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The annual business performance of LCC for year 2019

To: All shareholders, representatives of shareholders

I would like to report on the business performance of LCC for year 2019 to the meeting for consideration.

I. Annual Business Performance of 2019

The production of cement could produce a total of 189,600 tons for the year 2019, the cement distribution of 185,000 tons, the expected income from operation all the year of 2019 exactly 9,400,000 USD. This made a loss of 2,530,000 USD. The main loss of the company as follow:

- Marketing: The new cement factory reduced the price of cement in the high cement competition that reduced the price of cement for our company as well.
- Costs: The production lines had been using more than 20 years that consumed high energy for production and increase the high costs of maintenance every year.

- The company has annually completed main business as follow:
  1. To maintain securely the quantities of cement distribution and continuously produce cement from factory by having the new contract with the High way project and Num Ngume 4 Dam project for two years from beginning of 2019 with 140,000 tone supply.
  2. To reduce to cost and real implementation
     - Using Zinc ore in material and completed testing the small grinding machine, testing the production from the big grinding machine several times by producing cement type 325 and 425. The new production of new material could meet the standard and it is favor for clients that could reduce the use of grinker for 5%.
     - To get ahead of development in the resources by attracting collaboration of the production of grinding stone to the market, which early 2020 could have benefits efficiently and to continuously survey the mineral resources of coal in Khonphou. The chipping finished initially and extended the right to survey and ready to propose to the provincial ministry.
     - To solve strictly the coal supply and recommend the new supply, which is near the factory in order to design the construction and install the washing coal machine. This would manage the quality of coal in procurement and reducing the cost in the early 2020.

- To persuade the improvement of the employees and reduce slightly the expenditure, it was proposed the moving head-office to Vangvieng and got the approval from the major shareholders and BODs of company.

3. To continue the improvement of the new technique, before the rainy season of 2019, the improvement of the grinker project has finished reducing the filter of those materials in the daytime. This would solve shortages of material with the problem of full tanks in the dry season. X-RAY was bought to strengthen the capacities efficiently in the in-kind contribution with technique.
4. To hold the BODs meeting, shareholders' meeting based on the defined regulations and completed the dividend of the year 2018 with an amount of 150,000 USD.
5. To hold the inspection, solve the safety, and maintain the machine to secure the unexpected accident occurs based on the safety and environment standard.

II. The implementation plan for year 2020

The main tasks for year 2020 shall consider the changing of loss such as: pushing the improvement of reducing employees, increase revenue and reduce expenditure, focus on the development of coal mining and others tasks as follow:

1) To reform continuously, improve organization, reduce staff, implement work at head office and factory in the same way.
2) To collect trade receivables quickly.
3) To secure the cement production to the major projects, reasonable price including reducing, and stopping providing cement with low price on the contract.
4) To use power significantly, reduce the cost to unit, manage quality, cost of fuel on coal of procurement and other equipment, manage highly oven and technique in materials including the management of the oven sufficiently and increase the materials and the liquid of grinding that could control the intensity of products with line appropriateness.
5) To accelerate the development of resources with the progress: 1. to make the opportunities for limestone distribution to the market especially the Highway project and Lao-China train project. 2. To develop the coal and report on the quantity of the coal in the survey, reviewing and attracting the collaboration with the effective coal resources.
6) To maintain the safety of the environment strictly in order to secure no accident.

The content on this report shall be finalized and proposed to shareholders and representative of shareholders for consideration and approval.

Lao Cement Public Company