**LHC: Corporate Governance Report of the first 06 months of 2020**

**CORPORATE GOVERNANCE REPORT**

**(First 06 months of 2020)**

Company: Lam Dong investment hydraulic construction JSC

Address: No. 87 Phu Dong Thien Vuong, Ward 8, Da Lat City, Lam Dong Province

Tel.: 0263.3821854

Fax: 0263.3832542

Email: xdthuyloild@vnn.vn

Charter capital: VND 36,000,000,000

Stock code: LHC

1. **General Meeting of Shareholders’ Activities**

|  |  |  |  |
| --- | --- | --- | --- |
| **No.** | **Resolution/ Decision No.** | **Date** | **Content** |
| 1 | 01/NQ-DHDCD20-LHC | 24/04/2020 | **Article 1: Approve operating report in 2019**  *(Unit: VND million)*  Net revenue: 757,567  Cost of goods sold: 607,375  Gross profit: 150,192  Financial revenue: 2,026  Financial expense: 414  Selling expenses: 4,083  Administrative expense: 64,854  Operating profit: 82,865  Other incomes: 18,619  Other expenses: 2,592  Other profit: 16,026  Total Profit before tax: 98,892  Corporation income tax: 21,184  Postponed corporation income tax: (339)  Profit after tax: 78,047  Uncontrolled profit after tax of Shareholders: 26,691  Profit after tax of the Holding Company: 51,356  Basic earnings per share (VND): 14,195  Diluted earnings per share (VND): 14,195  **Article 2: Approve profit distribution plan for 2019 of the Holding Company**  Profit after tax: VND 31,017,714,348  Dividend payment (40% per share): VND 14,400,000,000  Extract bonus & welfare fund: VND 317,714,383  Extract Investment & development fund: VND 16,300,000,000  **Article 3: Approve operating plan, dividend payment plan and investing plan for 2020**  3.1. The Holding Company  Net revenue: VND 200 billion  Profit after tax: VND 25 billion  Dividend rate: 30% ÷ 50%  **Article 4: Approve remuneration for Board of Directors and Board of Supervisors in 2019 and plan for 2020**  Approve total remuneration for Board of Directors and Board of Supervisors in 2019: VND 480,000,000  Plan for 2020:  + Chairman: VND 10,000,000/month;  + Specialized Chairman (from 01/07/2020 and not cum General Manager title): VND 60,000,000/month  + Vice Chairman: VND 6,000,000/month  + Members of Board of Directors and Head Accountant: VND 5,000,000/month  + Member of Board of Supervisors: VND 2,000,000/month  **Article 5: Decide Chairman cum CEO**  The General Meeting of Shareholders decided Chairman cum CEO until 30/06/2020. On 01/07/2020, Board of Directors appointed General Manager. General Manager governed the Company from 01/07/2020.  **Article 6: Select auditor**  Select auditor for the FS 2020:   * RSM Vietnam * AASC Auditing Firm Company Limited   Authorize Board of Directors to select 01 auditor from above.  **Article 7: Merge Lam Dong investment hydraulic construction JSC (the Holding Company) and 40 Investment And Construction Joint Stock Company (Subsidiary)**  The 20th Annual General Meeting of Shareholders 2020 decided:  Extend the Merging time in 2020 of 2021 (Based on registration roadmap and listing shares in HNX of 40 Investment And Construction Joint Stock Company. The HQ of the Company after marge with the Holding Company shall be closed;  **Article 8: Approve undertakings on increasing the capital from VND 36 billion to VND 72 billion by bonus share from source of equity surplus, Investment & development fund operating result undistributed fund: 3,600,000 shares – rate 1:1 (shareholders owe 1 receive 1 bonus share with value of VND 10,000 per share) (according to Shih Kuan Tung’s suggest – shareholder has 11.78% share of the Company)**  **Article 9: Approve extracting 2% consolidated Profit before tax of 2020. In which, 1% for Chairman and 1% for outstanding person (decided by Chairman)**  **Article 10: Approve resolution**  **This resolution was approved at the 20th Annual General Meeting of Shareholders 2020 dated 26/04/2020 (attached documents for the meeting)**  **This resolution took effect from 27/04/2020.** |
|  | 02/NQ-DHDCD | 30/06/2020 | **Article 1: Approve the submission No.52/TT-HDQT-2020 dated 12/06/2020 of Board of Directors on share issuance to increase the equity from the owner’s capital (attached with the submission No.52/TT-HDQT-2020)**  **Article 2: This resolution took effect from the date of signature**  **Article 3: Shareholders, Board of Directors, Board of Supervisors, Board of General Managers and connected employees, units, persons have responsibility to perform this resolution.** |

**II. Board of Director (BOD)**

1. General Information of Board of Director (BOD)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **No.** | **Members of BOD** | **Title** | **The beginning date of being (not being) BOD** | **Attendance** | **Rate** | **Reasons for not attending** |
| 1 | Mr. Le Dinh Hien | Chairman | 25/07/2000 | 05 | 100% |  |
| 2 | Mr. Hau Van Tuan | Vice General Manager | 25/07/2000 | 05 | 100% |  |
| 3 | Mr. Le Van Quy | Member of Board of Directors | 29/04/2016 | 04 | 80% | Busy |
| 4 | Mr. Mai Nam Duong | Member of Board of Directors | 29/04/2016 | 04 | 80% | Busy |
| 5 | Mr. Bui Trung Thuc | Member of Board of Directors | 24/01/2006 | 05 | 100% |  |

2. The supervision by Board of Directors over Board of Managers of the Company

3. Activities of sub-committees of Board of Directors of the Company

**III. Resolutions and decisions of Board of Directors of the Company**

|  |  |  |  |
| --- | --- | --- | --- |
| **No.** | **Resolution/ Decision No.** | **Date** | **Content** |
| 1 | 01-2020/NQ/HDQT | 30/01/2020 | Article I: Approve the financial settle report of QIV.2019 and accumulation in 2019 of the Holding Company and the consolidated financial settlement report of QIV.2019 and consolidated accumulation of 2019  Article II: Organize the 20th Annual General Meeting of Shareholders 2020 and pay dividend part 2 of 2019 in cash with contents as follows:  2.1. The record date: 21/03/2020  2.2. Dividend rate: 20% per share (Shareholders receive VND 2,000 for each share they own)  2.3. Pay date: 29/04/2020  2.4. The Meeting date: 26/04/2020  Article III: Shareholders, Board of Directors, Board of Supervisors and departments under the Company have responsibility to perform this resolution. |
| 2 | 02-2020/NQ/HDQT | 12/02/2020 | Article 1: Amend the record date to: 20/03/2020  Article 2: Shareholders, Board of Directors, Board of Supervisors and departments under the Company have responsibility to perform this resolution. |
| 3 | 03-2020/NQ/HDQT | 06/04/2020 | Article 1: Approve contents for the Annual General Meeting of Shareholders 2020:  1.1. Present the Corporation Governance report to the Meeting  1.2. Approve draft on organizing the Annual General Meeting of Shareholders to present to the Meeting  1.3. Approve the operating plan for 2020 to present the Meeting  1.3.1. The Holding Company  - Net revenue: VND 200 billion  - Profit after tax: VND 25 billion  - Dividend rate: VND 30% - 50%  - Buy and invest in fixed-assets: VND 10 – 12 billion  - Deduction of fixed-assets: VND 10 -12 billion  - Financial and affiliate investment: maximum VND 150 billion  2.3.2. Consolidated:  - Net revenue: VND 900 billion  - Profit after tax: VND 75 billion  - Rate: 30% - 50%  2.4. Approve submissions to present the Meeting |
| 4 | 04/NQ/HDQT | 15/05/2020 | Article 1: Survey Shareholders of the Company to approve main contents as follows:  - Record date: 08/06/2020  - Survey date: 06/2020 (expected)  - Location: The Company’s HQ No. 87 Phu Dong Thien Vuong, Ward 8, Da Lat City, Lam Dong Province.  - Content of survey: Approve share issuance to increase the equity from the owner’s capital.  Article 2: Submission on surveying about increase the equity from the owner’s capital.  Article 3: This resolution took effect from 26/04/2020 |
| 5 | 05/NQ/HDQT | 30/06/2020 | Article 1: Perform the Annual General Mandate dated 26/04/2020. Board of Directors approve Mr. Le Dinh Hien – Chairman, General Manager and legal representative on dismissing General Manager from 01/07/2020  Article 2: Approve appointing Mr. Le Van Quy (attached documents) to General Manager and legal representative of the Company from 01/07/2020 until the General Meeting of Shareholders has another decision.  + Mr. Le Van Quy has responsibility to handle works and missions from Mr. Le Dinh Hien of the Company in accordance with the laws.  +Mr. Le Van Quy’s income: VND 40,000,000/month; Salary participating in social insurance: level 1/5, coefficients salary 3.17, coefficients welfare: 0.3, salary: VND 13,602,400 according to the salary board published on 01/01/2020  Article 3: Amend Mr. Le Van Quy’s title in the business license  Article 4: Approve RSM Vietnam as the auditor for the Financial Statement 2020  Article 5: Shareholders, Board of Directors, Board of Supervisors and Board of Manager have responsibility to perform this resolution |

**III. Board of Supervisors (BOS)**

1. General Information of Supervisory Board (BOS)

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **No** | **Members of BOS** | **Tittle** | **The beginning of date of being BOS** | **Attendance** | **Rate** | **Reasons for not attending** |
| 1 | Mrs. Nguyen Thi Lien | Head Accountant | 29/04/2016 | 01 | 100% |  |
| 2 | Mr. Pham Thi Tam | Member of Board of Supervisors | 29/04/2016 | 01 | 100% |
| 3 | Mr. To Van An | Member of Board of Supervisors | 25/07/2000 | 01 | 100% |

2. Surveillance activities of the Supervisory Board toward the Board of Directors, Board of General Managers and shareholders of the Company

3. The coordination among the Supervisory Board with the Board of Directors, Board of Managers and other managers of the Company

4. Other activities of Supervisory Board of the Company (if any): none

**IV. Training on corporate governance**

**V. List of connected persons/ institutions:** Listed under the provisions of Clause 34, Article 6 of the Law on Securities and transactions of connect persons of the Company to Company

1. List of connected persons/ institutions of the Company:

2. Transactions between the Company and its PDMRs, transactions between the Company and its major shareholders, PDMRs and connected persons of the PDMRs: VND 0

3. Transactions between the Company and its PDMRs, transactions between connected persons of the PDMRs and subsidiaries of the Company, the companies that the Company controls:

3.1. In the first 06 months of 2020, the Company have goods and service transactions with subsidiaries and companies that the Company controls as follows:

+ Buy goods and service with Lam Dong Minerals & Building Materials Joint Stock Company (subsidiary) with the total value of transaction: VND 9,640,491,500. Ending balance: VND: 798,391,831

+ Buy goods and service with 40 Investment And Construction Joint Stock Company (subsidiary) with the total value of transaction: VND 5,586,326,687. Ending balance: VND: (4,402,287,379)

3.2. In the first 06 months of 2020, the Company have goods and service transactions with subsidiaries and companies that the Company controls as follows:

+ Sell goods and service with Lam Dong Minerals & Building Materials Joint Stock Company (subsidiary) with the total value of transaction: VND 804,094,892. Ending balance: VND: (61,407,940)

+ Sell goods and service with 40 Investment And Construction Joint Stock Company (subsidiary) with the total value of transaction: VND 220,074,991. Ending balance: VND: 0

+ Sell goods and service with HTP Co., Ltd (indirect subsidiary) with the total value of transaction: VND 0. Ending balance: VND: 0

+ Sell goods and service with Hiep Thanh Brick Company Limited (indirect subsidiary) with the total value of transaction: VND 0. Ending balance: VND: 0

3.3 In the first 06 months of 2020, the Company have received dividend from subsidiaries as follows:

+ Receive 10% dividend (phase 2 of 2019) from Lam Dong Minerals & Building Materials Joint Stock Company: VND 6,490,086,000

+ Receive 8% dividend from 40 Investment And Construction Joint Stock Compnay: VND 1,486,800,000

4. Other transactions between the Company and other entities

4.1 Transactions between the Company and the company whose member of Board of Directors, members of Supervisory Board, Manager (General Managers) have been founding members or member of Board of Directors, Manager (General Managers) in recent 03 years (calculated from the date of making the report): None

4.2 Transactions between the Company and the company whose connected persons of member of Board of Directors, members of Supervisory Board, Manager (General Managers) have been founding members or member of Board of Directors, Manager (General Managers): None

4.3 Other transactions of the Company (if any) which may bring material or spiritual benefits to member of Board of Directors, members of Supervisory Board, Manager (General Managers): None

**VI. Transactions of PDMRs and connected persons/ institutions of PDMRs**

1. **List of PDMRs and their connected persons/ institutions:**

**List of connected persons of the Company**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **No.** | **Name** | **Relationship** | **Shareholdings at the beginning of the term** | **Shareholdings at the end of the term** | **Note** |
| Board of Directors | | | | | |
| Connected person of Mr. Le Dinh Hien – Chairman | | | | | |
| 1 | Le Dinh Hien |  | 268,000 | 7.44% |  |
| Connected person of Mr. Le Van Quy – Member of Board of Directors and General Manager | | | | | |
| 1 | Le Van Quy |  | 22,900 | 0.64% |  |
| Connected person of Mr. Hau Van Tuan – Vice Chairman and Head Accountant | | | | | |
| 1 | Hau Van Tuan |  | 64,200 | 1.78% |  |
| Connected person of Mr. Bui Trong Truc – Member of Board of Directors | | | | | |
| 1 | Bui Trong Truc |  | 17,400 | 0.48% |  |
| Connected person of Mr. Mau Nam Duong – Member of Board of Directors | | | | | |
| 1 | Mau Nam Duong |  | 36,000 | 1% |  |
| 2 | Mai Trong Khuong |  | 7,100 | 0.19% |  |
| 7 | Mai Anh Tuan |  | 85,000 | 2.36% |  |
| Board of General Managers | | | | | |
| Connected person of Mr.Kim Ngoc Dang – Vice General Manager | | | | | |
| 1 | Kim Ngoc Dang |  | 16,500 | 0.46% |  |
| Board of Supervisors | | | | | |
| Connected person of Mr. Te Van An – Member of Board of Supervisors | | | | | |
| 1 | To Van An |  | 25,000 | 0.71% |  |
| 9 | Phan Minh Dat |  | 10,740 | 0.3% |  |
| Connected person of Mr. Pham Thi Tam – Member of Board of Supervisors | | | | | |
| 1 | Pham Thi Tam |  | 7,000 | 0.19% |  |

**2. Transactions of PDMRs and their connected persons/ institution on shares of the listing company**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **No** | **Name** | **Relation on with PDRM** | **Shareholdings at the beginning of the term** | | **Shareholdings at the end of the term** | | **Reason for increasing/ decreasing** |
| **Share** | **Percentage**  **(%)** | **Share** | **Percentage**  **(%)** |
| 1 | Hau Van Tuan | Vice Chairman | 94,500 | 2.62% | 64,200 | 1.78% | Sell shares |
| 2 | Nguyen Thi Lien | Head Accountant | 56,000 | 1.55% | 25,600 | 0.71% | Sell shares |
| 3 | Nguyen Thi Hoa | Sister of Head Accountant | 1,800 | 0.05% | 0 | 0% | Sell shares |

**3. Transactions of Shareholders and their connected persons/ institution on shares of the listing company**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **No** | **Name** | **Relation on with PDRM** | **Shareholdings at the beginning of the term** | | **Shareholdings at the end of the term** | | **Reason for increasing/ decreasing** |
| 1 | Shih, Kuan-Tung | Great Shareholder | 423,950 | 11.77% | 447,350 | 12.42% | Buy shares |
| 2 | Tran Thi Buoi | Great Shareholder | 177,700 | 4.93% | 180,100 | 5% | Buy Shares |

**VII. Other significant issues: None**