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

VIETNAM INDUSTRIAL INVESTMENTS LIMITED

28 February 2019

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 2018.

Yours faithfully
VIETNAM INDUSTRIAL INVESTMENTS LIMITED

LAM VAN HUNG
Managing Director

APPENDIX 4E
PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

(Corresponding year: 31 December 2017)
Results for announcement to the market

	2018	2017	Movement	
	$'000	$'000	Amount $'000	%
Revenues from operating activities	560,936	383,552	177,384	46%
(Loss)/profit from operating activities after tax attributable to members	(1,385)	2,397	(3,782)	(158%)
Net (loss)/profit for the period attributable to members	(1,385)	2,397	(3,782)	(158%)

Dividend Distribution

On 25 May 2018, the Board declared dividend of 1.5 Australian cents per ordinary share (fully unfranked) which was paid and dispatched on 27 June 2018 (for the six months ended 30 June 2017: Nil). The entire dividend was 100% conduit foreign income.

The Directors have not declared or paid further dividends for 2018.

	2018 **$'000**	2017 $'000
Declared and paid during the year		
Interim unfranked dividend for 2018: 1.5 cents per share (2017: NIL)	2,134	-

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
- Retained earnings
- (Loss)/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
- Strategic supply arrangement
- Segment information
- Foreign currency translation
- Subsequent event after balance date

NTA Backing	**Current Period**	**Previous Corresponding Period**
Net tangible asset per ordinary security	35.83 cents per share	35.60 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 2018 is in the process of being audited.

LAM VAN HUNG
Managing Director

APPENDIX 4E
PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors submit the Appendix 4E of Vietnam Industrial Investments Limited ("VII", "Company", "consolidated entity" or "Group") for the year ended 31 December 2018.

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

	2018	**2017**	Change
Sale volume in tons of steel sold	620,254	559,289	11%
$'000			
Revenues from ordinary activities	560,936	383,552	46%
Gross profit	21,340	22,811	(6%)
Net (loss)/ profit after tax	(1,232)	3,390	(136%)
Foreign currency translation gain (loss)	4,210	(4,131)	(202%)
Total comprehensive income (loss)	2,978	(741)	(502%)

Vietnam's economy continued to achieve impressive results. GDP growth ended the year at 7.1% (2017 6.8%). The trade Surplus was USD7.2 billion {$10.2 million} (2017: USD2.7 billion {$3.4 million}) and exports grew 13.8 % YoY. Inflation has been contained at 3.5% for 2017 and 2018. Total steel consumption reached 21 million tons in 2018 and construction steel consumption in Northern Vietnam grew by 6%.

Group sales volume grew to 620,254 tons, an 11% increase on the previous year (2017: 559,289 tons). Revenue increased by 46% to $560.936 million (2017: $383.552 million) due to a combination of increased sales volume and increased sales price. Despite these increases, gross profit decreased by 6% ($21.340 million against $22.811 million) and the Group reported a net loss after tax of $1.232 million (2017: net profit after tax of $3.390 million). The increases in selling expense on distribution of steel, administration expenses which included foreign exchange loss, and interest expense on interest bearing loans and borrowings contributed to the net loss for the year ended 31 December 2018.

In note 14 to this report, we have reported on an arrangement with a local strategic partner, Nam Thuan Investment Development Company ("NTC") which is intended to provide the group with increased reliability of billet supply, additional finished product and production cost savings dependant on the local strategic partner completing its steel making facilities and attaining full production capacity at optimum costs. Supply will come on stream in stages and the first stage for billet production commenced commissioning in early August 2018. As announced on 14 November 2018, billets are being delivered to SSE, in accordance with the supply arrangement, with reports that the billet quality is good with above average rolling KPIs achieved. A total of 49,566 tons of billets were delivered in 2018. The induction furnace ("IF") unit is now capable of design output in terms of the number of heats per day. Construction of the rolling mill by NTC is advancing satisfactorily and is expected to complete at the beginning of Q2 2019. Commissioning and production are targeted to commence in Q3 2019. Hot charging billets will then be introduced, and this is anticipated to result in future production cost savings.

NTC intends to start up the Blast Furnace in Q3 2019 and hot cast billets in Q4 2019. Construction of a Basic Oxygen Furnace (BOF) has commenced with piling and foundation work well advanced. The facility is scheduled for completion in Q3 2019 with commissioning and production commencing in Q4 2019

Foreign currency translation

	2018	**2017**	vsAUD	**2016**	vsAUD
VND/AUD @ 31December	16,371	17,713	(7.6%)	16,473	7.5%
USD/AUD @ 31December	0.7058	0.7800	(9.5%)	0.7236	7.8%

Australian Dollar (AUD) depreciated 7.6% over the Vietnamese Dong (VND) as of 31 December 2018 (2017: appreciation 7.5%). Also, AUD depreciated 9.5% over the United Stated Dollar (USD) (2017: appreciated 7.8%). The depreciation of the AUD over the VND led to a foreign currency translation gain of $4.210 million (2017: loss of $4.131 million) for the year.

CASH FLOWS

At 31 December 2018, cash and cash equivalents was $21.743 million. There was net decrease in cash and cash equivalents during the year of $23.512 million mainly due to the following:

	$'000
Net cash inflows from operating activities (a)	184
Net cash outflows from investing activities (b)	(9,284)
Net cash outflows from financing activities (c)	(16,580)
Net foreign exchange differences	2,168
Net Decrease	(23,512)

Notes:

(a) Net cash inflows from operating activities were mainly due to the receipts from customers of $584.641 million and payment to suppliers and employees of $580.998 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 outflows from financing activities were mainly due to net repayments of bank borrowings of $13.980 million, dividend payment to shareholders of $2.133 million for 2018 dividends and dividend payment to non-controlling interests of $0.467 million.

SUBSEQUENT EVENTS AFTER BALANCE DATE

During January 2019, NTC made payments to SSE of VND60 billion ($3.665 million) plus accrued interest, being the first instalment due by NTC for the long term receivable of VND180 billion ($10.995 million).

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, partnering with a Vietnamese local strategic company for billet supply, and roofing and wood replacement product at Austnam's factory in Hanoi.

APPENDIX 4E
PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	2018 $'000	2017 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	4	21,743	45,255
Trade and other receivables	6	85,566	41,380
Advances to suppliers	7	24,423	29,473
Inventories	8	38,074	46,863
Financial assets – at fair value through profit or loss		9	9
Other current assets	9	427	346
Total Current Assets		170,242	163,326
Non-current Assets			
Other receivable	10	7,330	6,782
Property, plant and equipment	11	12,232	12,458
Other non-current assets		638	27
Deferred tax assets		1,144	1,159
Intangible assets and goodwill		80	80
Total Non-current Assets		21,424	20,506
TOTAL ASSETS		191,666	183,832
LIABILITIES			
Current Liabilities			
Trade and other payables	12	27,578	16,967
Advances from customers		2,419	995
Income tax provision		2,118	1,550
Interest-bearing loans and borrowings	13	101,557	106,760
Provisions		889	832
Total Current Liabilities		134,561	127,104
TOTAL LIABILITIES		134,561	127,104
NET ASSETS		57,105	56,728
EQUITY			
Equity attributable to equity holders of parent			
Contributed equity		27,819	27,819
Reserves		(4,778)	(8,612)
Retained earnings	2	29,161	32,680
Parent interests		52,202	51,887
Non-controlling interests		4,903	4,841
TOTAL EQUITY		57,105	56,728

APPENDIX 4E
PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 $'000	2017 $'000
Continuing operations			
Revenue from contracts with customers		554,842	378,537
Other revenue	5	6,094	5,015
Revenue		560,936	383,552
Cost of sales	5	(539,596)	(360,741)
Gross profit		21,340	22,811
Other income	5	210	1,430
Selling expenses	5	(6,834)	(5,996)
Administrative expenses	5	(9,672)	(9,281)
Finance costs	5	(5,205)	(4,244)
(Loss)/profit before income tax		(161)	4,720
Income tax expense		(1,071)	(1,330)
Net (loss)/profit for the year		(1,232)	3,390
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences – attributable to parent		3,834	(3,703)
Items that may not be reclassified subsequently to profit or loss			
Foreign currency translation differences – attributable to non-controlling interests		376	(428)
Other comprehensive income/(loss) for the year		4,210	(4,131)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		2,978	(741)
(Loss)/profit attributable to:			
Owners of parent		(1,385)	2,397
Non-controlling interests		153	993
		(1,232)	3,390
Total comprehensive income attributable to:			
Owners of parent		2,449	(1,306)
Non-controlling interests		529	565
		2,978	(741)
		Cents	Cents
(Loss)/earnings per share (cents per share) attributable to the ordinary equity holders of the Company:			
– Basic and diluted (loss)/earnings per share	3	(0.97)	1.68

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

	Attributable to equity holders of the parent					*Non-controlling interests*	*Total equity*
	Contributed equity	*Foreign currency translation reserves*	*Retained earnings*	*Legal reserves*	*Owners of the parent*		
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 January 2018	27,819	(9,736)	32,680	1,124	51,887	4,841	56,728
Net loss for the year	-	-	(1,385)	-	(1,385)	153	(1,232)
Other comprehensive income	-	3,834	-	-	3,834	376	4,210
Total comprehensive income for the year	-	3,834	(1,385)	-	2,449	529	2,978
Dividends to shareholders	-	-	(2,134)	-	(2,134)	-	(2,134)
Dividends by subsidiaries	-	-	-	-	-	(467)	(467)
At 31 December 2018	27,819	(5,902)	29,161	1,124	52,202	4,903	57,105
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 loss 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

APPENDIX 4E
PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of VAT)		584,641	406,256
Payments to suppliers and employees (inclusive of VAT)		(580,998)	(443,317)
Interest received		2,292	3,809
Interest paid		(5,205)	(4,244)
Income taxes paid		(546)	(2,113)
Net cash flows provided by/(used in) operating activities		184	(39,609)
Cash flows from investing activities			
Funding of term deposits		(8,249)	(12,376)
Purchase of property, plant and equipment		(1,035)	(1,188)
Proceeds from sale of land use rights		-	1,219
Net cash flows used in investing activities		(9,284)	(12,345)
Cash flows from financing activities			
Proceeds from bank borrowings		490,477	410,256
Repayment of bank borrowings		(504,457)	(382,719)
Dividends paid to shareholders		(2,133)	(103)
Dividends paid to non-controlling interests		(467)	(2,081)
Net cash flows (used in)/provided by financing activities		(16,580)	25,353
Net decrease in cash and cash equivalents		(25,680)	(26,601)
Net foreign exchange differences		2,168	(4,906)
Cash and cash equivalents at beginning of year		45,255	76,762
Cash and cash equivalents at end of year	4	21,743	45,255

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

1.1 Basis of Preparation

The preliminary financial report for the year ended 31 December 2018 is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

Where applicable, the comparative numbers have been adjusted to disclose them on the same basis as the current year.

1.2 New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the preliminary financial report are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

Effective 1 January 2018, the Group adopted AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments*. The nature and effect of these changes are disclosed below.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group.

AASB 15 Revenue from Contracts with Customers – Impact of adoption

AASB 15 supersedes AASB 111 *Construction Contracts*, AASB 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group's consolidated revenue is derived primarily from the Steel Making Division which comprises of Vinausteel, SSESTEEL and Austnam. Since their inception, these operations produce and distribute products to a limited number of distributors and contractors. These operations do not perform any after sale services relating to the products sold.

Depending on the terms of sale, the transfer of control of products sold occurs fulfilled at the factory gate or at the customer premises. All sales are final upon customer taking possession and there is no right of return. Revenue from the sale of goods is recognised upon transfer of the control. The Group offers retrospective volume-based discounts to some customers on a discrete calendar year basis. These discounts are accounted for as a reduction in the amount of revenue recognised. Customer must pay their accounts within 15 to 45 days from date of sale. Each delivery of products must be accompanied by a sale invoice or a purchase order that specifies quantity and prices. These operations in general do not incur additional costs to obtain customers and/or contracts with customers. Where a customer makes payments in advance of the transfer of control, these are treated as contract liabilities and separately classified in "Advances from customers".

Total Building Systems ("TBS") provides construction and engineering services. The performance obligations associated with these services are satisfied over time because the services provided are specific to the customer, do not have an alternative use and there is an enforceable obligation on the customer to pay for the percentage of the contract completed to date. Revenues is recognised using an input method, based on costs incurred, which is consistent with the transfer of control materially consistent with the percentage of completion method applied in prior periods. TBS's operations are not material to the Group.

The Group adopted AASB 15 using the modified retrospective method from 1 January 2018. This method recognises the cumulative effect resulted from initial application of this standard, as adjustment to the opening balance of retained earnings. All customer contracts in force throughout the period have been reviewed and assessed and it was determined the adoption of AASB 15 had no significant impact on the recognition and measurement or revenue. The accounting policy has been updated to reflect the application of AASB 15 for the period from 1 January 2018. There was no material measurement impact to the Group's 31 December 2018 financial statements, applying AASB 15 for the first time.

1.2 New standards, interpretations and amendments adopted by the Group (continued)

AASB 9 Financial Instruments – Impact of adoption

AASB 9 *Financial Instruments* replaces AASB 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group applied AASB 9 for the first time prospectively from 1 January 2018, when required adjusts comparative information, where possible without the use of hindsight, for the reporting period from 1 January 2017.

Measurement and classification
Under AASB 9, debt financial instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion'). The SPPI test is applied to the entire financial asset, even if it contains an embedded derivative. Consequently, a derivative embedded in a debt instrument is not accounted for separately.

At the date of initial application, existing financial assets and liabilities of the Group have been assessed in terms of the requirements of AASB 9. The assessment was conducted on instruments that had not been derecognised as at 1 January 2018. In this regard, the Group has determined that the adoption of AASB 9 has impacted the classification of financial instruments at 1 January 2018 as follows:

Class of financial instrument presented in the statement of financial position	**Original measurement category under AASB 139 (i.e. prior to 31 December 2017)**	**New measurement category under AASB 9 (i.e. from 1 January 2018)**
Cash and cash equivalents and term deposits	Loans and receivables	Financial assets at amortised cost
Trade and other receivables	Loans and receivables	Financial assets at amortised cost
Advances to suppliers	Loans and receivables	Financial assets at amortised cost
Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss
Trade and other payables	Financial liability at amortised cost	Financial liability at amortised cost
Interest bearing loans and borrowings	Financial liability at amortised cost	Financial liability at amortised cost

The reclassification of financial instruments did not have a significant measurement impact on the financial statements.

Impairment of financial assets
In relation to the financial assets carried at amortised cost, AASB 9 requires an expected credit loss model to be applied as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. In particular, AASB 9 requires the Group to measure the loss allowance at an amount equal to lifetime expected credit loss ("ECL") if the credit risk on the instrument has increased significantly since initial recognition. Where the credit risk on the financial instrument has not increased significantly since initial recognition, the Group is required to measure the loss allowance for that financial instrument at an amount equal to the ECL within the next 12 months.

1.2 New standards, interpretations and amendments adopted by the Group (continued)

AASB 9 Financial Instruments – Impact of adoption **(continued)**

The Group's existing financial assets carried at amortised cost were reviewed and assessed for impairment at 1 January 2018 using reasonable and supportable information. Cash balances and term deposits are predominantly held by financial institutions based in Vietnam. The expected credit loss has been determined based on the estimated default risk of these institutions.

All trade receivables at 1 January 2018 have been subsequently settled during the period or were fully provided as at that date. Trade receivables are fully provided when they are subject to default, over 90 days past due or payment is not considered likely.

As at 31 December 2018 an expected credit loss has been recognised as 1% of all trade receivables that are within 90 days. 1% has been determined by the Group to be a reasonable estimate of the forward looking expected credit loss under the simplified approach.

Advances to suppliers relate to the local strategic partner. No expected credit loss has been recognised in relation to these advances as this exposure is fully secured.

Hedging

The Group does not apply hedge accounting.

1.3 Summary of revised accounting policies

a) Revenue from contracts with customers

Revenue from contracts with customers is recognised when the control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Revenue is recognised to the extent that performance obligations have been met, regardless of when the payment is being made. Revenue is measured at the consideration expected to be received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The specific recognition criteria described below must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the performance obligations is meet and control of steel has passed to the buyer, usually on delivery of the goods. Where the Group offers volume-based discounts to customers, these discounts are accounted for as a reduction in the amount of revenue recognised.

A contract liability is the obligation to transfer goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised in "advances from customers" and recognised as revenue when the Group performs under the contract.

Construction contracts

Construction contracts are reviewed for individual performance obligations. The performance obligations associated with these services are satisfied over time because the services provided are specific to the customer, do not have an alternative use and there is an enforceable obligation on the customer to pay for the percentage of the contract completed to date. Revenues is recognised using an input method, based on cost incurred, which is consistent with transfer of control. Under this method revenue is recognised on the basis of the entity's efforts or inputs to satisfy the performance obligation relative to the total expected inputs to completely satisfy the performance obligation. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of the construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are expensed as incurred. Any expected loss is recognised immediately as an expense.

The difference between the cumulative revenue of a construction contract recognised to date and the cumulative amount of progress billings of that contract is presented as construction contractor receivable/payable based on the agreed progress billings in the statement of financial position.

1.3 Summary of revised accounting policies (continued)

b) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, at amortised cost, financial assets at fair value through profit or loss, fair value through other comprehensive income as appropriate. Financial assets, excluding trade receivables which are recognised at their transaction price under AASB 15, are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

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

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

Subsequent measurement

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

(i) Financial assets at fair value through profit or loss

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

(ii) Amortised cost

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

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Expected credit losses are recognised in the statement of comprehensive income in administrative expenses. This category generally applies to trade and other receivables.

Trade receivables, which are generally on 15 to 45-day terms and do not include a financing component, are recognised initially at their transaction price. Receivables that are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principle and interest are classified and subsequently measured at amortised cost using the effective interest rate method. Receivables that do not meet the criteria for amortised cost are measured at fair value through profit or loss.

Derecognition

A financial asset is derecognised when the associated cashflows are collected or when an event of default occurs.

Impairment of financial assets

The Group assesses on a forward looking basis the expected credit loss associated with its construction contractor receivables and trade receivables. The expected credit loss is calculated using the simplified approach which requires the loss allowance to be based on the lifetime expected credit loss. In determining the expected credit loss the Group assesses the profile of the debtors and compares with historical recoverability trends, adjusted for factors that are specific to the debtors' general economic conditions and an assessment of both the current and forecast conditions as a reporting date. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

1.3 Summary of revised accounting policies (continued)

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

Financial liabilities

Initial recognition and measurement

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

The Group's financial liabilities include trade and other payables, and loans and borrowings.

Subsequent measurement

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

Amortised cost

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

Derecognition

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

1.4 Going concern

At 31 December 2018, the Group has a net current asset of $35.681 million with current interest-bearing loans and borrowings of $101.557 million (31 December 2017: $106.760 million). These loans relate to short term loan facilities (the "facilities") with various banks in Vietnam. The terms and conditions associated with the facilities are outlined in note 13. The ability to meet the repayment obligations under these facilities will be dependent on cash flows from existing operations, timely collection of its receivables and timely satisfactory fulfillment of the contractual obligations from Nam Thuan Investment Development Company ("NTC"), a Vietnamese local investment and development company (the "local strategic partner") to which the Group has a total exposure of $62.642 million under loan, advances and receivable as disclosed in note 14.

As further detailed in note 14, the Group's ability to meet its obligations under its short-term loan facilities which were entered into to finance these advances, loans and receivables are significantly dependent on the successful commercial production of the local strategic partner's steel making facilities, in particular, its ability to achieve and maintain full production capacity at optimum costs in planned stages. Given the steel making facilities started commissioning successfully in early August 2018 and the continued close working relationship of management with the local strategic partner, the Group believes that the objectives of the strategic supply arrangement can be achieved and the Group's long-term loan, advances and receivable can be fully repaid in accordance with the contractual arrangements. It is therefore appropriate to prepare the financial report on a going concern basis.

2. RETAINED EARNINGS

	2018	2017
	$'000	$'000
Retained earnings	29,161	32,680
Movement in retained earnings		
Opening balance	32,680	30,283
Net (loss)/profit for the year	(1,385)	2,397
Dividends to shareholders	(2,134)	-
Closing balance	29,161	32,680

3. (LOSS)/EARNINGS PER SHARE

	2018	2017
	$'000	$'000
Net (loss)/profit attributable to ordinary equity holders of the Parent for basic and diluted (loss)/earnings	(1,385)	2,397

	2018	2017
	No. of Shares	No. of Shares
Weighted average number of ordinary shares for basic and diluted (loss)/earnings per share	142,277,423	142,277,423

	Cents	Cents
(Loss)/earnings per share (cents per share) for (loss)/profit attributable to the ordinary equity holders of the Company:		
– Basic and diluted (loss)/earnings per share	(0.97)	1.68

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:

	2018	2017
	$'000	$'000
Cash at bank and in hand	3,436	4,194
Short-term deposits with original terms less than 3 months	18,307	41,061
	21,743	45,255

5. REVENUES AND EXPENSES

Revenues and expenses from continuing operations

	2018 $'000	2017 $'000
(a) Other revenue		
Interest income-banks	2,268	3,148
Interest income-other	3,826	1,867
	6,094	5,015
(b) Other income		
Rent income	12	109
Financial and executive services income	35	60
Gain on sale of land use rights	-	714
Other	163	547
	210	1,430
(c) Cost of sales		
Cost of goods sold	(539,156)	(359,448)
Construction costs	(440)	(1,293)
	(539,596)	(360,741)
(d) Finance costs		
Bank loans and other borrowings	(5,205)	(4,244)
(e) Selling expenses		
Promotional expenses	(2,849)	(2,320)
Salaries and wages	(885)	(842)
Other	(3,100)	(2,834)
	(6,834)	(5,996)
(f) Administrative expenses		
Salaries and employee benefits expenses	(4,125)	(4,575)
Foreign exchange loss	(1,347)	(153)
Travel expense	(341)	(380)
Professional fees	(268)	(613)
Rent expense	(393)	(516)
Other	(3,198)	(3,044)
	(9,672)	(9,281)
(g) Depreciation and amortisation		
Depreciation expense	(2,224)	(2,059)
Amortisation of intangible assets	(1)	(2)
	(2,225)	(2,061)

6. TRADE AND OTHER RECEIVABLES

	2018	2017
	$'000	$'000
Trade receivables from local strategic partner (refer to Note 14)	21,925	7,609
Trade receivables from customers	26,412	9,450
	48,337	17,059
Allowance for expected credit loss	(3,192)	(3,178)
	45,145	13,881
Construction contract receivables	67	475
Allowance for expected credit loss	(47)	(43)
	20	432
Loan receivable from local strategic partner (refer to Note 10)	3,665	3,387
Accrued interest on loan receivable from local strategic partner (refer to Note 10)	1,870	698
Accrued interest on advances to local strategic partner (refer to Note 7)	3,927	1,042
Accrued interest on term deposits	891	850
Other receivables	1,462	2,101
	11,815	8,078
Term deposits (i)	28,586	18,989
	28,586	18,989
Carrying amount of trade and other receivables	85,566	41,380

(i) Term deposits have original terms greater than three months and bear interest rates ranging from 4.6% to 8% (2017: 4.6% - 9%).

7. ADVANCES TO SUPPLIERS

	2018	2017
	$'000	$'000
Advances to local strategic partner	23,925	28,820
Advances to other suppliers	498	653
	24,423	29,473

At 31 December 2018, advances to suppliers included advances equivalent to $23.925 million (VND392 billion) (31 December 2017: $28.820 million (VND510 billion)) were made to NTC, a Vietnamese local strategic partner, which is the same counterparty to the other receivable disclosed in notes 10 and 14.

A portion of the advances to suppliers bear interest. The remaining advances to suppliers which relate to items where goods are expected to be delivered in the short term bear no interest.

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

8. INVENTORIES

	2018	2017
	$'000	$'000
Raw materials – at lower of cost and net realisable value	12,154	11,729
Tools and supplies – at lower of cost and net realisable value	5,025	7,504
Finished goods – at lower of cost and net realisable value	20,895	27,630
Total inventories at lower of cost and net realisable value	38,074	46,863

9. OTHER CURRENT ASSETS

	2018	2017
	$'000	$'000
Prepayments	401	322
Other deposits	26	24
	427	346

10. OTHER RECEIVABLE

	2018	2017
	$'000	$'000
Other receivable	7,330	6,782
	7,330	6,782

At 31 December 2018, SSESTEEL has a long-term other receivable from a local strategic partner, equivalent to A$10.995 million (VND 180 billion). This amount is to be repaid over 30 months, bearing interest of 8% per annum. This amount is secured against machinery and certain production facilities inside the factory owned and operated by the supplier. The non-current other receivable of $7.330 million represents 2/3 of $10.995 million. The current portion of this arrangement, $3.665 million plus accrued interest of $1.870 million, is included in trade and other receivables under Current assets was is subsequently paid in January 2019. On the basis of recent independent valuation report of the security assets received in February 2019, management expects that the receivables balance at 31 December 2018 is fully recoverable (level 3 in the fair value hierarchy). 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 local strategic partner intended to provide increased reliability of raw material supply. Refer to note 14 for further discussion.

11. PROPERTY, PLANT AND EQUIPMENT

	2018	2017
	$'000	$'000
Building on leasehold land		
- Cost	10,450	8,817
- Accumulated depreciation	(7,102)	(5,938)
Net carrying amount	3,348	2,879
Plant and equipment		
- Cost	32,031	29,653
- Accumulated depreciation and impairment	(26,846)	(23,872)
Net carrying amount	5,185	5,781
Motor vehicles		
- Cost	3,192	2,978
- Accumulated depreciation	(2,334)	(2,065)
Net carrying amount	858	913
Construction in progress – cost	2,841	2,885
Net carrying amount	12,232	12,458

12. TRADE AND OTHER PAYABLES

	2018	2017
	$'000	$'000
Trade payables	15,623	5,305
Other payables	11,495	11,251
Related party payables		
- key management personnel	460	411
	27,578	16,967

13. INTEREST-BEARING LOANS AND BORROWINGS

	2018	2017
	$'000	$'000
Current		
Bank loans – secured	101,557	106,760
	101,557	106,760

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 2018 the total interest bearing liabilities drawndown to which these corporate guarantees relate to are:

	31 December 2018	31 December 2017
Outstanding Bank Loans	$101.557 million	$106.760 million
Letter of Guarantee	$23.378 million (US$16.500 million)	$21.154 million (US$16.500 million)
Loans drawdown tie to Guarantee	$19.664 million (US$13.879 million)	$15.356 million (US$11.978 million)

14. STRATEGIC SUPPLY ARRANGEMENT

As announced on 16 February 2018 and 14 November 2018, the Group's wholly owned subsidiary SSESTEEL Ltd (SSESTEEL) entered into a supply arrangement ("the arrangement") with NTC, a Vietnamese local investment and development company (the "local strategic partner"), to supply billets and rebar for the Group's rolling mill operations in Vietnam. The arrangement seeks to secure the supply of billets and rebar to SSESTEEL from the local strategic partner's steel making facilities in Vietnam which were under construction at the date of the arrangement. The arrangement is intended to provide the Group with:

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

These cost reductions could take up to 36 months for full production at optimum costs to be attained, however, benefits are anticipated to take effect as the various stages of the steel making facilities come on stream.

The first phase (Billet production) of the local strategic partner's steel making facilities were commissioned in early August 2018 and billets are now being supplied to SSESTEEL.

14. STRATEGIC SUPPLY ARRANGEMENT (continued)

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

At 31 December 2018, the Group has the following credit exposure with the local strategic partner:

	2018 $'000	2017 $'000
Short term advances and receivables		
Short term receivable related to selling of steel scraps and equipment (included in trade and other receivables)	21,925	7,609
Short term advances for billets purchase (refer to note 7)	23,925	28,820
Interest receivables (refer to notes 7 and 10)	5,797	1,740
Current- loan receivable (refer to note 10)	3,665	3,387
Total current assets	55,312	41,556
Long term loan receivable (refer to note 10)	7,330	6,782
Total exposure	62,642	48,338

The above exposure is secured against first registered charges over the main workshop building, machinery and equipment, the newly constructed steel production facilities, inventories and consumables inside the factory owned and operated by the local strategic partner. Management has estimated the value of the collateral assets to be higher than the present level of exposure.

Management acknowledges:

- the recovery of the above advances, loans and receivables, either through future cash flows or realisation of security assets;
- the timing of cash inflows from these exposures, their resulting current/non-current classification and potential fair value gains/losses from variation from the original contractual cashflows in accordance with AASB 9 Financial Instruments; and
- the Group's ability to meet its obligations under its short-term loan facilities taken to finance the above advances, loans and receivables

are significantly dependent on the successful commercial production of the local strategic partner's steel making facilities, in particular, its ability to achieve and maintain full production capacity at optimum costs in the planned stages. Whilst this outcome cannot be guaranteed as at the report date, management continues to work closely with the local strategic partner and believes that the objectives of the strategic supply arrangement can be achieved and the Group's long-term loan, advances and receivable can be fully repaid in accordance with the contractual arrangements. As disclosed in note 10, in January 2019, the local strategic partner repaid VND60 billion ($3.665 million) part of its long-term loan of VND180 billion ($10.995 million) and accrued interest in accordance with the agreed contractual term. The remaining accrued interest will be repaid in March 2019.

15. SEGMENT INFORMATION

The Steel Making Division 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 2018					
Revenues					
External revenues	554,842	-	554,842	-	554,842
Other revenues	6,081	13	6,094	-	6,094
Total segment revenues	560,923	13	560,936	-	560,936
Results					
Other income	258	405	663	(453)	210
Finance costs	(5,539)	-	(5,539)	334	(5,205)
Segment results before income tax	473	-	473	-	473
Income tax expense	(1,071)	-	(1,071)	-	(1,071)
Segment results after tax	(598)	-	(598)	-	(598)
Corporate charges	-	(634)	(634)	-	(634)
Net loss after tax from continuing operations	(598)	(634)	(1,232)	-	(1,232)

	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	383,542	10	383,552	-	383,552
Results					
Other income	1,370	409	1,779	(349)	1,430
Finance costs	(4,571)	-	(4,571)	327	(4,244)
Segment results before income tax	5,660	-	5,660	-	5,660
Income tax expense	(1,330)	-	(1,330)	-	(1,330)
Segment results after tax	4,330	-	4,330	-	4,330
Corporate charges	-	(940)	(940)	-	(940)
Net profit/(loss) after tax from continuing operations	4,330	(940)	3,390	-	3,390

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

15. SEGMENT INFORMATION (continued)

	Steel Making (Vietnam) $'000	Unallocated Note (i) $'000	Total $'000
Segment assets			
At 31 December 2018			
Segment operating assets	190,148	1,613	191,761
Inter-segment eliminations			(95)
Total assets per statement of financial position			191,666
At 31 December 2017			
Segment operating assets	179,600	4,232	183,832
Inter-segment eliminations	-	-	-
Total assets per statement of financial position			183,832
Segment liabilities			
At 31 December 2018			
Segment operating liabilities	134,090	566	134,656
Inter-segment eliminations			(95)
Total liabilities per statement of financial position			134,561
At 31 December 2017			
Segment operating liabilities	126,545	559	127,104
Inter-segment eliminations	-	-	-
Total liabilities per statement of financial position			127,104

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

16. 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 which are translated to Australian Dollars (presentation currency) at the prevailing rate at the reporting date, and the results of these subsidiaries which are translated at exchange rates as at the date of each transaction.

17. SUBSEQUENT EVENT AFTER BALANCE DATE

During January 2019, NTC made payments to SSE of VND60 billion ($3.665 million) plus accrued interest, being the first instalment due by NTC for the long term receivable of VND180 billion ($10.995 million).

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.