



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

## VIETNAM INDUSTRIAL INVESTMENTS LIMITED

11 April 2019

Mr Daniel Nicholson  
Adviser, Listings Compliance (Perth)  
ASX Limited  
20 Bridge Street  
Sydney NSW 2000

By email: [tradinghaltspert@asx.com.au](mailto:tradinghaltspert@asx.com.au)

Dear Mr Nicholson

### **VIETNAM INDUSTRIAL INVESTMENTS LIMITED – ASX QUERY ON QUALIFIED OPINION IN ANNUAL REPORT 2018**

We refer to your letter of 8 April 2019 in regard to the Qualified Opinion in the Independent Auditor's Report in the Company's Annual Report for the year ended 31 December 2018.

The Company's responses to your seven (7) questions are set out below:

#### Response to Question 1

The Company can confirm that, in the Directors' opinion, the Financial Report complies with the relevant Accounting Standards and gives a true and fair view of the financial performance and financial position of the Company.

#### Response to Question 2

An Independent Study was not provided to the auditor for the purpose of the Annual Report.

#### Response to Question 3

The Company has not commissioned the Independent study.

#### Response to Question 4

Not applicable.

#### Response to Question 5

(a) The issue of commissioning the Independent Study was considered further by management, in close consultation with its local strategic partner [Nam Thuan Investment Development Co Ltd ("NTC")], and it was concluded that there would be limited value in commissioning the Independent study, for a number of reasons:

i) The NTC steel making facility is being implemented in a number of phases. The first phase, production of billets from scrap by induction furnace, is in operation and the second phase, rolling mill to produce rebar by hot-charging billets, is currently being commissioned. There is certainty in these two phases.

The remaining phases are to start up the blast furnace to produce hot metal (Iron), which will be used as feedstock for the induction furnaces. This will be followed by commissioning of a basic oxygen furnace to produce steel, using the hot metal, which will be used for manufacture of billets.

Start-up of the second two phases is dependent on a number of factors, viz the price of raw materials, availability of funding and steel prices at the time. As there is some inherent uncertainty around when the total project will become fully operational, it would be difficult to commission a precise Study having a definitive and reliable outcome.

ii) Although the Company's management has some influence and involvement in the operations of NTC, it does not have control over it and can influence the future development of the project to a certain extent only. So, for example, where both parties may agree to a certain course of action, external factors may limit any planned course of implementation. Again, this would present problems in commissioning and properly scoping the study.

iii) In the Audit Plan – Planned Audit Approach, the auditor planned to review the Independent Study and then verify achievement of the milestones under the Study by studying actual production/deliveries up to the date of signing. However, it was evident that only phase 1 of the project, production of billets from scrap by induction furnace, would be in operation at the date of signing the financial statements and therefore, management considered the Study would be of limited relevance for this audit plan.

For the reasons set out in i) to iii) above, management determined not to proceed with an Independent Study as this would not necessarily provide sufficient appropriate audit evidence to assess whether NTC could achieve planned production levels and deliver the forecast production at the expected price.

Incidentally, NTC had prepared a study, which was more like a 5 year cash flow, but this had limited supporting details for key assumptions that could be independently verified or relied upon by the auditor.

(b) The Company does not presently intend to commission an Independent Study and continues to engage with NTC to provide operational updates and information which may be relevant to future audit and internal reporting process.

#### Response to Question 6

We confirm that, to the best of our knowledge, the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Response to Question 7

We confirm that the Company's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of the Company with delegated authority from the board to respond to ASX on disclosure matters

Your sincerely



Mr Lam Van Hung  
Managing Director



8 April 2019

**Ms Patricia Williams**

Company secretary  
Vietnam Industrial Investments Ltd

By email: PWilliams@vii.net.au

Dear Ms Williams

**Vietnam Industrial Investments Limited (the “Entity”): Qualified Opinion in Annual Report 2018**

ASX Limited (“ASX”) refers to the following;

1. The Company’s Annual Report for the year ended 31 December 2018, lodged with ASX on 29 March 2019 (the “Annual Report”).
2. The Independent Auditor’s Report set out on pages 78 to 81 of the Annual Report which contains a Qualified Opinion (the “Qualified Opinion”), stating the following:

***“Basis for Qualified Opinion***

*As detailed in Note 32 of the financial report, as at 31 December 2018, the Group had a loan and receivable due from Nam Thuan Investment Development Co Ltd, a local investment and development company in Vietnam amounting to \$62.642 million (1 January 2018: \$48.338 million). The recoverability of the loan and receivable is initially dependent upon the successful commercial production of the local investment and development company’s new steel making facilities. Failing this, the recoverability of the loan and receivable is dependent upon the realisation of the local investment and development company’s assets pledged as security to the Group under registered charges.*

*As detailed in Note 14 and Note 32 of the financial report, the Group’s ability to achieve the production cost savings that are incorporated within the Group’s impairment assessment of its SSESTEEL Cash Generating Unit is dependent upon the local investment and development company’s new steel making facilities being able to deliver the budgeted volume of steel at the expected price.*

*We have been unable to obtain sufficient appropriate audit evidence to assess whether the local investment and development company can achieve planned production levels at its steel making facilities and deliver the forecast production at the expected price, and to assess the potential impact of the Group’s exposure to the local investment and development company, including an assessment of the probability of default and loss given default, in respect of the loan, advances and receivables.*

*Consequently, we are unable to determine the extent of required impairment charges, if any, and related disclosures in respect of:*

- *the Group's loan, advances and receivable to the local investment and development company of \$62.642 million and \$48.338 million at 31 December 2018 and 1 January 2018 respectively; and*
- *The Group's SSESTEEL Cash Generating Unit property, plant and equipment of \$8.257 million."*

3. The Company's response to ASX's queries relating to the Company's half year report for the year ended 30 June 2018 which included a qualified conclusion by the auditor in respect of the same matter as the Qualified Opinion, dated 21 September 2018 and released on ASX's Market Announcements Platform on 25 September 2018 ("Half Year Response"). In particular, ASX refers to the Company's response to Question 5:

*"Now that phase 1 of the plant design has been completed and construction of the plant is well advanced, the Company intends to commission a study, which can be verified independently, to demonstrate that the plant is capable of achieving planned production levels and deliver the forecast production cost savings to the Group. Although the impact of the study on the future audit process cannot be reliably predicted, the Company anticipates that the study should result in an unqualified audit/review report for future financial periods. Actual plant performance to the date of future reporting periods should add weight to the issue of unqualified audit/review reports."*

("Independent Study").

#### **Relevant listing rules and guidance**

ASX also refers to the following:

- Listing rule 3.1, which requires an entity, once it becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, to immediately tell ASX that information.
- Listing rule 19.11A, which requires accounts given to ASX under the requirements of the listing rules, to be prepared to Australian accounting standards and if the entity is a foreign entity, the accounts may be prepared to other standards agreed by ASX.
- Listing rule 3.1A sets out an exception from the requirement to make immediate disclosure, provided that each of the following are satisfied.

##### *3.1A.1 One of the following 5 situations applies*

- *It would be a breach of a law to disclose the information;*
- *The information concerns an incomplete proposal or negotiation;*
- *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- *The information is generated for the internal management purposes of the entity; or*
- *The information is a trade secret.*

##### *3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*

##### *3.1A.3 A reasonable person would not expect the information to be disclosed.*

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## Questions for response

In light of the information contained in the Annual Report, Qualified Opinion, Half Year Response and referring to the listing rules above, we ask that you answer the following questions in a format suitable for release to the market in accordance with Listing Rule 18.7A.

1. Commenting specifically on the Qualified Opinion, can the Company confirm that in the Directors' opinion the Annual Report:
  - (a) complies with the relevant Accounting Standards; and
  - (b) gives a true and fair view of the financial performance and financial position of the Company?
2. Was the Independent Study was provided to the auditor for the purpose of the Annual Report?
3. If the answer to question 2 is "no", please confirm whether the Company has commissioned the Independent Study?
4. If the answer to question 3 is "yes", please specifically address:
  - (a) When the Independent Study was commissioned?
  - (b) Who the Company commissioned to provide the Independent Study?
  - (c) The status of the Independent Study.
  - (d) Why the Company did not receive the Independent Study before announcing the Annual Report?
  - (e) When does the Company expect to receive the Independent Study?
5. If the answer to question 3 is "no":
  - (a) Why hasn't the Independent Study been commissioned?
  - (b) Does the Company intend to commission the Independent Study?
6. Please confirm that the Company is in compliance with the listing rules and, in particular listing rules 3.1
7. Please confirm that the Company's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of the Company with delegated authority from the board to respond to ASX on disclosure matters.

Please note ASX reserves its right under listing rule 18.7A to release this letter and the Company's response to the market. Accordingly, the Company's response should address each question separately and be in a format suitable for release to the market.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event by **11:00 AM AWST, Thursday, 11 April 2019**.

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Any response should be sent to [tradinghaltspert@asx.com.au](mailto:tradinghaltspert@asx.com.au). It should not be sent to the ASX Market Announcements Office.

If you have any queries regarding any of the above, please let me know.

Yours faithfully

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**Daniel Nicholson**  
Adviser, Listings Compliance (Perth)