



A.C.N. 063 656 333
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VIETNAM INDUSTRIAL INVESTMENTS LIMITED

27 February 2018

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

Dear Sirs

AMENDED APPENDIX 4E

Vietnam Industrial Investments Limited advises that it found an error in its Consolidated Statement of Changes in Equity to its recent Appendix 4E and made a minor amendment. The Consolidated Statement of Changes in Equity for the year ended 31 December 2017 should include a line for dividends by subsidiaries to non-controlling interests of \$2.081 million on page 7.

Please find attached Amended Appendix 4E for the year ended 31 December 2017.

Yours faithfully
VIETNAM INDUSTRIAL INVESTMENTS LIMITED

LAM VAN HUNG
Managing Director

APPENDIX 4E

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

(Corresponding year: 31 December 2016)

Results for announcement to the market

| | 2017 | 2016 | Movement | |
|---|---------|---------|------------------|-------|
| | \$'000 | \$'000 | Amount \$'000 | % |
| Revenues from ordinary activities | 383,552 | 318,120 | 65,432 | 21% |
| Profit from ordinary activities after tax attributable to members | 2,397 | 8,614 | (6,217) | (72%) |
| Net profit for the period attributable to members | 2,397 | 8,614 | (6,217) | (72%) |

Dividend Distribution

The Directors have not declared or paid dividends at the end of the year.

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

| | 2017 \$'000 | 2016 \$'000 |
|--|----------------|----------------|
| Declared and paid during the year | | |
| Interim unfranked dividend for 2017: NIL (2016: 3 cents per share) | - | 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 | 35.60 cents per share | 36.51 cents per share |

There have been no entities for which control was 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 2017 is in the process of being audited.

LAM VAN HUNG
Managing Director

APPENDIX 4E

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors submit the Appendix 4E of Vietnam Industrial Investments Limited (“VII”, “Company”, “consolidated entity” or “Group”) for the year ended 31 December 2017.

On 3 November 2017, the Company announced that a share sale facility for holders of less than a marketable parcel of ordinary shares in the Company had been established. The purpose of this was to enable holders of less than a Marketable Parcel to sell their Shares without incurring brokerage or handling costs which, in the ordinary course of business, would make it uneconomic and/or difficult to do so. The share sale was completed in December 2017 and shareholders holding 8,375 ordinary shares accepted the offer for their shares which were sold for \$0.33 per share.

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”), and SSESTEEL Ltd (“SSESTEEL”), Austnam Joint Stock Corporation (“Austnam”), and Total Building Systems Limited (“TBS”).

Total Comprehensive Loss for the year

| | 2017 | 2016 | Change |
|--|---------|---------|--------|
| Sale volume in tons of steel sold | 563,328 | 522,727 | 8% |
| \$'000 | | | |
| Revenues from ordinary activities | 383,552 | 318,120 | 21% |
| Gross profit | 22,811 | 35,219 | (35%) |
| Net operating profit after tax | 3,390 | 11,421 | (70%) |
| Foreign currency translation gain (loss) | (4,131) | (15) | 274% |
| Total Comprehensive Income (loss) | (741) | 11,406 | (106%) |

Our Vietnam businesses continue to grow in line with the growing economy and its steel industry. Vietnam GDP growth for the year ended at 6.8% (2016: 6.2%) and, its steel industry grew 21% in 2017 (2016: 21%). We sold more steel in 2017 totalling 563,328 tons, 8% higher than 2016, and achieved higher revenue of A\$383.552 million, 21% higher than 2016.

Revenue grew faster than sales volume due mainly to an increase in raw material costs for steel making worldwide which resulted in higher unit selling prices. The international price for steel billet increased by 29% over 2017. These increases in raw material costs were not fully passed onto the selling prices of steel products. The unit selling price for our products grew only 10% over the year, compared to the 29% growth in billet cost resulting in 2017 gross profit A\$22.811 million, being 35% lower than that achieved in the prior period.

The key driver behind the surge in billet costs was China’s rapid reduction in steel production in 2017. This caused steel prices in China to rise above international prices, which created export opportunities for steel makers in Vietnam. This led to barriers to billet supply within Vietnam which allowed steel billet makers in Vietnam to command unjustified higher sales margins and hence less profit margin for all rolling mills in Vietnam. This trend would normalise after the 2018 winter months, and as China normalizes its steel production and supply conditions in 2018.

Foreign currency translation

| | 2017 | 2016 | vsAUD | 2015 | vsAUD |
|----------------------|--------|--------|--------|--------|--------|
| VND/AUD @ 31December | 17,713 | 16,473 | (7.5%) | 16,411 | (3.8%) |
| USD/AUD @ 31December | 0.7800 | 0.7236 | (7.8%) | 0.7306 | 1% |

Australian Dollar (AUD) appreciated 7.5% (2016: 3.8%) over the Vietnamese Dong (VND) as of 31 December 2017. AUD also appreciated 7.8% (2016: (1%)) over the United States Dollar (USD). These events led to foreign currency translation loss of A\$ 4.131 million (2016: A\$ 15,000) for the year.

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PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

CASH FLOWS

At 31 December 2017, cash and cash equivalents was \$45.255 million. There was net decrease in cash and cash equivalents during the year of \$31.507 million mainly due to the following:

| | \$'000 |
|--|---------------|
| Increase in net cash flows from operating activities (a) | (39,609) |
| Decrease in net cash flows from investing activities (b) | (12,345) |
| Increase in net cash flows from financing activities (c) | 25,353 |
| Net foreign exchange differences | (4,906) |
| | <hr/> |
| Net Decrease | (31,507) |
| | <hr/> |

Notes:

- (a) Net cash outflows from operating activities were mainly due to the receipts from customers of \$406.256 million and payment to suppliers and employees of \$443.317 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 \$27.537 million, dividend payment to shareholders of \$0.103 million for 2016 dividend and dividend payment to non-controlling interests of \$2.081 million.

SUBSEQUENT EVENTS AFTER BALANCE DATE

On 11 January 2018, the Board of Directors decided to scale down the TBS business, preparing for divestment in 2018, and/or to wind up the business if divestment is proven not feasible. This decision does not have a material impact on the 2017 financial statements as TBS remained a continuing operation at 31 December 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.

In 2018 March TBS begins scaling down its business, and Group management will pursue divestment opportunities. These changes do not have any impact to 2017 financial statements.

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PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

| | Notes | 2017 \$'000 | 2016 \$'000 |
|---|-------|----------------|----------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 4 | 45,255 | 76,762 |
| Trade and other receivables | 6 | 22,391 | 9,399 |
| Advances to suppliers | 7 | 29,473 | 10,742 |
| Inventories | 8 | 46,863 | 46,777 |
| Financial assets – at fair value through profit or loss | 9 | 9 | 9 |
| Other current assets | 9 | 19,335 | 7,750 |
| Total Current Assets | | <u>163,326</u> | <u>151,439</u> |
| Non-current Assets | | | |
| Other receivable | 10 | 6,782 | 10,935 |
| Property, plant and equipment | 11 | 12,458 | 14,333 |
| Other non-current assets | | 27 | 418 |
| Deferred tax assets | | 1,159 | 1,160 |
| Intangible assets and goodwill | | 80 | 83 |
| Total Non-current Assets | | <u>20,506</u> | <u>26,929</u> |
| TOTAL ASSETS | | <u>183,832</u> | <u>178,368</u> |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 12 | 16,967 | 25,692 |
| Advances from customers | | 995 | 2,907 |
| Income tax provision | | 1,550 | 2,412 |
| Interest-bearing loans and borrowings | 13 | 106,760 | 86,868 |
| Provisions | | 832 | 939 |
| Total Current Liabilities | | <u>127,104</u> | <u>118,818</u> |
| TOTAL LIABILITIES | | <u>127,104</u> | <u>118,818</u> |
| NET ASSETS | | <u>56,728</u> | <u>59,550</u> |
| EQUITY | | | |
| Equity attributable to equity holders of parent | | | |
| Contributed equity | | 27,819 | 27,819 |
| Reserves | | (8,612) | (4,909) |
| Retained earnings | 2 | 32,680 | 30,283 |
| Parent interests | | <u>51,887</u> | <u>53,193</u> |
| Non-controlling interests | | <u>4,841</u> | <u>6,357</u> |
| TOTAL EQUITY | | <u>56,728</u> | <u>59,550</u> |

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PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

| | Notes | 2017 \$'000 | 2016 \$'000 |
|---|-------|----------------|----------------|
| Continuing operations | | | |
| Sale of goods | | 377,353 | 312,648 |
| Contract revenue | | 1,184 | 2,329 |
| Other revenue | 5 | 5,015 | 3,143 |
| Revenue | | | |
| Cost of sales | 5 | (360,741) | (282,901) |
| Gross profit | | | |
| | | 22,811 | 35,219 |
| Other income | 5 | 1,430 | 571 |
| Selling expenses | 5 | (5,996) | (6,920) |
| Administrative expenses | 5 | (9,281) | (11,854) |
| Finance costs | 5 | (4,244) | (3,294) |
| Profit before income tax | | | |
| | | 4,720 | 13,722 |
| Income tax expense | | (1,330) | (2,301) |
| Net profit for the year | | | |
| | | 3,390 | 11,421 |
| Other comprehensive (loss)/income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Foreign currency translation differences – attributable to parent | | (3,703) | (40) |
| <i>Items that may not be reclassified subsequently to profit or loss</i> | | | |
| Foreign currency translation differences – attributable to non-controlling interests | | (428) | 25 |
| Other comprehensive loss for the year | | | |
| | | (4,131) | (15) |
| TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR | | | |
| | | (741) | 11,406 |
| Profit attributable to: | | | |
| Owners of parent | | 2,397 | 8,614 |
| Non-controlling interests | | 993 | 2,807 |
| | | 3,390 | 11,421 |
| Total comprehensive income attributable to: | | | |
| Owners of parent | | (1,306) | 8,574 |
| Non-controlling interests | | 565 | 2,832 |
| | | (741) | 11,406 |
| | | Cents | Cents |
| Earnings per share (cents per share) attributable to the ordinary equity holders of the Company: | | | |
| – Basic and diluted earnings per share | 3 | 1.68 | 6.05 |

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PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

| | <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 2017 | 27,819 | (6,033) | 30,283 | 1,124 | 53,193 | 6,357 | 59,550 |
| Net profit for the year | - | - | 2,397 | - | 2,397 | 993 | 3,390 |
| Other comprehensive loss | - | (3,703) | - | - | (3,703) | (428) | (4,131) |
| Total comprehensive income for the year | - | (3,703) | 2,397 | - | (1,306) | 565 | (741) |
| Dividends by subsidiaries | - | - | - | - | - | (2,081) | (2,081) |
| At 31 December 2017 | 27,819 | (9,736) | 32,680 | 1,124 | 51,887 | 4,841 | 56,728 |
| 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 |

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PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

| | Notes | 2017 \$'000 | 2016 \$'000 |
|--|-------|----------------------|----------------------|
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of VAT) | | 406,256 | 347,052 |
| Payments to suppliers and employees (inclusive of VAT) | | (443,317) | (337,737) |
| Interest received | | 3,809 | 3,143 |
| Interest paid | | (4,244) | (3,294) |
| Income taxes paid | | (2,113) | (3,875) |
| Net cash flows (used in)/provided by operating activities | | <u>(39,609)</u> | <u>5,289</u> |
| Cash flows from investing activities | | | |
| Funding of term deposits | | (12,376) | (7,291) |
| Purchase of property, plant and equipment | | (1,188) | (6,280) |
| Proceeds from sale of land use rights | | 1,219 | - |
| Proceeds from sale of property, plant and equipment and intangible asset | | - | 137 |
| Net cash flows used in investing activities | | <u>(12,345)</u> | <u>(13,434)</u> |
| Cash flows from financing activities | | | |
| Proceeds from bank borrowings | | 410,256 | 315,648 |
| Repayment of bank borrowings | | (382,719) | (287,956) |
| Dividends paid to shareholders | | (103) | (4,164) |
| Dividends paid to non-controlling interests | | (2,081) | (2,268) |
| Net cash flows provided by financing activities | | <u>25,353</u> | <u>21,278</u> |
| Net (decrease)/increase in cash and cash equivalents | | (26,601) | 13,625 |
| Net foreign exchange differences | | (4,906) | 105 |
| Cash and cash equivalents at beginning of year | | 76,762 | 63,032 |
| Cash and cash equivalents at end of year | 4 | <u><u>45,255</u></u> | <u><u>76,762</u></u> |

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PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

1. SEGMENT INFORMATION

In prior reporting periods, the Group presented three reportable segments: Steel Making Division, Steel Products Division and Unallocated. From 2017, in line with the way the business is reported and viewed by the chief operating decision makers, the Group has discontinued presenting the Steel Products Division for the reasons outlined below.

The Steel Products Division previously comprised Austnam Joint Stock Corporation (AUS), Total Building Systems Ltd (TBS), and VRC Weldmesh (Vietnam) Limited (VRC), which have not been able to achieve continuing significance in financial terms.

In 2017 AUS began implementation of a new product line, Wood Plastic Channel (WPC), a wood replacement product for use in construction and renovation purposes. This event would not have material impact to AUS nor the Group until 2019 onward. AUS manufactures and distributes products to similar customers, in the same geographical market shared by VIN and SSESTEEL, and therefore is appropriate to be aggregated as part of the Steel Making Division for segment reporting.

TBS is expected to scale down its business from 2018 March and will remain insignificant to the Group. Aggregating TBS into the Steel Making Division will not materially impact the usefulness of Group reporting in 2017 and foreseeable future periods as it shares similar economic characteristics with other entities in the Group.

VRC completed scaling down its business in 2017 and is insignificant.

The Steel Making Division now comprises Vinausteel Limited (VIN), SSESTEEL Ltd (SSESTEEL), Austnam Joint Stock Corporation (AUS), Total Building Systems Ltd (TBS), and VRC Weldmesh (Vietnam) Limited (VRC). The corresponding items of segment information for earlier periods have been restated accordingly. 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) | Unallocated Note (i) | Total | Adjustments and eliminations | Consolidated |
|--|---------------------------|-------------------------|----------------|------------------------------------|----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Year ended 31 December 2017 | | | | | |
| Revenues | | | | | |
| External revenues | 378,537 | - | 378,537 | - | 378,537 |
| Other revenues | 5,005 | 10 | 5,015 | - | 5,015 |
| Total segment revenues | <u>383,542</u> | <u>10</u> | <u>383,552</u> | <u>-</u> | <u>383,552</u> |
| Results | | | | | |
| Other income | <u>1,370</u> | <u>409</u> | <u>1,779</u> | <u>(349)</u> | <u>1,430</u> |
| Finance costs | <u>(4,571)</u> | <u>-</u> | <u>(4,571)</u> | <u>327</u> | <u>(4,244)</u> |
| Segment results before income tax | 5,660 | - | 5,660 | - | 5,660 |
| Income tax expense | (1,330) | - | (1,330) | - | (1,330) |
| Segment results after tax | <u>4,330</u> | <u>-</u> | <u>4,330</u> | <u>-</u> | <u>4,330</u> |
| Corporate charges | - | (940) | (940) | - | (940) |
| Net profit/(loss) after tax from continuing operations | <u>4,330</u> | <u>(940)</u> | <u>3,390</u> | <u>-</u> | <u>3,390</u> |

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

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PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

1. SEGMENT INFORMATION (continued)

| | Steel Making (Vietnam) | Unallocated Note (i) | Total | Adjustments and eliminations | Consolidated |
|---|---------------------------|-------------------------|----------------|------------------------------------|----------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Year ended 31 December 2016 | | | | | |
| Revenues | | | | | |
| External revenues | 314,977 | - | 314,977 | - | 314,977 |
| Other revenues | 3,143 | - | 3,143 | - | 3,143 |
| Total segment revenues | <u>318,120</u> | <u>-</u> | <u>319,272</u> | <u>-</u> | <u>318,120</u> |
| Results | | | | | |
| Other income | 511 | 421 | 932 | (361) | 571 |
| Finance costs | (3,637) | - | (3,637) | 343 | (3,294) |
| Segment results before income tax | 15,068 | - | 15,068 | - | 15,068 |
| Income tax expense | (2,301) | - | (2,301) | - | (2,301) |
| Segment results after tax | 12,757 | - | 12,757 | - | 12,757 |
| Corporate charges | - | (1,346) | (1,346) | - | (1,346) |
| Net profit/(loss) after tax from continuing operations | <u>12,757</u> | <u>(1,346)</u> | <u>11,421</u> | <u>-</u> | <u>11,421</u> |

| | Steel Making (Vietnam) | Unallocated Note (i) | Total |
|---|---------------------------|-------------------------|----------------|
| | \$'000 | \$'000 | \$'000 |
| Segment assets | | | |
| At 31 December 2017 | | | |
| Segment operating assets | 179,562 | 4,270 | 183,832 |
| Inter-segment eliminations | - | - | - |
| Total assets per statement of financial position | | | <u>183,832</u> |
| At 31 December 2016 | | | |
| Segment operating assets | 177,538 | 830 | 178,368 |
| Inter-segment eliminations | - | - | - |
| Total assets per statement of financial position | | | <u>178,368</u> |
| Segment liabilities | | | |
| At 31 December 2017 | | | |
| Segment operating liabilities | 126,545 | 559 | 127,104 |
| Inter-segment eliminations | - | - | - |
| Total liabilities per statement of financial position | | | <u>127,104</u> |
| At 31 December 2016 | | | |
| Segment operating liabilities | 117,876 | 942 | 118,818 |
| Inter-segment eliminations | - | - | - |
| Total liabilities per statement of financial position | | | <u>118,818</u> |

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

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PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

2. RETAINED EARNINGS

| | 2017 \$'000 | 2016 \$'000 |
|-------------------------------|----------------|----------------|
| Retained earnings | 32,680 | 30,283 |
| Movement in retained earnings | | |
| Opening balance | 30,283 | 25,937 |
| Net profit for the year | 2,397 | 8,614 |
| Dividends to shareholders | - | (4,268) |
| Closing balance | 32,680 | 30,283 |

3. EARNINGS PER SHARE

| | 2017 \$'000 | 2016 \$'000 |
|---|----------------------|----------------------|
| Net profit attributable to ordinary equity holders of the Parent for basic and diluted loss | 2,397 | 8,614 |
| | 2017 | 2016 |
| | 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 | 1.68 | 6.05 |

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.

| | 2017 \$'000 | 2016 \$'000 |
|---|----------------|----------------|
| 4. CASH AND CASH EQUIVALENTS | | |
| For the purpose of the statement of cash flows, cash and cash equivalents are comprised of the following: | | |
| Cash at bank and in hand | 4,194 | 3,159 |
| Short-term deposits | 41,061 | 73,603 |
| | 45,255 | 76,762 |

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PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

5. REVENUES AND EXPENSES

Revenues and expenses from continuing operations

| | 2017 | 2016 |
|--|------------------|------------------|
| | \$'000 | \$'000 |
| (a) Other revenue | | |
| Interest income-banks | 3,148 | 2,261 |
| Interest income-other | 1,867 | 882 |
| | <u>5,015</u> | <u>3,143</u> |
| (b) Other income | | |
| Rent income | 109 | 100 |
| Financial and executive services income | 60 | 60 |
| Gain on sale of land use rights | 714 | - |
| Other | 547 | 411 |
| | <u>1,430</u> | <u>571</u> |
| (c) Cost of sales | | |
| Cost of goods sold | (359,448) | (281,123) |
| Construction costs | (1,293) | (1,778) |
| | <u>(360,741)</u> | <u>(282,901)</u> |
| (d) Finance costs | | |
| Bank loans and other borrowings | (4,244) | (3,294) |
| (e) Selling expenses | | |
| Salaries and wages | (842) | (1,139) |
| Consultancy sales expenses | (121) | (86) |
| Advertising expenses | 262 | (899) |
| Delivery expenses | (149) | (131) |
| Other | (5,146) | (4,665) |
| | <u>(5,996)</u> | <u>(6,920)</u> |
| (f) Administrative expenses | | |
| Salaries and employee benefits expenses | (4,575) | (5,709) |
| Impairment of receivables | 44 | (266) |
| Travel expense | (380) | (517) |
| Professional fees | (613) | (332) |
| Rent expense | (516) | (575) |
| Other | (3,241) | (4,455) |
| | <u>(9,281)</u> | <u>(11,854)</u> |
| (g) Depreciation and amortisation | | |
| Depreciation expense | (2,059) | (1,625) |
| Amortisation of intangible assets | (2) | (3) |
| | <u>(2,061)</u> | <u>(1,628)</u> |

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PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

6. TRADE AND OTHER RECEIVABLES

| | 2017 | 2016 |
|--|---------------|--------------|
| | \$'000 | \$'000 |
| Trade receivables | 17,059 | 8,414 |
| Allowance for impairment loss | (3,178) | (3,195) |
| | <u>13,881</u> | <u>5,219</u> |
| Construction contract receivables | 475 | 1,104 |
| Allowance for impairment loss | (43) | (47) |
| | <u>432</u> | <u>1,057</u> |
| Other receivables (refer to Note 10) | 8,082 | 3,294 |
| Allowance for impairment loss | (4) | (171) |
| | <u>8,078</u> | <u>3,123</u> |
| Carrying amount of trade and other receivables | <u>22,391</u> | <u>9,399</u> |

7. ADVANCES TO SUPPLIERS

| | 2017 | 2016 |
|-----------------|---------------|---------------|
| | \$'000 | \$'000 |
| Other suppliers | 29,473 | 10,742 |
| | <u>29,473</u> | <u>10,742</u> |

Advances to suppliers at 31 December 2017 included advances equivalent to A\$28.820 million (510 billion VND) made to a local strategic billet sourcing supplier, which is the same counterparty to the other receivable disclosed in Note 10.

8. INVENTORIES

| | 2017 | 2016 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| Raw materials – at lower of cost and net realisable value | 11,729 | 20,440 |
| Tools and supplies – at lower of cost and net realisable value | 7,504 | 5,268 |
| Finished goods – at lower of cost and net realisable value | 27,630 | 21,069 |
| Total inventories at lower of cost and net realisable value | <u>46,863</u> | <u>46,777</u> |

| | 2017 | 2016 |
|--|---------------|--------|
| | \$'000 | \$'000 |

9. OTHER CURRENT ASSETS

| | | |
|----------------|---------------|--------------|
| Term deposits | 18,989 | 7,291 |
| Prepayments | 322 | 442 |
| Other deposits | 24 | 17 |
| | <u>19,335</u> | <u>7,750</u> |

Term deposits mature in six (6) to nine (9) months and bear interest rates ranging from 4.6% to 9% (2016: 5.5% - 6.7%).

APPENDIX 4E

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

10. OTHER RECEIVABLE

| | 2017 | 2016 |
|------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Other receivable | 6,782 | 10,935 |
| | <u>6,782</u> | <u>10,935</u> |

At 31 December 2017, SSESTEEL carried a long-term other receivable from a local strategic billet sourcing supplier, equivalent to A\$10.169 million (180 billion VND). This amount is to be repaid over 36 months, bearing interest of 8% per annum. This amount is secured against machinery and certain production facility inside the factory owned and operated by the supplier. The non-current other receivable of A\$6.782 million represents 2/3 of A\$10.169 million. The current portion of this arrangement, A\$3.387 million plus accrued interest, is recorded in Other receivable under Current assets. On the basis of a recent independent valuation report of the security assets (level 3 in the fair value hierarchy), management expects that the balance at 31 December 2017 is fully recoverable. As disclosed in the VII announcement on 16 February 2018 about Supply Arrangement in Haiphong Vietnam, SSESTEEL has entered into a strategic arrangement with this supplier intended to provide increased reliability of raw material supply.

11. PROPERTY, PLANT AND EQUIPMENT

| | 2017 | 2016 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Building on leasehold land | | |
| - Cost | 8,817 | 9,363 |
| - Accumulated depreciation | (5,938) | (5,754) |
| Net carrying amount | <u>2,879</u> | <u>3,609</u> |
| Plant and equipment | | |
| - Cost | 29,653 | 31,120 |
| - Accumulated depreciation and impairment | (23,872) | (24,453) |
| Net carrying amount | <u>5,781</u> | <u>6,667</u> |
| Motor vehicles | | |
| - Cost | 2,978 | 3,075 |
| - Accumulated depreciation | (2,065) | (2,107) |
| Net carrying amount | <u>913</u> | <u>968</u> |
| Construction in progress – cost | 2,885 | 3,089 |
| Net carrying amount | <u>12,458</u> | <u>14,333</u> |

12. TRADE AND OTHER PAYABLES

| | 2017 | 2016 |
|----------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Trade payables | 5,305 | 10,780 |
| Other payables | 11,251 | 14,192 |
| Related party payables | | |
| - key management personnel | 411 | 720 |
| | <u>16,967</u> | <u>25,692</u> |

APPENDIX 4E

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

13. INTEREST-BEARING LOANS AND BORROWINGS

| | 2017 \$'000 | 2016 \$'000 |
|----------------------|----------------|----------------|
| Current | | |
| Bank loans – secured | 106,760 | 86,868 |
| | 106,760 | 86,868 |

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 2017 the total interest bearing liabilities drawdown to which these corporate guarantees relate to are:

| | 31 December 2017 | 31 December 2016 |
|--|--|--|
| Outstanding Bank Loans | \$106,760 million | \$86.868 million |
| Letter of Guarantee | \$21.154 million (US\$16.500 million) | \$22.336 million (US\$16.162 million) |
| Loans drawdown tie to Guarantee | \$15.356 million (US\$11.978 million) | \$14.623 million (US\$10.581 million) |

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

On 11 January 2018, the Board of Directors decided to scale down the TBS business, preparing for divestment in 2018, and/or to wind up the business if divestment is proven not feasible. This decision does not have a material impact on the 2017 financial statements as TBS remained a continuing operation at 31 December 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.