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No.: 397 /VNIA-HN-BC

INDEPENDENT AUDITOR'S REPORT

Respectfully addressed to: **The Shareholders**
Board of Directors and Board of General Directors
Vietnam- Italy Steel Joint Stock Company

We have audited the attached financial statements of Vietnam- Italy Steel Joint Stock Company (hereinafter referred to as “the Company”), prepared on 15 February 2017, from page 05 to page 29, which include a Balance Sheet as at December 31, 2016, an Income Statement, a Cash Flow Statement for the fiscal year then ended, and the Notes to the Financial Statements.

Responsibilities of the Board of General Directors

Board of General Directors of the Company shall be responsible for the true and suitable preparation and presentation of the Financial Statements according to Vietnamese Accounting Standards and Corporate Accounting System, and other relevant legal regulations on preparation and presentation of financial statements, and be responsible for internal supervision activities that are considered to be necessary by Board of General Directors to ensure the preparation and presentation of the Financial Statements without any material mistakes due to the fraud or misunderstanding.

Responsibilities of the Auditor

The Auditor shall be responsible for giving out opinions on the Financial Statements basing on auditing results. We carried out auditing according to auditing standards of Vietnam. These standards require us to obey the standards and requirements of the code of ethics and standards of professional conduct, make plan and carry out auditing activities to identify whether the Financial Statements of the Company has any material mistakes

Auditing includes carrying out procedures to collect auditing proof about the figures and notes on the Financial Statements. Auditing procedures are collected under the judgment of auditors, including judgments of the auditor on the risk of having any material mistakes in the Financial Statements due to the fraud or misunderstanding. When carrying out the judgment on risks, the auditor has considered the Company's internal supervision activities related to the fair and suitable preparation and presentation of the Financial Statements in order to design suitable auditing procedures for real situation, but not to give out any comments on the efficiency of company's internal supervision. Auditing also includes the judgment on the suitability of accounting policies and accounting estimates of Board of General Directors, as well as on the whole presentation of the Financial Statements.

We believe that auditing proofs collected by us are enough and suitable, and based on these proofs, we can give out our auditing opinions.



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinions of the Auditor

In our opinion, the accompanying Financial Statements give a true and fair view of, in all material respects, the financial position of the Company as at December 31, 2016 and the results of its operations and its cash flows for the year then ended, in accordance with Vietnamese Accounting Standards, Vietnamese Corporate Accounting System and prevailing relevant regulations on preparation and presentation of the combined financial statements

(Signed & sealed)

(Signed)

Dang Chi Dung

Deputy General Director

Certified Internal Auditor Certification No. 0030-2013-001-1

Pham Ngoc Hai

Auditor

Certified Internal Auditor Certification No. 2542-2013-001-1

For and on behalf of

DELOITTE VIETNAM COMPANY LIMITED

Dated 15 February 2017

Hanoi, the Socialist Republic of Vietnam

BALANCE SHEET
As at December 31, 2016

Unit: VND

ASSETS	Code	Note	Closing balance	Opening balance
A. CURRENT ASSETS	100		2,057,144,267,489	982,213,215,489
I. Cash and cash equivalents	110	5	10,347,757,599	187,437,538,246
1. Cash	111		10,347,757,599	9,837,538,246
2. Cash equivalents	112		-	177,600,000,000
II. Short-term receivables	130		1,406,320,756,832	357,900,947,192
1. Receivables from customers	131	6	1,160,107,877,866	326,911,323,608
2. Prepaid to suppliers	132		263,387,709,165	19,619,542,200
3. Other short-term receivables	136	7	56,377,672,054	60,743,619,658
4. Provision for uncollectible short-term receivables	137	8	(73,552,502,253)	(49,373,538,274)
III. Inventories	140	9	611,025,291,381	423,015,406,491
1. Inventories	141		611,025,291,381	433,946,170,094
2. Provision for uncollectible short-term receivables	149		-	(10,930,763,603)
IV. Other current assets	150		29,450,461,677	13,859,323,560
1. Short-term prepaid expenses	151	10	6,957,540,901	3,935,879,604
2. Deductible VAT	152		19,948,500,823	7,342,172,413
3. Taxes and other payables to the State	153	11	2,544,419,953	2,581,271,543
B. LONG-TERM ASSETS	200		646,223,882,630	766,171,221,938
I. Fixed assets	220		497,832,930,083	605,018,101,623
1. Tangible fixed assets	221	12	489,896,690,272	580,887,597,301
- <i>Historical cost</i>	222		1,381,334,133,638	1,384,591,227,161
- <i>Accumulated depreciation value</i>	223		(891,437,443,366)	(803,703,629,860)
2. Intangible fixed assets	227	13	7,936,239,811	24,130,504,322
- <i>Historical cost</i>	228		10,169,135,751	28,019,135,751
- <i>Accumulated depreciation value</i>	229		(2,232,895,940)	(3,888,631,429)
II. Long-term unfinished assets	240	14	20,073,010,810	20,023,094,810
1. Cost of construction in progress	242		20,073,010,810	20,023,094,810
III. Other long-term assets	260		128,317,941,737	141,130,025,505
TOTAL ASSETS (270 = 100+200)	270		2,703,368,150,119	1,748,384,437,427

These Notes are an integral part of and must be read together with the enclosed Financial Statements

BALANCE SHEET (CONTINUED)

As at December 31, 2016

Unit: VND

CAPITAL REOURCES	Code	Note	Closing balance	Opening balance
C. LIABILITIES	300		2,027,254,442,694	1,145,120,842,076
I. Current liabilities	310		2,027,254,442,694	1,145,120,842,076
1. Short term supplier payables	311	15	521,959,263,296	89,050,216,318
2. Short-term deferred revenues	312		48,538,168,143	967,194,868
3. Taxes and other payables to State	313	11	2,624,159,183	5,927,087,968
4. Payables to employees	314		9,083,173,705	14,669,730,476
5. Short-term expenses payable	315	16	13,201,825,741	15,297,931,234
6. Other short-term payables	319	17	4,862,521,783	7,289,507,253
7. Short-term loans	320	18	1,425,449,070,662	1,009,850,248,086
8. Bonus and welfare fund	322		1,536,260,181	2,068,925,873
D. OWNER'S EQUITY	400		676,113,707,425	603,263,595,351
I. Owner's equity	410	20	676,113,707,425	603,263,595,351
1. Contributions from owners	411		492,202,620,000	492,202,620,000
- <i>Ordinary shares with voting rights</i>	<i>411a</i>		<i>492,202,620,000</i>	<i>492,202,620,000</i>
2. Share premium	412		363,790,000	363,790,000
3. Other capitals of owners	414		8,835,568,717	8,835,568,717
4. Development investment funds	418		173,215,412,737	173,215,412,737
5. Undistributed post-tax profits/ Accumulated loss (*)	421		1,496,315,971	(71,353,796,103)
- <i>Accumulated losses to the end of last year</i>	<i>421a</i>		<i>(71,353,796,103)</i>	<i>(19,455,918,513)</i>
- <i>Undistributed post-tax profits/ Accumulated loss this year</i>	<i>421b</i>		<i>72,850,112,074</i>	<i>(51,897,877,590)</i>
TOTAL CAPITAL RESOURCES (440 = 300+400)	440		2,703,368,150,119	1,748,384,437,427

Hung Yen, date 15 February 2017

Prepared by

Chief Accountant

General Director

(Signed)

(Signed)

(Signed & sealed)

Pham Van Minh

Dang Thi Tuyet Nhung

Nguyen Thanh Ha

INCOME STATEMENT

For the year ended 31 December 2016

Unit: VND

Indicators	Code	Note	Current year	Previous year
1. Revenues from sales and service provisions	01	23	3,773,354,838,762	3,151,285,991,344
2. Revenue deductions	02	23	33,817,493,562	48,581,672,229
3. Net revenues from sales and services provisions (10=01-02)	10		3,739,537,345,200	3,102,704,319,115
4. Cost of goods sold and services provisions	11	24	3,505,639,709,791	2,946,376,838,639
5. Gross revenues from sales and services provisions (20=10-11)	20		233,897,635,409	156,327,480,476
6. Revenues from financial activities	21	26	1,444,667,117	569,932,877
7. Financial expenses	22	27	62,855,832,118	78,989,692,997
<i>In which: Loan interest</i>	23		54,731,481,774	78,334,830,355
8. Selling expenses	25		16,867,776,101	53,893,187,909
9. Corporate administrative expenses	26		80,654,374,826	74,177,065,721
10. Net profit/ loss from operations {30=20+(21-22)-(25+26)}	30		74,964,319,481	(50,162,533,274)
11. Other income	31		16,860,282,506	951,458,369
12. Other expenses	32		16,710,754,480	2,868,802,685
13. Other profits/ loss (40=31-32)	40	28	149,528,026	(1,735,344,316)
14. Total pre-tax accounting profits/ losses (50=3-+40)	50		75,113,847,507	(51,897,877,590)
15. Current corporate income tax expense	51	29	2,263,735,433	-
16. Profits/losses after corporate income tax (60=50-51)	60		72,850,112,074	(51,897,877,590)
17. Earnings per share	70	30	1,480	(1,054)

Hung Yen, date 15 February 2017

Prepared by

Chief Accountant

General Director

(Signed)

(Signed)

(Signed & sealed)

Pham Van Minh

Dang Thi Tuyet Nhung

Nguyen Thanh Ha

CASH FLOW STATEMENTS

For the year ended 31 December 2016

Unit: VND

Indicators	Code	This year	Previous year
I. Cash flows from operations			
1. Pre-tax profits/ losses	01	75,113,847,507	(51,897,877,590)
2. Adjustment to amounts:			
Depreciation of fixed assets	02	94,569,868,958	97,567,203,761
Provisions	03	13,248,200,376	26,497,565,475
Profits/ losses of exchange rate differences from revaluation of accounts derived from foreign currencies	04	5,368,496,870	141,905,319
Profits from investment	05	(1,673,839,344)	(569,932,877)
Interest expense	06	54,731,481,774	78,334,830,355
3. Operating profit before changing in working capital	08	241,358,056,141	150,073,694,443
Change in receivables	09	(1,085,528,761,338)	39,842,240,696
Change in inventories	10	(177,079,121,287)	406,087,136,512
Change in payables (not including interest payable, CIT payable)	11	459,427,420,431	16,457,045,342
Change in prepaid expenses	12	9,790,422,471	10,058,911,494
Interest prepaid	14	(54,723,982,374)	(80,268,443,188)
Other receipts from trading	16	122,727,384	-
Other expenditures on trading	17	(153,500,000)	(210,500,000)
Net cash flow from trading	20	(606,786,738,572)	542,040,085,299
II. Cash flows from investment			
1. Expenditures for purchase, construction of fixed assets and other long-term assets	21	(3,400,232,612)	(193,1599,113)
2. Sums received from liquidation, sale of fixed assets and other long-term assets	22	16,860,272,726	-
3. Sums received from loan interest, dividends and profits shared	27	637,981,230	558,851,767
5. Payment for financial lease	35	(3,276,540,100)	(2,967,514,136)
Net cash flow from investment	30	14,098,021,344	365,692,654
III. Cash flows from financial activities			
1. Sums received from borrowings	33	3,835,264,705,568	2,691,988,666,907
2. Payment of loan principal	34	(3,419,665,882,992)	(3,175,582,927,266)
Net cash flow from financial activities	40	415,598,822,576	(483,594,260,359)
Net cash flows in the period (50=20+30+40)	50	(177,089,894,652)	58,811,517,594
Cash and cash equivalents at beginning of period	60	187,437,538,246	128,624,328,196
Influence of exchange rate changes in foreign currency conversion	61	114,005	1,692,456
Cash and cash equivalents at end of period (70=50+60+70)	70	10,347,757,599	187,437,538,246

Hung Yen, date 15 February 2017

Prepared by

Chief Accountant

General Director

(Signed)

(Signed)

(Signed & sealed)

Pham Van Minh

Dang Thi Tuyet Nhung

Nguyen Thanh Ha

NOTES TO FINANCIAL STATEMENTS

These Notes are an integral part of and must be read together with the enclosed Financial Statements