

NATSTEEL VINA COMPANY LIMITED

(Incorporated in the Socialist Republic of Vietnam)

**AUDITED FINANCIAL
STATEMENTS**

For the year ended 31 December 2014



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STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors of Natsteel Vina Company Limited (the "Company") presents this report together with the Company's financial statements for the year ended 31 December 2014.

THE MEMBERS' COUNCIL AND BOARD OF DIRECTORS

The members of the Members' Council and Board of Directors of the Company who held office during the year and to the date of this report are as follows:

Members' Council

Mr. Dinh Van Tam	Chairman (appointed on 01 October 2014)
Mr. Vivek Madan Kamra	Chairman (resigned on 01 October 2014)
Mr. Joseph Yong	Member
Mr. Dinh Van Tam	Member
Mr. Aniruddha Banerjee	Member
Mr. Ngo Dinh Khoi	Member (appointed on 01 October 2014)
Mr. Truong Dinh Viet	Member (resigned on 01 October 2014)

Board of Directors

Mr. Chin Kong Tad	General Director
Mr. Ngo Dinh Khoi	Deputy General Director (appointed on 01 October 2014)
Mr. Truong Dinh Viet	First Deputy General Director (resigned on 01 October 2014)
Mr. Hoang Duc Thien	Chief Accountant

BOARD OF DIRECTORS' STATEMENT OF RESPONSIBILITY

The Board of Directors of the Company is responsible for preparing the financial statements, which give a true and fair view of the financial position of the Company and of its results and cash flows for the year in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting. In preparing these financial statements, the Board of Directors is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting principles have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- design and implement an effective internal control system for the purpose of properly preparing and presenting the financial statements so as to minimize errors and frauds.

The Board of Directors is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the financial position of the Company and that the financial statements comply with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting. The Board of Directors is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.



STATEMENT OF THE BOARD OF DIRECTORS (Continued)

The Board of Directors confirms that the Company has complied with the above requirements in preparing these financial statements.

For and on behalf of the Board of Directors,



A red circular stamp from the NatSteel Vina Company Limited. The text inside the stamp reads: "S.G.P. 711-L.D.N. NG.", "CÔNG TY", "TRÁCH NHIỆM", "HỮU HẠN", and "NATSTEEL VINA". A handwritten signature in black ink is written over the stamp.

Chin Kong Tad
General Director

11 March 2015

No.: *NAT* /VNIA-HN-BC

INDEPENDENT AUDITORS' REPORT

**To: The Members' Council and Board of Directors
Natsteel Vina Company Limited**

We have audited the accompanying financial statements of Natsteel Vina Company Ltd. (the "Company"), prepared on 11 March 2015 as set out from page 5 to page 24, which comprise the balance sheet as at 31 December 2014, and the statement of income, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (collectively referred to as the "financial statements").

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 from 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 auditors' judgment, 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 auditors consider 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 management, 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.

Opinion

In our opinion, the financial statements give a true and fair view of, in all material respects, the financial position of the Company as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting.

INDEPENDENT AUDITORS' REPORT (Continued)

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 of the Notes to the financial statements. As at 31 December 2014, the Company has an accumulated loss of VND 56,994,893,850 (31 December 2013: VND 12,151,595,229 and the Company has negative cash flow from operating activities. These factors have affected the Company's going concern assumption. Management's plans relating to this matter is also presented in Note 2. Our opinion is not qualified in respect of this matter.



Truong Anh Hung
Deputy General Director
Audit Practising Registration Certificate
No. 0029-2013-001-1

For and on behalf of
DELOITTE VIETNAM COMPANY LIMITED

11 March 2015
Hanoi, S.R. Vietnam

Hoang Lan Huong
Auditor
Audit Practising Registration Certificate
No. 0898-2013-001-1

BALANCE SHEET

As at 31 December 2014

FORM B 01-DN

Unit: VND

ASSETS	Codes	Notes	31/12/2014	31/12/2013
A. CURRENT ASSETS (100=110+130+140+150)	100		289,011,302,382	276,752,825,811
I. Cash	110	5	9,515,750,497	4,613,266,080
1. Cash	111		9,515,750,497	4,613,266,080
II. Short-term receivables	130		133,828,677,810	144,436,758,153
1. Trade accounts receivable	131	6	147,024,019,547	141,310,586,672
2. Advances to suppliers	132		99,580,009	300,201,909
3. Other receivables	135		1,787,917,301	3,251,293,020
4. Provision for short-term doubtful debts	139	6	(15,082,839,047)	(425,323,448)
III. Inventories	140	7	141,246,613,193	120,954,708,506
1. Inventories	141		142,097,401,181	121,414,747,988
2. Provision for devaluation of inventories	149		(850,787,988)	(460,039,482)
IV. Other short-term assets	150		4,420,260,882	6,748,093,072
1. Short-term prepayments	151		751,328,680	3,001,745,305
2. Value added tax deductibles	152		3,668,932,202	3,731,947,767
3. Other short-term assets	158		-	14,400,000
B. NON-CURRENT ASSETS (200=220+260)	200		131,427,328,202	141,877,061,334
I. Fixed assets	220		117,267,389,498	127,417,038,706
1. Tangible fixed assets	221	8	116,475,269,050	126,929,146,310
- Cost	222		292,162,139,577	291,291,798,288
- Accumulated depreciation	223		(175,686,870,527)	(164,362,651,978)
2. Intangible assets	227		792,120,448	487,892,396
- Cost	228		1,508,478,752	973,618,752
- Accumulated amortisation	229		(716,358,304)	(485,726,356)
II. Other long-term assets	260		14,159,938,704	14,460,022,628
1. Long-term prepayments	261		14,159,938,704	14,460,022,628
TOTAL ASSETS (270=100+200)	270		420,438,630,584	418,629,887,145

The notes set out on pages 09 to 24 are an integral part of these financial statements

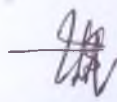
BALANCE SHEET (Continued)

As at 31 December 2014

FORM B 01-DN
Unit: VND


RESOURCES	Codes	Notes	31/12/2014	31/12/2013
A. LIABILITIES (300=310+330)	300		237,040,524,434	190,388,482,374
I. Current liabilities	310		231,322,938,129	187,454,273,556
1. Short-term loans and liabilities	311	9	172,055,853,340	120,612,727,200
2. Trade accounts payable	312	10	54,147,323,556	63,114,520,716
3. Advances from customers	313		140,401,605	38,452,906
4. Taxes and amounts payable to the State budget	314	11	17,906,910	8,397,839
5. Payables to employees	315		1,577,483,293	1,480,363,624
6. Accrued expenses	316		3,355,795,652	1,493,545,394
7. Inter-company payables	317		-	650,714,470
8. Other current payables	319		28,173,773	55,551,407
II. Long-term liabilities	330		5,717,586,305	2,934,208,818
1. Long-term loans and liabilities	334	12	3,000,000,000	-
2. Other long-term payables	333		2,717,586,305	2,934,208,818
B. EQUITY (400=410)	400		183,398,106,150	228,241,404,771
I. Owners' equity	410	13	183,398,106,150	228,241,404,771
1. Charter capital	411		240,393,000,000	240,393,000,000
2. Accumulated losses	420		(56,994,893,850)	(12,151,595,229)
TOTAL RESOURCES (440=300+400)	440		420,438,630,584	418,629,887,145
OFF BALANCE SHEET ITEMS			31/12/2014	31/12/2013
1. Foreign currencies				
United States Dollar (USD)			3,764	178,627
Euro (EUR)			-	245


Phạm Kim-Tuyen
Preparer


Hoàng Đức Thiên
Chief Accountant



Chin Kong Tad
General Director


Ngô Đình Khôi
Deputy General Director

11 March 2015


The notes set out on pages 09 to 24 are an integral part of these financial statements

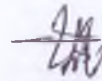
INCOME STATEMENT

For the year ended 31 December 2014

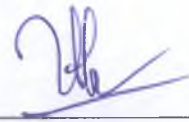
FORM B 02- DN
Unit: VND

ITEMS	Codes	Notes	2014	2013
1. Gross sales	01	15	1,565,688,393,277	1,669,083,908,218
2. Deductions	02	15	19,627,698,674	33,643,091,661
3. Net sales (10=01-02)	10	15	1,546,060,694,603	1,635,440,816,557
4. Cost of sales	11	16	1,543,169,586,159	1,605,959,722,587
5. Gross profit from sales (20=10-11)	20		2,891,108,444	29,481,093,970
6. Financial income	21		237,695,776	1,242,098,296
7. Financial expenses	22	17	12,728,332,539	13,687,626,988
<i>In which: Interest expense</i>	23		12,020,076,067	11,467,081,668
8. Selling expenses	24		5,283,922,063	5,534,324,786
9. General and administration expenses	25		30,133,190,541	14,168,824,472
10. Operating loss (30 = 20+(21-22)-(24+25))	30		(45,016,640,923)	(2,667,583,980)
11. Other income	31		173,342,302	1,253,200,000
12. Other expenses	32		-	1,701,884,685
13. Profit/(Loss) from other activities (40=31-32)	40		173,342,302	(448,684,685)
14. Accounting (loss) before tax (50=30+40)	50		(44,843,298,621)	(3,116,268,665)
15. Current corporate income tax expense	51	14	-	-
16. Loss after corporate income tax (60=50-51)	60		(44,843,298,621)	(3,116,268,665)


Phạm Kim Tuyen
Preparer


Hoàng Đức Thiên
Chief Accountant


Chin Kong Tad
General Director


Ngô Đình Khôi
Deputy General Director

11 March 2015

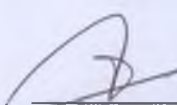
The notes set out on pages 09 to 24 are an integral part of these financial statements


CASH FLOW STATEMENT

For the year ended 31 December 2014


FORM B 03-DN
Unit: VND

ITEMS	Codes	2014	2013
I. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Loss before tax	01	(44,843,298,621)	(3,116,268,665)
2. Adjustments for:			
Depreciation and amortization	02	14,475,827,747	14,481,312,531
Provisions	03	390,748,506	(163,605,771)
Loss from disposal of fixed assets	05	-	13,401,159
Interest expense	06	12,020,076,067	11,467,081,668
3. Operating (loss)/profit before movements in working capital	08	(17,956,646,301)	22,681,920,922
Changes in receivables	09	10,685,495,908	16,201,286,549
Changes in inventories	10	(20,682,653,193)	(29,676,283,988)
Changes in accounts payable (not including accrued interest and corporate income tax payable)	11	(7,323,988,537)	17,200,785,854
Changes in prepaid expense	12	2,550,500,549	(2,637,027,078)
Interest paid	13	(12,093,689,097)	(11,456,685,840)
Other cash outflows	15	(216,622,513)	(369,531,683)
Net cash (used in)/from operating activities	20	(45,037,603,184)	11,944,464,736
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition and construction of fixed assets and other long-term assets	21	(4,503,038,539)	(7,462,812,371)
2. Proceeds from disposal, sales of fixed assets	22	-	1,253,200,000
Net cash used in investing activities	30	(4,503,038,539)	(6,209,612,371)
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Proceeds from borrowings	33	1,421,151,629,411	1,210,265,207,335
2. Repayment of borrowings	34	(1,366,708,503,271)	(1,216,481,778,725)
Net cash from/(used in) financing activities	40	54,443,126,140	(6,216,571,390)
Net increase/(decrease) in cash (50 = 20+30+40)	50	4,902,484,417	(481,719,025)
Cash at the beginning of the year	60	4,613,266,080	5,094,985,105
Cash at the end of the year (70 = 50+60)	70	9,515,750,497	4,613,266,080


Phạm Kim Tuyen
Preparer


Hoàng Đức Thiện
Chief Accountant


Chin Keng Pui
General Director


Ngô Đình Khôi
Deputy General Director

11 March 2015

The notes set out on pages 09 to 24 are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

FORM B 09-DN

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

1. GENERAL INFORMATION

Structure of ownership

Natsteel Vina Company Limited (the "Company") was incorporated in Vietnam as a joint venture company, under Investment Certificate No.711/GP issued by the Ministry of Planning and Investment dated on 02 November 1993 and subsequent amendments dated 12 June 1996, 09 February 1999, 09 April 1999, 21 November 2000, 20 June 2002, 15 February 2005, 18 January 2007, 11 August 2008, 16 October 2008, 10 January 2011 and 04 September 2013. The Investment Certificate is valid for 30 years from the date of the first Investment Certificate.

The owners of the Company are Natsteel Holdings Pte Ltd. (incorporated in Singapore), Vietnam Steel Corporation (incorporated in Vietnam) and Thai Nguyen Iron and Steel Joint Stock Company.

The number of employees as at 31 December 2014 was 202 (31 December 2013: 214).

Principal activities

The principal activities of the Company are to manufacture and trade iron and steel products.

2. ACCOUNTING CONVENTION AND FINANCIAL YEAR

Accounting convention

The accompanying financial statements, expressed in Vietnam Dong (VND), are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting.

The accompanying financial statements are prepared on the going concern basis. As at 31 December 2014, the Company has an accumulated loss of VND 56,994,893,850 (31 December 2013: VND 12,151,595,229 and the Company has negative cash flow from operating activities, which have affected the Company's going concern assumption. The Board of Directors believes in the Company's future business plan which will help generate sufficient funds to pay its debts. The accompanying financial statements do not include any adjustments that might result from the fact that this uncertainty.

The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam.

Financial year

The Company's financial year begins on 01 January and ends on 31 December.

3. NEW ACCOUNTING GUIDANCE IN ISSUE NOT YET ADOPTED

On 22 December 2014, the Ministry of Finance issued Circular No. 200/2014/TT-BTC ("Circular 200") guiding the application of accounting regime for enterprises. This Circular is effective for financial years beginning on or after 01 January 2015. Circular 200 will supersede the regulations for accounting regime promulgated under Decision No. 15/2006/QĐ-BTC dated 20 March 2006 issued by the Ministry of Finance and Circular No. 244/2009/TT-BTC dated 31 December 2009 issued by the Ministry of Finance. The Board of Directors is considering the extent of impact of the adoption of this Circular on the Company's financial statements for future accounting periods.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**FORM B 09-DN***These notes are an integral part of and should be read in conjunction with the accompanying financial statements***4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies, which have been adopted by the Company in the preparation of these financial statements, are as follows:

Estimates

The preparation of financial statements in conformity with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year (reporting period). Although these accounting estimates are based on the management's best knowledge, actual results may differ from those estimates

Financial instruments**Initial recognition***Financial assets*

At the date of initial recognition, financial assets are recognized at cost plus transaction costs that are directly attributable to the acquisition of the financial assets. Financial assets of the Company comprise cash, trade and other receivables.

Financial liabilities

At the date of initial recognition, financial liabilities are recognized at cost plus transaction costs that are directly attributable to the issue of the financial liabilities. Financial liabilities of the Company comprise trade payables, other payables, accruals and borrowings.

Subsequent measurement after initial recognition

Currently, there are no requirements for the subsequent measurement of the financial instruments after initial recognition.

Cash

Cash comprises cash on hand and cash in bank.

Provision for doubtful debts

Provision for doubtful debts is made for receivables that are overdue for six months or more, or when the debtor is in dissolution, in bankruptcy, or is experiencing similar difficulties and so may be unable to repay the debt.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

The evaluation of necessary provision for inventory obsolescence follows current prevailing accounting regulations, which allow provisions to be made for obsolete, damaged, or sub-standard inventories and for those which have costs higher than net realisable values as at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

The costs of purchased tangible fixed assets comprises their purchase price and any directly attributable costs of bringing the assets to their working condition and location for their intended use.

The costs of self-constructed or manufactured assets are the actual construction or manufacturing cost plus installation and test running costs.

Tangible fixed assets are depreciated using the straight-line method over the following estimated useful lives as follows:

	<u>2014</u> Years
Buildings and structures	10 - 20
Machinery and equipments	5 - 13
Office equipment	5
Motor vehicles	5

Intangible fixed assets and amortization

Intangible fixed assets represent accounting software that is stated at cost less accumulated amortization. The accounting software is amortized using the straight-line method over 5 years from the start of utilization.

Long-term prepayments

Long-term prepayments comprise costs of small tools, supplies and spare parts issued for consumption, expenditures for repairing factory, offices in Hanoi which are expected to provide future economic benefits to the Company for one year or more. These expenditures have been capitalised as long-term prepayments, and are allocated to the income statement using the straight-line method over the period of three years in accordance with the current prevailing accounting regulations.

Revenue recognition

Revenue from the sale of goods is recognised when all five (5) following conditions are satisfied:

- (a) the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the Company;
- and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**FORM B 09-DN***These notes are an integral part of and should be read in conjunction with the accompanying financial statements***4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Severance allowance payable**

The severance allowance for employees is accrued at the end of each reporting period for all employees having worked at the Company for more than 12 months as of 31 December 2008 with the allowance made for each year of service up to 31 December 2008 equaling to a half of an average monthly salary under the Labour Code, Social Insurance Code and relevant guiding documents. From 01 January 2009, the average monthly salary used for calculation of severance allowance shall be adjusted to be the average of the 6 consecutive months nearest to the date of the financial statements at the end of each reporting period. The increase or decrease in the accrued amount shall be recorded in the income statement. Balance of severance allowance payable reflected on item other long-term payables.

Foreign currencies

The Company applies the method of recording foreign exchange differences in accordance with Vietnamese Accounting Standard No. 10 (VAS 10) "Effects of changes in foreign exchange rates" and Circular No. 179/2012/TT-BTC dated 24 October 2012 by the Ministry of Finance providing guidance on recognition, measurement and treatment of foreign exchange differences in enterprises. Accordingly, transactions arising in foreign currencies are translated at exchange rates ruling at the transaction date. The balance of monetary items denominated in foreign currencies as at the balance sheet date is retranslated at the exchange rates on the same date. Exchange differences arising from the translation of these accounts are recognised in the income statement. Unrealised exchange gains as at the balance sheet date are not treated as part of distributable profit to owners.

Borrowing costs

All borrowing costs are recognized in the income statement when incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years (including loss carried forward) and it further excludes items that are never taxable or deductible. For the main business activities, the Company is obliged to pay corporate income tax at the rate of 10% of its assessable income. For other business activities, the Company pays corporate income tax at the rate of 22% of its assessable income (applicable from the year of 2014).

Deferred tax is recognized on significant differences between carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using balance sheet liability method. Deferred tax liabilities are generally recognized for all temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**FORM B 09-DN***These notes are an integral part of and should be read in conjunction with the accompanying financial statements***4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Taxation (Continued)**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis. As at 31 December 2014, the Company had an accumulated tax loss that can be carried forward to offset against taxable profit of the subsequent years for up to five years from the year loss is incurred. The Company has not recognized any deferred tax asset for the tax loss carried forwards due to uncertainty of the future profit stream.

The determination of the tax currently payable is based on the current interpretation of tax regulations. However, these regulations are subject to periodic variation and its ultimate determination depends on the results of tax authorities' examinations.

Other taxes are paid in accordance with the prevailing tax laws in Vietnam.

5. CASH

	<u>31/12/2014</u>	<u>31/12/2013</u>
	VND	VND
Cash on hand	31,443,487	2,862,093
Cash in bank	9,484,307,010	4,610,403,987
	<u>9,515,750,497</u>	<u>4,613,266,080</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

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

6. TRADE ACCOUNTS RECEIVABLE

	<u>31/12/2014</u>	<u>31/12/2013</u>
	VND	VND
Thai Hung Trading Joint Stock Company	28,001,028,872	27,519,158,110
Long Giang Trading Company	21,433,393,257	19,863,444,853
Phat Linh Service and Trading Company	21,259,050,560	-
Phuc Lien Trading Private Enterprise	13,626,164,267	11,827,804,682
Duc Minh Construction and Trading Company	11,389,727,971	13,792,436,604
Truong Bien Trading Company Limited	9,178,686,825	-
Son Uyen Construction Materials Private Enterprise	5,954,792,517	3,244,130,734
Soc Son Development Investment Corporation	5,933,665,263	8,370,974,793
Viet Hai Transport Trading and Services Co., Ltd.	4,313,835,631	28,846,887,217
Nghia Nhung Trade Co., Ltd.	3,737,893,517	11,111,479,526
Nam Dan Private Enterprise	3,274,122,404	3,838,496,174
Khanh Linh Private Enterprise	1,720,070,821	2,038,129,761
Rang Dong Company Limited	995,572,687	1,207,016,767
Others	16,206,014,955	9,650,627,451
	<u>147,024,019,547</u>	<u>141,310,586,672</u>
Provision for short-term doubtful debts	(15,082,839,047)	(425,323,448)
	<u>131,941,180,500</u>	<u>140,885,263,224</u>

7. INVENTORIES

	<u>31/12/2014</u>	<u>31/12/2013</u>
	VND	VND
Raw materials	30,851,764,039	20,325,606,709
Tools and supplies	12,831,715,958	11,788,941,919
Finished goods	98,413,921,184	89,300,199,360
Total	142,097,401,181	121,414,747,988
Provision for devaluation of inventories	(850,787,988)	(460,039,482)
Net realisable value	<u>141,246,613,193</u>	<u>120,954,708,506</u>

During the year, the Company recorded VND 850,787,988 (2013: VND 460,039,482) as provision for devaluation of inventories and VND 460,039,482 (2013: VND 723,645,253) as reversal of provision for devaluation of inventories.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

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

8. TANGIBLE FIXED ASSETS

	Buildings and structures	Machinery and Equipment	Office equipment	Motor vehicles	Total
	VND	VND	VND	VND	VND
COST					
As at 01/01/2014	64,907,143,924	220,258,799,909	2,779,339,201	3,346,515,254	291,291,798,288
Purchases	154,762,000	3,802,434,648	120,981,891	-	4,078,178,539
Disposals	-	(2,920,977,250)	-	-	(2,920,977,250)
Other decrease	(286,860,000)	-	-	-	(286,860,000)
As at 31/12/2014	<u>64,775,045,924</u>	<u>221,140,257,307</u>	<u>2,900,321,092</u>	<u>3,346,515,254</u>	<u>292,162,139,577</u>
ACCUMULATED DEPRECIATION					
As at 01/01/2014	43,466,256,677	115,811,348,628	2,093,062,533	2,991,984,139	164,362,651,978
Charged for the year	3,374,203,378	10,456,318,542	283,767,883	130,905,996	14,245,195,799
Disposals	-	(2,920,977,250)	-	-	(2,920,977,250)
As at 31/12/2014	<u>46,840,460,055</u>	<u>123,346,689,920</u>	<u>2,376,830,416</u>	<u>3,122,890,135</u>	<u>175,686,870,527</u>
NET BOOK VALUE					
As at 31/12/2014	<u>17,934,585,869</u>	<u>97,793,567,387</u>	<u>523,490,676</u>	<u>223,625,119</u>	<u>116,475,269,050</u>
As at 31/12/2013	<u>21,440,887,247</u>	<u>104,447,451,281</u>	<u>686,276,668</u>	<u>354,531,115</u>	<u>126,929,146,310</u>

The cost of the Company's tangible fixed assets includes VND 160,750 million as at 31 December 2014 (31 December 2013: VND 119,906 million) of assets which have been fully depreciated but are still in use.

9. SHORT-TERM LOAN AND LIABILITIES

	31/12/2014	31/12/2013
	VND	VND
Vietnam Joint Stock Commercial Bank for Industry and Trade - Luu Xa Branch	45,720,273,840	46,000,000,000
ANZ Bank Limited - Hanoi Branch	31,200,000,000	44,900,000,000
Bank for Investment and Development of Vietnam Joint Stock Commercial - Thai Nguyen Branch	78,635,579,500	29,712,727,200
Joint Stock Commercial Bank for Foreign Trade of Vietnam - Thai Nguyen Branch	15,000,000,000	-
Current portion of long-term loans (See Note 12)	1,500,000,000	-
	<u>172,055,853,340</u>	<u>120,612,727,200</u>

Short-term loans represent the short-term credit facilities obtained from Joint Stock Commercial Bank for Industry and Trade - Luu Xa Branch, ANZ Bank (Vietnam) Limited - Hanoi Branch and Joint Stock Commercial Bank for Investment, Development of Vietnam - Thai Nguyen Branch and Joint Stock Commercial Bank for Foreign Trade of Vietnam - Thai Nguyen Branch. These facilities can be drawn up to maximum amounts of VND 100,000,000,000; USD 5,000,000; VND 50,000,000,000 and VND 20,000,000,000; respectively.

These facilities were used to supplement working capital for business, open letters of credit (L/C) to import materials and implement domestic guarantees. These loans are unsecured, except for the loan from Bank for Investment and Development of Vietnam Joint Stock Company - Thai Nguyen Branch which is secured by total balances of savings accounts in Vietnamese Dong and foreign currencies at other financial institutions and Banks.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

9. SHORT-TERM LOANS AND LIABILITIES (Continued)

These facilities bear floating interest rates regulated by the banks from time to time. Interest in respect of each drawing with a term of three months or less will be paid on the last date of each interest period. Interest in respect of each drawing with a term of more than three months will be paid on a quarterly basis on the last date of each three-month interest period.

10. TRADE ACCOUNTS PAYABLE

	<u>31/12/2014</u>	<u>31/12/2013</u>
	VND	VND
Song Cong Steel Factory	-	18,624,846,000
Gang Thiep Engineering Joint Stock Company	-	12,439,340,100
Huong Dong Company Limited	-	11,240,372,000
Toan Thang Steel Corporation	4,705,818,300	12,142,607,400
Vietnam Marubeni - Itochu Company Limited	6,266,600,000	-
Truong Bien Commercial Company Limited	8,599,182,000	-
Viet Trung Mining and Metallurgy Company Limited	20,285,014,200	-
Others	14,290,709,056	8,667,355,216
	<u>54,147,323,556</u>	<u>63,114,520,716</u>

11. TAXES AND AMOUNTS PAYABLE TO THE STATE BUDGET

	<u>31/12/2014</u>	<u>31/12/2013</u>
	VND	VND
Personal income tax	17,906,910	8,397,839
	<u>17,906,910</u>	<u>8,397,839</u>

12. LONG-TERM LOAN AND LIABILITIES

	<u>31/12/2014</u>	<u>31/12/2013</u>
	VND	VND
Thai Nguyen Environment Protection Fund	4,500,000,000	-
	<u>4,500,000,000</u>	-
Less: Amount due for settlement within 12 months (Note 9)	1,500,000,000	-
	<u>3,000,000,000</u>	-

Long-term loan represents a loan obtained from Thai Nguyen Environment Protection Fund under the credit contract of environment protection dated 25 July 2014 to invest and construct "Sewage purification station for Singapore - Vietnam steel rolling mill". The total loan amount under the contract is VND 4,500,000,000. The loan term is 36 months from the first day the Company receives the first amount of loan to the due date. The loan interest rate is fixed at 3% p.a. The interest is paid quarterly on 25th of the last month of the payment period.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

12. LONG-TERM LOAN AND LIABILITIES (Continued)

Long-term loan is repayable as follows:

	31/12/2014	31/12/2013
	VND	VND
On demand or within one year	1,500,000,000	-
In the second year	1,500,000,000	-
In the third to fifth year inclusive	1,500,000,000	-
	4,500,000,000	-
Less: Amount due for settlement within 12 months (shown under current liabilities - Note 9)	(1,500,000,000)	-
Amount due for settlement after 12 months	3,000,000,000	-

13. OWNERS' EQUITY

Movement in Owners' Equity

	Charter capital	Accumulated loss	Total
	VND	VND	VND
Balance as at 01/01/2013	240,393,000,000	(9,035,326,564)	231,357,673,436
Loss for the year	-	(3,116,268,665)	(3,116,268,665)
Balance as at 01/01/2014	240,393,000,000	(12,151,595,229)	228,241,404,771
Loss for the year	-	(44,843,298,621)	(44,843,298,621)
Balance as at 31/12/2014	240,393,000,000	(56,994,893,850)	183,398,106,150

Charter capital

According to the amended Investment Certificate No. 711/GP dated 04 September 2013, the Company's charter capital is USD 17,170,928 (equivalent to VND 240,393,000,000). Accordingly, the Members' Council of Natsteel Vina approved the transfer of 6.8% of charter capital from Vietnam Steel Corporation to Thai Nguyen Iron and Steel Joint Stock.

The charter capital had been fully contributed by the owners as at 31 December 2014, as follows:

	Per Investment Certificate		Contributed capital as at			
			31/12/2014		31/12/2013	
	USD	%	USD	VND equivalent	USD	VND equivalent
Natsteel Holdings Pte Ltd.	9,701,571	56.5%	9,701,571	135,822,000,000	9,701,571	135,822,000,000
Vietnam Steel Corporation	6,301,734	36.7%	6,301,734	88,224,276,000	6,301,734	88,224,276,000
Thai Nguyen Iron and Steel Joint Stock Corporation	1,167,623	6.8%	1,167,623	16,346,724,000	1,167,623	16,346,724,000
Total	17,170,928	100%	17,170,928	240,393,000,000	17,170,928	240,393,000,000

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

14. CORPORATE INCOME TAX

	2014	2013
	VND	VND
Corporate income tax for the year		
Net loss before tax	(44,843,298,621)	(3,116,268,665)
Adjustments for taxable income	6,165,578,380	524,043,756
Add back: non-deductible expenses	6,382,200,893	893,575,439
Less: actual payment of severance allowance	(216,622,513)	(369,531,683)
Assessable income	(38,677,720,242)	(2,592,224,909)
Tax rate	10% and 25%	10% and 25%
Corporate income tax	-	-
Corporate income tax adjustment for prior years	-	-
	-	-

As at 31 December 2014, the Company had accumulated tax losses that can be carried forward to offset against taxable profit of the subsequent years for up to five years from the year loss is incurred. The amount of losses carried forward may vary depending on the tax authority's final decision. The Company has not recognized any deferred tax asset for the tax loss carried forward due to uncertainty of the future profit stream.

15. SALES

	2014	2013
	VND	VND
Sales of main products	1,536,705,471,977	1,630,696,077,468
Sales of by-products	16,259,937,180	20,665,149,750
Sales of scrap	11,969,437,120	16,468,331,000
Sales of returned products	753,547,000	1,254,350,000
	1,565,688,393,277	1,669,083,908,218
Sales discount	18,975,391,674	30,502,273,611
Sales return	652,307,000	3,140,818,050
	1,546,060,694,603	1,635,440,816,557

16. COST OF SALES

	2014	2013
	VND	VND
Cost of main products	1,511,381,077,396	1,562,498,086,694
Cost of by-products	18,419,472,763	23,885,549,596
Cost of scrap	12,615,489,000	18,321,736,096
Cost of returned products	753,547,000	1,254,350,201
	1,543,169,586,159	1,605,959,722,587

17. FINANCIAL EXPENSES

	2014	2013
	VND	VND
Interest expenses	12,020,076,067	11,467,081,668
Foreign exchange loss	115,201,175	1,624,397,436
Others	593,055,297	596,147,884
	12,728,332,539	13,687,626,988

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

18. PRODUCTION COST BY NATURE

	2014 VND	2013 VND
Raw materials and consumables	1,493,137,485,533	1,584,581,183,116
Labour	25,278,145,411	24,096,263,381
Depreciation and amortization	14,475,827,747	14,481,312,531
Out-sourced services	15,209,348,592	18,076,971,457
Other monetary expenses	10,110,983,627	7,926,049,602
Provisions	15,508,303,587	560,039,482
	<u>1,573,720,094,497</u>	<u>1,649,721,819,569</u>

19. FINANCIAL INSTRUMENTS

Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

The capital structure of the Company consists of net debt (including borrowings disclosed in Notes 9 and 12, offset by cash) and equity attributable to the owners (comprising capital less accumulated loss).

Gearing ratio

The gearing ratio of the Company as at the balance sheet date was as follows:

	31/12/2014 VND	31/12/2013 VND
Borrowings	175,055,853,340	120,612,727,200
Less: Cash	9,515,750,497	4,613,266,080
Net debt	165,540,102,843	115,999,461,120
Equity	<u>183,398,106,150</u>	<u>228,241,404,771</u>
Net debt to equity ratio	<u>0.90</u>	<u>0.51</u>

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in Note 4.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

19. FINANCIAL INSTRUMENTS (Continued)

Categories of financial instruments

	Carrying amounts	
	31/12/2014	31/12/2013
	VND	VND
Financial assets		
Cash	9,515,750,497	4,613,266,080
Trade and other receivables	133,729,097,801	144,136,556,244
Total	143,244,848,298	148,749,822,324
Financial liabilities		
Borrowings	175,055,853,340	120,612,727,200
Trade and other payables	54,175,497,329	63,820,786,593
Accruals	3,355,795,652	1,493,545,394
Total	232,587,146,321	185,927,059,187

The Company has not assessed fair value of its financial assets and liabilities as at the balance sheet date since there are no comprehensive guidance under Circular No. 210/2009/TT-BTC issued by the Ministry of Finance on 06 November 2009 ("Circular 210") and other relevant prevailing regulations to determine fair value of these financial assets and liabilities. While Circular 210 refers to the application of International Financial Reporting Standards ("IFRS") on presentation and disclosures of financial instruments, it did not adopt the equivalent guidance for the recognition and measurement of financial instruments, including application of fair value, in accordance with IFRS.

Financial risk management objectives

The Company has set up risk management system to identify and assess the risks exposed by the Company and designed control policies and procedures to manage those risks at an acceptable level. Risk management system is reviewed on a regular basis to reflect changes in market conditions and the Company's operations.

Financial risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company does not hedge these risk exposures due to the lack of any market to purchase financial instruments.

Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

The carrying amounts of the Company's monetary assets and monetary liabilities denominated in foreign currency at the end of the financial year are as follows:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

19. FINANCIAL INSTRUMENTS (Continued)

Foreign currency risk management (Continued)

	Liabilities		Assets	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
	VND	VND	VND	VND
United States Dollar (USD)	-	144,674,470	1,448,275,773	3,766,235,184
Euro (EUR)	-	-	-	7,092,311
Singapore Dollar (SGD)	-	506,040,000	-	-

Foreign currency sensitivity analysis

The Company is mainly exposed to United States Dollars (USD), Euro (EUR) and Singapore Dollar (SGD).

The following table details the Company's sensitivity to a 2% increase/decrease in Vietnam Dong against the relevant foreign currencies. 2% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 2% change in foreign currency rates. For a 2% increase/decrease in the following foreign currencies against Vietnam Dong, the profit before tax in the year would decrease/increase by the following amount as follows:

	2014	2013
	VND	VND
United States Dollar (USD)	28,965,515	72,431,214
Euro (EUR)	-	141,846
Singapore Dollar (SGD)	-	(10,120,800)

Interest rate risk management

The Company has significant interest rate risks arising from interest bearing loans which are arranged. The risk is managed by the Company by maintaining an appropriate level of borrowings and analyzing market competition to enjoy favorable interest rates from appropriate lenders.

Interest rate sensitivity

The loan's sensitivity to interest rate changes which may arise at an appropriate level is presented in the following table. Assuming all other variables were held constant and the loan balance at the balance sheet date were the outstanding amount for the whole year, if interest rates applicable to floating interest bearing loans had been 200 basis points higher/lower, the Company's loss before tax for the year ended 31 December 2014 would have increased/decreased by VND 3,501,117,067 (31 December 2013: VND 2,412,254,544).

	Increase/(decrease) in basis points	Impact on loss before tax VND
For the year ended 31 December 2014		
VND	+200	3,501,117,067
VND	-200	(3,501,117,067)
For the year ended 31 December 2013		
VND	+200	(2,412,254,544)
VND	-200	2,412,254,544

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

19. FINANCIAL INSTRUMENTS (Continued)

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Company does not have any significant credit risk exposure to any counterparty because receivables consist of a large number of customers, spread across diverse industries and geographical areas.

Liquidity risk management

The purpose of liquidity risk management is to ensure the availability of funds to meet present and future financial obligations. Liquidity is also managed by ensuring that the excess of maturing liabilities over maturing assets in any year is kept to manageable levels relative to the amount of funds that the Company believes can generate within that period. The Company's policy is to regularly monitor current and expected liquidity requirements to ensure that the Company maintains sufficient reserves of cash, borrowings and adequate committed funding from its owners to meet its liquidity requirements in the short and longer term.

The following table details the Company's remaining contractual maturity for its non-derivative financial assets and financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial assets and undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes principal cash flows. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

19. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk management (Continued)

	Less than 1 year VND	From 1 - 5 years VND	Total VND
31/12/2014			
Cash	9,515,750,497	-	9,515,750,497
Trade and other receivables	133,729,097,801	-	133,729,097,801
Total	143,244,848,298	-	143,244,848,298
31/12/2014			
Borrowings	172,055,853,340	3,000,000,000	175,055,853,340
Trade and other payables	54,175,497,329	-	54,175,497,329
Accrued expenses	3,355,795,652	-	3,355,795,652
Total	229,587,146,321	3,000,000,000	232,587,146,321
Net liquidity gap	(86,342,298,023)	(3,000,000,000)	(89,342,298,023)
	Less than 1 year VND	From 1 - 5 years VND	Total VND
31/12/2013			
Cash	4,613,266,080	-	4,613,266,080
Trade and other receivables	144,136,556,244	-	144,136,556,244
Total	148,749,822,324	-	148,749,822,324
31/12/2013			
Borrowings	120,612,727,200	-	120,612,727,200
Trade and other payables	63,820,786,593	-	63,820,786,593
Accrued expenses	1,493,545,394	-	1,493,545,394
Total	185,927,059,187	-	185,927,059,187
Net liquidity gap	(37,177,236,863)	-	(37,177,236,863)

The management assessed that the Company had liquidity risk concentration. However, the management believes that the Company will be able to generate sufficient funds to meet its financial obligations as and when they fall due.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

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

20. RELATED PARTY TRANSACTIONS AND BALANCES

List of related parties

Related parties	Relationship
Natsteel Holdings Pte Ltd.	Parent company
Tata Power Company Ltd.	Affiliate

Significant related party balances and transactions as at the balance sheet date were as follows:

	31/12/2014	31/12/2013
	VND	VND
Receivables		
Natsteel Holdings Pte Ltd.	1,367,820,701	2,548,224,512
Tata Power Company Ltd.	-	703,610,900
	1,367,820,701	3,251,835,412
Payables		
Natsteel Holdings Pte Ltd.	-	650,714,470
	-	650,714,470

During the year, the Company entered into the following transactions with its related parties:

	2014	2013
	VND	VND
Services received from		
Natsteel Holdings Pte Ltd.	1,476,221,190	2,555,052,383

Remuneration paid to the Company's Board of Directors during the year was as follows:

	2014	2013
	VND	VND
Board of Directors' remuneration	960,411,468	942,715,545
	960,411,468	942,715,545

21. COMPARATIVE FIGURES

Comparative figures are figures of the Company's audited financial statements for the year ended 31 December 2013.

 _____ Pham Kim Tuyen Preparer	 _____ Hoang Duc Thien Chief Accountant	  _____ Chin Kong Tap General Director	 _____ Ngo Dinh Khoi Deputy General Director
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11 March 2015