



Viet Nam – Italy Steel Joint Stock Company

Financial Statements for the year ended
31 December 2020



Viet Nam – Italy Steel Joint Stock Company Corporate Information

Decision on the Company's

Establishment No. 1748/QD-BXD 26 December 2003

Viet Nam – Italy Steel Joint Stock Company (“the Company”) was incorporated in accordance with Decision No. 1748/QD-BXD dated 26 December 2003 of the Minister of Construction on the conversion of Vietnam – Italy Steel Plant owned by Song Da 12 Company – Song Da Corporation into Joint Stock Company.

Decision on the Branch's

Establishment No. 21CT/QD-HDQT 9 June 2012

Viet Nam – Italy Steel Joint Stock Company – Hai Phong Branch (“the Branch”) was incorporated in accordance with Decision No. 21CT/QD-HDQT dated 9 June 2012 of the Board of Management of Viet Nam – Italy Steel Joint Stock Company.

Company's Enterprise

Registration Certificate No. 0900222647 20 February 2004

The Company's Enterprise Registration Certificate has been amended several times, the most recent of which is by Enterprise Registration Certificate No. 0900222647 dated 23 July 2020. The Enterprise Registration Certificate was issued by Hung Yen Department of Planning and Investment.

Branch's Operation

Registration Certificate No. 0900222647-004 13 June 2012

The Branch's Operation Registration Certificate has been amended several times, the most recent of which is by Operation Registration Certificate No. 0900222647-004 dated 3 August 2020. The Branch's Operation Registration Certificate was issued by Hai Phong Department of Planning and Investment.

Board of Management

Mr. Yoichi Hoshino	Chairman (<i>from 17/7/2020</i>)
Mr. Hiroshi Kunimaru	Chairman (<i>until 17/7/2020</i>)
Mr. Nguyen Duy Luan	Member
Mr. Trinh Khoi Nguyen	Member
Mr. Hiroshi Kunimaru	Member (<i>from 17/7/2020</i>)
Mr. Yasuhiro Yonemura	Member (<i>from 14/5/2020</i>)
Mr. Satoshi Oda	Member (<i>until 14/5/2020</i>)
Mr. Yoichi Hoshino	Member (<i>until 17/7/2020</i>)

Board of General Directors

Mr. Yasuhiro Yonemura	General Director (<i>from 17/7/2020</i>)
Mr. Yoichi Hoshino	General Director (<i>until 17/7/2020</i>)
Mr. Satoshi Oda	Deputy General Director
Mr. Satoshi Sugino	Deputy General Director
Mr. Dang Ngoc Hung	Deputy General Director
Mr. Shin Yasuda	Deputy General Director (<i>from 9/9/2020</i>)
Mr. Nguyen Thanh Ha	Deputy General Director (<i>until 15/5/2020</i>)
Mr. Yasuo Arata	Deputy General Director (<i>until 31/7/2020</i>)

**Viet Nam – Italy Steel Joint Stock Company
Corporate Information (continued)**

Supervisory Board	Mr. Vu Van Huy Mr. Ha Huy Thuyet Ms. Le Van Chi	Head of Supervisory Board Member Member
Registered Office	Pho Noi A Industrial Park, Giai Pham Commune, Yen My District, Hung Yen Province, Vietnam	
Branch's Registered Address	Dong Nam Cau Kien Industrial Park, Hoang Dong Commune, Thuy Nguyen District, Hai Phong City, Vietnam	
Auditor	KPMG Limited Vietnam	

Viet Nam – Italy Steel Joint Stock Company Statement of the Board of General Directors

The Board of General Directors of Viet Nam – Italy Steel Joint Stock Company (“the Company”) presents this statement and the accompanying financial statements of the Company for the year ended 31 December 2020.

The Board of General Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting. In the opinion of the Board of General Directors:

- (a) the financial statements set out on pages 6 to 44 give a true and fair view of the financial position of the Company as at 31 December 2020 and of its results of operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting; and
- (b) at the date of this statement, there are no reasons to believe that the Company will not be able to pay its debts as and when they fall due.

The Board of General Directors has, on the date of this statement, authorised the accompanying financial statements for issue.

On behalf of the Board of General Directors



Satoshi Sugino

Deputy General Director

(Under the Authorization Letter dated 17 July 2020

Of Mr. Yasuhiro Yonemura, General Director)

Hung Yen, 3 March 2021



KPMG Limited
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South Tu Liem District, Hanoi, Vietnam
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders Viet Nam – Italy Steel Joint Stock Company

We have audited the accompanying financial statements of Viet Nam – Italy Steel Joint Stock Company (“the Company”), which comprise the balance sheet as at 31 December 2020, the statements of income and cash flows for the year then ended and the explanatory notes thereto which were authorised for issue by the Company’s Board of General Directors on 3 March 2021, as set out on pages 6 to 44.

Management’s Responsibility

The Company’s Board of General Directors is responsible for the preparation and fair presentation of these financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting, and for such internal control as the Board of General Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company’s Board of General Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Auditor's Opinion

In our opinion, the financial statements give a true and fair view, in all material respects, of the financial position of Viet Nam – Italy Steel Joint Stock Company as at 31 December 2020 and of its results of operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting.

Other Matter

The financial statements of the Company for the year ended 31 December 2019 were audited by another firm of auditors whose report dated 18 March 2020 expressed an unqualified opinion on those statements.

KPMG Limited

Vietnam
Audit Report No. 20-02-00144-21-1



Wang Toon Kim
Practicing Auditor Registration
Certificate No. 0557-2018-007-1
Deputy General Director

Dam Xuan Lam
Practicing Auditor Registration
Certificate No. 0861-2018-007-1

Hanoi, 3 March 2021

Viet Nam – Italy Steel Joint Stock Company
Balance sheet as at 31 December 2020

Form B 01 – DN
*(Issued under Circular No. 200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

	Code	Note	31/12/2020 VND	1/1/2020 VND
ASSETS				
Current assets (100 = 110 + 120 + 130 + 140 + 150)	100		2,567,282,718,143	2,139,892,900,312
Cash and cash equivalents	110	5	367,662,899,269	288,241,950,781
Cash	111		17,662,899,269	15,201,950,781
Cash equivalents	112		350,000,000,000	273,040,000,000
Short-term financial investments	120	6	480,000,000,000	255,000,000,000
Held-to-maturity investments	123		480,000,000,000	255,000,000,000
Accounts receivable – short-term	130		784,058,285,285	778,317,106,923
Accounts receivable from customers	131	7	799,183,005,853	793,740,757,093
Prepayments to suppliers	132		6,793,020,974	5,244,605,590
Other receivables	136	8(a)	79,734,813,335	81,655,727,238
Allowance for doubtful debts	137	9	(101,652,554,877)	(102,323,982,998)
Inventories	140	10	820,274,666,448	704,801,342,958
Inventories	141		823,505,850,046	733,201,343,582
Allowance for inventories	149		(3,231,183,598)	(28,400,000,624)
Other current assets	150		115,286,867,141	113,532,499,650
Short-term prepaid expenses	151	14(a)	15,614,019,840	14,239,591,416
Deductible value added tax	152		93,578,701,480	96,003,418,901
Taxes and others receivable from State Treasury	153	17	6,094,145,821	3,289,489,333

The accompanying notes are an integral part of these financial statements

Viet Nam – Italy Steel Joint Stock Company
Balance sheet as at 31 December 2020 (continued)

Form B 01 – DN
*(Issued under Circular No. 200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

	Code	Note	31/12/2020 VND	1/1/2020 VND
Long-term assets (200 = 210 + 220 + 240 + 260)	200		307,237,986,413	448,411,145,960
Accounts receivable – long-term	210		10,591,428,201	10,591,428,201
Other long-term receivables	216	8(b)	10,591,428,201	10,591,428,201
Fixed assets	220		234,626,466,057	299,528,757,175
Tangible fixed assets	221	11	227,692,865,617	292,044,496,895
Cost	222		1,463,577,699,910	1,445,623,907,856
Accumulated depreciation	223		(1,235,884,834,293)	(1,153,579,410,961)
Intangible fixed assets	227	12	6,933,600,440	7,484,260,280
Cost	228		11,169,135,751	11,169,135,751
Accumulated amortisation	229		(4,235,535,311)	(3,684,875,471)
Long-term work in progress	240		5,656,994,820	3,043,977,466
Construction in progress	242	13	5,656,994,820	3,043,977,466
Other long-term assets	260		56,363,097,335	135,246,983,118
Long-term prepaid expenses	261	14(b)	52,616,291,618	73,647,446,180
Deferred tax assets	262	15	3,746,805,717	-
Long term tools, supplies and spare parts	263		-	61,599,536,938
TOTAL ASSETS (270 = 100 + 200)	270		2,874,520,704,556	2,588,304,046,272

The accompanying notes are an integral part of these financial statements

Viet Nam – Italy Steel Joint Stock Company
Balance sheet as at 31 December 2020 (continued)

Form B 01 – DN
(Issued under Circular No. 200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)

	Code	Note	31/12/2020 VND	1/1/2020 VND
RESOURCES				
LIABILITIES (300 = 310 + 330)	300		2,345,952,234,703	2,089,723,689,957
Current liabilities	310		2,342,034,236,480	2,089,723,689,957
Accounts payable to suppliers	311	16	169,873,186,247	242,325,084,019
Advances from customers	312		7,434,266,451	506,828,088
Taxes and others payable to State Treasury	313	17	661,183,444	753,538,185
Payables to employees	314		20,697,876,505	18,282,444,725
Accrued expenses	315	18	56,002,673,021	13,279,000,855
Unearned revenue – short-term	318		-	169,648,636
Other payables – short-term	319	19	6,392,781,521	318,477,753,130
Short-term borrowings	320	20	2,078,843,747,655	1,492,901,502,722
Bonus and welfare funds	322		2,128,521,636	3,027,889,597
Long-term liabilities	330		3,917,998,223	-
Provisions – long-term	342	21	3,917,998,223	-
EQUITY (400 = 410)	400		528,568,469,853	498,580,356,315
Owners' equity	410	22	528,568,469,853	498,580,356,315
Share capital	411	23	738,303,930,000	738,303,930,000
- Ordinary shares with voting rights	411a		738,303,930,000	738,303,930,000
Share premium	412		123,194,121,321	123,194,121,321
Other capital	414		8,835,568,717	8,835,568,717
Investment and development fund	418		173,215,412,737	173,215,412,737
Accumulated losses	421		(514,980,562,922)	(544,968,676,460)
- Accumulated losses brought forward	421a		(544,968,676,460)	(326,252,176,277)
- Profit/(loss) for the current year	421b		29,988,113,538	(218,716,500,183)
TOTAL RESOURCES (440 = 300 + 400)	440		2,874,520,704,556	2,588,304,046,272

3 March 2021

Prepared by:



Pham Van Minh
Accountant

Approved by:



Dang Thi Tuyet Dung
Chief Accountant



Satoshi Sugino
Deputy General Director

The accompanying notes are an integral part of these financial statements

Viet Nam – Italy Steel Joint Stock Company
Statement of income for the year ended 31 December 2020

Form B 02 – DN
(Issued under Circular No. 200/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

	Code	Note	2020 VND	2019 VND
Revenue from sales of goods	01	25	4,113,552,222,143	4,669,504,562,200
Revenue deductions	02	25	51,760,442,009	76,500,778,026
Net revenue (10 = 01 - 02)	10	25	4,061,791,780,134	4,593,003,784,174
Cost of sales	11	26	3,960,301,608,887	4,653,000,580,210
Gross profit/(loss) (20 = 10 - 11)	20		101,490,171,247	(59,996,796,036)
Financial income	21	27	53,667,054,480	21,583,529,037
Financial expenses	22	28	65,288,238,289	81,212,225,140
<i>In which: Interest expense</i>	23		52,414,814,561	77,390,085,816
Selling expenses	25	29	15,692,766,108	12,111,111,456
General and administration expenses	26	30	61,778,724,905	68,766,668,445
Net operating profit/(loss) {30 = 20 + (21 - 22) - (25 + 26)}	30		12,397,496,425	(200,503,272,040)
Other income	31	31	10,687,440,562	514,204,512
Other expenses	32		568,973,829	13,685,420,181
Results of other activities (40 = 31 - 32)	40		10,118,466,733	(13,171,215,669)
Accounting profit/(loss) before tax (50 = 30 + 40)	50		22,515,963,158	(213,674,487,709)
Income tax expense – current	51	33	(3,725,344,663)	5,042,012,474
Income tax benefit – deferred	52	33	(3,746,805,717)	-
Net profit/(loss) after tax (60 = 50 - 51 - 52)	60		29,988,113,538	(218,716,500,183)
Earnings/(loss) per share		34		
Basic earnings/(loss) per share	70		406	(2,962)

3 March 2021

Prepared by:



Pham Van Minh
Accountant

Approved by:



Dang Thi Tuyet Dung
Chief Accountant



Satoshi Sugino
Deputy General Director

The accompanying notes are an integral part of these financial statements

Viet Nam – Italy Steel Joint Stock Company
Statement of cash flows for the year ended 31 December 2020
(Indirect method)

Form B 03 – DN
*(Issued under Circular No. 200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

	Code	Note	2020 VND	2019 VND
CASH FLOWS FROM OPERATING ACTIVITIES				
Accounting profit/(loss) before tax	01		22,515,963,158	(213,674,487,709)
Adjustments for				
Depreciation and amortisation	02		82,767,356,102	92,569,721,336
Allowances and provisions	03		(21,922,246,924)	(40,649,491,246)
Exchange gains arising from revaluation of monetary items denominated in foreign currencies	04		(89,577,515)	(374,472,403)
Profits from investing activities	05		(34,710,268,142)	(4,871,030,562)
Interest expense	06		52,414,814,561	77,390,085,816
Operating profit/(loss) before changes in working capital	08		100,976,041,240	(89,609,674,768)
Change in receivables	09		(754,917,446)	167,218,269,369
Change in inventories	10		(33,261,871,185)	197,795,628,603
Change in payables and other liabilities	11		(333,347,482,642)	77,205,734,361
Change in prepaid expenses	12		19,656,726,138	21,613,925,500
			(246,731,503,895)	374,223,883,065
Interest paid	14		(52,557,016,451)	(77,939,330,654)
Other receipts from operating activities	16		193,057,451	-
Other payments for operating activities	17		(1,003,698,342)	(736,190,603)
Net cash flows from operating activities	20		(300,099,161,237)	295,548,361,808
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for additions to fixed assets and other long-term assets	21		(15,168,922,850)	(38,524,814,412)
Payments for granting loans, purchase of debt instruments of other entities	23		(330,000,000,000)	(255,000,000,000)
Receipts from collecting loans, sales of debt instruments of other entities	24		105,000,000,000	200,000,000,000
Receipts of interests	27		33,745,451,155	16,873,929,898
Net cash flows from investing activities	30		(206,423,471,695)	(76,650,884,514)

The accompanying notes are an integral part of these financial statements

Viet Nam – Italy Steel Joint Stock Company
Statement of cash flows for the year ended 31 December 2020
(Indirect method - continued)

Form B 03 – DN
*(Issued under Circular No. 200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

	Code	Note	2020 VND	2019 VND
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings	33		4,258,480,931,591	4,670,348,550,318
Payments to settle loan principals	34		(3,672,538,686,658)	(4,622,357,790,845)
Net cash flows from financing activities	40		585,942,244,933	47,990,759,473
Net cash flows during the year (50 = 20 + 30 + 40)	50		79,419,612,001	266,888,236,767
Cash and cash equivalents at the beginning of the year	60		288,241,950,781	21,353,737,164
Effect of exchange rate fluctuations on cash and cash equivalents	61		1,336,487	(23,150)
Cash and cash equivalents at the end of the year (70 = 50 + 60 + 61)	70	5	367,662,899,269	288,241,950,781

3 March 2021

Prepared by:



Pham Van Minh
Accountant

Approved by:



Dang Thi Tuyet Dung
Chief Accountant



Satoshi Sugino
Deputy General Director

The accompanying notes are an integral part of these financial statements

Viet Nam – Italy Steel Joint Stock Company
Notes to the financial statements for the year ended 31 December 2020

Form B 09 – DN
*(Issued under Circular No. 200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. Reporting entity

(a) Ownership structure

Viet Nam – Italy Steel Joint Stock Company (“the Company”) was incorporated in accordance with Decision No. 1748/QĐ-BXD dated 26 December 2003 of the Minister of Construction on the conversion of Vietnam – Italy Steel Plant owned by Song Da 12 Company – Song Da Corporation into Joint Stock Company.

Viet Nam – Italy Steel Joint Stock Company comprises the Head Office of Viet Nam – Italy Steel Joint Stock Company (“the Head Office”) and Viet Nam – Italy Steel Joint Stock Company – Hai Phong Branch (“the Branch”).

(b) Principal activities

The Head Office’s principal activities include:

- Producing iron, steel, cast iron;
- Wholesale of metals and metal ores. Details: wholesale of iron, steel;
- Wholesale of machinery, equipment and other spare parts. Details: wholesale of machinery, equipment and spare parts for producing iron, steel, cast iron;
- Other business supporting services not elsewhere classified. Details: trading, importing and exporting materials, spare parts for steel industry; and
- Manufacture of other metal products not elsewhere classified. Details: production of materials, equipment and spare parts for the steel industry.

The Branch’s principal activities include:

- Producing iron, steel, cast iron;
- Wholesale of metals and metal ores. Details: wholesale of iron, steel;
- Other business supporting services not elsewhere classified. Details: trading materials for steel industry;
- Coastal and sea transportation of goods; and
- Road transportation of goods.

The principal activities of the Company are production and distribution of wire rods from (Ø6) to (Ø8) and bars from D10 to D40.

(c) Normal operating cycle

The normal operating cycle of the Company is generally within 12 months.

Viet Nam – Italy Steel Joint Stock Company

Notes to the financial statements for the year ended 31 December 2020 (continued)

Form B 09 – DN

*(Issued under Circular No. 200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

(d) Company’s structure

As at 31 December 2020, the Company had one branch namely Viet Nam – Italy Steel Joint Stock Company – Hai Phong Branch (1/1/2020: one branch).

As at 31 December 2020, the Company had 694 employees (1/1/2020: 778 employees).

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to financial reporting.

(b) Basis of measurement

The financial statements, except for the statement of cash flows, are prepared on the accrual basis using the historical cost concept. The statement of cash flows is prepared using the indirect method.

(c) Annual accounting period

The annual accounting period of the Company is from 1 January to 31 December.

(d) Accounting and presentation currency

The Company’s accounting currency is Vietnam Dong (“VND”), which is also the currency used for financial statement presentation purpose.

3. Summary of significant accounting policies

The following significant accounting policies have been adopted by the Company in the preparation of these financial statements.

(a) Foreign currency transactions

Transactions in currencies other than VND during the year have been translated into VND at rates approximating actual rates of exchange ruling at the transaction dates.

Monetary assets and liabilities denominated in currencies other than VND are translated into VND at the account transfer buying rates and account transfer selling rates at the end of the annual accounting period quoted by the commercial bank where the Company most frequently conducts transactions.

All foreign exchange differences are recorded in the statement of income.

Viet Nam – Italy Steel Joint Stock Company
Notes to the financial statements for the year ended 31 December 2020 (continued)

Form B 09 – DN
*(Issued under Circular No. 200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

(b) Cash and cash equivalents

Cash comprises cash balances and call deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(c) Held-to-maturity investments

Held-to-maturity investments are those that the Company's management has the intention and ability to hold until maturity. Held-to-maturity investments include term deposits at bank. These investments are stated at costs less allowance for doubtful debts.

(d) Accounts receivable

Trade and other receivables are stated at cost less allowance for doubtful debts.

(e) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes all costs incurred in bringing the inventories to their present location and condition. Cost in the case of finished goods and work in progress includes raw materials, direct labour and attributable manufacturing overheads. Net realisable value is the estimated selling price of inventory items, less the estimated costs of completion and direct selling expenses.

The Company applies the perpetual method of accounting for inventories.

(f) Tangible fixed assets

(i) Cost

Tangible fixed assets are stated at cost less accumulated depreciation. The initial cost of a tangible fixed asset comprises its purchase price, including import duties, non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition for its intended use. Expenditure incurred after tangible fixed assets have been put into operation, such as repair, maintenance and overhaul cost, is charged to the statement of income in the year in which the cost is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of tangible fixed assets beyond their originally assessed standard of performance, the expenditure is capitalised as an additional cost of tangible fixed assets.

Viet Nam – Italy Steel Joint Stock Company
Notes to the financial statements for the year ended 31 December 2020 (continued)

Form B 09 – DN

*(Issued under Circular No. 200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

(ii) Depreciation

Depreciation is computed on a straight-line basis over the estimated useful lives of tangible fixed assets. The estimated useful lives are as follows:

▪ buildings and structures	5 – 25 years
▪ machinery and equipment	4 – 10 years
▪ means of transportation and transmission	5 – 8 years
▪ office equipment	4 – 6 years
▪ perennial trees	20 years

(g) Intangible fixed assets

(i) Land use rights

Land use rights represent the amount of compensation for site clearance for construction of Hai Phong Branch's plant and are stated at cost less accumulated amortisation. Amortisation is computed on a straight-line basis over the remaining period of 29 years under land lease contract.

(ii) Software

Cost of acquiring new software, which is not an integral part of the related hardware, is capitalised and treated as an intangible asset. Software cost is amortised on a straight-line basis over 5 years.

(h) Construction in progress

Construction in progress represents the costs of construction and machinery which have not been fully completed or installed. No depreciation is provided for construction in progress during the period of construction and installation.

(i) Long-term prepaid expenses

(i) Prepaid office rental expenses

Office rental expenses are paid in advance for the whole lease term and amortised on a straight-line basis over the term of the lease.

(ii) Tools and instruments

Tools and instruments include assets held for use by the Company in the normal course of business whose costs of individual items are less than VND30 million and therefore not qualified for recognition as fixed assets under prevailing regulations. Cost of tools and instruments are amortised on a straight-line basis over a period ranging from 2 years to 3 years.

(j) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures. Goodwill is measured at cost less accumulated amortisation. Cost of goodwill represents the excess of the cost of the acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Goodwill arising on acquisition of a subsidiary is amortised on a straight-line basis over 10 years since 2012. Carrying value of goodwill arising on acquisition of a subsidiary is written down to recoverable amount as management determines that it is not fully recoverable.

In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and is not amortised.

(k) Trade and other payables

Trade and other payables are stated at their cost.

(l) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Severance allowance

Under the Vietnamese Labour Code, when an employee who has worked for 12 months or more ("the eligible employees") voluntarily terminates his/her labour contract, the employer is required to pay the eligible employee severance allowance calculated based on years of service and employee's compensation at termination. Provision for severance allowance has been provided based on employees' years of service and their average salary for the six-month period prior to the end of the accounting period. For the purpose of determining the number of years of service by an employee, the period for which the employee participated in and contributed to unemployment insurance in accordance with prevailing laws and regulations and the period for which severance allowance has been paid by the Company are excluded.

Viet Nam – Italy Steel Joint Stock Company
Notes to the financial statements for the year ended 31 December 2020 (continued)

Form B 09 – DN

*(Issued under Circular No. 200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

(m) Share capital

Ordinary shares

Ordinary shares are recognized at issuance price less incremental costs directly attributable to the issue of shares, net of tax effects. Such costs are recognized as a deduction from share premium.

(n) Taxation

Income tax on the profit or loss for the year current and deferred tax. Income tax is recognised in the statement of income except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the annual accounting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities using the tax rates enacted or substantively enacted at the end of the annual accounting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) Revenue and other income

(i) Goods sold

Revenue from the sale of goods is recognised in the statement of income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or the possible return of goods. Revenue on sales of goods is recognized at the net amount after deducting sales discounts stated on the invoice.

(ii) Interest income

Interest income is recognized on a time proportion basis with reference to the principal outstanding and the applicable interest rate.

Viet Nam – Italy Steel Joint Stock Company

Notes to the financial statements for the year ended 31 December 2020 (continued)

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(p) Leases

Lease payments

Payments made under operating leases are recognised in the statement of income on a straight-line basis over the term of the lease. Lease incentives received are recognized in the statement of income as an integral part of the total lease expense, over the term of the lease.

(q) Borrowing costs

Borrowing costs are recognised as an expense in the year in which they are incurred, except where the borrowing costs relate to borrowings in respect of the construction of qualifying assets, in which case the borrowing costs incurred during the period of construction are capitalized as part of the cost of the assets concerned.

(r) Earnings/(loss) per share

The Company presents basic earnings/(loss) per share for its ordinary shares. Basic earnings/(loss) per share is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. During the year, the Company did not any potential ordinary shares; therefore, the Company does not present diluted earnings per share.

(s) Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company's primary format for segment reporting is based on business segments.

(t) Related parties

Parties are considered to be related to the Company if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or where the Company and the other party are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

Related companies refer to the parent company, the ultimate parent company, their subsidiaries and associates and investors with significant influence.

Viet Nam – Italy Steel Joint Stock Company
Notes to the financial statements for the year ended 31 December 2020 (continued)

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(u) Comparative information

Comparative information in these financial statements is presented as corresponding figures. Under this method, comparative information for the prior year are included as an integral part of the current period financial statements and are intended to be read only in relation to the amounts and other disclosures relating to the current year. Accordingly, the comparative information included in these financial statements is not intended to present the Company's financial position, results of operation or cash flows for the prior year.

4. Segment reporting

As at 31 December 2020, for the management purpose, the Company's structure was divided into two business segments, which are steel billet production segment in Hai Phong and steel rolling and distribution segment in Hung Yen. The Company's segment reporting was prepared by these two segments.

The principal activities of the above business segments are as follows:

- The steel billet production segment in Hai Phong: producing steel billet from scrap steel.
- The steel rolling and distribution segment in Hung Yen: rolling steel and distributing finished steel products to markets.

Information on the Company's business segment is as follows:

Viet Nam – Italy Steel Joint Stock Company

Notes to the financial statements for the year ended 31 December 2020 (continued)

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(Issued under Circular No. 200/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

Balance sheet as at 31 December 2020

	The Head Office at Hung Yen VND	The Branch at Hai Phong VND	Inter-company elimination VND	Total VND
Assets				
Cash and cash equivalents	367,171,595,925	491,303,344	-	367,662,899,269
Short-term financial investments	480,000,000,000	-	-	480,000,000,000
Accounts receivable – short-term	1,997,373,721,523	12,045,455,378	(1,225,360,891,616)	784,058,285,285
Inventories	303,072,337,041	517,202,329,407	-	820,274,666,448
Other current assets	98,229,441,821	17,057,425,320	-	115,286,867,141
Accounts receivable – long-term	-	10,591,428,201	-	10,591,428,201
Fixed assets	37,624,752,703	197,001,713,354	-	234,626,466,057
Long-term work in progress	3,604,994,820	2,052,000,000	-	5,656,994,820
Other long-term assets	52,822,268,393	3,540,828,942	-	56,363,097,335
Total assets	3,339,899,112,226	759,982,483,946	(1,225,360,891,616)	2,874,520,704,556
Liabilities				
Current liabilities	2,167,407,811,394	1,399,987,316,702	(1,225,360,891,616)	2,342,034,236,480
Long-term liabilities	3,436,933,223	481,065,000	-	3,917,998,223
Total liabilities	2,170,844,744,617	1,400,468,381,702	(1,225,360,891,616)	2,345,952,234,703
Capital expenditure	11,746,398,195	4,263,509,554	-	16,009,907,749
Depreciation of tangible fixed assets	7,547,252,175	74,758,171,157	-	82,305,423,332
Amortisation of intangible fixed assets	199,999,992	350,659,848	-	550,659,840

Viet Nam – Italy Steel Joint Stock Company

Notes to the financial statements for the year ended 31 December 2020 (continued)

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Statement of income for the year ended 31 December 2020

	The Head Office at Hung Yen VND	The Branch at Hai Phong VND	Inter-company elimination VND	Total VND
Net revenue	5,965,654,211,750	3,326,461,676,440	(5,230,324,108,056)	4,061,791,780,134
Cost of sales	5,778,316,861,052	3,412,330,713,723	(5,230,345,965,888)	3,960,301,608,887
Segment's operating results	187,337,350,698	(85,869,037,283)	21,857,832	101,490,171,247
Selling and general and administration expenses	60,551,704,173	16,919,786,840	-	77,471,491,013
Operating profit/(loss)	126,785,646,525	(102,788,824,123)	21,857,832	24,018,680,234
Financial income	52,999,124,415	667,930,065	-	53,667,054,480
Financial expenses	25,171,994,132	40,116,244,157	-	65,288,238,289
Results of other activities	3,506,967,385	6,611,499,348	-	10,118,466,733
Profit/(loss) before tax	158,119,744,193	(135,625,638,867)	21,857,832	22,515,963,158
Income tax expense – current	(3,725,344,663)	-	-	(3,725,344,663)
Income tax benefit – deferred	(687,386,644)	(3,059,419,073)	-	(3,746,805,717)
Net profit/(loss) after tax	162,532,475,500	(132,566,219,794)	21,857,832	29,988,113,538

Viet Nam – Italy Steel Joint Stock Company

Notes to the financial statements for the year ended 31 December 2020 (continued)

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Balance sheet as at 1 January 2020

	The Head Office at Hung Yen VND	The Branch at Hai Phong VND	Inter-company elimination VND	Total VND
Assets				
Cash and cash equivalents	287,676,229,336	565,721,445	-	288,241,950,781
Short-term financial investments	255,000,000,000	-	-	255,000,000,000
Accounts receivable – short-term	1,971,478,576,953	9,277,807,608	(1,202,439,277,638)	778,317,106,923
Inventories	280,030,323,263	424,792,877,527	(21,857,832)	704,801,342,958
Other current assets	109,925,057,647	3,607,442,003	-	113,532,499,650
Accounts receivable – long-term	-	10,591,428,201	-	10,591,428,201
Fixed assets	30,802,700,816	268,726,056,359	-	299,528,757,175
Long-term work in progress	1,875,741,820	1,168,235,646	-	3,043,977,466
Other long-term assets	91,919,730,342	43,327,252,776	-	135,246,983,118
Total assets	3,028,708,360,177	762,056,821,565	(1,202,461,135,470)	2,588,304,046,272
Liabilities				
Current liabilities	2,022,186,468,068	1,269,976,499,527	(1,202,439,277,638)	2,089,723,689,957
Total liabilities	2,022,186,468,068	1,269,976,499,527	(1,202,439,277,638)	2,089,723,689,957
Capital expenditure	20,923,155,006	17,780,151,224	-	38,703,306,230
Depreciation of tangible fixed assets	5,151,475,914	87,246,751,274	-	92,398,227,188
Amortisation of intangible fixed assets	199,999,992	350,659,848	-	550,659,840

Viet Nam – Italy Steel Joint Stock Company

Notes to the financial statements for the year ended 31 December 2020 (continued)

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Statement of income for the year ended 31 December 2019

	The Head Office at Hung Yen VND	The Branch at Hai Phong VND	Inter-company elimination VND	Total VND
Net revenue	6,421,236,125,092	2,634,276,232,346	(4,462,508,573,264)	4,593,003,784,174
Cost of sales	6,457,076,826,503	2,657,605,198,402	(4,461,681,444,695)	4,653,000,580,210
Segment's operating results	(35,840,701,411)	(23,328,966,056)	(827,128,569)	(59,996,796,036)
Selling and general and administration expenses	64,326,997,316	16,550,782,585	-	80,877,779,901
Operating loss	(100,167,698,727)	(39,879,748,641)	(827,128,569)	(140,874,575,937)
Financial income	20,984,819,060	598,709,977	-	21,583,529,037
Financial expenses	21,820,065,330	59,392,159,810	-	81,212,225,140
Results of other activities	(1,497,772,418)	(11,673,443,251)	-	(13,171,215,669)
Loss before tax	(102,500,717,415)	(110,346,641,725)	(827,128,569)	(213,674,487,709)
Income tax expense – current	5,042,012,474	-	-	5,042,012,474
Net loss after tax	(107,542,729,889)	(110,346,641,725)	(827,128,569)	(218,716,500,183)

Viet Nam – Italy Steel Joint Stock Company

Notes to the financial statements for the year ended 31 December 2020 (continued)

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5. Cash and cash equivalents

	31/12/2020	1/1/2020
	VND	VND
Cash on hand	254,960,704	98,997,300
Cash in banks	17,407,938,565	15,102,953,481
Cash equivalents (i)	350,000,000,000	273,040,000,000
	<hr/>	<hr/>
	367,662,899,269	288,241,950,781
	<hr/>	<hr/>

- (i) Cash equivalents represent term deposit contracts with an original term of 1 month at a commercial bank with interest rate of 3% per annum (1/1/2020: 4.3% to 5% per annum).

6. Held-to-maturity investments

	31/12/2020		1/1/2020	
	Cost	Fair value	Cost	Fair value
	VND	VND	VND	VND
Held-to-maturity investments – short-term				
▪ Term deposits (i)	480,000,000,000	480,000,000,000	255,000,000,000	255,000,000,000
	<hr/>		<hr/>	

- (i) These represent term deposits with an original term of 6 months at commercial banks with interest rates ranging from 3.7% to 4.6% per annum (1/1/2020: 6.6% to 6.9% per annum).

7. Accounts receivable from customers

(a) Accounts receivable from customers detailed by significant customer

	31/12/2020	1/1/2020
	VND	VND
Thai Hung Trading Joint Stock Company	173,409,285,007	264,062,299,600
Nhat Nam Joint Stock Company	114,093,382,518	75,675,179,796
Truong Phat Trade Investment and Development Company Limited	99,628,887,463	67,487,803,427
Dat Viet Steel Joint Stock Company	79,848,118,812	155,325,530,638
Other customers	332,203,332,053	231,189,943,632
	<hr/>	<hr/>
	799,183,005,853	793,740,757,093
	<hr/>	<hr/>

Viet Nam – Italy Steel Joint Stock Company**Notes to the financial statements for the year ended 31 December 2020 (continued)****Form B 09 – DN***(Issued under Circular No. 200/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)***(b) Accounts receivable from customers who are related parties**

	31/12/2020 VND	1/1/2020 VND
<i>Related companies</i>		
Thai Hung Trading Joint Stock Company	173,409,285,007	264,062,299,600
Thai Hung Trading Company Limited	72,129,585,171	16,941,109,006
	245,538,870,178	281,003,408,606

The trade related amounts due from the related companies were unsecured, interest free and are receivable within 60 days from delivery date.

8. Other receivables**(a) Other short-term receivables**

	31/12/2020 VND	1/1/2020 VND
Receivables from scrap steel insufficiently delivered (i)	56,366,776,717	59,172,507,085
Receivables from Soc Son Steel Rolling Joint Stock Company (ii)	11,215,867,481	11,215,867,481
Deposit interest receivable	5,404,863,014	4,440,046,027
Advances	2,949,412,017	3,034,078,251
Others	3,797,894,106	3,793,228,394
	79,734,813,335	81,655,727,238

(i) This represents the value of insufficiently delivered scrap steel compared to the invoices of foreign suppliers arising at the Company's Hai Phong Branch. Based on the assessment of the Company's Board of General Directors, as at 31 December 2020 the Company made VND52,267,768,493 of allowance for doubtful debts for this receivable (1/1/2020: VND52,587,126,781).

(ii) In accordance with Decision dated 12 October 2017 of the High People's Court in Hanoi, Soc Son Steel Rolling Joint Stock Company (previously known as Hung Yen Metal Joint Stock Company) has an obligation to make a compensation payment at approximate amount of VND17.9 billion to the Company due to its breach of delivery obligations under economic contracts. The Company was recording VND11.2 billion receivable from Soc Son Steel Rolling Joint Stock Company in other short-term receivables and making full allowance for this receivable (Note 9). The Company did not record the remaining receivable amount of VND6.7 billion as the Company's Board of General Directors assessed the recoverability of this receivable as uncertain.

Viet Nam – Italy Steel Joint Stock Company

Notes to the financial statements for the year ended 31 December 2020 (continued)

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(b) Other long-term receivables

	31/12/2020	1/1/2020
	VND	VND
Receivables from construction of the road to Hai Phong steel billet plant (iii)	10,591,428,201	10,591,428,201

- (iii) This represents the amount receivable from the People’s Committee of Hai Phong City in relation to the construction of the road to steel billet plant in Hai Phong. The Company’s Board of General Directors assessed that it is probable to collect this receivable in the future.

Viet Nam – Italy Steel Joint Stock Company
Notes to the financial statements for the year ended 31 December 2020 (continued)

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9. Bad and doubtful debts

	Overdue days	31/12/2020			Overdue days	1/1/2020		
		Cost VND	Allowance VND	Recoverable amount VND		Cost VND	Allowance VND	Recoverable amount VND
LA Scrap Export INC	Over 3 years	27,672,431,769	27,672,431,769	-	Over 3 years	27,762,530,852	27,762,530,852	-
Song Da 3 Joint Stock Company	Over 3 years	16,541,232,727	16,541,232,727	-	Over 3 years	16,541,232,727	16,541,232,727	-
Soc Son Steel Rolling Joint Stock Company	Over 3 years	11,215,867,481	11,215,867,481	-	Over 3 years	11,215,867,481	11,215,867,481	-
Others	From 1-2 years	-	-	-	From 1-2 years	3,767,393,849	3,304,845,912	462,547,937
Others	From 2-3 years	3,478,897,561	3,285,150,411	193,747,150	From 2-3 years	1,415,612,988	1,415,612,988	-
Others	Over 3 years	42,937,872,489	42,937,872,489	-	Over 3 years	42,083,893,038	42,083,893,038	-
		101,846,302,027	101,652,554,877	193,747,150		102,786,530,935	102,323,982,998	462,547,937
<i>Of which:</i> Allowance for doubtful debts – short-term			101,652,554,877				102,323,982,998	

As at 31 December 2020, the Company made allowance for doubtful debts based on assessment of the Board of General Directors on the recoverability of the receivables. Recoverable amount of bad debts is determined at cost less allowance for doubtful debts.

Viet Nam – Italy Steel Joint Stock Company**Notes to the financial statements for the year ended 31 December 2020 (continued)****Form B 09 – DN***(Issued under Circular No. 200/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)***10. Inventories**

	31/12/2020		1/1/2020	
	Cost VND	Allowance VND	Cost VND	Allowance VND
Goods in transit	13,615,709,813	-	105,931,046,084	(164,996,392)
Raw materials	672,946,801,894	(2,929,857,545)	472,019,030,592	(20,727,811,315)
Tools and supplies	1,637,320,372	(147,281,324)	1,784,106,098	-
Finished goods	135,306,017,967	(154,044,729)	151,559,153,797	(7,360,968,608)
Merchandise inventories	-	-	1,908,007,011	(146,224,309)
	<hr/>	<hr/>	<hr/>	<hr/>
	823,505,850,046	(3,231,183,598)	733,201,343,582	(28,400,000,624)

Included in inventories at 31 December 2020 was VND3,597 million of finished goods and VND32,006 million of raw materials and VND147 million of tools and supplies (1/1/2020: VND82,765 million of finished goods, VND183,372 million of raw materials and VND1,899 million of merchandise inventories) carried at net realisable value.

Viet Nam – Italy Steel Joint Stock Company
Notes to the financial statements for the year ended 31 December 2020 (continued)

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11. Tangible fixed assets

	Buildings and structures VND	Machinery and equipment VND	Means of transportation and transmission VND	Office equipment VND	Perennial trees VND	Total VND
Cost						
Opening balance	523,442,248,595	843,654,781,886	74,596,091,596	3,002,575,621	928,210,158	1,445,623,907,856
Additions	320,434,427	5,531,395,700	-	-	-	5,851,830,127
Transfer from construction in progress	1,185,000,000	10,218,965,927	697,996,000	-	-	12,101,961,927
Closing balance	524,947,683,022	859,405,143,513	75,294,087,596	3,002,575,621	928,210,158	1,463,577,699,910
Accumulated depreciation						
Opening balance	335,275,136,496	756,075,388,880	60,260,692,048	1,566,080,718	402,112,819	1,153,579,410,961
Charge for the year	31,172,926,583	48,183,190,412	2,508,552,961	394,342,872	46,410,504	82,305,423,332
Closing balance	366,448,063,079	804,258,579,292	62,769,245,009	1,960,423,590	448,523,323	1,235,884,834,293
Net book value						
Opening balance	188,167,112,099	87,579,393,006	14,335,399,548	1,436,494,903	526,097,339	292,044,496,895
Closing balance	158,499,619,943	55,146,564,221	12,524,842,587	1,042,152,031	479,686,835	227,692,865,617

Included in tangible fixed assets as of 31 December 2020 were assets costing VND675,861 million (1/1/2020: VND390,450 million) which were fully depreciated but which are still in active use.

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12. Intangible fixed assets

	Land use rights VND	Software VND	Total VND
Cost			
Opening and closing balance	10,169,135,751	1,000,000,000	11,169,135,751
Accumulated amortisation			
Opening balance	3,284,875,484	399,999,987	3,684,875,471
Charge for the year	350,659,848	199,999,992	550,659,840
Closing balance	3,635,535,332	599,999,979	4,235,535,311
Net book value			
Opening balance	6,884,260,267	600,000,013	7,484,260,280
Closing balance	6,533,600,419	400,000,021	6,933,600,440

13. Construction in progress

	2020 VND	2019 VND
Opening balance	3,043,977,466	19,653,728,293
Additions during the year	10,158,077,622	29,704,844,712
Transfer from inventories	4,556,901,659	5,603,401,111
Transfer to tangible fixed assets	(12,101,961,927)	(40,421,852,866)
Written off	-	(11,496,143,784)
Closing balance	5,656,994,820	3,043,977,466

Major constructions in progress were as follows:

	31/12/2020 VND	1/1/2020 VND
Scrap steel weighing control system	2,052,000,000	-
Emission Monitoring System	1,729,253,000	-
Project on adjustment of production technology at billet plant	1,072,105,456	1,072,105,456
Steel rolling plant project	803,636,364	803,636,364
Automated billet weighing system	-	1,168,235,646
	5,656,994,820	3,043,977,466

Viet Nam – Italy Steel Joint Stock Company**Notes to the financial statements for the year ended 31 December 2020 (continued)****Form B 09 – DN***(Issued under Circular No. 200/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)***14. Prepaid expenses****(a) Short-term prepaid expenses**

	31/12/2020 VND	1/1/2020 VND
Plant equipment and tools	15,438,974,898	14,239,591,416
Other short-term prepaid expenses	175,044,942	-
	<hr/> 15,614,019,840	<hr/> 14,239,591,416

(b) Long-term prepaid expenses

	Prepaid office rental VND	Goodwill (i) VND	Others VND	Total VND
Opening balance	31,753,557,504	34,558,534,505	7,335,354,171	73,647,446,180
Amortisation for the year	(790,545,000)	(14,297,645,832)	(5,942,963,730)	(21,031,154,562)
Closing balance	<hr/> 30,963,012,504	<hr/> 20,260,888,673	<hr/> 1,392,390,441	<hr/> 52,616,291,618

- (i) Goodwill arising on the merger of Song Da Steel Joint Stock Company into the Company is amortised over a period of 10 years since 2012.

Viet Nam – Italy Steel Joint Stock Company
Notes to the financial statements for the year ended 31 December 2020 (continued)

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15. Deferred tax assets

(a) Recognised deferred tax assets

Deferred tax assets have been recognised in respect of the following items:

	31/12/2020	1/1/2020
	VND	VND
Deductible temporary differences	3,746,805,717	-

(b) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	31/12/2020		1/1/2020	
	Temporary difference	Tax value	Temporary difference	Tax value
	VND	VND	VND	VND
Interest expenses over cap 30% in accordance with Decree 68 (*)	71,874,584,834	14,374,916,967	46,605,192,537	9,321,038,507
Tax losses	303,025,281,238	60,605,056,248	370,921,995,074	74,184,399,015
	374,899,866,072	74,979,973,215	417,527,187,611	83,505,437,522

(*) Government's Decree No. 68/2020/ND-CP dated 24 June 2020 amendments to Clause 3, Article 8, Government's Decree No. 20/2017/ND-CP dated 24 February 2017 prescribing tax administration for enterprises engaged in transfer pricing.

The tax losses and interest expenses over cap 30% in accordance with Decree 68 expire in the following years:

Year of expiry	Status of tax review	Tax losses available	Interest expenses over cap 30% in accordance with Decree 68
		VND	VND
2023	Outstanding	74,242,625,823	-
2024	Outstanding	147,771,124,081	32,719,021,951
2025	Outstanding	81,011,531,334	39,155,562,883
		303,025,281,238	71,874,584,834

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits therefrom.

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Notes to the financial statements for the year ended 31 December 2020 (continued)

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16. Accounts payable to suppliers

(a) Accounts payable to suppliers detailed by significant suppliers

	Cost and amount within payment capacity	
	31/12/2020	1/1/2020
	VND	VND
Thai Hung Trading Joint Stock Company	56,762,050,647	10,358,830,996
Itochu Vietnam Company Limited	20,518,517,930	3,767,110,820
Nippon Steel Trading Corporation	19,915,572,000	-
RHI Refractories Asia Pacific Pte. Ltd.	19,767,582,222	14,073,037,384
Nippon Steel Trading Vietnam Company Limited	15,702,832,519	-
Shinsho Corporation	-	75,054,711,480
Metz Corporation	-	48,097,972,304
Itochu Metals Corporation	-	30,980,583,760
Other suppliers	37,206,630,929	59,992,837,275
	169,873,186,247	242,325,084,019

(b) Accounts payable to suppliers who are related parties

	Cost and amount within payment capacity	
	31/12/2020	1/1/2020
	VND	VND
<i>Parent company</i>		
Kyoei Steel Ltd.	-	259,529,398
<i>Other related company</i>		
Thai Hung Trading Joint Stock Company	56,762,050,647	10,358,830,996
	56,762,050,647	10,618,360,394

The trade related amounts due to the parent company and other related company were unsecured, interest free and are payable within 5 days to 30 days from receipt of supporting documents.



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17. Taxes and others receivable from and payable to State Treasury

	1/1/2020		Movement during the year		31/12/2020	
	Receivable VND	Payable VND	Incurred/ offset/adjusted VND	Paid VND	Receivable VND	Payable VND
Value added tax (*)	83,698,925	-	(246,713,752,091)	246,630,053,166	-	-
Import tax	836,989,250	-	(8,629,728,204)	7,792,738,954	-	-
Corporate income tax	491,069,589	-	3,725,344,663	-	4,216,414,252	-
Personal income tax	-	(748,197,065)	(1,640,211,316)	1,733,480,297	-	(654,928,084)
Contractor tax	1,877,731,569	-	-	-	1,877,731,569	-
Other taxes	-	(5,341,120)	(2,936,515,455)	2,935,601,215	-	(6,255,360)
	3,289,489,333	(753,538,185)	(256,194,862,403)	259,091,873,632	6,094,145,821	(661,183,444)

(*) The payable amount of value added tax above represents the amount after offsetting against the deductible input value added tax.

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18. Accrued expenses

	31/12/2020	1/1/2020
	VND	VND
Payables for purchase of raw materials	23,855,054,320	-
Land rental	14,816,030,367	-
Electricity expenses	9,288,221,682	928,834,301
Sales discounts payable	3,547,923,469	8,837,038,860
Transportation and repair expenses	1,375,734,193	1,345,352,381
Interest expenses	366,074,983	508,276,873
Others	2,753,634,007	1,659,498,440
	<hr/>	<hr/>
	56,002,673,021	13,279,000,855
	<hr/>	<hr/>

19. Other payables – short-term

(a) Other payables detailed by nature

	31/12/2020	1/1/2020
	VND	VND
Refractory materials expenses	1,028,538,024	11,813,702,334
Guarantee fees payable to the parent company	2,427,898,153	1,793,945,312
Short-term deposits	758,227,000	10,964,096,723
Payables related to UPAS LC (i)	-	291,896,452,038
Others	2,178,118,344	2,009,556,723
	<hr/>	<hr/>
	6,392,781,521	318,477,753,130
	<hr/>	<hr/>

- (i) These represent the amounts payable to a commercial bank in accordance with notifications on funding UPAS LC (Letter of credit – Usance payable at sight) to support the Company’s payment to suppliers.

(b) Other payables representing amounts due to related parties

	31/12/2020	1/1/2020
	VND	VND
Kyoei Steel Ltd. – the parent company	2,427,898,153	1,793,945,312
	<hr/>	<hr/>

Other payables to the parent company were unsecured, interest free and are payable upon demand.

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20. Short-term borrowings

	1/1/2020 Carrying amount and amount within repayment capacity VND	Movement during the year		31/12/2020 Carrying amount and amount within repayment capacity VND
		Addition VND	Decrease VND	
Short-term borrowings	1,492,901,502,722	4,258,480,931,591	(3,672,538,686,658)	2,078,843,747,655

Terms and conditions of outstanding short-term borrowings were as follows:

	Currency	Annual interest rate	31/12/2020 VND	1/1/2020 VND
Mizuho Bank, Ltd. – Hanoi Branch	VND	1.5%	570,421,881,609	449,859,501,933
Joint Stock Commercial Bank for Investment and Development of Vietnam – North Hung Yen Branch	VND	2.2%	395,090,284,029	80,995,022,158
Sumitomo Mitsui Banking Corporation – Hanoi Branch	VND	2.25%	544,789,313,188	572,997,752,106
MUFG Bank, Ltd – Hanoi Branch	VND	1.85%	568,542,268,829	389,049,226,525
			2,078,843,747,655	1,492,901,502,722

Borrowings from banks were guaranteed by Kyoei Steel Ltd., the parent company.

21. Long-term provisions

Movement of long-term provisions during the year were as follows:

	Severance allowance VND
Provision made during the year and closing balance	3,917,998,223

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22. Changes in owners' equity

	Share capital VND	Share premium VND	Other capital VND	Investment and development fund VND	Accumulated losses VND	Total VND
Balance at 1 January 2019	738,303,930,000	123,194,121,321	8,835,568,717	173,215,412,737	(326,252,176,277)	717,296,856,498
Net loss for the year	-	-	-	-	(218,716,500,183)	(218,716,500,183)
Balance at 1 January 2020	738,303,930,000	123,194,121,321	8,835,568,717	173,215,412,737	(544,968,676,460)	498,580,356,315
Net profit for the year	-	-	-	-	29,988,113,538	29,988,113,538
Balance at 31 December 2020	738,303,930,000	123,194,121,321	8,835,568,717	173,215,412,737	(514,980,562,922)	528,568,469,853

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23. Share capital

The Company's authorised and issued share capital are:

	31/12/2020		1/1/2020	
	Number of shares	VND	Number of shares	VND
Authorised share capital	73,830,393	738,303,930,000	73,830,393	738,303,930,000
Issued share capital	73,830,393	738,303,930,000	73,830,393	738,303,930,000
Kyoei Steel Ltd.	54,490,677	544,906,770,000	54,490,677	544,906,770,000
Thai Hung Trading Joint Stock Company	14,767,005	147,670,050,000	14,767,005	147,670,050,000
Other shareholders	4,572,711	45,727,110,000	4,572,711	45,727,110,000

All ordinary shares have a par value of VND10,000. Each share is entitled to one vote at meetings of the Company. Shareholders are entitled to receive dividend as declared from time to time. All ordinary shares are ranked equally with regard to the Company's residual assets. In respect of shares bought back by the Company, all rights are suspended until those shares are reissued.

24. Off balance sheet items

(a) Lease

The future minimum lease payments under non-cancellable operating leases were:

	31/12/2020 VND	1/1/2020 VND
Within one year	3,436,813,079	2,087,683,912
Within two to five years	13,747,252,316	9,991,396,316
More than five years	45,792,933,339	35,742,964,872
	62,976,998,734	47,822,045,100

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(b) Foreign currencies

	31/12/2020		1/1/2020	
	Original currency	VND equivalent	Original currency	VND equivalent
USD	551	12,684,954	1,014	23,436,902
EUR	221	6,187,586	288	7,416,621
JPY	363,024	79,171,904	137,024	28,640,756
		98,044,444		59,494,279

(c) Capital expenditure commitments

At the end of annual accounting period, the Company had the following outstanding capital commitments approved but not provided for in the balance sheet:

	31/12/2020 VND	1/1/2020 VND
Approved but not contracted	141,189,752,239	29,274,295,000
Approved and contracted	2,100,979,000	5,449,423,000
	143,290,731,239	34,723,718,000

25. Revenue from sales of goods

Total revenue represents the gross value of goods sold exclusive of value added tax.

Net revenue comprised:

	2020 VND	2019 VND
Total revenue		
▪ Sales	4,113,552,222,143	4,669,504,562,200
Less revenue deductions		
▪ Sales discounts	50,746,246,409	76,426,006,026
▪ Sales returns	1,014,195,600	74,772,000
	51,760,442,009	76,500,778,026
Net revenue	4,061,791,780,134	4,593,003,784,174

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26. Cost of sales

	2020 VND	2019 VND
Cost of merchandise goods sold	3,985,470,425,913	4,697,551,437,029
Reversal of allowance for inventories	(25,168,817,026)	(44,550,856,819)
	<hr/> 3,960,301,608,887	<hr/> 4,653,000,580,210 <hr/>

27. Financial income

	2020 VND	2019 VND
Interest income from deposits	34,710,268,142	16,467,948,528
Realised foreign exchange gains	13,666,682,786	2,310,120,825
Unrealised foreign exchange gains	89,617,906	385,742,548
Other financial income	5,200,485,646	2,419,717,136
	<hr/> 53,667,054,480	<hr/> 21,583,529,037 <hr/>

28. Financial expenses

	2020 VND	2019 VND
Interest expense	52,414,814,561	77,390,085,816
Realised foreign exchange losses	10,131,556,502	637,227,256
Unrealised foreign exchange losses	167,029,453	70,862,702
Other financial expenses	2,574,837,773	3,114,049,366
	<hr/> 65,288,238,289	<hr/> 81,212,225,140 <hr/>

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29. Selling expenses

	2020 VND	2019 VND
Staff cost	3,905,459,052	4,418,539,466
Outside services	10,759,109,030	5,306,243,464
Other selling expenses	1,028,198,026	2,386,328,526
	<hr/> 15,692,766,108	<hr/> 12,111,111,456

30. General and administration expenses

	2020 VND	2019 VND
Staff cost	25,435,263,696	28,447,200,271
Outside services	24,179,759,162	21,734,690,410
Other general and administration expenses	12,163,702,047	18,584,777,764
	<hr/> 61,778,724,905	<hr/> 68,766,668,445

31. Other income

	2020 VND	2019 VND
Written off long outstanding payables to suppliers	10,663,504,198	88,190,594
Others	23,936,364	426,013,918
	<hr/> 10,687,440,562	<hr/> 514,204,512

32. Production and business costs by element

	2020 VND	2019 VND
Raw material costs	3,329,079,612,814	3,422,961,533,194
Staff costs	135,894,814,936	142,593,642,779
Depreciation and amortisation	82,767,356,102	92,569,721,336
Outside services	390,430,104,504	231,331,976,000
Other expenses	15,891,286,159	17,621,549,448

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33. Income tax

(a) Recognised in the statement of income

	2020	2020
	VND	VND
Current tax expense		
(Over)/under provision in prior years (*)	(3,725,344,663)	5,042,012,474
Deferred tax benefit		
Origination of temporary differences	(3,746,805,717)	-
	(7,472,150,380)	5,042,012,474
	(7,472,150,380)	5,042,012,474

(*) In 2020, the over provision represents corporate income tax expense for 2017 the Company had computed and restated in accordance with Decree 68.

(b) Reconciliation of effective tax rate

	2020	2019
	VND	VND
Accounting profit/(loss) before tax	22,515,963,158	(213,674,487,709)
Tax at the Company's tax rate	4,503,192,632	(42,734,897,542)
Non-deductible expenses	279,837,524	2,852,701,695
Unrecognised deferred tax assets relating to interest expenses over cap 30% in accordance with Decree 68	5,053,878,460	9,321,038,507
Tax losses of the Head Office (utilised)/carried forward and not recognised as deferred tax assets	(29,781,649,034)	19,598,394,814
Tax losses of the Branch carried forward and not recognised as deferred tax assets	16,202,306,267	10,797,336,812
(Over)/under provision in prior years	(3,725,344,663)	5,042,012,474
Others	(4,371,566)	165,425,714
	(7,472,150,380)	5,042,012,474
	(7,472,150,380)	5,042,012,474

(c) Applicable tax rates

Under the terms of the current Income Tax Law, the Company has an obligation to pay the government income tax at the rate of 20% of taxable profits.

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34. Earnings/(loss) per share

Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share for the years ended 31 December 2020 and 31 December 2019 was based on the profit/(loss) attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding of 73,830,393 (2019: 73,830,393), calculated as follows:

	2020	2019
Accounting profit/(loss) after tax	29,988,113,538	(218,716,500,183)
Weighted average number of ordinary shares	73,830,393	73,830,393
Basic earnings/(loss) per share (VND/share)	406	(2,962)

35. Significant transactions with related parties

In addition to related party balances disclosed in other notes to the financial statements, the Company had the following significant transactions with related parties during the year:

	Transaction value	
	2020	2019
	VND	VND
Parent company		
<i>Kyoei Steel Ltd.</i>		
Purchase of goods and services	139,233,107	494,626,483
Loan guarantee fee	2,583,301,456	2,352,701,571
Other related companies		
<i>Kyoei Steel Vietnam Company Limited</i>		
Sales of goods	197,967,536,082	36,620,079,656
Purchase of goods and services	120,325,795,450	13,128,833,759
<i>Thai Hung Trading Joint Stock Company</i>		
Sales of goods	508,039,080,620	571,247,323,687
Purchase of goods and services	320,114,385,250	308,693,750,493
<i>Thai Hung Trading Company Limited</i>		
Sales of goods	312,368,539,410	319,055,838,440
<i>Viet Trung Mining and Metallurgy Co., Ltd.</i>		
Purchase of goods and services	39,950,293,152	667,072,180,954

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	Transaction value	
	2020	2019
	VND	VND
Board of General Directors		
<i>Salary, bonus and other compensations</i>		
Mr. Yasuhiro Yonemura	421,003,329	-
Mr. Yoichi Hoshino	1,088,449,005	834,782,181
Mr. Satoshi Oda	691,322,727	617,828,431
Mr. Satoshi Sugino	602,886,988	617,828,431
Mr. Dang Ngoc Hung	707,944,965	192,563,485
Mr. Shin Yasuda	187,870,109	-
Mr. Nguyen Thanh Ha	219,008,863	604,751,575
Mr. Yasuo Arata	349,262,045	420,135,000
Board of Management		
<i>Remuneration</i>		
Mr. Yoichi Hoshino	96,300,000	153,059,819
Mr. Hiroshi Kunimaru	234,157,500	127,057,000
Mr. Nguyen Duy Luan	219,712,500	290,462,000
Mr. Trinh Khoi Nguyen	219,712,500	112,108,000
Mr. Yasuhiro Yonemura	131,739,130	-
Mr. Satoshi Oda	63,560,870	153,059,819

36. Comparative information

Comparative information as at 1 January 2020 was derived from the balances and amounts reported in the Company's financial statements as at and for the year ended 31 December 2019.

3 March 2021

Prepared by:



Pham Van Minh
Accountant

Approved by:



Dang Thi Tuyet Dung
Chief Accountant



Satoshi Sugino
Deputy General Director