



A.C.N. 063 656 333  
A.B.N. 64 063 656 333

VIETNAM INDUSTRIAL INVESTMENTS LIMITED

17 May 2021

Company Announcements Office  
ASX Limited  
Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sirs

**REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2020**

(Previous corresponding period: 30 June 2019)

Attached is our report for the six months ended 30 June 2020 incorporating the requirements of Appendix 4D.

**Results for announcement to the market**

	6 months to 30.06.2020	6 months to 30.06.2019	Change \$	Change %
Revenues from ordinary activities (A\$)	263.200m	330.838m	(67.638) m	(20.4)
Net profit/(loss) for the period (A\$)	2.480m	1.540m	0.940 m	61.0
Net profit/(loss) for the period attributable to members (A\$)	1.595m	0.784m	0.811 m	103.4
<b>Dividends (distributions)</b>	<b>Amount per security</b>	<b>Franked amount per security</b>		
Interim dividend	NIL	NIL		
Previous interim dividend	NIL	0.015		

**Brief explanation of any of the figures reported above:**

Explanation of the results for the half-year ended 30 June 2020 is provided in Review of Results of Operations of the consolidated entity in the Half-Year Financial Report.

Net Tangible Asset Backing	Current Period	Previous Corresponding Period
Net tangible asset per ordinary security	0.47	0.37

No control has been gained or lost over any entities in the half-year.

The applicable accounting standards used by the consolidated entity are the Australian Accounting Standards.

The financial report has been reviewed, and a copy of the independent review report is attached to the financial report.

Yours faithfully

LAM VAN HUNG

**Acting Chairman and  
Chief Executive Officer**

This announcement is approved for release by the Board of Directors.

For further information, please contact:

Mr Alan Young  
Telephone no: +84 388 000 123

Mr Henry Thong  
Telephone no: +61 400 207 056





**VIETNAM INDUSTRIAL INVESTMENTS LIMITED**  
A.B.N. 64 063 656 333

**CONSOLIDATED FINANCIAL REPORT**  
**HALF-YEAR FINANCIAL REPORT 30 JUNE 2020**

# Corporate Information

A.B.N. 64 063 656 333

This half-year report covers the consolidated entity comprising Vietnam Industrial Investments Limited (“the Company”) and its subsidiaries (“the Group”). The Group's presentation currency is AUD (\$).

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the directors' report. The directors' report is unaudited and does not form part of the financial report.

## Directors

V.H. Lam *Acting Chairman and Chief Executive Officer*

B.J. Grylls *Independent Non-Executive Director*

H.H.K. Thong *Independent Non-Executive Director*

A.A. Young *Non-Executive Director*

H.H.K. Thong *Company Secretary*

## Registered Office in Australia

Unit B8, Level 1

431 Roberts Road

SUBIACO Western Australia 6008

Telephone: (618) 9382 8808

Website: [www.vii.net.au](http://www.vii.net.au)

## Auditors

Hall Chadwick Audit (WA) Pty Ltd

283 Rokeby Road

SUBIACO WA 6008

## Legal Advisors

Steinepreis Paganin

Level 4, The Read Buildings

16 Milligan Street

PERTH Western Australia 6000

## Bankers

Australia & New Zealand Banking Group Limited

8 St George's Terrace

PERTH Western Australia 6000

Bankwest

Bankwest Place, 300 Murray Street

PERTH Western Australia 6000

## Share Registry

Automic Group

2/267 St Georges Terrace

PERTH Western Australia 6000

## Home Exchange

Australian Securities Exchange

Level 40, Central Park

152-158 St Georges Terrace

PERTH Western Australia 6000

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## Directors' Report

Your directors submit their report for the half-year ended 30 June 2020.

### DIRECTORS

The names of the Company's directors in office during the half-year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Lam Van Hung, *Acting Chairman and Chief Executive Officer*

Brendon John Grylls, *Independent Non-Executive Director* (appointed 15 June 2020)

Henry Han Kee Thong, *Independent Non-Executive Director* (appointed 21 May 2020)

Alan Alexander Young, *Non-Executive Director*

Mr Roger Sing-Leong Kwok, *Chairman and Independent Non-Executive Director* (resigned 13 May 2020)

Mr Andrew David Walker, *Independent Non-Executive Director*, (resigned 19 May 2020)

Mr Jonathan Heath Stuart Murray, *Independent Non-Executive Director*, (resigned 15 May 2020)

Mr Michael Douglas Mann AM, *Independent Non-Executive Director*, (resigned 18 February 2020)

### COMPANY SECRETARY

Mr Henry Han Kee Thong (appointed 21 May 2020)

Mrs Patricia Williams (resigned 13 May 2020)

### REVIEW AND RESULTS OF OPERATIONS

	30 June 2020	30 June 2019	Change
	\$'000	\$'000	%
Group revenue	263,200	330,838	(20.4)
Group net profit/(loss) after tax	2,480	1,540	61.0
Foreign currency translation difference	1,005	102	885.3
Total comprehensive income	3,484	1,657	110.2

*Group revenue includes Other Revenue of \$4.881 million (2019: \$3.578 million).*

For the half-year ended 30 June 2020, the Group reported a total comprehensive profit of \$3.304 million (2019: profit of \$1.657 million). Net profit after tax was \$2.480 million (2019: \$1.540 million). The very strict Government response to Covid-19 impacted all subsidiaries including progress with its strategic business partner, Nam Thuan Investment Development Company ("NTC"). NTC changed its name to Nam Thuan Steel Joint Stock Company in August 2020 (See Subsequent Event Note). Restrictions resulted in stalled capital works and funding negotiations at NTC. Consequently, planned improvements in billet production and gross production margin at SSE STEEL through NTC were sub-optimal.

Covid-19 was declared a worldwide pandemic in March 2020 however the impact and restrictions became evident in Vietnam in late January 2020. The Government announced comprehensive restrictions on non-essential travel which resulted in lower economic activity overall. Operations were limited due to supply of raw materials and seasonal flooding in southern China also negatively impacted supply, price and availability of raw materials. Notwithstanding those limitations, our funders have remained largely supportive throughout the period and on an ongoing basis.

NTC acquired a blast furnace (BF) that was put into operation by the previous owner and was decommissioned before sale. The company commenced construction of a Basic Oxygen Furnace (BOF) to convert pig iron from the BF to steel. Following this, NTC planned to construct a continuous caster and rolling mill to increase production of hot rolled rebar. This unit will add a further 300,000 tpa of steel production. Due to current economic conditions and lack of capital, NTC has decided to suspend all further development of the BF operation until conditions improve.

The results of the Vietnam operating segments included in the consolidated financial statements are as follows:

***SSESTEEL Ltd (VII 100%)***

SSESTEEL owns and operates a fully automated rolling mill located in Hai Phong, Vietnam which produces high tensile rebar and wire rod for the construction industry. SSESTEEL has been partnering with a Vietnamese local strategic company NTC for billet and hot rolled rebar supply.

	30 June 2020	30 June 2019	Change
Sale Volume (tons)	164,330	201,831	(37,501)
<b>Revenue</b>	<b>\$143.055million</b> (VND2.199 trillion)	<b>\$205.281 million</b> (VND3.381 trillion)	(\$62.226 million) (VND 1.182 trillion)
<b>Net Loss after tax</b>	<b>(\$0.430 million)</b> (-VND6.606 billion)	<b>(\$0.314 million)</b> (-VND5.167 billion)	(\$0.116 million) (VND1.439 billion)

SSESTEEL reported a net loss after tax of \$0.430 million (2019: \$0.314 million). Sales volume was down by 18.6% during a difficult trading period where the Government's Covid-19 measures intermittently halted non-essential people movement for much of the six-month period. At times, two complete provinces adjacent to VII's group operations were placed under lockdown which prevented the Company from supplying customers in those provinces. Although revenue was down 30.3%, there was a corresponding reduction in Cost of Goods Sold and Marketing Expenses to offset the downturn.

***Vinausteel Ltd (VII 70%)***

Vinausteel owns and operates a steel rolling mill in Hai Phong which produces reinforcing steel products for the construction industry.

	30 June 2020	30 June 2019	Change
Sale Volume (tons)	145,984	156,004	(10,020)
<b>Revenue</b>	<b>\$205.250 million</b> (VND3.155 trillion)	<b>\$119.979 million</b> (VND1.976 trillion)	\$85.271 million VND1.179 trillion
<b>Net Profit after tax</b>	<b>\$2.718 million</b> (VND41.778 billion)	<b>\$2.456 million</b> (VND40.452 billion)	(\$0.262 million) (VND 1.326 billion)

Vinausteel was a key contributor to the Group's financial performance for the period, adding \$1.903 million out of the Parent's \$1.643m profit. Sales volume was lower as a direct result of the Covid-19 related downturn. A corresponding reduction in Cost of Goods Sold and Marketing mitigated the impact of lower Sales.

***Austnam Joint Stock Corporation (VII 67%)***

Austnam produces metal roofing, steel frames and wood replacement products from its factory in Hanoi which it distributes in that city and surrounding provinces.

	30 June 2020	30 June 2019	Change
Square Meters Sold	123,208	310,443	(187,235)
<b>Revenue</b>	<b>\$1.310 million</b> (VND20.139 billion)	<b>\$2.000 million</b> (VND32.945 billion)	(\$0.690 million) (VND12.806 billion)
<b>Net Profit/(Loss) after tax</b>	<b>\$0.543 million</b> (VND 0.834 billion)	<b>\$0.067 million</b> (VND 1.098 billion)	\$0.476 million (VND 0.264 billion)

Austnam reported a net profit after tax of \$0.543m despite a drop in Revenue from \$2.000 million in 2019 to \$1.310 million for the comparative period. Gross margins remained comparable year-on-year however the



gains were made in lower marketing and administrative costs. The foray into wood replacement products, while initially positive, was bolstered by a large European order which did not translate into repeat business.

#### ***Foreign currency translation difference {VND vs A\$ exchange rate}***

	<b>30 Jun 2020</b>	<b>31 Dec 2019</b>	<b>30 Jun 2019</b>	<b>31 Dec 2018</b>
Spot rate	16,005	16,235	16,342	16,371
Average rate	15,369	16,173	16,469	17,170

During the period, the foreign currency translation difference is a gain of \$1.005 million (2019: \$0.102 million). The Vietnam Dong has appreciated against the Australian Dollar since June 2019.

#### **EVENTS SUBSEQUENT TO BALANCE DATE**

On 18 August 2020, SSESTEEL Ltd's strategic partner changed its name from "Nam Thuan Investment Development Company Ltd" to "NAM THUAN STEEL JOINT STOCK COMPANY" ("NTS-JSC"). This change better reflects the company's current operations. On the same date, SSESTEEL Ltd, a 100% subsidiary of Vietnam Industrial Investments Limited, acquired 51.3 million shares in NTS-JSC for a consideration of AUD 30.643 million (VND 513 billion – VND10,000 per share), this consideration has been offset against receivables from NTS-JSC. With the agreement of the parties, NTS-JSC intends to obtain an additional VND 398 billion from a new investor for the issue of 39.8 million, shares in the company, 35% of expanded capital. NTS-JSC is in negotiations with a local company to provide the additional funding, however, these negotiations had not been concluded at the date of this report,

There has not been any other matter or circumstance that has arisen since the end of the half-year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

#### **ROUNDING**

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which the Instrument applies.

#### **AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration is set out on page 6 and forms part of the directors' report for the half-year ended 30 June 2020.

Signed in accordance with a resolution of the directors.



LAM VAN HUNG  
**Acting Chairman and  
Chief Executive Officer**  
Ho Chi Minh City, 17 May 2021





## AUDITOR'S INDEPENDENCE DECLARATION VIETNAM INDUSTRIAL INVESTMENTS LIMITED

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Vietnam Industrial Investments Limited.

As lead audit partner for the review of the financial report of Vietnam Industrial Investments Limited for the half-year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.



Hall Chadwick Audit (WA) Pty Ltd  
ABN 42 163 529 682



Nikki Shen  
Director

Dated: 17 May 2021

## FOR THE HALF-YEAR ENDED 30 JUNE 2020

	Notes	<b>CONSOLIDATED</b>	
		<b>2020</b>	<b>2019</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>CONTINUING OPERATIONS</b>			
Revenue from contracts with customers		258,319	327,260
Other revenue	4	4,881	3,578
		<u>263,200</u>	<u>330,838</u>
Cost of sales		(247,269)	(314,954)
<b>Gross profit</b>		<u>15,931</u>	<u>15,884</u>
Other income	4	49	39
Selling expenses	4	(2,868)	(4,550)
Administrative expenses	4	(4,606)	(4,591)
Finance costs		(5,753)	(3,813)
<b>Profit/(loss) before income tax</b>		<u>2,752</u>	<u>2,969</u>
Income tax expense	5	(273)	(1,183)
<b>Net profit/(loss) after tax from continuing operations</b>		<u>2,480</u>	<u>1,786</u>
<b>Discontinued operation</b>			
Net loss after tax from discontinued operation		-	(246)
<b>Net profit/(loss) for the period</b>		<u>2,480</u>	<u>1,540</u>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences attributable to parent		805	102
<i>Items that may not be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences attributable to non-controlling interests		200	15
<b>Other comprehensive income for the period</b>		<u>1,005</u>	<u>117</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<u><u>3,484</u></u>	<u><u>1,657</u></u>
Net profit/ (loss) after tax attributable to:			
Equity holders of the parent		1,643	784
Non-controlling interests		837	756
		<u>2,480</u>	<u>1,540</u>
Total comprehensive income net of tax attributable to:			
Equity holders of the parent		2,448	886
Non-controlling interests		1,036	771
		<u>3,484</u>	<u>1,657</u>
<b>Profit/(loss) per share (cents per share) for continuing operations attributable to the ordinary equity holders of the company:</b>		1.743	1.20
- basic and diluted earnings/(loss) per share (cents per share)			
<b>Profit/(loss) per share (cents per share) attributable to the ordinary equity holders of the company:</b>			
- basic and diluted earnings/(loss) per share (cents per share)		1.743	1.0

The accompanying notes form part of the financial report



AS AT 30 JUNE 2020

		<b>CONSOLIDATED</b>	
	Notes	<b>As at 30 June 2020 \$'000</b>	<b>As at 31 December 2019 \$'000</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	21,477	15,542
Trade and other receivables	8	30,037	55,773
Advances to suppliers	9	99,037	115,765
Inventories		39,092	24,424
Financial assets at fair value through profit or loss		4	4
Prepayments		-	364
		<u>189,647</u>	<u>211,872</u>
<b>Total Current Assets</b>			
<b>Non-current Assets</b>			
Other receivable	10	34,301	3,696
Property, plant and equipment		9,385	10,305
Right of use assets		1,128	1,237
Deferred tax assets		1,540	1,272
Intangible assets and goodwill		-	78
Other non-current assets		-	655
		<u>46,354</u>	<u>17,243</u>
<b>Total Non-current Assets</b>			
<b>TOTAL ASSETS</b>		<u>236,001</u>	<u>229,115</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		40,174	45,298
Lease liabilities		219	173
Advances from customers		2,462	6,950
Income tax provision		1,620	2,615
Interest-bearing loans and borrowings	12	126,312	110,417
Provisions		627	857
		<u>171,414</u>	<u>166,310</u>
<b>Total Current Liabilities</b>			
<b>Non-current Liabilities</b>			
Provisions		26	-
Lease liabilities		751	1,113
		<u>777</u>	<u>1,113</u>
<b>Total Non-Current Liabilities</b>			
<b>TOTAL LIABILITIES</b>		<u>172,191</u>	<u>167,423</u>
<b>NET ASSETS</b>		<u>63,810</u>	<u>61,692</u>
<b>EQUITY</b>			
Contributed equity	6	27,819	27,819
Reserves		(3,452)	(4,257)
Retained earnings		33,576	31,933
<b>Parent interests</b>		<u>57,943</u>	<u>55,495</u>
<b>Non-controlling interests</b>		<u>5,867</u>	<u>6,197</u>
<b>TOTAL EQUITY</b>		<u>63,810</u>	<u>61,692</u>

The accompanying notes form part of the financial report.



## FOR THE HALF-YEAR ENDED 30 JUNE 2020

CONSOLIDATED	Attributable to equity holders of the parent					Non-controlling interests	Total equity
	Contributed equity	Foreign currency translation reserves	Retained Earnings	Legal reserves	Owners of the parent		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 January 2019</b>	27,819	(5,902)	29,161	1,124	52,202	4,903	57,105
Net profit for the period	-	-	784	-	784	756	1,540
Other comprehensive income	-	102	-	-	102	15	117
<b>Total comprehensive income for the period</b>	-	102	-	-	886	771	1,657
<b>At 30 June 2019</b>	27,819	(5,800)	29,945	1,124	53,088	5,674	58,762
<b>At 1 January 2020</b>	27,819	(5,381)	31,933	1,124	55,495	6,197	61,692
Net (loss)/profit for the period	-	-	1,643	-	1,643	836	2,480
Other comprehensive income	-	805	-	-	805	200	1,005
<b>Total comprehensive income for the period</b>	-	805	1,643	-	2,448	1,036	3,484
Dividend paid by non-controlling interest	-	-	-	-	-	(1,366)	(1,366)
<b>At 30 June 2020</b>	27,819	(4,576)	33,576	1,124	57,943	5,867	63,810

The accompanying notes form part of the financial report.



## FOR THE HALF-YEAR ENDED 30 JUNE 2020

	Notes	CONSOLIDATED 2020 \$'000	2019 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of VAT)		253,365	359,456
Payments to suppliers and employees (inclusive of VAT)		(250,021)	(375,989)
Interest income received		4,881	7,315
Borrowing costs		(5,753)	(3,764)
Interest repayments on lease liabilities		(27)	(49)
Income taxes paid		(1,536)	(439)
<b>Net cash flows used in operating activities</b>		<u>908</u>	<u>(13,470)</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(275)	(353)
Net funding of short-term deposits		(9,072)	(2,942)
<b>Net cash flows used in investing activities</b>		<u>(9,347)</u>	<u>(3,295)</u>
<b>Cash flows from financing activities</b>			
Proceeds from bank borrowings		233,628	190,408
Dividend paid to non-controlling interests		(1,366)	-
Repayment of bank borrowings		(217,733)	(179,140)
Repayments on lease liabilities		(155)	(74)
<b>Net cash flows provided by financing activities</b>		<u>14,374</u>	<u>11,194</u>
Net decrease in cash and cash equivalents		5,935	(5,571)
Net foreign exchange difference		-	(1)
Cash and cash equivalents at beginning of period		<u>15,542</u>	<u>21,743</u>
<b>Cash and cash equivalents at end of period</b>	7	<u><u>21,477</u></u>	<u><u>16,171</u></u>

The accompanying notes form part of the financial report.



## Notes to the Half-Year Financial Statements FOR THE HALF-YEAR ENDED 30 JUNE 2020

### 1. CORPORATE INFORMATION

The interim consolidated financial statements of the Company and its subsidiaries (the Group) for the six months ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 12 May 2021.

Vietnam Industrial Investments Limited is a limited company incorporated and domiciled in Australia whose shares are publicly traded. The Group is a for-profit entity. The registered office is located at Unit B8, Level 1, 431 Roberts Road, Subiaco Western Australia 6008, Australia. The principal activities of the Group are described in the Directors' Report.

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### 2.1 Basis of Preparation

The interim consolidated financial statements for the six months ended 30 June 2020 are condensed general purpose financial statements prepared in accordance with AASB 134 *Interim Financial Reporting*.

The interim consolidated financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2019. The interim consolidated financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated.

#### 2.2 New and amended standards and interpretations adopted by the Group

In the half-year ended 30 June 2020, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the half-year reporting periods beginning on or after 1 January 2020.

As a result of this review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the Group and therefore no material change is necessary to Group accounting policies.



## Notes to the Half-Year Financial Statements FOR THE HALF-YEAR ENDED 30 JUNE 2020

### 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

#### 2.3 Going concern

At 30 June 2020, the Group presented net current assets of \$18.233 million (31 December 2019: \$45.562 million). Net current assets included current interest-bearing loans and borrowings of \$126.312 million (31 December 2019: \$110.417 million). These loans relate to short term loan facilities (the “facilities”) with various banks in Vietnam. The terms and conditions associated with the facilities are outlined in note 12. The ability to meet the repayment obligations under these facilities will be dependent on cash flows from existing operations, timely collection of its receivables and timely satisfactory fulfillment of the contractual obligations from Nam Thuan Steel Joint Stock Company (“NTS JSC”), a Vietnamese local investment and development company (the “local strategic partner”) to which the Group has a total exposure of \$136.067 million under loan, advances and receivable as disclosed in Note 15.

The Directors advise that as of the date of this report, the Group has complied with all its banking covenants. Cashflow projects were prepared based on the assumption that all loan maturity/repayment dates are further extended by negotiations, which projected adequate cash flow in the next 12 months.

As further detailed in Note 15, the Group’s ability to meet its obligations under its short-term loan facilities which were entered into to finance these advances, loans and receivables are significantly dependent on the successful commercial production of the local strategic partner’s steel making facilities, in particular, its ability to achieve and maintain full production capacity at optimum costs in planned stages.

On 18 August 2020, SSESTEEL Ltd, a 100% owned subsidiary of the Company, acquired 51.3 million shares in NTS JSC for consideration of AUD 30.643 million (VND 513 billion) with payment being offset against Receivables from NTS JSC. This has superseded the previously disclosed intent to acquire the Danieli continuous casting equipment (CCM) and synchronous rolling mill (RM) from NTS JSC which was disclosed in Operating and Financial Review Report in the 2019 Annual Report.

NTS JSC has advised that it is in advanced discussions with various parties to provide additional capital to complete remaining plant infrastructure. Once this is concluded, the Company can announce its shareholding in NTS JSC. The capital injection will improve the capability of NTS JSC to complete its capital works program, of which SSESTEEL will be a direct beneficiary.

The Group believes that the objectives of the strategic supply arrangement can be achieved and the Group’s long-term loan, advances and receivable can be fully repaid in accordance with the contractual arrangements. It is therefore appropriate to prepare the financial report on a going concern basis. In the event that the Group is unable to achieve the matters referred above, uncertainty would exist that may cast doubt on the ability of the Group to continue as a going concern.

The financial statements do not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

### 2. SEGMENT INFORMATION

The Group’s reportable segment is mainly located in Vietnam. The Group provides the majority of its products and services to customers based in Vietnam.

There is one operating segment for which discrete information is presented to the chief decision makers being the Steel Making Division. This division comprises Vinausteel Limited (“Vinausteel”), SSESTEEL Ltd (“SSESTEEL”), Austnam Joint Stock Corporation (“Austnam”), and VRC Weldmesh (Vietnam) Limited (“VRC” which has ceased operations). Unallocated relate to corporate charges of Parent in Australia, British Virgin Islands and Singapore entities which are separately accounted for from the business.



**Accounting policies adopted**

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision makers with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the preparation of financial statements of the Group.





## Notes to the Half-Year Financial Statements FOR THE HALF-YEAR ENDED 30 JUNE 2020

### 3. SEGMENT INFORMATION

#### Segment Performance

	Steel Making (Vietnam)	Unallocated Note (i)	Total	Adjustments and eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Half-year ended 30 June 2020</b>					
<b>Revenues</b>					
External revenues from contracts with customers	258,319	-	258,319	-	258,319
Other revenues	4,881	-	4,881	-	4,881
Total segment revenues	263,200	-	263,200	-	263,200
<b>Results</b>					
Other income	(208)	257	49	-	49
Finance costs	(5,753)	-	(5,753)	-	(5,753)
Segment result before tax	2,740	12	2,752	-	2,752
Income tax expense	(273)	-	(273)	-	(273)
Segment result after tax	2,468	12	2,480	-	2,480
Corporate charges					
Net profit after tax from continuing operations	2,468	12	2,480	-	2,480

	Steel Making (Vietnam)	Unallocated Note (i)	Total	Adjustments and eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Half-year ended 30 June 2019</b>					
<b>Revenues</b>					
External revenues from contracts with customers	327,260	-	327,260	-	327,260
Other revenues	3,575	3	3,578	-	3,578
Total segment revenues	330,835	3	330,838	-	330,838
<b>Results</b>					
Other income	39	191	230	(191)	39
Finance costs	(3,985)	-	(3,985)	172	(3,813)
Segment result before tax	3,384	-	3,384	-	3,384
Income tax expense	(1,183)	-	(1,183)	-	(1,183)
Segment result after tax	2,201	-	2,201	-	2,201
Corporate charges	-	(415)	(415)	-	(415)
Net profit after tax from continuing operations	2,201	(415)	1,786	-	1,786

Note (i) – Australia, British Virgin Islands and Singapore



## Notes to the Half-Year Financial Statements FOR THE HALF-YEAR ENDED 30 JUNE 2020

### 3. SEGMENT INFORMATION (continued)

	<b>Steel Making (Vietnam) \$'000</b>	<b>Unallocated Note (i) \$'000</b>	<b>Total \$'000</b>
<b>Segment assets</b>			
<b>At 30 June 2020</b>			
Segment assets	216,821	53,018	269,839
Inter-segment eliminations			(33,838)
Total assets per statement of financial position			<u>236,001</u>
<b>At 31 December 2019</b>			
Segment assets	228,812	960	229,772
Inter-segment eliminations			(96)
Total assets per statement of financial position			<u>229,115</u>
<b>Segment liabilities</b>			
<b>At 30 June 2020</b>			
Segment liabilities	(173,650)	(147)	(173,797)
Inter-segment eliminations			1,606
Total liabilities per statement of financial position			<u>(172,191)</u>
<b>At 31 December 2019</b>			
Segment liabilities	167,744	336	168,080
Inter-segment eliminations			(657)
Total liabilities per statement of financial position			<u>167,423</u>

Note (i) – Australia, British Virgin Islands and Singapore



## Notes to the Half-Year Financial Statements FOR THE HALF-YEAR ENDED 30 JUNE 2020

### 4. REVENUE AND EXPENSES

Profit/(loss) before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the entity:

	<b>CONSOLIDATED</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(i) Other income</b>		
Rent income	-	13
Other	49	26
	<u>49</u>	<u>39</u>
<b>(ii) Other revenue</b>		
Interest income – receivables from local strategic partner	3,434	2,851
Interest income - short-term deposits	1,424	696
Interest income - other	23	31
	<u>4,881</u>	<u>3,578</u>
<b>(iii) Expenses</b>		
Depreciation and amortisation	<u>(2,881)</u>	<u>(1,389)</u>
<b>(iv) Selling expenses</b>		
Salaries and wages	(1,101)	(692)
Delivery expenses	(166)	(370)
Other	(1,601)	(3,488)
	<u>(2,868)</u>	<u>(4,550)</u>
<b>(v) Administrative expenses</b>		
Employee related expenses	(2,577)	(2,919)
Professional fees	(87)	(130)
Travel expenses	(84)	(66)
Foreign exchange loss	(36)	(135)
Other	(1,822)	(1,341)
	<u>(4,606)</u>	<u>(4,591)</u>



**Notes to the Half-Year Financial Statements  
FOR THE HALF-YEAR ENDED 30 JUNE 2020**

**5. INCOME TAX EXPENSE**

	<b>CONSOLIDATED</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Income tax expense consists of:		
Current income tax	(541)	(1,014)
Deferred tax	268	(169)
	<u>(273)</u>	<u>(1,183)</u>
Current income tax expense consists of:		
Vinausteel income tax expense	(541)	(748)
SSESTEEL income tax expense	-	(416)
Austnam income tax expense	-	(19)
	<u>(541)</u>	<u>(1,183)</u>

**6. CONTRIBUTED EQUITY**

	<b>CONSOLIDATED</b>	
	<b>30 June 2020</b>	<b>31 December</b>
	<b>\$'000</b>	<b>2019</b>
		<b>\$'000</b>
Contributed equity	<u>27,819</u>	<u>27,819</u>
	<b>Number</b>	<b>Number</b>
Number of shares	<u>142,277,423</u>	<u>142,277,423</u>

**7. CASH AND CASH EQUIVALENTS**

	<b>CONSOLIDATED</b>	
	<b>30 June 2020</b>	<b>30 December 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
For the purpose of the half-year statement of cash flows, cash and cash equivalents are comprised of the following:		
Cash at bank and in hand	3,478	2,963
Short-term deposits	17,998	12,579
	<u>21,477</u>	<u>15,542</u>
Cash at bank attributable to discontinued operation	-	-
	<u>21,477</u>	<u>15,542</u>



## Notes to the Half-Year Financial Statements FOR THE HALF-YEAR ENDED 30 JUNE 2020

### 8. TRADE AND OTHER RECEIVABLES

	<b>CONSOLIDATED</b>	
	<b>30 June 2020</b>	<b>31 December 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade receivables from local strategic partner (refer to note 15)	14,189	8,321
Trade receivables from customers	4,237	12,500
	<u>18,426</u>	<u>20,821</u>
Allowance for expected credit loss	(2,696)	(2,697)
	<u>15,730</u>	<u>18,124</u>
Other receivables	2,951	3,696
Other receivable from local strategic partner (refer to note 10)		
Accrued interest on other receivable from local strategic partner (refer note 10)	225	808
Accrued interest on advances to local strategic partner (refer note 10)	708	5,309
Others	1,350	1,246
	<u>5,235</u>	<u>11,059</u>
Term deposits at amortised cost (i)	9,072	26,590
	<u>9,072</u>	<u>26,590</u>
Carrying amount of trade and other receivables	<u>30,037</u>	<u>55,773</u>

(i) Term deposits have original terms greater than three months and bear interest rates ranging from 7.2% to 8.7% (2019: 6.4% - 9.0%).



## Notes to the Half-Year Financial Statements FOR THE HALF-YEAR ENDED 30 JUNE 2020

### 9. ADVANCES TO SUPPLIERS

	<b>CONSOLIDATED</b>	
	<b>30 June 2020</b>	<b>31 December 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Advances to local strategic partner	84,628	105,919
Advances to other suppliers	14,409	9,846
	<u>99,037</u>	<u>115,765</u>

At 30 June 2020, advances to suppliers included advances equivalent to \$84.625 million (VND1,354 billion) (31 December 2019: \$39.676 million (VND648 billion)) were made to NTC, a Vietnamese local strategic partner, which is the same counterparty to the other receivable disclosed in notes 10 and 15.

The advances to the local strategic partner bear interest. The remaining advances to suppliers which relate to items where goods are expected to be delivered in the short term bear no interest.

Accrued interest is included in trade and other receivables under Current assets.

### 10. OTHER RECEIVABLE – NON-CURRENT ASSETS

	<b>CONSOLIDATED</b>	
	<b>30 June 2020</b>	<b>31 December 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Other receivable – NTC Commercial Agreement	3,749	3,696
Other advances - NTC	30,552	-
	<u>34,301</u>	<u>3,696</u>

At 31 December 2018, SSESTEEL advanced NTC VND 180 billion for capital works. This amount is to be repaid over 24 months bearing interest of 8% per annum. The remaining amount at 30 June 2020 of \$3.749m (VND 60 billion) was repaid in December 2020. This amount is secured against machinery and certain production facilities inside the factory owned and operated by NTC. A portion of advances to NTC were reclassified from current to non-current. This amount \$30.552 million (approximately VND 49 billion) and accrued interest (total VND 513 billion) was subsequently converted in an equity stake in August 2020.



## Notes to the Half-Year Financial Statements FOR THE HALF-YEAR ENDED 30 JUNE 2020

### 11. RECOVERABILITY OF NON-CURRENT ASSETS

The Group's main cash generating units are in SSESTEEL and Vinausteel. At 30 June 2020, the Group had performed impairment assessment for these CGUs. The results are as follow:

#### *Vinausteel CGU*

The total net assets of this CGU at 30 June 2020 was \$16.442 million. This CGU made a profit after tax for the half-year ended 30 June 2020 of \$2.718 million. The Group has assessed this CGU against the impairment assessment criteria under AASB 136 Impairment of Assets and concluded that no impairment triggers existed at 30 June 2020. As a result, no impairment charges were required for this CGU.

#### *SSE CGU*

The total net assets of this CGU at 30 June 2020 was \$40.807 million. This CGU made a loss after tax for the half-year ended 30 June 2020 of \$0.430 million. At 30 June 2020, the Group performed an impairment assessment for this CGU using a value in use calculation using the half-year result as a proxy for current trading conditions and projecting future cash flows from this base with certain assumptions. The projected cash flows adopted reflect the demand for steel in Vietnam and expected savings in the Group's future cost of production. The real post-tax discount rate applied is 12% (2019: 12%). No terminal value was assumed as the current lease will end in August 2027. It is premature to determine if the Government authority will renew the lease or require any remedial works to site, the latter is assumed to be highly unlikely due to the expected operational functionality of facilities on the site. At 30 June 2020, the recoverable amount from operations exceeded the carrying value of the SSESTEEL (CGU) business unit. As a result of this analysis, management did not identify any further impairment or reversal of previously recognised impairment for this CGU in 2019.

#### Key assumptions used in value in use calculations

The calculations of value in use for SSESTEEL are most sensitive to gross profit margins, discount rates and growth rates.

	SSESTEEL
Effective gross profit margins	5.7%
Discount rates	12%
Growth rates used to determine terminal value	Nil

#### Sensitivity to changes in assumptions

The sensitivity analyses have been determined for the gross profit margin and discount rate for the estimated recoverable amounts of SSESTEEL.

The ability to achieve the gross profit margin included in the model is dependent on the business cooperation arrangement with a local investment and development company to supply billets and rebar for the Group's rolling mill operations in Vietnam. Refer to Note 15 for further discussion. If the gross profit margin decreased by 1.0% with the discount rate and growth rate held constant, there would not be an impairment loss however the margin to net assets is less than \$15 million.

If the discount rate increased by 1% there would not be an impairment loss however the margin to net assets is less than \$27 million.

If the long-term growth rate decreased by 1% in SSESTEEL with the discount rate and gross profit margin held constant, there would not be an impairment loss however the margin to net assets is less than \$25 million.



## Notes to the Half-Year Financial Statements FOR THE HALF-YEAR ENDED 30 JUNE 2020

### 12. INTEREST-BEARING LOANS AND BORROWINGS

	<b>CONSOLIDATED</b>	
	<b>30 June 2020</b>	<b>31 December 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Current		
Bank loans – secured	126,312	110,417
	<u>126,312</u>	<u>110,417</u>

#### Terms and conditions of Interest-bearing loans and borrowings

Outstanding bank loans relate to loans from various banks in Vietnam which are denominated in Vietnamese Dong and US Dollar. These interest-bearing liabilities of the Group's operating subsidiaries have various repayment terms with the majority being within 12 months, however management is confident that there will be ongoing support from the banks and that these loans will not be called within the next 12 months. The Group's operating subsidiaries in Vietnam have banking facilities with various banks in Vietnam for working capital and project finance purposes. These facilities are secured by a chattel pledge over machinery, equipment, short-term deposits and inventories of the subsidiaries and in certain instances, by the guarantee of Vietnam Industrial Investments Limited ("Parent"). The Parent has provided security to various banks for banking facilities provided to Vietnam subsidiaries in the form of letters of guarantee. At 30 June 2020 the total interest bearing liabilities drawn down to which these corporate guarantees relate to are:

	<b>30 June 2020</b>	<b>31 December 2019</b>
<b>Outstanding bank loans</b>	\$126,312 million	\$110.417 million
<b>Letter of guarantee</b>	\$22.838 million (US\$16.000 million)	\$22.838 million (US\$16.000 million)
<b>Outstanding loans guaranteed by the parent</b>	\$16.110 million (US\$11.287 million)	\$16.110 million (US\$11.287 million)

Interest is recognised at an effective rate of interest.

#### Assets pledged as security for liabilities

The banks have the right to the security provided in the case of a default of the terms and conditions of the finance. Carrying values of assets which are pledged as security for bank loans are as follows:

	<b>30 June 2020</b>	<b>31 December 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Inventories	7,186	18,003
Deposits	5,985	11,277
Trade receivables and advances to suppliers	150,640	58,344
Property, plant and equipment	6,453	6,683
	<u>170,264</u>	<u>94,419</u>

#### Financing facilities available

	<b>30 June 2020</b>	<b>31 December 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
At reporting date, the following financing facilities had been negotiated and were available		
Total facilities available	129,374	162,863
Facilities used at reporting date	(129,374)	(110,417)
Facilities unused at reporting date	<u>-</u>	<u>52,446</u>





## Notes to the Half-Year Financial Statements FOR THE HALF-YEAR ENDED 30 JUNE 2020

### 13. RELATED PARTY DISCLOSURES

#### Transactions and balances with Key Management Personnel and their related parties

At 30 June 2020, the balance owing to Mr Lam is \$218,000 (31 December 2019: \$213,004).

For the half year ended 30 June 2020, the non-executive directors' remuneration was \$86,595 (half year ended 30 June 2019: \$115,000). At 30 June 2020, the balance owing to non-executive directors is \$8,083 (31 December 2019: \$4,167).

During the period, the Company obtained case by case legal services from Mr Murray's legal firm under commercial terms and conditions. The legal fees during the period were \$12,727 (30 June 2019: \$3,287), excluding payments for his services as a director.

### 14. FOREIGN CURRENCY TRANSLATION DIFFERENCES

The foreign currency translation reserve in the statement of comprehensive income reflects the movement of foreign currency between the assets and liabilities of the Vietnam subsidiaries which are translated to Australian Dollars (presentation currency) at the prevailing rate at the reporting date, and the results of these subsidiaries which are translated at exchange rates as at the date of each transaction.

	30 June 2020	31 December 2019	30 June 2019	31 December 2018
Spot rate	16,005	16,235	16,342	16,371
Average rate	15,369	16,173	16,469	17,170
Foreign exchange gain difference	\$0.805 million		\$0.103 million	
Foreign currency translation reserves	(\$4.576 million)		(\$5.799 million)	

During the period, the foreign currency translation difference attributable to the parent is a gain of \$0.805 million (2019: \$0.103 million). Vietnam Dong appreciated since 31 December 2019 as compared to previous period.



## Notes to the Half-Year Financial Statements FOR THE HALF-YEAR ENDED 30 JUNE 2020

### 15. STRATEGIC SUPPLY ARRANGEMENT

The Group's wholly owned subsidiary SSESTEEL Ltd (SSESTEEL) entered into a supply arrangement ("the arrangement") with Nam Thuan Steel Joint Stock Company ("NTS-JSC"), formerly known as Nam Thuan Investment Development Company ("NTC"), a Vietnamese local investment and development company (the "local strategic partner"), to supply billets and rebar for the Group's rolling mill operations in Vietnam. The arrangement seeks to secure the supply of billets and rebar to SSESTEEL from the local strategic partner's steel making facilities in Vietnam which were under construction at the date of the arrangement. The arrangement is intended to provide the Group with:

- increased reliability of raw material supply, in terms of volume, quality and grade of billets and additional finished goods
- significant savings in the Group's future cost of production once the local strategic partner's steel making facilities achieve full production capacity at optimum costs.

These cost reductions could take up to 30 months for full production at optimum costs to be attained, however, benefits are anticipated to take effect as the various stages of the steel making facilities come on stream. As already announced, the induction furnaces to melt steel scrap and produce billets and hot-rolled rebar has been completed and is in operation.

With the expected increased reliability of raw material supply and production costs savings from the arrangement, the Group aims to deliver improved and sustainable financial results from the Group's rolling mill operations.

At 30 June 2020, the Group has the following credit exposure with the local strategic partner:

	30 June 2020 \$'000	31 December 2019 \$'000
<b>Short term advances and receivables</b>		
Short term receivable related to selling of steel scraps and equipment (included in trade and other receivables – refer to Note 8)	14,190	8,321
Short term advances for billets purchase (refer to Note 9)	84,625	105,919
Interest receivables (refer to Notes 8)	2,951	6,117
Current - loan receivable (refer to Note 8)	3,749	3,696
<b>Total current assets</b>	<b>105,515</b>	<b>124,053</b>
<b>Long term loan receivable</b> (refer to Note 10)	<b>30,552</b>	<b>3,696</b>
<b>Total exposure</b>	<b>136,067</b>	<b>127,749</b>

Management acknowledges at 30 June 2020 and 31 December 2019:

- the recovery of the above advances, loans and receivables, either through future cash flows or realisation of security assets;
- the timing of cash inflows from these exposures, their resulting current/non-current classification and potential re-measurement adjustments arising from variation from the original contractual cashflows in accordance with AASB 9 *Financial Instruments*
- the Group's ability to meet its obligations under its short-term loan facilities taken to finance the above advances, loans and receivables; and
- the Group's ability to recover the carrying value of its non-current assets are significantly dependent on the successful commercial production of the local strategic partner's steel making facilities, in particular, its ability to achieve and maintain full production capacity at optimum costs in the planned stages.



**Notes to the Half-Year Financial Statements  
FOR THE HALF-YEAR ENDED 30 JUNE 2020****15. STRATEGIC SUPPLY ARRANGEMENT (continued)**

Management noted that the above exposure is secured against second registered charges dated July 2017 over the main workshop building, machinery and equipment, the newly constructed steel production facilities, inventories and consumables inside the factory owned and operated by the local strategic partner. This is however not the primary source of recovery of the Group's exposure to the local strategic supplier. The net realisable value of the collateral assets available to the Group, after taking into account the borrowings by the local strategic partner from the first charges holder, is lower than the Group's present level of exposure.

Whilst the ability of NTC's steel making facilities to achieve and maintain full production capacity at optimum costs in the planned stages cannot be guaranteed as at the report date, due to the importance that management attach to the supply arrangement with NTC, and the Group's exposure in assisting that company, SSESTEEL has seconded experienced personnel to NTC to ensure that development of the steel making facilities is progressing satisfactorily. Once construction of the NTC facility is completed as a steel production unit, management expects that the net realisable value of the collateral access will exceed the Group's present level of exposure. Also, as stated in the events after balance date note, SSESTEEL has taken some equity in NTC JSC.

In addition, once the next phase of construction is completed, alternative valuation methods, such as DCF models, are expected to indicate more robust valuations than simple valuation of the projects' assets. Therefore, management have no reason to doubt that the objectives of the supply arrangement will not be achieved and believe that there is low probability of default such that there is no need for a provision associated with the exposure to NTC.

**16. FAIR VALUE MEASUREMENT**

The carrying values of financial assets and financial liabilities approximate their fair values at the balance sheet date.

**17. COMMITMENTS AND CONTINGENCIES**

Since the last annual reporting date, there has been no material change of any contingent liabilities or contingent assets.



## Notes to the Half-Year Financial Statements FOR THE HALF-YEAR ENDED 30 JUNE 2020

### 18. REVENUE FROM CONTRACTS WITH CUSTOMERS

For the half-year ended 30 June 2020, revenue is disaggregated as follows:

	2020 \$'000	2019 \$'000
Type of good or service and timing of revenue recognition		
Sale of goods - point in time (i)	258,319	327,260
	<u>258,319</u>	<u>327,260</u>

- (i) Where the Group offers volume-based discounts to customers, these discounts are on a calendar year basis and are settled as at 31 December.

The Group's sales of goods are made to a number of external customers located in Vietnam.

#### a) Contract balances

	30 June 2020 \$'000	31 December 2019 \$'000
Trade receivables (Note 8)	4,237	12,500
Advances from customers (i)	(2,462)	(6,950)

- (i) Advances from customers are amounts received from customers in advance of the performance obligations being satisfied which are treated as contract liabilities. These amounts are recognised as revenue when the performance obligations, being the transfer of goods, are met. No goods have been transferred under these sale agreements as at 30 June 2020 and 31 December 2019 however amounts are expected to be settled within twelve months and there is no financing component in the contracts.

### 19. EVENTS AFTER BALANCE SHEET DATE

On 18 August 2020, SSESTEEL Ltd's strategic partner changed its name from "Nam Thuan Investment Development Co Ltd" to "NAM THUAN STEEL JOINT STOCK COMPANY" ("NTS-JSC"). This change better reflects the company's current operations. On the same date, SSESTEEL Ltd, a 100% subsidiary of Vietnam Industrial Investments Ltd, acquired 51.3 million shares in NTS JSC for a consideration of AUD 30.643 million (VND 513 billion), this consideration has been offset against Receivables from NTS-JSC. With the agreement of all parties, NTS JSC intends to obtain an additional VND 398 billion from a new investor for the issue of 39.5 million shares in the company, 35% of the expanded capital. NTC JSC is in negotiations with a local company to provide the additional funding, however, these negotiations had not been concluded at the date of this report.

In note 15 to this report, we have reported on an arrangement with a local strategic partner which is intended to provide the group with increased reliability of billet supply, additional finished product and production cost savings dependant on the local strategic partner completing its steel making facilities and attaining full production capacity at optimum costs. Subsequent to the end of this reporting period, supply of billets to the group has now commenced in terms of the arrangement.

There has not been any other matter or circumstance that has arisen since the end of the half-year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the consolidated entity in future financial years.



## **Directors' Declaration**

In accordance with a resolution of the directors of Vietnam Industrial Investments Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the financial position as at 30 June 2020 and the performance for the half-year ended on that date of the consolidated entity; and
  - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001
- (b) Subject to note 2.3, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



**LAM VAN HUNG**  
**Acting Chairman and**  
**Chief Executive Officer**

Ho Chi Minh City, 17 May 2021



## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF VIETNAM INDUSTRIAL INVESTMENTS LIMITED

### Report on the half-year Financial Report

#### Conclusion

We were engaged to review the half-year financial report of Vietnam Industrial Investments Limited and its subsidiaries (the Group), which comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

We do not express a conclusion on the accompanying financial report of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Conclusion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for a review conclusion on this financial report.

#### Basis for Disclaimer of Conclusion

##### 1. The Group's loan, advances and other receivables due from Nam Thuan Steel Joint Stock Company (formerly Nam Thuan Investment Development Co Ltd ("Nam Thuan"))

As detailed in Note 9, 10 and 15 of the financial report, as at 30 June 2020, the Group has a loan, advances and other receivables due from Nam Thuan, a local investment and development company in Vietnam, with an accumulated credit exposure amounting to \$136.067 million (31 December 2019: \$127.749 million). The loan, advances and other receivables were classified as financial assets at amortised cost, the recoverability of which is dependent upon:

- the successful achievement of commercial production at Nam Thuan's new steel making facilities, in particular, its ability to achieve and maintain full production capacity at optimum costs in the planned stages; or,
- in the circumstance Nam Thuan defaults, the realisation of sufficient value from the Nam Thuan assets pledged as security to the Group under a second registered charge.

For the review of the Group's financial report for the half- year ended 30 June 2020, we have been unable to obtain sufficient appropriate evidence to determine whether:

- The loan, advances and other receivables due from Nam Thuan meet the solely payments of principal and interest test under AASB 9 Financial Instruments ("AASB 9") and have therefore been classified correctly as financial assets measured at amortised cost.
- The key inputs used in the determination of lifetime expected credit loss allowance for the Group's exposure to Nam Thuan are accurate. This includes an assessment and determination of the probability of default; the loss given default in respect of the loan, advances and other receivables; and the net realisable value of the collateral assets available to the Group.
- Nam Thuan is likely to achieve planned production levels at its steel making facilities and deliver the forecast production at the expected price and therefore would be likely to meet its obligations to the Group.

- Nam Thuan is likely to be able to repay the loan, advances and other receivables in full by 30 June 2021 and therefore whether the presentation of the loan, advances and other receivables to Nam Thuan as current assets is accurate.

Consequently, we are unable to determine the extent of impairment charges, if any, and the accuracy and completeness of disclosures relating to the Group's loan, advances and other receivables of \$136.067 million to Nam Thuan at 30 June 2020.

## **2. The Group's SSESTEEL Cash Generating Unit ("CGU") property, plant and equipment**

As detailed in Note 11 of the financial report, the Group's impairment assessment of its SSESTEEL CGU is dependent upon Nam Thuan's new steel making facilities delivering to the Group, the budgeted volumes of steel at the prices expected by the Group. The Strategic Supply Arrangement between the Group and Nam Thuan is further disclosed in Note 15. For the review of the Group's financial report for the half-year ended 30 June 2020, we have been unable to obtain sufficient appropriate evidence to assess whether Nam Thuan is likely to achieve planned production levels at its new steel making facilities and deliver the forecast production at the expected pricing. Consequently, we are unable to determine the extent of impairment charges, if any, and the accuracy and completeness of disclosures relating to the Group's SSESTEEL CGU property, plant and equipment with a carrying value of \$7.8 million at 30 June 2020.

## **3. Assessment of strategic supply arrangement with Nam Thuan for leases**

As part of the adoption of AASB 16 Leases, which came into effect last financial year, the directors considered its strategic supply arrangement with Nam Thuan and determined that there was no embedded lease under AASB 16. In reaching this conclusion, the directors considered the extent of involvement it has on Nam Thuan's operations and concluded that the Group does not have the right to control the use of the Nam Thuan plant and therefore no lease arrangement exists within its strategic supply arrangement with Nam Thuan. For the review of the Group's financial report for the half-year ended 30 June 2020, we have been unable to obtain sufficient appropriate evidence to determine the extent of the Group's involvement and influence over the Nam Thuan's operations. Consequently, we are unable to determine whether a lease exists within the strategic supply arrangement and therefore whether any adjustments are necessary in the financial report in respect of lease accounting.

## **4. Impact of the 2019 disclaimer of opinion**

The previous auditor did not express an opinion on the Group's consolidated financial report for the year ended 31 December 2019 in relation to the following:

- Inability to obtain sufficient appropriate audit evidence to support the valuation of Group's loan to, advances and other receivables from Nam Thuan and the accuracy and completeness of disclosures in relation to the loan, advances and receivable.
- Inability to obtain sufficient appropriate audit evidence of the valuation of the Group's SSESTEEL CGU property, plant and equipment and the accuracy and completeness of associated disclosures.

Since the 31 December 2019 carrying values of the loan, advances and other receivables from Nam Thuan and the SSESTEEL CGU asset carrying values of property, plant and equipment are included in the determination of the financial performance of the Group for the half-year ended 30 June 2020,

we were unable to determine whether adjustments might have been necessary in respect of the profit reported in the statement of comprehensive income for the half-year ended 30 June 2020.

## Emphasis of matter: material uncertainty related to going concern

We draw attention to Note 2.3 of the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our Disclaimer of Conclusion is not modified in respect of this matter.

## Directors' responsibility for the half-year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's consolidated financial position as at 30 June 2020 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the review of the half-year financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



## Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001.



Hall Chadwick Audit (WA) Pty Ltd  
ABN 42 163 529 682



Nikki Shen  
Director

Dated 17 May 2021