VIET NAM FORTRESS TOOLS JSC

No : 080819-01/TTr-HĐQT

SOCIALIST REPUBLIC OF VIETNAM
Independence - Freedom - Happiness

Thai Binh, August 8th, 2019

PROPOSAL

Plan of issuing convertible bonds in a form of private placement and

plan of using capital from issuance

To: 2019 Extraordinary General Meeting of Shareholders

- *Pursuant to the Enterprise Law No. 68/2014 QH13 dated 26/11/2014;*
- *Pursuant to Law on Securities 70/2006/QH11 dated 29/6/2006 and Law Amending, Supplementing a number of articles of Law on Securities 62/2012/QH12 dated 24/11/2010*
- *Pursuant to Decree 163/2018/ND-CP dated 4/12/2018 Issuance of corporate bonds.*
- *Pursuant to Vietnam Fortress Tools JSC's Charter;*
- *Pursuant to business performance and capital demand of the company in the following years.*

In order to meet the needs of development and expansion of production and business activities, reduce risks due to dependence on loans from banks with high interest rates, and enhance the Company's reputation, The Board of Directors of Vietnam Fortress Tools proposes the General Meeting of Shareholders to consider and approve the Plan of issuing convertible bonds in a form of private placement and the plan of using capital from issuance (detailed plan attached).

The General Meeting of Shareholders authorizes the Board of Directors to decide on amendments and supplemental details of the above plan in accordance with the actual demand of the Company, law regulations and guidelines of the state agencies; submit to the agencies for consideration and approval of the plan, and implement the plan according to the Resolution of the General Meeting of Shareholders and the provisions of the law.

Please kindly consider all of our proposals.

Thank you very much.

ON BEHALF OF THE
BOARD OF DIRECTORS
CHAIRMAN

HSU TING HSIN

VIET NAM FORTRESS TOOLS JSC	**SOCIALIST REPUBLIC OF VIETNAM**
	Independence - Freedom - Happiness
No : /2019/PATP	

Thai Binh, August 8th, 2019

PLAN OF ISSUING CONVERTIBLE BONDS IN A FORM OF PRIVATE PLACEMENT AND PLAN OF USING CAPITAL FROM ISSUANCE

I. LEGAL GROUND FOR THE ISSUANCE

- *Law on Enterprises No. 68/2014 QH13 dated 26/11/2014 and documents guiding the implementation of Enterprises Law;*
- *Law on Securities 70/2006/QH11 dated 29/6/2006; Law Amending, Supplementing a number of articles of Law on Securities 62/2012/QH12 dated 24/11/2010 and documents guiding the implementation of Securities Law;*
- *Decree 163/2018/ND-CP dated 4/12/2018 Issuance of corporate bonds.*
- *Vietnam Fortress Tools JSC's Charter*

II. THE NECESSITY OF ISSUING PRIVATE CONVERTIBLE BONDS

Fortress's issuance of convertible bonds in a form of private placement is essential and has important implication to enhance the Company's financial capacity, operational capacity and competitiveness. Specifically:

Ensure capital to expand business scale to meet the needs of customers, enhance the production and business capacity of the Company.

III. GENERAL INFORMATION OF ISSUER

Issuer:	VIETNAM FORTRESS TOOLS JOINT STOCK COMPANY
Trading name:	VIETNAM FORTRESS TOOLS JOINT STOCK COMPANY
Head office:	Lot B8+B9+B10 Phuc Khanh Industrial Zone, Phu Khanh Ward, Thai Binh City, Thai Binh province.
Tel: 02273 618 991	Fax: 02273 618 995
Charter Capital:	VND 268.078.350.000
Legal representative:	HSU TING HSIN
Legal basis for business operations:	Business license No.1000383611 was issued for the 13th amendment on May 31th 2018 by Thai Binh Department of Planning and Investment.
Business line:	Manufacturing cutlery, hand tools and common metal tools;

Casting iron and steel (Detail: Casting semi-finished iron products);
Forging, stamping, pressing and rolling metal; refining metal powder (Details: Forging, stamping, pressing and rolling metal);
Mechanical processing, metal treatment and coating;

Producing other metal products

Production of beds, wardrobes, tables and chairs;
Production of sports equipment;

Production of toys and games (Details: Production of wooden toys).

IV. FINANCIAL STATUS AND BUSINESS PERFORMANCE OF THE COMPANY

No	Indicator	2016	2017	2018	Q2.2019 (not audited)
1	Equity	197,286,904,967	549,553,423,278	671,620,523,144	710,591,276,646
	Share capital	124,741,943,617	268,078,350,000	268,078,350,000	268,078,350,000
	Share capital increment	-	148,635,952,680	148,621,259,858	148,621,259,858
	Development investment fund	-	3,145,306,378	9,438,182,290	9,438,182,290
	Undistributed after tax profit	72,544,961,350	129,693,814,220	245,482,730,996	284,453,484,498
2	After-tax profit	23,400,721,030	62,906,127,559	125,857,518,235	38,970,753,502
3	Return on equity (ROE)	13,48%	16,85%	20,61%	
4	Ratio of liabilities to equity	280,62%	117,10%	150,13%	

V. PLAN ON USING CAPITAL

Use all the capital collected after deducting fees related to the issuance to supplement working capital for production and business activities.

VI. BOND TERMS

Issuer:	VIETNAM FORTRESS TOOLS JOINT STOCK COMPANY
Bond name:	Vietnam Fortress Tools JSC convertible Bond (Bond)
Code of Bond:	FTV_BOND2019
Type of Bond:	Convertible, guaranteed Bond without warrant.
Denominated currency:	VND
Bond issuing methods:	Private placement
Form of Bond:	Bonds shall be issued in a form of entries
Face value:	VND 1,000,000/Bond
Number of Bonds:	233,000 Bonds
Issue Price:	VND 1,000,000/Bond
Total nominal value:	VND 233,000,000,000
Time of issuing:	Expected in 2019, after being approved by the State Securities Commission
Maturity date:	Coincide with the issue date after 02 (two) years from the date of issuance.
Maturity:	2 (two) years
Interest rate of Bond:	**10%/year**
The method of payment of bond principal and interest:	Interest: Interest is periodically paid once a year on the interest payment date and/or maturity date of the bond issuance. In case the interest payment date and / or maturity date are not working days, the bond interest will be paid on the next working day. Principal: Principal is paid on the maturity date.
Plan of preparing payment sources of bond principal and interest:	The source of payment of bond interests and principal will be taken from the cash flow from operation and other legal revenue sources (if any) of the Company.

Subject of issuing Bonds:	+ Criteria for selecting investors to sell Bonds: Less than 100 investors excluding professional investors within 1 year from the date of completion of issuance. + Being domestic and foreign organizations and individuals with financial potentials, giving priority to investors related to production and business activities of the Company or operating in the financial and securities sectors. + Have ownership ratio after owning shares of the Company in accordance with the provisions of law. The General Meeting of Shareholders authorizes the Board of Directors to choose and decide which investors to offer to ensure compliance with the provisions of the law.
Bonds transactions:	Bonds shall not be transferable for at least 01 year from the date of completion of the issuance, unless they are transferred to or between professional securities investors or they are otherwise prescribed by the decision of the Court or they are inherited according to the provisions of the law.
Conversion right:	The implementation of the right to convert depends on the bond holders.
Time limit of conversion:	After 02 (two) years from the date of issuance and if bondholders want to convert bonds into FTV shares; The General Meeting of Shareholders authorizes the Board of Directors to develop a detailed conversion plan.
Conversion price:	The General Meeting of Shareholders authorizes the Board to determine the conversion price. The conversion price will be negotiated by both parties on the basis of the market price of FTV shares at the time of conversion with a discount of 10% -15% but not less than VND 55,000 / share.
Conversion ratio:	$\text{Conversion ratio} = \dfrac{\text{Face value}}{\text{Conversion price}}$ If bondholders exercise the right to convert, each bond will be converted into common shares at the conversion rate.
Subject of conversion:	Bondholders at the time of closing the list of convertible bonds into shares and not prohibited to buy.
Method of fractional share settlement:	The number of issuing shares to convert will be rounded down to the unit digit, the decimal amount (if any) will be deleted.

Transfer restrictions for converted stocks:	Shares after being converted from bonds will not be restricted from transfer.
Commitment of the issuer:	Fortress commits: - Fully implement the obligation to pay interests on time and issue the Certificate of share ownership after the conversion and other obligations of the issuer to bondholders; - Conduct registration, depository and trading registration for shares converted from bonds; - Comply with issuance plan, only use the capital from the issuance for purpose to increase the scale of the Company; - Buy back bonds before maturity: (i) at the request of the bondholders when violations occur or in case the Company violates the law on corporate bond issuance, violates the plan of issuing bonds approved or violates the terms and conditions of the Bonds and (ii) in case of having to repurchase Bonds in accordance with the law.
Location of issuance:	Head office: Lot B8+B9+B10 Phuc Khanh Industrial Zone, Phu Khanh Ward, Thai Binh City, Thai Binh Province.
Bond depository organization:	Vietnam Securities Depository Center
Taxes:	The income related to the Bonds is taxable income in accordance with Vietnam Law.
Law:	Law of Vietnam

VII. AUTHORIZE THE BOARD OF DIRECTORS

The General Meeting of Shareholders authorizes the Board of Directors to decide on amendments and supplemental details of the Plan of issuing private convertible bonds and the plan of using the capital from the issuance in accordance with the actual demand of the Company, law regulations and guidelines of the state agencies; submit the plan to the agencies for consideration and approval, and implement the plan in accordance with the Resolution of the General Meeting of Shareholders and the provisions of the law, including but not limited to the following issues:

- Decide on a specific time to implement the plan of issuing convertible bonds in a form of private placement; decide the plan to recover the capital gained from the issuance in detail and ensure efficiency and compliance with the Company's business reality.
- Select appropriate investors to ensure the issuance is successful, bringing the highest benefits to shareholders and the Company.
- Decide on the handling or distribution of unsold convertible bonds of the issuance.
- Approve, sign contracts and documents related to the issuance of convertible bonds.
- Complete other contents related to the plan of issuing private convertible bonds and the plan to use capital gained from the issuance at the request of the agencies.
- Perform other tasks to complete bond issuance in accordance with the law.
- Amend Company’s Charter with a new Charter capital after converting bonds into shares.
- Carry out necessary procedures to increase Charter capital, deposit and register for trading for additional shares of the Company after conversion.

VIETNAM FORTRESS TOOLS JSC

CHAIRMAN OF BOARD OF DIRECTORS

HSU TING HSIN