practices are the primary goal of our business. As a publicly traded company in Vietnam, Everpia engages with shareholders and investors through Annual Shareholders Meeting, investor and analyst meetings, and periodic financial reports. The main issues are transparent and timely disclosure of the management decisions and economic profitability and benefits. Everpia has implemented Sarbanes-Oxley Act and IFRS program to enhance responsibility as well as transparency in corporate governance.
Local Government and Communities	As a business member of the society, we recognize our role and responsibility in promoting the well-being and development of the local communities as well as the wider Vietnamese society. Not only striving to contribute to employment locally, we also take the development of local communities seriously. Everpia has implemented community support and social activities, focusing mainly on education and investment for the next generations. In addition, we minimize our environmental footprint on local sites by strictly adhering to local environmental policies and international protocols. Key issues that impact local government and communities are social and environmental compliance.

▶ 1.3 Materiality Analysis

We evaluate each topic and prioritize based on the current impact on Everpia and stakeholders as well as the potential impact in the future. The analysis was done with contributions from internal employees as well as representatives of several stakeholders. These impacts are ranked in the following matrix of influence to Everpia and stakeholders.



After exploring the materiality of each topic based on its influence and impact, Everpia decides to report on the topics below:

201	Economic performance	403	Occupational health and safety
301	Materials	404	Training & education
302	Energy	413	Local Communities
303	Water	401	Employment
405	Diversity and equal opportunity	416	Customer health and safety
306	Effluents and waste	417	Marketing & labeling
307	Environmental compliance	419	Socioeconomic compliance
204	Procurement practices		

II ECONOMIC VALUE SHARING

We believe that economic performance is the basic quantitative metric reflecting our influence and responsibility toward the stakeholders. Its impact on each stakeholder is measured via specific economic indexes, such as revenue, cost structure, dividend value, tax, contribution to society, and etc. Everpia monitors these important indexes in order to sustain a positive impact on our stakeholders.

Everpia manages this topic by 3 groups of actions:

- (1) set up financial targets for the whole company and each business unit;
- (2) issue policies to boost up the performance, such as: incentive policy, sales events;
- (3) control the accuracy of the accounting data. The good management of Economic Performance topic keeps us on track toward our long-term goal of sustainable development.

Components of management approach:

Policies	<ul style="list-style-type: none"> • Sales & profit target for the year 2019 (Planning Team, 18/02/2019) • SG&A ratio for 2019 (Planning team, 20/02/2019) • Incentive policy for sales team (Planning team) • Incentive policy for agents (Marketing team) • ERP user guide kit for users (IT team)
Commitments	<ul style="list-style-type: none"> • Law on Enterprise 2014 • Vietnamese Accounting Standards (VAS) • Law and regulations on tax • IFRS based financial statements
Goals and Targets	<ul style="list-style-type: none"> • Sales target 2019: VND 1.300 bil, increased by 10% over 2018 • Profit target 2019: VND 100 bil, with the net profit ratio of 7.7% on revenue
Responsibilities	<ul style="list-style-type: none"> • General Director
Resources	<ul style="list-style-type: none"> • All departments, with its functions and responsibilities, together contribute to the company's achievement of sales and profit target.
Specific actions	<ul style="list-style-type: none"> • Performing daily/weekly/monthly sales reports • Top team's weekly meeting to review the performance and give situation-based decision • The incentive policies & promotion campaigns closely refer to the financial target.

Management approach is evaluated by associating internal control and independent audit. Any business related policy, including business strategy, is fully agreed internally before issuance, and obtains approval from General Shareholders if necessary. Any out-of-scope cases will be reported for next year adjustments. In 2019, we apply a new incentive policy for sales teams, replace the incentive policy for agents by a new

commission policy for each product line, and adjust the SG&A ratio for each business unit based on 2018 data. For accounting data verification, inputted information must be checked by (1) team leader; (2) internal control team; (2) financial and accounting team. The interim and year-end financial reports are audited by an independent audit firm, which is approved by the Annual Shareholders Meeting.

Sharing with Stakeholders

(Unit: VND)

Criteria	2018	2019
Revenue generated	1,182,046,477,206	1,044,036,295,472
Revenue distributed	1,105,834,082,550	967,805,113,884
<i>Including:</i>		
Operating costs	793,467,837,479	647,649,159,987
Employee wages and benefits	232,177,856,627	226,778,615,009
Capital expense	56,272,193,569	51,807,853,121
Tax to Government	23,140,169,143	39,034,485,767
Donation to Community	776,025,732	2,535,000,000
Revenue retained	76,212,394,656	76,231,181,588

2.1 Sharing with Suppliers

The operating costs are purchased value from all suppliers, including materials, outsourcing goods and services. As a manufacturer, this component accounts for the largest proportion of Everpia's total distributed economic value

(nearly 67%), at VND 647.6 billion in 2019. The sharing with suppliers decreased over 2018 due to the change in our inventory policy, which tends to reduce the raw material reserves for production and enhance inventory clearance.

2.2 Sharing with Investors

We appreciate shareholders and investors in contributing to our mission. In 2019, Everpia has spent over 50% of total net profit, equivalent to VND 38 billion for cash dividend to existing shareholders, at the rate of 10% on par value. Total interest expense paid to banks and bondholders in 2019 is VND 13.7 billion.

Criteria	2018	2019
Cash dividend	39,805,509,500	38,038,781,750
Interest expense	16,466,684,069	13,769,071,371
Total	56,272,193,569	51,807,853,121

2.3 Sharing with Local Government

We understand that paying taxes to the State Budget is not only an obligation, but also an indirect way for businesses to share the community responsibilities with the government. Therefore, Everpia is always disciplinary, proactive and transparent in tax declaration and payment. Our payable tax this year is VND 39 billion, including VND 22.6 billion of Corporate income tax and VND 16 billion of other taxes.

However, in a large operation scale with nearly 1,500 employees and more than 1,000 billion revenue per year, operational errors are unavoidable. In 2019, the Company bore 2 penalties on tax for lost invoice and mistake in tax declaration, but the penalty amount was not considerable, at 12 million dongs in total.

2.4 Sharing with Community

True value of sharing is to spread good and positive merits to communities. In Everpia, we put the majority of our attention and efforts to Education and Public health care through specific and practical actions. Please refer to "Responsibility to

Community" for more details. In 2019, Everpia has contributed VND 2,535,000,000 for the local community through scholarship sponsoring and school infrastructure investment, increased by 227% over 2018.

2.5 Sharing with Employees

With about 1,500 employees working in 03 manufacturing sites and 07 branches in Vietnam, we deeply understand the correlation between each individual's success and the overall achievement of the organization. Therefore, in addition to ensuring compliance with the laws on wages and insurance, Everpia always strives to keep employees motivated through continuous improvement of the incentive and award policy and working environment. For details, please refer to the section "Motivated Employees".

Criteria	Value (VND)	Weight
Total salary before tax	187,455,965,000	83%
Welfare	15,315,568,068	7%
Social Insurance covered by the Company	24,007,081,942	11%
Total	226,778,615,009	100%

III ENVIRONMENTAL SUSTAINABILITY

The global apparel industry is one of the most significant contributors to climate change today. It accounts for 8.1% of global climate impacts, 20% of the global waste water. As part of the supply chain, we are well aware of the significance and urgency of environmentally sustainable production. The Sustainability Committee plays an important role from choosing raw materials to managing energy efficiency as well as treating the waste, effluents and emissions from our factories in Hanoi, Hung Yen and Dong Nai.

We manage the environmental topics in 3 steps: (1) Appointing person in charge of each topic at each factory; (2) Defining methods and measures to quantify the usage or discharge for each issue; (3) Setting goals with strategic actions, with 2019 data as the baseline, to monitor the improvement and periodically evaluate the progress.

The detailed components of management approach will be reported in each topic.

The evaluation of management approach is carried out through internal controls and independent audits. In particular: (1) Internal control: the Sustainability Committee conducts meetings to update the implementation of all issues on a quarterly basis, and reports to the Board of Management in annual Workshop at the beginning of the year; (2) Independent audit: applying Higg Index's environmental module assessment, and conducting onsite verification by an independent third party nominated by SAC - Higg Index's developer; through customers' onsite audits. After each assessment, we will compare the actual performance with the target and make necessary adjustments. 2020 is the first year that Everpia sets up and follows a mid-term environmental strategy, so no revision has come up so far.

3.1 Conscious Choice of Materials

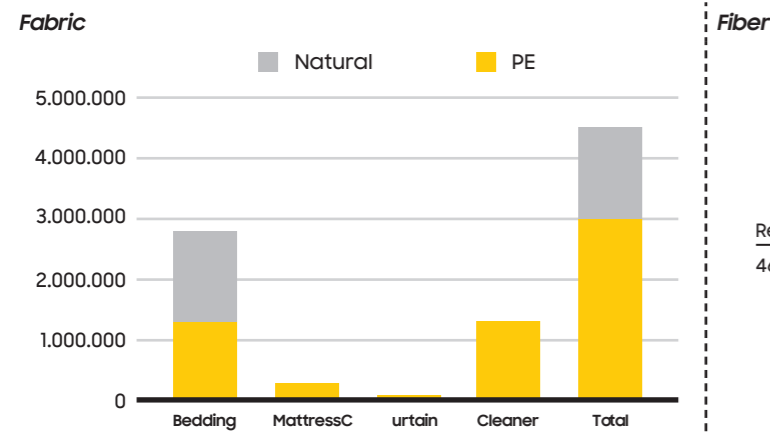
Our journey of sustainability starts with conscious choice of materials. This early stage of selecting materials has a substantial impact on the entire product cycle of production, usage, and disposal. We aim to work with materials that last long and do not cause unnecessary harm to the environment. Our goal is to increase the proportion of sustainably produced materials in each of our key raw materials. To reach this goal, Everpia works with the supply chain to promote the environmentally qualifying materials that come from sustainable production practices.

Ensuring high standards of sustainability in materials has been one of the most challenging aspects of our work due to the wide breadth of our product portfolio. From a single thread in Everon bedsheet to a coil wire in King Koil spring mattress, we strive to ensure that our products not only out-perform local laws in Vietnam but meet the sophisticated demand of international standards in material sustainability.

Key materials consumption table:

Raw material	Unit	2017	2018	2019	+/-
Fabric	m	4,287,090	4,346,526	4,479,085	3%
Fiber	kg	4,989,525	5,941,128	4,337,873	-27%
Resin	kg	1,041,208	1,110,366	1,020,400	-8%
Nylon bags	pcs	651,479	622,183	1,566,867	152%
Labels, catalogue, etc	pcs	3,162,706	3,574,013	7,621,462	113%

Renewable & non-renewable source in key materials:



Fabric

In Vietnam, home textiles must comply with the national technical standards on the limitation of chemical content in products, according to Circular 21/2017/TT-BCT of MoIT. 100% of our input fabrics for bedding, mattress, and curtain items are free from toxic substances like formaldehyde, aromatic amines and comply with the law.

Consumed 4,479,085 meters in 2019, bedding fabric accounts for the largest portion of materials in Everpia every year. Of the total amount of the bedding fabric, 53% comes from sustainable sources. We will continue to increase the proportion of naturally sourced fabrics such as Cotton, Tencel, Modal, and

Bamboo to replace petroleum-based fabrics such as Polyester and Polypropylene. These new fabrics are made from natural fibers (cotton or wood pulp), which are both environmentally friendly and better for human health.

For mattress cover and curtain fabric, where polyester is the only choice to ensure the durability and shape of the products, we prioritize suppliers with the OEKO-Tex and Greenguard certified fabrics and quality management ISO 9001: 2009 / ISO 9001: 2008. For fabrics that fall out of the above criteria, we apply the quality testing for finished products in accordance with Fiti standards on health safety before delivery to consumers.

Packaging

Another key material issue is polyethylene (PE) and nylon packaging. For home textile products, keeping the product safe from potential contamination (moisture, mold, etc) is one of the most important considerations. PE and nylon are also ideal as they are durable for users to store products when

not in use. However, considering the negative environmental impact of petroleum-based materials, we carefully chose suppliers with more sustainable production practices. Going forward, Everpia aims to replace existing petroleum-based packaging materials to more renewable materials.

3.2 Responsible Production

We take full responsibility for our production sites. With the ongoing Factory Innovation program and environmental impact reduction initiatives, Everpia strives to ensure that our factories implement the most sustainable manufacturing practices. By 2023, Everpia aims to halve our environmental impact by increasing energy efficiency and opt for renewable sources, controlling waste and chemical usage during production.

Ensuring sustainable practices in three of our manufacturing facilities is a challenging task. Each production line touches upon various issues of energy and water consumption, chemical management as well as waste and wastewater control. We carefully conduct the environmental impact assessment of

our business activities at each product site before operation, and perform the annual testing on all environmental aspects, such as air, water, waste water quality, etc.

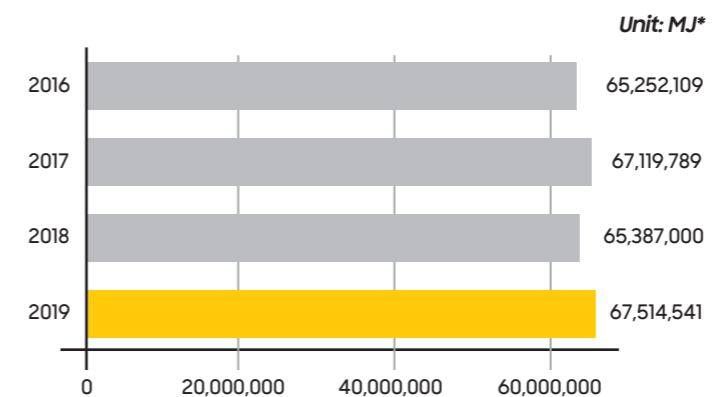
We work closely with international organizations such as Sustainable Apparel Coalition, Textile Exchange, and NQA to manage our environmental impact and to make sure that our practices reflect global standards. All of our facilities are certified by the Multinational Environmental Management System (NQA) for environmental management and comply with BS EN ISO 14001: 2004 standards since 2015. In early 2020, Everpia became one of the very first manufacturers in Vietnam to hold verified Higg Index.

3.2.1 Energy

Energy crisis is, along with climate change, a big concern for many countries including Vietnam. Over the past few years, Everpia has been working towards more efficient and economical use of energy resources to reduce adverse impacts on the environment.

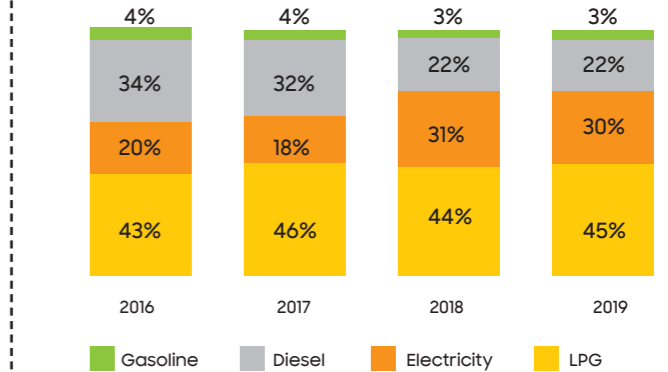
Since 2017, Everpia has invested in diverting energy sources from less sustainable one like diesel to a more sustainable one of electricity. Such effort reflects the significant decrease of diesel usage by 10% in 2018 and a relative increase of electricity by 13%. This structural shift marks an initial step towards introducing renewable energy sources into our factories.

Total Energy Consumption



(*) Energy conversion ratio to MJ: Apply Higg Index's guide

Distribution of Energy Sources



Unit: MJ	Consumption	Ratio
Electricity	20,159,762	30%
Non-Renewable	47,405,102	70%
Total	67,564,864	100%

The most energy-intensive production in Everpia is for padding products. It demands 62% of our annual energy consumption, mostly from LPG (45%). Table below shows normalized energy intensity data for padding production. We set 2019 as the base

year to measure energy intensity for producing padding products. 1 kg of padding product requires 7.70 MJ of energy to produce.




Energy intensity data for padding product production

(MJ/kg of padding)	Hanoi	Dongnai	Everpia
Diesel	N/A	3.84	1.30
LPG	6.24	2.21	4.88
Electricity	2.05	0.48	1.52
Total energy	8.29	6.53	7.70

Continuous reduction work pays off

Our reduction efforts take place on a daily basis from production operation to office operation. Deep knowledge on the energy efficiency of our equipment enables us to reduce energy by prioritizing efficient machines and maintenance. Moreover, monitoring the energy consumption gives awareness to employees on energy usage.

As a part of the Factory Innovation program, a series of initiatives on energy savings have been launched and saved us 211,000 kWh and 7,700 liters of gasoline per year.

	<p>Process Redesign</p> <ul style="list-style-type: none"> Renovate the layout of the Quilting workshop: rearrange the machine layout, remove the unnecessary pillars, renovate the light bulbs system to utilize the light efficiency. This renovation reduced 60 light bulbs and saved 6,000 kWh each year. (Time of application: Dec. 2018)
	<p>Retrofitting of Equipment</p> <ul style="list-style-type: none"> Upgrade the ventilation system in the Padding workshop: replace 20 old ventilators by 3 newly invented industrial ones and apply an inverter machine for actively adjusting the fan speed, wind flow in accordance with different padding types. This innovation improved the padding product quality, optimized the energy usage, as well as increased productivity and reduced the maintenance work. Estimated electricity saving volume is 60,000 kWh/year, equivalent to 50% of energy use prior to renovation. (Time of application: Jan. 2020) Innovate the electricity box in PE mattress workshop: replace 2 current electricity boxes without inverter machine by 1 electricity box with inverter machine, in order to adjust the electric intensity by mattress thickness. This initiative saved around 115,000 kWh of electricity for the factory each year. (Time of application: Feb. 2020)
	<p>Operational Change</p> <ul style="list-style-type: none"> Apply LED bulbs in the finished goods warehouse: replacing 19 sets of compact light bulbs with 10 sets of LED bulbs has reduced over 30,000 kWh of electricity usage. (Time of application: Feb. 2020) Rearrange the pick-up car mechanism: the driver who lives nearest to the destination will cover the picking up for that destination. This saved over 200km moving each day, equivalent to nearly 25 liters of gasoline per day, and about 7,700 liters per annum. (Time of application: Feb. 2019)

3.2.2 Waste

Generating waste is inevitable from manufacturing home textile products. Thus, when it comes to waste management, we prioritize reducing unnecessary waste from the production processes and treating necessary waste responsibly.

Since 2015 we have implemented ISO 14001: 2004 protocol for waste classification and management. Solid non-hazardous industrial wastes account for 21,625kg, mostly raw and sub materials (excess fabric, threads, straps, waste paper and carton boxes) from the manufacturing process. Wastes are collected and sorted daily and sold weekly to the Industrial Waste Collection Company for recycling or disposal. Domestic wastes from daily operation are also collected everyday

for classification, and handed over onsite to the authorized waste treatment company for handling. Hazardous wastes from our production sites, accounting for 434.5 kg, include fluorescent light bulbs, ink cartridges, and machine lubricants. These wastes are separately stored in a restricted area and collected by authorized agencies for appropriate disposal.

Information and average weight of all the wastes are registered with the local Department of Natural Resources and Environment. The major disposal method for our wastes is recycling and burning, with an exception of fluorescent light bulbs (124.5kg) which get solidified by the certified agency.

Unit: kg

Type of Waste	Hanoi	Hung Yen	Dong Nai	Total
Hazardous waste	124.5	60	250	434.5
Non-hazardous waste	2,375	2,350	25,000	29,725
Domestic waste	2,100	1,000	5,000	8,100
Solid industrial waste	275	1,350	20,000	21,625
Total	2,500	2,410	25,250	30,160

The Factory Innovation program has also reduced the following waste during production.

- Mechanical innovation of the carding machine in padding production reduced 70% of normally generated fiber waste.
- Developing an automatic fiber wiper machine saved 60% of the fiber loss during production.

3.2.3 Chemical Management

Reducing chemical footprint is also a material issue of the global apparel industry. Therefore, being one of sub-materials for 2 out of 6 main production processes, the management of resin is seriously controlled in Everpia under the Law on Chemicals 2007 to ensure the safety of chemicals used in production and consumption.

Our strict management starts from the stage of selecting input supply. 100% of resin used in Everpia has an OEKO-Tex certificate to ensure the health safety. Suppliers are required to provide detailed information and specific instructions on chemical composition, usage, storage, as well as chemical incident response according to the standard of Globally Harmonized System of Classification and Labeling of Chemicals (GHS) issued by the United Nations, and refer to advanced international practices such as Restricted substances list (RSL/MRSL) of ZDHC.

- Developing a new equipment to cut and collect the excess edge of padding to reuse before the resin process has not only saved the use of resin but also advanced the quality of reused padding, contributing to reducing the waste fiber after production.

Chemicals are sorted and stored in a separate warehouse, with limited access. During the production, the amount of chemicals used within the day is transferred to the temporary storage area, near the chemical mixing area. In these areas, all information related to the chemicals is visually displayed to direct users. Furthermore, necessary measures to ensure occupational safety are strictly applied, such as setting a barrier around the mixing area and lid for the mixing container. In addition to wearing protection equipment such as masks, gloves, glasses, and protective clothing, employees are trained in chemical-related knowledge and prepared for possible chemical spill situations.

Everpia has also developed automatic dew-like spraying technology to optimize the use of resin. Designed as a circular system, it collects the excessive resin and reuses it to minimize the effluents to the environment.

Everpia has not recorded any chemical spill so far.

3.2.4 Water and Effluents

Although our production facilities do not involve wet processing, we understand the importance of addressing the environmental impact of our domestic water usage and managing the wastewater from our factories.

Our water comes from two major sources: 1) Refined water from local water suppliers and 2) Groundwater treated through drilling wells on production sites. In 2019, we withdrew 36,649m³ of water for operational use, in which over 70% is municipal water. We do not use the sources of reused or recycled water.

The environmental impact of our water supply to the local communities has already been assessed since all of our production plants are located in industrial zones. Moreover, our withdrawal of groundwater complies with the License on underground water exploitation issued by the local Department of Natural Resources and Environment for each factory.

Managing the quality of wastewater is another important aspect of responsible production. For Dong Nai factory, the

local industrial zone management treats wastewater through its infrastructure, under the wastewater treatment contract. For 2 factories in the North, we have installed an onsite treatment system to ensure that discharged wastewater from our facilities does not cause environmental damage to the surface water - our discharge destination. According to a test report from the Institute of Occupational and Environmental Health and the 1st Technical Center of Quality Measurement Standards, our onsite wastewater treatment system meets the national wastewater quality standard of no. QCVN 14: 2008/BTNMT.

In 2019, however, as a discharge point from a newly built guard house was not yet connected with the sewage treatment system of the plant, the effluent quality of this point was not up to the standard. The company then took immediate actions in penalty payment (VND 30mil) and made a resolution within January. The effluent testing result after resolution showed that the quality has reached the requirement, and the local environmental police's post-audit has verified our completion of remedy.

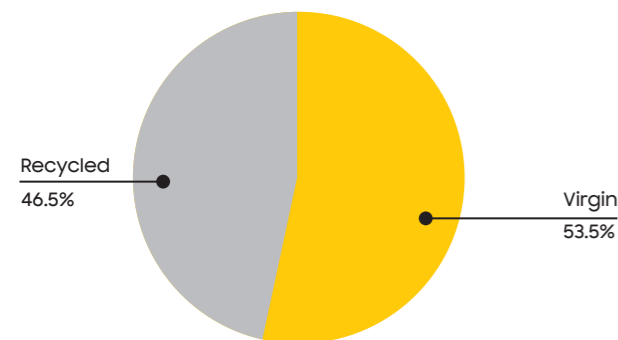
3.2.5 Recycling and Circularity

The key to minimizing the environmental footprint depends on the degree to which the traditional business model can transition into a more circular one.

One of our efforts to transition our traditional business into a more circular one is the padding business. Using polyester fiber as raw material, padding products had the technological potential to shift from virgin polyester fiber to recycled polyester fiber. Recycled polyester is a vital component of the circular economy as it reuses post-consumer PET bottles. Committed to sustainability, Everpia quickly implemented

Global Recycled Standards (GRS) that sets requirements for third-party certification of recycled content, chain of custody, social and environmental practices and chemical restrictions. We also recommend our customers to adopt the recycled products and promote the circular economy. Recent trends in the global apparel industry to reduce carbon emissions have resulted in the increased demand for the recycled padding products from post-consumer PET bottles and helped us reuse 137,041,488 plastic water bottles in 2019.

Use of recycled fiber over virgin fiber



Another initiative in our efforts to promote a circular economy is to create the additional function for the plastic package to extend its life cycle. Our May bedding collection is packaged in a more sophisticatedly designed PVC bag instead of the traditional form for it to be used again as a stylish handbag.

IV SOCIAL RESPONSIBILITY

Everpia aspires to contribute to the betterment of society through engaging with employees, partners, customers and the local communities. Our Code of Business Ethics lays out the principles for socially responsible engagement with our

stakeholders and the Business Social Compliance Initiatives (BSCI) standards provide us with specific guidelines to promote social responsibility in Everpia.

4.1 Motivated Employees

Employees are the most valuable asset of Everpia. The Board of Management aims to build a healthy organization through offering

- i. transparent recruitment,
- ii. welfare benefits,
- iii. career development opportunities,
- iv. fair and democratic working environment, and
- v. ensuring occupational health and safety.

The HR Department is responsible for researching regulations and the best practices, advising the Management on

appropriate policies, and monitoring the implementation of those policies together with the Internal Control Department. Opinions of employees are communicated in multiple channels: direct conversation; calling to the hotline; or sending a letter to the feedback box. According to the opinions of employees, in 2019, Everpia adjusted the payroll policy and working time regulations.

Thanks to these continuous efforts, the average seniority of Everpians is 7.5 years, the number of staff with seniority at over 5 years in Everpia reaches 48%, over 3 years reaches 71%. These are impressive figures among the textile & garment industry in Vietnam.

4.1.1 Recruitment

Recruitment at Everpia takes place publicly, transparently, regardless of gender and religion. Child labor is strictly prohibited at Everpia. Salary and the probationary time for successful candidates comply with the regulation on probation. All employees are given the best opportunities to demonstrate their competence and all creative ideas are well-recognized.

In 2019, Everpia had 243 new employee hires, and 368 employee turnovers. For each employee leaving, the Company conducts surveys in purpose of improving the working environment.

New employee hires by age group, gender and region

Criteria	Quantity						Ratio					
	Male			Female			Male			Female		
	<30	30-50	>50	<30	30-50	>50	<30	30-50	>50	<30	30-50	>50
Local area	30	16	1	25	23	0	12%	7%	0%	10%	9%	
Neighbor area	61	22	0	50	15	0	25%	9%		21%	6%	
Total by age group	91	38	1	75	38		37%	16%	0%	31%	16%	
Total by gender	130			113			53%			47%		
Grand total	243						100%					

Employee turnover by age group, gender and region:

Criteria	Quantity						Ratio					
	Male			Female			Male			Female		
	<30	30-50	>50	<30	30-50	>50	<30	30-50	>50	<30	30-50	>50
Local area	37	26	6	41	35	2	14%	8%	2%	16%	12%	1%
Neighbor area	74	36	0	67	44	0	16%	9%		16%	6%	
Total by age group	111	62	6	108	79	2	30%	17%	2%	32%	18%	1%
Total by gender	179			189			49%			51%		
Grand total	368						100%					

4.1.2 Welfare and Benefits

Not only strictly following the provisions of the labor law, Everpia also actively applies higher remuneration policies for its employees. Full time employees, in addition to basic remuneration, will be entitled to the following benefits:

- i. Pick-up cars for senior managers and for business trips;
- ii. Daily pick-up buses & bike parking allowance for office staff; travelling allowance of VND 10.000/day for workers;
- iii. Seniority allowances;
- iv. Attendance allowance; Telephone allowance;
- v. Kid allowance VND 100.000 / month / child (under 06 years old)
- vi. Sick/wedding/funeral allowance
- vii. Hazardous and dangerous allowances applicable to heavy, hazardous and dangerous labor;

viii. Allowances for employees under harsh working conditions

In addition, the Company has 2 regular team building activities every year: the year-end party on December 31 and the Sport Festival in March. These are meaningful events for employees and families to come together, share and build teamwork.

The total salary and benefits in 2019 is VND 226.8 bil., 83% (VND 187.5 bil) of which is the salary. The monthly average salary and average income of an employee in 2019 is VND 10.7 mil. and VND 12 mil. respectively.

Type	Welfare	Value in 2019 (VND)	Company's contribution (*)	Employee's contribution (*)	Total
Compulsory	Social insurance	28,343,785,071	17.5%	8%	25.5%
Compulsory	Health insurance	5,129,066,326	3%	1.5%	4.5%
Compulsory	Unemployment insurance	2,272,174,371	1%	1%	2%
Compulsory	Union fee	294,367,958	2%	0%	2%
Compulsory	Physical check	247,380,500	100%		
Voluntary	Meal allowance	7,660,700,000	100%		
Voluntary	Picking up cars & buses	534,192,610	100%		
Voluntary	Kid allowance	413,900,000	100%		
Voluntary	Birthday	219,000,000	100%		
Voluntary	Bike parking allowance	63,390,000	100%		
Voluntary	Awards for excellent staff	134,000,000	100%		
Voluntary	Attendance allowance	2,238,700,000	100%		
Voluntary	Travelling allowance	2,060,965,000	100%		
Voluntary	Team Building	1,448,972,000	100%		
	Total welfare	51,060,593,836			

(*) Note: percentage on the total salary & allowance

Parental Leave

In 2019, 165 employees took parental leave, including 114 female and 51 male, accounting for 100% of being entitled ones.

Total number of female employees in maternity leave	100 persons
Total number of employees that returned to work after parental leave ended	66 persons
Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	66 persons
Return to work rates of employees that took parental leave	100%
Retention rates of employees that took parental leave	100%

4.1.3 Career Development Opportunities

In Everpia, employees are given the opportunity to challenge and improve themselves. They are encouraged to come up with bold new ideas and well-recognized for that. Everpia facilitates individual development through internal training programs and intensive training from experts.

With the production department, newcomers start with 5-day training at the factory. With the office department, new staff is introduced about the organizational structure, corporate culture and basic policies. They will then receive direct training in their department for professional skills. The total training period for new recruits in 2019 is 156 hours for the office department and 5,560 hours for the production department.

In addition, managerial positions from the part leader have to attend monthly 1-day training in the Factory Innovation program at each factory with the experts from Korea. The Board of Management is given more half-day training on lean management. After that, the Production Manager at each factory conducts an internal training for specific actions, and the team leaders will re-disseminate knowledge to their staff. Hence, regarding the Factory Innovation program, total training time with experts in 2019 is 336 hours, and

internal training is 1,152 hours. Average training hours for each employee in 2019 is 4.9 hours.

Several excellent employees who are identified as core persons and the future leaders will be sent to Korea, one of Asia's leading countries, for training on 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 the year, the Company evaluates the performance of all employees, and awards excellent employees/team. The managers from team leaders are evaluated twice a year. The assessment has two steps: i) self-assessment and ii) assessment & rating of direct manager. With the sales department, the assessment is majorly based on the sales performance. As a result, personal performance evaluations and ratings are conducted in a transparent and fair manner, enhancing employees' motivation and engagement. Moreover, Everpia holds quarterly innovation contests for each department to present its innovative initiatives to recognize the continuous efforts of the team and individuals. Top 5 initiatives graded by the BOM will be honored and awarded.

4.1.4 Democratic and Fair Labor Environment

In Everpia, all employees are treated fairly on the basis of performance and competence regardless of gender, education and position. The respect for diversity & equal opportunity is affirmed throughout the business culture to the recruitment process and the management of human resources.

Diversity of governance bodies and employees

Category	Quantity			Ratio	
	Total	Male	Female	Male	Female
Staff	1,291	507	784	34.6%	53.5%
30-50	768	276	492	18.8%	33.6%
Under 30	426	173	253	11.8%	17.3%
Over 50	97	58	39	4.0%	2.7%
Manager	140	91	49	6.2%	3.3%
30-50	124	78	46	5.3%	3.1%
Under 30	3	3	-	0.2%	0.0%
Over 50	13	10	3	0.7%	0.2%
Senior Manager	35	15	20	1.0%	1.4%
30-50	25	7	18	0.5%	1.2%
Over 50	10	8	2	0.5%	0.1%
Grand total	1,466	613	853	41.8%	58.2%

It can be seen that, in the staff level, the percentage of female workers under the age of 50 is overwhelming due to the characteristics of the garment industry. The proportion of male labor is higher in the level of managers (from the team leader), but lower in the level of senior managers (from head of department). This diversity reflects the high level of gender

equality in Everpia's personnel evaluation and appointment policy.

In terms of basic salary and remuneration, Everpia applies a common policy for male and female employees, so basically, the income ratio of men and women is relatively balanced.

Income ratio of female workers to male workers in 2019

Level	Salary	Remuneration
Staff	99%	100%
Manager	108%	106%
Senior manager	96%	101%
Whole company	101%	99%

In Everpia, employees are empowered by democratic rules and regulations at the workplace. Employees have the right to comment and decide on the content of the collective bargaining agreement, as well as the freedom to join trade unions and other labor organizations.

Labor rights are executed through periodic and regular dialogues between the Company's management and employees, or the workers' conferences to collect opinions for trade unions. Besides Suggestion Box and Internal Hotline, we also deliver specific guidelines on the relevant policies to facilitate application. These regulations are agreed by

the Trade Union and voted by the laborers before officially promulgated. Accordingly, the dialogue is conducted at least quarterly, with the basic contents such as: updating the business & production performance, discussing on the implementation of labor contracts, collective bargaining, working conditions, or other requirements from the employees or the employer. In the event of unexpected problems arising from either party requesting the extraordinary dialogue, the two parties shall arrange the meeting within 10 working days since requested.

4.1.5 Occupational Health and Safety

Ensuring occupational health and safety is the top priority in the manufacturing process at Everpia. Therefore, in addition to the officer in charge of the Sustainability Committee, the Company further established a special team in charge of occupational health and safety (OHS team) at all 3 factories, in which each workshop has 1-2 representatives to ensure this activity to be perfectly carried out and closely monitored. On each Tuesday, the OHS staff and representative of the Factory Innovation team visit each factory to check the 5S activities. Every 6 months or in case of emergency, the OHS team reports directly to the BOM and the Trade Union, notifying the Sustainability Committee, to update the implementation and quickly give necessary solutions. When a health and safety related accident occurs, an investigation Team, presented by a BOM's representative, the Chairman of the Trade Union, the Medical department leader, and the Officer in charge of OHS, will be immediately formed, and the occupational accident investigation process will be activated.

The role of Trade Unions in managing this topic is not only to cope with arising problems, but begin with setting up relevant provisions in the Collective Labor Agreement as a responsibility and obligation of the Employer and Employee.

Every year, each factory reviews the entire production process and workplace to identify the potential impacts on the environment and workers, and classify the risks on occupational health & safety, then work out the corresponding measures. Furthermore, the Company conducts related training and communication to each employee on a yearly basis and before start working, delivers labor protective devices and strictly controls workers' compliance. Fire incident drills and first aid training are also conducted annually

to provide necessary skills and knowledge for workers.

In addition, health checks are provided to all employees once a year, or twice a year for the workers in hazardous situations. The original health records are sent directly to each employee in a sealed envelope. Summary information will be transmitted in hard copy to the Human Resources department, and kept in a locked file cabinet, managed directly by the Head of Department.

The above OHS standards are applied to the entire employees of Everpia. For contractor employees working onsite, the Company's Medical department will provide first aid support if any accident arises, and cooperate in investigating occupational accidents if required.

In 2019, including employees of the contractor working at the Company, Everpia recorded 1 case of labor accident at Dong Nai factory due to a machine operation mistake, but with no serious injury. After 40 days of treatment and rest at home, this worker has returned to work as normal.

One of the key goals of the Factory Innovation program is to improve the working environment for employees. In 2019, 6 related initiatives were applied, including 2 following initiatives in occupational safety:

- Renovating the button press machine: design hand position away from the pressing area, preventing the risk of pressing on the hand.
- Upgrading the ventilation system in the sewing workshop: increase the number and capacity of ventilation fans to improve the air circulation in the workshop.

Our first priority in selecting suppliers is product quality. If the quality requirements are satisfied, we will prioritize the local suppliers, in order to enhance the stability of materials supply and increase the localization rate. Currently, most of the key raw materials, such as fabric, fiber, are imported from Korea and China since the domestic sources have not met the Company's demand on capacity and quality. However, for other sub-materials such as resin, rubber band, thread, and interlining, Everpia sources from Vietnamese suppliers. Addressing our effort to improve the local supply chain, Everpia has increased its partnership with local suppliers.

4.2 Partnership with Suppliers

Building a diverse and balanced ecosystem of the supply chain is essential to the sustainability of business.

At Everpia, we conduct annual supplier assessments internally on a range of criteria such as supply capacity, technology, financial health, product quality, price, delivery time, and etc. Information is collected through direct interview, reference from existing partner network or internet. The basic factors of price, delivery time are negotiated before each transaction, or annually with the principal contract. In case of conflict, two parties will discuss directly and agree on the solution based on harmonizing interests. Traceability of raw materials is mainly done through certification such as OEKO-Tex, and direct interviews with suppliers.

Comparison Table of Domestic and International Suppliers

Suppliers	Number of Suppliers	Ratio in 2019	Ratio in 2018	Purchased value (VND)	Ratio in 2019	Ratio in 2018
Local suppliers	609	90.1%	85.4%	311,571,022,860	45.8%	38.7%
Foreign suppliers	67	9.9%	14.6%	368,045,562,430	54.2%	61.3%
Total	676	100%	100%	679,616,585,290	100%	100%

4.3 Responsible Consumption

As a consumer products manufacturer, caring for customer health and safety is not only our obligation but also our mission. We engage with this mission from selecting high quality materials and applying modern and safe technology to communicating product information in full, honest and transparent manner to the customers.

For each line of products, Everpia conducts a careful research on its effects on health. Initial control will be taken by the R&D team of each business unit, through dozens of tests and corrections. Based on research and analysis of market needs, new features of products are developed to solve the different requirements of customers. In 2019, 5-second pillows and in-shape pillows have been developed by Everpia and launched in Vietnam, especially proper with people suffering from shoulder pains. Down feather substitute with many functions superior to real feather such as: no allergy, odorless, no degeneration after a period of use, has also been supplied to market by Everpia.

During the manufacturing process, each stage is meticulously performed, in compliance with regulations on occupational safety and hygiene. From raw materials to semi-finished products and after finishing, products are stored under standard conditions of temperature, humidity. All output

products must pass through final quality control before being transferred to warehouse and delivered to customers, from metal detectors in padding to spring elasticity testing in spring mattress, as well as other quality standards for each type of product. For curtains, Everon is the first manufacturer in Vietnam equipped with Korean-technology steaming machine, which helps creating and keeping the wave of curtain, as well as killing 99.9% of bacteria including staphylococcus aureus and bacilli certified by Fiti Garment Testing & Research Institute.

Regarding the communication of product information to customers, 100% of Everpia's goods satisfies this criterion. For semi-finished products such as padding, quilting and fabric, we comply with the agreement on product specifications in each contract, the manufacturer will be given enough information to provide end users. For bedding, curtain and cleaner items, which are directly distributed to consumers, in addition to fully stating required information on product labels, we create videos, posts introducing the functions of fabric, or each product, guiding on right usage and storage, and reaching customers through social media. The labelling is conducted with following contents:

No	Label type	Content
1	Product information	(i) Name of product; (ii) Specification: material, size, etc; (iii) Instructions for use & storage; (iv) Name, address and contact of Company
2	Brand label	Brand name is printed on package or attached to product, in purpose of recognition and preventing counterfeit
3	Quality Control	Confirmation of passing final KCS and qualified for circulation
4	Barcode	Internal product code and barcode; listed selling price
5	Anti-counterfeiting stamps	With Company's logo, applying broken-stamp & ice-testing technique, allowing the SMS verification
6	Warranty card	With Company's stamp, and warranty information

Customer feedback is a valuable and reliable source of information for us to evaluate product impacts and make reasonable adjustments. Customers are encouraged to send their feedback after experiencing the products to Everpia through the stores chain, hotline, website or social network

accounts of the Company.

In 2019, no feedback from customers or non-compliance behavior in regard to customer health & safety has been reported.

4.4 Responsibility to Community

As a business member of the society, we recognize our role and responsibility in promoting the well-being and development of the local communities as well as the wider Vietnamese society. In supporting the UN's 17 Sustainable

Development Goals, our community works can contribute to the following goals: 1. No Poverty, 4. Good Health and Well-Being, 5. Quality Education, and 11. Sustainable cities and communities.



Access to Education

Our focus area of corporate social responsibility is Increasing Access to Quality Education. Every year Everpia sets up a special fund for scholarship. We partner with the People's Committee in Hung Yen and Dong Nai and provide scholarships for students in need. Moreover, we participate in Korcham (Korea Chamber of Commerce) CSR program to sponsor university students each year. We continue to look out for opportunities to help those who lack access to quality education.



Good Health and Well-Being

Regularly we collaborate with non-profit organizations, such as orphanages and charity foundations, to donate our bedding products. Clean and safe bed linens and blankets are fundamental to good health and well-being. In 2019, Everpia held a Green Santa campaign to donate our bedding products to an orphanage in Hanoi.



This sustainability report is one of Everpia's means of communicating to the outside world about how our work on sustainability is managed and is progressing. Sustainability reports have been included in the Annual Report since 2010. The report covers the period of fiscal year 2019 from January 1, 2019 to December 31, 2019.

Everpia Sustainability Report has been prepared in accordance with GRI Standards - Core option, under the Corporate Sustainability and Reporting for Competitive Business - CSRCB program. It also aims to clarify how the company works with principles of the United Nations Global Sustainable Development Goals.

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102-10	Significant changes to the organization and its supply chain	No significant changes affecting the scope of boundaries of the report	
102-11	Precautionary principle or approach		
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CHAPTER

06

FINANCIAL STATEMENTS

The Company's audited Financial statement includes Consolidated financial statement and Separate financial statement. These financial statement were published on the Company website: <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 19th Amended Investment Certificate, granted on 7 November 2018.

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 the Investment Certificate are to produce, import, distribute (wholesale or retail) and export non-knitting cloth, filter cloth, wool, blanket, mattresses, bedding, padding, pillow, knapsacks, valise, bags, underclothes and other garment products; import, distribute (wholesale or retail), consultancy, technology transfer 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 seven branch offices located in Hung Yen, Ho Chi Minh City, Hoa Binh, Dong Nai, Binh Duong, Da Nang and Khanh Hoa.

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
Mr Park Sung Jin	Member
Mr Le Kha Tuyen	Member
Ms Nguyen Le Hoang Yen	Member

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 Ko Tae Yeon	Member
Mr Nguyen Dac Huong	Member

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
Mr Lim Jin Taek	Ho Chi Minh City Branch Director Resigned on 1 January 2020
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 Directors cum General Director of the Company.

AUDITOR

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

REPORT OF MANAGEMENT

Management of Everpia Joint Stock Company ("the Company") is pleased to present this report and the consolidated financial statements of the Company and its subsidiary for the year ended 31 December 2019.

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 subsidiary 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 subsidiary 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 subsidiary 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 subsidiary as at 31 December 2019, 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

Hanoi, Vietnam, 25 March 2020

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 subsidiary as prepared on 25 March 2020 and set out on pages 6 to 47, which comprise the consolidated balance sheet as at 31 December 2019, 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 subsidiary as at 31 December 2019, 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

Dao Van Thich
Auditor
Audit Practising Registration
Certificate No. 3732-2016-004-1

Hanoi, Vietnam, 25 March 2020

CONSOLIDATED BALANCE SHEET

Currency: VND

Code	ASSETS	Notes	Ending balance	Beginning balance
100	A. CURRENT ASSETS		1,233,241,183,789	1,176,271,684,040
110	I. Cash and cash equivalents	4	67,058,857,742	64,671,862,409
111	1, Cash		35,941,347,742	47,271,862,409
112	2, Cash equivalents		31,117,510,000	17,400,000,000
120	II. Short-term investments	5	552,700,000,000	452,548,500,000
121	1, Held-for-trading securities		37,000,000,000	-
123	2, Held-to-maturity investments		515,700,000,000	452,548,500,000
130	III. Current accounts receivables		210,480,983,579	239,769,555,933
131	1, Short-term trade receivables	6,1	198,047,102,616	227,811,538,716
132	2, Short-term advances to suppliers	6,2	25,453,385,785	25,442,860,902
136	3, Other short-term receivables	7	25,786,318,326	21,983,210,878
137	4, Provision for doubtful short-term receivables	6,1,6,2,7,8	(38,805,823,148)	(35,468,054,563)
140	IV. Inventories	9	397,655,085,181	400,852,915,732
141	1, Inventories		412,745,335,931	416,941,146,121
149	2, Provision for obsolete inventories		(15,090,250,750)	(16,088,230,389)
150	V. Other current assets		5,346,257,287	18,428,849,966
151	1, Short-term prepaid expenses	14	3,778,973,934	10,461,302,311
152	2, Value-added tax deductible		1,416,846,887	7,817,204,083
153	3, Tax and other receivables from the State		150,436,466	150,343,572
200	B. NON-CURRENT ASSETS		304,392,020,480	313,841,264,239
210	I. Long-term receivables	7	2,893,502,995	3,190,217,098
216	1, Other long-term receivables		4,218,391,670	4,515,105,773
219	2, Provision for doubtful long-term receivables	8	(1,324,888,675)	(1,324,888,675)
220	II. Fixed assets		244,477,613,256	273,930,178,491
221	1, Tangible fixed assets	10	238,535,047,589	265,794,612,166
222	Cost		584,850,873,428	571,332,073,478
223	Accumulated depreciation		(346,315,825,839)	(305,537,461,312)
227	2, Intangible fixed assets	11	5,942,565,667	8,135,566,325
228	Cost		41,308,597,805	41,352,801,184
229	Accumulated amortization		(35,366,032,138)	(33,217,234,859)
250	III. Long-term investments		8,419,200,000	2,638,200,000
252	1, Investments in subsidiary	12	11,590,390,000	11,590,390,000
253	2, Investments in other entities	13	8,419,200,000	2,638,200,000
254	3, Provision for long-term investments	12	(11,590,390,000)	(11,590,390,000)
260	IV. Other long-term assets		48,601,704,229	34,082,668,650
261	1, Long-term prepaid expenses	14	29,538,937,630	17,003,502,987
262	2, Deferred tax assets	28,3	19,062,766,599	17,079,165,663
270	TOTAL ASSETS		1,537,633,204,269	1,490,112,948,279

CONSOLIDATED BALANCE SHEET (continued)

Currency: VND

Code	RESOURCES	Notes	Ending balance	Beginning balance
300	C. LIABILITIES		599,105,607,685	581,127,785,434
310	I. Current liabilities		241,885,645,873	215,547,039,933
311	1. Short-term trade payables	15.1	47,613,732,688	74,085,389,244
312	2. Short-term advances from customers	15.2	22,728,254,237	21,403,410,987
313	3. Statutory obligations	16	15,282,751,409	23,080,448,344
314	4. Payables to employees		21,839,768,340	18,136,048,383
315	5. Short-term accrued expenses	17	3,471,829,165	3,312,520,102
319	6. Other short-term payables	18	6,586,839,883	6,427,378,211
320	7. Short-term borrowings	19	124,362,470,151	69,101,844,662
330	II. Non-current liabilities		357,219,961,812	365,580,745,502
337	1. Other long-term liabilities	18	19,858,728,868	17,290,080,411
338	2. Long-term borrowings	19	105,336,861,944	113,516,165,091
339	3. Convertible bonds	20	232,024,371,000	234,774,500,000
400	D. OWNERS' EQUITY	21	938,527,596,584	908,985,162,844
410	I. Capital		938,527,596,584	908,985,162,844
411	1. Share capital	21.3	419,797,730,000	419,797,730,000
411a	- Shares with voting rights		419,797,730,000	419,797,730,000
411b	- Preference share		-	-
412	2. Share premium	21.2	203,072,724,247	203,072,724,247
415	3. Treasury shares	21.2	(76,000,000,000)	(76,000,000,000)
417	4. Foreign exchange differences reserve		(2,985,195,157)	(1,490,120,168)
420	5. Other funds belonging to owners' equity	21.6	1,328,325,577	329,683,203
421	6. Undistributed earnings		393,314,011,917	363,275,145,562
421a	- Undistributed earnings up to the end of prior year		321,425,744,080	287,062,750,906
421b	- Undistributed earnings of current year		71,888,267,837	76,212,394,656
440	TOTAL LIABILITIES AND OWNERS' EQUITY		1,537,633,204,269	1,490,112,948,279

Nguyen Bao Ngoc
Preparer
Accounting manager

Yu Sung Dae
Deputy General Director
In charge of Finance



Lee Jae Eun
General Director

Hanoi, Vietnam, 25 March 2020

CONSOLIDATED INCOME STATEMENT

Currency: VND

Code	ITEMS	Notes	Current year	Previous year
01	1. Revenue from sale of goods and rendering of services	23.1	1,007,852,142,423	1,182,921,118,473
02	2. Deductions	23.1	(3,653,585,797)	(2,201,416,707)
10	3. Net revenue from sale of goods and rendering of services	23.1	1,004,198,556,626	1,180,719,701,766
11	4. Cost of goods sold and services rendered	24	(660,487,708,090)	(799,644,833,823)
20	5. Gross profit from sale of goods and rendering of services		343,710,848,536	381,074,867,943
21	6. Finance income	23.2	43,087,986,926	31,471,110,724
22	7. Finance expenses	25	(20,372,109,446)	(27,794,893,440)
23	<i>In which: Interest expenses</i>		(13,769,071,371)	(16,466,684,069)
25	8. Selling expenses	26	(174,314,310,208)	(175,645,691,878)
26	9. General and administrative expenses	26	(98,836,259,139)	(114,627,166,160)
30	10. Operating profit		93,276,156,669	94,478,227,189
31	11. Other income		1,137,709,722	1,326,775,440
32	12. Other expenses		(441,608,944)	(95,847,918)
40	13. Other profit		696,100,778	1,230,927,522
50	14. Accounting profit before tax		93,972,257,447	95,709,154,711
51	15. Current corporate income tax expenses	28.1	(22,648,932,480)	(23,131,970,018)
52	16. Deferred tax income	28.3	564,942,870	3,635,209,963
60	17. Net profit after tax		71,888,267,837	76,212,394,656
61	18. Net profit after tax attributable to shareholders of the parent		71,888,267,837	76,212,394,656
62	19. Net profit after tax attributable to non-controlling interests		-	-
70	20. Basic earnings per share	30	1,889	1,933
71	21. Diluted earnings per share	30	1,654	1,933

Nguyen Bao Ngoc
Preparer
Accounting manager

Yu Sung Dae
Deputy General Director
In charge of Finance



Lee Jae Eun
General Director

Hanoi, Vietnam, 25 March 2020

CONSOLIDATED CASH FLOW STATEMENT

Currency: VND

Code	ITEMS	Notes	Current year	Previous year
	I. CASH FLOWS FROM OPERATING ACTIVITIES			
01	Profit before tax		93,972,257,447	95,709,154,711
	Adjustments for:			
02	Depreciation and amortization of intangibles fixed assets, finance leases assets and amortisation of intangible fixed assets		45,051,989,110	44,479,888,042
03	Provisions		4,908,437,403	19,147,213,846
04	Foreign exchange (gain)/loss arisen from revaluation of monetary accounts denominated in foreign currency		(2,459,966,323)	539,077,308
05	Profit from investing activities		(36,895,604,482)	(21,077,913,094)
06	Interest expenses and amortization of bond issuance cost	25	14,477,788,371	16,466,684,069
08	Operating profit before changes in working capital		119,054,901,526	155,264,104,882
09	Decrease/(increase) in receivables		35,698,874,884	(52,526,285,461)
10	Decrease in inventories		4,195,810,190	7,754,521,806
11	(Decrease)/increase in payables		(21,446,648,187)	24,652,787,129
12	Increase in prepaid expenses		(5,853,106,266)	(1,533,801,366)
13	Increase in held-for-trading securities		(37,000,000,000)	-
14	Interest paid		(13,851,039,211)	(14,753,572,027)
15	Corporate income tax paid	16	(26,685,699,070)	(20,571,815,592)
17	Other cash outflows from operating activities		(2,811,977,358)	(15,271,919,567)
20	Net cash flows from operating activities		51,301,116,508	83,014,019,804
	II. CASH FLOWS FROM INVESTING ACTIVITIES			
21	Purchase, construction of fixed assets and other long-term assets		(21,939,932,851)	(23,333,451,681)
22	Proceeds from disposals of fixed assets and other long-term assets		572,727,273	743,122,598
23	Loans to other entities, short term investment		(515,700,000,000)	(648,229,326,666)
24	Collections from borrowers, short-term investments		452,548,500,000	383,540,826,666
25	Payments for investments in other entities		(5,781,000,000)	-
27	Interest and dividends received		33,240,085,207	21,003,052,638
30	Net cash flows used in investing activities		(57,059,620,371)	(266,275,776,445)

CONSOLIDATED CASH FLOW STATEMENT (continued)

Currency: VND

Code	ITEMS	Notes	Current year	Previous year
	III. CASH FLOWS FROM FINANCING ACTIVITIES			
32	Capital redemption		-	(27,000,000,000)
33	Drawdown of borrowings		265,554,957,896	425,576,155,084
34	Repayment of borrowings		(219,003,870,244)	(245,831,656,490)
35	Repayment of principal of finance lease liabilities		-	(25,728,214)
36	Dividends paid to shareholders		(38,038,781,750)	(39,805,509,500)
40	Net cash flows from financing activities		8,512,305,902	112,913,260,880
50	Net increase/(decrease) in cash for the year		2,753,802,039	(70,348,495,761)
60	Cash and cash equivalents at the beginning of the year		64,671,862,409	131,586,803,113
61	Impact of exchange rate fluctuation		(366,806,706)	3,433,555,057
70	Cash and cash equivalents at the end of the year	4	67,058,857,742	64,671,862,409



Nguyen Bao Ngoc
Preparer
Accounting manager



Yu Sung Dae
Deputy General Director
In charge of Finance



Lee Jae Eun
General Director

Hanoi, Vietnam, 25 March 2020

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 19th Amended Investment Certificate, granted on 7 November 2018.

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) consultancy, technology transfer and export 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 seven branch offices located in Hung Yen, Ho Chi Minh City, Hoa Binh, Dong Nai, Binh Duong, Da Nang and Khanh Hoa.

The number of employees of the Company and its subsidiary as at 31 December 2019 is 1,474 (31 December 2018: 1,599).

Company structure

Details of the subsidiary and the percentage of the Company's voting and interests in its subsidiary as at 31 December 2019 are as follows:

Everpia Korea Joint Stock Company

This is a joint stock company 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 Samsung-ro, 104-Gil, Gangnam-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 2019, the Company is registered to hold 100% shares and voting rights in this subsidiary. At the date of this report, the Company contributed USD 1,500,000 (VND 34,285,000,000), equivalent to 100% charter capital to this subsidiary.

2. BASIS OF PREPARATION

2.1 ACCOUNTING STANDARDS AND SYSTEM

The consolidated financial statements of the Company and its subsidiary, 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.

2.2 APPLIED ACCOUNTING DOCUMENTATION SYSTEM

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

2.3 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.

2.4 ACCOUNTING CURRENCY

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

2.5 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiary for the year ended 31 December 2019.

Subsidiary 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 subsidiary 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 subsidiary, without a loss of control, is recorded in undistributed earnings.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 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 not more than three months that are readily convertible into known amounts of cash and that are subject to an insignificant risk of change in value.

3.2 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 the business, based on market prices at the reporting date and 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 and its subsidiary, 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.

3.3 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 or decreases to the provision balance are recorded as general and administrative expense in the consolidated income statement.

3.4 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.

3.5 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.

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

3.6 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.

3.7 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
Machinery and equipment	5 - 15 years
Office equipment	6 - 8 years
Motor vehicles	9 - 10 years
Others tangible fixed assets	4 - 20 years
Trade mark	6 - 16 years
Distribution channels	15 years
Computer software	4 years
Other intangible fixed assets	4 years
Site restoration cost	10 years
Domain	10 years

3.8 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.

3.9 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.

The following types of expenses are recorded as long-term prepaid expense and are amortised to the consolidated income statement:

- Prepaid rental;
- Tools and consumables with large value issued into production and can be used for more than one year;
- Etc.

Prepaid land rental

The prepaid land rental represents the unamortised balance of advance payment made in accordance with lease contract signed with Mr. Nguyen Hoai Thanh on 22 February 2019 for a period of 50 years. Such prepaid rental is classified as long-term prepaid expenses for allocation to the consolidated income statement over the shorter of the remaining lease period and remaining operational period of the Company its under Investment Certificate.

3.10 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 subsidiary. 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.

3.11 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 subsidiary 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.

Held-for-trading securities and investments in other entities

Held-for-trading securities and investments in other entities are stated at their acquisition costs.

Provision for diminution in value of investments

Provision of the investment is made when there are reliable evidences of the diminution in value of those investments at the balance sheet date. 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.

3.12 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.

3.13 CONVERTIBLE BOND

Bonds that are convertible by the holder into a fixed number of ordinary shares of the entity are separated into financial liability (a contractual arrangement to deliver cash or other financial assets) and equity instrument (a call option granting the holder the right, for a specified period of time) based on the terms of the contract.

On issuance of the convertible bond, the fair value of the liability component is determined by discounting the future payment (including principal and interest) to present value at the market rate for an equivalent non-convertible bond less issuance cost.

The remainder of the proceeds is allocated to the conversion option that is recognised and included

in shareholders' equity. The carrying amount of the conversion option is not re-measured in subsequent years.

Transaction costs are amortised during the lifetime of the bond. At initial recognition, issuance costs are deducted from the liability component of the bond.

3.14 ACCRUAL FOR SEVERANCE PAY

The Company

The severance pay to employee is accrued at the end of each reporting year for all employees who have been in service for more than 12 months in service up to 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. Increase or decrease to the accrued amount other than actual payment to employee 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.

The subsidiary

The severance allowance payable to all employees employed by the subsidiary is calculated at the rate of one month's salary for each year of service in the Company up to balance sheet date in accordance with the law of the country of residence.

3.15 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 current estimated costs to settle the obligation and are recognised as part of the cost of the buildings and structures, which will be amortised 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.

3.16 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 commercial 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 revaluated at buying exchange rate of the commercial bank where the Company and its subsidiary conducts transactions regularly; and

► Monetary liabilities are revaluated at selling exchange rate of the commercial bank where the Company and its subsidiary conducts transactions regularly.

All foreign exchange differences are taken to the consolidated income statement.

3.17 TREASURY SHARES

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss upon purchase, sale, issue or cancellation of the Group's own equity instruments.

3.18 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 converted at the buying exchange rates of the commercial banks;
- Transactions resulting in liabilities are converted at the selling exchange rates of the commercial banks;
- Net assets of subsidiary hold by the parent company are converted at the exchange rate recorded in accounting book 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.

All foreign exchange differences incurred from the conversion of reporting currency are recorded separately in owner's equity until disposal of investment in foreign independent operation.

3.19 APPROPRIATION OF NET PROFITS

Net profit after tax (excluding negative good will arising from bargain purchase) 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 subsidiary 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 Directors and Management are authorised to use this fund for the Company's business activities in order to maximize the Company's operating results.

3.20 REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and its subsidiary 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 subsidiary as an investor to receive the dividend is established.

3.21 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 and its subsidiary to set off current tax assets against current tax liabilities and when the Company and its subsidiary 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 in the consolidated financial statements.

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 by the Company and its subsidiary 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 year 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 subsidiary 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 and its subsidiary 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 year in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.22 SEGMENT INFORMATION

A segment is a component determined separately by the Company and its subsidiary 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.

3.23 RELATED PARTIES

Parties are considered to be related parties of the Company and its subsidiary if one party has the ability, directly or indirectly, 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

	Ending balance		Beginning balance	
	Cost	Fair value	Cost	Fair value
Cash on hand		237,058,678		1,655,082,090
Cash at banks		35,704,289,064		45,616,780,319
Cash equivalents (*)		31,117,510,000		17,400,000,000
		67,058,857,742		64,671,862,409

(*) Cash equivalents represent bank deposits with terms from 1 month to 3 months, which earn interest rates from 4.8% to 5.3% per annum (2018: bank deposits with terms of 1 months, which earn interest rate 5% per annum).

5. SHORT-TERM INVESTMENTS

5.1. HELD-FOR-TRADING SECURITIES

	Ending balance			Beginning balance		
	Cost	Fair value	Provision	Cost	Fair value	Provision
Bond (i)	37,000,000,000	37,000,000,000	-	-	-	-
TOTAL	37,000,000,000	37,000,000,000	-	-	-	-

(i) Details for bond investment are as follows:

Issuer	31 December 2019	Principal and interest repayment term	Interest rate (% p.a)	Description of collateral
Sunshine Group JSC	(VND) 37,000,000,000	3 years, interest receivable on annual basis. Principal is due on 24 October 2021.	11.5%	(*)
	37,000,000,000			

(*) This bond is secured by third party.

The Company classified the bond as held-for-trading securities (short-term) based on its plan approved by the management to divest before maturity date.

5.2. HELD-TO-MATURITY INVESTMENTS

	Ending balance		Beginning balance	
	Cost	Carrying value	Cost	Carrying value
Term deposits	515,700,000,000	515,700,000,000	452,548,500,000	452,548,500,000
	515,700,000,000	515,700,000,000	452,548,500,000	452,548,500,000

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).

6. SHORT-TERM TRADE RECEIVABLES AND SHORTTERM ADVANCES TO SUPPLIERS

6.1 SHORT-TERM TRADE RECEIVABLES

	Ending balance	Beginning balance
Everpia Cambodia Co., Ltd.	10,233,915,821	10,233,915,821
Welcron Global Vietnam JSC	7,920,504,029	5,714,641,335
Tak Textiles Korea Inc.,	5,217,958,034	-
AG - Nguyen Trai 404	5,160,918,657	5,973,643,452
Phu Truong Trading Investment Co., Ltd.	5,142,981,048	3,469,099,809
GDB - Lan Phat Company	5,103,144,400	3,947,203,796
GDB-Thanh Hoa	4,204,430,681	3,827,704,208
Eady Tax Trading Co., Ltd.	3,317,841,495	3,061,775,838
Dong Bac Corporation	2,716,000,000	2,716,000,000
Petit Elin Co., Ltd.	2,004,916,324	17,167,570,420
Hoa Binh Co., Ltd.	1,354,735,851	4,554,735,851
TCK Textiles Korea Inc	-	9,554,393,020
The Garden Co., Ltd	-	4,526,516,768
Other trade receivables	145,669,756,276	153,064,338,398
	198,047,102,616	227,811,538,716
Provision for doubtful debts	(26,656,750,531)	(22,763,610,516)

6.2 SHORT-TERM ADVANCES TO SUPPLIERS

	Ending balance	Beginning balance
Radian Co., Ltd	4,487,501,250	-
Guoxin Infu Co., Ltd	3,669,311,846	322,622,046
V.F.B., Trading JSC	2,046,200,000	-
Tongxiang Huibo Import & Export Co., Ltd	1,994,810,051	2,576,974,638
Ms. Nguyen Thi Thu Hien	467,000,000	1,867,400,000
Mr. Nguyen Hoai Thanh	-	4,000,000,000
ZIOVI design Co., Ltd.	-	3,837,900,000
Advance to other suppliers	12,788,562,638	12,837,964,218
	25,453,385,785	25,442,860,902
Provision for doubtful advances to suppliers	(696,080,000)	(696,080,000)

7. OTHER RECEIVABLES

	Currency: VND	
	Ending balance	Beginning balance
Short-term		
Shortage of assets awaiting resolution	11,349,845,417	11,336,798,621
Interest income from term deposits	11,101,662,575	8,013,615,329
Advance to employees	1,500,713,577	933,530,414
Refundable value added tax	1,168,241,076	1,168,513,803
Refundable import tax	347,397,965	408,564,138
Other short-term receivables	<u>318,457,716</u>	<u>122,188,573</u>
	25,786,318,326	21,983,210,878
Provision for doubtful other short-term receivables	(11,452,992,617)	(12,008,364,047)
Long-term		
Long-term deposit	2,893,502,995	2,773,323,158
Rental of machinery	893,491,200	893,491,200
Fabric loan	252,051,882	252,051,882
Receivables from employees	98,599,640	98,599,640
Other long-term receivables	<u>80,745,953</u>	<u>497,639,893</u>
	4,218,391,670	4,515,105,773
Provision for doubtful other long-term receivables	(1,324,888,675)	(1,324,888,675)

8. OVERDUE DEBTS

	Currency: VND			
	Ending balance		Beginning balance	
	Cost	Recoverable amount	Cost	Recoverable amount
Everpia Cambodia Co., Ltd	10,233,915,821	-	10,233,915,821	309,824,975
Others	<u>72,911,179,663</u>	<u>43,014,383,661</u>	<u>57,333,230,225</u>	<u>30,464,377,833</u>
	83,145,095,484	43,014,383,661	67,567,146,046	30,774,202,808

9. INVENTORIES

	Currency: VND			
	Ending balance		Beginning balance	
	Cost	Provision	Cost	Provision
Goods in transit	4,669,132,759	-	6,121,493,812	-
Materials	214,554,900,187	(6,298,321,177)	225,633,236,231	(9,252,711,215)
Finished goods	187,395,443,461	(8,791,929,573)	182,410,082,542	(6,835,519,174)
Merchandise	<u>6,125,859,524</u>	<u>-</u>	<u>2,776,333,536</u>	<u>-</u>
	412,745,335,931	(15,090,250,750)	416,941,146,121	(16,088,230,389)

Movements of provision for obsolete inventories:

	Currency: VND	
	Current year	Previous year
Beginning balance	16,088,230,389	10,758,674,761
Add: Provision made during the year	8,123,202,626	12,308,720,319
Less: Reversal of provision during the year	<u>(9,121,182,265)</u>	<u>(6,979,164,691)</u>
Ending balance	<u>15,090,250,750</u>	<u>16,088,230,389</u>

10. TANGIBLE FIXED ASSETS

	Currency: VND					
	Buildings and structures	Machinery and equipment	Office equipment	Motor vehicles	Others	Total
Cost:						
Beginning balance	196,826,549,412	296,508,402,684	13,909,759,696	44,524,168,028	19,563,193,658	571,332,073,478
- New purchase	459,772,482	11,498,120,334	1,500,000,000	1,564,070,391	626,919,291	15,648,882,498
- Disposal	-	-	-	(2,130,082,548)	-	(2,130,082,548)
- Reclassification	-	885,227,456	-	-	(885,227,456)	-
Ending balance	<u>197,286,321,894</u>	<u>308,891,750,474</u>	<u>15,409,759,696</u>	<u>43,958,155,871</u>	<u>19,304,885,493</u>	<u>584,850,873,428</u>
<i>In which:</i>						
Fully depreciated	20,703,762,726	91,429,282,711	7,608,415,994	7,377,572,991	4,004,006,718	131,123,041,140
Fixed assets used as loan and bond collateral (Note 19)	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	70,561,962,596	186,065,585,908	12,855,992,795	21,636,637,543	14,417,282,470	305,537,461,312
- Depreciation for the year	13,260,769,155	22,903,910,976	712,810,752	4,272,268,413	1,753,432,535	42,903,191,831
- Disposal	-	-	-	(2,124,827,304)	-	(2,124,827,304)
- Reclassification	-	706,427,021	-	-	(706,427,021)	-
Ending balance	<u>83,822,731,751</u>	<u>209,675,923,905</u>	<u>13,568,803,547</u>	<u>23,784,078,652</u>	<u>15,464,287,984</u>	<u>346,315,825,839</u>
Net carrying amount:						
Beginning balance	<u>126,264,586,816</u>	<u>110,442,816,776</u>	<u>1,053,766,901</u>	<u>22,887,530,485</u>	<u>5,145,911,188</u>	<u>265,794,612,166</u>
Ending balance	<u>113,463,590,143</u>	<u>99,215,826,569</u>	<u>1,840,956,149</u>	<u>20,174,077,219</u>	<u>3,840,597,509</u>	<u>238,535,047,589</u>

11. INTANGIBLE FIXED ASSETS

	Currency: VND				
	Trade mark	Distribution channel	Computer software	Others	Total
Cost:					
Beginning balance	24,566,385,000	7,831,500,000	7,463,284,189	1,491,631,995	41,352,801,184
Foreign exchanges differences arising from conversion of financial statements of subsidiary	-	-	-	(44,203,379)	(44,203,379)
Ending balance	<u>24,566,385,000</u>	<u>7,831,500,000</u>	<u>7,463,284,189</u>	<u>1,447,428,616</u>	<u>41,308,597,805</u>
<i>In which:</i>					
Fully amortized	-	7,831,500,000	943,173,710	686,893,687	9,461,567,397
Accumulated amortization:					
Beginning balance	18,649,057,064	7,831,500,000	6,049,784,108	686,893,687	33,217,234,859
- Amortization for the year	1,404,895,525	-	743,901,754	-	2,148,797,279
Ending balance	<u>20,053,952,589</u>	<u>7,831,500,000</u>	<u>6,793,685,862</u>	<u>686,893,687</u>	<u>35,366,032,138</u>
Net carrying amount:					
Beginning balance	<u>5,917,327,936</u>	<u>-</u>	<u>1,413,500,081</u>	<u>804,738,308</u>	<u>8,135,566,325</u>
Ending balance	<u>4,512,432,411</u>	<u>-</u>	<u>669,598,327</u>	<u>760,534,929</u>	<u>5,942,565,667</u>

12. LONG-TERM INVESTMENTS

Currency: VND

	Ending balance			Beginning balance		
	Cost	Provision	Fair value	Cost	Provision	Fair value
Investment in associate	<u>11,590,390,000</u>	<u>(11,590,390,000)</u>		<u>11,590,390,000</u>	<u>(11,590,390,000)</u>	
	11,590,390,000	(11,590,390,000)		11,590,390,000	(11,590,390,000)	
	Ending balance		Beginning balance			
	Ownership (%)	Voting right (%)	Ownership (%)	Voting right (%)		
Texpia Joint Stock Company	44%	44%	44%	44%		

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 latest being the 6th No. 472033001056 issued on 2 June 2017. Texpia Joint Stock Company is located in Nhon Trach Textile Industrial Zone, Nhon Trach district, Bien Hoa city, Dong Nai province. The principal activities of Texpia Joint Stock Company are to produce and process all kinds of cleaners and garment fabrics. As at 2 April 2018, the Company has completely purchased assets and liabilities of this associate. As at the date of this report, Texpia Joint Stock Company completed tax finalization as well as procedures with Management Board of Dong Nai Industrial Zone and this associate is working with other governing agencies regarding procedure to dissolve its business. Currently, Texpia Joint Stock Company is still the associate of Everpia Joint Stock Company with the contribution of 44% charter capital. Shares of this associate are not listed on the stock market, as the sequences, the Management is unable to assess the fair value of this investment as at 31 December 2019.

13. INVESTMENT IN OTHER ENTITY

Currency: VND

	Ending balance	Beginning balance
Bac Ninh Pharmaceutical JSC (*)	2,638,200,000	2,638,200,000
Kalon Investment Asset Co., Ltd. (**)	<u>5,781,000,000</u>	-
	8,419,200,000	2,638,200,000

(*) The investment in shares of Bac Ninh Pharmaceutical Joint Stock Company, with 172,000 shares at the cost of VND 2,638,200,000. In the year, the Company had received dividend with amount of VND 206,400,000 (2018: VND 206,400,000).

(**) Investment in other entity represents the investment in the shares Kalon Investment Asset Co., Ltd. with 30,000 shares at the cost of KRW 300,000,000.

As at 31 December 2019, the Company is unable to assess the fair value of these investments due to these shares are not listed in any stock exchange.

14. PREPAID EXPENSES

Currency: VND

	Ending balance	Beginning balance
Short-term		
Prepaid rentals	2,032,931,066	330,000,000
Fire insurance	524,178,034	572,741,238
Advertisement	413,333,337	6,985,919,358
Tools and spare parts	79,961,670	533,150,507
Others	<u>728,569,827</u>	<u>2,039,491,208</u>
	3,778,973,934	10,461,302,311
Long-term		
Showroom furniture	8,307,721,984	3,317,136,477
Land rental prepaid (*)	7,834,113,718	-
Prepaid rentals (**)	7,457,229,502	6,802,315,625
Tools and spare parts	4,684,793,086	5,772,213,179
Others	<u>1,255,079,340</u>	<u>1,111,837,706</u>
	29,538,937,630	17,003,502,987

(*) Land rental prepaid in Nha Trang in 50 years from 2019 to use as premises and office. It was allocated to consolidated income statement under straight - line basis over 25 years from 2019, in consistent with remaining operational period of the Company under its Investment Certificate.

(**) Prepaid rentals includes rentals at Keangnam Landmark, Pham Hung street, Hanoi in 45 years from 2012 with amount of VND 6,528,396,875 as at 31 December 2019. It was allocated to consolidated income statement under straight - line basis over 32 years from 2012, in consistent with remaining operational period of the Company under its Investment Certificate.

15. SHORT-TERM TRADE PAYABLES SHORT-TERM ADVANCES FROM CUSTOMERS

15.1 SHORT-TERM TRADE PAYABLES

Currency: VND

	Ending balance		Beginning balance	
	Amount	Amount payable	Amount	Amount payable
BCH Corporation	1,805,704,130	1,805,704,130	1,805,704,130	1,805,704,130
Guangzhou Yaohuang Trade Co., Ltd	381,886,798	381,886,798	7,132,505,264	7,132,505,264
SL Company Ltd	-	-	5,697,836,215	5,697,836,215
Payables to other suppliers	<u>45,426,141,760</u>	<u>45,426,141,760</u>	<u>59,449,343,635</u>	<u>59,449,343,635</u>
	47,613,732,688	47,613,732,688	74,085,389,244	74,085,389,244

15.2 SHORT-TERM ADVANCES FROM CUSTOMERS

Currency: VND

	Ending balance	Beginning balance
Petit Elin Co., Ltd.	3,082,449,753	5,505,524,850
Hoang Thien Duc Trading Co., Ltd.	2,226,645,432	1,405,734,571
Ba- Pho Hue -289B	-	2,000,000,000
Others	<u>17,419,159,052</u>	<u>12,492,151,566</u>
	22,728,254,237	21,403,410,987

16. STATUTORY OBLIGATIONS

Currency: VND

	Beginning balance	Increase in the year	Payment in the year	Ending balance
Value added tax	4,653,776,498	15,207,679,556	18,806,994,082	1,054,461,972
Import duties	99,811,732	847,174,239	846,598,879	100,387,092
Corporate income tax (Note 28)	16,770,530,210	22,648,932,480	26,685,699,070	12,733,763,620
Personal income tax	1,174,227,065	11,986,675,426	11,806,293,559	1,354,608,932
Other taxes	382,102,839	330,699,492	673,272,538	39,529,793
	23,080,448,344	51,021,161,193	58,818,858,128	15,282,751,409

17. SHORT-TERM ACCRUED EXPENSE

Currency: VND

	Ending balance	Beginning balance
Advertising costs	2,087,303,764	425,933,240
Import and export fee	554,000,000	510,000,000
Commission fee	76,902,531	647,917,582
Rental fee	432,467,114	607,340,194
Professional fee	168,000,000	366,181,812
Others	153,155,756	755,147,274
	3,471,829,165	3,312,520,102

18. OTHER PAYABLES

Currency: VND

	Ending balance	Beginning balance
Short-term		
Accrued interest	3,734,905,977	3,816,873,817
Coupon payables	35,000,000	17,272,727
Trade union fee	195,284,061	220,617,848
Social insurance	207,194,358	122,556,446
Other short-term payables	2,414,455,487	2,250,057,373
	6,586,839,883	6,427,378,211
Long-term		
Provision for severance allowances	16,978,914,554	12,709,150,558
Provision for site restoration	2,762,996,314	2,762,996,314
Other long-term payables	116,818,000	1,817,933,539
	19,858,728,868	17,290,080,411

19. BORROWINGS AND BONDS

Currency: VND

	Beginning balance		Movement during the year		Foreign exchange difference	Ending balance	
	Balance	Payable amount	Increase	Decrease		Balance	Payable amount
Short-term							
Borrowings from banks (Note 19.1)	52,299,287,693	52,299,287,693	262,035,812,062	(200,124,005,448)	271,108,758	114,482,203,065	114,482,203,065
Current portion of long-term borrowings (Note 19.2)	16,802,556,969	16,802,556,969	9,880,267,086	(16,989,854,077)	187,297,108	9,880,267,086	9,880,267,086
	69,101,844,662	69,101,844,662	271,916,079,148	(217,113,859,525)	458,405,866	124,362,470,151	124,362,470,151
Long-term							
Bond (Note 19.3)	100,000,000,000	100,000,000,000	-	-	-	100,000,000,000	100,000,000,000
Borrowings from banks (Note 19.2)	13,516,165,091	13,516,165,091	3,519,145,834	(11,770,277,805)	71,828,824	5,336,861,944	5,336,861,944
	113,516,165,091	113,516,165,091	3,519,145,834	(11,770,277,805)	71,828,824	105,336,861,944	105,336,861,944
	182,618,009,753	182,618,009,753	275,435,224,982	(228,884,137,330)	530,234,690	229,699,332,095	229,699,332,095

19.1 Short-term borrowings from banks

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

Bank	31 December 2019		Principal and interest payment term	Interest rate per annum	Description of collateral
	VND	Original currency			
Joint Stock Commercial Bank for Foreign Trade of Vietnam	1,918,751,540	USD 82,598.00	Interest payment shall be paid on 26th each month and principal paid in full on 03 January 2020.	3.3%	Machineries and equipment of the Company Hung Yen factory
Joint Stock Commercial Bank for Foreign Trade of Vietnam	10,726,278,972	USD 461,742.53	Interest payment shall be paid on 26th each month and principal paid in full on 23 February 2020.	3.3%	Machineries and equipment of the Company Hung Yen factory
Joint Stock Commercial Bank for Foreign Trade of Vietnam	7,753,139,568	USD 333,755.47	Interest payment shall be paid on 26th each month and principal paid in full on 18 March 2020.	3.1%	Machineries and equipment of the Company Hung Yen factory
Joint Stock Commercial Bank for Foreign Trade of Vietnam	6,280,232,823	USD 270,350.10	Interest payment shall be paid on 26th each month and principal paid in full on 25 April 2020.	3.1%	Machineries and equipment of the Company Hung Yen factory
Woori Bank Vietnam Limited	5,830,982,876	USD 250,687.14	Interest payment shall be paid on 26th each month and principal paid in full on 15 March 2020.	3.2%	Machineries and equipment of the Company Hung Yen factory

Bank	31 December 2019		Principal and interest payment term	Interest rate per annum	Description of collateral
	VND	Original currency			
Shinhan One Member Limited Liability Bank of Vietnam	8,042,798,381	VND 8,042,798,381	Interest payment shall be paid on 28th each month and principal paid in full on 6 January 2020	6.5%	Machinery and equipment was funded including funded crane systems and power supply systems; factory, office and related buildings; fixed assets on the ground in Bien Hoa 1 Industrial Zone, Dong Nai and Guaranteed letter of Mr Lee Jae Eun
Shinhan One Member Limited Liability Bank of Vietnam	10,711,264,394	VND 10,711,264,394	Interest payment shall be paid on 28th each month and principal paid in full on 7 April 2020	6.6%	Machinery and equipment was funded including funded crane systems and power supply systems; factory, office and related buildings; fixed assets on the ground in Bien Hoa 1 Industrial Zone, Dong Nai and Guaranteed letter of Mr Lee Jae Eun
Shinhan One Member Limited Liability Bank of Vietnam	10,448,981,310	VND 10,448,981,310	Interest payment shall be paid on 28th each month and principal paid in full on 6 May 2020	6.6%	Machinery and equipment was funded including funded crane systems and power supply systems; factory, office and related buildings; fixed assets on the ground in Bien Hoa 1 Industrial Zone, Dong Nai and Guaranteed letter of Mr Lee Jae Eun
Shinhan One Member Limited Liability Bank of Vietnam	9,549,612,053	VND 9,549,612,053	Interest payment shall be paid on 28th each month and principal paid in full on 7 Jun 2020	6.6%	Machinery and equipment was funded including funded crane systems and power supply systems; factory, office and related buildings; fixed assets on the ground in Bien Hoa 1 Industrial Zone, Dong Nai and Guaranteed letter of Mr Lee Jae Eun
Joint Stock Commercial Bank for Foreign Trade of Vietnam	2,055,771,140	USD 88,496.39	Interest payment shall be paid on 26th each month and principal paid in full on 24 February 2020	3.3%	Machineries and equipment of the Company Hung Yen factory
Joint Stock Commercial Bank for Foreign Trade of Vietnam	5,442,003,361	USD 234,266.18	Interest payment shall be paid on 26th each month and principal paid in full on 2 March 2020	3.3%	Machineries and equipment of the Company Hung Yen factory
Joint Stock Commercial Bank for Foreign Trade of Vietnam	6,346,136,565	USD 273,187.11	Interest payment shall be paid on 26th each month and principal paid in full on 9 March 2020	3.1%	Machineries and equipment of the Company Hung Yen factory
Joint Stock Commercial Bank for Foreign Trade of Vietnam	5,809,234,352	USD 250,074.66	Interest payment shall be paid on 26th each month and principal paid in full on 19 March 2019	3.1%	Machineries and equipment of the Company Hung Yen factory
Joint Stock Commercial Bank for Foreign Trade of Vietnam	6,260,474,547	USD 269,499.55	Interest payment shall be paid on 26th each month and principal paid in full on 9 April 2020	3.1%	Machineries and equipment of the Company Hung Yen factory
Joint Stock Commercial Bank for Foreign Trade of Vietnam	5,371,351,872	USD 231,224.79	Interest payment shall be paid on 26th each month and principal paid in full on 26 April 2020	3.1%	Machineries and equipment of the Company Hung Yen factory

Bank	31 December 2019		Principal and interest payment term	Interest rate per annum	Description of collateral
	VND	Original currency			
Joint Stock Commercial Bank for Foreign Trade of Vietnam	2,492,859,618	USD 107,312.08	Interest payment shall be paid on 26th each month and principal paid in full on 12 May 2020	3.1%	Machineries and equipment of the Company Hung Yen factory
Joint Stock Commercial Bank for Foreign Trade of Vietnam	2,088,846,246	USD 89,920.20	Interest payment shall be paid on 26th each month and principal paid in full on 21 May 2020	3.0%	Machineries and equipment of the Company Hung Yen factory
Joint Stock Commercial Bank for Foreign Trade of Vietnam	3,597,804,093	USD 54,877.49	Interest payment shall be paid on 26th each month and principal paid in full on 2 June 2020	3.0%	Machineries and equipment of the Company Hung Yen factory
Joint Stock Commercial Bank for Foreign Trade of Vietnam	3,755,679,354	USD 161,673.67	Interest payment shall be paid on 26th each month and principal paid in full on 8 June 2020	3.0%	Machineries and equipment of the Company Hung Yen factory
	114,482,203,065				

19.2 LONG-TERM BORROWING FROM BANKS

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

Banks	31 December 2019		Principal and interest payment term	Interest rate per annum	Description of collateral
	VND equivalent	Original currency			
Shinhan One Member Limited Liability Bank of Vietnam	7,069,130,236	USD 304,441.45	4-5 years since loan drawdown date. Final principal repayment is on 28 July 2022. Interest payment shall be paid on 28th each month.	4.81-5.05%/year	Machinery and equipment was funded by the loans including crane systems and power supply systems; factory, office and related buildings; fixed assets on the ground in Bien Hoa 1 Industrial Zone, Dong Nai.
Shinhan One Member Limited Liability Bank of Vietnam	4,628,852,960	VND 4,628,852,960	4-5 years since loan drawdown date. Final principal repayment is on 30 November 2021. Interest payment shall be paid on 28th each month.	7-7.05%/year	Machinery and equipment was funded by the loans including crane systems and power supply systems; factory, office and related buildings; fixed assets on the ground in Bien Hoa 1 Industrial Zone, Dong Nai.
KEB Hana Bank	3,519,145,834	KRW 164,985,740	31 May 2021	Interest free	No collateral
	15,217,129,030				
<i>In which:</i>					
<i>Current portion</i>	9,880,267,086				
<i>Long-term portion</i>	5,336,861,944				

19.3 BOND

	Ending balance			Beginning balance		
	Value (VND)	Interest (%/year)	Term and maturity	Value (VND)	Interest (%/year)	Term and maturity
- Issued at par value	100,000,000,000	8.5%	Final settlement is on 30 August 2022	100,000,000,000	8.1%	Final settlement is on 30 August 2022
TOTAL	100,000,000,000			100,000,000,000		

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 bonds with total par value of VND 150 billion. Term of interest payment term is every 6 months from the date of bond issuance. On 13 September 2018

the Company had re-purchased 50 bonds, equivalents to VND 50 billion.

Securities for this bond include:

- 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; and
- Other fixed assets financed by bond issuance plan in 2017.

20. CONVERTIBLE BONDS

Convertible bonds amounting to USD 10,100,000 were issued on 6 September 2018 ("Issuance date") with a term of 5 years. The bonds are unsecured and bear interest rate of 1%/annum.

Management assesses that there is no equity component in these convertible bonds (since there is not known fixed number of shares to be converted) and as a result, has recognised the entire convertible bonds as long-term debts.

Following the term of these convertible bonds, the bondholders have the right to convert the bonds to ordinary shares of the Company at adjustable reducing prices no less than 70% of the first conversion price (12,772 VND), starting at 1 year from Issuance date to 1 month before the maturity date. Balance of these bonds as at 31 December 2019 is following:

Currency: USD

	Beginning balance	Movement during the year			Ending balance
		New issuance	Converted to shares	Due but not yet converted	
Value	10,100,000	-	-	-	10,100,000

Currency: VND

	Current year	Previous year
Value of convertible bond	234,774,500,000	234,774,500,000
Equity component	-	-
Liability component at initial recognition	234,774,500,000	234,774,500,000
Add: Accumulated amortisation of discount		
Beginning balance	-	-
Amortisation for the year	708,717,000	-
Ending balance	708,717,000	-
Less: Gain from foreign exchange difference	(447,682,500)	-
Other adjustment	(3,011,163,500)	-
Liability component at end of the year	232,024,371,000	234,774,500,000

21. OWNERS' EQUITY

21.1 INCREASE AND DECREASE IN OWNERS' EQUITY

Currency: VND

	Share capital	Share premium	Treasury shares	Foreign exchange reserve	Other fund belonging to owners' equity	Undistributed earnings	Total
Previous year							
Beginning balance	419,797,730,000	203,072,724,247	(49,000,000,000)	268,875,989	12,968,739,200	329,414,215,461	916,522,284,897
- Profit for the year	-	-	-	-	-	76,212,394,656	76,212,394,656
- Purchase of treasury shares	-	-	(27,000,000,000)	-	-	-	(27,000,000,000)
- Appropriation to reserve	-	-	-	-	2,545,955,055	(2,545,955,055)	-
- Dividends declared	-	-	-	-	-	(39,805,509,500)	(39,805,509,500)
- Foreign exchanges differences arising from conversion of financial statements of subsidiary	-	-	-	(1,758,996,157)	-	-	(1,758,996,157)
- Utilisation of fund	-	-	-	-	(15,185,011,052)	-	(15,185,011,052)
Ending balance	419,797,730,000	203,072,724,247	(76,000,000,000)	(1,490,120,168)	329,683,203	363,275,145,562	908,985,162,844
Current year							
Beginning balance	419,797,730,000	203,072,724,247	(76,000,000,000)	(1,490,120,168)	329,683,203	363,275,145,562	908,985,162,844
- Profit for the year	-	-	-	-	-	71,888,267,837	71,888,267,837
- Appropriation to reserve (*)	-	-	-	-	3,810,619,732	(3,810,619,732)	-
- Dividends declared/ paid (*)	-	-	-	-	-	(38,038,781,750)	(38,038,781,750)
- Foreign exchanges differences arising from conversion of financial statements of subsidiary	-	-	-	(1,495,074,989)	-	-	(1,495,074,989)
- Utilisation of fund	-	-	-	-	(2,811,977,358)	-	(2,811,977,358)
Ending balance	419,797,730,000	203,072,724,247	(76,000,000,000)	(2,985,195,157)	1,328,325,577	393,314,011,917	938,527,596,584

(*) According to the resolution of the Annual Meeting of Shareholders No. 01/DHDCD2019/NQ dated 19 April 2019, the Company paid dividends by cash for 2018: 10% of par value (VND 1,000 per share) and made appropriation to reserve from undistributed retained earnings.

21.2 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	(76,000,000,000)	(76,000,000,000)	(76,000,000,000)	(76,000,000,000)
	546,870,454,247	546,870,454,247	546,870,454,247	546,870,454,247

21.3 CAPITAL TRANSACTIONS WITH OWNERS AND DISTRIBUTION OF DIVIDENDS, PROFITS

	Currency: VND	
	Current year	Previous year
Contributed capital		
Beginning balance	419,797,730,000	419,797,730,000
Ending balance	419,797,730,000	419,797,730,000

21.4 DIVIDENDS

	Currency: VND	
	Current year	Previous year
Dividends declared during the year	38,038,781,750	39,805,509,500
<i>Dividends on ordinary shares</i>		
<i>Dividends for 2018: VND 1,000 per share (for 2017: VND 1,000 per share)</i>	38,038,781,750	39,805,509,500
Dividends declared after the date of reporting period and not yet recognised as liability as at 31 December 2019	-	-

21.5 SHARES

	Currency: VND	
	Ending balance	Beginning balance
	Shares	Shares
Issued shares	41,979,773	41,979,773
Issued and paid-up shares	41,979,773	41,979,773
<i>Ordinary shares</i>	41,979,773	41,979,773
<i>Preferred shares</i>	-	-
Treasury shares	(3,931,800)	(3,931,800)
<i>Ordinary shares</i>	(3,931,800)	(3,931,800)
<i>Preferred shares</i>	-	-
Shares in circulation	38,047,973	38,047,973
<i>Ordinary shares</i>	38,047,973	38,047,973
<i>Preference shares</i>	-	-

The par value of share in circulation during the year is VND10,000/share (2018: VND10,000/share).

21.6 OTHER FUND BELONGING TO OWNERS' EQUITY

Other fund belonging to owners' equity is set up according to the Resolution of the General Shareholders No. 01/DHDCD2019/NQ dated 19 April 2019 with the amount of 5% of Profit after tax presented in the consolidated financial statements for the year ended 31 December 2018. 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.

22. OFF BALANCE SHEET ITEMS

	Ending balance	Beginning balance
Other receivable from Texpia JSC	30,160,675,690	30,160,675,690
Provision for other receivable from Texpia JSC (written-off from 2018)	(30,160,675,690)	(30,160,675,690)
Foreign currency		
- United State dollar ("USD")	898,891.23	671,508
- Euro (EUR)	3,917.25	146,406.10
- Korean Won ("KRW")	6,426,562	394,100

23. REVENUE

23.1 REVENUE FROM SALE OF GOODS AND RENDERING OF SERVICES

	Currency: VND	
	Current year	Previous year
Gross revenue	1,007,852,142,423	1,182,921,118,473
In which:		
Sales of bedding, mattress products	616,880,223,014	716,369,188,201
Sales of padding products	238,540,606,093	281,839,902,083
Sales of cleaner	80,518,434,741	91,379,508,441
Sales of quilting products	45,867,525,915	49,362,682,157
Sales of other goods and services	25,341,728,634	42,743,655,088
Scrap sales	614,074,026	588,214,272
Revenue deductions	(3,653,585,797)	(2,201,416,707)
Sales return	(3,653,585,797)	(2,201,416,707)
Net revenue	1,004,198,556,626	1,180,719,701,766
In which:		
Sales of bedding, mattress products	613,933,126,561	714,167,771,494
Sales of padding products	238,540,606,093	281,839,902,083
Sales of cleaner	79,811,945,397	91,379,508,441
Sales of quilting products	45,867,525,915	49,362,682,157
Sales of other goods and services	25,341,728,634	42,743,655,088
Scrap sales	614,074,026	588,214,272
In which:		
Sales of goods and rendering of services to related parties	-	-
Sales of goods and rendering of services to others	1,004,198,556,626	1,180,719,701,766

23.2 FINANCE INCOME

	Currency: VND	
	Current year	Previous year
Interest income	36,121,732,453	20,480,555,994
Foreign exchange gain	6,759,854,473	10,784,154,730
Dividend income	206,400,000	206,400,000
	43,087,986,926	31,471,110,724

24. COST OF GOODS SOLD AND SERVICES RENDERED

Currency: VND

	Current year	Previous year
Cost of bedding, mattress products	423,859,963,266	486,620,001,391
Cost of padding products	108,633,819,113	186,830,182,625
Cost of cleaner products	74,292,055,119	77,920,054,647
Cost of quilting products	35,537,981,022	23,141,423,151
Cost of other goods and other services rendered	18,163,889,570	25,133,172,009
	660,487,708,090	799,644,833,823

25. FINANCE EXPENSES

Currency: VND

	Current year	Previous year
Interest expenses	13,769,071,371	16,466,684,069
Foreign exchange losses	5,894,321,075	11,148,264,714
Amortisation of bond issuance cost	708,717,000	-
Other finance expenses	-	179,944,657
	20,372,109,446	27,794,893,440

26. SELLING EXPENSES AND GENERAL AND ADMINISTRATIVE EXPENSES

Currency: VND

	Current year	Previous year
Selling expenses		
- Raw materials	10,708,085,861	10,056,678,605
- Labour costs	76,761,539,844	67,134,380,005
- Depreciation and amortisation	2,326,811,016	2,184,245,295
- External services	42,336,536,243	48,464,342,916
- Advertising expenses	26,326,752,963	33,499,627,091
- Others	15,854,584,281	14,306,417,966
	174,314,310,208	175,645,691,878
General and administrative expenses		
- Labour costs	57,974,878,669	60,390,604,817
- Depreciation and amortisation	8,484,765,820	9,485,090,737
- External services	14,576,719,907	15,543,954,390
- Others	17,799,894,743	29,207,516,216
	98,836,259,139	114,627,166,160
	273,150,569,347	290,272,858,038

27. PRODUCTION AND OPERATING COSTS

Currency: VND

	Current year	Previous year
Materials	549,358,265,542	689,198,975,515
Labour costs	234,488,063,789	232,177,856,627
Depreciation and amortization	45,051,989,110	44,479,888,042
Expenses for external services	75,486,409,659	71,145,779,257
Other expenses	34,238,910,256	82,044,109,205
	938,623,638,356	1,119,046,608,646

28. CORPORATE INCOME TAX

The statutory corporate income tax ("CIT") applicable to the Company is 20% of taxable profits for the year ended 31 December 2019.

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 2019.

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.

28.1 CIT EXPENSES

Currency: VND

	Current year	Previous year
Current CIT expenses	22,648,932,480	23,131,970,018
Deferred tax income	(564,942,870)	(3,635,209,963)
	22,083,989,610	19,496,760,055

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

Currency: VND

	Current year	Previous year
Profit before tax	93,972,257,447	95,709,154,711
At CIT rate of 20%	18,794,451,489	19,141,830,942
Adjustments to increase:		
Expenses not eligible for CIT deduction	1,386,471,527	542,280,729
Loss of subsidiary	691,918,805	469,697,294
Difference in CIT tax rate of subsidiary	691,918,805	-
Other adjustments	560,508,983	-
Adjustments to decrease:		
Dividend received	(41,280,000)	(41,280,000)
Other adjustments	-	(615,768,909)
CIT expense	22,083,989,610	19,496,760,055

28.2 CURRENT TAX

The current tax payable is based on taxable profit for the current year. The taxable profit of the Company and its subsidiary 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 subsidiary is calculated using tax rates that have been enacted by the balance sheet date.

28.3 DEFERRED TAX

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

Currency: VND

	Consolidated balance sheet		Consolidated income statement	
	Ending balance	Beginning balance	Current year	Previous year
Deferred tax assets				
Unearned revenue	7,000,000	3,454,545	3,545,455	(242,284,091)
Provision for obsolete inventories	3,018,050,150	3,217,646,078	(199,595,928)	1,065,911,126
Provision for doubtful debts	11,900,817,209	11,233,263,492	667,553,717	2,572,034,949
Accrual for severance pay	2,883,268,551	2,541,830,112	341,438,439	199,008,969
Expense for excess of depreciation period	46,352,892	-	46,352,892	-
Education support expense	463,000,000	-	463,000,000	-
Allocation expense of site restoration provision	221,039,704	165,779,778	55,259,926	55,259,926
Unrealised profit arised of inventories	1,016,391,780	-	(402,266,286)	-
Other adjustments	-	560,508,983	(560,508,983)	461,616,739
	19,555,920,286	17,722,482,988	414,779,232	4,111,547,618
Deferred tax liabilities				
Unrealised foreign exchange gain of cash and trade receivables	(493,153,687)	(643,317,325)	150,163,638	(476,337,655)
	(493,153,687)	(643,317,325)	150,163,638	(476,337,655)
Net deferred tax assets	19,062,766,599	17,079,165,663		
Net deferred tax credit to consolidated income statement			564,942,870	3,635,209,963

29. TRANSACTIONS WITH RELATED PARTIES

Transactions with other related parties

Remuneration to members of the Board of Directors and Management of the Company:

Currency: VND

	Current year	Previous year
Salaries and bonus	18,240,682,966	19,208,354,476
	18,240,682,966	19,208,354,476

30. 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:

	Current year	Previous year
Net profit after tax attributable to ordinary equity holders for basic earnings	71,888,267,837	76,212,394,656
Effect of dilution	590,914,751	-
Net profit attributable to ordinary equity holders adjusted for the effect of dilution	72,479,182,588	76,212,394,656
Weighted average number of ordinary shares for basic earnings per share	38,047,973	39,422,389
Effect of dilution	5,783,303	-
Weighted average number of ordinary shares adjusted for the effect of dilution	43,831,276	39,422,389
Basic earnings per share	1,889	1,933
Diluted earnings per share	1,654	1,933

The convertible bond issued by the Company are assumed to be converted into common shares which dilute basis earnings per share for current year since convertible date (6 September 2019).

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.

31. CONTINGENT LIABILITIES AND COMMITMENTS

Operating lease commitment

At the balance sheet date, future lease payments under product showroom lease contracts are presented as follows:

Currency: VND

	Ending balance	Beginning balance
Up to 1 year	12,160,730,420	5,897,179,200
From 1-5 years	23,556,509,932	15,881,372,727
TOTAL	35,717,240,352	21,778,551,927

32. SEGMENT INFORMATION

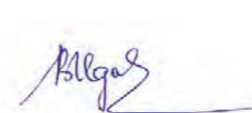
The principal activities of the Company and its subsidiary are manufacturing and trading of products of blankets, sheets, pillows, mattress and padding. Revenue and assets regarding to blankets, sheets, pillows, mattresses and cotton accounted for more than 90% of total revenue in the year and total assets as at reporting date. Besides, the production and business activities of the Company and its subsidiary are mainly carried out in the territory of Vietnam. Therefore, the Company and its subsidiary have only one business segment and one geographic segment. Accordingly, the Company and its subsidiary do not disclose business segment and geographic segment.

33. EVENTS AFTER THE BALANCE SHEET DATE

According to Resolution No. 002/2020/HDQT/NQ dated 20 March 2020, the Company's Board of Directors approved the Decision to contribute capital to Hyojung Soft Tech Joint Stock Company with the amount of VND 3,600,000,000, equivalent to 25% equity interest.

There is no other 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 subsidiary.

Hanoi, Vietnam, 25 March 2020



Nguyen Bao Ngoc
Preparer
Accounting manager



Yu Sung Dae
Deputy General Director
In charge of Finance



Lee Jae Eun
General Director

LIST OF ABBREVIATIONS

No	Abbrivation	Explanation
1	FS	Financial Statement
2	AC	Audit Committee
3	ASM	Annual Shareholders' Meeting
4	EPS	Earnings per share
5	BOD	Board of Director
6	HOSE	Hochiminh Stock Exchange
7	NPAT	Net profit after tax
8	E&Y	Ernst & Young Audited Firm
9	B2C	Business to customer
10	B2B	Business to business
11	VAS	Vietnamese Accounting Standard
12	IFRS	International Financial Reporting Standards

NOTE TO READERS

- All herein financial information originated from the Audited consolidated Financial Statement in 2019 of Everpia JSC
- Herein marketing & production capacity information is from Everpia's internal report. All cautiously analyzed statement are appropriate as of the publication date according to our subjective assessments.

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ANNUAL REPORT 2019

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