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ບໍລິສັດ ຊີມັງລາວ ມະຫາຊົນ

LAO CEMENT PUBLIC COMPANY

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Report on the LCC Factory suspension

To: Secretary General to Lao Securities Commission
Chief Executive Officer of Lao Securities Exchange
All value shareholders of LCC

Since early 2020, the cause of Covid-19 pandemic, and the notice from the Governmental Office. The LCC has suspended the cement factory from April to June 2020 and at the end of June 2020 the expectation of continued losses and economic difficulties, BODs has agreed on the production suspension and making the business plan shortly, an in July 2020 as detail follow:

I. The main reason of factory suspension

1. The supply of cement has over demand, in the end of 2019 the cement production in Lao PDR that included the cement factories are under construction and completed construction that can produce cement of 13 ton/year. However, the total use of cement in 2019 only 4.5 million ton/year and made the cement market under the oversupply. The new cement-factory that has a big capacity of production, tried to sell cement at a lower price that is under the cost of sale. This would facilitate the big cement-factory in the monopoly market and reduce cement prices very low that made other cement businesses continue to lose. The LCC has used the ASTM standard since establishment of the factory and remains the good quality of product which has a higher cost than other cement brands. The main loss of LCC was the price of cement in the market is lower than the cost of other cement factories.

2. The LCC had a major impact on the Covid-19 pandemic since early 2020. according to the notice of the Government Office that suspended the production of cement during April to June 2020, and currently LCC has suspended the cement production which decreased 60,000 ton. This made the company lose opportunities to supply cement during the dry season.

3. The difficulties of collecting trade receivables from the major projects which impacted from Covid-19 in this year. The investment and construction projects dramatically incline in Lao PDR. Several customers of cement in Lao PDR had the same difficulty situation that lack of funds. Thus, there were delayed normal

payments in cement supply that led to the company not collecting the trade receivables from major customers on time. This made the company lack working capital and could not resume the operation of the cement factory.

II. The company solutions

According to the difficulties and issues above, the company made a solution to reduce the expenditure and increase revenue during the production suspension. The company shall follow the requirements of each shareholder and BODs. The company made a business plan as detail below:

1. To encourage the related parties to assist the collecting trade receivable based on the Laws.
2. To attract the strategic partners regarding the construction of limestones in the mining of factories and in April 2020, the company initially distributed limestones to the market which in April to July 2020 with an amount of 48,800 m3 that generated the revenue of 25,000 USD.
3. In the end of May 2020, the head office moved to the Factory II in Vangvieng that reduced partial organization and also reduced the number of staff in order to exchange working time that led to minimize the costs. During January to July 2020, the company reduced the number of 36 staff, and exchanged working time appropriately with the notice of the company to allow staff to stay at home during the factory suspension. The cost of labour in July 2020 could incline 42.56% compared to April 2020.
4. To continue the right of limestone mining, currently the company is under the process to collaborate with the government to conduct the auction in the limestone mining. In the near future, the company would coordinate with partners to explore the mining with the maximizing the benefits or revenue.
5. To attract more partners to contribute the shares in the company, currently the three main shareholders of the company tried to find the strategic partners to contribute the shares in the company and reform the company to expand the business for instance, promote the development of resource mining and others.

Indeed, the company attempted to use any mechanisms and ideologies above by the share contributions and reform the company for success. This would make the company continue to operate under the direction of shareholders' meeting and BODs meeting in order to implement successfully for each shareholder.

Thus, the company made a report for your acknowledgement.

Sincerely yours,

Chief Executive Office

ZHANG LI