

*Hung Yen, March 06<sup>th</sup>, 2024*

**REPORT**  
**Regarding the implementation situation in 2023 and  
action plan in 2024 of the Inspection Committee**

*Pursuant to the Enterprise Law No. 59/2020/QH14*

*Pursuant to the Charter of Vietnam - Italy Steel Joint Stock Company;*

*Pursuant to the Resolution of the Annual General Meeting of Shareholders 2021 of  
Vietnam - Italy Steel Joint Stock Company;*

*Pursuant to the audited Financial Statements of 2023 of Vietnam - Italy Steel Joint  
Stock Company,*

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**To: The General Meeting of Shareholder**

Implementing the functions and tasks of 2023, the Inspection Committee of Vietnam - Italy Steel Joint Stock Company would like to report on the company's production and business results in 2023 and the activities of the Inspection Committee as follows:

**I. OPERATION OF INSPECTION COMMITTEE IN 2023**

In 2023, the Inspection Committee has performed the tasks prescribed in the Enterprise Law, the Charter of Organization and Operation of Vietnam - Italy Steel Joint Stock Company as well as complied with other provisions of the law, specifically as follows:

1. The Inspection Committee has supervised the BOM and the BOD in the management and operation of the company.
2. Appraising the completeness, legality and truthfulness of the business status report, annual and 6-month financial reports of the company, management evaluation report of the BOM and submit report at the annual General Meeting of Shareholders.
3. Checking the reasonableness, legality, honesty and level of caution in managing and operating business activities; Systematic, consistent and appropriate nature of accounting, statistics and financial reporting.
4. Monitoring the implementation of resolutions of the BOM and BOD;

5. The Inspection Committee has attended all meetings of the BOM. During the meetings, the Inspection Committee contributed opinions on production and business activities, investment activities and a number of other activities of the Company.
6. Meeting of the Inspection Committee to agree on contents related to the functions and tasks of the Inspection Committee. Members of the Inspection Committee approved with absolute consensus. Specifically, the Inspection Committee meetings during the year took place as follows:
  - March 28th, 2023: Approved the assignment of tasks to members of the Company's Inspection Committee.
  - July 25th, 2023: Approval of the report on appraisal of financial statements for the second quarter of 2023 and assessment of the management and administration of BOM and BOD in the second quarter of 2023 and other contents.
  - October 25th, 2023: Approval of the report on appraisal of financial statements for the third quarter of 2023 and assessment of the management and administration of BOM and BOD in the third quarter of 2023 and other contents.
  - January 18, 2024: Approval of the report on appraisal of financial statements for the fourth quarter of 2023 and assessment of the management and administration of BOM and BOD in 2023 and other contents.

In 2023, in addition to the tasks mentioned above, the Inspection Committee has also strengthened audit and internal control activities. Due to limited resources and the complex nature of VIS's production and business activities, in audit work, the Inspection Committee conducts risk-oriented audits, focusing on process audits. As follows:

1. Audit the product input process and request modifications and supplements and eliminate inadequate policies in product management activities.
2. Audit the payment process and request modifications and additions to control points to prevent fraud.
3. Audit the billet import process and request the development of work implementation instructions, ensuring operational efficiency and preventing asset loss.
4. Audit the retail steel sales process and request the development of work implementation instructions, ensuring maximum loss of assets.

5. Strictly control inventory activities, ensuring reported data accurately reflects actual assets. Request to include more VIS assets in monitoring and management.
6. Monthly control of management and use of electronic scales.
7. Control periodic scale inspection activities according to the provisions of law and scale repair activities when they arise.

In addition, the Inspection Committee has also participated in appraising, evaluating and providing comments on investment and purchase proposals with a value of 3 billion or more. Ensure pre-checking, prevent fraud and financial loss.

## II. SITUATION OF INSPECTION AND SUPERVISION OF THE COMPANY'S OPERATIONS IN 2023

### 1. The results of business and production activities in 2023:

The Inspection Committee agreed with the data on the results of production and business activities in 2023 presented by the Company's BOM to the Congress, specifically the main indicators:

Nội dung/ Content	Quý IV 2023/ The 4th quarter 2023				Năm 2023/ Result in 2023			
	KH Plan	Kết quả Result	Tỉ lệ Rate	Data of the same period in 2022	KH Plan 2023	Kết quả Result	Tỉ lệ Rate	Data in 2022
<b>1. Sản xuất/ Production (tấn/ton)</b>								
- Phôi/ Billet	69,360	87,201	126%	76,504	309,160	304,608	99%	311,410
+ Sản xuất/ Production	69,360	69,651	100%	56,314	309,160	266,275	86%	266,720
+ Mua ngoài/ Outside buying	-	17,550		20,190	-	38,333		44,690
- Thép/ Steel	85,260	82,993	97%	72,654	309,070	288,642	93%	303,321
+ Sản xuất/ Production	85,260	82,993	97%	72,654	309,070	283,600	92%	303,321
+ Gia công K SVC/ OEM at K SVC		-		-	-	-		-
+ Gia công Thái Trung/ OEM at Thai Trung	-	-		-		5,042		-
<b>2. Bán hàng/ Sales (tấn/ton)</b>								
- Phôi/ Billet	-	139		4,978	-	13,292		6,267
+ Bán ngoài/ Outside sale	-	139		4,978	-	13,292		6,267
+ Gia công/ OEM	-	-		-	-	-		-
- Thép/ Steel	83,000	88,289	106%	72,876	307,750	295,284	96%	305,004
<b>3. Doanh thu thuần (tỷ đồng) Net Revenue (Bill VND)</b>	1,172	1,232	105%	1,146	5,024	4,441	88%	5,108
4. Lợi nhuận trước thuế/ Profit before taxes (Tỷ đồng/ Bill dong)	(0.76)	(60.87)		(33.61)	20	(283.14)		(503.25)
<b>5. Đầu tư (tỷ đồng)/ Investment (billion VND)</b>	-	9.01		85.56	46.63	69.45	149%	140.97

6. Lương BQ tháng (Tr đồng/người) Monthly average salary (Million vnd/personel)	13.10	13.20	101%	12.40	13.07	12.8	98%	12.55
Dự án nhà máy cán thép HP (XD CB DD) tỷ đồng								

In 2022, the Inspection Committee found that the company's activities comply with the Enterprise Law, the Charter and the internal management regulations of the Company.

## 2. About the accounting and financial situation of the Company

### 2.1 Accounting work:

- The Company fully complies with the requirements of the Accounting Law, the corporate accounting regime and the current Vietnamese accounting standards in the organization of financial and accounting work, the implementation of accounting and inventory. and prepare full quarterly financial statements, ensuring accuracy, truthfulness and legitimacy.
- After reviewing and appraising financial statements. The Inspection Committee agrees with the 2023 Financial Statements audited by KPMG Company Limited together with the auditor's opinion on the 2023 financial statements of the Company.

### 2.2 Groups of key financial indicators:

No	Finance Index/Criteria	Average/Optimal Index of Steel Industry	2021	2022	2023
<b>1</b>	<b>Khả năng thanh toán / Solvency</b>				
1.1	Thanh khoản hiện hành / Current liquidity	<b>1.26</b>	1.05	0.85	0.97
1.2	Thanh khoản nhanh / Quick liquidity	<b>0.51</b>	0.55	0.52	0.71
<b>2</b>	<b>Cơ cấu nguồn vốn và tài sản / Capital and assets</b>				
2.1	Hệ số nợ phải trả / Debt ratio	<b>0.62</b>	0.87	1.04	0.80
2.2	Hệ số vốn chủ sở hữu / Equity ratio	<b>0.38</b>	0.13	-0.04	0.20
2.3	Đầu tư tài sản ngắn hạn / Short-term assets	<b>0.30</b>	0.91	0.88	0.77
2.4	Đầu tư tài sản dài hạn / Long-term assets	<b>0.70</b>	0.09	0.12	0.23
<b>3</b>	<b>Hiệu suất hoạt động / Operational performance</b>				
3.1	Vòng quay hàng tồn kho / Inventory turnover	<b>2.89</b>	5.52	4.74	4.73
<b>4</b>	<b>Hiệu quả hoạt động / Operational efficiency</b>				
4.1	Hệ số ROS (Return On Sales)	<b>15%</b>	-2.27%	-9.86%	-4.95%
4.2	Hệ số ROA (Return On Assets)	<b>12%</b>	-4.51%	-17.11%	-1.67%
4.3	Hệ số ROE (Return On Equity)	<b>22.8%</b>	-28.63%	-348.38%	-15.51%
Doanh thu/Turnover (million VND)			5,853,617	5,140,079	4,480,944

1	Doanh thu thuần bán hàng và cung cấp dịch vụ Net revenue from sales and services	NA	5,821,391	5,107,686	4,441,127
2	Doanh thu hoạt động tài chính Financial income	NA	29,896	29,846	38,642
3	Thu nhập khác Other income	NA	2,330	2,547	1,175
<b>Chi phí/Cost (million VND)</b>			<b>5,986,148</b>	<b>5,643,326</b>	<b>4,764,084</b>
1	Chi phí quản lý Doanh nghiệp / Enterprise Management Cost	NA	54,130	51,496	55,637
2	Chi phí giá vốn hàng bán / Cost of production	NA	5,855,547	5,445,568	4,514,593
3	Chi phí bán hàng / Selling cost	NA	18,325	18,408	17,343
4	Chi phí tài chính / Financial cost	NA	57,118	127,517	170,993
5	Chi phí khác / Other costs	NA	1,028	337	5,518

Looking at the overview of financial indicators, we clearly see fluctuations in resources and operational efficiency of VIS over the past 3 years. It can be said that 2022 and the first half of 2023 are the bottom of the steel industry market as well as the bottom of VIS's operations.

- After increasing charter capital, VIS has somewhat improved its solvency and ensured cash flow for production, business and operations. However, if based on the average/optimal index of the steel industry, we are still at risk of insolvency if cash flow management is ineffective. Its bad consequence is that we have to continue to borrow and continue to increase the debt ratio. Currently, interest rates are being maintained at a low level following the Government's direction to inject money into the economy. However, the possibility of increased interest rate fluctuations is not absent when the number of deposits in banks is at a record high. Fluctuations in interest rate increases at any time in 2024 will significantly affect the profit target of the approved plan.
- Regarding capital and asset structure, normally for manufacturing enterprises, long-term asset structure will account for a larger proportion than short-term assets. However, at VIS, this trend is reversing. The proportion of short-term assets is 3 times higher than the proportion of long-term assets, which shows that our assets are concentrated in deposits, inventory and short-term receivables. The small proportion of long-term assets shows that the value of our machinery, equipment, production line is fully depreciated and has low value.
- VIS's 2023 inventory turnover index is also at a high level compared to the average/optimal index of the steel industry. Within the limits of this report, the

Inspection Committee only raise concerns that high inventory turnover means that our business capital is tied up in inventory (including materials, scrap, billet, steel). This greatly hinders cash flow management in the current tense liquidity conditions.

### **3. Assess the activities of the BOM and the BOD**

The Inspection Committee found that the BOM and the BOD in 2023 had specific strategies and solutions in management and administration, marking a turning point in efforts to control professional activities and control expenses.

The BOM has organized and implemented all contents according to the Resolution of the General Meeting of Shareholders in a timely, decisive but also quite cautious manner

Fiscal year of 2023 marks a difficult year for steel industry enterprises in general and VIS in particular.

Domestic steel prices continue to decline due to slow consumption demand, a gloomy real estate market, and public investment that has not really prospered. In addition, domestic steel enterprises also have to compete with cheap steel from China when this country continuously lowers export steel prices.

The BOM and BOD have grasped the actual situation with accurate forecasts of steel prices falling and remaining at a low level and input raw material prices fluctuating unpredictably due to geopolitical conflicts. Prolonged politics and complicated world situations can lead to disruptions in the global supply chain. Production and business activities have also been adjusted to suit market realities and VIS's internal resources.

Accordingly, a series of actions were taken to maintain operations and optimize costs. As follows:

- Adjusting business strategy: Penetrating the social housing market, looking for new distributors;
- Strengthen customer care, build customer relationships and discount payments to collect debts through selling price policies for each distributor.
- Negotiate to extend payment terms when purchasing to maintain cash flow.
- Control professional activities and manage the use of electronic scales
- Control and save production costs, enhance control of finished products.
- Principles of capital use are gradually adjusted for efficiency. Long-term capital is focused on long-term investment. Short-term capital serves short-term operating needs

Although the business results in 2023 did not meet the plan and the financial indicators are at the red warning threshold but in the current difficult conditions, this result also shows that VIS is on the right track and it partly shows the efforts of the BOM and BOD in managing and operating VIS's activities, specifically:

- VIS has gradually strengthened control and tightened management to avoid asset loss. The results of periodic asset inventory activities clearly demonstrate that the effectiveness of asset management has changed very positively.
- Optimize production costs, be cautious in sales and debt collection, maintain market share. During the past year, VIS always completed its debt collection plan, contributing significantly to maintaining cash flow for production, business and operations.

#### **4. Evaluate the coordination of activities between the Inspection Committee and the BOM and the BOD:**

- In the course of performing the tasks, the Inspection Committee has always received attention, created favorable conditions from the BOM, the BOD and the managers in the Company to the Inspection Committee. Complete the tasks assigned by the General Meeting of Shareholders.
- Meetings of the BOM and the BOD, the Inspection Committee are invited to attend and contribute ideas to build business management and business strategy, development plan of the Company.

### **III. CONCLUSIONS AND RECOMMENDATIONS**

The activities of the Company in 2023 are in compliance with the provisions of law, the Company Charter and the Resolution of the General Meeting of Shareholders.

The Inspection Committee recommends:

1. Continue to strengthen cost control (not just for production costs) by setting specific goals (tightening trend). Management levels from the Head of Department, General Manager must monitor the implementation and report regularly on the results and solutions to achieve the goals.
2. BOD needs to participate more directly to monitor and manage the performance of business activities. Use a quantitative approach, with specific evidence to evaluate business performance instead of managing on trust.
3. Recalculating the inventory limit on the basis of the relationship of cost of goods and inventory, ensuring balance and approaching the optimal index of the steel industry.

4. Adjusting the selling price policy for customers in the direction of focusing on both factors promoting sales volume and debt recovery.
5. The current team of middle-level management staff, including Heads of professional departments, are not closely involved in management work. There are not enough tools to manage and control the quality of workers' work. It is necessary to have management solutions and regular capacity assessment for this team.
6. Recruitment, training, and fostering of the next staff also need to be paid attention in the coming time to avoid falling into a state of personnel crisis that directly affects production and business efficiency and operational weakness

#### **IV. ACTION PLAN OF INSPECTION COMMITTEE IN 2024**

1. On the basis of the Company's production and business plan in 2024, the Inspection Committee sets out the operation direction in 2024 as follows:
2. The Inspection Committee continues to function on behalf of shareholders to control all business activities, administration and administration of the Company.
3. The Inspection Committee will maintain and strengthen the regular inspection and supervision of all aspects of the Company's activities, ensuring that the Company's activities always comply with the law, in accordance with the Resolution of the General Meeting of Shareholders, contributing to the development of the Company, ensuring the interests of shareholders and benefits for employees.
4. Check and supervise the inventory work, the preparation of quarterly, 6-month and annual financial statements to ensure the truthfulness, accuracy and timeliness in recording and updating accounting vouchers and books; appraisal of financial statements on the basis of the independent audit report submitted to the Annual General Meeting of Shareholders.
5. Monitoring the implementation of the business plan, early forecasting the results of the business month, quarter, year; regularly control revenues, expenditures, payments, and other critical expense and revenue items, prior to making financial statements.
6. Regularly maintain audit and internal control activities, support the Board of General Directors in controlling key operational activities, avoiding fraud and asset loss. At the same time, strengthen the internal control system in key operations.
7. Ensure that the representative of the Inspection Committee fully participates in the meetings of the BOM, the BOD to grasp the management situation and production and business activities of the Company, and at the same time give timely warnings.



8. Advising the BOM and BOD on professional opinions to improve the efficiency of using capital and assets of the Company.

Above is the report of the Inspection Committee on the business results and operations of the Inspection Committee in 2023 and the direction of operation in 2024.

Sincerely thank!

**ON THE BEHALF OF  
INSPECTION COMMITTEE  
CHAIRMAN**