

PROPOSAL

Regarding the approval of the cooperation plan for technical infrastructure investment project for North Vung Tau New Urban Area, Ward 12, Vung Tau City

**To: Shareholders of Development Investment Construction J.S Corporation
(Ticker Symbol: DIG)**

North Vung Tau New Urban Area project with an area of 90.5 hectares in Ward 12, Vung Tau City was approved by the People's Committee of Ba Ria - Vung Tau province to select DIC Corp as the Project Investor in Decision No. 2197/QĐ-UBND dated June 30, 2009 and to approve for investment in technical infrastructure of the Project in Decision No. 2165/QĐ-UBND dated August 3, 2017. The project duration is 15 years (from the first quarter of 2015 to the fourth quarter of 2026).

1. Project implementation status from the start of implementation to July 31, 2020:

- The project has basically completed legal procedures on investor selection, investment approval, Environmental Impact Assessment (EIA), basic design, infrastructure connection...

- The project is implementing the adjustment of construction detailed planning with the rate of 1/500;

- The project has compensated for site clearance about 7.2 ha/90.5ha;

- The project is working closely with relevant agencies to be issued notice of land acquisition;

- The project is continuing to implement compensation and reach agreement with people in the area.

2. Necessity of starting construction in 2020:

This is a large-scale new urban area project. Although the project is subject to land acquisition by the State to carry out compensation for site clearance to hand over land to the investor, according to DIC Corp's experience as well as the implementation of projects in Ba Ria - Vung Tau province, most of the compensation for site clearance is performed between project investor and people. The intervention of state agencies, especially the authorities of Vung Tau city is very limited, leading to many projects being delayed or unable to be implemented because there is no ground.

Up to now, half of the time allowed for implementation has passed and the project has not yet been started. The main reason comes from difficulties and problems in the procedures for listing, land acquisition and site clearance at the project. State agencies have issued reminders about the delayed implementation of the Project twice. Accordingly, DIC Corp sent report to explain the cause of the delay due to objective reasons and made

commitments with the People's Committee and People's Council of Ba Ria - Vung Tau province on the project progress at the same time.

Currently, land prices in Vung Tau City fluctuate very quickly. It is predicted to increase in the near future because there are many potential investors who are planning to deploy large projects in the area like Dr. Thanh, Vinhomes, BRG... Therefore, if the compensation and land use fee determination of the Project is not implemented immediately, the compensation fee and product cost will increase, thereby leading to low investment efficiency. Besides, people in the area may oppose that leading to the failure of project implementation. In fact, the total investment of the project has increased by 2.6 times compared to the total investment approved in 2017, mainly the cost of compensation for site clearance and land use fees. (*Details stated in the proposal for approval of the total project investment adjustment*).

Moreover, North Vung Tau New Urban Area Project is located at the gateway of Vung Tau City. This is one of the key projects of the city; therefore, provincial leaders paid so much attention in the project investment progress.

From the above reasons, the project of North Vung Tau New Urban Area cannot last longer. It is necessary to start construction as soon as possible so that the project will not be revoked to keep the reputation of the business with local leaders and can generate revenue for the period of 2021 ÷ 2026 of the business.

3. Necessity of investment cooperation:

According to the balance of revenue and expenditure sources of the business in 2020, plan for 2021 and the following years, the allocation of capital source of about VND 10,000 billion for the North Vung Tau New Urban Area Project (from 2020 to 2026) is very difficult. It is not to mention that DIC Corp also has to invest in business architecture projects on land (apartment buildings, houses, commercial services...)

As reported at the Annual General Meeting in 2020, according to the plan in 2020, total need for investment and development capital of the Parent Company is VND 6,487 billion, in which: investment for the project is VND 5,094.5 billion, loan plan for investment activities is VND 2,260 billion, in which: Loan for North Vung Tau New Urban Area Project is VND 800 billion.

Plan of revenue and expenditure in 2020: Through balancing the capital plan of the unit, DIC Corp currently needs to mobilize about VND 2,300 billion from external capital sources (right in the fourth quarter of 2020 and first quarter and second quarter of 2021) to implement compensation for site clearance and payment of land use fees in phase 1. However, through working with partners that are credit institutions and commercial banks, banks only disburse loans for construction and payment of land use fees, the loan for compensation for site clearance is not approved without notice of land acquisition. Furthermore, the approval time for large capital sources also takes about 3 to 6 months while the project needs to be invested soon in 2020.

If DIC Corp arranges capital for the Project by itself:

Advantages: All economic benefits that the Project brings will belong to DIC Corp. DIC Corp is also active in investment decisions during project implementation.

Disadvantages:



- The arrangement of capital sources for the Project in the current period is very difficult and it takes time while the Project progress can not wait longer. After reviewing all revenue and expenditure sources of DIC Corp in the last 5 months of 2020, DIC Corp is in need of about VND 3,344.61 billion for the disbursement of projects and other costs;
- Moreover, the longer the project is, the more effective the investment will decrease as site clearance compensation costs and land use fee increased exponentially. Specifically: the total investment of the project is about VND 4,029 billion in 2017 and about VND 10,500 billion in 2020. **On average, if DIC Corp does not invest in a year, the total project investment will increase by about VND 2,000 billion.**
- In addition, the delay in project implementation will also affect the reputation of DIC Corp with local leaders while the unit is applying for investment in a number of new projects in the province such as: Bau Trung New Urban Area - Cultural Park project, DIC Star Vung Tau tourism complex project in Nghinh Phong area.
- The project has been placed under the supervision of the delayed implementation investment projects of the People's Committee of Vung Tau City. If the Investor does not implement it early, project will be revoked by the Province.
- On the other hand, at that time, the project has not granted notice of land acquisition, so commercial banks do not provide loans for compensation. They only accept to disburse loans to serve construction and payment of land use fees. Meanwhile, the value of compensation for site clearance of the Project (the unearned part) is about VND 5,510 billion with disbursement request in a very short time (2 ÷ 3 years) to meet the Project schedule. This is a huge expense while DIC Corp's resources are very limited and have to invest in many projects to generate revenue for the following years and ensure the implementation progress as committed with localities.

***Note:** The above-mentioned expenses are only counted in the investment stage of construction of technical infrastructure of the Project. If business architecture works on land such as apartment buildings, villas, commercial service area... are added, the total investment of the whole project is very large. With the current financial capacity of DIC and the plan to raise capital in the future, the Corporation cannot afford the financial capacity to implement the project as scheduled.*

Therefore, the Board of Directors and Leaders of Corporation held a meeting and came to a conclusion that it is necessary to find a truly capable partner to quickly implement the North Vung Tau New Urban Area Project, to invest the project to become one of the model cities in a short time to **enhance DIC's brand value in the real estate market**, to create a solid foundation to apply for the implementation of large urban projects and other potentials such as Bau Trung New Urban - Cultural Park Area, Ben Dinh Urban Area, to apply for priority bidding mechanism for DIC Star Vung Tau tourism complex project, some projects that the Corporation is researching in the area of Ba Ria, Xuyen Moc... as well as projects in Dong Nai province and the country.

From the above analysis, the investment cooperation in North Vung Tau New Urban Area Project is very necessary and must be implemented in the fourth quarter of 2020.

4. Proposals of the Board of Directors:

To have a basis for assessing and proposing the option to bring the most effective and feasible investment for DIC in the current period, the Board of Directors has assigned the



Executive Board to work with a number of domestic and international partners to survey and propose investment cooperation in North Vung Tau New Urban Area Project.

Up to now, Him Lam Corporation (referred to as Him Lam) is the only unit that really cares about the Project and is evaluated by DIC Corp as a unit with financial capacity and experience in implementing urban projects, a brand and reputable unit in the real estate market nationwide. In addition, Him Lam is also a unit with links with major domestic credit institutions, which can arrange capital for projects with large mobilized capital in a short time. Through preliminary negotiation, Him Lam is very interested in and agrees with the terms and conditions offered by DIC Corp. Specifically:

- DIC Corp contributes capital in the first phase with the value of VND 455 billion (including: in cash, project development rights and project investment cost that DIC Corp has implemented);
- Him Lam will contribute capital in phase 1 with the value of VND 245 billion. This amount will be used to implement the site clearance of Zone C in 2020.
- Him Lam commits to arrange an overall loan for the project about VND 3,500 billion (it is divided into 2 phases. Phase 1: borrow VND 2,000 billion and phase 2: borrow VND 1,500 billion) without collateral.
- The disbursement of this loan is for compensation for site protection of the project without notice of land acquisition.

Advantages:

- + Reduce pressure on investment capital for projects.
- + Implementing the project on schedule will avoid the project being revoked to ensure DIC's reputation, create a stable source of income for businesses in the following years (2021 ÷ 2026), increase the reputation of the leaders to shareholders, create jobs for employees of DIC Corp...
- + Along with Him Lam's reputation, the project product value will be enhanced, thereby increasing the transfer value in the market, increasing investment efficiency, bringing benefits to DIC Corp.
- + Share investment risk (if any).
- + Maintain flexibility in project investment (Him Lam delegates full authority to make investment decisions for DIC and does not participate in investment issues related to the project).

Disadvantages: In addition to the above benefits, investment cooperation requires DIC Corp to share profits and benefits that the project will bring in the future.

Considering that Him Lam is a fully capable unit in both real estate investment as well as finance. This is a unit that can help DIC Corp arrange a capital source with large value in a short time and DIC Corp can be active in implementing the Project in 2020. Moreover, the partner is also very interested in and agrees with the terms and conditions that DIC Corp offers to be able to deploy the Project in the shortest time. Therefore, based on the above analysis and assessment, the Board of Directors of the Corporation respectfully requests shareholders to agree on the policy for investment cooperation in North Vung Tau New Urban Area Project with the main contents as follows:



4.1. Form of cooperation:

DIC Corp will contribute capital to establish a two-member limited liability company, in which: DIC Corp contributes 65% of the charter capital, a subsidiary company appointed by Him Lam contributes 35% of the charter capital. DIC Corp will fully implement the legal procedures related to the authorization for the new legal entity to continue implementing the project investment.

4.2. Charter capital contribution schedule:

Estimated charter capital is VND 1,700 billion, in which:

- Charter capital of the Company at registration time of establishment is VND 700,000,000,000 (Seven hundred billion dong), in which: DIC Corp contributes VND 455,000,000,000 (*Four hundred and fifty-five billion dong*) (in cash, project development rights and project investment cost that DIC Corp has implemented); a subsidiary company appointed by Him Lam contributes VND 245,000,000,000 (*Two hundred and forty-five billion dong*) in cash.
- The charter capital is expected to increase from VND 1,000,000,000,000 (*one thousand billion dong*) to VND 1,700,000,000,000 (*one thousand and seven hundred billion dong*) after commencement of project construction investment. The parties contribute capital according to the agreed ratio.

4.3. Implementation schedule:

- Before October 30, 2020, the parties will complete the following tasks:
 - + DIC Corp and a subsidiary company appointed by Him Lam will establish a new legal entity, which is 2-member limited liability company with a charter capital of VND 700 billion, in which DIC Corp contributes 65% and subsidiary company appointed by Him Lam contributes 35%;
 - + DIC Corp will hand over all dossiers and documents related to technical infrastructure construction investment project for North Vung Tau New Urban Area and hand over the compensation dossiers, the compensated area (7.2 ha) in the site for the new entity.
 - + DIC Corp will fully implement the legal procedures related to the authorization for the new Entity to carry out project investment.
 - + Based on production and business plans for 2021, 2022 and the following years, if it is necessary to increase the charter capital of the Company, the two parties will report to competent authorities to get approval for charter capital increase.
- **Personnel structure:**
 - + Chairman of the Board of Members: Mr. Nguyen Thien Tuan - Chairman of DIC Corp;
 - + The positions of Director, Chief Accountant will be nominated by DIC Corp;
 - + The position of Standing Deputy Director will be nominated by Him Lam.

4.4. Responsibility of the parties:

a. Responsibilities of DIC Corp:

- Be responsible for the establishment of a two-member limited liability company.



- Continue to play the role of Investor of technical infrastructure construction investment project for North Vung Tau New Urban Area. When all legal conditions are met, DIC Corp will transfer the Project to the new entity.
- Contribute capital in accordance with the schedule stated in Section 4.2

b. Responsibilities of Him Lam:

- Agree to recognize the value that DIC Corp invested in the North Vung Tau New Urban Area Project in 2-member limited liability company.
- Contribute capital in accordance with the schedule stated in Section 4.2.
- Arrange capital for project implementation through credit institutions, in which: Him Lam will arrange VND 2,000 billion of commercial credit capital in 2020 to carry out compensation, site clearance and investment in technical infrastructure construction of the project. The capital arrangement for the project for the following years will be based on the investment plan.

2.5. Project investment deployment plan:

- Continue to compensate for the remaining 13ha of Zone C, complete the entire 20ha area in 2020.
- The commencement of technical infrastructure construction for Zone C (20 ha) is expected to be performed in December 2020 with a total investment of about VND 3,400 billion.
- Compensate for Zone B and Zone A in 2021.
- Currently, the consultant unit is implementing the design for the apartment building. Apartment building in Zone C is scheduled to start construction in early 2021.
- Selling is expected to begin in the second quarter of 2021.

In order to promptly implement the Project investment according to the proposed plan, the Board of Directors would like to submit to shareholders to consider and agree in writing the following specific policies:

- Cooperate with subsidiary company appointed by Him Lam to invest in North Vung Tau New Urban Area Project.
- Form of cooperation: The parties contribute capital to establish a two-member limited liability company (hereinafter referred to as the Company), in which: DIC Corp contributes 65% of charter capital; Subsidiary company appointed by Him Lam contributes 35% of the charter capital.
- The company's charter capital at the registration time of establishment is VND 700,000,000,000, in which: DIC Corp contributes 455,000,000,000 VND (in cash, project development rights and investment cost that DIC Corp has implemented); subsidiary company appointed by Him Lam contributes VND 245,000,000,000 in cash.
- **The General Meeting of Shareholders (GMS) authorizes the Board of Directors to:**

- + Organize the implementation of procedures related to project investment cooperation under the policy approved by the GMS, including signing/authorizing the signing of legal documents related to investment cooperation.
- + Based on the actual investment plan and capital needs, the Board of Directors is entitled to approve the plan to increase the charter capital of the company if it is necessary on the principle of ensuring that DIC Corp's capital contribution ratio in the Company will not be changed. Adjustments to the Charter Capital of the Company (if any) must be reported on the implementation result at the nearest Annual General Meeting.
- + Be entitled to nominate DIC Corp's personnel to participate in the management and operation of the Company to ensure the structure of a number of positions, including: Chairman of the Board of Members, Director and Chief Accountant of the Company nominated by DIC Corp.

Best regards!

**ON BEHALF OF BOARD OF
DIRECTORS**

Chairman

(signed)

Nguyen Thien Tuan

