



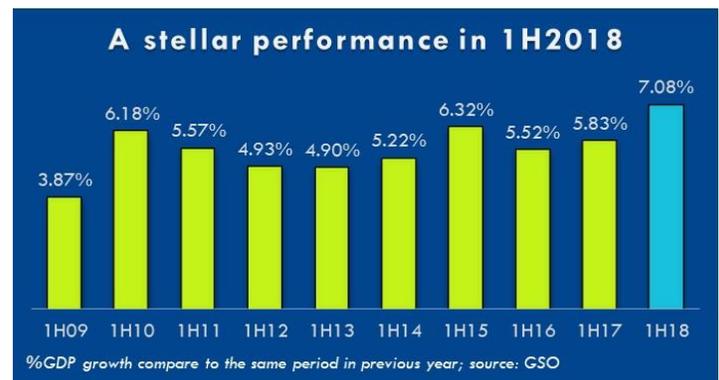
VIETNAM FORTRESS TOOLS
1H2018
20 AUGUST 2018

IR NEWSLETTER

MARKET OUTLOOK

Vietnam macroeconomics

Vietnam's economic growth momentum remains robust and is accompanied by broad macroeconomic stability. According to World Bank, recent growth was driven by a cyclical increase in global demand as well as a recovery in investment from FDI and private sector, and an ongoing shift of labor away from agriculture into more productive manufacturing and service sectors. In August, credit rating agency Moody's assessed Vietnam's outlook as "positive", an upgrade from "stable", and its credit rating for Vietnam also raised one notch from B1 to Ba3. Both World Bank and Moody's stated problems in the restructuring of state-owned enterprises and banking sectors as internal factors while trade protectionism, geopolitical tensions as adverse external factors.



2018 GDP Forecast: 7.1% (ADB);
6.8% (World Bank); 6.6% (IMF).

MARKET OUTLOOK

External factors' impacts on Vietnam's economy

Impacts of adverse external factors (trade protectionism and geopolitical tensions resulting in escalated commercial war between US-China) showed prominently in the sharp rise of USD/VND, and a plunge in stock market in Q2.2018.

The USD/VND exchange rate had been stable since 2016 and only surged in recent months, driven by a strong dollar against other currencies, as a result of several factors such as positive signals from the US economy, US' tightening of monetary policy with possibilities of increasing interest rates at least two more times in 2018, the rise in US government bond yields, and international trade tensions. As at August 2018, VND has devalued 2.5% against USD during the year, compared to CNY's devaluation of 2.8% against USD. The increase in USD/VND exchange rate will put more burden on businesses' costs such as imported raw materials or borrowing costs in foreign currency.

Vietnam's stock market hit an all-time high in April 2018 at 1,204 with P/E at 22x, and ranked as the world's biggest gainer with over 19% in the Q1.2018. Since then the VN-Index has evaporated nearly 300 points, equivalent to 25% decrease or US\$ 30 billion. Commenting on the sharp decline of the Vietnam stock market, Tran Van Dung, Chairman of the State Securities Commission, said that the main reason is due to the foreign investors' withdrawal from the Asian markets in general. Vietnam suffered the double effects of two events occurring in June 2018, namely the Fed increasing operating rates and international trade tensions, (especially US-China) [1]. The declining trend has come to a halt in Q3, when Vietnam managed to grow positively in 1H18 and many public companies released positive financial results. According to Bloomberg, P/E of the VN-Index in August 2018 is now 17x, equivalent to the same period in 2017, despite the VN-Index's increase of 20% compared to last year. Despite the recent down trend, there are still optimistic views about Vietnam's stock market thanks to strong economic growth, reasonable pricing and profit growth of listed companies.

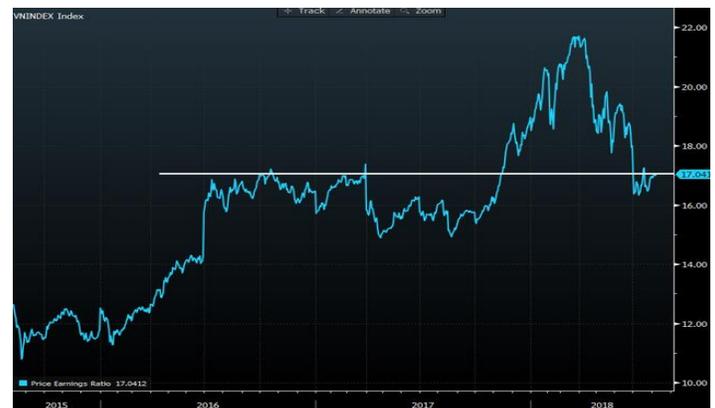
[1] <http://sggpnews.org.vn/business/vietnams-stock-market-drops-dramatically-because-of-uschina-trade-war-75759.html>



VND & CNY DEVALUATION AGAINST USD



VN-INDEX FLUCTUATIONS



P/E OF VN-INDEX IS NOW AT 17x - AUG '18



MARKET OUTLOOK

Fortress's opportunity arising from global trends

Despite concerns over the global trade tensions, especially US-China, and their negative impacts to Vietnam's economy, Fortress foresees great opportunities in the near future.

As an exporter with >95% of revenues from overseas markets and in USD, Fortress faces less problems from the devaluation of VND against USD. Only 5% of steel materials are imported from China, so Fortress does not expect significant impact on our raw materials procurement. However, we will spend more effort to localize the sourcing for raw materials to keep costs low.

We have been benefitting from the trend of customers moving away from China, as a reliable manufacturer who delivers quality products at competitive prices in compared with Chinese manufacturers. Vietnam, with competitive edges in costs and tax incentives for manufacturers especially in the FDI sector, will have even more advantages in replacing China as the new sourcing destination when the US intends to impose more taxes on Chinese goods.

In July 2018, US president Donald Trump announced the intention of imposing 10% tariffs on a new list of \$200 billion worth of Chinese goods, in addition to \$50 billion at 25% tariffs to be imposed in July-August 2018. The 10% tariffs can be further increased to 25%. Included in this list are our core products of garden hand tools. In response to this scenario, many leading US brands have contacted Fortress to become their supplier. To embrace this opportunity and become the world's largest manufacturer of garden cutting tools in the near future, Fortress will quickly implement changes to our expansion plan.

For the EU market, after a decade of working with LIDL – one of the biggest retailers in the world, Fortress will enter a strategic partnership with LIDL by signing a MOU agreement between LIDL HK – the sourcing company for LIDL and Fortress. The signing ceremony is scheduled to take place in Hanoi, Vietnam in late 2018. On a larger scale, the signing of free trade agreement between the EU & VN (EVFTA) will bring more opportunities to exporter like Fortress, so we expect significant growth from other EU customers as well.



CORPORATE NEWS

Second factory in operation

The second factory which is also located in Phuc Khanh Industrial Park, specializes in cutting tools and has been completed and in operation since 2018. The second factory occupies an area of 2.7 ha (compare to 6.7 ha of the first factory) and has a better layout to increase efficiency. This factory is capable of manufacturing garden tools of up to \$44 million in revenue per year, and is one of the key factors that drive Fortress's plan to achieve \$100 million per year in revenue since 2020.



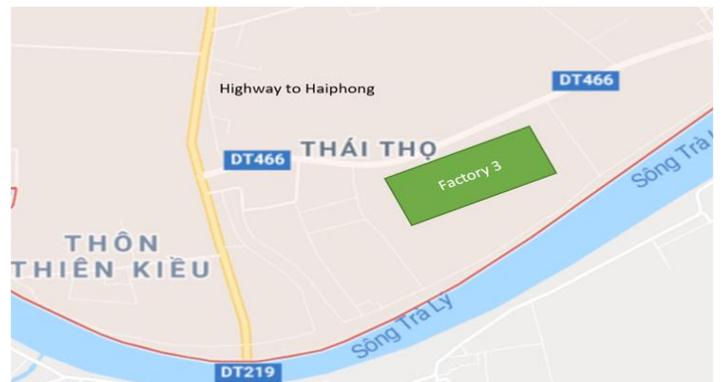
New product line: Wooden toys

Fortress, under the new strategic partnership with LIDL, will supply LIDL not only garden tools, but also other lines of products such as wooden toys, sporting goods, furniture, housewares, etc. LIDL will provide support to help Fortress's building capacity for the new products, tap into new markets and expand our customer base. Starting from 2018, Fortress will add manufacturing of wooden toys as one of our main business lines. We are collaborating with Wonderworld Toys from Thailand, a company with +20 years of experience in the field, to manufacture wooden toys that meet EU's strict requirements. The first batch of toys is scheduled to ship out in the second half of 2018. This new line of product can contribute millions of dollars to Fortress's revenue in the next few years.



Third factory permission has been granted

Given the lucrativeness of these new business opportunities (wooden toys, sporting goods, furniture, housewares all worth billions of USD in global market), Fortress will build a third factory to manufacture these products. In August 2018, Fortress's permit for the third factory's permit has been signed. The new factory will cover an area of 95,000 m² (first phase) in Thai Binh's new Special Economy Zone (SEZ). This SEZ occupies an area of 31,000ha in 30 communes and one town in the districts of Thái Thụy and Tiền Hải. It is one of 17 economic zones in Việt Nam, which functions as both an industrial cluster and coastal service-trade-urban area. Investors in the zone will receive incentives in line with the Government's policy. Fortress will start construction in Q1.2019 and the factory will be operational by Q2.2020.



CORPORATE NEWS

Fortress has officially become a public company and the shares can now be registered on Vietnam Securities Depository (VSD)

Vietnam Fortress Tools' public company application has been approved by the State Securities Commission (SSC) per Document No. 3889/UBCK-GSDC dated 21 June 2018. Fortress also completed the depository process with the Vietnam Securities Depository (VSD) in July, and shareholders can now deposit their shares at VSD through opening accounts at securities companies.

Regarding the listing progress, due to the registration as a public limited company procedure taking more time than expected, Fortress has not listed on the Hanoi Stock Exchange (HNX) in the first half of 2018 as per initial timeline. However, given that the time requirements for the Ho Chi Minh Stock Exchange (HOSE) will be satisfied at the end of September 2018, management has been in discussion for an application to HOSE instead of HNX when we satisfy all requirements for HOSE in the second half of 2018. The leaders of State Securities Commission (SSC) also expressed their support for this option as they plan to remove all roadblocks for FDI companies listed on Vietnam's stock exchange in Q3.2018. Fortress's Board of Directors will have a meeting in August 2018 to finalize the proposal to General Shareholders. We plan to seek shareholders' approval in writing (rather than an extraordinary meeting) to list on HOSE in early September. Supporting us for the HOSE listing will be a securities company ranking in the top 3 of Vietnam's best brokers. The listing date is expected to fall within Q4.2018, however we will work with our brokers to list at an optimal time, in a favorable market conditions.

Fortress's official website

Fortress's official website can be accessed through link: <https://fortresstools.com.vn>. Investor Relations Section which includes all information required to be disclosed by a public company and analytic reports, along with corporate news, market updates, articles in the press, media releases and other news are updated on our website in 2 languages: Vietnamese and English.



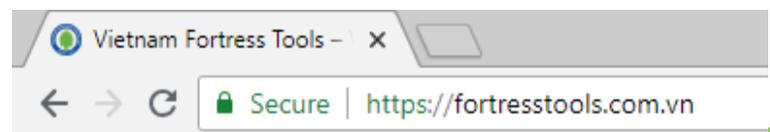
Ủy ban
Chứng khoán
Nhà nước



TRUNG TÂM LƯU KÝ CHỨNG KHOÁN VIỆT NAM
VIETNAM SECURITIES DEPOSITORY



HOSE



**FORTRESS
TOOLS**

CORPORATE NEWS

Fortress's meeting with investors

In May 2018, Vietnam Fortress Tools attended the Vietnam Investment Day event in Hong Kong. The event was hosted by Viet Dragon Securities Corporation and VinaCapital. Fortress, along with several listed Vietnamese companies, presented to Hong Kong investors about the Company's background and prospects. Fortress will also attend HSC's Emerging Vietnam Conference in Ho Chi Minh in September 2018.

Apart from attending these events, Fortress's CEO cum Chairman – Mr. Hsu Ting Hsin (Tony Hsu) and key finance executives have flown to Bangkok and Ho Chi Minh several times to meet investors and discuss investment opportunities. We also hosted numerous factory visits for investors, fund managers, analysts and reporters upon request.

A Successful Annual General Meeting

On 27 April 2018, Vietnam Fortress Tools' Annual General Meeting took place in Hanoi Daewoo Hotel. Among the honored guests were Mr. Andre Bilbao (LIDL HK's COO) and other executives, representatives from our consulting firm, auditing firm, analysts from securities companies and the press. During the meeting, Fortress's shareholders and management discussed important matters related to its 2017 performance and 2018 plan, listing progress, and updates on investment projects.

Mr. Tony Hsu (CEO cum Chairman), who also represented the largest shareholder, Formosa TW, commented: "Fortress's management and founding shareholders all commit to stay for the long term." Mr. Andre Bilbao explained why LIDL chose Fortress: "We need reliable suppliers to switch sourcing from China to Vietnam. Therefore we will support Fortress to become our largest vendor in Vietnam." Ms. Vi Nguyet Cam, Head of Supervisory Board, commented: "We are aware of the fact that many FDI companies did not perform well after listing, causing some concerns for government agencies. This isn't the case for Fortress, we believe we can be the pioneer in the wave of FDI companies thriving in the stock market."

The meeting ended with success, and all proposed matters were approved with high percentage of approval.



CORPORATE NEWS

New appointment of Deputy CEO – Chief Finance Officer

Mr. Pham Van Trung has joined the Company as Deputy CEO – Chief Finance Officer since July, 2018.

Prior to joining Fortress, Mr. Trung worked as CFO in multiple large organizations in the fields of banking, real estate, manufacturing, and services, and has a strong record of delivering financial and operational performance. With 30 years of experience, his targets as Fortress's CFO including optimizing capital structure to support Fortress's robust growth in the near future, establishing sound financial management and accounting functions, overseeing listing process and ensuring Fortress's compliance as a public entity.



Mr. Trung is the newest member in the management team with great experiences in the fields of finance and accounting from large Vietnam and international corporations. In 2017, Mr. Tsai Jer-Shyong, a respectable name in Taiwanese Banking Industry, and Mr. Carl Gordon (ICAEW member), Country Head and Director of Khronos Advisory Ltd., both joined as BOD members.



BUSINESS RESULTS UPDATES

Vietnam Fortress Tools has just released its financial results for the first 6 months of 2018, which were reviewed by Big 4 audit firm EY Vietnam.

There have been positive growths in revenue and profit in comparison with the previous year. Revenue and profit after tax have both increased significantly: Revenue is VND 482 billion, up by 54%, driving net profit to an increase of 157% at VND 51 billion. Gross profit margin increased from 15% to 19% thanks to the increase in number of cutting tools as results of operation of factory 2, which was completed at year end of 2017. The major products including pruners, rakes, shovels, saws, hoes accounted for 93% of total revenue in the year. Most of Fortress's products are exported, with 99% of total revenue from foreign markets such as the EU, US, Japan, Australia, etc. Assets also grew in line with expanding business activities, with 13% in short term assets (receivables, inventory) and 20% in long term assets, of which fixed assets increased by 48%.

Although Fortress achieved positive results in the first 6 months, our plan for the year is very ambitious, and required us to put more efforts in improving our performance. From Q3.2018 we will start shipping out the orders for our furniture and sporting goods, as well as the latest line of product – wooden toys. Combined with the peak season at the end of the year for our traditional products of garden tools, these will drive our sales and profit growth in the second half of 2018. Currently Fortress is working with several local banks for new credit facilities, to ensure sufficient funding for working capital and expansion plans.

The financial reports can be found via this link:

VN version:

http://file.hstatic.net/1000223142/file/cbtt_bctc_kiem_toan_6_thang_dau_nam_2018_fortress.pdf

EN version:

http://file.hstatic.net/1000223142/file/fortress_efs.pdf

Unit: VND Billion

Items	1H2018	1H2017	
Revenue	482	313	↑54%
Gross profit	94	47	↑98%
Profit before tax	56	22	↑159%
Profit after tax	51	20	↑157%
EPS (VND)	1,917	1,385	↑38%

Items	30.06.2018	31.12.2018	
Total assets	1,366	1,193	↑14%
Total equity	601	550	↑51%



Walmart

PRUNERS ARE MOST POPULAR AMONG GARDEN TOOL PRODUCTS - CONTRIBUTED MORE THAN 20% OF 1H18 TOTAL REVENUE, AND GREW BY 82% IN COMPARISON WITH 1H17



REVENUE OF GARDEN TOOLS FROM LIDL – STRATEGIC PARTNER AND ONE OF TWO BIGGEST CUSTOMERS SURGED BY 48% IN 1H18



FORTRESS TOOLS

HISTORICAL FINANCIAL INFORMATION

Unit: VND Billion	2016 Audited	2017 Audited	1H.2018 Reviewed	2018 Plan
Profit & Loss				
Sales	459	545	482	1,368
COGS	388	423	388	
Gross profit	71	122	94	
EBIT	38	84	67	
Operating profit	25	68	57	
PBT	25	68	56	
NPAT	23	63	51	159.6
EPS (VND)	2,207	3,602	1,917	
Balance Sheet				
Total assets	751	1,193	1,258	
Total equity	197	550	572	
Charter capital	125	268	268	
YoY Growth				
Sales	21%	19%	54%	151%
Operating profit	333%	171%	162%	
NPAT	800%	169%	20%	154%
EPS	551%	63%	38%	
Ratios				
ROA (annualized)	3%	6%	8%	
ROE (annualized)	15%	17%	18%	
Debt/Equity	2.8	1.2	1.2	
Gross margin	15%	22%	19%	

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