



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

VIETNAM INDUSTRIAL INVESTMENTS LIMITED

27 February 2017

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

Dear Sirs

APPENDIX 4E

Please find attached Appendix 4E for the year ended 31 December 2016.

Yours faithfully

VIETNAM INDUSTRIAL INVESTMENTS LIMITED

LAM VAN HUNG
Managing Director

APPENDIX 4E

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

(Corresponding year: 31 December 2015)

Results for announcement to the market

| | 2016 | 2015 | Movement | |
|---|---------|---------|------------------|-------|
| | \$'000 | \$'000 | Amount \$'000 | % |
| Revenues from ordinary activities | 318,120 | 357,497 | (39,377) | (12%) |
| Profit from ordinary activities after tax attributable to members | 8,614 | 9,868 | (1,254) | (13%) |
| Net profit for the period attributable to members | 8,614 | 9,868 | (1,254) | (13%) |

Dividend Distribution

On 2 September 2016, the Board declared dividend of 3 (three) Australian cents per ordinary share (fully unfranked) which was paid and dispatched on 16 September 2016 (2015: Nil). The entire dividend was 100% conduit foreign income.

The Directors have not declared or paid dividends at the end of the year (2015: Nil).

| | 2016 \$'000 | 2015 \$'000 |
|--|----------------|----------------|
| Declared and paid during the year | | |
| Interim unfranked dividend for 2016: 3 cents per share (2015: NIL) | 4,268 | - |

Attached are the following:

- Commentaries for the net results for the year attributable to members
- Statement of Financial Position
- Statement of Comprehensive Income
- Statement of Changes in Equity
- Statement of Cash Flows
- Segment information
- Retained earnings
- Earnings per share
- Cash and cash equivalents
- Revenues and expenses
- Trade and other receivables
- Advances to suppliers
- Inventories
- Other current assets
- Other receivable
- Property, plant and equipment
- Trade and other payables
- Interest-bearing loans and borrowings

| NTA Backing | Current Period | Previous Corresponding Period |
|--|-----------------------|-------------------------------|
| Net tangible asset per ordinary security | 36.51 cents per share | 34.28 cents per share |

There had been no entities which control had been gained/lost during the year.

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

The Financial Report for the year ended 31 December 2016 is in the process of being audited.



LAM VAN HUNG
Managing Director

APPENDIX 4E

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors submit the Appendix 4E of Vietnam Industrial Investments Limited (“VII”, “Company”, “consolidated entity” or “Group”) for the year ended 31 December 2016.

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 Division: Vinausteel Limited (“Vinausteel”), and SSESTEEL Ltd (“SSESTEEL”), and Steel Products Division: Austnam Joint Stock Corporation (“Austnam”), Total Building Systems Limited (“TBS”); and VRC Weldmesh (Vietnam) Ltd (“VRC”).

Net Profit for the year

The total comprehensive income for the year was \$11.406 million (2015: \$14.897 million). The total comprehensive income for the year consisted of: 1) net profit for the year of \$11.421 million (2015: \$12.163 million), and 2) Foreign currency translation loss of \$0.015 million (2015: gain of \$2.734 million).

For the year ended 31 December 2016, the Group net profit after tax attributable to members was \$8.614 million (2015: \$9.868 million) on revenues of \$318.120 million (2015: \$357.497 million).

The Steel Making Division reported a net profit after tax attributable to members of \$9.718 million (VND161.499 billion) on revenues of \$307.404 million (VND5.113 trillion) (2015: net profit after tax attributable to members of \$10.317 million (VND169.118 billion) on revenues of \$347.662 million (VND5.699 trillion)). In 2016, SSESTEEL reported a net profit after tax of \$3.481 million (2015: \$5.142 million). Whilst, the Group’s share in Vinausteel earned a net profit of \$6.237 million (2015: \$5.175 million). The main contributor to the decline in net profit is the decreased average gross profit margin of the Steel Making Division. The average gross profit margin of this division decreased from 10.4% to 9.8%. During the year, this division’s sale of goods declined due to the drop in average selling prices due to tight competition and general decrease in the raw material costs.

The corporate net loss after tax was \$1.346 million (2015: \$0.702 million).

The Group’s Steel Products Division reported a net profit after tax attributable to members of \$0.242 million (2015: \$0.253 million).

Foreign currency translation

For the year ended 31 December 2016, the foreign currency translation was a loss of \$0.015 million (2015: a gain of \$2.734 million). In 2016, the Vietnam Dong appreciated slightly against the Australian dollar. The average VND/AUD exchange rate in 2016 was VND16,632, a 1% increase from the average VND/AUD exchange rate of VND16,391 in 2015. The VND/AUD spot rate at 31 December 2016 was VND16,473 (31 December 2015: VND/AUD spot rate of VND16,411). The Australian dollar depreciated against the US dollar in 2016. The Australian dollar spot rate at 31 December 2016 of US\$0.7236/A\$1 was weaker than 31 December 2015 spot rate of US\$0.7306/A\$1.

APPENDIX 4E

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2015

CASH FLOWS

At 31 December 2016, cash and cash equivalents was \$76.762 million. There was net increase in cash and cash equivalents during the year of \$13.730 million mainly due to the following:

| | \$'000 |
|--|---------------|
| Increase in net cash flows from operating activities (a) | 5,289 |
| Decrease in net cash flows from investing activities (b) | (13,434) |
| Increase in net cash flows from financing activities (c) | 21,770 |
| Net foreign exchange differences | 105 |
| | <hr/> |
| Net Increase | <u>13,730</u> |

Notes:

- (a) Net cash inflows from operating activities were mainly due to the receipts from customers of \$347.052 million and payment to suppliers and employees of \$337.737 million.
- (b) Net cash outflows from investing activities were due to the funding of term deposits and the acquisition of plant, property and equipment.
- (c) Net cash inflows from financing activities were mainly due to net proceeds of bank borrowings of \$28.202 million, dividend payment to shareholders of \$4.164 million and dividend payment to non-controlling interests of \$2.268 million.

SUBSEQUENT EVENTS AFTER BALANCE DATE

The Company announced the appointment of a new director, Mr Michael Mann, on 19 January 2017.

At this date of the Appendix 4E, other than the above, there has been no 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.

LIKELY DEVELOPMENTS

The consolidated entity expects to continue with the commercial production of rebar and wire rod from VII's rolling mills at Vinausteel and SSESTEEL, roofing and wall cladding at Austnam's factory in Hanoi, and the provision of engineering and project management services by TBS. The scaled down operations of VRC will not be material.

APPENDIX 4E

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

| | Notes | 2016 \$'000 | 2015 \$'000 |
|---|-------|----------------|----------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 4 | 76,762 | 63,032 |
| Trade and other receivables | 6 | 9,399 | 10,797 |
| Advances to suppliers | 7 | 12,230 | 2,669 |
| Inventories | 8 | 46,777 | 42,380 |
| Financial assets – at fair value through profit or loss | 9 | 9 | 9 |
| Other current assets | 9 | 7,750 | 185 |
| Total Current Assets | | <u>152,927</u> | <u>119,072</u> |
| Non-current Assets | | | |
| Other receivable | 10 | 10,935 | 10,977 |
| Property, plant and equipment | 11 | 12,846 | 8,390 |
| Other non-current assets | | 418 | 464 |
| Deferred tax assets | | 1,160 | 27 |
| Intangible assets and goodwill | | 82 | 86 |
| Total Non-current Assets | | <u>25,441</u> | <u>19,944</u> |
| TOTAL ASSETS | | <u>178,368</u> | <u>139,016</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 12 | 25,692 | 17,662 |
| Advances from customers | | 2,907 | 4,299 |
| Income tax provision | | 2,412 | 2,869 |
| Interest-bearing loans and borrowings | 13 | 86,868 | 58,614 |
| Provisions | | 939 | 892 |
| Total Current Liabilities | | <u>118,818</u> | <u>84,336</u> |
| TOTAL LIABILITIES | | <u>118,818</u> | <u>84,336</u> |
| NET ASSETS | | <u>59,550</u> | <u>54,680</u> |
| EQUITY | | | |
| Equity attributable to equity holders of parent | | | |
| Contributed equity | | 27,819 | 27,819 |
| Reserves | | (4,909) | (4,869) |
| Retained earnings | 2 | 30,283 | 25,937 |
| Parent interests | | <u>53,193</u> | <u>48,887</u> |
| Non-controlling interests | | <u>6,357</u> | <u>5,793</u> |
| TOTAL EQUITY | | <u>59,550</u> | <u>54,680</u> |

APPENDIX 4E

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

| | Notes | 2016 \$'000 | 2015 \$'000 |
|---|-------|----------------|----------------|
| Continuing operations | | | |
| Sale of goods | | 312,648 | 352,167 |
| Contract revenue | | 2,329 | 3,770 |
| Other revenue | 5 | 3,143 | 1,560 |
| | | <hr/> | <hr/> |
| Revenue | | 318,120 | 357,497 |
| Cost of sales | 5 | (282,901) | (318,229) |
| | | <hr/> | <hr/> |
| Gross profit | | 35,219 | 39,268 |
| | | <hr/> | <hr/> |
| Other income | 5 | 571 | 702 |
| Selling expenses | 5 | (6,920) | (8,921) |
| Administrative expenses | 5 | (11,854) | (11,572) |
| Finance costs | 5 | (3,294) | (3,468) |
| | | <hr/> | <hr/> |
| Profit before income tax | | 13,722 | 16,009 |
| | | <hr/> | <hr/> |
| Income tax expense | | (2,301) | (3,846) |
| | | <hr/> | <hr/> |
| Net profit for the year | | 11,421 | 12,163 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Other comprehensive (loss)/income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Foreign currency translation differences – attributable to parent | | (40) | 2,492 |
| <i>Items that may not be reclassified subsequently to profit or loss</i> | | | |
| Foreign currency translation differences – attributable to non-controlling interests | | 25 | 242 |
| | | <hr/> | <hr/> |
| Other comprehensive (loss)/income for the year | | (15) | 2,734 |
| | | <hr/> | <hr/> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 11,406 | 14,897 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Profit attributable to: | | | |
| Owners of parent | | 8,614 | 9,868 |
| Non-controlling interests | | 2,807 | 2,295 |
| | | <hr/> | <hr/> |
| | | 11,421 | 12,163 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Total comprehensive income attributable to: | | | |
| Owners of parent | | 8,574 | 12,360 |
| Non-controlling interests | | 2,832 | 2,537 |
| | | <hr/> | <hr/> |
| | | 11,406 | 14,897 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| | | Cents | Cents |
| Earnings per share (cents per share) attributable to the ordinary equity holders of the Company: | | | |
| – Basic and diluted earnings per share | 3 | 6.05 | 6.94 |

APPENDIX 4E
PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

| | <i>Attributable to equity holders of the parent</i> | | | | | <i>Non-controlling interests</i> | <i>Total equity</i> |
|--|---|--|--------------------------|-----------------------|-----------------------------|----------------------------------|---------------------|
| | <i>Contributed equity</i> | <i>Foreign currency translation reserves</i> | <i>Retained earnings</i> | <i>Legal reserves</i> | <i>Owners of the parent</i> | | |
| | <i>\$'000</i> | <i>\$'000</i> | <i>\$'000</i> | <i>\$'000</i> | <i>\$'000</i> | <i>\$'000</i> | <i>\$'000</i> |
| At 1 January 2016 | 27,819 | (5,993) | 25,937 | 1,124 | 48,887 | 5,793 | 54,680 |
| Net profit for the year | - | - | 8,614 | - | 8,614 | 2,807 | 11,421 |
| Other comprehensive loss | - | (40) | - | - | (40) | 25 | (15) |
| Total comprehensive income for the year | - | (40) | 8,614 | - | 8,574 | 2,832 | 11,406 |
| Dividends to shareholders | - | - | (4,268) | - | (4,268) | - | (4,268) |
| Dividends by subsidiaries | - | - | - | - | - | (2,268) | (2,268) |
| At 31 December 2016 | 27,819 | (6,033) | 30,283 | 1,124 | 53,193 | 6,357 | 59,550 |
| At 1 January 2015 | 27,819 | (8,485) | 16,069 | 1,124 | 36,527 | 3,651 | 40,178 |
| Net profit for the year | - | - | 9,868 | - | 9,868 | 2,295 | 12,163 |
| Other comprehensive income | - | 2,492 | - | - | 2,492 | 242 | 2,734 |
| Total comprehensive income for the year | - | 2,492 | 9,868 | - | 12,360 | 2,537 | 14,897 |
| Dividends by subsidiaries | - | - | - | - | - | (395) | (395) |
| At 31 December 2015 | 27,819 | (5,993) | 25,937 | 1,124 | 48,887 | 5,793 | 54,680 |

APPENDIX 4E

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

| | Notes | 2016 \$'000 | 2015 \$'000 |
|--|-------|-----------------|----------------|
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of VAT) | | 347,052 | 396,876 |
| Payments to suppliers and employees (inclusive of VAT) | | (337,737) | (362,078) |
| Interest received | | 3,143 | 1,560 |
| Interest paid | | (3,294) | (3,468) |
| Income taxes paid | | (3,875) | (1,783) |
| Net cash flows provided by operating activities | | <u>5,289</u> | <u>31,107</u> |
| Cash flows from investing activities | | | |
| Funding of term deposits | | (7,291) | - |
| Purchase of property, plant and equipment | | (6,280) | (1,288) |
| Purchase of software costs | | - | (10) |
| Proceeds from sale of property, plant and equipment and intangible asset | | 137 | - |
| Net cash flows used in investing activities | | <u>(13,434)</u> | <u>(1,298)</u> |
| Cash flows from financing activities | | | |
| Proceeds from bank borrowings | | 315,648 | 254,198 |
| Repayment of bank borrowings | | (287,446) | (257,531) |
| Dividends paid to shareholders | | (4,164) | - |
| Dividends paid to non-controlling interests | | (2,268) | (395) |
| Net cash flows provided by/(used in) financing activities | | <u>21,770</u> | <u>(3,728)</u> |
| Net increase in cash and cash equivalents | | 13,625 | 26,081 |
| Net foreign exchange differences | | 105 | 2,291 |
| Cash and cash equivalents at beginning of year | | 63,032 | 34,660 |
| Cash and cash equivalents at end of year | 4 | <u>76,762</u> | <u>63,032</u> |

APPENDIX 4E

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

1. SEGMENT INFORMATION

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by the Board based on the manner in which the product is sold and the nature of the services provided. Discrete financial information about each of these operating businesses is reported to the Board on a regular basis.

The Group has two main reportable segments: Steel Making and Steel Products, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. The following summary describes the operations in each Group reportable segment:

Steel Making: includes the manufacturing and selling of wire rod and rebar activities of Vinausteel Limited and SSESTEEL Ltd. These companies are domiciled and main customers in Vietnam.

Steel Products: comprise of Austnam Joint Stock Corporation, Total Building Systems Ltd, and VRC Weldmesh (Vietnam) Limited which are primarily engaged in the manufacturing and trading of steel roofing and steel frames; engineering and project management services; and manufacturing and trading welded wire mesh. These companies are domiciled and main customers in Vietnam.

Unallocated: relates to corporate charges of Parent in Australia, British Virgin Islands and Singapore entities which are separately accounted from the business segments.

Segment Performance

| | Steel Making (Vietnam) \$'000 | Steel Products (Vietnam) \$'000 | Unallocated Note (i) \$'000 | Total \$'000 | Adjustments and eliminations \$'000 | Consolidated \$'000 |
|--|-------------------------------------|--|-----------------------------------|-----------------|--|------------------------|
| Year ended 31 December 2016 | | | | | | |
| Revenues | | | | | | |
| External revenues | 307,404 | 7,573 | - | 314,977 | - | 314,977 |
| Inter-segment revenues | 13 | 1,139 | - | 1,152 | (1,152) | - |
| Other revenues | 3,103 | 40 | - | 3,143 | - | 3,143 |
| Total segment revenues | <u>310,520</u> | <u>8,752</u> | <u>-</u> | <u>319,272</u> | <u>(1,152)</u> | <u>318,120</u> |
| Results | | | | | | |
| Other income | 299 | 212 | 60 | 571 | - | 571 |
| Finance costs | <u>(3,615)</u> | <u>(22)</u> | <u>-</u> | <u>(3,637)</u> | 343 | <u>(3,294)</u> |
| Segment results before income tax | 14,563 | 505 | - | 15,068 | - | 15,068 |
| Income tax expense | <u>(2,172)</u> | <u>(129)</u> | <u>-</u> | <u>(2,301)</u> | <u>-</u> | <u>(2,301)</u> |
| Segment results after tax | 12,391 | 376 | - | 12,757 | - | 12,757 |
| Corporate charges | - | - | (1,346) | (1,346) | - | (1,346) |
| Net profit/(loss) after tax from continuing operations | <u>12,391</u> | <u>376</u> | <u>(1,346)</u> | <u>11,421</u> | <u>-</u> | <u>11,421</u> |

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

APPENDIX 4E

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

1. SEGMENT INFORMATION (continued)

| | Steel Making (Vietnam) \$'000 | Steel Products (Vietnam) \$'000 | Unallocated Note (i) \$'000 | Total \$'000 | Adjustments and eliminations \$'000 | Consolidated \$'000 |
|---|-------------------------------------|--|-----------------------------------|-----------------|--|------------------------|
| Year ended 31 December 2015 | | | | | | |
| Revenues | | | | | | |
| External revenues | 347,662 | 8,275 | - | 355,937 | - | 355,937 |
| Inter-segment revenues | 13 | 553 | - | 566 | (566) | - |
| Other revenues | 1,475 | 85 | - | 1,560 | - | 1,560 |
| Total segment revenues | 349,150 | 8,913 | - | 358,063 | (566) | 357,497 |
| Results | | | | | | |
| Other income | 293 | 349 | 60 | 702 | - | 702 |
| Finance costs | (3,812) | (3) | - | (3,815) | 347 | (3,468) |
| Segment results before income tax | 16,297 | 414 | - | 16,711 | - | 16,711 |
| Income tax expense | (3,761) | (85) | - | (3,846) | - | (3,846) |
| Segment results after tax | 12,536 | 329 | - | 12,865 | - | 12,865 |
| Corporate charges | - | - | (702) | (702) | - | (702) |
| Net profit/(loss) after tax from continuing operations | 12,536 | 329 | (702) | 12,163 | - | 12,163 |

| | Steel Making (Vietnam) \$'000 | Steel Products (Vietnam) \$'000 | Unallocated Note (i) \$'000 | Total \$'000 |
|---|--|--|-----------------------------------|-----------------|
| Segment assets | | | | |
| At 31 December 2016 | | | | |
| Segment operating assets | 173,573 | 5,476 | 907 | 179,956 |
| Inter-segment eliminations | - | - | - | (1,588) |
| Total assets per statement of financial position | | | | 178,368 |
| At 31 December 2015 | | | | |
| Segment operating assets | 132,526 | 6,936 | 1,031 | 140,493 |
| Inter-segment eliminations | - | - | - | (1,477) |
| Total assets per statement of financial position | | | | 139,016 |
| Segment liabilities | | | | |
| At 31 December 2016 | | | | |
| Segment operating liabilities | 116,095 | 3,369 | 942 | 120,406 |
| Inter-segment eliminations | - | - | - | (1,588) |
| Total liabilities per statement of financial position | | | | 118,818 |
| At 31 December 2015 | | | | |
| Segment operating liabilities | 80,066 | 5,020 | 725 | 85,811 |
| Inter-segment eliminations | - | - | - | (1,475) |
| Total liabilities per statement of financial position | | | | 84,336 |

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

APPENDIX 4E

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

2. RETAINED EARNINGS

| | 2016 | 2015 |
|-------------------------------|---------------|--------|
| | \$'000 | \$'000 |
| Retained earnings | 30,283 | 25,937 |
| Movement in retained earnings | | |
| Opening balance | 25,937 | 16,069 |
| Net profit for the year | 8,614 | 9,868 |
| Dividends to shareholders | (4,268) | - |
| Closing balance | 30,283 | 25,937 |

3. EARNINGS PER SHARE

| | 2016 | 2015 |
|---|----------------------|---------------|
| | \$'000 | \$'000 |
| Net profit attributable to ordinary equity holders of the Parent for basic and diluted loss | 8,614 | 9,868 |
| | 2016 | 2015 |
| | No. of Shares | No. of Shares |
| Weighted average number of ordinary shares for basic and diluted earnings per share | 142,277,423 | 142,277,423 |

| | Cents | Cents |
|--|--------------|-------|
| Earnings per share (cents per share) for profit attributable to the ordinary equity holders of the Company: | | |
| – Basic and diluted earnings per share | 6.05 | 6.94 |

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 this Appendix 4E.

4. CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents are comprised of the following:

| | 2016 | 2015 |
|--------------------------|---------------|--------|
| | \$'000 | \$'000 |
| Cash at bank and in hand | 3,159 | 10,405 |
| Short-term deposits | 73,603 | 52,627 |
| | 76,762 | 63,032 |

APPENDIX 4E

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

5. REVENUES AND EXPENSES

Revenues and expenses from continuing operations

| | 2016 | 2015 |
|--|------------------|------------------|
| | \$'000 | \$'000 |
| (a) Other revenue | | |
| Interest income-banks | 2,261 | 1,560 |
| Interest income-other | 882 | - |
| | <u>3,143</u> | <u>1,560</u> |
| (b) Other income | | |
| Rent income | 100 | 165 |
| Financial and executive services income | 60 | 60 |
| Other | 411 | 477 |
| | <u>571</u> | <u>702</u> |
| (c) Cost of sales | | |
| Cost of goods sold | (281,123) | (315,005) |
| Construction costs | (1,778) | (3,224) |
| | <u>(282,901)</u> | <u>(318,229)</u> |
| (d) Finance costs | | |
| Bank loans and other borrowings | (3,294) | (3,468) |
| (e) Selling expenses | | |
| Promotional expenses | (2,623) | (3,907) |
| Salaries and wages | (1,139) | (1,354) |
| Consultancy sales expenses | (86) | (1,116) |
| Advertising expenses | (899) | (937) |
| Delivery expenses | (131) | (456) |
| Other | (2,042) | (1,151) |
| | <u>(6,920)</u> | <u>(8,921)</u> |
| (f) Administrative expenses | | |
| Salaries and employee benefits expenses | (5,709) | (5,192) |
| Impairment of receivables | (266) | (907) |
| Travel expense | (517) | (614) |
| Professional fees | (332) | (231) |
| Rent expense | (575) | (472) |
| Other | (4,455) | (4,156) |
| | <u>(11,854)</u> | <u>(11,572)</u> |
| (g) Depreciation and amortisation | | |
| Depreciation expense | (1,625) | (1,590) |
| Amortisation of intangible assets | (3) | (3) |
| | <u>(1,628)</u> | <u>(1,593)</u> |

APPENDIX 4E

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

6. TRADE AND OTHER RECEIVABLES

| | 2016 \$'000 | 2015 \$'000 |
|--|------------------------------|----------------|
| Trade receivables | 8,414 | 8,739 |
| Allowance for impairment loss | (3,195) | (2,938) |
| | <u>5,219</u> | <u>5,801</u> |
| Construction contract receivables | 1,104 | 2,548 |
| Allowance for impairment loss | (47) | (47) |
| | <u>1,057</u> | <u>2,501</u> |
| Other receivables | 3,294 | 2,666 |
| Allowance for impairment loss | (171) | (171) |
| | <u>3,123</u> | <u>2,495</u> |
| Carrying amount of trade and other receivables | <u>9,399</u> | <u>10,797</u> |

7. ADVANCES TO SUPPLIERS

| | 2016 \$'000 | 2015 \$'000 |
|-----------------|------------------------------|----------------|
| Other suppliers | 12,230 | 2,669 |
| | <u>12,230</u> | <u>2,669</u> |

8. INVENTORIES

| | 2016 \$'000 | 2015 \$'000 |
|---|------------------------------|----------------|
| Raw materials – at lower of cost and net realisable value | 25,890 | 26,916 |
| Construction in progress – at cost | - | 262 |
| Finished goods – at lower of cost and net realisable value | 20,887 | 15,202 |
| Total inventories at lower of cost and net realisable value | <u>46,777</u> | <u>42,380</u> |

9. OTHER CURRENT ASSETS

| | 2016 \$'000 | 2015 \$'000 |
|----------------|------------------------------|----------------|
| Term deposits | 7,291 | - |
| Prepayments | 442 | 185 |
| Other deposits | 17 | - |
| | <u>7,750</u> | <u>185</u> |

Term deposits mature in six (6) to nine (9) months and bear interest rates ranging from 5.5% to 6.7% (2015: Nil).

10. OTHER RECEIVABLE

| | 2016 \$'000 | 2015 \$'000 |
|------------------|------------------------------|----------------|
| Other receivable | 10,935 | 10,977 |
| | <u>10,935</u> | <u>10,977</u> |

Other receivable relates to an advance to a supplier and is secured by a second charge over the counterparty's assets.

APPENDIX 4E

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

11. PROPERTY, PLANT AND EQUIPMENT

| | 2016 | 2015 |
|---|---------------|--------------|
| | \$'000 | \$'000 |
| Building on leasehold land | | |
| - Cost | 9,283 | 8,423 |
| - Accumulated depreciation | (5,754) | (5,918) |
| Net carrying amount | <u>3,529</u> | <u>2,505</u> |
| Plant and equipment | | |
| - Cost | 31,201 | 27,603 |
| - Accumulated depreciation and impairment | (24,452) | (24,316) |
| Net carrying amount | <u>6,749</u> | <u>3,287</u> |
| Motor vehicles | | |
| - Cost | 3,074 | 2,464 |
| - Accumulated depreciation | (2,107) | (1,844) |
| Net carrying amount | <u>967</u> | <u>620</u> |
| Construction in progress – cost | <u>1,601</u> | <u>1,978</u> |
| Net carrying amount | <u>12,846</u> | <u>8,390</u> |

12. TRADE AND OTHER PAYABLES

| | 2016 | 2015 |
|----------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Trade payables | 10,780 | 4,006 |
| Other payables | 14,192 | 13,062 |
| Related party payables | | |
| - key management personnel | 720 | 594 |
| | <u>25,692</u> | <u>17,662</u> |

13. INTEREST-BEARING LOANS AND BORROWINGS

| | 2016 | 2015 |
|----------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Current | | |
| Bank loans – secured | 86,868 | 58,614 |
| | <u>86,868</u> | <u>58,614</u> |

Terms and conditions of Interest bearing loans and borrowings

Outstanding bank loans of \$86.868 million (2015: \$58.614 million) 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 totalling US\$16.162 million (\$22.336 million) (2015: US\$16.294 million (\$22.302 million)). At 31 December 2016 the total interest bearing liabilities drawn down to which these corporate guarantees relate to were US\$10.581 million (\$14.623 million) (2015: US\$9.180 million (\$12.565 million)).

APPENDIX 4E

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

14. FOREIGN CURRENCY TRANSLATION

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

15. SUBSEQUENT EVENT AFTER BALANCE DATE

The Company announced the appointment of a new director, Mr Michael Mann, on 19 January 2017.

At this date of the Appendix 4E, other than the above, there has been no 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.