VIETNAM INDUSTRIAL INVESTMENTS LIMITED

ABN 64 063 656 333

ANNUAL REPORT 2019

Corporate Directory

ASX Code: VII

Directors

V.H. Lam	*Acting Chairman and Chief Executive Officer*
A.A. Young	*Non-Executive Director*
H.H.K. Thong	*Non-Executive Director*
B.J. Grylls	*Non-Executive Director*

Company Secretary
H.H.K. Thong

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Legal Advisors
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PERTH Western Australia 6000

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PERTH Western Australia 6000

Bankwest
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Share Registry
Automic Group
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Home Exchange
ASX Limited
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VIETNAM INDUSTRIAL INVESTMENTS LIMITED

SUMMARY OF 2019

Corporate

- Sales revenue from Vietnam operations was $607.932 million (VND 9.832 trillion), up 3% on 2018 of $554.605 million (VND9.522 trillion).
- Net profit after tax attributable to the owners of the parent was $2.772 million (2018 net loss after tax: $1.385 million).

Austnam Joint Stock Corporation (VII shareholding 67%)

- Annual steel sales of 532,198 m², down 22% on 2018 (682,175m²).
- Annual wood plastic composite sales of 92,784m², up 6,110% on 2018 (1,494m²).
- Sales revenue from external parties was $3.768 million (VND60.946 billion), down 28% on 2018 sales revenue from external parties of $4.914 million (VND84.377 billion).
- Net profit after tax and before non-controlling interests was $0.105 million (VND 1.704 billion) (2018: $0.165 million (VND2.838 billion)).

SSESTEEL Ltd (VII shareholding 100%)

- Rebar sales of 355,117 tons, up 7% on 2018 (331,711 tons).
- Wire rod sales of 22,756 tons, down 47% on 2018 (43,045 tons).
- Other steel sales of 190,115 tons, up 96% on 2018 (96,218 tons).
- Total sales revenue from external parties was $359.916 million (VND5.821 trillion), down 3% in VND on 2018 total sales revenue from external parties of $348.398 million (VND5.982 trillion).
- Net profit after tax and before non-controlling interests was $ 0.712 million (VND 11.510 billion) (2018 net loss after tax and before non-controlling interests: $0.545 million (VND9.365 billion)).

Vinausteel Limited (VII shareholding 70%)

- Rebar sales of 312,791 tons, up 26% on 2018 (248,265 tons).
- Wire rod sales of 17,345 tons, up 180 % on 2018 (6,135 tons).
- Sales revenue from external parties was $244.248 million (VND3.950 trillion), up 14% on 2018 sales revenue from external parties of $201.293 million (VND3.456 trillion).
- Net profit after tax and before non-controlling interests was $4.06 million (VND 65.706 billion) (2018: $0.345 million (VND5.915 billion)).

CHAIRMAN'S REPORT

Dear Shareholders

All three of our operating subsidiaries returned a profit in 2019, Austnam VND 1.704 billion, SSESTEEL VND 11.510 billion and Vinausteel VND 65.706 billion, which gave VII a net profit after tax attributable to owners of the parent of $2.772 million. Vinausteel performed particularly well with its ageing equipment and achieved sales of 330,136 tons (Rebar 312,791 tons and tolled wire rod 17,345 tons), an increase of 30% on 2018 (254,400 tons). SSESTEEL's operations were hampered due to delays by its strategic partner, Nam Thuan Investment Development Company Ltd ('NTC'), in bringing its steel making operation into production. These delays meant that SSESTEEL was unable to realise the cost benefits of hot rolling rebar in 2019.

Forecasts are difficult under the circumstances explained in the Annual Report however our H1 sales have been weak. The COVID pandemic has had a substantial negative impact on the world economy with some economists predicting a recession to match the Great Depression of 1929-1941. At present Vietnam's economy does not appear to have been affected to the extent of most countries, however, it is reasonable to assume that it will be impacted but to what extent we cannot guess.

Our plans for 2020 are to assist NTC with getting its steel making operation up to optimum production so that SSESTEEL becomes more cost effective in a market that is likely to become more competitive. Once the additional two pairs of induction furnace are installed the steel scrap meltshop with hot rolling of rebar will be able to operate at optimum capacity. It follows that, provided demand for construction steel continues at current levels, SSESTEEL will benefit from lower cost product. Management are also working to restructure the arrangement between SSESTEEL and NTC, in order to reduce the level of current receivables, and raise further working capital.

Management and the board, in consultation with NTC, will give careful consideration on various options for completing the blast furnace as a steel making facility.

As you will have seen, four of our directors and our Company Secretary resigned during the year. We welcome the appointment of two new directors, Mr Henry Han Kee Thong (who also has the position of Company Secretary) and Mr Brendon John Grylls, both of whom are resident in Western Australia.

LAM VAN HUNG

Acting Chairman &

Chief Executive Officer.

OPERATING AND FINANCIAL REVIEW

The directors submit the Annual Report of Vietnam Industrial Investments Limited (“VII”, “Company”, “consolidated entity” or “the Group”) for the year ended 31 December 2019.

OPERATIONAL AND FINANCIAL REVIEW

This operational and financial review reports on the period under review for the Company and its businesses in Vietnam, Steel Making operations: Vinausteel Limited (“Vinausteel”), SSESTEEL Ltd (“SSESTEEL”), and Austnam Joint Stock Corporation (“Austnam”).

REVIEW OF OPERATIONS

Total Comprehensive Income for the year

	2019	**2018**	Change
Sale volume in steel tons	898,124	725,374	23%
$’000			
Revenues from ordinary activities	616,540	560,682	9 %
Gross profit	33,096	21,506	54%
Net profit/(loss) after tax	4,038	(1,232)	(428%)
Foreign currency translation gain	557	4,210	(87%)
Total comprehensive income	4,595	2,978	54%

Vietnam’s economy continued to grow at an impressive rate. GDP growth ended the year at 7.02% (2018 7.1%). The trade Surplus was USD11.12 billion {AUD 15.87 billion} (2018: USD7.2 billion {AUD 10.2 billion}) and exports grew 13.8 % YoY. Inflation has been contained at 3.54% for 2018 and 3.6% for 2019. Total steel consumption reached 23.13 million tons in 2019 and construction steel consumption in Northern Vietnam grew by 6%.

Total Group sales volume of rebar and wire rod grew to 898,124 tons, a 23% increase on the previous year (2018: 725,374 tons). Revenue from contracts with customers increased by 10% to $607.932 million (2018: $554.605 million) due to a combination increased sales volume and reduced sales price. Gross profit increased by 54% ($33.096 million against $21.506 million) and the Group reported a net profit after tax of $4.038 million (2018: net loss after tax of $1.232 million) despite the increases in selling expense on distribution of steel, administration expenses which included foreign exchange loss, and interest expense on interest bearing loans and borrowings for the year ended 31 December 2019.

In Note 32 to this report, we have reported on an arrangement with a local strategic partner, Nam Thuan Investment Development Company Ltd (‘NTC’). This 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. Supply will come on stream in stages and the first stage for billet production commenced commissioning in early August 2018. As announced on 14 November 2018, billets are being delivered to SSESTEEL, in accordance with the supply arrangement, with reports that the billet quality is good with above average rolling KPIs achieved. The induction furnace (“IF”) unit is now capable of design output in terms of the number of heats per day. A total of 50,075 tons of billets were produced in 2019.

Construction of the NTC steel making facilities continued in 2019 and the rolling mill was completed and commissioned. During 2019 the mill produced 140,173 tons of billets and 58,255 tons of hot rolled rebar. The NTC facilities, producing steel from scrap by induction furnace (IF) are performing well and NTC plans to increase production capacity by the addition of a further two pairs of induction furnaces. Once the additional IFs are installed, this phase of the project will then be operating at optimal capacity.

NTC has a blast furnace (BF) that has been constructed but not yet been put into operation. The company is building a Basic Oxygen Furnace (BOF) to convert pig iron from the BF to steel. Following this a continuous caster and rolling mill will be constructed to increase hot rolled rebar. This unit will add a further 300,000 tpa of steel production. This project has been put on hold until NTC is financially stronger and economic conditions indicate that the operation will be profitable.

Financial exposure of the NTC operation are reported in Note 32.

Foreign currency translation

	2019	**2018**	vsAUD	**2017**	vsAUD
VND/AUD @ 31December	16,235	16,371	(1%)	17,713	(7.6%)
USD/AUD @ 31December	0.7006	0.7058	(1%)	0.7800	(9.5%)

Australian Dollar (AUD) appreciated slightly over the Vietnamese Dong (VND) as of 31 December 2019 (2018: 7.6%). Also, AUD appreciated marginally over the United Stated Dollar (USD) (2018: 9.5%). The appreciation of the AUD over the VND led to a foreign currency translation gain of $0.557 million (2018: gain of $4.210 million) for the year.

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the year were the investments in Vietnam through its operating subsidiaries: Austnam Joint Stock Corporation, SSESTEEL Ltd, and Vinausteel Limited.

RESULTS OF VIETNAM OPERATIONS

The results of the Vietnam operations are as follows:

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.

Sales revenue was $3.768 million (VND60.946 billion) which was a decrease of 28% on 2018 sales revenue of $4.914 million (VND84.377 billion). Sales volume for 2019 of 532,198 m² was a decrease of 22% on the previous year (682,175 m²). Austnam reported a net profit after tax of $0.105 million (VND1.704 billion) for the year ended 31 December 2019 (2018: $0.165 million (VND2.838 billion)).

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 for billet supply and hot rolled rebar.

SSESTEEL achieved rebar sales of 355,117 tons (2018: 331,711 tons), wire rod sales of 22,756 tons (2018: 43,045 tons), and other steel sales of 190,115 tons (2018: 96,218). Sales revenue was $359.916 million (VND5.821 trillion) which was lower by 3% on 2018 sales revenue of $348.398 million (VND5.982 trillion). SSESTEEL reported a net profit after tax of $ 0.712 million (VND 11.510 billion) (2018 net loss after tax: $0.545 million (VND9.365 billion)).

Vinausteel Limited (VII 70%)
Vinausteel owns and operates a steel rolling mill in Hai Phong which produces reinforcing steel products for the construction industry.

Vinausteel achieved rebar sales of 312,791 tons (2018: 248,265 tons) and tolled wire rod sales of 17,345 tons (2018: 6,135 tons). Sales revenue was $244.248 million (VND3.950 trillion) which was higher by 14% on 2018 ($201.293 million (VND3.456 trillion)). Vinausteel reported a net profit after tax of $ 4.063 million (VND 65,706 billion) (2018: $0.345 million (VND5.915 billion)).

FINANCIAL POSITION AND SUSPENSION OF SHARE TRADING

The Company has been in voluntary suspension from 16 September 2019 in relation to the Company's ongoing review of the arrangement between SSESTEEL and Nam Thuan Investment Development Company Ltd ('NTC'). The suspension of trading of the Company's shares has been extended as it failed to lodge its audited financial statements for 2019 by the statutory deadline.

On 28 February 2020 , the Company announced that over the last three reporting periods, the financial statements of VII and its controlled entities (Group) have been qualified by the Group's auditors in relation to the following with an emphasis matter paragraph on the material uncertainty in relation to the Group's going concern basis of preparation assumption:

- the recoverability of the Group's loan, advances and receivable to NTC and the accuracy and completeness of disclosures in relation to the loan, advances and receivable; and
- the recoverable value of the Group's SSESTEEL cash generating unit property, plant and equipment and the accuracy and completeness of associated disclosures.

In the same announcement, the Company foreshadowed a disclaimer of audit opinion on the Group's financial statement for the financial year ended 31 December 2019 if the auditors could not get sufficient appropriate audit evidence to substantiate the above matters.

Since then, in order to address the above, specifically the matter of the Group's overall exposure to NTC, which is also invariably tied to SSESTEEL's recoverable value as a cash generating unit, the Directors requested an independent valuation of NTC and this was completed by Hoang Quan Appraisal Co. Ltd based in Ho Chi Minh City. The valuation reported an enterprise value of VND 3,662 billion based on projected cash flows and a liquidated asset value of VND 3,078 billion. Both values exceeded the combined exposure of NTC's bank facilities and the receivables due to the Group. This report has provided the Directors a level of assurance on the long term recoverability of the Group's exposure to NTC.

In addition, SSESTEEL and NTC had reached an in-principle agreement to acquire the Danieli continuous casting equipment (CCM) and synchronous rolling mill (RM) from NTC for total consideration of VND 858 billion. The Company will assume the debt used to fund the equipment (VND 369 billion) with the balance to be settled in cash or as a set off against receivables from NTC. Once concluded, this transaction will be reflected as a reduction to NTC short term receivables, an increase in fixed assets and an increase in long term loans in the future financial statements as follows:

Non-IFRS Information A$m	**2019**	**2019 Pro forma**
Current assets	211.872[1]	181.835
Non-current assets	17.243	69.946
Total assets	229.115	251.781
Current liabilities	166.310	166.310
Non-current liabilities	1.113	23.779
Total liabilities	167.423	190.089
Net assets	61.692	61.692

For many years now, billet supply, which is the main raw material for the mills, accounts for around 80 - 85% of production costs and is the key component to the profitability of the subsidiaries' rolling mills. The Group does not have billet making capacity and has relied on spot purchase of billets on the local and international markets and supply arrangements with steel producers. In times where local supply was unable to meet demand or costs were high, local billets had to be sourced in the region. This strategy worked well in the past and the Company was able to secure its billet requirements at competitive prices. In the recent years, the supply situation changed dramatically when, under WTO rules, the Government enforced "Safeguard Measures" and imposed increased import tariffs on imported billets from 10% to 33.3% making it uncompetitive to import billets for our operations. This forced the Company to source billets locally which was the prime cause of our difficulties over the past three years.

In order to overcome this situation, as announced on 16 February 2018, the Group entered into a Supply Arrangement ("the Supply Arrangement") with a local strategic partner, NTC, to supply rebar and billets for our rolling mills. The arrangement is intended to provide the Group with some reliability of billet supply, in terms of volume, grade and quality, and with additional finished product at a competitive price.

[1] Deduct VND $858 million @ VND/AUD 16,280:1

As a result of entering the Supply Arrangement with NTC, the Group's financial position on the following increased significantly:

	2019 $'000	2018 $'000
Trade and other receivables (Note 8)	55,773	85,916
Advances to suppliers (Note 9)	115,765	24,423
Other receivable (Note 13)	3,696	7,330
Total receivables	175,234	117,669
Trade and other payables (Note 17)	45,298	27,928
Interest bearing liabilities (Note 18)	110,417	101,557
Total liabilities	155,715	129,485

The total receivables above include the loan, advances and receivable from NTC via the Group's 100% owned Vietnam subsidiary, SSESTEEL, which, under the Supply Arrangement, have increased significantly to $127.749 million (31 December 2018: $62.642 million) (Refer to Note 32). In the previous paragraph, once concluded, the transaction to purchase CCM and RM assets from NTC will remove approximately 24% of the exposure to NTC short term receivables. The Company is continuing to explore its options in its strategic partnership that will then mitigate the remaining $96.800 million exposure and secure the Company's access to modern equipment and supply in the years to come.

	2019 $'000	2018 $'000
Short term advances and receivables		
Short term receivable related to selling of steel scraps and equipment (included in trade and other receivables – Note 8)	8,321	21,925
Short term advances for billets purchase (Note 9)	105,919	23,925
Interest receivables (Note 8)	6,117	5,797
Current- loan receivable (Note 8)	3,696	3,665
Total current assets	124,053	55,312
Long term loan receivable (Note 13)	3,696	7,330
Purchase of Danieli line of equipment	(30,949)	-
Total exposure	96,800	62,642

The Company has historically funded the purchase of materials through short term revolving lines of credit. This has put pressure on SSESTEEL in particular with the advances to NTC reaching near to the limit of its negotiated facilities and the inability of NTC to process raw materials due to plant shut downs and delays in construction, which were further delayed by Covid-19. During the year we became aware that NTC used a portion of short term advances to fund progress in plant construction. While this was a breach of the terms of those advances, both parties have acknowledged the greater objective of bringing NTC to full productive capacity should overtake any penalties considered as an outcome of this unauthorized use of funds. Covid -19 has further exacerbated this situation and resulted in both the Company and its banks being unable to finalise extensions and re-negotiate lines of credit in a timely manner. The Company has not breached any of its banking covenants and as the date of this report, has the continued support of its bankers and use of approved bank facilities provided.

Based on the above additional measures, specifically the independent valuation, a planned 24% reduction of the NTC exposure and assurances from our bankers, the directors, while acknowledging the uncertainty included in their assessment of the recoverability of the NTC exposure, are satisfied with the truth and fairness of the Group's financial statements for the year ended 31 December 2019 and the appropriateness of the going concern basis of preparation. The qualitative information available to support the directors' position does not however constitute sufficient appropriate audit evidence required under Australia Auditing Standards. As a result, this has led to a disclaimer of opinion from our Auditors as detailed in the independent audit report section.

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, Subsequent to 31 December 2019, Covid-19 had a profound effect on NTC's ability to complete capital works and secure funding in its own right. Vietnam's response to Covid-19 has been world-leading, recording only 35 deaths within 1100 cases within a population based of 95 million people. The Company has complied with Government's Covid-19 measures for the benefit of its employees however the financial consequences to the Company and its partner, NTC, have been detrimental as evidenced by lower H1 sales in 2020.

BUSINESS STRATEGY AND PROSPECTS FOR FUTURE FINANCIAL YEARS

The Group's strategy remains constant. The Covid-19 related downturn and delays have resulted in temporary pressures which we are optimistic will be resolved with proper diligence and timing.

Austnam JSC has increased its sales of its new product, a wood-based plastic composite product, and has even completed some export orders to Europe. Management made a timely decision to produce this product as traditional steel roofing sales are declining.

The strategic partnership with NTC is key to securing reliable supply of materials and gaining access to modern equipment. The steel-making facility with our strategic partner, Nam Thuan Investment Development Company Ltd ('NTC') has progressed to the stage where its steel melt shop using induction furnaces, steel billet caster and rolling mill for hot-rolled rebar are all operational and operating to capacity with the existing furnaces. NTC intends to install two more sets of induction furnaces (2 pairs) to increase capacity and has already determined that the caster and rolling mill can utilize the additional capacity.

The delays at NTC have been unavoidable and has put pressure on our short-term cash flows.

- The piling to modify the factory for the new project could not commence because rubble had been buried at the piling site and this had to be excavated and removed before piling could go ahead;
- The induction furnaces late in installation and commissioning – scheduled for January 2018 but not operational until September 2018, a delay of 8 months;
- Hot rolling was planned to commence 6 months after melting commission but was delayed for a further 8 months.
- The return of Chinese nationals and expertise to complete capital works is ongoing, and
- Protracted funding negotiations as a result of Covid-19 restrictions.

The Group is in negotiations with a bank to obtain additional working capital facilities and is working with NTC to obtain additional funding which will result in increased capital and changes to the capital structure of NTC. These negotiations are ongoing and fairly advanced but not to the point where we can elaborate on them until contracts are finalized.

VIETNAM OPERATIONS – ADDITIONAL INFORMATION

Following is additional information on the legal structure and taxation concessions of the operating subsidiaries in Vietnam.

Austnam Joint Stock Corporation
VII acquired Austnam in 1997 when it acquired all of the issued capital of Parnham Overseas Ltd ("POL") through a wholly owned subsidiary, Ausviet Industrial Investments (Singapore) Pte Ltd.

Austnam was previously a joint venture enterprise established in Vietnam in accordance with the Investment Licence issued on 27 April 1992 and amended Investment Licences. In 2005, Austnam was converted into a joint stock corporation company incorporated under the Law on Enterprise of Vietnam pursuant to the Investment License number 358 CPH/GP dated 15 June 2005 issued by the Ministry of Planning and Investment. VII has an effective interest of 67% in Austnam.

The principal activities of Austnam are to produce metal roofing and steel frames and the company has recently commenced production of a new product, a wood-based plastic composite.

Austnam has the obligation to pay enterprise income tax at the rate of 20 percent of taxable profits.

SSESTEEL Ltd
SSESTEEL is a foreign-owned company incorporated under the Law of Enterprise of Vietnam pursuant to the Investment License No. 02/GP-HP and its amended Investment Licences. SSESTEEL received an Investment Certificate number 021043000053 on 19 October 2007 for its re-registration under the Enterprise Law and Investment Law 2005.

The principal activities of SSESTEEL are to produce and distribute reinforcing steel products in accordance with the Investment Certificate.

SSESTEEL has the obligation to pay enterprise income tax at the rate of 20 percent of taxable profits.

Vinausteel Limited
Vinausteel is a company incorporated under the Law on Foreign Investment of Vietnam pursuant to the Investment License No. 898/GP dated 28 June 1994, and various amendments issued by the Ministry of Planning and Investment. The current

investors are VII with a 70% interest and the Vietnam Steel Corporation (“VSC”) with a 30% interest.

The principal activities of Vinausteel are to manufacture and trade various types of reinforcing steel products in accordance with its Investment Licence.

Operational management of Vinausteel is determined by a Joint Venture Contract, a Charter and a Board of Management which comprises of five nominees from VII and two from VSC.

Vinausteel has the obligation to pay enterprise income tax at the rate of 20 percent of taxable profits.

TAX SPARING

The “tax sparing” arrangements under the Taxation Agreement between Australia and Vietnam have been formalised. Income which is subject to tax sparing includes income from the business and trading activities established in Vietnam. VII obtains the benefit of the tax sparing arrangement. The effect of this is that income from operations in Vietnam will be quarantined from Australian income tax and VII will not be able to deduct in Australia expenses incurred on operations in Vietnam.

DIRECTORS' REPORT

Your directors submit their report for the year ended 31 December 2019.

DIRECTORS

The names, qualifications, experience and special responsibilities of the Directors of the Company in office during the financial year and until the date of this report are:

Mr Lam Van Hung (Henry)
Acting Chairman and Chief Executive Officer
Mr Lam, a resident of Vietnam, was born in Vietnam and came to Australia in 1977 and studied electrical engineering. He resides in Vietnam and is responsible for the group's operations in Vietnam. He was awarded the "Red Star" at the end of 2000, the first overseas Vietnamese to receive this, for his contribution to the economy of Vietnam. In 2005, he received the Third Class Labour award and again, in 2010 he was awarded the "Second Class Labour Medal". He has not been a director of any other publicly listed company in the last three years. Mr Lam is a director and shareholder of Corbyns International Limited, the Company's ultimate holding company.

Mr Alan Alexander Young
Non-Executive Director
Mr Young held the position of Managing Director (Chief Operating Officer) until 23 March 2015 when he resigned from all his executive positions with the Group and moved to a non-executive director capacity. He commenced his business career in the financial industry and was engaged for several years in banking and finance. In the past, he was involved in the administration of public companies, previously in the resource sector. Mr Young was a Fellow of the Institute of Corporate Secretaries and Administrators; however, he has allowed his membership to lapse since retiring from his executive positions. Mr Young is a Board member of all the Group's operating subsidiaries in Vietnam and has devoted all of his time to VII for the past 25 years. He has not been a director of any other publicly listed company in the last three years. Mr Young was a director of Corbyns International Limited until 14 February 2020. Mr Young is a member of the Audit Committee.

Mr Henry Han Kee Thong (appointed 21 May 2020)
Non-Executive Director and Company Secretary
FCPA MBA GAICD
Mr Thong was appointed as Director and Company Secretary on 21 May 2020. Mr Thong has over 20 years' experience in finance, management and governance. He has successfully run his own consulting practice, for several years and provided his clientele with executive support in the areas of financial management, governance and strategy across a variety of industries. He has held Chief Financial Officer and Company Secretarial roles with ASX listed companies in the past. Mr Thong is a member of the Audit Committee.

Mr Brendon John Grylls (appointed 15 June 2020)
Non-Executive Director
Mr Grylls was appointed as a Director on 15 June 2020. He was in public office for 16 years in Western Australia, most recently in 2016-2017 as Leader of the Nationals, Member for Pilbara, Minister for Housing & Minister for Racing, Gaming & Liquor. From 2017 until the present he has chaired the Gamula Foundation Trust which manages assets of close to $100 million on behalf of the traditional owners. Mr Grylls now works with a diverse range of businesses in resources, agribusiness, indigenous corporations, aviation & tourism. He had not been a director of any other publicly listed company in the last three years.

Mr Roger (Sing-Leong) Kwok (resigned on 13 May 2020)
Chairman and Independent Non-Executive Director
Mr Kwok resigned as a director of the Company on 13 May 2020. Mr Kwok is the Managing Director and shareholder of Arcadia Group in Perth which specialises in designing, developing and managing retirement resorts and premium properties. For the last 25 years, Mr Kwok has managed a number of Australian businesses in the automotive and healthcare sectors. He is a past president of The Western Australian Chinese Chamber of Commerce and brings significant experience in business relations in international markets, particularly China. He had not been a director of any other publicly listed company in the last three years. Mr Kwok was a member of the VII's Audit Committee until 13 May 2020.

Mr Andrew David Walker (resigned on 19 May 2020)
Independent Non-Executive Director
Bachelor of Medicine, Bachelor of Medical Science (Hons), MBA
Mr Walker resigned as a director of the Company on 19 May 2020. Mr Walker has qualifications in Medicine and Medical Science (Hons) from Newcastle University. He also has a MBA from The University of Melbourne. Before starting his business career, Andrew was an officer in the Australian Army in Australia's elite parachute battalion. Mr Walker has a wide range of Board experiences, in both public and private companies. He was the Past-Chairman of the Melbourne Chapter of the Young Presidents Organisation. He was named Australian Entrepreneur of the year in 2016 and in 2014 he was inducted into the Entrepreneurs Global Hall of Fame. Mr Walker is the Co-Founder and Co-Chairman of AMI Expenditionary Healthcare LLC (formerly Aspen Medical International LLC). Mr Walker was a member of VII's Audit Committee until 19 May 2020.

Mr Jonathan Heath Stuart Murray (resigned on 15 May 2020)
Independent Non-Executive Director
Bachelor of Laws and Commerce
Mr Murray resigned as a director of the Company on 15 May 2020. Mr Murray is a partner at independent law firm Steinepreis Paganin based in Perth, Western Australia. His specialist areas of practice include equity capital markets, mergers and acquisitions, corporate strategy and governance. He graduated from Murdoch University in 1996 with a Bachelor of Laws and Commerce (majoring in Accounting) and has over 20 years of legal experience. He is a non-executive director of ASX listed companies Peak Resources Limited and Hannans Limited in the last three years. Mr Murray was the Chairman of VII's Audit Committee until 15 May 2020. Mr Murray continues to be involved with the Company in his capacity as its general counsel.

Mr Michael Douglas Mann AM (resigned on 18 February 2020)
Independent Non-Executive Director
Mr Mann resigned on 18 February 2020. Following a cadetship at The Australian newspaper he joined what is now the Department of Foreign Affairs and Trade and had overseas assignments to Japan, Cambodia, Italy, China, Indonesia, Thailand, France, Laos and Vietnam. He was Ambassador in the last two countries. From 1988 to 1990 he was Assistant Secretary (Personnel) in the Department. In 1994, he was founding Chief Executive Officer of the Australia Television at the Australian Broadcasting Corporation and from 2002 to 2008 Founding President of RMIT International University Vietnam before becoming Managing Director (Asia-Pacific) for Laureate International Universities. Since 2012 he has been Chancellor of Torrens University Australia. From 2013 he has been Chair of Think Education previously being a Director of that company since 2011. He is also a Director of the Blue Mountains International Hotel Management School (since 2017) and the Australia-Vietnam Medical Foundation at Sydney University (since 2002). He was also on University Boards in China, India, South Africa, New Zealand and Japan. He had not been a director of any other publicly listed company in the last three years.

COMPANY SECRETARY

Mr Henry Han Kee Thong was appointed as Company Secretary of the Company from 21 May 2020

Mrs Patricia Williams (AGIA) (AGIS) is an associate of Governance Institute of Australia. Mrs Williams holds a Bachelor of Accountancy degree from the Philippines. She was appointed company secretary of the Company on 3 January 2012. Mrs Patricia Williams resigned from the position of Company Secretary on 13 May 2020.

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

At the date of this report, there were no unissued ordinary shares under options. The interests of the directors in the shares of the Company and related bodies corporate were:

	Note	*Ordinary Shares*
V. H. Lam	(1)	116,418,157
A. A. Young		-
H.H.K. Thong		-
B.J. Grylls		-
R.S.L. Kwok		-
A.D. Walker		-
J.H.S. Murray		-
M.D. Mann		-

Note:
(1) Mr Lam is a director and shareholder of Corbyns International Limited which owns 116,418,157 VII ordinary shares (Held directly: 116,308,510 ordinary shares and 109,647 ordinary shares held under HSBC Custody Nominee Australia Ltd).

	2019	2018
EARNINGS/(LOSS) PER SHARE	**Cents**	Cents
Basic and diluted (loss)/earnings per share	1.95	(0.97)

DIVIDENDS

There were no dividends paid, recommended or declared during 2019.

CORPORATE INFORMATION

Corporate Structure

VII is a company limited by shares that is incorporated and domiciled in Australia. It is the ultimate Australian parent entity. VII has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are outlined in the Group's corporate structure in Note 28.

Operating and Financial review

Operating and Financial Review of the consolidated entity for the year is set out in pages 4 to 9 in the Annual Report 2019.

Employees

The consolidated entity employed 663 employees as at 31 December 2019 (2018: 666 employees).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review, other than as outlined in the Operating and Financial Review section.

SUBSEQUENT EVENTS AFTER THE BALANCE DATE

In February 2020, NTC, local strategic partner, made payments to SSESTEEL of $3.696 million (VND60 billion) in relation to the loan receivable, $0.808 million in relation to the accrued interest on the loan receivable and $5.309 million in relation to the accrued interest on the advances.

The two pairs of additional induction furnaces to be installed by NTC were designed and fabricated by Chinese companies and the engineers and technicians constructing the project are Chinese Nationals. These personnel went home for the Chinese New Year holiday break and, at present, are unable to return to Vietnam due to COVID-19 restrictions imposed by Vietnam. There is no certainty as to when these personnel will be able to return to Vietnam to complete the installation of the induction furnaces.

Subsequent to end of the financial year, the COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. We have seen a significant impact on our business to date. The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of our business. The scale and duration of these developments remain uncertain as at the date of this report however they will have an impact on our earnings, cash flow and financial condition.

It is not possible to estimate the impact of the outbreak's near-term and longer effects or Governments' varying efforts to combat the outbreak and support businesses. This being the case, we do not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the Group at this time.

The financial statements have been prepared based upon conditions existing at 31 December 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 occurred after 31 December 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to financial statements as at 31 December 2019 for the impacts of COVID-19.

A non-executive director of VII, Mr Michael Douglas Mann, resigned his position on 18 February 2020. On 19 May 2020, the Company announced the resignations of directors, Mr Roger Sing-Leong Kwok (effective 13 May 2020), Mr Jonathan Heath Stuart Murray (effective 15 May 2020), and Dr Andrew David Walker (effective 19 May 2020) and the resignation of Mrs Patricia Williams as Company Secretary (effective 13 May 2020).

On 21 May 2020, the Company announced the appointment of Mr Henry Han Kee Thong as Director and Company Secretary of the Company and on 15 June 2020 announced the appointment of Mr Brendon John Grylls as a Non-executive Director.

In June 2020, the Vietnamese Government issued the Decree No.68/2020/ND-CP to amend and supplement Point 3, Article 8 of Decree No.20/2017/ND-CP regarding interest expenses of enterprises engaging in transactions with related parties. Among other changes, under the new Decree, maximum deductibility of interest expenses has been raised from 20% of earnings before interest, tax, depreciation and amortization (EBITDA) to 30% of net EBITDA. The calculation of deductible interest expense per Decree 68 could be retrospectively applied to tax years 2017 and 2018. Impacted enterprises are required to review and revise the Corporate Income tax return and submit the amendment prior to 1 January 2021. It is expected that the new Decree would result in a reversal of tax liabilities of $0.895 million booked in prior years in the 2020 financial statements.

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), this consideration to be by offset against Receivables from NTS JSC.

NTS JSC has advised that it is currently in discussion with various parties to provide additional capital to the company. When this additional capital is agreed and the funds paid to NTS JSC, Vietnam Industrial Investments Ltd will make an ASX announcement in regard to the revised capital structure of NTS JSC and its shareholding percentage.

There has been no other matter or circumstance that has arisen since the end of the 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.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity's operations are not subject to any significant environmental regulations under either the Commonwealth or State legislation. The Vietnam subsidiaries are subject to the Vietnamese environmental regulations. The Board believes that the consolidated entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the consolidated entity.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The consolidated entity expects to continue with the same operations as last year. The Group expects to continue with the commercial production of rebar and wire rod from its rolling mills in Haiphong, SSESTEEL and Vinausteel, produce billets and hot-rolled rebar with its strategic partner, NTS JSC and steel roofing and wood composite plastic products from Austnam JSC in Hanoi.

The continued operations are dependent on the Group having sufficient funding and working capital and further information in regard to likely developments is included in the Operating and Financial Review and Note 32 on the strategic partnership with NTC and in the section on Business Strategy and Prospects for Future Financial Years.

REMUNERATION REPORT (AUDITED)

The Company's remuneration policy is to ensure that remuneration levels are competitively set to be commensurate with director and executive responsibilities and to attract and retain appropriately qualified and experienced directors and senior executives.

The Board undertakes the role of the Remuneration Committee. The Board may obtain independent advice on appropriate remuneration packaging to ensure competitive structuring compared to local and international trends. There was no advice received during the financial year.

The Board reviews and approves remuneration policies and packages applicable to the Chief Executive Officer, senior executives and directors. The Board is also responsible for developing bonus and incentive schemes and professional indemnity and liability insurance.

The Company does not have any pre-determined KPIs which have been linked to the remuneration policy. In the absence of pre-determined KPIs, bonuses, if any, will be decided at the board's discretion based on the actual result of the previous year's performance. There were no bonuses paid to the directors in 2019 or during 2020 to date.

Details of Remuneration

Directors		Salary & Fees $	Short-term Cash Benefits and Bonus $	Non-Monetary Benefits $	Post employment Super-contributions $	Other Long-term Benefits $	Total $
R. S. L. Kwok (i)	2019	60,000	-	-	5,700	-	65,700
(Independent Non-Executive Director/ Chairman)	2018	60,000	-	-	5,700	-	65,700
A. D. Walker (ii)	2019	50,000	-	-	-	-	50,000
(Independent Non-Executive Director)	2018	50,000	-	-	-	-	50,000
A. A. Young (iii)	2019	138,819	-	17,409	-	-	156,228
(Non-Executive Director)	2018	142,312	-	16,878	-	-	159,190
J.H.S. Murray (iv)	2019	50,000	-	-	-	-	50,000
(Independent Non-Executive Director)	2018	50,000	-	-	-	-	50,000
V. H. Lam (v)	2019	637,942	-	26,378	-	-	664,320
(Acting Chairman & Chief Executive Officer)	2018	620,570	-	24,146	-	-	644,716
M.D. Mann (vi)	2019	50,000	-	-	-	-	50,000
(Independent Non-Executive Director)	2018	50,000	-	-	-	-	50,000
Total	2019	986,761	-	43,787	5,700	-	1,036,248
	2018	972,882	-	41,024	5,700	-	1,019,606
Other KMP							
P Williams(vii)	2019	143,552	-	-	13,300	2,325	159,177
(Company secretary)	2018	135,714	-	-	13,300	2,334	151,348
L.H. Nguyen(viii)	2019	118,734	7,421	-	-	-	126,155
(Chief Financial Officer)	2018	-	-	-	-	-	-
Total	2019	262,286	7,421	-	13,300	2,325	285,332
	2018	135,714	-	-	13,300	2,334	151,348

(i) Mr Kwok's non-executive director's fee was $60,000 per annum (2018: $60,000) with superannuation of $5,700 (2018: $5,700).

(ii) Mr Walker's non-executive director's fee was $50,000 per annum (2018: $50,000). No superannuation is paid to Mr Walker as he is based overseas.

(iii) Mr Young's director's fee is $20,000 per annum (2018: $20,000). The balance of $136,228 (2018: $139,190) paid to him includes to his consultancy services for the Group in the amount of $118,819 and non-monetary benefits of $17,409 (2018: $16,878). His consultancy service included Group compliance with the regulations in Australia and Vietnam.

(iv) Mr Murray's non-executive director's fee was $50,000 per annum (2018: $50,000) excluding GST. His non-executive director's fees are paid to his legal firm, Steinepreis Paganin.

(v) Mr Lam's remuneration is USD462,500 per annum which equated to $664,320 (2018: $644,716). At 31 December 2019, the balance owing to Mr Lam is $138,742 (2018: $455,519).

(vi) Mr Mann's non-executive director's fee was $50,000 per annum (2018: $50,000). No superannuation is paid to Mr Mann as he was based overseas.

(vii) Mrs Williams' base salary was $140,000, excluding superannuation. Included in her base salary is an annual leave adjustment of $3,552 (2018: $4,286 credit adjustment).

(viii) On 26 February 2019, Mrs Nguyen Thi Hong Linh was appointed as Chief Financial Officer. Mrs Linh is employed on a standard employment contract and is eligible for general bonuses subject to company performance and at Management discretion. There are no specific KPI-linked bonuses within the employment contract. Mrs Linh has subsequently resigned her position of Chief Financial Officer.

A non-executive director of VII, Mr Michael Mann, resigned his position on 18 February 2020.

On 19 May 2020, the Company announced the resignations of directors, Mr Roger Sing-Leong Kwok (effective 13 May 2020), Mr Jonathan Heath Stuart Murray (effective 15 May 2020), and Dr Andrew David Walker (effective 19 May 2020) and the resignation of Mrs Patricia Williams as Company Secretary (effective 13 May 2020).

On 21 May 2020, the Company announced the appointment of Mr Henry Han Kee Thong as Director and Company Secretary of the Company and, on 15 June 2020, the appointment of Mr Brendon Grylls as a Non-executive Director.

The directors and executives did not receive any short-term or long-term incentives in 2019 and 2018 other than Mrs Nguyen Thi Hong Linh as described above. Only fixed remuneration was paid to the directors and executives.

Non-monetary benefits of certain directors and senior executives pertain to benefits in relation to their employment in Vietnam.

Other than the directors and executives stated on the above tables, there were no other executives that meet the criteria for the key management personnel of the consolidated entity during the year.

Non-Executive Directors' Fees

The non-executive directors' fee is $50,000 per annum with the Chairman receiving an additional $10,000 per annum with the exception of Mr Young whose director's fee is $20,000 per annum representing a portion of his remuneration for work undertaken in, or pertaining to, Australia. The balance of his remuneration is paid by the Company's subsidiaries in Vietnam.

Fees and payments made to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the directors. Non-Executive Directors' fees have been reviewed by the Board. Non-Executive Directors' fees are based on comparative roles in the external market.

The Non-Executive Directors are paid a set amount per year and, apart from reimbursement of expenses incurred on the Company's behalf, are not eligible for any additional payments.

The Non-Executive Directors' fees are reviewed annually by the Board and the maximum aggregate remuneration payable to Non-Executive Directors is $500,000 per year.

Share options

There were no share-based payments made to key management personnel during the year (2018: Nil).

Service Agreements

Contractual arrangements for senior executives are unlimited in term and provide for a termination period of one month's notice. On termination of employment, senior executives are entitled to receive their entitlements to accrued annual and long service leave, together with any superannuation benefits.

Shareholdings of Key Management Personnel

Shares held in Vietnam Industrial Investments Limited:

2019	Beginning balance 1 January 2019	Granted as remuneration	On exercise of options	Net change other	Ending balance 31 December 2019
Directors					
R.S.L Kwok	-	-	-	-	-
V. H. Lam[(i)]	116,370,483	-	-	47,674	116,418,157
A. A. Young	-	-	-	-	-
A.D. Walker	-	-	-	-	-
J.H.S. Murray	-	-	-	-	-
M.D.Mann					
Executives					
P. Williams	-	-	-	-	-
L. H. Nguyen	-	-	-	-	-

Note:
[(i)] As at 31 December 2019, Mr Lam is a director and shareholder of Corbyns International Limited (Corbyns) which holds 116,418,157 ordinary shares in the Company, of which 116,308,510 shares are registered to Corbyns and 109,647 shares are registered to HSBC Custody Nominees Australia Limited. As at 31 December 2019, the total number of VII shares on issue is 142,277,423 (2018: 142,277,423).

All equity transactions with key management personnel have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

Option holdings of Key Management Personnel

There are no options granted as remuneration and outstanding at 31 December 2019 to key management personnel (2018: Nil). There have been no other transactions concerning shares or share options between entities in the reporting entity and directors of the reporting entity or their director-related entities.

Other transactions and balances with Key Management Personnel and their related parties

The remuneration of key management personnel are set out in pages 13 to 17.

Previously, the Company subleased its office accommodation at Unit 5A, 1 Station Street, Subiaco, Western Australia 6008 from Arcadia Group Pty Ltd ("Arcadia") of which Mr Kwok is a Managing Director and a shareholder. The lease and bookkeeping services were terminated in January 2019. The lease rental for part of the year was $5,250 (2018: $63,000) (excluding GST). The lease with Arcadia was made in the ordinary course of business and on normal commercial terms and conditions. Also, the Company paid bookkeeping services to Arcadia of $2,000 during the year (2018: $24,000) (excluding GST). On 1 February 2019, the Company relocated its registered address to Level 24 Allendale Square, 77 St Georges Terrace, Perth Western Australia 6000 in which the directors have no interests.

During the year, the Company obtained legal services from Steinepreis Paganin, a legal firm which Mr Murray is a partner, under commercial terms and conditions. The legal fees paid during the year was $21,502 (2018: $6,479) (excluding GST).

REMUNERATION REPORT (AUDITED) (CONTINUED)

Retirement Policy

Directors and employees of the parent company may be entitled to a retirement benefit. Retirement benefits are in addition to any accrued statutory annual leave and long service leave entitlements accrued by the employee and superannuation shall be payable on the retirement benefits. The total payment to a director or an employee on retirement or termination (retirement benefits, plus annual and long service leave entitlements) may not exceed the *Corporations Act 2001* limits. Any determination and payment of termination benefits will be at the discretion of the Board of Directors and will be determined on a case to case basis.

Performance Evaluation

There is no formal performance evaluation made for the Directors during the year. However, the Board of Directors continuously assess the effectiveness of the Board's performance. No formal performance evaluations were performed for senior executives during the year.

The following table shows the earnings/(loss) per share and share price of the Group for the last 5 years:

	2019	2018	2017	2016	2015
Earnings/(loss) per share (in cents)	1.95	(0.97)	1.68	6.05	6.94
Share price (in cents) – 31 December	31	30	33	41	9

End of the Remuneration Report.

DIRECTORS' MEETINGS

For the year ended 31 December 2019, the number of meetings at which Directors were in attendance is as follows:

	Directors' Meetings		**Audit Committee Meetings**	
	No. of meetings held while in office	**Meetings attended**	**No. of meetings held while in office**	**Meetings attended**
R. S. L. Kwok	5	5	3	3
A. D. Walker	5	4	3	3
V. H. Lam	5	3	-	-
A. A. Young	5	4	-	-
J.H.S. Murray	5	5	3	3
M.D.Mann	5	4	-	-

There are board meetings of each of the Company's subsidiary companies in which members of the Board participate. There were no circular resolutions during the year.

The Board undertakes the role of the Remuneration Committee.

SHARE OPTIONS

Unissued shares

As at the date of this report there were no unissued ordinary shares under options. Since the Company has not issued any share options, there were no shares issued as a result of the exercise of options.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has not, during or since the end of financial year, in respect of any person who is or has been an officer of the Company or related body corporate, indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer; including costs and expenses in successfully defending any legal proceedings.

During the financial year the Company has paid premiums in respect of Directors' and Officers' Liability and Company Reimbursement Insurance contracts for the current directors and officers. The total amount of insurance contract premiums paid was $30,000. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of this insurance, as such disclosure is prohibited under the terms of the contract.

In the event that this Policy is neither renewed nor replaced for any reason, other than for non-payment of premium, then any Director or officer who retires from all paid employment and office with the Company during the Policy Period but prior to any Merger or Acquisition, shall be entitled to an automatic Discovery Period of 120 months following expiry of the Policy Period. The policy expired on 21 May 2020 and the insurer has declined to renew the policy. New Directors, Mr Thong and Mr Grylls have been indemnified by the Company for matters that have arisen prior to their joining the VII Board.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) where noted ($'000) 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 this legislative instrument applies.

PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the *Corporations Act 2001*.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors received the declaration from the auditor of Vietnam Industrial Investments Limited.

Non-Audit Services
The following non-audit services were provided by the entity's auditor, Ernst & Young Australia. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that the auditor independence was not compromised.

Ernst & Young Australia received or are due to receive the following amounts for the provision of non-audit services during the current year:

Tax services in relation to income tax preparation	$16,500
Total	$16,500

Signed in accordance with a resolution of the directors.

LAM VAN HUNG
Acting Chairman & Chief Executive Officer

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

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Auditor's independence declaration to the Directors of Vietnam Industrial Investments Limited

As lead auditor for the audit of the financial report of Vietnam Industrial Investments Limited for the financial year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit*;* and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Vietnam Industrial Investments Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

V L Hoang
Partner
Perth
2 November 2020

CORPORATE GOVERNANCE STATEMENT

A copy of the Company's Corporate Governance policies and practices during the financial year ended 31 December 2019 is available at the Company's website at www.vii.net.au/Governance/Appendix4G.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	2019 $'000	2018 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	7	15,542	21,743
Trade and other receivables	8	55,773	85,916
Advances to suppliers	9	115,765	24,423
Inventories	10	24,424	38,074
Other financial assets at fair value through profit or loss	11	4	9
Other current assets	12	364	427
Total Current Assets		211,872	170,592
Non-current Assets			
Other receivable	13	3,696	7,330
Property, plant and equipment	14	10,305	12,232
Right-of-use assets		1,237	-
Deferred tax assets	6 (d)	1,272	1,144
Intangible assets and goodwill	15	78	80
Other non-current assets	16	655	638
Total Non-current Assets		17,243	21,424
TOTAL ASSETS		229,115	192,016
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	17	45,298	27,928
Lease liabilities		173	-
Advances from customers	33	6,950	2,419
Income tax provision	6 (e)	2,615	2,118
Interest-bearing loans and borrowings	18	110,417	101,557
Provisions	19	857	889
Total Current Liabilities		166,310	134,911
Non-current Liabilities			
Lease liabilities		1,113	-
Total Non- current Liabilities		1,113	-
TOTAL LIABILITIES		167,423	134,911
NET ASSETS		61,692	57,105
EQUITY			
Equity attributable to equity holders of parent			
Contributed equity	20	27,819	27,819
Reserves	21	(4,257)	(4,778)
Retained earnings	22	31,933	29,161
Parent interests		55,495	52,202
Non-controlling interests	23	6,197	4,903
TOTAL EQUITY		61,692	57,105

The above financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 $'000	2018 $'000
Continuing operations			
Revenue from contracts with customers	5	607,932	554,605
Interest revenue from banks calculated using the effective interest method	5	2,340	2,251
Interest revenue from others calculated using the effective interest method	5	6,268	3,826
Revenue		616,540	560,682
Cost of sales	5	(583,444)	(539,176)
Gross profit		33,096	21,506
Other income	5	61	190
Selling expenses	5	(7,481)	(6,834)
Administrative expenses	5	(11,249)	(9,278)
Finance costs	5	(8,506)	(5,204)
Profit before income tax		5,921	380
Income tax expense	6 (a)	(1,546)	(1,071)
Net profit/(loss) after tax from continuing operations		4,375	(691)
Discontinued operation			
Net loss after tax from discontinued operation	34	(337)	(541)
Net profit/(loss) for the year		4,038	(1,232)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences – attributable to parent		408	3,834
Reclassification of foreign currency translation reserve on disposal of subsidiary		113	-
Items that may not be reclassified subsequently to profit or loss			
Foreign currency translation differences – attributable to non-controlling interests		36	376
Other comprehensive income for the year		557	4,210
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		4,595	2,978
Net profit/(loss) after tax attributable to:			
Owners of parent		2,772	(1,385)
Non-controlling interests		1,266	153
		4,038	(1,232)
Total comprehensive income net of tax attributable to:			
Owners of parent		3,293	2,449
Non-controlling interests		1,302	529
		4,595	2,978
		Cents	Cents
Profit/(loss) per share (cents per share) for continuing operations attributable to the ordinary equity holders of the company:			
- basic and diluted earnings/(loss) per share (cents per share)		2.19	(0.59)
Profit/(loss) per share (cents per share) attributable to the ordinary equity holders of the company:			
- basic and diluted earnings/(loss) per share (cents per share)		1.95	(0.97)

The above financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to equity holders of the parent					*Non-controlling interests*	*Total equity*
	Contributed equity	*Foreign currency translation reserves*	*Retained earnings*	*Legal reserve*	*Owners of the parent*		
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 January 2019	27,819	(5,902)	29,161	1,124	52,202	4,903	57,105
Net profit for the year	-	-	2,772	-	2,772	1,266	4,038
Other comprehensive income	-	521	-	-	521	36	557
Total comprehensive income for the year	-	521	2,772	-	3,293	1,302	4,595
Disposal of a subsidiary	-	-	-	-	-	(8)	(8)
At 31 December 2019	27,819	(5,381)	31,933	1,124	55,495	6,197	61,692
At 1 January 2018	27,819	(9,736)	32,680	1,124	51,887	4,841	56,728
Net loss for the year	-	-	(1,385)	-	(1,385)	153	(1,232)
Other comprehensive income	-	3,834	-	-	3,834	376	4,210
Total comprehensive income for the year	-	3,834	(1,385)	-	2,449	529	2,978
Dividends to shareholders	-	-	(2,134)	-	(2,134)	-	(2,134)
Dividends by subsidiaries	-	-	-	-	-	(467)	(467)
At 31 December 2018	27,819	(5,902)	29,161	1,124	52,202	4,903	57,105

The above financial statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of VAT)		704,776	584,144
Payments to suppliers and employees (inclusive of VAT)		(720,981)	(580,501)
Interest received		9,332	2,292
Interest paid		(8,399)	(5,205)
Interest paid on lease liabilities		(107)	-
Income taxes paid		(1,183)	(546)
Net cash flows (used in)/provided by operating activities	7 (a)	(16,562)	184
Cash flows from investing activities			
Proceeds from/(funding of) term deposits		2,159	(8,249)
Net cash transfer on disposal of subsidiary		(94)	-
Purchase of property, plant and equipment		(351)	(1,035)
Proceeds from sale of property, plant and equipment		35	-
Net cash flows provided by/(used in) investing activities		1,749	(9,284)
Cash flows from financing activities			
Proceeds from bank borrowings		454,482	490,477
Repayment of bank borrowings		(445,892)	(504,457)
Lease liabilities payments		(160)	-
Dividends paid to shareholders		-	(2,133)
Dividends paid to non-controlling interests		-	(467)
Net cash flows provided by/(used in) financing activities		8,430	(16,580)
Net decrease in cash and cash equivalents		(6,383)	(25,680)
Net foreign exchange differences		182	2,168
Cash and cash equivalents at beginning of year		21,743	45,255
Cash and cash equivalents at end of year	7	15,542	21,743

The above financial statements should be read in conjunction with the accompanying notes.

1. COMPANY INFORMATION

The consolidated financial statements of Vietnam Industrial Investments Limited and its subsidiaries ("the Group") for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 2 November 2020.

Vietnam Industrial Investments Limited is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange Limited ("ASX"). The Group's registered address is c/o Acumen Wealth Management, Unit B8, Level 1, 431 Roberts Road, Subiaco, Western Australia 6008, Australia.

At 31 December 2019, the ultimate parent is Corbyns International Limited which owns effectively 81.79% (81.75% directly and 0.04% indirectly) of the VII ordinary shares. The nature of the operations and principal activities of the Group are described in the Directors' Report and Note 28.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for financial assets carried at fair value through profit or loss.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated. Certain comparative items have been reclassified to conform to current year presentation.

(a) Compliance with IFRS

The financial report also complies with the Australian Accounting Standards and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

(b) New and amended accounting standards and interpretations

(i) Changes in accounting policy and disclosures

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the previous year except for the adoption of new and amended accounting standards and interpretations effective as of 1 January 2019. The Group has not early adopted any accounting standard, interpretation or amendment that has been issued but is not yet effective.

Effective 1 January 2019, the Group adopted AASB 16 *Leases* ("AASB 16") and AASB Interpretation 23 *Uncertainty over Income Tax Treatments* ("AASB Interpretation 23"). The nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group and hence have not been disclosed.

AASB 16

AASB 16 was issued in January 2016 and replaced AASB 117 *Leases* ("AASB 117"), AASB Interpretation 4 *Determining whether an Arrangement contains a Lease* ("AASB Interpretation 4"), AASB Interpretation-115 *Operating Leases-Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under AASB 117.

Group as lessee

The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

(b) New and amended accounting standards and interpretations (continued)

(i) Changes in accounting policy and disclosures (continued)

Group as lessor
Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.

***Impact of adopting* AASB 16**

The impacts of adopting this standard are as follows:

Effective 1 January 2019, the Group adopted AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019, and as such the comparatives have not been restated. There was no impact of adoption on opening retained profits as at 1 January 2019.

Before the adoption of AASB 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or operating lease. For operating leases, the leased property was not capitalised and the lease payments were recognised as an expense in profit or loss on a straight-line basis.

On adoption of AASB 16 the Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. For all of the leases, on adoption, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate for a portfolio of leases with reasonably similar characteristics
- Relied on its previous assessment of whether leases were onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases where the lease term that ended within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

During the period, the detailed impact of AASB 16 is as follows:

The effect of adoption AASB 16 as at 1 January 2019 is, as follows:

	1 January 2019 $'000	**31 December 2019 $'000**
Assets		
Non-current assets – Right-of-use assets	1,340	1,237
Liabilities		
Current liabilities - lease liabilities	470	173
Non-current liabilities - lease liabilities	870	1,113
Total adjustment to equity		
Retained Earnings	-	

Lease liability reconciliation on transition:

	$'000
Operating lease commitments at 31 December 2018 as disclosed in the Group's consolidated financial statements	1,451
Present value discounting	(111)
Lease liabilities at 1 January 2019	1,340

Principal repayments on lease liabilities of $0.160 million were presented as financing cash flows in the consolidated statement of cash flows. Interest repayments on lease liabilities of $0.107 million for the year ended 31 December 2019 were presented as operating cash flows in the consolidated statement of cash flows which was consistent with 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards and interpretations (continued)

(i) Changes in accounting policy and disclosures (continued)

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application was 9%.

The Group also considered its strategic supply arrangement with NTC and concluded that there was no embedded lease under AASB 16 within this arrangement. In reaching this conclusion, the Group considered the extent of involvement on NTC operations and concluded that it does not have the right to direct the use of the NTC plant.

Right of use asset

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2(d) Impairment of non-financial assets other than goodwill.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group’s lease liabilities are included in Interest-bearing loans and borrowings (see Note 18).

AASB Interpretation 23

The Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 *Income Taxes* when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:

- ► Whether an entity considers uncertain tax treatments separately
- ► The assumptions an entity makes about the examination of tax treatments by taxation authorities
- ► How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- ► How an entity considers changes in facts and circumstances.

There was no impact on adopting AASB Interpretation 23.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards and interpretations (continued)

(ii) New and amended Accounting standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 31 December 2019 are outlined in the table below.

Reference	Title	Summary	Application date of standard	Impact on Group financial report
Conceptual Framework AASB 2019-1	*Conceptual Framework for Financial Reporting* *Amendments to Australian Accounting Standards – Reference to the Conceptual Framework*	The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows: ► Chapter 1 – The objective of financial reporting ► Chapter 2 – Qualitative characteristics of useful financial information ► Chapter 3 – Financial statements and the reporting entity ► Chapter 4 – The elements of financial statements ► Chapter 5 – Recognition and derecognition ► Chapter 6 – Measurement ► Chapter 7 – Presentation and disclosure ► Chapter 8 – Concepts of capital and capital maintenance AASB 2019-1 has also been issued, which sets out the amendments to other pronouncements for references to the revised Conceptual Framework. The changes to the Conceptual Framework may affect the application of accounting standards in situations where no standard applies to a particular transaction or event. In addition, relief has been provided in applying AASB 3 and developing accounting policies for regulatory account balances using AASB 108, such that entities must continue to apply the definitions of an asset and a liability (and supporting concepts) in the *Framework for the Preparation and Presentation of Financial Statements* (July 2004), and not the definitions in the revised Conceptual Framework.	1 January 2020	The Group will consider in the future the revised Conceptual Framework for Financial Reporting.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards and interpretations (continued)

(ii) Accounting standards and Interpretations issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report
AASB 2018-6	*Amendments to Australian Accounting Standards – Definition of a Business*	The Standard amends the definition of a business in AASB 3 *Business Combinations*. The amendments clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.	1 January 2020	The Group has yet to determine if this amendment would have any impact from 1 January 2020.
AASB 2018-7	*Amendments to Australian Accounting Standards – Definition of Material*	This Standard amends AASB 101 *Presentation of Financial Statements* and AAS 108 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.	1 January 2020	The Group has yet to determine if this amendment would have any impact from 1 January 2020.
AASB 2019-2	*Amendments to Australian Accounting Standards – Implementation of AASB 1059*	This Standard amends AASB 16 and AASB 1059 mainly to provide practical expedient to grantors of service concession arrangements so that AASB 16 need not be applied to assets that would be recognised as service concession assets under AASB 1059 and to clarify measurement requirements of the liability of grantors that use the modified retrospective approach upon initial adoption of AASB 1059.	1 January 2020	The Group has yet to determine if this amendment would have any impact from 1 January 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards and interpretations (continued)

(ii) Accounting standards and Interpretations issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report
AASB 2019-3	*Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*	These amendments were issued in response to the effects of Interbank Offered Rates reform on financial reporting and provide mandatory temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate.	1 January 2020	The Group does not have hedge transactions. The Group will assess any impact of this amendment in the future.
AASB 2019-5	*Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*	This Standard amends AASB 1054 by adding a disclosure requirement for an entity intending to comply with IFRS Standards to disclose the information specified in paragraphs 30 and 31 of AASB 108 on the potential effect of an IFRS Standard that has not yet been issued by the AASB so that such entity complying with Australian Accounting Standards can assert compliance with IFRS Standards.	1 January 2020	The Group will consider these amendments from 1 January 2020.
AASB 2014-10	*Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in AASB 3 *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.	1 January 2022	The Group will assess any impact of this amendment in the future.
AASB 2020-1	*Amendments to AASs – Classification of Liabilities as Current or Non-current*	A liability is classified as current if the entity has no right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. The AASB recently issued amendments to AASB 101 to clarify the requirements for classifying liabilities as current or non-current.	1 January 2022	The Group has yet to determine if this amendment would have any impact from 1 January 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards and interpretations (continued)

(ii) Accounting standards and Interpretations issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report
AASB 2020-3	*Amendment to AASB 9 – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Part of Annual Improvements 2018–2020 Cycle)*	The amendment to AASB 9 clarifies that fees included in the 10 per cent test are limited to fees paid or received between the borrower and the lender, including amounts paid or received by them on the other's behalf. When assessing the significance of any difference between the new and old contractual terms, only the changes in contractual cash flows between the lender and borrower are relevant. Consequently, fees incurred on the modification or exchange of a financial liability paid to third parties are excluded from the 10 per cent test.	1 January 2022	The Group has yet to determine if this amendment would have any impact from 1 January 2022.
AASB 2020-3	*Amendments to AASB 137 – Onerous Contracts—Cost of Fulfilling a Contract*	AASB 137 does not specify which costs to include in determining the cost of fulfilling a contract. Consequently, AASB 137 was amended to clarify that when assessing whether a contract is onerous, the cost of fulfilling the contract comprises all costs that relate directly to the contract, which includes both the: ► Incremental costs of fulfilling that contract (e.g., materials and labour); and ► An allocation of other costs that relate directly to fulfilling contracts (e.g., depreciation of property, plant and equipment)	1 January 2022	The Group has yet to determine if this amendment would have any impact from 1 January 2022.
AASB 2020-3	*Amendment to AASB 141 –Taxation in Fair Value Measurements (Part of Annual Improvements 2018–2020 Cycle)*	The AASB has removed from AASB 141 the requirement to exclude taxation cash flows when measuring fair value. Such removal aligns with the principles of fair value measurement in AASB 13.	1 January 2022	The Group has yet to determine if this amendment would have any impact from 1 January 2022.
AASB 2020-4	*Amendments to AASs – Covid-19-Related Rent Concessions*	The IASB received feedback that assessing whether covid-19 rent concessions are lease modifications could be challenging, compounding the IFRS 16 implementation work lessees have recently undertaken. Consequently, the Board amended IFRS 16, allowing lessees to not account for rent concessions as lease modifications, provided certain conditions are met.	1 January 2021	The Group has yet to determine if this amendment would have any impact from 1 January 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Vietnam Industrial Investments Limited and its subsidiaries ('the Group') as at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights to variable returns from involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of the voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of the other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interests and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

(d) Significant accounting judgements, estimates, and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. The following judgements, estimates and assumptions have the most significant effect on the amounts recognised in the consolidated financial statements:

Recovery of loans, advances and receivables under the Strategic Supply Agreement
The Board commissioned Hoang Quang Appraisal Co. Ltd to conduct an independent valuation of NTC. This report was tabled at the Board in June 2020. The valuation reported an enterprise value of VND 3,662 billion based on projected cash flows and a liquidated asset value of VND 3,078 billion. Both values exceeded of the combined exposure of NTC's bank and the Company. This report has provided the Directors a level of assurance on the long term recoverability of SSESTEEL's exposure to NTC. SSESTEEL has entered into a contract which will acquire VND 858 billion in fixed assets from NTC. Part consideration will be offset to current receivables from NTC. On completion of legal and banking negotiations, the current receivables from NTC will reduce by approximately 24%. Notwithstanding the preceding developments, Management acknowledges at 31 December 2019 there remains uncertainty on:

- the recovery of the advances, loans and receivables of $127.749 million as disclosed in Note 32, either through future cash flows or realisation of security assets; and
- the current/non-current classification and potential re-measurement adjustments arising from variation from the original contractual cashflows in accordance with AASB 9 Financial Instruments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
(d) Significant accounting judgements, estimates, and assumptions (continued)

Recovery of loans, advances and receivables under the Strategic Supply Agreement (continued)

Recoverability is 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. Whilst this outcome cannot be guaranteed as at the report date, management continues to work closely with the local strategic partner NTC and believes that the objectives of the strategic supply arrangement can be achieved and the Groups' loans, advances and receivables can be fully repaid in accordance with the contractual arrangements.

Retrospective volume-based discounts
The Group offers retrospective volume-based discounts to some customers on a discrete calendar basis. Consequently, the transaction price includes variable consideration.

To estimate the variable consideration, the Group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. Volume-based discounts are determined on a discrete calendar year basis and as such the revenue recognised at 31 December 2019 reflects all discounts offered during the period. The group has applied judgement in not constraining revenue for this variable consideration on the basis that there is no history of significant reversals of revenue subsequent to the balance sheet date.

Timing of revenue recognition
Revenue from the sale of goods is recognised when control of the goods is transferred to the buyer. The Group determined the point of revenue recognition based on the circumstances of each sale with customers. This is recognised on the delivery of the goods to the customer.

Expected credit losses on trade receivables
The Group uses a provision matrix to calculate ECLs for trade receivables. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information including forecast economic conditions. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 8.

Impairment of non-financial assets other than goodwill
The Group assesses impairment of all non-financial assets at each reporting date by evaluating the conditions specific to the Group and to the particular asset that may lead to impairment. These include market value of the assets, technology, economic and political environments, interest rates, physical assets' conditions and financial performance of the subsidiaries. An impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The Group used the value in use calculation based on the discounted cash flow ("DCF") model. The cash flows are derived from the expected cash flows over the remainder of the current investment licences of CGUs tested and do not include any enhancements to the asset's performance. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the CGUs, including a sensitivity analysis, are disclosed and further explained in Note 14.

Taxation
The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only to the extent it is probable that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions.

Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the profit or loss.

Estimation of useful lives of plant, property and equipment
The estimation of useful lives of plant, property and equipment has been based on historical experience, assessment of the asset's condition yearly and consideration of the remaining useful lives of assets.

Embedded leases
The Group considered its strategic supply arrangement with NTC and concluded that there was no embedded lease under AASB 16 within this arrangement. In reaching this conclusion, the Group considered the extent of involvement on NTC operations and concluded that it does not have the right to direct the use of the NTC plant. Refer to Note 2(b)(ii) for further disclosure on leases.

Classification of loans, advances and receivables
In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model. The Group has met the SPPI test in relation to the NTC advances, and therefore is able to recognise these amounts at amortised cost.

(e) Foreign currencies

The Group's consolidated financial statements are presented in Australian dollars ($) which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currencies of the overseas subsidiaries are Vietnamese Dong (VND) and Singapore Dollar (SGD) which are translated to the presentation currency.

(i) Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulated amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items, if any, are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the items (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Foreign currencies (continued)

In determining the spot rate to use on initial recognition of the related asset, expense, or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

(ii) Group companies
On consolidation the assets and liabilities of foreign operations are translated into Australian Dollars (presentation currency) at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

(f) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

(g) Trade receivables

Trade receivables, which are generally on a 45-day term, are recognised initially at their transaction price. Trade receivables that are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principle and interest are classified and subsequently measured at amortised cost. Following initial recognition the amortised cost is calculated using the effective interest method.

The Group assesses on a forward looking basis the expected credit loss associated with its trade receivables carried at amortised cost. The expected credit loss is calculated using the simplified approach which requires the loss allowance to be based on the lifetime expected credit loss. In determining the expected credit loss the Group assesses the profile of the debtors and compares with historical recoverability trends, adjusted for factors that are specific to the debtors’ general economic conditions and an assessment of both the current and forecast conditions as a reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials – cost of purchase on weighted average basis.
- Tools and supplies – cost of purchase on weighted average basis.
- Finished goods – cost of direct materials and labour and plus attributable overheads based on the normal levels of activities on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

i) Other financial assets and liabilities

Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, at amortised cost, financial assets at fair value through profit or loss, fair value through other comprehensive income as appropriate. Financial assets, excluding trade receivables which are recognised at their transaction price, are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, and quoted financial instruments.

The Group has not recognised any financial assets at fair value through other comprehensive income.

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as described below:

(i) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of comprehensive income.

(ii) Amortised cost
In order for a financial asset to qualify for measurement as amortised cost, it has to pass both the contractual cash flow characteristics test as well as the business model test. Under the contractual cash flow characteristics test, an entity has to assess, whether the cash flows resulting from the financial asset are solely payments for principal and interest on the outstanding principal amount. Under the business model test the objective is to hold financial assets in order to collect contractual cash flows.

Receivables that are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principle and interest are classified and subsequently measured at amortised cost using the effective interest rate method. Receivables that do not meet the criteria for amortised cost are measured at fair value through profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Other financial assets and liabilities (continued)

Impairment of financial assets carried at amortised cost
The Group assesses on a forward looking basis the expected credit loss associated with its construction contractor receivables and trade and other receivables (including loans and advances to suppliers).

The expected credit loss for construction contractor receivables and trade receivables is calculated using the simplified approach which requires the loss allowance to be based on the lifetime expected credit loss. In determining the expected credit loss the Group assesses the profile of the debtors and compares with historical recoverability trends, adjusted for factors that are specific to the debtors' general economic conditions and an assessment of both the current and forecast conditions as a reporting date.

For other financial assets, the expected credit loss is based on the 12-month expected credit loss. The 12-month expected credit loss is the portion of lifetime expected credit losses that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss.

The Group considers an event of default has occurred when a financial asset is more than 90 days past due or external sources indicate that the debtor is unlikely to pay its creditors, including the Group. A financial asset is credit impaired when there is evidence that the counterparty is in significant financial difficulty or a breach of contract, such as a default or past due event has occurred. The Group writes off a financial asset when there is information indicating the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or at amortised cost as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, and loans and borrowings. Trade and other payables are described at (m).

Subsequent measurement
The measurement of financial liabilities depends on their classification, described as follows:

Amortised cost
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process. This category generally applies to interest-bearing loans and borrowings.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Property, plant and equipment

Construction in progress is stated at cost, net of accumulated impairment losses, if any. Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria is satisfied. All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Buildings and improvements – over 5-27 years
Plant and equipment – over 1-20 years
Motor Vehicles – over 3- 8 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

(k) Goodwill and Intangible assets

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for any non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

When goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Goodwill and Intangible assets (continued)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible assets.

A summary of the policies applied to the Group's intangible assets is as follows:

	Software costs	Land rights
Useful lives	Finite	Finite
Method used	1-5 years - Straight line	20-48 years – Straight line
Internally generated / Acquired	Acquired	Acquired
Impairment test / Recoverable amount testing	Amortisation method reviewed at each financial year-end; Reviewed annually for indicators of impairment	Amortisation method reviewed at each financial year-end; Reviewed annually for indicator of impairment

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

Non-financial assets other than goodwill are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

(m) Trade and other payables

Trade and other payables are carried at amortised cost due to their short term nature and are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(n) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(o) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risk specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Employee provisions and other post-employment benefits

(i) Wages, salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave
The liability for long service leave is recognised in the provision for employee benefits and is measured using the projected unit credit method. Expected future payments are discounted using the market yields at the reporting date on national government bonds or high quality corporate bonds, as appropriate, with terms to maturity and currencies that match as closely as possible, the estimated future cash flows.

(iii) Retirement benefit obligations
The parent company contributes to several defined contribution superannuation plans. Contributions are recognised as an expense as they are incurred. Directors and employees of the parent company may be entitled to a retirement benefit. Retirement benefits are in addition to any accrued statutory annual leave and long service leave entitlements accrued by employee and superannuation shall be payable on the retirement benefits. The total payment to a director or an employee on retirement or termination (retirement benefits, plus annual and long service leave entitlements) may not exceed the Corporations Act limits. Any determination and payment of termination benefits will be at the discretion of the Board of Directors and will be determined on a case to case basis.

(q) Leases

From 1 January 2019
Upon adoption of AASB 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2(b) for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Up to 31 December 2018
Operating lease payments were recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

(r) Revenue from contracts with customers

Revenue from contracts with customers is recognised when the control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Sale of goods
Revenue from the sale of goods is recognised at the point in time when the performance obligations is met and control of steel has passed to the buyer, usually on delivery of the goods. In determining the transaction price for the sale of steel, the Group considers the effects of variable consideration. Where the Group offers volume-based discounts to customers, these discounts are accounted for as a variable consideration and as a reduction in the transaction price.

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. The Group recognises a refund liability within other payables when the rebate amount is determined.

Contract balances
A contract liability is the obligation to transfer goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). All contract liabilities are expected to be settled within twelve months and the Group does not recognise a financing component as a practical expedient. Contract liabilities are recognised in "advances from customers" and recognised as revenue when the Group performs under the contract.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income tax and other taxes

Current income tax
Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognised for all temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- in respect of taxable temporary difference associated with investments in subsidiaries, associates or interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- in respect of deductible temporary differences associated with investments in subsidiaries, associates or interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income tax and other taxes (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it reflects new information obtained about facts and circumstances that exist at the acquisition date that, if known, would have affected the amount recognised at that date where recognised during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets against current income tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(t) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributed to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(u) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

v) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

w) Going concern

At 31 December 2019, the Group presented net current assets of $45.562 million (31 December 2018: $35.681 million). Net current assets included current interest-bearing loans and borrowings of $110.417 million (31 December 2018: $101.557 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 18. 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 NTC, a Vietnamese local investment and development company (the "local strategic partner") to which the Group has a total exposure of $127.749 million under loan, advances and receivable as disclosed in Note 32.

The Directors advise that as of the date of this report, all banking covenants are in order. Cash flow projections, on the assumption that all maturity dates are further extended by negotiation, confirm that there is adequate cash flow in the next 12 months.

As further detailed in Note 32, 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 30 May 2019, the Company announced that the second phase of the project, the rolling mill to produce rebar by hot charging of billets, had been successfully commissioned. The mill is currently producing an average of 500 tons per day. In order to increase production rebar by hot billet charging, the Company understands that NTC is planning to install a further pair of induction furnaces. Once the additional induction furnaces are in operation, NTC should achieve optimum capacity in hot charging rebar in Q4 2020 (dependent on the matters stated in the Subsequent Events note).

The strategic supply 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.

The Group is in negotiations with a bank to obtain additional working capital facilities. The Directors understand that NTC is progressing its own discussions with its funders to obtain additional funding which will result in increased capital and changes to the capital structure of NTC. On the 18 August 2020 SSE Steel Ltd, a 100% owned subsidiary within the Group acquired 51.3 million shares in NTSJSC for consideration of AUD 30.643 million (VND 513 billion) to be offset against Receivables from NTC.

The Group believes that the above measures 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 to 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.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, financial assets, payables, advances, bank loans, cash and cash equivalents, and term deposits. The main purpose of these financial instruments is to finance the Group's operations in Vietnam.

The Group has not entered into hedging transactions.

The Group has exposure to the following risks arising from the Group's financial instruments: interest rate risk, foreign currency risk, credit risk and liquidity risk.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Primary responsibility for identification and control of financial risks rests with the Chief Accountants and Board of Management of the subsidiaries under the authority of the Board. The Acting Chairman & Chief Executive Officer and the Chief Financial Officer declare, in writing to the Board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. The Board is responsible for developing and monitoring risk management policies.

Risk Exposures and Responses

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market interest rates relates primarily to the Group's debt obligations. The level of debt is disclosed in Note 18.

At balance date, the Group had the following financial assets and liabilities exposed to interest rate risk:

	2019 $'000	2018 $'000
Financial Assets		
Cash and cash equivalents	15,542	21,743
Term deposits	26,590	28,586
	42,132	50,329
Financial Liabilities		
Interest-bearing liabilities – bank loans	110,417	101,557
	110,417	101,557
Net exposure	(68,285)	(51,228)

Cash and cash equivalents include short-term deposits that are made for varying periods between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates ranging from 5.3% to 5.8% (2018: 5.3% to 5.5%). Term deposits that are made for varying periods between six months and twelve months and earn interest at the respective deposit rates ranging from 5.3% to 8.6% (2018: 4.6% to 8.0%). The exposure to the local strategic partner carries fixed interest rates and therefore does not expose the group to interest rate risk.

Vietnam subsidiaries are exposed to the interest rate risk in Vietnamese Dong and US Dollar. The Group constantly analyses its interest rate exposure. Within this analysis, consideration is given to potential renewals of existing positions, alternative financing, and the mix of fixed and variable interest rates.

At 31 December 2019, fixed and variable interest rates for bank loans vary in every contract ranging from 5.3% to 8.8% for Vietnamese Dong loans (2018: 5.1% to 9.0%) whilst US Dollar loans bear interest rates between 3.5% and 4.1% (2018: 3.5% and 4.5%). The floating rates are based on bank bill rates.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date:

At 31 December 2019, if interest rates on term deposits and loans denominated in Vietnamese Dong and US Dollar had moved and had the Group's short term borrowings been subject to renewal at the prevailing rates, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:

	Post Tax Profit/Equity Higher/(lower)	
	2019	2018
	$'000	$'000
Consolidated		
- rate +1% (2018: +1%)	(670)	(442)
- rate -1% (2018: -1%)	670	442

The movements in profit are due to higher/lower interest costs from debt balances, offset by interest on term deposits. A sensitivity of 1% has been selected as this is considered reasonably possible given most of the interest bearing loans are fixed varying from one month to six months and short-term in nature.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The consolidated financial statements are presented in Australian dollars ($ or AUD) which is both the functional and presentation currency of the parent entity. The functional currencies of the overseas subsidiaries are Vietnamese Dong (VND) and Singapore Dollar (SGD) which are translated to the presentation currency.

The Company's subsidiaries are mainly domiciled in Vietnam. The functional currency of the Vietnam subsidiaries is Vietnamese Dong. The Company's operations in Vietnam face some exposure to exchange rate fluctuations as the cost of the major raw materials are generally denominated in US dollars whereas the bulk of their revenues is denominated in Vietnamese Dong. The Vietnam subsidiaries have foreign currency risk exposure to loans that are denominated in US dollars. Remittance of certain funds to the Company's Vietnam operating subsidiaries to assist with their working capital requirements is expected to be in foreign currency, either in Australian dollars or United States dollars and is used to purchase Vietnamese Dong by the Company's Vietnam operating subsidiaries. The movements of foreign currency in Vietnam are subject to the restrictions and procedures imposed by the State Bank of Vietnam. The Group has not entered into hedging transactions.

The Company's subsidiaries which are based in Singapore are holding entities of the Vietnam subsidiaries. These Singapore entities mainly hold cash in bank, investments in subsidiaries and intercompany balances with the parent company. Cash in bank is held in US dollars. Investments in subsidiaries and intercompany balances are based in Australian dollars and are eliminated on consolidation. Therefore, the Singapore entities have its main exposure in the US dollar in cash in bank which is not significant to the consolidated entity. The parent company holds a short-term deposit in USD dollars.

Intercompany borrowings are denominated in the currency stated by the lender.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Exposures and Responses (continued)

At 31 December 2019, the Group had the following exposure to USD foreign currency against the VND, as result of USD denominated balances held in Group entities with a VND functional currency:

	2019	2018
	$'000	$'000
Financial Liabilities		
Interest-bearing liabilities		
- US Dollar	14,869	37,740
	14,869	37,740

The following exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
	2019	2018	**2019**	2018
USD/VND	23,016	23,025	23,173	23,195
AUD/USD	0.6962	0.7452	0.7006	0.7058

The following sensitivity is based on the foreign currency risk exposures in existence at the reporting date:

At 31 December 2019, had the VND moved against the USD, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:

	Post Tax Profit/Equity Higher/(lower)	
	2019	2018
	$'000	$'000
Consolidated		
- rate + 1% (2018: +1%)	(118)	(299)
- rate - 1% (2018: -1%)	120	305

The foreign currency sensitivity of 1% is considered a reasonably possible change.

At 31 December 2019, had the AUD moved against the USD by a reasonably possible change, with all other variables held constant, post tax profit and equity would not have been materially affected.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Exposures and Responses (continued)

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and advances to suppliers carried at amortised cost. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the gross carrying amount of these instruments net of any allowance made for expected credit loss. Exposure at balance date is addressed in each applicable note.

The Group's cash and cash equivalents are deposited with reputable banks. The Group manages its cash and cash equivalents to meet its working capital and debt requirements.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades only with recognised, creditworthy third parties, and generally, collateral is not requested nor is it the Group's policy to securitise its trade and other receivables and advances to suppliers. Collateral is requested if the receivable has been long outstanding. Other than the collateral assets held in relation to NTC exposure as detailed in note 32, no other collateral was held for trade and other receivables.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including its capability to pay, past experience and company reputation. Risk limits are set for each individual customer in accordance with parameters set by the board of management of each subsidiary. These risk limits are regularly monitored.

Collectibility of trade receivables is reviewed on an ongoing basis at an operating unit level. Interest is charged on overdue debts. Individual debts that are known to be uncollectible are written off when there are no reasonable expectations of recovering the contractual cash flows. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Other than a funding arrangement with a local strategic supplier under the Supply Agreement amounting to $127.749 million as disclosed in Note 32 and term deposits held with reputable banks in Vietnam, there are no other significant concentrations of credit risk within the Group.

Liquidity risk

Liquidity risk arises from the Group’s ability to repay its financial liabilities as and when they fall due.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, and committed available credit lines.

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, receivables and inventories of the subsidiaries and in certain instances, by the guarantee of the parent entity. The Parent has provided security to various banks for banking facilities provided to Vietnam subsidiaries in the form of letters of guarantee totalling US$16.000 million ($22.838 million) (2018: US$16.500 million ($23.378 million)). At 31 December 2019 the total interest bearing liabilities drawn down to which these corporate guarantees relate to were US$11.287 million ($16.110 million) (2018: US$13.879 million ($19.664 million)).

The Group uses forecast cash flow budgets which assist in monitoring cash flow requirements. Typically, the Group ensure that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Exposures and Responses (continued)

Liquidity risk (continued)

The Group's facilities are repayable at the bank's discretion and as such the Group, in the absence of alternative sources of funding, is dependent upon the banks continuing to renew their short term facilities. The Directors are of the view that the facilities will continue to be renewed as they fall due as this has occurred previously. The Group obtained short-term loans which have ongoing maturity roll over dates ranging from one month to six months to meet the Group's working capital requirements.

Maturity analysis based on contractual maturity

Trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital eg inventories, trade receivables and advances to suppliers. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, the Group has established risk reporting that reflects expectations of management of expected settlement of financial assets and liabilities.

Year ended 31 December 2019

Consolidated	<=6 mths $'000	6-12 mths $'000	1-5 years $'000	>5 years $'000	Total $'000
Financial Liabilities					
Trade and other payables	45,298	-	-	-	45,298
Advances from customers	6,950	-	-	-	6,950
Interest-bearing liabilities	112,859	-	-	-	112,859
	165,107	-	-	-	165,107

Year ended 31 December 2018

Consolidated	<=6 mths $'000	6-12 mths $'000	1-5 years $'000	>5 years $'000	Total $'000
Financial Liabilities					
Trade and other payables	27,928	-	-	-	27,928
Advances from customers	2,419	-	-	-	2,419
Interest-bearing liabilities	101,999	-	-	-	101,999
	132,346	-	-	-	132,346

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair Value Measurement

Fair value measurement of financial assets and financial liabilities

Fair values derived may be based on information that is estimated or subject to judgement, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgement and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices.

	2019	2018
	$'000	$'000
Fair value		
Financial assets		
Listed investment – Australian (Level 1)	4	9
	4	9

The carrying value of all other assets and financial liabilities (including the exposure to the local strategic supplier as disclosed in Note 32) approximate their fair values at the balance sheet date due to the short-term nature of the instruments.

For determining the fair value of the listed investment, the Group uses quoted market prices for the shares (Level 1).

The three levels of a fair value hierarchy on financial assets and liabilities are defined based on the observability of significant inputs to the measurement as follows:

Level 1: quoted prices in active markets for assets or liabilities
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability

4. SEGMENT INFORMATION

Identification of reportable segments

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"). Unallocated relate to corporate charges of Parent in Australia, British Virgin Islands and Singapore entities which are separately accounted for from the business segments. Total Building Systems Ltd has been excluded as this has been classified as a discontinued operation (Refer to Note 34).

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. During the year, three customers accounted for 10.22%, 10.17% and 8.87% (2018: 11.48%, 8.33% and 6.83%) of total group revenue respectively.

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 annual financial statements of the Group.

4. SEGMENT INFORMATION (continued)

Segment Performance

	Steel Making (Vietnam)	Unallocated Note (i)	Total	Adjustments and eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000
Year ended 31 December 2019					
Revenues					
External revenues	607,932	-	607,932	-	607,932
Other revenues	8,604	4	8,608	-	8,608
Total segment revenues	616,536	4	616,540	-	616,540
Results					
Other income	61	388	449	(388)	61
Finance costs	(8,848)	-	(8,848)	349	(8,499)
Segment results before income tax	6,921	-	6,921	-	6,921
Income tax expense	(1,546)	-	(1,546)	-	(1,546)
Segment results after tax	5,375	-	5,375	-	5,375
Corporate charges	-	(1,000)	(1,000)	-	(1,000)
Net profit after tax from continuing operations	5,375	(1,000)	4,375	-	4,375

	Steel Making (Vietnam)	Unallocated Note (i)	Total	Adjustments and eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000
Year ended 31 December 2018					
Revenues					
External revenues	554,605	-	554,605	-	554,605
Other revenues	6,064	13	6,077	-	6,077
Total segment revenues	560,669	13	560,682	-	560,682
Results					
Other income	238	405	643	(453)	190
Finance costs	(5,538)	-	(5,538)	334	(5,204)
Segment results before income tax	1,014	-	1,014	-	1,014
Income tax expense	(1,071)	-	(1,071)	-	(1,071)
Segment results after tax	(57)	-	(57)	-	(57)
Corporate charges	-	(634)	(634)	-	(634)
Net loss after tax from continuing operations	(57)	(634)	(691)	-	(691)

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

4. SEGMENT INFORMATION (continued)

	Steel Making (Vietnam) $'000	Unallocated Note (i) $'000	Total $'000
Segment assets			
At 31 December 2019			
Segment operating assets	228,812	960	229,772
Inter-segment eliminations			(657)
Total assets per statement of financial position			229,115
At 31 December 2018			
Segment operating assets	190,498	1,613	192,111
Inter-segment eliminations	-	-	(95)
Total assets per statement of financial position			192,016
Segment liabilities			
At 31 December 2019			
Segment operating liabilities	167,744	336	168,080
Inter-segment eliminations			(657)
Total liabilities per statement of financial position			167,423
At 31 December 2018			
Segment operating liabilities	134,440	566	135,006
Inter-segment eliminations	-	-	(95)
Total liabilities per statement of financial position			134,911
Other segment information			
At 31 December 2019			
Depreciation and amortisation expense	(2,485)	(1)	(2,486)
Capital expenditure	350	1	351
At 31 December 2018			
Depreciation and amortisation expense	(2,225)	-	(2,225)
Capital expenditure	1,035	-	1,035
Cash flow Information			
At 31 December 2019			
Operating activities	(15,331)	(1,231)	(16,562)
Investing activities	1,750	(1)	1,749
Financing activities	8,430	-	8,430
At 31 December 2018			
Operating activities	791	(607)	184
Investing activities	(9,284)	-	(9,284)
Financing activities	(14,447)	(2,133)	(16,580)

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

5. REVENUE AND EXPENSES

Revenues and expenses from continuing operations

	2019 $'000	2018 $'000
(a) Revenue from contracts with customers		
Sale of goods	607,932	554,605
	607,932	554,605

Refer to Note 33 for the disaggregation of revenue from contracts with customers.

	2019 $'000	2018 $'000
(b) Other revenue		
Interest income-banks	2,340	2,251
Interest income – others	6,268	3,826
	8,608	6,077
(c) Other income		
Rent income	13	12
Financial and executive services income	-	35
Other	48	143
	61	190
(d) Cost of sales		
Cost of goods sold	(583,444)	(539,176)
	(583,444)	(539,176)
(e) Finance costs		
Bank loans and other borrowings	(8,506)	(5,204)
(f) Selling expenses		
Promotional expenses	(2,692)	(2,849)
Salaries and wages	(1,236)	(882)
Consultancy sales expenses	(931)	(726)
Delivery expenses	(719)	(701)
Other	(1,903)	(1,676)
	(7,481)	(6,834)
(g) Administrative expenses		
Salaries and employee benefits expenses	(6,184)	(4,125)
Foreign exchange loss	(65)	(1,347)
Travel expense	(335)	(341)
Professional fees	(437)	(268)
Expected credit losses of trade receivables and contract assets	530	(6)
Other	(4,758)	(3,191)
	(11,249)	(9,278)
(h) Total depreciation and amortisation for the year		
Depreciation expense	(2,271)	(2,203)
Amortisation of right-of-use assets	(210)	-
Amortisation of intangible assets	(1)	(1)
	(2,482)	(2,204)

5. REVENUE AND EXPENSES (continued)

	2019 **$'000**	2018 $'000
(i) Total salaries and employee benefits expense for the year		
Salaries and wages and employee benefits	(11,017)	(9,251)
Annual leave	(4)	4
Long service leave	(2)	(2)
	(11,023)	(9,249)

6. INCOME TAX

	2019 **$'000**	2018 $'000
(a) Income tax expense		
The major components of income tax expense are:		
Statement of Comprehensive Income		
Current tax	1,674	713
Deferred tax	(128)	105
Prior year under provision	-	253
	1,546	1,071
(b) Numerical reconciliation between the aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate		
(Loss)/profit from continuing operations before tax	5,921	(161)
At Group's statutory income tax rate of 30% (2018: 30%)	1,776	(48)
Adjustments to tax expense:		
Foreign tax rate adjustment	(628)	(42)
Deferred tax asset (recognition)/derecognition	(109)	(145)
Non-deductible expenses	507	1,053
Prior year under provision	-	253
Aggregate tax expense	1,546	1,071

(c) Tax consolidation

All wholly-owned subsidiaries and controlled entities are domiciled in other countries. Therefore, the consolidated entity is not a tax consolidated group under the tax consolidated regime.

(d) Temporary differences

At 31 December 2019, there are no unrecognised temporary differences associated with the Group's investment in subsidiaries, as the Group has no liability for additional taxation should unremitted earnings be remitted (2018: Nil).

The following are recognised deferred tax assets:

	2019 **$'000**	2018 $'000
Allowance for expected credit loss on receivables	48	147
Provision for inventory obsolescence	104	111
Accrued expenses	1,000	777
Others	120	109
	1,272	1,144

At 31 December 2019, there is no deferred income tax liability recognised (2018: Nil).

6. INCOME TAX (continued)

(d) Temporary differences (continued)

The following are unrecognised deferred tax assets:

	2019 $'000	2018 $'000
Impairment of property, plant and equipment	577	572
Allowance for expected credit loss on receivables	358	371
Provision for inventory obsolescence	83	183
Accrued expenses	60	59
Others	42	44
	1,120	1,229

At 31 December 2019, unrecognised deferred tax assets of $1.120 million (2018: $1.229 million) is mainly in relation to timing differences in SSESTEEL due to uncertainty of future taxable profits in this entity.

(e) Income tax payable

At 31 December 2019, consolidated income tax provision is $2.615 million (2018: $2.118 million).

(f) Tax losses carried forward

At 31 December 2019, the following entities have accumulated tax losses of $11.189 million (2018: $13.375 million) available for offset against future taxable profits. Deferred tax assets of $3.357 million (2018: $3.789 million) were not recognised in respect of the tax loss carried forward because of the uncertainty of future profitability on the following:

	2019 $'000	2018 $'000
Revenue tax losses not recognised (at 100%)		
Total Building Systems Limited *	-	2,232
Vietnam Industrial Investments Limited (parent company)	11,189	11,143
	11,189	13,375

* This entity was disposed during the financial year .

7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2019 $'000	2018 $'000
Cash at bank and in hand	2,963	3,436
Short-term deposits	12,579	18,307
	15,542	21,743

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represent fair value. Short-term deposits are made for varying periods of between one day and one month, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Credit risk of cash and cash equivalents is disclosed in Note 3.

7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS (continued)

(a) Reconciliation from the net profit/(loss) after tax to the net cash flows from operations:

	2019 $'000	2018 $'000
Net profit/(loss) after tax	4,038	(1,232)
Adjustment for non-cash items:		
Depreciation and amortisation	2,486	2,225
Net foreign exchange loss/(gain) on interest-bearing loans and borrowings	(550)	674
Impairment loss on discontinued operation	176	-
Foreign currency translation reserve on discontinued operation	113	-
Net gain on disposal of property, plant and equipment	(10)	-
Change in fair value of financial assets	5	-
Others	(20)	-
Changes in assets and liabilities		
(Increase)/decrease in:		
Trade, other receivables, and advances to suppliers	36,713	(30,196)
Inventories	14,022	12,043
Other current assets	59	(51)
Deferred tax assets	(119)	105
Increase/(decrease) in:		
Trade and other payables, and advances from customers	(73,983)	16,206
Provisions	27	(10)
Income tax provision	481	420
Net cash flow (used in)/ provided by operating activities	(16,562)	184

(b) Disclosure of financing activities

Financing facilities are set out in Note 18.

8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	2019 $'000	2018 $'000
Trade receivables from local strategic partner (refer to note 32)	8,321	21,925
Trade receivables from customers	12,500	26,447
	20,821	48,372
Allowance for expected credit loss	(2,697)	(3,227)
	18,124	45,145
Construction contract receivables	-	67
Allowance for expected credit loss	-	(47)
	-	20
Other receivables		
Other receivable from local strategic partner – current (refer to note 13)	3,696	3,665
Accrued interest on other receivable from local strategic partner (refer to note 13)	808	1,870
Accrued interest on advances to local strategic partner (refer to note 9)	5,309	3,927
Others	1,246	2,703
	11,059	12,165
Term deposits (i)	26,590	28,586
	26,590	28,586
Carrying amount of trade and other receivables	55,773	85,916

(i) Term deposits have original terms greater than three months and bear interest rates ranging from 5.3% to 8.6% (2018: 4.6% to 8%).

Trade receivables are non-interest bearing and are generally on terms of within 45 days.

8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES (continued)

Other receivables relate to input value added tax, advances to employees and other receivables from customers.

Allowance for expected credit loss
The Group made a reversal of $0.575 million for the year ended 31 December 2019 (2018: impairment reversal of $0.071 million). These amounts have been included in the administrative expense item.

Movements in the allowance account for expected credit losses were as follows:

	2019 **$'000**	2018 $'000
At 1 January	3,274	3,221
(Reversal)/charge for the year	(575)	(71)
Foreign exchange translation	(2)	124
At 31 December	2,697	3,274

At 31 December 2019, the credit risk exposure of the Group's trade receivables using a provision matrix are as follows:

	31 December 2019			31 December 2018		
Trade receivables	**Gross carrying amount $'000**	**Expected credit loss rate %**	**Allowance for Impairment $'000**	Gross carrying amount $'000	Expected credit loss rate %	Allowance for Impairment $'000
Within due date	18,128	1%	(181)	22,735	1%	(208)
1-90 days past due	172	1%	(2)	700	1%	(7)
91-359 days past due	7	1%	-	-	-	-
Over 360 days due	2,514	100%	(2,514)	3,012	100%	(3,012)
	20,821		(2,697)	26,447		(3,227)

The table above excludes trade receivables from local strategic partner. Refer to Note 32 for further disclosures.

The gross trade receivables during the year have decreased due to a decrease in sales near year end. The allowance for impairment has also decreased during the current year in line with the overall movement of the receivables balance.

	31 December 2019			31 December 2018		
Construction contract receivables	**Gross carrying amount $'000**	**Expected credit loss rate %**	**Allowance for Impairment $'000**	Gross carrying amount $'000	Expected credit loss rate %	Allowance for Impairment $'000
Current	-	-	-	20	0%	-
1-90 days past due	-	-	-	-	-	-
91-359 days past due	-	-	-	-	-	-
Over 360 days due	-	-	-	47	100%	(47)
	-		-	67		(47)

The gross construction contract receivables during the year have decreased as TBS was disposed during the year. Refer to Note 34.

Fair value and credit risk
Due to the short term nature of these receivables, their carrying value net of the allowance account is considered to approximate their fair value.

The maximum exposure to credit risk is the gross amount net of any allowance for credit risk losses. Other than the collateral related to NTC, no other collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

Foreign exchange and interest rate risk
Details regarding foreign exchange and interest rate risk of current trade receivables are disclosed in Note 3.

9. CURRENT ASSETS – ADVANCES TO SUPPLIERS

	2019 $'000	2018 $'000
Advances to local strategic partner	105,919	23,925
Advances to other suppliers	9,846	498
	115,765	24,423

At 31 December 2019, advances to suppliers included advances equivalent to $105.919 million (VND1.720 trillion) (31 December 2018: $23.925 million (VND392 billion)) to NTC, a Vietnamese local strategic partner, which is the same counterparty to the other receivable disclosed in Notes 13 and 32. These advances to the local strategic partner bear interest and operates as a short-term working capital facility to support NTC operations. The accrued interest on these advances of $5.309 million was received in full subsequent to year end.

The remaining advances to other 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. CURRENT ASSETS – INVENTORIES

	2019 $'000	2018 $'000
Raw materials – at net realisable value	7,508	12,154
Tools and supplies – at net realisable value	4,520	5,025
Finished goods – at net realisable value	12,396	20,895
Total inventories at net realisable value	24,424	38,074

During the year ended 31 December 2019, the Group made a reversal of impairment loss on inventories of $0.502 million (2018: impairment loss of $0.656 million). This amount is included in the cost of goods sold in the statement of comprehensive income.

11. CURRENT ASSETS – FINANCIAL ASSETS – AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 $'000	2018 $'000
Financial assets at fair value through profit or loss		
Shares in listed companies	4	9
	4	9

Financial assets – at fair value through profit or loss consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate. The fair value of Australian listed investments has been determined directly by reference to published price quotations in an active market. There are no individually material investments.

12. OTHER CURRENT ASSETS

	2019 $'000	2018 $'000
Prepayments	338	401
Other deposits	26	26
	364	427

13. OTHER RECEIVABLE – NON-CURRENT

	2019 $'000	2018 $'000
Other receivable	3,696	7,330
	3,696	7,330

At 31 December 2019, SSESTEEL has another receivable due from NTC, equivalent to $7.392 million (VND 120 billion) of which current portion is $3.696 million (VND60 billion) and non-current portion is $3.696 million (VND60 billion). This amount is to be repaid over 18 months, bearing interest of 8% per annum. This amount is secured against machinery and certain production facilities inside the factory owned and operated by the local strategic partner. The accrued interest of this other receivable is $0.808 million, is included in trade and other receivables under current assets. Refer to notes 8 and 32 for further disclosure. In February 2020, the other receivable current portion of $3.696 million (VND60 billion) and its accrued interest of $0.808 million was received.

14. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	2019 $'000	2018 $'000
Building on leasehold land		
- Gross carrying value – at cost	10,540	10,450
- Accumulated depreciation	(7,918)	(7,102)
Net carrying amount	2,622	3,348
Plant and equipment		
- Gross carrying value – at cost	32,413	32,031
- Accumulated depreciation and impairment	(28,195)	(26,846)
Net carrying amount	4,218	5,185
Motor vehicles		
- Gross carrying value – at cost	3,165	3,192
- Accumulated depreciation	(2,566)	(2,334)
Net carrying amount	599	858
Construction in progress – Gross carrying value - cost	2,866	2,841
Net carrying amount	10,305	12,232

	2019 $'000	2018 $'000
Reconciliation of property, plant and equipment		
Building on leasehold land		
Opening net carrying amount	3,348	2,879
Additions	2	868
Depreciation expense	(760)	(645)
Exchange difference	32	246
Closing net carrying amount	2,622	3,348
Plant and equipment		
Opening net carrying amount	5,185	5,781
Additions	258	398
Disposals/transfers	(26)	(105)
Discontinued operation	(1)	
Depreciation expense	(1,245)	(1,313)
Exchange difference	47	424
Closing net carrying amount	4,218	5,185

14. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

	2019	2018
	$'000	$'000
Motor vehicles		
Opening net carrying amount	858	913
Additions	92	204
Disposals/transfers	-	(63)
Discontinued operation	(88)	-
Depreciation expense	(270)	(266)
Exchange difference	7	70
Closing net carrying amount	599	858
Construction in progress		
Opening net carrying amount	2,841	2,885
Additions	1	-
Transfers	-	(267)
Exchange difference	24	223
Closing net carrying amount	2,866	2,841
Net carrying amount	10,305	12,232

Construction in progress is mainly the holding costs of two parcels of land, one immediately adjacent to the rear of the SSESTEEL and Vinausteel premises and the other at Thuy Nguyen. These two parcels of land are held as capital projects in progress albeit there have been no activities on these projects during the financial year given other priorities within the business. The carrying values are not expected to exceed their recoverable amounts.

The Group's main cash generating units are in SSESTEEL and Vinausteel.

In 2019, the recoverable amount of SSESTEEL (CGU) was determined based on a value in use calculation using cash flow projections from the 2019 results and extended until 2027 which is the expiry of the current investment license. The projected cash flows reflect the demand for steel in Vietnam. Gross margins remained at 2019 levels until 2022 when, assuming NTC delivers to planned margin improvement, a gross profit improvement can be expected. The real post-tax discount rate applied is 12% (2017: 12%). At 31 December 2019, the SSESTEEL (CGU) recoverable value was greater than the carrying value. As a result of this analysis, management did not identify any further impairment or reversal of previously recognised impairment for this CGU (2018: nil).

In relation to the Vinausteel CGU, management assessed that there existed no impairment indicators at 31 December 2019 and therefore no detailed impairment assessment was performed.

Key assumptions used in value in use calculations

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

	SSESTEEL
Gross profit margins	2.9%-6.0%%
Discount rates	12%
Revenue growth rates	9%-10%

Sensitivity to changes in assumptions

The ability to achieve the gross profit margin included in the SSESTEEL 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 32 for further disclosure. If SSESTEEL's gross profit margin decreased by 0.5% with the discount rate and growth rate held constant, there would be an impairment loss of $9.756 million in relation to SSESTEEL.

If the discount rate increased by 1% with the gross profit margin and growth rate held constant, there would be an impairment loss of $6.355 million in relation to SSESTEEL.

If the revenue growth rate between 2023 to 2027 decreased by 1% in SSESTEEL with the discount rate and gross profit margin held constant, no impairment is expected in relation to SSESTEEL.

Refer to Note 18 for assets pledged as security for liabilities

15. NON-CURRENT ASSETS – INTANGIBLE ASSETS AND GOODWILL

	2019 $'000	2018 $'000
Software costs		
Gross carrying value – cost	95	101
Accumulated amortisation	(94)	(98)
	1	3
Goodwill [(i)]		
Cost net of impairment	77	77
	78	80
Reconciliation of Intangible Assets		
Software costs		
Opening net carrying amount	3	3
Amortisation expense	(1)	(1)
Foreign exchange difference	(1)	1
Closing net carrying amount	1	3
Goodwill [(i)]		
Opening net carrying amount	77	77
Impairment loss on goodwill	-	-
Closing net carrying amount	77	77
Net carrying amount	78	80

[(i)] Purchased as part of business combination on acquisition of Vinausteel.

At 31 December 2019, there is no impairment loss on intangible assets (2018: nil).

16. OTHER NON-CURRENT ASSETS

	2019 $'000	2018 $'000
Long-term deposits	655	638
	655	638

The carrying values of other non-current assets are not expected to be materially different to their fair values.

17. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	2019 $'000	2018 $'000
Trade payables	29,568	15,973
Payable to employees	3,708	2,601
Accrued expenses	9,817	6,989
VAT payable	1,644	1,504
Other payables	422	401
Related party payables		
- key management personnel (Note 27)	139	460
	45,298	27,928

Trade payables are non-interest bearing and are normally settled on 30-60 day terms.

Accrued expenses relate mainly to accrual of employee bonuses, promotional expenses, conferences, interest expenses and professional fees.

Other payables are non-trade payables, are non-interest bearing and have varying terms of less than a year.

17. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES (continued)

Related party payables
Related party payables' terms and conditions are set out in Note 27.

Fair value
Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

Foreign exchange, interest rate and liquidity risk
Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in Note 3.

18. INTEREST-BEARING LOANS AND BORROWINGS

	2019	2018
	$'000	$'000
Current		
Bank loans – secured	110,417	101,557
	110,417	101,557

Fair value

The carrying values of the Group's interest bearing liabilities and borrowings approximate their fair value as they carry interest at market rates.

Foreign exchange, interest rate and liquidity risk

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in Note 3.

Terms and conditions of Interest bearing loans and borrowings
Outstanding bank loans relate to loans from various banks in Vietnam which are valued in Vietnamese Dong and US Dollar. These interest bearing liabilities of the Group's operating subsidiaries have various repayment terms. 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, receivables 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 31 December 2019 the total interest bearing liabilities drawndown to which these corporate guarantees relate to are:

	2019	2018
Outstanding Bank Loans	$110.417 million	$101.557 million
Letter of Guarantee	$22.838 million	$23.378 million
	(US$16.000 million)	(US$16.500 million)
Loans drawdown tie to Guarantee	$16.110 million	$19.664 million
	(US$11.287million)	(US$13.879 million)

Interest is recognised at an effective interest rate.

	2019	2018
	$'000	$'000
Financing facilities available		
At reporting date, the following financing facilities had been negotiated and were available:		
Total facilities available	162,863	178,057
Facilities used at reporting date		
- short-term loans	(110,417)	(101,557)
Facilities unused at reporting date		
- short-term loans	52,446	76,500

18. INTEREST-BEARING LOANS AND BORROWINGS (continued)

The facilities are repayable at the bank's discretion and as such the Group, in the absence of alternative sources of funding, is dependent upon the banks continuing to renew their short term facilities. The Directors are of the view that the facilities will continue to be renewed as they fall due as this has occurred previously. The Group obtained short-term loans which have ongoing maturity roll over dates ranging from one month to six months to meet the Group's working capital requirements.

Reconciliation of Interest-bearing loans and borrowings

	2019	2018
	$'000	$'000
Opening amount	101,557	106,760
Proceeds from bank borrowings	454,482	490,477
Repayment of bank borrowings	(445,892)	(504,457)
Foreign exchange difference	270	8,777
Ending amount	110,417	101,557

Assets pledged as security for liabilities

The banks and suppliers 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 and supplier loans are as follows:

	2019	2018
	$'000	$'000
Inventories	18,003	32,576
Deposits	11,277	29,897
Trade receivables and advances to suppliers	58,344	14,738
Property, plant and equipment	6,683	9,073
	94,307	86,284

19. CURRENT LIABILITIES – PROVISIONS

	2019	2018
	$'000	$'000
Current		
Employee benefits	853	802
Provision for product warranty	-	83
Dividends payable	4	4
	857	889

Employee benefits relate to long service leave, annual leave and severance allowance of employees.

A provision is recognised for expected warranty claims on product sold/ completed construction projects during the last two years, based on past experience of the level of repairs and returns.

Dividends payable relates to dividends declared from the previous years.

20. CONTRIBUTED EQUITY

	2019	2018
	$'000	$'000
Ordinary shares		
Issued and fully paid	27,819	27,819

20. CONTRIBUTED EQUITY (continued)

There was no issuance of shares for the year ended 31 December 2019 (2018: Nil).

At 31 December 2019, there are 142,277,423 fully paid ordinary shares carry one vote per share and carry the right to dividends (2018: 142,277,423).

At reporting date, there were no options on issue (2018: Nil).

(a) Capital management

The Group's objective when managing capital is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

The gearing ratios at reporting date were as follows:

	2019 **$'000**	2018 $'000
Total debt[(i)]	163,951	131,904
Less cash and cash equivalents	(15,542)	(21,743)
Net debt	148,325	110,161
Total equity	61,692	57,105
Less non-controlling interests	(6,197)	(4,903)
Equity	55,495	52,202
Net debt plus equity	203,904	162,363
Gearing ratio	73%	68%

(i) Consist of trade and other payables, lease liabilities, advances from customers, and interest bearing liabilities.

21. RESERVES

	2019 **$'000**	2018 $'000
Foreign currency translation reserve	(5,381)	(5,902)
Legal reserve	1,124	1,124
	(4,257)	(4,778)
Movement in foreign currency translation reserve		
Opening balance	(5,902)	(9,736)
Currency translation difference arising during the year	521	3,834
Closing balance	(5,381)	(5,902)

Nature and purpose of reserves

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Legal reserve
Vinausteel maintains a legal reserve account. At the present time, there are no rules specifying the use that can be made of the reserve.

22. RETAINED EARNINGS

	2019 $'000	2018 $'000
Retained earnings	31,933	29,161
Movement in retained earnings		
Opening balance	29,161	32,680
Net profit/(loss) for the year	2,772	(1,385)
Dividend to shareholders	-	(2,134)
Closing balance	31,933	29,161

23. NON-CONTROLLING INTERESTS

	2019 $'000	2018 $'000
Non-controlling interests consist of:		
Vinausteel Limited	5,350	4,080
Austnam Joint Stock Corporation	847	813
Total Building Systems Limited (note 34)	-	10
	6,197	4,903

Financial information of subsidiaries that have material non-controlling interests ("NCI") are provided below:

Name	Country of Incorporation	% Equity interests of NCI 2019	2018
Vinausteel Limited	Vietnam	30	30
Austnam Joint Stock Corporation	Vietnam	33	33

The summarised financial information of these subsidiaries are provided below. This information is based on amounts before inter-company eliminations.

Summarised Statement of Comprehensive Income	**Vinausteel**		**Austnam**	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Revenue from contracts with customers	256,024	208,999	3,808	5,004
Other revenue	1,638	1,186	16	17
Total revenues	257,662	210,185	3,824	5,021
Cost of sales	(243,810)	(205,386)	(3,171)	(4,193)
Gross profit	13,852	4,799	653	828
Other income	26	43	22	94
Selling expenses	(2,126)	(1,490)	(257)	(391)
Administrative expenses	(4,821)	(1,680)	(262)	(324)
Finance costs	(1,358)	(1,193)	(45)	-
Profit before income tax	5,573	479	111	207
Income tax expense	(1,438)	(134)	(27)	(42)
Net profit for the year	4,135	345	84	165
Total comprehensive income	4,135	345	84	165
Net profit after tax attributable to non-controlling interests	1,240	103	28	55
Dividends paid to non-controlling interests	-	467	-	-

23. NON-CONTROLLING INTERESTS (continued)

Summarised Statement of Financial Position	**Vinausteel**		**Austnam**	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Current assets	55,813	43,332	2,704	2,683
Non-current assets	2,666	2,725	1,312	905
Current liabilities	(40,547)	(32,457)	(1,448)	(1,126)
Total equity	17,832	13,600	2,568	2,462
Total equity attributable to:				
- Equity holders of the parent	12,482	9,520	1,721	1,649
- Non-controlling interests	5,350	4,080	847	813

Summarised Cash Flows Information	**Vinausteel**		**Austnam**	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Operating	10,721	(1,751)	305	523
Investing	(11,179)	(2,668)	(11)	(244)
Financing	1,260	(18,337)	(82)	-
Net increase/(decrease) in cash and cash equivalents	802	(22,756)	212	279

24. EARNINGS PER SHARE

	2019	2018
	$'000	$'000
Net profit/(loss) attributable to ordinary equity holders of the Parent for basic and diluted earnings/(loss) per share	2,772	(1,385)
	2019	2018
	No. of Shares	No. of Shares
Weighted average number of ordinary shares for basic and diluted earnings/(loss) per share	142,277,423	142,277,423
	Cents	Cents
Earnings/(loss) per share for profit/(loss) attributable to the ordinary equity holders of the Company:		
– Basic and diluted earnings/(loss) per share	1.95	(0.97)

There have been no other transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

25. DIVIDENDS PAID AND PROPOSED

The Directors have not declared or paid dividends for the year ended 31 December 2019.

On 25 May 2018, the Board declared a dividend of 1.5 Australian cents per ordinary share (fully unfranked) which was paid and dispatched on 27 June 2018. The entire dividend was 100% conduit foreign income.

	2019 $'000	2018 $'000
Declared and paid/payable during the year		
Unfranked dividend for 2019: NIL (2018: 1.5 cents per share)	-	2,134

	2019 $'000	2018 $'000
Franking credit balance		
Franking credits available for the subsequent financial years based on a tax rate of 30%	5	5

26. AUDITORS' REMUNERATION

The auditor of Vietnam Industrial Investments Limited is Ernst & Young.

	2019 $	2018 $
Amounts paid or payable to Ernst & Young (Australia) for:		
- an audit or review of the financial report of the entity and any other entity in the consolidated group	231,890	112,416
- tax services in regards to income tax preparation	16,500	13,000
	248,390	125,416
Amounts paid or payable to related practices of Ernst & Young (Australia) for:		
- an audit or review of the financial report of the subsidiary entities	80,052	77,136
	80,052	77,136
Amounts paid or payable to non Ernst & Young audit firms for:		
- an audit or review of the financial report of the subsidiary entities	11,591	10,826
	11,591	10,826

27. KEY MANAGEMENT PERSONNEL

(a) Compensation of Key Management Personnel

	2019 $	2018 $
Short-term benefits	1,300,255	1,149,620
Post employment	19,000	19,000
Other long-term benefits	2,325	2,334
	1,321,580	1,170,954

27. KEY MANAGEMENT PERSONNEL (continued)

(b) Other transactions and balances with Key Management Personnel and their related parties

The board have reviewed transactions with related parties as defined by the *Corporations Act 2001* Section 228. Other than matters already disclosed in the Remuneration Report, the Directors do not believe there are any other disclosures to be noted.

28. RELATED PARTY DISCLOSURES

(a) Ultimate parent entity

Vietnam Industrial Investments Limited is the ultimate Australian parent entity and the ultimate parent of the Group is Corbyns International Limited, which was incorporated in the British Virgin Islands and owns effectively 81.79% of Vietnam Industrial Investments Limited as at 31 December 2019.

(b) Investment in subsidiaries

Name	Country of Incorporation	% Equity interest **2019**	% Equity interest 2018
Controlled entities			
Vinausteel Limited(i) (ix)	Vietnam	70	70
Structure Steel Engineering Pte Ltd(iv) (x)	Singapore	100	100
SSESTEEL Ltd(iv) (viiii) (ix)	Vietnam	100	100
Australian Steel Billet Company(viii) (ix)	Vietnam	100	100
Ausviet Industrial Investments Pte Ltd(v) (x)	Singapore	100	100
Austnam Joint Stock Corporation(ii) (ix)	Vietnam	67	67
Parnham Overseas Ltd (viii)	British Virgin Islands	100	100
Total Building Systems Limited(xi)	Vietnam	-	99
Vietnam Projects (Singapore) Pte Ltd(vi) (x)	Singapore	100	100
VRC Weldmesh (Vietnam) Limited(iii) (x)	Vietnam	100	100

28. RELATED PARTY DISCLOSURES

(b) Investment in subsidiaries (continued)

(i) Vinausteel Limited ("Vinausteel") is a company established under the Laws on Enterprise of Vietnam. VII has a 70% interest in the legal capital of Vinausteel and its liability is limited to the amount of legal capital contributed.

Vinausteel was created under an Investment Licence issued by the Vietnamese Government and its operations are governed by a Joint Venture Contract and Charter. The Company has the right to appoint five of the seven directors of the Board of Management and is entitled to 70 per cent of the after tax profit derived by Vinausteel. Operational management of Vinausteel is determined by a Joint Venture Contract and Charter. While some decisions of the Board of Management require a unanimous decision under the Joint Venture Contract and Charter (such as additions and amendments to the Joint Venture Enterprise and Joint Venture Charter, approval of the annual financial statements, appointment of the General Director and Chief Accountant, approval of final statements of capital construction and loans for investments), by virtue of the fact that the Company has power over the relevant activities of Vinausteel, it is considered that the Company controls Vinausteel.

(ii) Austnam Joint Stock Corporation ("Austnam") is company established under the Laws on Enterprise of Vietnam which is owned by Parnham Overseas Ltd ("POL") (65 per cent), Urban Infrastructure Development Investment Corporation (33 per cent) and Ausviet Industrial Investments Pte Ltd (2 per cent).

(iii) VRC Weldmesh (Vietnam) Limited ("VRC") is a wholly owned subsidiary of Vietnam Projects (Singapore) Pte Ltd and ultimately owned by the Company. VRC holds a 100 per cent foreign owned investment licence.

(iv) Structure Steel Engineering Pte Ltd ("SSE") is a company incorporated in Singapore for the purposes of holding the investment in SSESTEEL Ltd. The Company is entitled to 100 per cent of the after tax profit derived by Structure Steel Engineering Pte Ltd and SSESTEEL Ltd.

(v) Ausviet Industrial Investments Pte Ltd ("Ausviet") is a wholly owned subsidiary of the Company, which holds the investments in Austnam of 2 per cent and POL of 100 per cent.

(vi) Vietnam Projects (Singapore) Pte Ltd is a wholly owned subsidiary of the Company which was incorporated in Singapore to hold an investment in Vietnam. It holds 100% of VRC Weldmesh (Vietnam) Limited.

(vii) SSESTEEL Ltd is a company established under the Foreign Investment Laws of Vietnam as a 100% foreign invested enterprise which received an Investment Licence on 8 August 1997 and its amended investment licences to produce steel wire rod and high tensile rebar for the construction industry. SSESTEEL Ltd is a wholly owned subsidiary of SSE. SSESTEEL had been issued with an investment certificate to form a new company, Australian Steel Billet Company Ltd, licensed to construct and own a factory for the manufacture of steel billets. Feasibility studies, preliminary engineering design and equipment investigations have been undertaken, however, the project has been placed on hold due to current economic conditions.

(viii) Parnham Overseas Ltd is a wholly owned subsidiary of Ausviet which was incorporated in the British Virgin Islands to hold an investment in Vietnam. It holds 65 per cent of Austnam.

(ix) Controlled entity audited by other member firm of Ernst & Young International.

(x) Controlled entity audited by auditors other than Ernst & Young.

(xi) Refer to Note 34 for information on the discontinued operation.

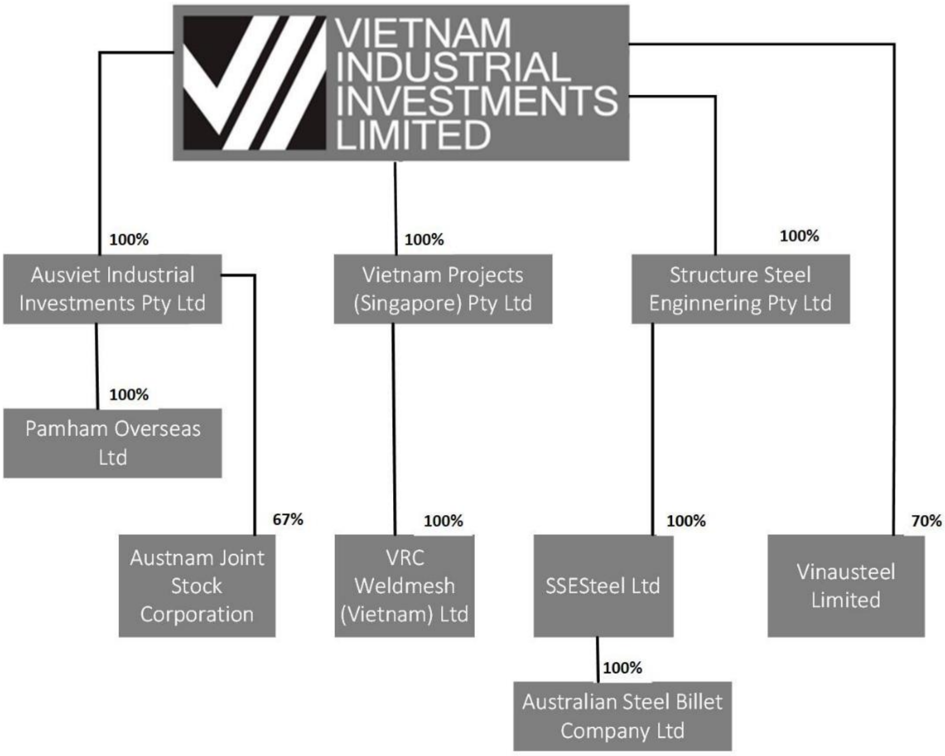
28. RELATED PARTY DISCLOSURES (continued)

(c) Key management personnel

Details relating to key management personnel are set out in Note 27.

(d) Corporate structure

Vietnam Industrial Investments Limited is the ultimate Australian parent entity. The corporate structure is outlined below:



(e) Transactions with related parties

Consolidated
Sales/Purchases
There were no sales to or purchases from related parties not within the Group.

(f) Corporate guarantees

The corporate guarantees provided by the parent company have been disclosed in Note 18.

29. COMMITMENTS

(a) Capital expenditure commitments

There were no capital expenditure commitments as at 31 December 2019 (2018: Nil).

(b) Remuneration commitments

There were no other remuneration commitments as at 31 December 2019 (2018: Nil), except the remuneration disclosed in Note 27 (b).

30. INFORMATION RELATING TO VIETNAM INDUSTRIAL INVESTMENTS LIMITED ("The Parent Entity")

	2019 $'000	2018 $'000
Current Assets	1,325	2,065
Total Assets	33,554	35,330
Current liabilities	1,126	897
Total liabilities	1,126	897
Issued capital	27,819	27,819
Retained earnings	4,609	6,614
	32,428	34,433
Net loss of the parent entity	(2,005)	(581)
Total comprehensive loss of the parent entity	(2,005)	(581)

Corporate guarantees

The corporate guarantees provided by the parent entity to the SSESTEEL and Vinausteel have been disclosed in Note 18. As further discussed in note 32, the Board is confident that the Supply Arrangement with NTC will be successful and SSESTEEL will be able to recover all of its loan, receivables and advances with NTC. This will ensure SSESTEEL and Vinausteel be able to meet obligations to their bankers with no residual exposure to the parent entity.

Commitments and contingencies

The commitments have been disclosed in Note 29.

The contingencies have been disclosed in Note 31.

31. CONTINGENT LIABILITY

There were no contingent liabilities as at 31 December 2019. (2018: Nil)

32. STRATEGIC SUPPLY ARRANGEMENT

The Group's wholly owned subsidiary SSESTEEL Ltd (SSESTEEL) entered into a supply arrangement ("the arrangement") with Nam Thuan Investment Development Company Ltd, 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.

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.

32. STRATEGIC SUPPLY ARRANGEMENT (continued)

At 31 December 2019, the Group has the following credit exposure with the local strategic partner:

	2019 $'000	2018 $'000
Short term advances and receivables		
Short term receivable related to selling of steel scraps and equipment (included in trade and other receivables – refer to Note 8)	8,321	21,925
Short term advances for billets purchase (refer to Note 9)	105,919	23,925
Interest receivables (refer to Note 8)	6,117	5,797
Current- loan receivable (refer to Note 8)	3,696	3,665
Total current assets	124,053	55,312
Long term loan receivable (refer to Note 13)	3,696	7,330
Total exposure	127,749	62,642

In February 2020, the other receivable from the local strategic partner current portion of $3.696 million (VND60 billion), its accrued interest of $0.808 million and the accrued interest on the advances to local strategic partner of $5.309 million were received.

Management acknowledges at 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.

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.

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, management is pleased with the operational performance of the NTC plant to 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 well exceed the Group's present level of exposure. Although the NTC plant is currently operating well, it has not been in operation for a sufficiently long period to provide reasonable certainty that the process can deliver the anticipated/expected levels of production capacity at optimum costs and provide significant cost savings to VII. 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.

Refer to note 2(d) for the recovery of loans, advances and receivables under the Strategic Supply Agreement.

Refer to note 2(e) for the accounting classification of loans, advances and receivables including the application of the SPPI test.

33. REVENUE FROM CONTRACTS WITH CUSTOMERS

For the year ended 31 December 2019, revenue is disaggregated as follows:

	2019	2018
	$'000	$'000
Type of good or service and timing of revenue recognition		
Sale of goods- point in time (i)	607,932	554,605
	607,932	554,605

(i) Where the Group offers volume-based discounts to customers, these discounts are estimated at each reporting date and are finalised as at 31 December.

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

a) Contract balances

	2019	2018
	$'000	$'000
Trade receivables (Note 6)	12,500	26,447
Construction contract receivable	-	67
Advances from customers (i)	(6,950)	(2,419)

(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 31 December 2019 and 2018 however amounts are expected to be settled within twelve months days and there is no financing component in the contracts.

34. DISCONTINUED OPERATION

During 2019, the Group lost control of Total Building Systems Limited ("TBS") as it disposed all of its shares in TBS. TBS was sold to Mr. Dau Hong Ngoc, TBS General Director, and Ms. Nguyen Thi Kim Oanh, a staff member, of that company for a consideration of VND9.1 billion ($0.577 million) in cash. The transaction was completed by December 2019. TBS has been classified as a discontinued operation and excluded from the Steel Making (Vietnam) division in the segment note.

The losses from discontinued operation are presented on a separate line in the Consolidated Statement of Comprehensive Income.

	2019	2018
	$'000	$'000
Revenue from contracts with customers	130	254
Expenses	(202)	(815)
Operating loss	(72)	(561)
Other	24	20
Foreign currency translation reserve	(113)	
Impairment loss recognised on the remeasurement to fair value less costs to sell	(176)	-
Loss before tax from a discontinued operation	(337)	(541)
Tax (expense)/benefit		
Related to pre-tax profit/(loss) from ordinary activities for the period	-	-
Related to remeasurement to fair value less costs to sell	-	-
Loss for the period from discontinued operation	(337)	(541)

34. DISCONTINUED OPERATION (continued)

The assets and liabilities of discontinued operation on disposal were as follows:

	As at disposal date $'000
Assets	
Cash	671
Trade and other receivables	104
Property, plant and equipment	89
Other current assets	81
	945
Liabilities	
Trade and other payables	382
	382
Net assets directly associated with disposal group	563

The net cash flows incurred by discontinued operation were, as follows:

	For the period ended on the disposal date $'000	2018 $'000
Operating	(41)	512
Investing	(762)	89
Financing	-	-
Net cash (outflow)/inflow from discontinued operation	(803)	601

Loss per share (in cents)

	2019 cents	2018 cents
Basic and diluted loss per share for the period from discontinued operation	(0.24)	(0.38)

35. EVENTS AFTER BALANCE SHEET DATE

In February 2020, NTC, local strategic partner, made payments to SSESTEEL of $3.696 million (VND60 billion) in relation to the loan receivable, $0.808 million in relation to accrued interest on the loan receivable and $5.309 million in relation to the accrued interest on the advances.

The two pairs of additional induction furnaces to be installed by NTC were designed and fabricated by Chinese companies and the engineers and technicians constructing the project are Chinese Nationals. These personnel went home for the Chinese New Year holiday break and, at present, are unable to return to Vietnam due to the Covid-19 travel restrictions imposed by the Vietnamese Government. There is no certainty as to when these personnel will be able to return to Vietnam to complete the installation of the induction furnaces.

Subsequent to end of the financial year, the COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. We have seen a significant impact on our business to date. The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of our business. The scale and duration of these developments remain uncertain as at the date of this report however they will have an impact on our earnings, cash flow and financial condition.

It is not possible to estimate the impact of the outbreak's near-term and longer effects or Governments' varying efforts to combat the outbreak and support businesses. This being the case, we do not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the Group at this time.

The financial statements have been prepared based upon conditions existing at 31 December 2019 and considering those events occurring subsequent to that date, that provide evidence of conditions that existed at the end of the reporting period. As the outbreak of COVID-19 occurred after 31 December 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to financial statements as at 31 December 2019 for the impacts of COVID-19.

A non-executive director of VII, Mr Michael Douglas Mann, resigned his position on 18 February 2020. On 19 May 2020, the Company announced the resignations of directors, Mr Roger Sing-Leong Kwok (effective 13 May 2020), Mr Jonathan Heath Stuart Murray (effective 15 May 2020), and Dr Andrew David Walker (effective 19 May 2020) and the resignation of Mrs Patricia Williams as Company Secretary (effective 13 May 2020).

On 21 May 2020, the Company announced the appointment of Mr Henry Han Kee Thong as Director and Company Secretary of the Company and on 15 June 2020 announced the appointment of Mr Brendon John Grylls as a Non-executive Director.

In June 2020, the Vietnamese Government issued the Decree No.68/2020/ND-CP to amend and supplement Point 3, Article 8 of Decree No.20/2017/ND-CP regarding interest expenses of enterprises engaging in transactions with related parties. Among other changes, under the new Decree, maximum deductibility of interest expenses has been raised from 20% of earnings before interest, tax, depreciation and amortization (EBITDA) to 30% of net EBITDA. The calculation of deductible interest expense per Decree 68 could be retrospectively applied to tax years 2017 and 2018. Impacted enterprises are required to review and revise the Corporate Income tax return and submit the amendment prior to 1 January 2021. It is expected that the new Decree would result in a reversal of tax liabilities of $0.895 million booked in prior years in the 2020 financial statements.

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 to be by offset against Receivables from NTS JSC.

NTS JSC has advised that it is currently in discussion with various parties to provide additional capital to the company. When this additional capital is agreed and the funds paid to NTS JSC, Vietnam Industrial Investments Limited will make an ASX announcement in regard to the revised capital structure of NTS JSC.

There has been no other matter or circumstance that has arisen since the end of the 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.

DIRECTORS' DECLARATION

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

1. In the opinion of the directors:

   (a) The financial statements and notes of Vietnam Industrial Investments Limited for the financial year ended 31 December 2019 are in accordance with the *Corporations Act 2001*, including:

      (i) Giving a true and fair view of its financial position as at 31 December 2019 and of its performance for the year ended on that date; and

      (ii) Complying with Accounting Standards and the *Corporations Regulations 2001*.

   (b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(a).

   (c) Subject to Note 2(w), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors by the chief executive officer and chief financial officer in accordance with Section 295A of the *Corporations Act 2001* for the financial year ended 31 December 2019.

On behalf of the Board

LAM VAN HUNG
Acting Chairman &
Chief Executive Officer
2 November 2020

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Independent auditor's report to the members of Vietnam Industrial Investments Limited

Disclaimer of opinion

We were engaged to audit the financial report of Vietnam Industrial Investments Limited (the Company), and its controlled entities (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

Basis for disclaimer of opinion

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 32 of the financial report, as at 31 December 2019, the Group has a loan, advances and other receivables due from Nam Thuan, a local investment and development company in Vietnam, amounting to $127.749 million (31 December 2018: $62.642 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; 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 audit of the Group's financial report for the year ended 31 December 2019, we have been unable to obtain sufficient appropriate audit 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 31 December 2020 and therefore whether the presentation of the loan, advances and other receivables to Nam Thuan as current assets is accurate.

- Nam Thuan should be considered a related party under AASB 124 Related Party Disclosures and the Corporations Act 2001.

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 $127.749 million to Nam Thuan at 31 December 2019.

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

As detailed in Note 14 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. For the audit of the Group's financial report for the year ended 31 December 2019, we have been unable to obtain sufficient appropriate audit 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 $8.8 million at 31 December 2019.

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

As detailed in Note 2(b) of the financial report, the Group has concluded that SSESTEEL 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 audit of the Group's financial report for the year ended 31 December 2019, we have been unable to obtain sufficient appropriate audit 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 2018 qualified opinion

We issued a qualified audit opinion dated 29 March 2019 on the Group's consolidated financial report for the year ended 31 December 2018 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 2018 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 year ended 31 December 2019, 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 year ended 31 December 2019.

Emphasis of matter: material uncertainty related to going concern

We draw attention to Note 2(w) 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 Opinion is not modified in respect of this matter.

Emphasis of matter: subsequent events – impact of the Coronavirus (COVID-19) outbreak

We draw attention to Note 35 of the financial report which notes the World Health Organisation's declaration of the outbreak of COVID-19 as a global pandemic subsequent to 31 December 2019 and how this has been considered by the Directors in the preparation of the financial report. As set out in Note 35, no adjustments have been made to the financial statements as at 31 December 2019 for the impacts of COVID-19. Our Disclaimer of Opinion is not modified in respect of this matter.

Responsibilities of the Directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our responsibility is to conduct an audit of the financial report in accordance with Australian Auditing Standards and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial report.

We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Report on the audit of the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of Vietnam Industrial Investments Limited for the year ended 31 December 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

V L Hoang
Partner
Perth
2 November 2020

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 2 November 2020.

SUBSTANTIAL SHAREHOLDERS

Ordinary shareholder	Fully Paid Number	Percentage
Corbyns International Limited (1)	116,418,157	81.82%
Land & General Berhad	13,002,000	9.14%

NOTES:

(1) Shareholder	Registered shareholder	Fully Paid Number	Percentage
Corbyns International Limited	Corbyns International Limited	116,308,510	81.75%
Corbyns International Limited via	HSBC Custody Nominees Australia Ltd	109,647	0.07%
Total		116,418,157	81.82%

Movements of less than 1% in voting power are not required to be disclosed to ASX via an updated substantial shareholding notice and accordingly, there may be variances between the shareholdings recorded in the table above and the current registered shareholdings have been disclosed (where applicable).

DISTRIBUTION OF EQUITY SECURITIES

At 2 November 2020, there were 77 holders of the ordinary shares of the Company.

Ordinary shares

In accordance with the Company's constitution, on a show of hands, every member present in person or by proxy or attorney or duly authorised representative has one vote. In a poll, every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share.

Category	Number of Shareholders With fully paid ordinary shares	Total of Securities held by holders
1 - 1,000	3	878
1,001 - 5,000	28	76,951
5,001 - 10,000	9	74,015
10,001 - 100,000	25	801,295
Over 100,000	12	141,324,284
	77	142,377,423

The number of shareholders holding less than a marketable parcel is 3.

TWENTY LARGEST SHAREHOLDERS (as at 2 November 2020)

Name	Number of Ordinary Shares Held	Percentage of Shares Held
Corbyns International Ltd (see Notes: (1))	116,308,510	81.75%
Land & General Berhad	13,002,000	9.14%
Goh Joon Jin	3,950,000	2.78%
Hee Lee Sui	3,436,315	2.42%
Citicorp Nominees PL	2,714,000	1.91%
Sonya Lam	561,280	0.39%
J P Morgan Nominees Australia Limited	465,969	0.33%
Seah Kee Khoo	327,500	0.23%
Melissa May Longcake	177,112	0.12%
HSBC Custody Nominees Australia Ltd (see Notes: (1))	158,167	0.11%
Susan Rose Longcake	136,388	0.10%
Liem Q Phan & H T T Pham	130,000	0.09%
BNP Paribas Nominees PL	105,563	0.07%
David and Colleen Dean	100,000	0.07%
National Nominees Ltd	82,053	0.06%
Basil Ladyman PL	78,241	0.05%
XCM PL	40,180	0.03%
Peter Lorenz	40,000	0.03%
RHB Sec Singapore Pte Ltd	30,000	0.02%
Peter Lachlan Wiese	24,000	0.02%
	141,867,278	99.72%

Restricted Securities

There are no ordinary shares on issue that have been classified by the Australian Securities Exchange (Perth) as restricted securities.

Stock Exchange Listing

Vietnam Industrial Investments Limited shares are listed on the Australian Securities Exchange and the Frankfurt Stock Exchange's Unofficial Regulated Market. The home exchange is the Australian Securities Exchange (Perth).

VIETNAM INDUSTRIAL INVESTMENTS LIMITED
ABN 64 063 656 333

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