



LETTER TO SHAREHOLDERS OF PHU TAI J.S.C

Qui Nhon city, April 21st, 2020

I. Business Outcome in First Quarter 2020:

1. Status of business environment:

1.1. Advantages:

Beginning in 2020, macro-economic factors (loan interest, inflation, exchange rate...) were controlled in a reasonable and stable way. Prices of supplies, raw materials and some commodities tend to decrease. The company's resources have been properly invested, confirming its position and prestige as well as facilitating the company to develop production and business.

1.2. Challenges:

Starting 2020, the COVID-19 pandemic began in Wuhan, then spread throughout mainland China and most countries worldwide, including Vietnam which causes a disaster yet to exist in history. Millions of people have been infected, hundreds and thousands of deaths recorded, significantly affect socio-economic life and disrupt business activities and investment of enterprises on a global scale.

First quarter of 2020 consists of Lunar New Year holidays from the end of January to early February, is also one of the reasons affecting company's business result in first quarter.

2. Business Outcome of 1st Quarter 2020 as follows :

No.	Target (million VND)	First quarter results		Comparison (%)
		Year 2020	Year 2019	Same period
A	PARENT COMPANY			
I	REVENUE	788.945	632.051	125
II	PROFIT	60.171	79.327	76
B	MERGED COMPANY			
I	REVENUE	1.219.625	1.222.807	100
1	Stone Industry	336.622	278.719	121
2	Wood Industry	602.214	476.189	126
3	Automobile Industry	267.067	455.381	59
4	Others	13.722	12.518	110
II	PROFIT	77.023	102.626	75
1	Stone Industry	47.384	63.417	75
2	Wood Industry	29.608	25.987	114
3	Automobile Industry	-82	12.474	
4	Others	113	748	15

Brief production and business's operation activities of company's main industries in 1st Quarter of 2020:

2.1. Stone Industry:

Business outcome in first quarter generate revenue and profit which account for 27% and 61% those of parent company. The industry has a growth rate of 21% over the same period, however, profit before tax has decreased by 25% by the same time. Due to following reasons:

- The industry is early affected by the epidemic since suppliers of machinery, equipment, spare materials mainly imported from China was in lockdown; along with difficulties in import procedures, increasing circulation cost, supply scarcity together increase price and input cost thus reduce profit.
- The domestic consumption market has the proportion of 65%, while the export market is 35%. Since February 2020, when news about the epidemic was made public, many clients has suspended, reduced or even canceled orders.
- With long-term forecast of the epidemic leading demand in market declines, the company has proactively lowered price to stimulate demand, reduce inventories (including slow-moving and new ones) to ensure liquidity for cash flow. The decrease in selling price is an important reason for the loss of profit of the industry.
- Export markets concentrate mainly in Europe (e.g. Turkey, Germany, Italy, Russia, Poland, Romania, United Kingdom ...) with a proportion of about 90% of export value of the whole stone industry. The market is heavily affected by the strong outbreak epidemic since February 2020 up to now.

2.2. Wood Industry:

Revenue and profit contribute 49% and 38% of total revenue and profit of the whole company, of which export revenue accounts for roughly 95% revenue of the wood industry. With consumption markets from the United States, Europe, Australia, Japan ..., these are countries severely disrupted by the outbreak epidemic, causing some orders to be temporarily delayed or reduced in quantity or eventually canceled, affecting growth rate and efficiency of the industry, thus affecting the overall performance of the company. However, the wood industry still achieves a growth rate in revenue of 26%, and a 14% increase in profit before tax over the same period.

2.3. Commercial and Automobile Service:

Represents 22% of the company's total revenue, the biggest decline compared to same period last year: 41% decrease in revenue (of which car sales decreased by 44%, service sales decreased by 22%). Profit before tax sees loss of 82 million VND (loss of car sales: 3,400 million VND, loss of service sales: 27% over the same period). Due to following reasons:

- In 2019, the Vietnam automobile market recorded a high growth rate, but because of raising competition among car manufacturers, supply exceeded the market demand, results in the fact that the car dealers had sales volume and revenue increase, even though profit decreased compared to 2018, due to discount in price to clear inventory.

- In the first 6 months of 2019, due to problems in quality inspection procedures for imported cars, led to small number of imported cars purchased. The number of imported cars was accumulated in the last 6 months of the year, causing big inventory to be transferred to 2020.
- Due to the impact of the epidemic, market demand stays low, the output consumption is sharply reduced, hence the price needs to be adjusted in order to stimulate demand to solve inventory and business efficiency under performance.

2.4. Real Estate: Phu Tai Residence:

The project is working on schedule, the total construction value has been implemented at 231 billion VND. The company has opened formal procedures of apartment sales from 3rd Quarter of 2019. Currently, the sales activities are moving as plan. Expected apartments hand-over to customers at the end of 2nd Quarter of 2021, revenue and efficiency will also be recorded in company's business result of year 2021.

2.5. Investment in Capital Construction:

The company's key investment and development project this year is the artificial quartz stone factory. Currently the progress of basic construction and installation of machinery and equipment have been carried out on schedule. Due to the epidemic and lockdown travel, the visa for Chinese quartz experts to support the factory is facing difficulty compared to original plan. In 2nd Quarter of 2020, if the situation in Vietnam and China is well-controlled, trading activities between two countries are restored, visas are granted for Chinese experts. The company plans to prepare to put the project into operation in the 2nd Quarter of 2020

II. Impact on Stock Price (PTB):

From beginning of 2020 till now, the stock market has experienced heavy dropping sessions. On March 20th, 2020, PTB share price is traded at 32,500 VND/share. This is the deepest drop of the market in general and of Phu Tai in particular during many years before. Presently, PTB is traded at 44,400 VND, which is down 36.6% against beginning of this year as a deep reduction compared to the market.

When the stock price dropped deeply, some members of the Board of Directors registered to buy PTB shares and the company also registered to purchase 1.5 million shares as Treasury shares, with the aim of investing and giving shareholders peace of mind.

At the moment, Phu Tai has not been able to organize the Annual Shareholders' Meeting of 2020, so as to protect the interests of our shareholders, the company has advanced the first dividend distribution of 2019 at the rate of 10% to share the hardship in this current crisis.

The company assessed that the descent in PTB share price was affected by the overall market downtrend (VNIndex decreased by 31% compared to beginning of this year), combined with unfavorable investor sentiment negatively effected by the epidemic and margin mortgage problem. However, when the short-term negative effects are released, investors and the market will have a more objective and positive review of PTB real value.

III. Business and Production Plan for Second-Quarter of 2020:

In European countries and the United States, the pandemic is predicted to become more complicated and might last for an extended period of time. Vietnam and other countries of our international trading market are implementing as: living together with epidemic, controlling the epidemic with developing the economy, and ensuring social security. Depending on the course of the disease, it is anticipated that the consumer market will recover gradually. However, because of the severe impact that the pandemic has held worldwide, the restoration process would be slower and require much more time.

Understanding the drastic and unforeseen change like COVID-19, the domestic market of the stone, automobile, and real estate industries are expected to encounter obstacle and attenuation. It is challenging to predict the outcome of the exportation of the wood industry and stone industry in Europe, the United States and other regions at the moment; therefore, facing difficulties and limitations in constructing an accurate plan.

In addition to the disadvantageous factors, the government is making an effort to find many solutions to aid businesses, stabilize macro-economics aspects, and improve business and investment circumstances, to create thriving opportunities for enterprises to operate in the midst of chaos caused by the pandemic.

Our company will closely observe the progression of the disease and stay informed about the market and our customers, in order to outline business production accordingly, assuring the scale and effectiveness of the production program.

Business and production plan for 2nd Quarter of 2020 as follows:

No.	Target (Million VND)	Year 2020		Year 2019	Six-month comparison
		Second Quarter	Six-month estimation	Six-month result	Same Period%
A	PARENT COMPANY				
I	REVENUE	665.738	1.454.683	1.331.988	109
II	PROFIT	88.066	148.237	182.901	81
B	MERGED COMPANY				
I	REVENUE	1.223.767	2.443.392	2.590.121	94
1	Stone Industry	443.841	780.463	657.273	119
2	Wood Industry	510.870	1.113.084	967.099	115
3	Automobile Industry	255.334	522.401	936.250	56
4	Others	13.722	27.444	29.499	93
II	PROFIT	119.962	196.985	234.919	84
1	Stone Industry	94.652	142.036	162.251	88
2	Wood Industry	27.098	56.706	49.482	115
3	Automobile Industry	-2.034	-2.116	22.051	
4	Others	246	359	1.135	32

IV. Organizing plan for Annual Shareholders' Meeting and Business Plan of 2020:

1. Organizing plan for Annual Shareholders' Meeting of 2020:

Taking the progression of COVID-19 into consideration, our company will cautiously hold the Annual Shareholders' Meeting of 2020, abiding by the law.

Expected Organization Time: June 2020

Thereupon, to comply with the regulations of the government, holding the 2020 Annual Shareholders' Meeting in-person or online will be considered and announced to our shareholders.

2. Business and production plan of 2020

Due to the complicated on-going epidemic situation, our company will update its business environment, revise our markets and resources, in order to adjust the production program for 2020, and present at the upcoming Annual Shareholders' Meeting.

With the high determination and responsibility of our executive members, we guarantee that the issuance of business production plan is in accordance with the change of business environment, and the consensus sharing of our shareholders and staff. The Board of Directors believe that Phu Tai Joint Stock Company will together overcome these challenges, which caused by the COVID-19 pandemic. Company resources will be preserved and utilized reasonably and carefully. Well-grounded business plans are being prepared and developed, that will seize new business opportunities when the epidemic is under control. And domestic and global socio economic activities will be gradually recovered, that will create new development steps for our company in the next phase.

On behalf of BOARD OF DIRECTORS

CHAIRMAN

(Signed and stamped)

Mr. LE VY