



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

VIETNAM INDUSTRIAL INVESTMENTS LIMITED

29 August 2016

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

Dear Sirs

REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2016 (Previous corresponding period: 30 June 2015)

Attached is our report for the six months ended 30 June 2016 incorporating the requirements of Appendix 4D.

Results for announcement to the market

	6 months to 30.06.2016	6 months to 30.06.2015	Change \$	Change %
Revenues from ordinary activities (A\$)	158.191m	181.502m	(23.311m)	(13%)
Net profit for the period (A\$)	7.766m	5.964m	1.802m	30%
Net profit for the period attributable to members (A\$)	6.082m	4.884m	1.198m	25%
Dividends (distributions)	Amount per security	Franked amount per security		
Interim dividend	NIL	NIL		
Previous interim dividend	NIL	NIL		

Brief explanation of any of the figures reported above:

Explanation of the results for the half-year ended 30 June 2016 is provided in Review of Results of Operations of the consolidated entity in the Half-Year Financial Report.

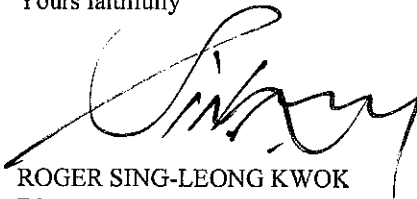
Net Tangible Asset Backing	Current Period	Previous Corresponding Period
Net tangible asset per ordinary security	0.38	0.30

There had been no entities gained or lost control in the half-year.

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

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

Yours faithfully



ROGER SING-LEONG KWOK
Director



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

CONSOLIDATED FINANCIAL REPORT
HALF-YEAR FINANCIAL REPORT 30 JUNE 2016

Corporate Information

A.B.N. 64 063 656 333

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

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

Directors

R.S. Kwok	<i>Independent Non-Executive Director, Chairman</i>
V.H. Lam	<i>Managing Director (Chief Executive Officer)</i>
A.D. Walker	<i>Independent Non-Executive Director</i>
J.H.S Murray	<i>Independent Non-Executive Director</i>
A.A. Young	<i>Non-Executive Director</i>

P. Williams *Company Secretary*

Registered Office in Australia

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E-mail: administrator@vii.net.au
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Auditors

Ernst & Young
11 Mounts Bay Road
PERTH Western Australia 6000

Legal Advisors

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
PERTH Western Australia 6000

Bankers

Australia & New Zealand Banking Group Limited
8 St George's Terrace
PERTH Western Australia 6000

Bankwest
Bankwest Place, 300 Murray Street
PERTH Western Australia 6000

Share Registry

Security Transfer Registrars Pty Ltd
Suite 1/770 Canning Hwy
APPLECROSS Western Australia 6153

Home Exchange

Australian Securities Exchange
Level 40, Central Park
152-158 St Georges Terrace
PERTH Western Australia 6000

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Directors' Report

Your directors submit their report for the half-year ended 30 June 2016.

DIRECTORS

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

Roger (Sing-Leong) Kwok, *Independent Non-Executive Director, Chairman*
Henry (Van Hung) Lam, *Managing Director (Chief Executive Officer)*
Andrew David Walker, *Independent Non-Executive Director*
Jonathan Heath Stuart Murray, *Independent Non-Executive Director*
Alan Alexander Young, *Non-Executive Director*

REVIEW AND RESULTS OF OPERATIONS

The total comprehensive income for the period was \$7.316 million compared to previous period's total comprehensive income of \$7.863 million. The total comprehensive income for the period consisted of: 1) Net profit for the period of \$7.766 million (2015 net profit: \$5.964 million), and 2) Foreign currency translation loss of \$0.450 million (2015: gain of \$1.899 million).

Net profit for the period

For the period ended 30 June 2016 ("1H2016"), the Group's net profit after tax was \$7.766 million on revenues of \$158.191 million (including other revenues of \$1.005 million and other income of \$0.255 million) (2015: net profit after tax \$5.964 million on revenues of \$181.502 million).

The Group's net profit after tax for the period ended 30 June 2016 included the net profit of Vietnam operations which was attributable to the operations of the Steel Making Division (Vinausteel and SSESTEEL). The Steel Making Division contributed a net profit after tax of \$8.279 million (2015: net profit after tax of \$5.988 million). The Steel Making Division 1H2016 external revenue of \$153.126 million (VND2.517 trillion) is lower than the previous corresponding period of \$176.535 million (VND2.954 trillion). Average gross profit margins of the Steel Making Division improved significantly in the first half of 2016 as compared to the corresponding period. The high average gross profit margins were mainly attributable to the acquisition of billets at low prices.

The corporate net loss after tax was \$0.750 million (2015: net loss after tax of \$0.148 million).

The Steel Product Division (Austnam, TBS and VRC) reported a net profit after tax of \$0.237 million (2015: net profit after tax of \$0.124 million).



REVIEW AND RESULTS OF OPERATIONS (continued)*Foreign currency translation*

For the half year ended 30 June 2016, the foreign currency translation loss was \$0.450 million (2015: gain of \$1.899 million). The Vietnam Dong ("VND") depreciated against the Australian Dollar ("AUD") over the 1H2016 reporting period. The average VND/AUD exchange rate in 1H2016 was VND16,436/A\$1, a decrease of approximately 2% from the average VND/AUD exchange rate of VND16,730/A\$1 in 1H2015. The VND/AUD spot rate at 30 June 2016 was VND16,564/A\$1, an increase of approximately 1% from 31 December 2015 VND/AUD spot rate of VND16,411.

The results of the Vietnam operations are as follows:

Steel Making Division***SSESTEEL Ltd (VII 100%)***

SSESTEEL owns and operates a fully automated rolling mill based in Hai Phong. It produces high tensile rebar and wire rod for the construction industry.

Sales of VND1.392 trillion (\$84.687 million) were down by 19% on 2015 (VND1.710 trillion (\$102.207 million)). Finished goods sales volumes for 2016 were 128,531 tons, an increase of 4% on the previous period (123,377 tons).

SSESTEEL recorded a net profit after tax of VND48.515 billion (\$2.952 million) for the half-year ended 30 June 2016 (2015: net profit after tax: VND42.614 billion (\$2.547 million)). The increase in net profit was due to the increase in average gross profit margin from 8.5% for the half-year ended 30 June 2015 to 13% for the half-year ended 30 June 2016.

Vinausteel Ltd (VII 70%)

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

Sales of VND1.125 trillion (\$68.439 million) were down by 10% on 2015 (VND1.244 trillion (\$74.328 million)). Finished goods sales volumes for 2016 were 117,162 tons, an increase of 4% on the previous period (112,883 tons).

Vinausteel recorded a net profit after tax of VND87.567 billion (\$5.327 million) for the half-year ended 30 June 2016 (2015: a net profit after tax of VND57.569 billion (\$3.441 million)). The increase in net profit was due to the increase in average gross profit margin from 9.9% for the half-year ended 30 June 2015 to 13.5% for the half-year ended 30 June 2016.

Steel Products Division***Austnam Joint Stock Corporation (VII 67%)***

Austnam produces metal roofing and cladding from its factory in Hanoi which it distributes in that city and surrounding provinces.

Sales of VND46.279 billion (\$2.816 million) were up by 60% on 2015 (VND28.990 billion (\$1.733 million)). Sales volumes were 329,647m² which was 27% higher than the previous period (259,919m²).

Austnam reported a net profit after tax of VND4.271 billion (\$0.260 million) (2015: net profit after tax of VND2.391 billion (\$0.143 million)).



REVIEW AND RESULTS OF OPERATIONS (continued)

Total Building Systems Ltd (VII 99%)

Total Building Systems Limited ("TBS") is a full service building systems provider supplying engineering services, building systems and construction services to industrial and commercial customers in Vietnam.

Sales of VND13.020 billion (\$0.792 million) were down by 65% on 2015 (VND36.758 billion (\$2.197 million)). TBS recorded a net profit after tax of VND172 million (\$10,000) (2015: net profit after tax of VND700 million (\$42,000)).

EVENTS SUBSEQUENT TO BALANCE DATE

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

ROUNDING

The amounts contained in the half-year financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 2016/191. The company is an entity to which the Class Order applies.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 6 and forms part of the directors' report for the half-year ended 30 June 2016.

Signed in accordance with a resolution of the directors.



ROGER SING-LEONG KWOK
Director

Perth, 29 August 2016



Auditor's Independence Declaration to the Directors of Vietnam Industrial Investments Limited

As lead auditor for the review of Vietnam Industrial Investments Limited for the half-year ended 30 June 2016, 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 review.

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



Ernst & Young



V L Hoang
Partner
Perth
29 August 2016

FOR THE HALF-YEAR ENDED 30 JUNE 2016

	Notes	CONSOLIDATED	
		2016 \$'000	2015 \$'000
CONTINUING OPERATIONS			
Sale of goods		156,139	178,392
Contract revenue		792	2,197
Other revenue	4	1,005	598
		<u>157,936</u>	<u>181,187</u>
Cost of sales		<u>(135,548)</u>	<u>(163,810)</u>
Gross profit		<u>22,388</u>	<u>17,377</u>
Other income	4	255	315
Selling expenses	4	(3,827)	(3,739)
Administrative expenses	4	(6,642)	(5,173)
Finance costs		<u>(1,671)</u>	<u>(1,589)</u>
Profit before income tax		10,503	7,191
Income tax expense	5	<u>(2,737)</u>	<u>(1,227)</u>
Net profit for the period		7,766	5,964
Other comprehensive (loss)/ income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences – foreign operations	10	<u>(450)</u>	<u>1,899</u>
Other comprehensive (loss)/ income for the period		<u>(450)</u>	<u>1,899</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>7,316</u>	<u>7,863</u>
Net profit after tax attributable to:			
Equity holders of the parent		6,082	4,884
Non-controlling interests		<u>1,684</u>	<u>1,080</u>
		<u>7,766</u>	<u>5,964</u>
Total comprehensive income net of tax attributable to:			
Equity holders of the parent		5,664	6,610
Non-controlling interests		<u>1,652</u>	<u>1,253</u>
		<u>7,316</u>	<u>7,863</u>
Earnings per share (cents per share) for continuing operations attributable to the ordinary equity holders of the company:			
- basic earnings per share (cents per share)		4.3	3.4
- diluted earnings per share (cents per share)		4.3	3.4

The accompanying notes form part of the financial report



AS AT 30 JUNE 2016

	Notes	CONSOLIDATED	
		As at 30 June 2016 \$'000	As at 31 December 2015 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents		47,745	63,032
Trade and other receivables		6,594	10,797
Advances to suppliers		25,772	2,669
Inventories		40,671	42,380
Financial assets at fair value through profit or loss		9	9
Other current assets		242	185
Total Current Assets		<u>121,033</u>	<u>119,072</u>
Non-current Assets			
Other receivable		10,875	10,977
Property, plant and equipment		9,504	8,390
Deferred tax assets		-	27
Intangible assets and goodwill		84	86
Other non-current assets		401	464
Total Non-current Assets		<u>20,864</u>	<u>19,944</u>
TOTAL ASSETS		<u>141,897</u>	<u>139,016</u>
LIABILITIES			
Current Liabilities			
Trade and other payables		19,847	17,662
Advances from customers		392	4,299
Income tax provision		2,940	2,869
Interest-bearing loans and borrowings	8	58,047	58,614
Provisions		943	892
Total Current Liabilities		<u>82,169</u>	<u>84,336</u>
TOTAL LIABILITIES		<u>82,169</u>	<u>84,336</u>
NET ASSETS		<u>59,728</u>	<u>54,680</u>
EQUITY			
Contributed equity	6	27,819	27,819
Reserves		(5,287)	(4,869)
Retained earnings		32,019	25,937
Parent interests		<u>54,551</u>	<u>48,887</u>
Non-controlling interests		<u>5,177</u>	<u>5,793</u>
TOTAL EQUITY		<u>59,728</u>	<u>54,680</u>

The accompanying notes form part of the financial report.



FOR THE HALF-YEAR ENDED 30 JUNE 2016

CONSOLIDATED	Attributable to equity holders of the parent					Non- controlling interests	Total equity
	Contributed equity \$'000	Foreign currency translation reserves \$'000	Retained Earnings \$'000	Legal reserves \$'000	Owners of the parent \$'000	\$'000	\$'000
At 1 January 2016	27,819	(5,993)	25,937	1,124	48,887	5,793	54,680
Net profit for the period	-	-	6,082	-	6,082	1,684	7,766
Other comprehensive loss	-	(418)	-	-	(418)	(32)	(450)
Total comprehensive income for the period	-	(418)	6,082	-	5,664	1,652	7,316
Dividends paid by subsidiaries	-	-	-	-	-	(2,268)	(2,268)
At 30 June 2016	27,819	(6,411)	32,019	1,124	54,551	5,177	59,728
At 1 January 2015	27,819	(8,485)	16,069	1,124	36,527	3,651	40,178
Net profit for the period	-	-	4,884	-	4,884	1,080	5,964
Other comprehensive income	-	1,726	-	-	1,726	173	1,899
Total comprehensive income for the period	-	1,726	4,884	-	6,610	1,253	7,863
Dividends paid by subsidiaries	-	-	-	-	-	(395)	(395)
At 30 June 2015	27,819	(6,759)	20,953	1,124	43,137	4,509	47,646

The accompanying notes form part of the financial report.



FOR THE HALF-YEAR ENDED 30 JUNE 2016

	Notes	CONSOLIDATED	
		2016 \$'000	2015 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of VAT)		138,445	170,151
Payments to suppliers and employees (inclusive of VAT)		(145,778)	(167,634)
Interest income		1,005	598
Borrowing costs		(1,671)	(1,589)
Income tax paid		(2,610)	(613)
Net cash flows (used in)/provided by operating activities		(10,609)	913
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,161)	(78)
Acquisition of software costs		-	(4)
Proceeds from sale of property, plant and equipment		152	-
Net cash flows used in investing activities		(2,009)	(82)
Cash flows from financing activities			
Proceeds from bank borrowings		136,528	145,511
Repayment of bank borrowings		(136,554)	(142,927)
Dividends paid to non-controlling interests		(2,268)	(395)
Net cash flows (used in)/provided by financing activities		(2,294)	2,189
Net (decrease)/ increase in cash and cash equivalents		(14,912)	3,020
Net foreign exchange difference		(375)	1,610
Cash and cash equivalents at beginning of period		63,032	34,660
Cash and cash equivalents at end of period	7	47,745	39,290

The accompanying notes form part of the financial report.



Condensed Notes to the Half-Year Financial Statements FOR THE HALF-YEAR ENDED 30 JUNE 2016

1. CORPORATE INFORMATION

The half year financial statements of the Company and its subsidiaries (the Group) for the six months ended 30 June 2016 were authorised for issue in accordance with a resolution of the directors on 25 August 2016.

Vietnam Industrial Investments Limited is a limited company incorporated and domiciled in Australia whose shares are publicly traded. The Group is a for-profit entity. The principal activities of the Group are described in the Directors' Report.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of Preparation

The half year financial statements for the six months ended 30 June 2016 are condensed general purpose financial statements prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This half year financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated.

Accounting Policies

The Group has reviewed and adopted all new and revised Accounting Standards and Interpretations issued by the AASB that are relevant to its operations and effective from 1 January 2016. As a result of this review the directors have determined that no change to the Group's accounting policies is necessary.



Condensed Notes to the Half-Year Financial Statements FOR THE HALF-YEAR ENDED 30 JUNE 2016

3. SEGMENT INFORMATION

The reportable segments are based on aggregated operating segments determined by the similarity of the products produced and sold and/or the services provided, as these are the sources of the Group's major risks and have the most effect on the rates of return.

The Group's two reportable segments are located in Vietnam. The Group provides the majority of its products and services to customers based in Vietnam.

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.

Segment Performance

	Steel Making	Steel Products	Unallocated Note (i)	Total	Adjustments and eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Half-year ended 30 June 2016						
Revenues						
External revenues	153,126	3,805	-	156,931	-	156,931
Inter-segment revenues	9	833	-	842	(842)	-
Other revenues	984	21	-	1,005	-	1,005
Total segment revenues	<u>154,119</u>	<u>4,659</u>	<u>-</u>	<u>158,778</u>	<u>(842)</u>	<u>157,936</u>
Results						
Other income	142	83	210	435	(180)	255
Finance costs	(1,821)	(21)	-	(1,842)	171	(1,671)
Segment result before tax	10,935	318	-	11,253	-	11,253
Income tax expense	(2,656)	(81)	-	(2,737)	-	(2,737)
Segment result after tax	8,279	237	-	8,516	-	8,516
Corporate charges	-	-	(750)	(750)	-	(750)
Net profit after tax from continuing operations	<u>8,279</u>	<u>237</u>	<u>(750)</u>	<u>7,766</u>	<u>-</u>	<u>7,766</u>

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



Condensed Notes to the Half-Year Financial Statements FOR THE HALF-YEAR ENDED 30 JUNE 2016

3. SEGMENT INFORMATION (continued)

	Steel Making	Steel Products	Unallocated Note (i)	Total	Adjustments and eliminations	Consolidated
Half-year ended						
30 June 2015						
Revenues						
External revenues	176,535	4,054	-	180,589	-	180,589
Inter-segment revenues	-	1	-	1	(1)	-
Other revenues	569	29	-	598	-	598
Total segment revenues	<u>177,104</u>	<u>4,084</u>	<u>-</u>	<u>181,188</u>	<u>(1)</u>	<u>181,187</u>
Results						
Other income	190	95	206	491	(176)	315
Finance costs	(1,761)	-	-	(1,761)	172	(1,589)
Segment result before tax	7,215	124	-	7,339	-	7,339
Income tax expense	(1,227)	-	-	(1,227)	-	(1,227)
Segment result after tax	5,988	124	-	6,112	-	6,112
Corporate charges	-	-	(148)	(148)	-	(148)
Net profit after tax from continuing operations	<u>5,988</u>	<u>124</u>	<u>(148)</u>	<u>5,964</u>	<u>-</u>	<u>5,964</u>

	Steel Making \$'000	Steel Products \$'000	Unallocated Note (i) \$'000	Total \$'000
Segment assets				
At 30 June 2016				
Segment assets	132,241	4,987	5,952	143,180
Inter-segment eliminations				(1,283)
Total assets per statement of financial position				<u>141,897</u>
At 31 December 2015				
Segment assets	132,526	6,936	1,031	140,493
Inter-segment eliminations				(1,477)
Total assets per statement of financial position				<u>139,016</u>
Segment liabilities				
At 30 June 2016				
Segment liabilities	79,295	3,034	1,123	83,452
Inter-segment eliminations				(1,283)
Total liabilities per statement of financial position				<u>82,169</u>
At 31 December 2015				
Segment liabilities	80,066	5,020	725	85,811
Inter-segment eliminations				(1,475)
Total liabilities per statement of financial position				<u>84,336</u>

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



Condensed Notes to the Half-Year Financial Statements FOR THE HALF-YEAR ENDED 30 JUNE 2016

4. REVENUE AND EXPENSES

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

	CONSOLIDATED	
	2016 \$'000	2015 \$'000
(i) Other income		
Rent income	71	81
Other	184	234
	255	315
(ii) Other revenue		
Interest income - banks	1,005	598
	1,005	598
(ii) Expenses		
Depreciation and amortisation	(736)	(782)
	(736)	(782)
(iii) Selling expenses		
Salaries and wages	(421)	(676)
Delivery expenses	(66)	(271)
Advertising expenses	(396)	(228)
Consultancy expenses	(267)	(404)
Other	(2,677)	(2,160)
	(3,827)	(3,739)
(iv) Administrative expenses		
Employee related expenses	(3,076)	(2,095)
Impairment of receivables	(335)	(681)
Professional fees	(117)	(108)
Rent expenses	(310)	(267)
Travel expenses	(268)	(350)
Foreign exchange loss	(58)	(320)
Other	(2,478)	(1,352)
	(6,642)	(5,173)



**Condensed Notes to the Half-Year Financial Statements
FOR THE HALF-YEAR ENDED 30 JUNE 2016**

5. INCOME TAX EXPENSE

	CONSOLIDATED	
	2016	2015
	\$'000	\$'000
Income tax expense consists of:		
Current income tax	(2,710)	(1,227)
Deferred tax income	(27)	-
	(2,737)	(1,227)
Current income tax expense consists of:		
Vinausteel income tax expense	(1,737)	(1,227)
SSESTEEL income tax expense	(919)	-
Austnam income tax expense	(54)	-
	(2,710)	(1,227)

6. CONTRIBUTED EQUITY

	CONSOLIDATED	
	30 June 2016	31 December 2015
	\$'000	\$'000
Contributed equity	27,819	27,819
	Number	Number
Number of shares	142,277,423	142,277,423

7. CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	30 June 2016	30 June 2015
	\$'000	\$'000
For the purpose of the half-year statement of cash flows, cash and cash equivalents are comprised of the following:		
Cash at bank and in hand	7,257	3,773
Short-term deposits	40,488	35,517
	47,745	39,290



Condensed Notes to the Half-Year Financial Statements FOR THE HALF-YEAR ENDED 30 JUNE 2016

8. INTEREST-BEARING LOANS AND BORROWINGS

	30 June 2016	31 December 2015
	\$'000	\$'000
Current		
Bank loans – secured	58,047	58,614
	<u>58,047</u>	<u>58,614</u>

Terms and conditions of Interest bearing loans and borrowings

Outstanding bank loans of \$58.047 million (31 December 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, short-term deposits and inventories of the subsidiaries and in certain instances, by the guarantee of Vietnam Industrial Investments Limited ("Parent"). The Parent has provided security to various banks for banking facilities provided to Vietnam subsidiaries in the form of letters of guarantee totalling US\$16.000 million (\$21.546 million) (31 December 2015: US\$16.294 million (\$22.302 million)). At 30 June 2016 the total interest bearing liabilities drawdown to which these corporate guarantees relate to were US\$4.625 million (\$6.228 million) (31 December 2015: US\$9.180 million (\$12.565 million)).

Assets pledged as security for liabilities

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

	30 June 2016	31 December 2015
	\$'000	\$'000
Inventories	39,788	39,810
Property, plant and equipment	8,776	8,344
Short-term deposits	1,250	-
	<u>49,814</u>	<u>48,154</u>

9. FAIR VALUE MEASUREMENT

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



Condensed Notes to the Half-Year Financial Statements FOR THE HALF-YEAR ENDED 30 JUNE 2016

10. RELATED PARTY DISCLOSURES

Transactions and balances with Key Management Personnel and their related parties

Subsequent to 30 June 2016, the Board resolved Mr Lam's 2016 fixed remuneration package of \$625,000 per annum (31 December 2015: \$525,000 per annum). At 30 June 2016, the balance owing to Mr Lam is \$539,956 of which the 2015 balance of \$309,347 is still outstanding (31 December 2015: \$309,347). In addition, the Board resolved to pay Mr Lam a one-off bonus of \$183,750 due to the favourable 2015 Group financial performance. This amount is payable at 30 June 2016 (31 December 2015: nil).

In 2015, the Board resolved to pay Mr Young a termination benefit of \$285,000 for nearly 19 years' executive services within the Group. The termination benefit of \$285,000 is based on his recent three year base annual remuneration of \$285,000 from 2012 to 2014. At 30 June 2016, the balance owing to Mr Young in relation to his termination benefit is \$195,716 (31 December 2015: \$285,000).

For the half year ended 30 June 2016, the non-executive directors' remuneration (Messrs Kwok, Walker, Murray and Young) was \$180,914 (half year ended 30 June 2015: \$55,000 for Messrs Kwok and Walker).

The Company subleases 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 rental for the half year ended 30 June 2016 was \$30,000 (30 June 2015: \$30,000). The lease with Arcadia is made in the ordinary course of business and on normal commercial terms and conditions. Also, the Company paid bookkeeping services to Arcadia of \$12,000 during the period (30 June 2015: \$12,000).

11. FOREIGN CURRENCY TRANSLATION DIFFERENCES

The foreign currency translation reserve in the statement of comprehensive income reflects the movement of foreign currency between the assets and liabilities of the Vietnam subsidiaries 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.

12. COMMITMENTS AND CONTINGENCIES

Since the last annual reporting date, there has been no material change of any contingent liabilities or contingent assets. At 30 June 2016, there are no remaining capital commitments on SSESTEEL's new office and production line (31 December 2015: \$2.711 million).

13. EVENTS AFTER BALANCE SHEET DATE

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



Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position as at 30 June 2016 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



ROGER SING-LEONG KWOK
Director

Perth, 29 August 2016



Independent review report to the members of Vietnam Industrial Investments Limited

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Vietnam Industrial Investments Limited, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*. As the auditor of Vietnam Industrial Investments Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Vietnam Industrial Investments Limited is not in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and
- b. complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.



Ernst & Young



V L Hoang
Partner
Perth

29 August 2016