

# Vietnam Industrial Investments Limited

ABN 64 063 656 333



## **Annual Report** 2008

## Corporate Directory

ABN 64 063 656 333

**ASX Code:** VII

### Directors

A.J. Hambly *Non-Executive Director, Chairman*  
A.A. Young *Managing Director  
(Chief Operating Officer)*  
H.V.H. Lam *Managing Director  
(Vietnam Operations)*  
M.A. Clements *Non-Executive Director and  
Company Secretary*  
R.S.Kwok *Independent Non-Executive Director*  
C.R. Martin *Alternate Director*

### Registered Office in Australia

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PERTH Western Australia 6000  
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Website: [www.vii.net.au](http://www.vii.net.au)

### Auditors

Ernst & Young  
11 Mounts Bay Road  
PERTH Western Australia 6000

### Legal Advisors

Clayton Utz  
Level 27, QV1 Building  
250 St George's Terrace  
PERTH Western Australia 6000

### Bankers

Australia & New Zealand Banking Group Limited  
8 St Georges Terrace  
PERTH Western Australia 6000

Bank of Western Australia Ltd  
108 St Georges Terrace  
PERTH Western Australia 6000

### Share Registry

Security Transfer Registrars Pty Ltd  
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APPLECROSS Western Australia 6153

### Home Exchange

Australian Securities Exchange Limited  
Exchange Plaza, 2 The Esplanade  
PERTH Western Australia 6000

### Vietnam Operations

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Hai Phong VIETNAM  
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### Contents

|                                    |         |
|------------------------------------|---------|
| Highlights                         | 2       |
| Chairman's Report                  | 3       |
| Operating and Financial Review     | 4 - 7   |
| Directors' Report                  | 8 - 14  |
| Auditor's Independence Declaration | 15      |
| Corporate Governance Statement     | 16 - 21 |
| Balance Sheet                      | 22      |
| Income Statement                   | 23      |
| Statement of Changes in Equity     | 24 - 25 |
| Cash Flow Statement                | 26      |
| Notes to the Financial Statements  | 27 - 74 |
| Directors' Declaration             | 75      |
| Independent Audit Report           | 76 - 77 |
| ASX Additional Information         | 78 - 79 |

# Vietnam Industrial Investments Limited

An investment holding company investing in the developing economy of Vietnam.

## Highlights of 2008

### Corporate

- Sales revenue from Vietnam operations was VND5.4 trillion (\$389 million) up 60% on 2007 of VND3.4 trillion (\$250 million).
- Net profit after tax and minority interests was \$11.19 million up 698% on 2007 of \$1.40 million.

### Austnam Joint Stock Corporation (VII shareholding 67%)

- Annual sales of 544,772m<sup>2</sup>, down 9% on 2007 (595,903m<sup>2</sup>).
- Sales revenue was VND73.4 billion (\$5.25 million), up 7% on 2007 (VND68.6 billion or \$5.04 million).
- Net loss after tax and before minority interests was VND0.5 billion (\$0.04 million), improved by 82% on 2007 loss (VND2.8 billion or \$0.20 million).

### SSESTEEL Ltd (VII shareholding 100%)

- Rebar sales of 118,694 tonnes, up 12% on 2007 (106,334 tonnes).
- Rebar production of 132,733 tonnes, up 29% on 2007 (102,952 tonnes).
- Annual wire rod sales of 55,315 tonnes, up 19% on 2007 (46,568 tonnes).
- Wire rod production of 54,946 tonnes, up 12% on 2007 (49,048 tonnes).
- Total sales revenue was VND2.7 trillion (\$196.46 million), up 71% on 2007 (VND1.6 trillion or \$117.86 million).
- Net profit after tax and before minority interests was VND162 billion (\$11.58 million), up 763% on 2007 profit (VND18.7 billion or \$1.38 million).

### Total Building Systems Limited (VII shareholding 99%)

- Sales revenue was VND93.2 billion (\$6.67 million), up 0.5% on 2007 (VND92.7 billion or \$6.82 million).
- Net loss after tax and before minority interests was VND18.9 billion (\$1.36 million), up 75% on 2007 loss (VND10.9 billion or \$0.80 million).

### Vinausteel Limited (VII shareholding 70%)

- Annual sales of 155,755 tonnes, up 4% on 2007 (149,585 tonnes).
- Steel bar production of 144,093 tonnes, up 7% on 2007 (134,162 tonnes).
- Sales revenue was VND2.4 trillion (\$170.99 million) up 56% on 2007 (VND1.5 trillion or \$112.62 million).
- Net profit after tax and before minority interests was VND28.9 billion (\$2.08 million), down 26% on 2007 profit (VND38.9 billion or \$2.86 million).

### VRC Weldmesh (Vietnam) Ltd (VII shareholding 100%)

- Annual sales of 8,701 tonnes, down 6% on 2007 (9,226 tonnes).
- Sales revenue was VND141 billion (\$10.10 million), up 41% on 2007 (VND100 billion or \$7.35 million).
- Net loss after tax and before minority interests was VND1.5 billion (\$0.11 million), down 55% on 2007 loss (VND3.3 billion or \$0.24 million).

# CHAIRMAN'S REPORT

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Dear Shareholders

The Group is pleased to report a satisfactory year. Group revenues increased 60% on 2007 to \$389 million. The consolidated profit after tax and minority interests for the year ended 31 December 2008 was \$11.19 million (2007: \$1.40 million). Net tangible asset per share increased from 6.68 cents to 19.47 cents.

The improved results are due to the performance of the Vinausteel and SSESTEEL rolling mill operations in Hai Phong which have traded profitably as a result of rising steel prices during a period of high demand. SSESTEEL was the star performer of the group delivering a net profit after tax of VND 162 billion (\$11.58 million) a record profit for this operation since it commenced operations in 2002 (2007: VND18.7 billion or \$1.38 million). This result is good considering that it was achieved during a year of some difficult economic conditions. Vinausteel reported a net profit after tax of VND 28.9 billion (\$2.08 million) which was down on 2007's result of VND 38.9 billion (\$2.86 million). These operations contributed an operating profit of \$13.03 million on combined revenues of \$367 million which are higher than the results for the prior period (2007: Operating profit \$3.38 million; Revenues \$230 million).

In March 2008, the Company completed a rights issue on the basis of one new share for every two shares held, at an issue price of 15 cents per share. The issue raised \$5.84 million which has provided funds for our Vietnam businesses and has helped in strengthening our balance sheet. Our stronger balance sheet has assisted in securing the ongoing support of our bankers for the working capital requirements to run our operations in Vietnam at full capacity.

2008 was a year of two distinct "halves" for Vietnam each with challenges for the main part of the Group's activities, the rolling mills, in Vietnam.

The first half of 2008 was a domestic-led story. As Vietnam entered 2008 the global and domestic mood was strong – steel prices rose to record levels and the rolling mill operations achieved excellent results. Concerns on the level of inflation in the Vietnamese economy surfaced and the Government took action to remove liquidity from the financial system to cool the economy down. This had a sharp negative impact on the real-estate market and the broader capital markets. Interest rates rose sharply, equity prices dropped and projects were put on hold. Concerns were also raised on the possibility of devaluation of the Vietnam Dong, putting pressure on importers who were faced with the double impact of high interest costs on working capital facilities and increased foreign exchange costs and risks. The Company took swift efforts to manage its inventory and working capital position during this time which contributed to the Company's strong first half results.

The second half of 2008 was an international led story. An emerging global crisis and collapse in commodity prices reversed the earlier concerns on inflation. The Vietnamese Government responded by reducing interest rates dramatically and planning subsidy and support programs to stabilize the domestic economy. During the second half the dramatic fall in steel prices meant that the Group's relatively high cost inventories were well over market value. The Company managed to subsequently manage out the high costs inventories, but this and the impact of falling demand for steel in the face of a frozen construction market, and slowing foreign direct investment contributed to the Group's lower second half results.

The Group's other smaller operations, namely Austnam, TBS and VRC, suffered in 2008. Although their losses are relatively small on a group level, they are not acceptable and the board is conducting a review of these businesses with a view to return them to profitability.

Looking forward, concerns remain on how the global crisis and subsequent financial deleveraging will impact Vietnam. It is likely that Vietnam's growth rate will decline and that foreign investment will slow in the short term. The coming year is likely to be a difficult one and the Board, management and staff will be making every effort to make the best in uncertain times.

Finally, I wish to thank the Board, our management team and hardworking staff and workers in Vietnam for their dedication and commitment over the past year for delivering a good result in difficult times.

ALEX HAMBLY  
**Chairman**

## OPERATING AND FINANCIAL REVIEW

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This operational and financial review reports on the period under review for Vietnam Industrial Investments Limited (“the Company”, “parent company” and “VII”) and its businesses in Vietnam, Austnam Joint Stock Corporation (“Austnam”), SSESTEEL Ltd (“SSESTEEL”), Total Building Systems Limited (“TBS”), Vinausteel Limited (“Vinausteel”) and VRC Weldmesh (Vietnam) Ltd (“VRC”). This is followed by additional information on the legal structure and taxation concessions of the operations. Foreign exchange rates at 31 December 2008 were US\$0.6928/A\$ and VND17,486/US\$ (2007: US\$0.8816/A\$ and VND16,114/US\$). Weighted average exchange rates for the year ended 31 December 2008 were US\$0.8525/A\$ and VND16,388/US\$ (2007: US\$0.8432/A\$ and VND16,127/US\$).

The consolidated profit after tax and minority interests for the year ended 31 December 2008 was \$11.19 million (2007: \$1.40 million). The improved results are due to the performance of the Vinausteel and SSESTEEL rolling mill operations in Hai Phong which have traded profitably as a result of rising steel prices during a period of high demand and an effective billet procurement strategy. This demand softened considerably and sales dropped significantly for the second half of 2008. These operations contributed an operating profit of \$13.03 million on combined revenues of \$367 million which are significantly higher than the results for the prior period (2007: Operating profit \$3.38 million; Revenues \$230 million).

### **Corporate**

On 29 January 2008, the Company announced a renounceable rights issue to existing shareholders on the basis of one (1) new share for every two (2) shares held on 6 February 2008, at a price of \$0.15 per new share to raise a maximum of approximately \$7.75 million (before costs). The offer closed on 26 February 2008 and raised \$5.84 million (before costs).

On 5 March 2008, the Company issued 38,957,421 fully paid ordinary shares to those shareholders who accepted their entitlements. The number of shares on issue is 142,277,423.

The Company has provided security to various banks for banking facilities provided to Vietnam subsidiaries in the form of letters of guarantee totalling US\$22.23 million (\$32.09 million) (2007: US\$17.83 million or \$20.22 million) and security to the supplier of machinery and equipment to SSESTEEL in the form of a letter of guarantee totalling Euro 0.43 million (\$0.85 million) (2007: Euro 2.5 million or \$4.1 million). At 31 December 2008 the total interest bearing liabilities drawn down to which these corporate guarantees relate to were US\$12.52 million (\$18.07 million) (2007: US\$8.07 million or \$9.15 million).

### **RESULTS OF VIETNAM OPERATIONS**

The results of the Vietnam operations are as follows:

#### ***Austnam Joint Stock Corporation (VII 67%)***

Austnam produces metal roofing and cladding from its factory in Hanoi which it distributes in that city and surrounding provinces. Austnam is one of a limited number of foreign invested enterprises which has been converted into a joint stock corporation.

Sales for 2008 were 544,772 m<sup>2</sup> which was 9% lower than the previous year (595,903 m<sup>2</sup>). Sales revenue was VND73.4 billion (\$5.25 million), an increase of 7% on 2007 (VND68.6 billion or \$5.04 million). The increase in sales revenue was due to the raw material costs which were passed on in higher sales price. Austnam reported a net loss after tax of VND0.5 billion (\$0.04 million), a decrease from the 2007 loss of VND2.8 billion (\$0.20 million). Austnam’s operating result continues to be adversely affected by the increasing competitiveness of the Vietnam metal roofing market.

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

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### ***SSESTEEL Ltd (VII 100%)***

SSESTEEL owns and operates a fully automated rolling mill based in Haiphong, the first company in Vietnam to introduce this advanced technology. It produces high tensile rebar and wire rod for the construction industry.

SSESTEEL achieved rebar sales of 118,694 tonnes (2007: 106,334 tonnes) and wire rod sales of 55,315 tonnes (2007: 46,568 tonnes). Sales revenue was VND2.7 trillion (\$196.46 million), up 71% on 2007 (VND1.60 trillion or \$117.86 million). The SSESTEEL operation reported a net profit after tax of VND 152 billion (\$10.90 million), however at Group level, a net profit after tax of VND162 billion (\$11.58 million) (2007: profit VND18.7 billion or \$1.38 million) is recorded after the add back of depreciation of impaired fixed assets of VND9.5 billion (\$0.68 million) (2007: VND9.5 billion or \$ 0.70 million). The SSESTEEL operation improved its operating performance during the year as a result of increased construction activity and rising finished steel prices, particularly in the first seven (7) months of 2008.

During the year, VII provided a capital contribution to SSESTEEL of \$1.60 million to assist with SSESTEEL's working capital requirements.

Also during the year, SSESTEEL secured an area of land for its billet plant project. As at 31 December 2008, it recognised construction in progress of \$0.95 million. (2007: Nil). SSESTEEL is assessing various equipment suppliers and financing options.

SSESTEEL has a net current asset deficiency at 31 December 2008 of \$2.64 million (2007: \$14.48 million) which is due to the majority of its borrowings from financiers being due for renewal within 12 months of balance date. Its net asset position improved to \$6.62 million (2007: net asset deficiency of \$7.43 million).

VII has provided security to various banks for banking facilities provided to SSESTEEL in the form of letters of guarantee totalling US\$8.43 million (\$12.17 million) (2007: US\$6.43 million or \$7.29 million) and security to the supplier of machinery and equipment to SSESTEEL in the form of a letter of guarantee totalling Euro 0.43 million (\$0.85 million) (2007: Euro 2.5 million or \$4.1 million). At 31 December 2008, the total interest bearing liabilities drawdown to which these corporate guarantees relate to were US\$7.04 million (\$10.17 million) (2007: US\$4.84 million or \$5.49 million).

The Directors are of the view that the facilities will continue to be renewed as they fall due as this has occurred previously. SSESTEEL obtained short-term loans which have ongoing maturity roll over dates ranging from 1 month to 6 months to meet SSESTEEL's working capital requirements. The long-term loans were to finance the construction of the production and equipment facilities. At the date of this report, SSESTEEL has the ongoing support of its financiers. Therefore, the going concern assumption is appropriate.

### ***Total Building Systems Limited (VII 99%)***

Total Building Systems Limited ("TBS") is a full service building systems provider supplying engineering services, building systems and construction services to industrial and residential consumers in Vietnam. That is, a steel building maker that offers full service from engineering through to construction, including a wide range of products from building accessories to complete building systems.

Total revenues for the year were VND93.2 billion or \$6.67 million (2007: VND92.7 billion or \$6.82 million). TBS reported a net loss after tax for the year of VND18.9 billion (\$1.36 million) (2007: loss of VND10.9 billion or \$0.80 million). TBS' result was adversely affected by non-performance of consulting contracts amounting to VND 8.3 billion (\$0.60 million).

During the year, TBS converted its VII debt to equity of \$1.56 million. VII provided a capital contribution to TBS of \$0.73 million to assist its working capital requirements. The Company's equity interest in TBS increased from 98% to 99%.

During the year, TBS acquired an area of land for building a new factory. Due to the current economic climate, TBS has put the factory construction on hold. As at 31 December 2008, it recognised construction in progress of \$0.82 million. (2007: Nil).

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

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### ***Vinausteel Limited (VII 70%)***

Vinausteel owns and operates a steel rolling mill in Haiphong which produces round and deformed reinforcing steel bar for the construction industry. Vinausteel reported a net profit after tax of VND28.9 billion (\$2.08 million) (2007 profit: VND38.9 billion or \$2.86 million).

Sales for 2008 were 155,755 tonnes, an increase of 4% on the previous year (149,585 tonnes). Sales revenue was VND2.4 trillion (\$170.99 million), up 56% on 2007 (VND1.5 trillion or \$112.62 million).

As a result of worsening economic conditions, Vinausteel revised a dividend declared but not paid from VND100 billion (\$4.43 million) reported previously to VND30 billion (\$2.60 million) of which the share attributable to the Company is VND21 billion (\$1.82 million).

During the year, Vinausteel commenced an upgrade of its new furnace to improve operating efficiency. As at 31 December 2008, it recognised construction in progress of \$1.31 million (2007: Nil).

### ***VRC Weldmesh (Vietnam) Ltd (VII 100%)***

VRC produces welded steel mesh concrete reinforcing and steel fencing which are supplied throughout Vietnam. The operation has a purpose built factory in Ho Chi Minh City and operates factory premises in Hanoi.

Sales for the year were 8,701 tonnes which was 6% lower than the previous year (9,226 tonnes). Sales revenue was VND141 billion (\$10.10 million), up 41% on 2007 (VND100 billion or \$7.35 million). Sales were higher as a result of increased construction activity. VRC introduced a new product “cut and bend” to the market. In 2008, the operation in Vietnam reported a profit of VND282 million (\$0.02 million) excluding an unrealised foreign exchange loss of VND1.6 billion (\$0.11 million) on intercompany loan by VII to VRC.

### **VIETNAM OPERATIONS – ADDITIONAL INFORMATION**

Following is additional information on the legal structure and taxation concessions of the operating subsidiaries in Vietnam.

#### ***Austnam Joint Stock Corporation***

VII acquired the company in 1997 when it acquired all of the issued capital of Parnham Overseas Ltd (“POL”) through a wholly owned subsidiary, Ausviet Industrial Investments (S) Pte Ltd.

Austnam Joint Stock Corporation is a joint venture company established under the Foreign Investment Laws of Vietnam between POL and Hong Ha Building Materials Import Export Company. The Investment Licence was issued on 27 April 1992 for a term of 20 years.

In 2002, VII reduced its share of profits to 68 per cent. Then, in 2005, Austnam was converted to a shareholding company under a pilot scheme to allow a limited number of foreign enterprises to convert into joint stock companies. With the conversion to a joint stock company, VII has an interest of 67% in Austnam and the Investment Licence no longer has a fixed term.

Austnam has the obligation to pay enterprise income tax at the rate of 19 percent of taxable profits.

#### ***SSESTEEL Ltd***

SSESTEEL is a company established under the Foreign Investment Laws of Vietnam as a 100% foreign invested enterprise in terms of an Investment Licence issued on 8 August 1997 and its amended Investment Licences. The principal activities of SSESTEEL are to produce and distribute reinforcing steel products.

SSESTEEL has the obligation to pay enterprise income tax at the rate of 20 percent of taxable profits in the first ten years of operations then 25 percent in the following years. SSESTEEL is entitled to an exemption from the enterprise income tax for two (2) years commencing with the first year of earning profits, and a 50 percent reduction for the following two (2) years.

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

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### ***Total Building Systems Limited***

The company was established under the Foreign Investment Laws of Vietnam as a 100% foreign invested enterprise in terms of an Investment Licence issued on 27 April 2004, for a term of 30 years.

The company has the obligation to pay enterprise income tax at the rate of 25 percent of taxable profits. The Company is entitled to an exemption from enterprise income tax for two (2) years commencing with the first year of earning profits, and a 50% reduction for the following three (3) years.

### ***Vinausteel Limited***

Vinausteel is a joint venture company incorporated under the Foreign Investment Laws of Vietnam in terms of an Investment Licence issued on 28 June 1994. The current joint venture partners are VII with a 70% interest and the Vietnam Steel Corporation (“VSC”) with a 30% interest.

The term of the joint venture is 30 years and this term may be extended by mutual agreement of the parties. Operational management of Vinausteel is determined by a Joint Venture Agreement, a Charter and a Board of management which comprises of five (5) nominees from VII and two (2) from VSC.

The company pays enterprise income tax at the rate of 25 percent.

### ***VRC Weldmesh (Vietnam) Ltd***

The Company was established under the Foreign Investment Laws of Vietnam as a 100% foreign invested enterprise in terms of an Investment Licence issued on 19 June 1993. The investment licence has been extended to 2023.

VRC enterprise income tax rate is 23 percent.

### **TAX SPARING**

The “tax sparing” arrangements under the Taxation Agreement between Australia and Vietnam have been formalised. Income which is subject to tax sparing includes income from the business and trading activities established in Vietnam. VII obtains the benefit of the tax sparing arrangement. The effect of this is that income from operations in Vietnam will be quarantined from Australian income tax and VII will not be able to deduct expenses incurred on operations in Vietnam.



# DIRECTORS' REPORT

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Your directors submit their report for the year ended 31 December 2008.

## DIRECTORS

The names, qualifications, experience and special responsibilities of the Directors of the Company in office during the financial year and until the date of this report are:

### **Mr Alexander John Hambly**

*Chairman*

Mr Hambly is the Chief Executive Officer of Prudential Property Investment Management (Singapore) Pte Ltd - Asia Pacific where he is responsible for US\$2 billion of funds under management. He is also a Board member of Prudential Vietnam Fund Management Company ("PVFMC") which is an advisor to PCA International Funds SPC Vietnam Segregated Portfolio, a shareholder of Corbyns International Limited, the Company's ultimate holding company. PVFMC is the leading global foreign institution on the ground in Vietnam. Mr Hambly has more than 15 years of direct investment experience gained in both Asia and international markets. Prior to joining PVFMC in 2003, he worked for four years for Actis Capital LLP, based in Singapore, four years with HSBC Private Equity based in India, and seven years with Barclays Bank plc in London, India and Singapore. He holds a BA in Modern History from Durham University in the UK. Mr Hambly is also a member of the VII Audit and Remuneration Committees. He has not been a director of any other listed company in the last three years.

### **Mr Henry (Van Hung) Lam**

*Managing Director*

*(Vietnam Operations)*

Mr Lam, a resident of Vietnam, was born in Vietnam and came to Australia in 1977 and studied electrical engineering. He owned and managed several businesses in the retail sector before investing in Vietnam. Mr Lam was the General Director of Vinausteel Limited and SSESTEEL Ltd during the year. He is fluent in Vietnamese, resides in Vietnam and is responsible for the group's operations in Vietnam. He was awarded the "Red Star" at the end of 2000, the first overseas Vietnamese to receive this, for his contribution to the economy of Vietnam and in 2004 he was awarded the "Third Grade Labour Medal". He has not been a director of any other listed company in the last three years. Mr Lam is a director and shareholder of Corbyns International Limited, the Company's ultimate holding company.

### **Mr Alan Alexander Young**

*Managing Director*

*(Chief Operating Officer)*

Mr Young commenced his business career in the financial sector and was employed for several years in banking and finance. For the past twenty years, he has gained wide experience in the administration of public companies, particularly in the resource sector. Mr Young is a Board member of all the operating subsidiaries in Vietnam. He is a Fellow of the Institute of Corporate Managers, Secretaries and Administrators and past President of the Western Australia-Vietnam Business Council Inc. He has not been a director of any other listed company in the last three years.

### **Mr Roger (Sing-Leong) Kwok**

*Independent Non Executive Director*

Mr Roger Kwok is the Managing Director of Arcadia Group in Perth which specialises in designing, developing and managing retirement resorts and premium properties. For the last twenty years, Mr Kwok has managed a number of Australian businesses in the automotive and healthcare sectors. He is a past president of The Western Australian Chinese Chamber of Commerce and brings significant experience in business relations in international markets, particularly China, which sources raw materials to VII's rolling mills. Mr Kwok is also a member of the VII Audit and Remuneration Committees. He has not been a director of any other listed company in the last three years.

### **Mr Mark Andrew Clements**

*Non-Executive Director and Company Secretary*

Mr Clements has 16 years experience in corporate accounting and public company administration. Since 1996, Mr Clements held the role of Chief Financial Officer and Company Secretary of the Company. In 2006, he was appointed as Executive Director of the Company. On 6 December 2007, Mr Clements remained as Company Secretary but resigned as an Executive Director and was re-appointed as Non-Executive Director. Mr Clements is also an Executive Director of Medical Corporation Australasia Limited, a company listed on the Australian Securities Exchange. Mr Clements is a director and shareholder of Trident Management Services Pty Ltd, a company which provides contract company secretarial and accounting services for several listed and unlisted public companies. Mr Clements has been the Secretary/Treasurer of the Western Australia-Vietnam Business Council Inc since 2001 and is a Fellow of the Institute of Chartered Accountants in Australia. Mr Clements is a member of the VII Audit and Remuneration Committees.

## DIRECTORS' REPORT (CONTINUED)

### Mr Craig Robert Martin

#### *Alternate Non-Executive Director*

Mr Martin has worked in investment management in South East Asia for 16 years, including 10 years in Indo-China. Mr Martin is Investment Director of Prudential Vietnam Fund Management Company which is an advisor to PCA International Funds SPC Vietnam Segregated Portfolio, a shareholder of Corbyns International Limited, the Company's ultimate holding company and Director of Corbyns International Limited. He is an alternate director for Mr Hambly. He has not been a director of any other listed company in the last three years.

### INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

At the date of this report, there were no unissued ordinary shares under options. The interests of the directors in the shares of the Company and related bodies corporate were:

|                | <i>Note</i> | <i>Ordinary Shares</i> |
|----------------|-------------|------------------------|
| A. J. Hambly   |             | -                      |
| H. V. H. Lam   | (1)         | 116,869,790            |
| A. A. Young    |             | -                      |
| R. S. Kwok     |             | -                      |
| M. A. Clements |             | -                      |
| C. R. Martin   | (2)         | 116,308,510            |

- Notes: (1) Mr Lam is the owner of 561,280 shares in VII. Mr Lam is also a director and majority shareholder of Corbyns International Limited which owns 116,308,510 shares in VII.  
(2) Mr Martin is a director of Corbyns International Limited which owns 116,308,510 shares in VII.

### EARNINGS PER SHARE

#### **Cents**

Basic and diluted earnings per share 8.26

There were no dividends declared during the year (2007: Nil). For the year ended 31 December 2008, no dividends were paid (2007: Nil).

### CORPORATE INFORMATION

#### CORPORATE STRUCTURE

Vietnam Industrial Investments Limited ("VII" and "the Company") is a company limited by shares that is incorporated and domiciled in Australia. It is the ultimate parent entity. VII has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are outlined in the Group's corporate structure at Note 26.

#### OPERATING AND FINANCIAL REVIEW

The consolidated profit after tax and minority interests for the year ended 31 December 2008 was \$11.19 million (2007: profit \$1.40 million).

Operating and Financial Review of the consolidated entity for the year is set out in pages 4 to 7 in the Annual Report 2008.

#### PRINCIPAL ACTIVITIES

The principal activities of the Company during the year were the investments in Vietnam through its operating subsidiaries, Austnam Joint Stock Corporation, SSESTEEL Ltd, Total Building Systems Ltd, Vinausteel Ltd, and VRC Weldmesh (Vietnam) Ltd. No change in the nature of those activities has occurred during the year.

## **DIRECTORS' REPORT (CONTINUED)**

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### **EMPLOYEES**

The consolidated entity employed 757 employees as at 31 December 2008 (2007: 811 employees).

### **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

In the opinion of the Directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review, other than as outlined in the Review of Operations.

### **SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

There has not been any 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.

### **ENVIRONMENTAL REGULATION AND PERFORMANCE**

The consolidated entity's operations are not subject to any significant environmental regulations under either the Commonwealth or State legislation. However, the Board believes that the consolidated entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the consolidated entity.

### **LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

The consolidated entity expects to continue 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, welded steel reinforcing and fencing at VRC's factories in Ho Chi Minh City and Hanoi and building solutions by Total Building Systems Ltd.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not be included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

## DIRECTORS' REPORT (CONTINUED)

### REMUNERATION REPORT (AUDITED)

The Company's broad remuneration policy is to ensure that remuneration levels are competitively set to be commensurate with director and executive responsibilities and to attract and retain appropriately qualified and experienced directors and senior executives.

The Remuneration Committee consists of independent non-executive director, Mr Roger Kwok and non-executive directors, Mr Alex Hambly and Mr Mark Clements. Mr Roger Kwok is the Chairman of the Remuneration committee. The Remuneration Committee meets as required to discuss senior executive's performance and remuneration packages. The Remuneration Committee may obtain independent advice on the appropriate remuneration packages, given trends in companies both locally and internationally.

The Remuneration Committee of the Board reviews and makes recommendations to the Board on remuneration packages and policies applicable to the Managing Director, senior executives and directors themselves. It is also responsible for devising policies in relation to the use and implementation of share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefit policies and professional indemnity and liability insurance policies.

|                    |      | Short-term    |               | Post employment       |                     | Long-term benefit   |                    | Total   |
|--------------------|------|---------------|---------------|-----------------------|---------------------|---------------------|--------------------|---------|
|                    |      | Salary & Fees | Cash Benefits | Non-Monetary Benefits | Retirement Benefits | Super-contributions | Long Service Leave |         |
|                    |      | \$            | \$            | \$                    | \$                  | \$                  | \$                 | \$      |
| <b>Directors</b>   |      |               |               |                       |                     |                     |                    |         |
| A. J. Hambly       | 2008 | 36,000        | -             | -                     | -                   | -                   | -                  | 36,000  |
|                    | 2007 | 4,500         | -             | -                     | -                   | -                   | -                  | 4,500   |
| H. V. H. Lam       | 2008 | 133,596       | -             | 103,708               | -                   | -                   | -                  | 237,304 |
|                    | 2007 | 107,107       | -             | 54,779                | -                   | -                   | -                  | 161,886 |
| A. A. Young        | 2008 | 226,404       | -             | 21,363                | -                   | -                   | -                  | 247,767 |
|                    | 2007 | 133,391       | -             | 19,465                | -                   | -                   | -                  | 152,856 |
| R. S. Kwok         | 2008 | 36,000        | -             | -                     | -                   | -                   | -                  | 36,000  |
|                    | 2007 | 3,000         | -             | -                     | -                   | -                   | -                  | 3,000   |
| M. A. Clements (i) | 2008 | 84,000        | -             | -                     | -                   | -                   | -                  | 84,000  |
|                    | 2007 | 92,742        | -             | 5,380                 | 65,385              | 18,964              | 9,250              | 191,721 |
| C. R. Martin (ii)  | 2008 | -             | -             | -                     | -                   | -                   | -                  | -       |
|                    | 2007 | -             | -             | -                     | -                   | -                   | -                  | -       |
| S. Lee (iii)       | 2008 | -             | -             | -                     | -                   | -                   | -                  | -       |
|                    | 2007 | 137,500       | -             | -                     | 73,846              | 9,346               | -                  | 220,692 |
| M.P. Bowen (iv)    | 2008 | -             | -             | -                     | -                   | -                   | -                  | -       |
|                    | 2007 | 21,467        | -             | -                     | 3,606               | 325                 | -                  | 25,398  |
| Total              | 2008 | 516,000       | -             | 125,071               | -                   | -                   | -                  | 641,071 |
|                    | 2007 | 499,707       | -             | 79,624                | 142,837             | 28,635              | 9,250              | 760,053 |

### Directors

|                   |   |  |
|-------------------|---|--|
| Mr A.J. Hambly    | - | Non-Executive Director, Chairman             |
| Mr A. A. Young    | - | Managing Director (Chief Operating Officer)  |
| Mr H.V.H. Lam     | - | Managing Director (Vietnam Operations)       |
| Mr R.S. Kwok      | - | Independent Non-Executive Director           |
| Mr M. A. Clements | - | Non-Executive Director and Company Secretary |
| Mr C.R. Martin    | - | Alternate Director                           |

## DIRECTORS' REPORT (CONTINUED)

### REMUNERATION REPORT (AUDITED) (CONTINUED)

- (i) Mr Clements resigned as executive director and appointed as non-executive director on 6 December 2007.  
(ii) Mr Martin does not have remuneration since he is the alternate director for Mr Hambly.  
(iii) Mr Lee resigned on 30 November 2007.  
(iv) Mr Bowen resigned on 9 November 2007.

#### Remuneration of Key Management Personnel

|                   |      | Short-term    |               | Non-Monetary Benefits | Post employment     |                     | Long-term benefit  |         | Total |
|-------------------|------|---------------|---------------|-----------------------|---------------------|---------------------|--------------------|---------|-------|
|                   |      | Salary & Fees | Cash Benefits |                       | Retirement Benefits | Super-contributions | Long Service Leave |         |       |
|                   |      | \$            | \$            | \$                    | \$                  | \$                  | \$                 | \$      |       |
| <b>Executives</b> |      |               |               |                       |                     |                     |                    |         |       |
| D. Q. Phan        | 2008 | 146,626       | -             | -                     | -                   | -                   | -                  | 146,626 |       |
|                   | 2007 | 93,531        | -             | -                     | -                   | -                   | -                  | 93,531  |       |
| P. Shinn          | 2008 | 124,500       | -             | -                     | -                   | 10,305              | 1,163              | 135,968 |       |
|                   | 2007 | -             | -             | -                     | -                   | -                   | -                  | -       |       |
| T. Huang          | 2008 | 84,457        | -             | 30,504                | -                   | -                   | -                  | 114,961 |       |
|                   | 2007 | -             | -             | -                     | -                   | -                   | -                  | -       |       |
| T. T. Nguyen      | 2008 | 74,172        | -             | -                     | -                   | -                   | 15,443             | 89,615  |       |
|                   | 2007 | 78,277        | -             | -                     | -                   | -                   | -                  | 78,277  |       |
| B. Redman         | 2008 | 62,935        | -             | -                     | -                   | -                   | 4,340              | 67,275  |       |
|                   | 2007 | 72,000        | -             | -                     | -                   | -                   | -                  | 72,000  |       |
| Total             | 2008 | 492,690       | -             | 30,504                | -                   | 10,305              | 20,946             | 554,445 |       |
|                   | 2007 | 243,808       | -             | -                     | -                   | -                   | -                  | 243,808 |       |

#### Executives

- Mr D.Q. Phan – General Manager, VRC
- Mr T.T. Nguyen – General Director, TBS
- Mr B. Redman – General Manager, TBS
- Ms P. Shinn – Chief Financial Officer (appointed on 1 January 2008)
- Mr T. Huang – Group Finance and Operations Officer (appointed on 1 February 2008)

Details of key management personnel disclosures are set out in Note 25.

There had been no share-based payments or performance related compensation made to key management personnel during the year (2007: Nil). At present, there is no formal link between the company's performance and the remuneration of directors and executives.

There are no employment contracts entered into with the Directors.

Contractual arrangements between executives and the company they work for are unlimited in term and provide for termination periods of one (1) – three (3) months' notice. On termination of employment, executives are entitled to receive their entitlements to accrued annual and long service leave, together with any superannuation benefits.

Directors and employees of the parent company may be entitled to a retirement benefit which if determined to be payable will be based upon two weeks of salary for each full year of service and where the director or employee is aged 45 or over at retirement or termination, an additional one half weeks pay for each year of service, or if aged 55 or over at termination or retirement an additional one weeks pay for each year of service. Retirement benefits are in addition to any accrued statutory annual leave and long service leave entitlements accrued by employee and superannuation shall be payable on the retirement benefits. The total payment to a director or an employee on retirement or termination (retirement benefits, plus annual and long service leave entitlements) may not exceed the Corporations Act limits. Any determination and payment of termination benefits will be at the discretion of the Board of Directors and will be determined on a case to case basis.

# DIRECTORS' REPORT (CONTINUED)

## REMUNERATION REPORT (AUDITED) (CONTINUED)

### Performance Evaluation

There have been no performance evaluations made for the Directors during the year. Performance evaluations were performed for executives during the year.

### DIRECTORS' MEETINGS

The number of meetings at which Directors were in attendance is as follows:

|                | Directors' Meetings                  |                   | Audit Committee Meetings             |                   |
|----------------|--------------------------------------|-------------------|--------------------------------------|-------------------|
|                | No. of meetings held while in office | Meetings attended | No. of meetings held while in office | Meetings attended |
| A. J. Hambly   | 7                                    | 7                 | 2                                    | 2                 |
| H. V. H. Lam   | 7                                    | 7                 | -                                    | -                 |
| A. A. Young    | 7                                    | 7                 | -                                    | -                 |
| R. S. Kwok     | 7                                    | 5                 | 2                                    | 2                 |
| M. A. Clements | 7                                    | 7                 | 2                                    | 2                 |

There are frequent Board Meetings of each of the Company's subsidiary companies in which members of the VII Board participate. In addition to the above, there were seven occasions whereby the Board approved matters by circular resolutions. No Remuneration Committee meeting was held during the year.

### SHARE OPTIONS

#### Unissued shares

As at the date of this report there were no unissued ordinary shares under options. Since the Company does not have any share options, there were no shares issued as a result of the exercise of options.

### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has not, during or since the financial year, in respect of any person who is or has been an officer of the Company or related body corporate indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer; including costs and expenses in successfully defending any legal proceedings.

During the financial year the Company has paid premiums in respect of Directors' and Officers' Liability and Company Reimbursement Insurance contracts for the current directors and officers. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of this insurance, as such disclosure is prohibited under the terms of the contract.

### ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

### AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Section 307C of the Corporations Act 2001 requires the company's auditors, Ernst & Young, to provide the directors with a written Independence Declaration in relation to their audit of the financial report for the year ended 31 December 2008. This written Auditor's Independence Declaration forms part of this Directors' Report.

## DIRECTORS' REPORT (CONTINUED)

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### Non-Audit Services

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that the auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services during the current year:

|                         |          |
|-------------------------|----------|
| Tax compliance services | \$15,904 |
| Tax advice              | \$4,326  |

Signed in accordance with a resolution of the directors.

ALAN A. YOUNG  
**Director**

Hai Phong, 30 March 2009

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

In relation to our audit of the financial report of Vietnam Industrial Investments Limited for the financial year ended 31 December 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Gavin A Buckingham  
Partner  
Perth  
30 March 2009



# CORPORATE GOVERNANCE STATEMENT

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This statement outlines the main Corporate Governance practices that were in place throughout the financial year, unless otherwise stated. The following information about the Company's Corporate Governance practices is set out in the Company's website at [www.vii.net.au](http://www.vii.net.au).

## BOARD OF DIRECTORS

### Role of the Board

The Board's primary role is the protection and enhancement of long-term shareholders value. To fulfil this role, the Board is responsible for the overall corporate governance of the consolidated entity, including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems.

It is also responsible for approving and monitoring financial and other reporting. Details of the Board Charter are set out in the Company's website.

The Board has delegated responsibility for operation and administration of the Company to the Managing Directors and senior executives.

### Board Processes

To assist in the execution of its responsibilities, the Board has established a Remuneration Committee and an Audit Committee. The committees have written mandates which are reviewed on a regular basis. The Board has also established a framework for the management of the consolidated entity including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

### Composition of the Board

The composition of the Board is determined using the Statement of Selection and Appointment of New Directors contained in the Board Charter on the Company's website.

The names, skills, experiences, expertise, and appointment dates of the directors of the Company in office at the date of this report are set out in the Directors' Report.

### Independent Professional Advice and Access to Company Information

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairperson, may seek independent professional advice from a suitably qualified adviser at the consolidated entity's expense. A copy of the advice received by the director must be made available to all other members of the Board.

Only one (Mr Roger Kwok) of the directors who served on the Board during the year ended 31 December 2008 is independent. Mr Alex Hambly, the Chairman, is not considered to be an independent director of the Company as he is associated with the Company which advises one of Corbyns International Limited's shareholders. Mr Mark Clements is not considered to be an independent director of the Company as he used to be the Company's executive director until his resignation on 6 December 2007. At the same date, Mr Mark Clements was appointed as Non-Executive of the Company. Given the size and scope of the Company's operations, the Board considers that it is appropriately structured to discharge its duties in a manner that is in the best interests of the Company and its shareholders from both a long-term strategic and day-to-day operations perspective. All board committees are comprised only of non-executive directors and under the Company's Directors and Executives Code of Conduct, all directors have agreed not to participate in any conflicting decisions. The Board is of the view that it has an appropriate independent representation and maintained sufficient experience for the Board to fulfil its responsibilities.

The Board has established clear protocols for handling conflicts of interests. Given the size and scope of the Company's operations, the Board considers that it is appropriately structured to discharge its duties in a manner that is in the best interests of the Company and its shareholders from both a long-term strategic and day-to-day operations perspective.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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### **Chairman and Chief Executive Officer**

The roles of Chairman, Chief Executive Officer and Chief Operating Officer are separated. The roles and responsibilities are set out in the Company's Board Charter and Code of Conduct.

### **Performance Assessment**

The Board undergoes periodic formal assessments, as and when considered appropriate. Remuneration Charter is disclosed on the Company's website.

No performance evaluation of the Board was taken place in the reporting period. Performance evaluations were performed for executives during the year.

### **NOMINATIONS COMMITTEE**

There is no separate Nomination Committee as a sub-committee. The functions to be performed by a nomination committee under the ASX Corporate Governance Principles and Recommendations are currently performed by the full Board and this is reflected in the written policy setting out the responsibilities of the Board. Having regard to the number of members currently comprising VII's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee of the Board. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

### **REMUNERATION COMMITTEE**

The Remuneration Committee has a documented charter approved by the Board. The Remuneration Committee consist of non-executive directors of which majority should be independent directors, is chaired by an independent director and has at least three members.

The committee consisted of independent non-executive director, Mr Roger Kwok, non-executive director, Mr Alex Hambly and non-executive director, Mr Mark Clements. Mr Roger Kwok is the Chairman of this committee.

Only one (Mr Roger Kwok) of the Remuneration Committee members during the year ended 31 December 2008 is independent. Given the size and scope of the Company's operations, the Board considers that it is appropriately structured to discharge its duties in a manner that is in the best interests of the Company and its shareholders from both a long-term strategic and day-to-day operations perspective.

### **Remuneration of directors and executives**

The Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the managing directors, senior executives and directors themselves. This role also includes responsibility for share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefit policies and professional indemnity and liability insurance policies.

#### *Remuneration Policies*

Remuneration levels are competitively set to attract the most qualified and experienced directors and senior executives. The Remuneration Committee, when deemed necessary, obtains independent advice on the appropriateness of remuneration packages.

The Remuneration Committee meet as required. There were no meetings of the Remuneration Committee during the year.

Under the Company's Remuneration Policy, non-executive director will receive a retirement benefit on retirement, resignation or termination, for any reason other than termination due to wilful misconduct. These arrangements are considered appropriate as an incentive to retain the requisite knowledge, skills and expertise within the organisation. These arrangements are reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

# CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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## REMUNERATION COMMITTEE (CONTINUED)

### Term of office

The Company's constitution specifies that all Directors (with the exception of the Managing Director and Chief Operating Officer) must retire from office no later than the third annual general meeting (AGM) following their last election. Where eligible, a Director may stand for re-election.

## ETHICAL STANDARDS

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity. Every employee has a senior executive to whom they may refer any issues arising from their employment. The Board reviews the ethical standards related policies regularly and processes are in place to promote and communicate these policies.

### Conflict of Interest

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists for a director on a board matter, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. Details of director related entity transactions with the Company and consolidated entity are set out in Note 26 to the financial statements.

### Code of Conduct

The consolidated entity has advised each director, senior executive and employee that they must comply with the Company's Code of Conduct. The Code may be viewed at the Company's website ([www.vii.net.au](http://www.vii.net.au)), and it covers the following:

- the pursuit of the highest standards of ethical conduct in the interests of shareholders and other stakeholders;
- usefulness of financial information by maintaining appropriate accounting policies and practices and disclosure;
- employment practices such as employment opportunity, the level and structure of remuneration, and conflict resolution;
- responsibilities to the community;
- compliance with all legislation affecting the operations and activities of the consolidated entity, both in Australia and overseas;
- conflicts of interest;
- corporate opportunities such as preventing directors and key executives from taking advantage of property, information or position for personal gain;
- confidentiality of corporate information;
- protection and proper use of the Company's assets;
- compliance with laws; and
- reporting of unethical behaviour.

### Trading in the Company's Securities by Directors and Employees

All directors have an obligation to immediately advise the Company of all changes to their interests in shares, options and debentures, if any, in the Company and its associates for reporting to the ASX by the Company Secretary.

Directors and employees may not deal in securities of the Company when in possession of any information which, if made publicly available, could reasonably be expected to materially affect the price of the Company's securities, whether upwards or downwards. Legal advice will be obtained by the company secretary on behalf of the director and employees in circumstances where any doubt exists.

The Trading Policy may be viewed at the Company's website ([www.vii.net.au](http://www.vii.net.au)).

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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### AUDIT COMMITTEE

The Audit Committee has a documented charter approved by the Board. All members of the Audit Committee must be non-executive directors, consists of majority of independent directors, is chaired by an independent director and has at least three members. The committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the consolidated entity. Members of this committee during the financial year were independent non-executive director, Mr Roger Kwok, non-executive director, Mr Alex Hambly and non-executive director, Mr Mark Clements. Mr Roger Kwok is the Chairman of this committee.

Only one (Mr Roger Kwok) of the Audit Committee members during the year ended 31 December 2008 is independent. Given the size and scope of the Company's operations, the Board considers that it is appropriately structured to discharge its duties in a manner that is in the best interests of the Company and its shareholders from both a long-term strategic and day-to-day operations perspective.

The external auditors, managing directors and chief financial officer are invited to Audit Committee meetings at the discretion of the Committee. The qualifications and attendance of meetings of the Audit committee are disclosed in the Directors' Report.

The Chief Operating Officer and the Chief Financial Officer declared in writing to the Board that the Company's financial reports for the year ended 31 December 2008 present a true and fair view, in all material respects, of the Company's financial condition and operational results, and are in accordance with relevant accounting standards. This statement is required annually.

The Audit Committee's charter is available on the Company's website ([www.vii.net.au](http://www.vii.net.au)).

### Responsibilities of the Audit Committee

The responsibilities of the Audit Committee include reporting to the Board on:

- reviewing the annual and half-year financial reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles, and assessing whether the financial information is adequate for shareholder needs;
- assessing corporate risk assessment processes;
- reviewing the Company's policies and procedures in accordance with International Financial Reporting Standards;
- assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence.
- reviewing the appointment and performance of the external auditor;
- assessing the adequacy of the internal control framework and the Company's code of conduct; and
- monitoring the procedures to ensure compliance with the Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements.

The Audit Committee reviews the performance of the external auditors on an annual basis and normally meets with them during the year to:

- discuss the audit plans, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements;
- review the half-year and preliminary final report prior to lodgement with the ASX, and any other significant adjustments required as a result of the auditor's findings and to recommend Board approval of these documents, prior to announcement of results; and
- review the draft financial report and recommend Board approval of the financial report.

Information on procedures in relation to these matters may be viewed in the Audit Committee Charter on the Company's website ([www.vii.net.au](http://www.vii.net.au)).

# CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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## DISCLOSURE OF INFORMATION

### CONTINUOUS DISCLOSURE TO ASX

The Company's shares are listed on the ASX and as such the Company is required to comply with the continuous disclosure requirements set out in the ASX Listing Rules. The managing directors and the chief financial officer are responsible for interpreting the Company's policy and where necessary informing the Board. The Company Secretary is responsible for all communications with the ASX. Such matters are advised to the ASX on the day they are discovered. The directors and all senior executives are responsible for monitoring the Group's internal and external environment for information or events potentially requiring disclosure.

In order to ensure that the Company meets its obligations with regard to the continuous disclosure requirements, the Company has adopted a Continuous Disclosure Policy.

The Continuous Disclosure Policy sets out the Company's obligations and its policies and procedures to ensure timely and accurate disclosure of price sensitive information to the market. The detail of this policy is available on the Company's website ([www.vii.net.au](http://www.vii.net.au)).

### COMMUNICATION WITH SHAREHOLDERS

The Board provides shareholders with information using a Communication with Shareholder Policy which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Company's website, and issuing media releases. More details of the policy are available on the Company's website ([www.vii.net.au](http://www.vii.net.au)).

In summary, the Communication with Shareholder operates as follows:

- the annual report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document), including relevant information about the operations of the consolidated entity during the year, changes in the state of affairs and details of future developments. The annual report is posted on the Company's website;
- the half-yearly report and preliminary final report contain summarised information and a review of the operations of the consolidated entity during the period. The half-year reviewed financial report and full year audited financial report are lodged with the Australian Securities and Investments Commission and the ASX, and sent to any shareholder who requests a copy. The half-yearly report is posted on the Company's website;
- proposed major changes in the consolidated entity which may impact on share ownership rights are submitted to a vote of shareholders;
- all announcements made to the market, and related information (including information provided to analysts or the media during briefings), are placed on the Company's website after they are released to the ASX;
- transcripts of analyst and media presentations are placed on the Company's website; and
- the external auditor is requested to attend the annual general meeting to answer any questions concerning the audit and the content of the auditor's report.

## RISK MANAGEMENT

### Oversight of the Risk Management System

The Board oversees the establishment, implementation and annual review of the Company's risk management system. Management has an established approach for assessing, monitoring and managing operational, financial reporting, and compliance risks for the consolidated entity. Management have reported to the Board, areas of risk management and associated compliance and controls which are continually reviewed given the current economic climate. The Risk Management and Internal Control Policy may be viewed at the Company's website ([www.vii.net.au](http://www.vii.net.au)).

# CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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## RISK MANAGEMENT (CONTINUED)

### Risk Profile

Major risks for the consolidated entity arise from such matters as exchange rates, political and economic climate in areas of investments, intellectual property risks, product development and commercialisation risk, technical, clinical and regulatory risks, operational and financial reporting risks.

### Risk Management and Compliance and Control

The Board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities. The consolidated entity has established a system of internal controls which takes account of key business exposures. The system is designed to provide reasonable assurance that assets are safeguarded, proper accounting records are maintained and financial information is reliable. The system is based upon detailed financial and operating reporting, written procedures, policies and guidelines, organisational structures that provide an appropriate division of responsibility and the careful selection and training of qualified personnel.

Operating practices have been established to facilitate that:

- major capital expenditure commitments obtain prior Board approval;
- financial exposures are controlled, including the use of derivatives;
- business transactions are properly authorised and executed;
- the quality and integrity of personnel;
- financial reporting accuracy and compliance with the financial reporting regulatory framework; and
- environmental regulation compliance.

### Financial Reporting

In accordance with section 295A of the Corporations Act, the Chief Operating Officer and the Chief Financial Officer have declared, in writing to the Board that the Company's financial reports are founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. Monthly actual results are reported against budgets approved by the directors and revised forecasts for the year are prepared regularly.

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2008**

|  | Notes | CONSOLIDATED   |                | PARENT         |                |
|--|-------|----------------|----------------|----------------|----------------|
|  |       | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| <b>ASSETS</b>  |       |                |                |                |                |
| <b>Current Assets</b>                                      |       |                |                |                |                |
| Cash and cash equivalents                                  | 7     | 28,529         | 12,349         | 1,415          | 134            |
| Trade and other receivables                                | 8     | 23,461         | 19,835         | 2,519          | 2,940          |
| Inventories  | 9     | 40,077         | 22,395         | -              | -              |
| Financial assets – at fair value<br>through profit or loss | 10    | 37             | 210            | 37             | 210            |
| Other current assets                                       | 11    | 418            | 406            | 67             | 70             |
| <b>Total Current Assets</b>                                |       | <b>92,522</b>  | <b>55,195</b>  | <b>4,038</b>   | <b>3,354</b>   |
| <b>Non-current Assets</b>                                  |       |                |                |                |                |
| Receivables  | 12    | 184            | 155            | 595            | 91             |
| Investments in subsidiaries                                | 13    | -              | -              | 23,834         | 17,072         |
| Property, plant and equipment                              | 14    | 16,823         | 13,138         | 14             | 14             |
| Intangible assets and goodwill                             | 15    | 659            | 595            | -              | -              |
| <b>Total Non-current Assets</b>                            |       | <b>17,666</b>  | <b>13,888</b>  | <b>24,443</b>  | <b>17,177</b>  |
| <b>TOTAL ASSETS</b>  |       | <b>110,188</b> | <b>69,083</b>  | <b>28,481</b>  | <b>20,531</b>  |
| <b>LIABILITIES</b>   |       |                |                |                |                |
| <b>Current Liabilities</b>                                 |       |                |                |                |                |
| Trade and other payables                                   | 16    | 13,888         | 25,223         | 213            | 771            |
| Advances from customers                                    |       | 19,363         | 5,772          | -              | -              |
| Income tax payable   | 6     | -              | 1,110          | -              | -              |
| Interest-bearing loans and borrowings                      | 17    | 40,691         | 20,872         | -              | 1,500          |
| Provisions   | 18    | 881            | 1,035          | 29             | 32             |
| <b>Total Current Liabilities</b>                           |       | <b>74,823</b>  | <b>54,012</b>  | <b>242</b>     | <b>2,303</b>   |
| <b>Non-current Liabilities</b>                             |       |                |                |                |                |
| Interest-bearing loans and borrowings                      | 17    | 822            | 2,254          | -              | -              |
| Deferred tax liabilities                                   | 6     | 11             | 20             | 11             | 20             |
| <b>Total Non-current Liabilities</b>                       |       | <b>833</b>     | <b>2,274</b>   | <b>11</b>      | <b>20</b>      |
| <b>TOTAL LIABILITIES</b>                                   |       | <b>75,656</b>  | <b>56,286</b>  | <b>253</b>     | <b>2,323</b>   |
| <b>NET ASSETS</b>  |       | <b>34,532</b>  | <b>12,797</b>  | <b>28,228</b>  | <b>18,208</b>  |
| <b>EQUITY</b>  |       |                |                |                |                |
| <b>Equity attributable to equity holders of parent</b>     |       |                |                |                |                |
| Contributed equity   | 19    | 27,819         | 22,057         | 27,819         | 22,057         |
| Reserves   | 20    | 3,989          | 73             | -              | -              |
| (Accumulated losses)/ retained earnings                    | 20    | (3,461)        | (14,651)       | 409            | (3,849)        |
| <b>Parent interests</b>                                    |       | <b>28,347</b>  | <b>7,479</b>   | <b>28,228</b>  | <b>18,208</b>  |
| <b>Minority interests</b>                                  | 21    | 6,185          | 5,318          | -              | -              |
| <b>TOTAL EQUITY</b>  |       | <b>34,532</b>  | <b>12,797</b>  | <b>28,228</b>  | <b>18,208</b>  |

The above balance sheet should be read in conjunction with the accompanying notes.

**INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

|  | Notes | CONSOLIDATED   |                | PARENT         |                |
|--|-------|----------------|----------------|----------------|----------------|
|  |       | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| Sale of goods  |       | 382,818        | 242,475        | -              | -              |
| Contract revenue   |       | 6,670          | 7,219          | -              | -              |
| Other revenue  | 5     | 910            | 227            | 1,941          | 808            |
| <b>Revenue</b>   |       | <b>390,398</b> | <b>249,921</b> | <b>1,941</b>   | <b>808</b>     |
| Cost of sales  | 5     | (360,446)      | (233,840)      | -              | -              |
| <b>Gross profit</b>  |       | <b>29,952</b>  | <b>16,081</b>  | <b>1,941</b>   | <b>808</b>     |
| Other income   | 5     | 1,496          | 922            | 510            | 450            |
| Reversal of impairment of investments in subsidiaries  | 13    | -              | -              | 5,038          | -              |
| Impairment loss on investments in subsidiaries   | 13    | -              | -              | (2,158)        | -              |
| Marketing expenses   |       | (5,169)        | (3,290)        | -              | -              |
| Administrative expenses  | 5     | (9,439)        | (6,211)        | (1,048)        | (1,245)        |
| Finance costs  | 5     | (4,169)        | (2,537)        | (34)           | (114)          |
| Loss on the re-measurement of disposal group previously classified as held for sale              |       | -              | (1,388)        | -              | -              |
| <b>Profit/(loss) before income tax</b>   |       | <b>12,671</b>  | <b>3,577</b>   | <b>4,249</b>   | <b>(101)</b>   |
| Income tax (expense)/ benefit  | 6     | (884)          | (1,403)        | 9              | 3              |
| <b>Net profit/(loss) for the year</b>  |       | <b>11,787</b>  | <b>2,174</b>   | <b>4,258</b>   | <b>(98)</b>    |
| Attributable to:   |       |                |                |                |                |
| Minority interests   |       | 597            | 773            | -              | -              |
| Members of the Parent  |       | 11,190         | 1,401          | 4,258          | (98)           |
|  |       | Cents          | Cents          |                |                |
| <b>Earnings per share for profit attributable to the ordinary equity holders of the Company:</b> |       |                |                |                |                |
| - Basic and diluted earnings per share   |       | 8.26           | 1.36           |                |                |

The above income statement should be read in conjunction with the accompanying notes.



**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

|  | <i>Atributable to equity holders of the parent</i> |  |                           |                       | <i>Minority interest</i> | <i>Total equity</i> |
|--|--|--|---------------------------|-----------------------|--------------------------|---------------------|
|  | <i>Contributed equity</i>                          | <i>Foreign currency translation reserves</i> | <i>Accumulated losses</i> | <i>Other reserves</i> | <i>Total</i>             | <i>\$ '000</i>      |
| <b>CONSOLIDATED</b>                                    | <i>\$ '000</i>                                     | <i>\$ '000</i>                               | <i>\$ '000</i>            | <i>\$ '000</i>        | <i>\$ '000</i>           | <i>\$ '000</i>      |
| <b>At 1 January 2007</b>                               | 22,057   | (403)  | (16,052)                  | 1,124                 | 6,726                    | 12,071              |
| Currency translation differences                       | -  | (648)  | -                         | -                     | (648)                    | (1,218)             |
| Total income and expense recognised directly in equity | -  | (648)  | -                         | -                     | (648)                    | (1,218)             |
| Net profit for the year                                | -  | -  | 1,401                     | -                     | 1,401                    | 2,174               |
| Total income and expense for the year                  | -  | (648)  | 1,401                     | -                     | 753                      | 956                 |
| Dividends by subsidiaries                              | -  | -  | -                         | -                     | -                        | (230)               |
| <b>At 31 December 2007</b>                             | 22,057   | (1,051)                                      | (14,651)                  | 1,124                 | 7,479                    | 12,797              |
| <b>At 1 January 2008</b>                               | 22,057   | (1,051)                                      | (14,651)                  | 1,124                 | 7,479                    | 12,797              |
| Currency translation differences                       | -  | 3,916  | -                         | -                     | 3,916                    | 4,966               |
| Total income and expense recognised directly in equity | -  | 3,916  | -                         | -                     | 3,916                    | 4,966               |
| Net profit for the year                                | -  | -  | 11,190                    | -                     | 11,190                   | 11,787              |
| Total income and expense for the year                  | -  | 3,916  | 11,190                    | -                     | 15,106                   | 16,753              |
| Issuance of Ordinary Shares                            | 5,843  | -  | -                         | -                     | 5,843                    | 5,843               |
| Transaction costs                                      | (81)   | -  | -                         | -                     | (81)                     | (81)                |
| Dividends by subsidiaries                              | -  | -  | -                         | -                     | -                        | (780)               |
| <b>At 31 December 2008</b>                             | 27,819   | 2,865  | (3,461)                   | 1,124                 | 28,347                   | 34,532              |

The above statement of changes in equity should be read in conjunction with the accompanying notes.

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

| <b>PARENT</b>               | <i>Attributable to equity holders of the parent</i> |   |              |
|-----------------------------|---|---|--------------|
|                             | <i>Contributed equity</i>                           | <i>(Accumulated losses)/retained earnings</i> | <i>Total</i> |
|                             | \$ '000   | \$ '000                                       | \$ '000      |
| <b>At 1 January 2007</b>    | 22,057  | (3,751)                                       | 18,306       |
| Net loss for the year       | -   | (98)  | (98)         |
| <b>At 31 December 2007</b>  | 22,057  | (3,849)                                       | 18,208       |
| <b>At 1 January 2008</b>    | 22,057  | (3,849)                                       | 18,208       |
| Net profit for the year     | -   | 4,258   | 4,258        |
| Issuance of ordinary shares | 5,843   | -   | 5,843        |
| Transaction costs           | (81)  | -   | (81)         |
| <b>At 31 December 2008</b>  | 27,819  | 409   | 28,228       |

The above statement of changes in equity should be read in conjunction with the accompanying notes.

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

|   | Notes | CONSOLIDATED   |                | PARENT         |                |
|---|-------|----------------|----------------|----------------|----------------|
|   |       | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| <b>Cash flows from operating activities</b>                                 |       |                |                |                |                |
| Receipts from customers (inclusive of GST)                                  |       | 390,907        | 253,430        | 399            | 450            |
| Payments to suppliers and employees (inclusive of GST)                      |       | (388,103)      | (238,820)      | (1,283)        | (1,163)        |
| Dividend received from subsidiaries   |       | -              | -              | 624            | 538            |
| Interest received   |       | 910            | 111            | 116            | 12             |
| Interest paid   |       | (4,169)        | (2,468)        | (34)           | (45)           |
| Income taxes paid   |       | (2,594)        | (572)          | -              | -              |
| <b>Net cash flows (used in)/provided by operating activities</b>            | 7(a)  | <b>(3,049)</b> | <b>11,681</b>  | <b>(178)</b>   | <b>(208)</b>   |
| <b>Cash flows from investing activities</b>                                 |       |                |                |                |                |
| Proceeds from sale of property, plant and equipment                         |       | 4              | 97             | -              | -              |
| Purchase of property, plant and equipment                                   |       | (3,112)        | (169)          | (3)            | -              |
| Proceeds from sale of financial assets at fair value through profit or loss |       | -              | 293            | -              | 293            |
| Purchase of financial assets at fair value through profit or loss           |       | -              | (10)           | -              | (10)           |
| Investment in subsidiaries  |       | -              | -              | (2,320)        | (216)          |
| Acquisition of intangible assets  |       | (27)           | (11)           | -              | -              |
| <b>Net cash flows (used in)/provided by investing activities</b>            |       | <b>(3,135)</b> | <b>200</b>     | <b>(2,323)</b> | <b>67</b>      |
| <b>Cash flows from financing activities</b>                                 |       |                |                |                |                |
| Proceeds from bank borrowings   |       | 168,460        | 144,488        | -              | -              |
| (Repayment)/proceeds from other borrowings                                  |       | (1,500)        | 1,500          | (1,500)        | 1,500          |
| Repayment of bank borrowings  |       | (154,452)      | (147,666)      | -              | -              |
| (Loan to)/proceeds from controlled entities                                 |       | -              | -              | (480)          | (1,447)        |
| Issuance of ordinary shares   |       | 5,843          | -              | 5,843          | -              |
| Transaction costs   |       | (81)           | -              | (81)           | -              |
| Dividends paid to minority interest   |       | -              | (230)          | -              | -              |
| <b>Net cash flows provided by/(used in) financing activities</b>            |       | <b>18,270</b>  | <b>(1,908)</b> | <b>3,782</b>   | <b>53</b>      |
| Net increase/(decrease) in cash and cash equivalents                        |       | 12,086         | 9,973          | 1,281          | (88)           |
| Net foreign exchange differences  |       | 4,094          | (527)          | -              | -              |
| Cash and cash equivalents at beginning of year                              |       | 12,349         | 2,903          | 134            | 222            |
| <b>Cash and cash equivalents at end of year</b>                             | 7     | <b>28,529</b>  | <b>12,349</b>  | <b>1,415</b>   | <b>134</b>     |

The above cash flow statement should be read in conjunction with the accompanying notes.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2008

### 1. COMPANY INFORMATION

The financial report of Vietnam Industrial Investments Limited (“VII”) for the year ended 31 December 2008 was authorised for issue in accordance with a resolution of the directors on 26 March 2009.

VII is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange Limited (“ASX”). The ultimate parent of VII is Corbyns International Limited which owns 82.14% of the ordinary shares.

The nature of the operations and principal activities of the Group are described in Note 13.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for financial assets at fair value through profit or loss.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

#### (a) Compliance Statement

The financial report complies with Australian Accounting Standards as issued by the International Accounting Standards Board and International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

#### (b) New accounting standards and interpretations

Paragraph 30 of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* requires disclosure of the possible impact of new and revised Australian Accounting Standards that have been issued but are not yet effective. This includes pronouncements issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC) for entities that are required to make a statement of compliance with IFRS under AASB 101.14.

The following table should be used in conjunction with Vietnam Industrial Investments Limited, in particular for the disclosure in Note 2(b). This table lists all applicable standards/interpretations not yet effective for 31 December 2008 year ends and that the Group has elected not to early adopt any standard/interpretation.

| Reference    | Title                       | Summary  | Application date of standard* | Impact on Group financial report  | Application date for Group* |
|--------------|-----------------------------|--|-------------------------------|---|-----------------------------|
| AASB Int. 13 | Customer Loyalty Programmes | Deals with the accounting for customer loyalty programmes, which are used by companies to provide incentives to their customers to buy their products or use their services. | 1 July 2008                   | As the entity does not have customer loyalty programmes, this interpretation is not expected to have any impact on the entity's financial report. | 1 January 2009              |

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) New accounting standards and interpretations (continued)**

| Reference                     | Title  | Summary   | Application date of standard* | Impact on Group financial report  | Application date for Group* |
|-------------------------------|--|---|-------------------------------|---|-----------------------------|
| AASB Int. 15                  | Agreements for the Construction of Real Estate   | This interpretation proposes that when the real estate developer is providing construction services to the buyer's specifications, revenue can be recorded only as construction progresses. Otherwise, revenue should be recognised on completion of the relevant real estate unit.   | 1 January 2009                | As the entity is not in the business of developing real estate, this interpretation is not expected to have any impact on the entity's financial report.              | 1 January 2009              |
| AASB Int. 16                  | Hedges of a Net Investment in a Foreign Operation  | This interpretation proposes that the hedged risk in a hedge of a net investment in a foreign operation is the foreign currency risk arising between the functional currency of the net investment and the functional currency of any parent entity. This also applies to foreign operations in the form of joint ventures, associates or branches. | 1 October 2008                | This interpretation is not expected to have any impact on the entity's financial report.  | 1 January 2009              |
| AASB Int. 17 and AASB 2008-13 | Distributions of Non-cash Assets to Owners and consequential amendments to other Australian Accounting Standards | The Interpretation outlines how an entity should measure distributions of assets, other than cash, as a dividend to its owners acting in their capacity as owners. This applies to transactions commonly referred to as spin-offs, split offs or demergers and in-specie distributions.   | 1 July 2009                   | As the entity has not paid any non-cash dividends to owners during the year, this interpretation is not expected to have any impact on the entity's financial report. | 1 January 2010              |
| AASB 2007-9**                 | Amendments to Australian Accounting Standards arising from the Review of AASs 27, 29 and 31                      | The amendments were issued as a result of the review of AAS 27 <i>Financial Reporting by Local Governments</i> , AAS 29 <i>Financial Reporting by Government Departments</i> and AAS 31 <i>Financial Reporting by Governments</i> and largely relocates these industry-based standards to topic-based standards.                                    | 1 July 2008                   | As the entity is not part of the Government or a Government sector, this standard will not have any impact on the entity's financial report.                          | 1 January 2009              |

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) New accounting standards and interpretations (continued)**

| Reference                  | Title   | Summary   | Application date of standard* | Impact on Group financial report   | Application date for Group* |
|----------------------------|---|---|-------------------------------|--|-----------------------------|
| AASB 1004 (revised)**      | Contributions   | This standard contains the original requirements on contributions from AASB 1004 as issued in July 2004, as well as the requirements on contributions from AASs 27, 29 and 31 substantively unamended (with some exceptions).                       | 1 July 2008                   | As the entity is a for-profit entity the changes will not have any impact on the entity's reported financial position.                       | 1 January 2009              |
| AASB Int. 1038 (Revised)** | Contributions by Owners Made to Wholly-Owned Public Sector Entities   | This interpretation has been revised as a consequence of revised AASB 1004.   | 1 July 2008                   | As the entity is a for-profit entity the changes will not have any impact on the entity's reported financial position.                       | 1 January 2009              |
| AASB 1049**                | Whole of Government and General Government Sector Financial Reporting | New standard to address differences between Generally Accepted Accounting Principles (GAAP) and Government Finance Statistics (GFS).  | 1 July 2008                   | As the entity is not part of the Government or a Government sector, this standard will not have any impact on the entity's financial report. | 1 January 2009              |
| AASB 1050**                | Administered Items  | This standard contains the requirements for the disclosure of administered items from AAS 29, substantively unamended (with some exceptions).   | 1 July 2008                   | As the entity is not part of the Government or a Government sector, this standard will not have any impact on the entity's financial report. | 1 January 2009              |
| AASB 1051**                | Land Under Roads  | This standard contains the specific transitional requirements relating to land under roads. It applies to general purpose financial reports of local governments, government departments and whole of governments and financial statements of GGSs. | 1 July 2008                   | As the entity is not part of the Government or a Government sector, this standard will not have any impact on the entity's financial report. | 1 January 2009              |
| AASB 1052**                | Disaggregated Disclosures   | This standard contains the requirements for the reporting of disaggregated information by local governments from AASs 27 and 29, substantively unamended (with some exceptions).  | 1 July 2008                   | As the entity is not part of the Government or a Government sector, this standard will not have any impact on the entity's financial report. | 1 January 2009              |

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) New accounting standards and interpretations (continued)**

| Reference                          | Title  | Summary   | Application date of standard* | Impact on Group financial report  | Application date for Group* |
|------------------------------------|--|---|-------------------------------|---|-----------------------------|
| AASB 8 and AASB 2007-3             | Operating Segments and consequential amendments to other Australian Accounting Standards                   | New standard replacing AASB 114 Segment Reporting, which adopts a management reporting approach to segment reporting.   | 1 January 2009                | AASB 8 is a disclosure standard therefore has no impact on the entity's reported position and performance. The new standard will however result in changes to operating segments disclosures within the financial report or the removal of the segment note for certain entities. From the date of application, this standard will apply to the entity. | 1 January 2009              |
| AASB 123 (Revised) and AASB 2007-6 | Borrowing Costs and consequential amendments to other Australian Accounting Standards                      | The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.  | 1 January 2009                | These amendments are not expected to have any impact on the entity's financial report. From the date of application, this standard will apply to the entity.  | 1 January 2009              |
| AASB 101 (Revised) and AASB 2007-8 | Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards | Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements. | 1 January 2009                | The changes to AASB 101 do not affect recognition or measurement criteria, therefore the changes are not expected to have any impact on the entity's reported financial position.   | 1 January 2009              |
| AASB 2008-1                        | Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations  | The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.  | 1 January 2009                | Unless the entity enters into share-based payment transactions in future reporting periods, these amendments are not expected to have any impact on the entity's financial report.  | 1 January 2009              |

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) New accounting standards and interpretations (continued)**

| Reference          | Title   | Summary  | Application date of standard* | Impact on Group financial report  | Application date for Group* |
|--------------------|---|--|-------------------------------|---|-----------------------------|
| AASB 2008-2        | Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation | The amendments provide a limited exception to the definition of a liability so as to allow an entity that issues puttable financial instruments with certain specified features, to classify those instruments as equity rather than financial liabilities.  | 1 January 2009                | As the entity has no puttable financial instruments, the changes are not expected to have any impact on the entity's reported financial position.   | 1 January 2009              |
| AASB 3 (Revised)   | Business Combinations   | The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively. | 1 July 2009                   | As the entity has not been a party to a business combination during the year, this standard is not expected to have any impact on the entity's financial report.  | 1 January 2010              |
| AASB 127 (Revised) | Consolidated and Separate Financial Statements  | Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.   | 1 July 2009                   | As the transitional provision of AASB 127 provides that the changes to the recognition and measurement criteria within AASB 127 resulting from this revision do not apply retrospectively to business combinations effected prior to the amendments being adopted, this standard is not expected to have any impact on the entity's financial report. | 1 January 2010              |



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) New accounting standards and interpretations (continued)**

| <b>Reference</b> | <b>Title</b>   | <b>Summary</b>   | <b>Application date of standard*</b> | <b>Impact on Group financial report</b>  | <b>Application date for Group*</b> |
|------------------|--|--|--------------------------------------|--|------------------------------------|
| AASB 2008-3      | Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127                     | Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.   | 1 July 2009                          | See above for AASB 3 and AASB 127 information.   | 1 January 2010                     |
| AASB 2008-5      | Amendments to Australian Accounting Standards arising from the Annual Improvements Project         | The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part I deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact. | 1 January 2009                       | The amendments will not have any impact on the entity's financial report.              | 1 January 2010                     |
| AASB 2008-6      | Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project | Refer to AASB 2008-5 above.  | 1 July 2009                          | These amendments are not expected to have any impact on the entity's financial report. | 1 January 2010                     |

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) New accounting standards and interpretations (continued)**

| Reference     | Title   | Summary   | Application date of standard* | Impact on Group financial report   | Application date for Group* |
|---------------|---|---|-------------------------------|--|-----------------------------|
| AASB 2008-7   | Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate | <p>The main amendments of relevance to Australian entities are those made to AASB 127 deleting the ‘cost method’ and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment.</p> <p>AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.</p> | 1 January 2009                | These amendments will not have any impact on the entity's financial report.  | 1 January 2009              |
| AASB 2008-8   | Amendments to Australian Accounting Standards – Eligible Hedged Items   | The amendment to AASB 139 clarifies how the principles underlying hedge accounting should be applied when (i) a one-sided risk in a hedged item and (ii) inflation in a financial hedged item existed or was likely to exist.   | 1 July 2009                   | As the entity does not apply hedge accounting, these amendments will not have any impact on the entity's financial report.                   | 1 January 2010              |
| AASB 2008-9** | Amendments to AASB 1049 for Consistency with AASB 101   | Reflects the revised requirements of AASB 101 and AASB 2007-8 with clarification to apply the requirements in a government context.   | 1 January 2009                | As the entity is not part of the Government or a Government sector, this standard will not have any impact on the entity's financial report. | 1 January 2009              |

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) New accounting standards and interpretations (continued)**

| Reference    | Title   | Summary  | Application date of standard* | Impact on Group financial report   | Application date for Group* |
|--------------|---|--|-------------------------------|--|-----------------------------|
| AASB 2008-11 | Amendments to Australian Accounting Standard – Business Combinations Among Not-for-Profit Entities [AASB 3] | The amendment requires not-for-profit entities to apply the revised AASB 3 except where there is common control. | 1 July 2009                   | As the entity is a for-profit entity, this standard is not expected to have any impact on the entity's financial report. | 1 January 2010              |

\*designates the beginning of the applicable annual reporting period unless otherwise stated

\*\*only applicable to not-for-profit / public sector entities

**(c) Basis of consolidation**

The consolidated financial statements comprise the financial statements of VII and its subsidiaries ('the Group') as at 31 December each year.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses, profits and losses resulting from intra-group transactions, have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Minority interests not held by the Group are allocated their share of net profit/loss after tax in the income statement and are presented within equity in the consolidated balance sheet, separately from the parent shareholders' equity.

Investments in subsidiaries are accounted for at cost in the separate financial statements of the parent company less any impairment charges.

**(d) Significant accounting judgements, estimates, and assumptions**

***Significant accounting judgements***

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

*Impairment of non-financial assets other than goodwill*

The Group assesses impairment of all assets at each reporting date by evaluating the conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments, and future product expectations. If an impairment trigger exists, the recoverable amount is determined.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(d) Significant accounting judgements, estimates, and assumptions (continued)**

*Taxation*

The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only to the extent it is probable that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

*Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences only where management considers that it is probable that future taxable profits will be available to offset earlier tax losses.

***Significant accounting estimates and assumptions***

*Classification of and valuation of investments*

The Group has decided to classify investments in listed securities as 'financial assets – at fair value through profit or loss' investments and movements in fair value are recognised directly in the income statement. The fair value of listed shares has been determined by reference to published price quotations in an active market.

**(e) Segment reporting**

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different than those of segments operating in other economic environments.

Management have determined that on adoption of AASB 8 Segment Reporting (applicable from 1 January 2009), additional operating segments will most likely be reported.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

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### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **(f) Foreign currency translation**

The consolidated financial statements are presented in Australian dollars (\$) which is both the functional and presentation currency of VII. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of the overseas subsidiaries are Vietnamese Dong (VND) and Singapore Dollar (SGD).

As at the reporting date the assets and liabilities of the overseas subsidiaries are translated into the presentation currency of VII at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rate for the year.

The exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity.

#### **(g) Cash and cash equivalents**

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the balance sheet.

#### **(h) Trade and other receivables**

Trade receivables which are generally on a 60 day term, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectibility of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

#### **(i) Borrowing costs**

Borrowing costs are recognised as an expense when incurred, except the borrowing costs directly associated with qualifying assets which are capitalised.

#### **(j) Property, plant and equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the costs of replacing parts that are eligible for capitalisation when the costs of replacing parts are incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in the income statement as incurred.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (j) Property, plant and equipment (continued)

Buildings are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Buildings and improvements – over 5-20 years

Plant and equipment – over 5-15 years

Motor Vehicles – over 5-10 years

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the costs of replacing parts that are eligible for capitalisation when the costs of replacing parts are incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in the income statement as incurred.

Buildings are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Buildings and improvements – over 5-20 years

Plant and equipment – over 5-15 years

Motor Vehicles – over 5-10 years

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each financial year end.

#### *Derecognition*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

#### (k) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised and is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investments in each subsidiary.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(l) Intangible assets**

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

A summary of the policies applied to the Group's intangible assets is as follows:

|  |   |   |
|--|---|---|
|  | Software costs  | Land rights   |
| Useful lives                                       | Finite  | Finite  |
| Method used  | 2-5 years - Straight line   | 20-48 years – Straight line   |
| Internally generated /<br>Acquired                 | Acquired  | Acquired  |
| Impairment test /<br>Recoverable amount<br>testing | Amortisation method reviewed at<br>each financial year-end;<br>Reviewed annually for<br>indicator of impairment | Amortisation method reviewed<br>at each financial year-end;<br>Reviewed annually for<br>indicator of impairment |

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

**(m) Impairment of non-financial assets other than goodwill**

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (n) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials – purchase cost on a first-in, first-out basis or weighted average basis.
- Finished goods and work-in-progress – cost of direct materials and labour and a proportion of variable and fixed manufacturing overheads based on normal operating capacity. Costs are assigned on the basis of weighted average costs.
- Construction work in progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where the progress billings exceed the aggregate costs incurred plus profits less losses, the net amounts are presented under other liabilities. Construction costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract.
- Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

#### (o) Trade and other payables

Trade and other payables are carried at amortised cost due to their short term nature and are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

#### (p) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

#### (q) Advances from customers

Payments received in advance from customers for products to be delivered are recorded as customer advance payments until earned, at which time revenue is recognised.

#### (r) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments (not applicable to the Group), or available-for-sale financial assets (not applicable to the Group). The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through the profit or loss, directly attributable transaction costs.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (r) Investments and other financial assets (continued)

##### *Recognition and Derecognition*

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

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

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Gains or losses on investments held for trading are recognised in the income statement and the related assets are classified as current assets in the balance sheet.

##### *(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired. These are included in current assets, except those with maturities greater than 12 months after the balance date which are classified as non-current.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

#### (s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of managements' best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability.

#### (t) Employee provisions and other post-employment benefits

##### *(i) Wages, salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

##### *(ii) Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Expected future payments are discounted using the market yields at the reporting date on national government bonds with terms to maturity and currencies that match as closely as possible, the estimated future cash flows.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(t) Employee provisions and other post-employment benefits (continued)**

*(iii) Retirement benefit obligations*

The parent company contributes to several defined contribution superannuation plans. Contributions are recognised as an expense as they are incurred. Directors and employees of the parent company may be entitled to a retirement benefit which if determined to be payable will be based upon two weeks of salary for each full year of service and where the director or employee is aged 45 or over at retirement or termination, an additional one half weeks pay for each year of service, or if aged 55 or over at termination or retirement an additional one weeks pay for each year of service. Retirement benefits are in addition to any accrued statutory annual leave and long service leave entitlements accrued by employee and superannuation shall be payable on the retirement benefits. The total payment to a director or an employee on retirement or termination (retirement benefits, plus annual and long service leave entitlements) may not exceed the Corporations Act limits. Any determination and payment of termination benefits will be at the discretion of the Board of Directors and will be determined on a case to case basis.

In accordance with the applicable laws and regulations of the Group's overseas subsidiaries, employees are entitled to receive lump-sum payments upon termination of their employment, based on their length of service and rate of pay at the time of termination. Accrued retirement benefits represent the amount which would be payable assuming all eligible employees were to terminate their employment as at the balance date.

**(u) Leases**

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Leases in which the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

**(v) Revenue**

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

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

*Sale of goods*

Revenue from the sale of goods is recognised when there is persuasive evidence, usually in the form of an executed sales agreement at the time of delivery of the goods to customer, indicating that there has been a transfer of risks and rewards to the customer, no further work or processing is required, the quantity and quality of the goods has been determined, the price is fixed and generally title has passed.

*Rendering of services other than construction contracts*

Revenues are generally recognised when the service is provided to the customer.

*Interest income*

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

*Dividends*

Revenue is recognised when the Group's right to receive the payment is established.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (v) Revenue (continued)

##### *Construction contracts*

Contract revenues and expenses are recognised in accordance with the percentage of completion method when the stage of contract completion can be reliably determined, cost to date can clearly be identified, and total contract revenue and costs to complete can be reliably estimated. The stage of completion is measured by reference to the labour hours incurred to date to the total estimated costs of the contract.

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

##### *Rental revenue*

Rental revenue from office space is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned. Lease incentives granted are recognised as an integral part of the total rental income.

#### (w) Income tax and other taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (w) Income tax and other taxes (continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

#### *Other taxes*

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### (x) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributed to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

#### (y) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

**3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's principal financial instruments comprise receivables, payables, advances, bank loans, and cash and short-term deposits. The main purpose of these financial instruments is to finance the Group's operations in Vietnam.

The Group has not entered into hedging transactions.

The Company and the Group have exposure to the following risks arising from the Group's financial instruments: interest rate risk, foreign currency risk, credit risk and liquidity risk.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Primary responsibility for identification and control of financial risks rests with the Chief Accountants and Board of Management of the subsidiaries under the authority of the Board. The Managing Director and the Chief Financial Officer declare, in writing to the Board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. The Board is responsible for developing and monitoring risk management policies.

**Risk Exposures and Responses**

*Interest rate risk*

The Group's exposure to market interest rates relates primarily to the Group's debt obligations. The level of debt is disclosed in Note 17.

*At balance date, the Group had the following financial assets and liabilities exposed to interest rate risk:*

|  | CONSOLIDATED   |                | PARENT         |                |
|--|----------------|----------------|----------------|----------------|
|  | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| <b>Financial Assets</b>                        |                |                |                |                |
| Cash and cash equivalents                      | 28,529         | 12,349         | 1,415          | 134            |
| Intercompany receivables – fixed*              | -              | -              | 903            | 2,299          |
| Intercompany receivables - variable            | -              | -              | 595            | -              |
|  | 28,529         | 12,349         | 2,913          | 2,433          |
| <b>Financial Liabilities</b>                   |                |                |                |                |
| <b>Interest-bearing liabilities – fixed*</b>   |                |                |                |                |
| -bank loans                                    | 37,649         | 9,155          | -              | -              |
| - other loans                                  | -              | 5,000          | -              | 1,500          |
|  | 37,649         | 14,155         | -              | 1,500          |
| <b>Interest-bearing liabilities - variable</b> |                |                |                |                |
| - bank loans                                   | 3,864          | 8,971          | -              | -              |
|  | 41,513         | 23,126         | -              | 1,500          |
| Net exposure                                   | (12,984)       | (10,777)       | 2,913          | 933            |

\*Fixed interest rates on financial assets and liabilities vary from one month to six months.

Vietnam subsidiaries are exposed to the interest rate risk in Vietnamese Dong and US Dollar. The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, and the mix of fixed and variable interest rates.

At 31 December 2008, fixed interest rates vary in every contract ranging from 19.0% to 21.5% for Vietnamese Dong loans (2007: 10.61% - 13.68%) and from 6.29% to 8.85% for US Dollar loans (2007: 6.60% - 11.40%). The floating rates are based on bank bill rates.

At 31 December 2008, the parent does not have any outstanding interest bearing loans (2007: \$1.5 million which bears 12% per annum).

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

**3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date:

*At 31 December 2008, if interest rates in Vietnamese Dong, US Dollar and Euro had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:*

Judgements of reasonably possible movements:

|                                  | Post Tax Profit<br>Higher/(lower) |        |
|----------------------------------|-----------------------------------|--------|
|                                  | <b>2008</b>                       | 2007   |
|                                  | <b>\$'000</b>                     | \$'000 |
| Consolidated                     |                                   |        |
| High rate +1% (100 basis points) | 415                               | 216    |
| Low rate -1% (100 basis points)  | (415)                             | (216)  |

The movements in profit are due to higher/lower interest costs from debt balances. The debt balances at 31 December 2008 are higher than in 2007 (2007 excludes the \$1.5 million loan which had a fixed interest rate of 12%). Interest rate movements have no direct impact on equity.

The sensitivity is higher in 2008 than in 2007 due to the increase in short-term borrowings for working capital purposes. A sensitivity of 1% has been selected as this is considered reasonable given most of the interest bearing loans are fixed varying from one month to six months and short-term in nature. Market expectations in the interest rates in Vietnam are more likely to move down than up in the coming period due to the interest rate cuts set by the State Bank of Vietnam to provide support for Vietnamese enterprises and spur economic growth.

At 31 December 2008, there is no material interest rate risk exposure in the parent entity. (2007 loan of \$1.5 million had a fixed interest rate of 12%).

*Foreign currency risk*

The Company's subsidiaries are mainly domiciled in Vietnam. The functional currency of the Vietnam subsidiaries is Vietnamese Dong. The Company's operations in Vietnam face some exposure to exchange rate fluctuations as the cost of the major raw materials are generally denominated in US dollars whereas the bulk of the their revenues is denominated in Vietnamese Dong. The Vietnam subsidiaries have foreign currency risk exposure to loans that are denominated in US dollars and Euro. Remittance of certain funds to the Company's Vietnam operating subsidiaries to assist with their working capital requirements is expected to be in foreign currency, either in Australian dollars or United States dollars and used to purchase Vietnamese Dong by the Company's Vietnam operating subsidiaries. The movements of foreign currency in Vietnam are subject to the restrictions and procedures imposed by the State Bank of Vietnam. The Group has not entered into hedging transactions.

The presentation currency of the Group is Australian dollars.

Intercompany borrowings are denominated in the currency stated by the lender. Transaction recharges between companies provides an economic hedge and the timing of payments are within the control of the Group to ensure economic viability, as a result no derivatives are entered into.

*At 31 December 2008, the Group had the following exposure to US\$ and Euro foreign currencies against the VND:*

|                                    | CONSOLIDATED    |                 | PARENT        |        |
|------------------------------------|-----------------|-----------------|---------------|--------|
|                                    | <b>2008</b>     | 2007            | <b>2008</b>   | 2007   |
|                                    | <b>\$'000</b>   | \$'000          | <b>\$'000</b> | \$'000 |
| Financial Assets                   |                 |                 |               |        |
| Cash and cash equivalents          | 1,192           | 1,211           | -             | -      |
| Financial Liabilities              |                 |                 |               |        |
| Trade and other liabilities – Euro | 868             | 623             | -             | -      |
| Interest-bearing liabilities       |                 |                 |               |        |
| - US Dollar                        | 37,031          | 8,900           | -             | -      |
| - Euro                             | -               | 3,500           | -             | -      |
|                                    | <u>37,899</u>   | <u>13,023</u>   |               |        |
| Net exposure                       | <u>(36,707)</u> | <u>(11,812)</u> | -             | -      |

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

**3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

**Risk Exposures and Responses (continued)**

The following is the parent's exposure to US\$ and VND foreign currencies against the AUD:

|                           | PARENT         |                |
|---------------------------|----------------|----------------|
|                           | 2008<br>\$'000 | 2007<br>\$'000 |
| Financial Assets          |                |                |
| Cash and cash equivalents | 187            | 85             |
| Receivables               | 2,637          | 3,001          |
| Net exposure              | 2,824          | 3,086          |

The following exchange rates applied during the year:

|          | Average rate |        | Reporting date spot rate |        |
|----------|--------------|--------|--------------------------|--------|
|          | 2008         | 2007   | 2008                     | 2007   |
| USD/VND  | 16,388       | 16,127 | 17,486                   | 16,114 |
| AUD/USD  | 0.8525       | 0.8432 | 0.6928                   | 0.8816 |
| Euro/VND | 24,559       | 22,505 | 24,950                   | 23,755 |

The following sensitivity is based on the foreign currency risk exposures in existence at the balance sheet date:

At 31 December 2008, had the VND moved against the US\$ and Euro, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:

|                           | Post Tax Profit |                | Other equity   |                |
|---------------------------|-----------------|----------------|----------------|----------------|
|                           | Higher/(lower)  |                | Higher/(Lower) |                |
|                           | 2008<br>\$'000  | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| Consolidated              |                 |                |                |                |
| High rate +3% (2007: +1%) | 1,070           | 136            | -              | 6              |
| Low rate -3% (2007: -1%)  | (1,136)         | (131)          | -              | 2              |

The movements in profit in 2008 are more sensitive in 2007 due to higher USD interest bearing loans at balance date. Moreover, the VND devaluated against the USD at balance date. Had the VND moved against the Euro at 31 December 2008, the impact would have been minimal.

Significant assumptions used in the foreign currency sensitivity analysis include:

- The State Bank of Vietnam tries to stabilize the foreign exchange rates as part of its efforts to prevent an economic slowdown and contain inflation at a reasonable level. The Vietnamese Dong is permitted to trade 3% on either side of the foreign exchange rate set each day.
- Foreign exchange movements have no direct economic impact on equity.
- The translation of the net assets in subsidiaries with a functional currency other than AUD has not been included in the sensitivity analysis as part of the equity method.

At 31 December 2008, had the AUD moved against the US\$ and VND, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:

|                           | Post Tax Profit |                | Other equity   |                |
|---------------------------|-----------------|----------------|----------------|----------------|
|                           | Higher/(lower)  |                | Higher/(Lower) |                |
|                           | 2008<br>\$'000  | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| Parent                    |                 |                |                |                |
| High rate +4% (2007: +5%) | 102             | 45             | -              | -              |
| Low rate -6% (2007: -2%)  | (171)           | (19)           | -              | -              |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

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### 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Risk Exposures and Responses (continued)

##### *Credit risk*

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades only with recognised, creditworthy third parties, and generally, collateral is not requested nor is it the Group's policy to securitise its trade and other receivables. Collateral is requested if the receivable has been long outstanding.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including its capability to pay, past experience and company reputation. Risk limits are set for each individual customer in accordance with parameters set by the board of management of each subsidiary. These risk limits are regularly monitored.

Collectibility of trade receivables is reviewed on an ongoing basis at an operating unit level. Interest is charged on overdue debts. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable.

There are no significant concentrations of credit risk on customers within the Group.

##### *Liquidity risk*

Liquidity risk arises from financial liabilities of the Group and the Group's subsequent ability to meet their obligations to repay their financial liabilities as and when they fall due.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, and committed available credit lines.

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 and inventories of the subsidiaries and in certain instances, by the guarantee of Vietnam Industrial Investments Limited. The carrying amount of these pledges held by the banks are presented in Note 17.

The Company has provided security to various banks for banking facilities provided to Vietnam subsidiaries in the form of letters of guarantee totalling US\$22.23 million (\$32.09 million) (2007: US\$17.83 million or \$20.22 million) and security to the supplier of machinery and equipment to SSESTEEL in the form of a letter of guarantee totalling Euro 0.43 million (\$0.85 million) (2007: Euro 2.5 million or \$4.1 million). At 31 December 2008 the total interest bearing liabilities drawdown to which these corporate guarantees relate to were US\$12.52 million (\$18.07 million) (2007: US\$8.07 million or \$9.15 million).

The Company and its subsidiaries use forecast cash flow budgets which assist in monitoring cash flow requirements. Typically, the Company and its subsidiaries ensure that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

The Group's facilities are repayable at the bank's discretion and as such the Group, in the absence of alternative sources of funding, is dependent upon the banks continuing to renew their short term facilities. The Directors are of the view that the facilities will continue to be renewed as they fall due as this has occurred previously. The Group obtained short-term loans which have ongoing maturity roll over dates ranging from 1 month to 6 months to meet the Group's working capital requirements. The long-term loans were to finance the construction of the production and equipment facilities.



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

**3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

**Risk Exposures and Responses (continued)**

**Maturity analysis of financial assets and liability based on contractual maturity**

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital eg inventories and trade receivables. These assets are considered in the Group's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, the Group has established risk reporting that reflects expectations of management of expected settlement of financial assets and liabilities.

**Year ended 31 December 2008**

| Consolidated                 | <=6 mths<br>\$'000 | 6-12 mths<br>\$'000 | 1-5 years<br>\$'000 | >5 years<br>\$'000 | Total<br>\$'000 |
|------------------------------|--------------------|---------------------|---------------------|--------------------|-----------------|
| <b>Financial Assets</b>      |                    |                     |                     |                    |                 |
| Cash and cash equivalents    | 28,529             | -                   | -                   | -                  | 28,529          |
| Trade and other receivables  | 23,461             | -                   | -                   | -                  | 23,461          |
|                              | 51,990             | -                   | -                   | -                  | 51,990          |
| <b>Financial Liabilities</b> |                    |                     |                     |                    |                 |
| Trade and other payables     | 13,888             | -                   | -                   | -                  | 13,888          |
| Interest-bearing liabilities | 40,691             | -                   | 822                 | -                  | 41,513          |
|                              | 54,579             | -                   | 822                 | -                  | 55,401          |
| Net maturity                 | (2,589)            | -                   | (822)               | -                  | (3,411)         |

**Year ended 31 December 2007**

| Consolidated                 | <=6 mths<br>\$'000 | 6-12 mths<br>\$'000 | 1-5 years<br>\$'000 | >5 years<br>\$'000 | Total<br>\$'000 |
|------------------------------|--------------------|---------------------|---------------------|--------------------|-----------------|
| <b>Financial Assets</b>      |                    |                     |                     |                    |                 |
| Cash and cash equivalents    | 12,349             | -                   | -                   | -                  | 12,349          |
| Trade and other receivables  | 19,835             | -                   | -                   | -                  | 19,835          |
|                              | 32,184             | -                   | -                   | -                  | 32,184          |
| <b>Financial Liabilities</b> |                    |                     |                     |                    |                 |
| Trade and other payables     | 25,223             | -                   | -                   | -                  | 25,223          |
| Interest-bearing liabilities | 15,585             | 5,287               | 2,254               | -                  | 23,126          |
|                              | 40,808             | 5,287               | 2,254               | -                  | 48,349          |
| Net maturity                 | (8,624)            | (5,287)             | (2,254)             | -                  | (16,165)        |

**Year ended 31 December 2008**

| Parent                       | <=6 mths<br>\$'000 | 6-12 mths<br>\$'000 | 1-5 years<br>\$'000 | >5 years<br>\$'000 | Total<br>\$'000 |
|------------------------------|--------------------|---------------------|---------------------|--------------------|-----------------|
| <b>Financial Assets</b>      |                    |                     |                     |                    |                 |
| Cash and cash equivalents    | 1,415              | -                   | -                   | -                  | 1,415           |
| Trade and other receivables  | 2,519              | -                   | 595                 | -                  | 3,114           |
|                              | 3,934              | -                   | 595                 | -                  | 4,529           |
| <b>Financial Liabilities</b> |                    |                     |                     |                    |                 |
| Trade and other payables     | 213                | -                   | -                   | -                  | 213             |
|                              | 213                | -                   | -                   | -                  | 213             |
| Net maturity                 | 3,721              | -                   | 595                 | -                  | 4,316           |

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

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**3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

**Risk Exposures and Responses (continued)**

**Year ended 31 December 2007**

| Parent                       | <=6 mths<br>\$'000 | 6-12 mths<br>\$'000 | 1-5 years<br>\$'000 | >5 years<br>\$'000 | Total<br>\$'000 |
|------------------------------|--------------------|---------------------|---------------------|--------------------|-----------------|
| <b>Financial Assets</b>      |                    |                     |                     |                    |                 |
| Cash and cash equivalents    | 134                | -                   | -                   | -                  | 134             |
| Trade and other receivables  | 2,940              | -                   | 91                  | -                  | 3,031           |
|                              | <u>3,074</u>       | <u>-</u>            | <u>91</u>           | <u>-</u>           | <u>3,165</u>    |
| <b>Financial Liabilities</b> |                    |                     |                     |                    |                 |
| Trade and other payables     | 771                | -                   | -                   | -                  | 771             |
| Interest-bearing liabilities | 1,500              | -                   | -                   | -                  | 1,500           |
|                              | <u>2,271</u>       | <u>-</u>            | <u>-</u>            | <u>-</u>           | <u>2,271</u>    |
| Net maturity                 | <u>803</u>         | <u>-</u>            | <u>91</u>           | <u>-</u>           | <u>894</u>      |

**Fair value**

The methods for estimating fair value are outlined in the relevant notes to the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

**4. SEGMENT REPORTING**

**Geographical segments**

The consolidated entity operates predominantly in two geographical areas – Australia and Vietnam. The Group’s geographical segments are determined based on the location of the Group’s assets. The home country of the parent company is Australia where the holding investment company is located. The Vietnam manufacturing operations consist of the wire rod and rebar activities of Vinausteel Limited and SSESTEEL Ltd. Austnam Joint Stock Corporation, Total Building Systems Ltd, and VRC Weldmesh (Vietnam) Ltd are primarily engaged in the manufacturing and trading of electrically welded wire products, steel roofing and steel frames whilst providing total building solutions for the Vietnam construction industry.

|   | Australia       |                 | Operations<br>Vietnam |                 | Total           |                 | Eliminations    |                 | Consolidated    |                 |
|---|-----------------|-----------------|-----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|   | 2008<br>\$ '000 | 2007<br>\$ '000 | 2008<br>\$ '000       | 2007<br>\$ '000 | 2008<br>\$ '000 | 2007<br>\$ '000 | 2008<br>\$ '000 | 2007<br>\$ '000 | 2008<br>\$ '000 | 2007<br>\$ '000 |
| <b>Revenue</b>                                |                 |                 |                       |                 |                 |                 |                 |                 |                 |                 |
| External sales                                | -               | -               | 382,818               | 242,475         | 382,818         | 242,475         | -               | -               | 382,818         | 242,475         |
| Contract revenue                              | -               | -               | 6,670                 | 7,219           | 6,670           | 7,219           | -               | -               | 6,670           | 7,219           |
| Other revenue                                 | 510             | 566             | 1,270                 | 716             | 1,780           | 1,282           | (284)           | (244)           | 1,496           | 1,038           |
| Total segment revenue                         | 510             | 566             | 390,758               | 250,410         | 391,268         | 250,976         | (284)           | (244)           | 390,984         | 250,732         |
| <b>Segment results</b>                        |                 |                 |                       |                 |                 |                 |                 |                 |                 |                 |
| Profit/(loss) before tax<br>and finance costs | 4,283           | 13              | 17,528                | 7,025           | 21,811          | 7,038           | (4,971)         | (924)           | 16,840          | 6,114           |
| Finance costs                                 | (34)            | (114)           | (4,405)               | (2,809)         | (4,439)         | (2,923)         | 270             | 386             | (4,169)         | (2,537)         |
| Profit/(loss) before tax                      | 4,249           | (101)           | 13,123                | 4,216           | 17,372          | 4,115           | (4,701)         | (538)           | 12,671          | 3,577           |
| Income tax<br>(expense)/benefit               | 9               | 3               | (893)                 | (1,406)         | (884)           | (1,403)         | -               | -               | (884)           | (1,403)         |
| Net profit for the year                       |                 |                 |                       |                 |                 |                 |                 |                 | 11,787          | 2,174           |

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

**4. SEGMENT REPORTING (CONTINUED)**

|   | Continuing Operations |         | Total   |         | Eliminations |          | Consolidated |         |
|---|-----------------------|---------|---------|---------|--------------|----------|--------------|---------|
|   | Australia             | Vietnam | 2007    | 2008    | 2007         | 2008     | 2007         | 2008    |
|   | \$ '000               | \$ '000 | \$ '000 | \$ '000 | \$ '000      | \$ '000  | \$ '000      | \$ '000 |
| <b>Segment assets</b>                                 | 28,481                | 20,531  | 78,503  | 154,835 | 99,034       | (44,647) | 110,188      | 69,083  |
| <b>Segment Liabilities</b>                            | 253                   | 2,323   | 63,160  | 91,627  | 65,483       | (15,971) | 75,656       | 56,286  |
| Other segment information:                            |                       |         |         |         |              |          |              |         |
| Capital expenditure                                   | 3                     | -       | 3,136   | 3,139   | 180          | -        | 3,139        | 180     |
| Reversal of impairment of investments in subsidiaries | 5,038                 | -       | -       | 5,038   | -            | (5,038)  | -            | -       |
| Impairment loss on investment in subsidiaries         | (2,158)               | -       | -       | (2,158) | -            | 2,158    | -            | -       |
| Depreciation and amortisation expense                 | (3)                   | (4)     | (1,805) | (1,808) | (1,832)      | -        | (1,808)      | (1,832) |
| Loss on re-measurement                                | -                     | -       | (1,388) | -       | (1,388)      | -        | -            | (1,388) |
| <b>Cash flow Information</b>                          |                       |         |         |         |              |          |              |         |
| Net cashflows from operating activities               | (178)                 | (208)   | 12,056  | (1,520) | 11,848       | (1,529)  | (3,049)      | 11,681  |
| Net cashflows from investing activities               | (2,323)               | 67      | (7,014) | (9,337) | (233)        | 6,202    | (3,135)      | 200     |
| Net cashflows from financing activities               | 3,782                 | 53      | 18,805  | 22,587  | (1,495)      | (4,317)  | 18,270       | (1,908) |

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

**5. REVENUE AND EXPENSES**

| Revenues and expenses from  | CONSOLIDATED   |                | PARENT         |                |
|---|----------------|----------------|----------------|----------------|
| continuing operations   | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| <b>(a) Other Revenue</b>  |                |                |                |                |
| Interest  | 910            | 111            | 120            | 154            |
| Dividend  | -              | -              | 1,821          | 538            |
| Gain on sale of financial assets at fair value through profit or loss                                 | -              | 127            | -              | 127            |
| Net (loss)/ gain from fair value adjustments of financial assets at fair value through profit or loss | -              | (11)           | -              | (11)           |
|   | 910            | 227            | 1,941          | 808            |
| <b>(b) Other income</b>   |                |                |                |                |
| Financial and executive services income   | 38             | 138            | 38             | 138            |
| Rental income   | 77             | 68             | 77             | 68             |
| Gain on disposal of plant, property and equipment   | -              | 29             | -              | -              |
| Guarantee income  | -              | -              | 284            | 244            |
| Foreign exchange gain   | 218            | -              | 111            | -              |
| Revenue from sale of miscellaneous materials  | 794            | -              | -              | -              |
| Other   | 369            | 687            | -              | -              |
|   | 1,496          | 922            | 510            | 450            |
| <b>(c) Cost of sales</b>  |                |                |                |                |
| Cost of goods sold  | (354,151)      | (226,997)      | -              | -              |
| Construction costs  | (6,295)        | (6,843)        | -              | -              |
|   | (360,446)      | (233,840)      | -              | -              |
| <b>(d) Finance costs</b>  |                |                |                |                |
| Bank loans and other borrowings   | (4,169)        | (2,537)        | (34)           | (114)          |
| <b>(e) Depreciation, impairment and amortisation</b>  |                |                |                |                |
| Depreciation expense  | (1,777)        | (1,804)        | (3)            | (4)            |
| Amortisation of intangible assets   | (31)           | (28)           | -              | -              |
|   | (1,808)        | (1,832)        | (3)            | (4)            |
| <b>(f) Employee benefits</b>  |                |                |                |                |
| Wages and salaries  | (6,134)        | (3,275)        | (356)          | (466)          |
| <b>(g) Rent expense</b>   | (325)          | (548)          | (116)          | (104)          |
| <b>(h) Loss on the re-measurement of disposal group classified as held for sale</b>                   |                |                |                |                |
| Depreciation expense  | -              | (1,370)        | -              | -              |
| Amortisation expense  | -              | (18)           | -              | -              |
|   | -              | (1,388)        | -              | -              |
| <b>(i) Impairment write-down of inventory</b>   | -              | (178)          | -              | -              |
| <b>(j) Allowance for doubtful debts</b>   | (5)            | (78)           | -              | -              |
| <b>(k) Reversal of impairment of investments in subsidiaries</b>                                      | -              | -              | 5,038          | -              |
| <b>(l) Foreign exchange loss</b>  | (2,380)        | (638)          | -              | (153)          |
| <b>(m) Impairment loss on investments in subsidiaries</b>   | -              | -              | (2,158)        | -              |

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

**6. INCOME TAX**

|   | CONSOLIDATED   |                | PARENT         |                |
|---|----------------|----------------|----------------|----------------|
|   | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| <b>(a) Income tax expense/(benefit)</b>   |                |                |                |                |
| The major components of income tax expense are:   |                |                |                |                |
| <b>Income Statement</b>   |                |                |                |                |
| Current tax   | 893            | 1,280          | -              | -              |
| Deferred tax  | (9)            | 123            | (9)            | (3)            |
|   | 884            | 1,403          | (9)            | (3)            |
| <b>(b) Numerical reconciliation between the aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate</b> |                |                |                |                |
| Profit/(loss) from continuing operations before tax   | 12,671         | 3,577          | 4,249          | (101)          |
| At Group's statutory income tax rate of 30% (2007: 30%)   | 3,801          | 1,073          | 1,275          | (30)           |
| Adjustments to tax expense:   |                |                |                |                |
| Foreign tax rate adjustment   | (1,236)        | (258)          | -              | -              |
| Non-deductible expenses   | 34             | 272            | 681            | -              |
| Non-assessable income   | (2,372)        | -              | (2,092)        | (161)          |
| Changes in fair value   | 37             | (3)            | 37             | (3)            |
| Other   | 620            | 319            | 90             | 191            |
| Aggregate tax expense/(benefit)   | 884            | 1,403          | (9)            | (3)            |

**(c) Tax consolidation**

All wholly-owned subsidiaries and controlled entities are domiciled in other countries. Therefore, the consolidated entity is not a tax consolidated group under the tax consolidated regime. The tax losses of the Company are estimated to be \$3.67 million (2007: \$2.92 million). This amount has not been recognised as a deferred tax asset at 31 December 2008 and 31 December 2007. Deferred tax assets have not been recognised because it is not probable that the future taxable profit will be available against the tax losses.

**(d) Recognised deferred tax liabilities**

|   | CONSOLIDATED   |                | PARENT         |                |
|---|----------------|----------------|----------------|----------------|
|   | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| Deferred tax liabilities                        |                |                |                |                |
| Fair value of financial assets held for trading | 11             | 20             | 11             | 20             |
| Gross deferred tax liabilities                  | 11             | 20             | 11             | 20             |

**(e) Unrecognised temporary differences**

At 31 December 2008, there are no unrecognised temporary differences associated with the Group's investment in subsidiaries, as the Group has no liability for additional taxation should unremitted earnings be remitted (2007: Nil).

**(f) Income tax payable**

At 31 December 2008, consolidated income tax payable is Nil (2007: \$1.11 million). At 31 December 2008, there is no income tax payable in the parent entity (2007: nil).

**(g) Tax losses carried forward**

At 31 December 2008, SSESTEEL and TBS have accumulated tax losses of \$5.44 million (2007: \$8.11 million) available for offset against future taxable profits. No deferred tax assets of \$1.36 million (2007: \$2.03 million) were recognised in respect of the tax loss carried forward because of the uncertainty of future profitability.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

**7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS**

|                          | CONSOLIDATED   |                | PARENT         |                |
|--------------------------|----------------|----------------|----------------|----------------|
|                          | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| Cash at bank and in hand | 6,998          | 8,312          | 61             | 72             |
| Short-term deposits      | 21,531         | 4,037          | 1,354          | 62             |
|                          | 28,529         | 12,349         | 1,415          | 134            |

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represent fair value.

Short-term deposits are made for varying periods of between one day and one month, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

**(a) Reconciliation from the net profit/(loss) after tax to the net cash flows from operations:**

|  | CONSOLIDATED   |                | PARENT         |                |
|--|----------------|----------------|----------------|----------------|
|  | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| Net profit/(loss)  | 11,787         | 2,174          | 4,258          | (98)           |
| <i>Adjustment for non-cash items:</i>                                    |                |                |                |                |
| Depreciation and amortisation  | 1,808          | 1,832          | 3              | 4              |
| Reversal of impairment of investments in subsidiaries                    | -              | -              | (5,038)        | -              |
| Dividends not received   | -              | -              | (1,109)        | -              |
| Impairment loss on investments in subsidiaries                           | -              | -              | 2,158          | -              |
| Change in fair value of financial assets                                 | 173            | 11             | 173            | 11             |
| Impairment of other financial assets                                     | -              | 175            | -              | -              |
| Bad debts expense  | -              | -              | 43             | -              |
| Net loss/(gain) on disposal of plant and equipment                       | 103            | (29)           | -              | -              |
| Profit from sale of other financial assets                               | -              | (127)          | -              | (127)          |
| Loss on the re-measurement of disposal group classified as held for sale | -              | 1,388          | -              | -              |
| <i>Changes in assets and liabilities</i>                                 |                |                |                |                |
| (Increase)/decrease in:  |                |                |                |                |
| Trade and other receivables  | (77)           | 2,721          | 15             | (170)          |
| Inventories  | (11,980)       | (6,976)        | -              | -              |
| Prepayments  | 38             | 189            | 2              | (39)           |
| Deferred tax assets  | -              | 110            | -              | -              |
| (Decrease)/increase in:  |                |                |                |                |
| Trade and other payables   | (4,527)        | 8,465          | (671)          | 270            |
| Provisions   | 1,348          | 1,029          | (3)            | (56)           |
| Income tax payable   | (1,713)        | 722            | -              | -              |
| Deferred income tax liabilities  | (9)            | (3)            | (9)            | (3)            |
| Net cash flow (used in)/provided by operating activities                 | (3,049)        | 11,681         | (178)          | (208)          |

**(b) Disclosure of financing activities**

Financing facilities are set out in Note 17.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

**8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES**

|  | CONSOLIDATED   |                | PARENT         |                |
|--|----------------|----------------|----------------|----------------|
|  | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| Trade receivables                              | 11,201         | 10,884         | -              | -              |
| Construction contract receivables              | 1,455          | 2,771          | -              | -              |
| Allowance for impairment loss                  | (396)          | (386)          | -              | -              |
|  | 12,260         | 13,269         | -              | -              |
| Other receivables                              | 11,201         | 6,566          | 15             | 30             |
| Related party receivables                      |                |                |                |                |
| - controlled entities                          | -              | -              | 2,504          | 2,910          |
| Carrying amount of trade and other receivables | 23,461         | 19,835         | 2,519          | 2,940          |

Other receivables include Vietnamese income tax receivable and advances made to suppliers and employees. Other receivables bear no interest and are collected within one year.

**Allowance for impairment loss**

Trade receivables are non-interest bearing and are generally on 60 day terms. An allowance for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of \$0.01 million (2007: \$0.08 million) has been recognised by the Group and nil (2007: nil) by the Company in the current year. These amounts have been included in the administrative expense item.

Movements in the provision for impairment loss were as follows:

|                              | CONSOLIDATED   |                | PARENT         |                |
|------------------------------|----------------|----------------|----------------|----------------|
|                              | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| At 1 January                 | 386            | 438            | -              | -              |
| Charge for the year          | 5              | 78             | -              | -              |
| Foreign exchange translation | 5              | (130)          | -              | -              |
| At 31 December               | 396            | 386            | -              | -              |

At 31 December, the aging analysis of trade receivables is as follows:

|                     | CONSOLIDATED<br>2008        |                      | CONSOLIDATED<br>2007        |                      |
|---------------------|-----------------------------|----------------------|-----------------------------|----------------------|
|                     | Trade receivables<br>\$'000 | Impairment<br>\$'000 | Trade receivables<br>\$'000 | Impairment<br>\$'000 |
| Within due date     | 9,767                       | 85                   | 8,923                       | 76                   |
| Over 61 – 180 days  | 637                         | 56                   | 555                         | -                    |
| Over 181 – 360 days | 267                         | 75                   | 111                         | 6                    |
| Over 360 days       | 530                         | 180                  | 1,295                       | 304                  |
|                     | 11,201                      | 396                  | 10,884                      | 386                  |

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

**8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES (CONTINUED)**

**Related party receivables**

For terms and conditions relating to related party receivables refer to Note 26.

**Fair value and credit risk**

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

**Foreign exchange and interest rate risk**

Details regarding foreign exchange and interest rate risk of current trade receivables are disclosed in Note 3.

**9. CURRENT ASSETS - INVENTORIES**

|  | CONSOLIDATED   |                | PARENT         |                |
|--|----------------|----------------|----------------|----------------|
|  | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| Raw materials – at cost  | 33,815         | 14,424         | -              | -              |
| Work in progress – at cost                                     | 2              | 299            | -              | -              |
| Construction work in progress                                  | 2              | 51             | -              | -              |
| Finished goods – at lower of cost<br>and net realisable value  | 6,258          | 7,621          | -              | -              |
| Total inventories at lower of cost<br>and net realisable value | <u>40,077</u>  | <u>22,395</u>  | -              | -              |

For the year ended 31 December 2008, there was no inventory write-down recognised as an expense for the Group (2007: \$0.175 million). This expense was included in the cost of sales line item as a cost of inventories.

**10. CURRENT ASSETS - FINANCIAL ASSETS – AT FAIR VALUE THROUGH PROFIT OR LOSS**

|  | CONSOLIDATED   |                | PARENT         |                |
|--|----------------|----------------|----------------|----------------|
|  | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| Financial assets held for trading<br>– at fair value |                |                |                |                |
| Shares in listed companies                           | 37             | 210            | 37             | 210            |
|  | <u>37</u>      | <u>210</u>     | <u>37</u>      | <u>210</u>     |

Financial assets – at fair value through profit or loss consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

The fair value of Australian listed investments has been determined directly by reference to published price quotations in an active market. There are no individually material investments.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

**11. OTHER CURRENT ASSETS**

|             | CONSOLIDATED   |                | PARENT         |                |
|-------------|----------------|----------------|----------------|----------------|
|             | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| Prepayments | 418            | 406            | 67             | 70             |
|             | <u>418</u>     | <u>406</u>     | <u>67</u>      | <u>70</u>      |

**12. NON-CURRENT ASSETS - RECEIVABLES**

|                          | CONSOLIDATED   |                | PARENT         |                |
|--------------------------|----------------|----------------|----------------|----------------|
|                          | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| Loans to related parties | -              | -              | 595            | 91             |
| Long-term deposits       | 184            | 155            | -              | -              |
|                          | <u>184</u>     | <u>155</u>     | <u>595</u>     | <u>91</u>      |

For terms and conditions relating to related party receivables refer to Note 26.

The carrying values of consolidated non-current receivables are assumed to approximate their fair values.

**13. INVESTMENTS IN SUBSIDIARIES (NON-CURRENT)**

|   | PARENT         |                |
|---|----------------|----------------|
|   | 2008<br>\$'000 | 2007<br>\$'000 |
| Investments in subsidiaries                             | 38,297         | 34,415         |
| Provision for impairment of investments in subsidiaries | (14,463)       | (17,343)       |
|   | <u>23,834</u>  | <u>17,072</u>  |

**Investment in Subsidiaries**

| Name   | Country of<br>Incorporation | % Equity interest |      | Investment (\$'000) |                 |
|--|-----------------------------|-------------------|------|---------------------|-----------------|
|  |                             | 2008              | 2007 | 2008                | 2007            |
| <b>Parent entity</b>   |                             |                   |      |                     |                 |
| Vietnam Industrial Investments Limited   | Australia                   | -                 | -    | -                   | -               |
| <b>Controlled entities</b>   |                             |                   |      |                     |                 |
| Vinausteel Limited <sup>(i) (xi)</sup>   | Vietnam                     | 70                | 70   | 12,554              | 12,554          |
| Structure Steel Engineering Pte Ltd <sup>(iv) (xii)</sup>                        | Singapore                   | 100               | 100  | 18,543              | 16,957          |
| SSESTEEL Ltd <sup>(iv) (ix) (xi)</sup>   | Vietnam                     | 100               | 100  | -                   | -               |
| Ausviet Industrial Investments Ltd <sup>(v) (xii)</sup>                          | Singapore                   | 100               | 100  | 5,278               | 2,982           |
| Austnam Joint Stock Corporation <sup>(ii) (xi)</sup>                             | Vietnam                     | 67                | 67   | -                   | -               |
| Parnham Overseas Ltd <sup>(x)</sup>  | British Virgin<br>Islands   | 100               | 100  | -                   | -               |
| Total Building Systems Limited <sup>(viii) (xi)</sup>                            | Vietnam                     | 99                | 98   | -                   | -               |
| Vietnam Projects (Singapore) Pte Ltd <sup>(vi) (xii)</sup>                       | Singapore                   | 100               | 100  | 1,922               | 1,922           |
| VRC Weldmesh (Vietnam) Ltd <sup>(iii) (xi)</sup>                                 | Vietnam                     | 100               | 100  | -                   | -               |
| Vietnam Property Development Pte Ltd <sup>(vii) (xii)</sup>                      | Singapore                   | 100               | 100  | -                   | -               |
|  |                             |                   |      | <u>38,297</u>       | <u>34,415</u>   |
| Provision for impairment of investments in subsidiaries <sup>(iv) (v) (vi)</sup> |                             |                   |      | <u>(14,463)</u>     | <u>(17,343)</u> |
|  |                             |                   |      | <u>23,834</u>       | <u>17,072</u>   |
| <b>Movement in provision for impairment of investments in subsidiaries:</b>      |                             |                   |      |                     |                 |
| Opening balance  |                             |                   |      | (17,343)            | (17,343)        |
| Reversal <sup>(iv)</sup>   |                             |                   |      | 5,038               | -               |
| Impairment loss <sup>(v)</sup>   |                             |                   |      | (2,158)             | -               |
| Closing balance  |                             |                   |      | <u>(14,463)</u>     | <u>(17,343)</u> |

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)

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### 13. INVESTMENT IN SUBSIDIARIES (NON-CURRENT) (CONTINUED)

- (i) Vinausteel Limited (“Vinausteel”) is a joint venture company established under the Foreign Investment Laws of Vietnam. VII has a 70% interest in the legal capital of Vinausteel and its liability is limited to the amount of legal capital contributed.

Vinausteel was created under an Investment Licence issued by the Vietnamese Government and its operations are governed by a Joint Venture Agreement and Joint Venture Charter. VII has the right to appoint five of the seven directors of the Board of Management and is entitled to 70 per cent of the after tax profit derived by Vinausteel. While some decisions of the Board of Management require a unanimous decision under the Joint Venture Agreement and Charter, by virtue of the fact that VII is entitled to 70% of the after tax profits derived by Vinausteel, it is considered that VII has the capacity to enjoy the majority of benefits and is exposed to the majority of risks in respect to Vinausteel and therefore Vinausteel has been treated as a controlled entity for the purpose of preparing the financial statements of VII.

- (ii) Austnam Joint Stock Corporation (“Austnam”) is a joint venture company established under the Foreign Investment Laws of Vietnam between Parnham Overseas Ltd (“POL”) and Hong Ha Building Materials Import Export Company. VII acquired a 73 per cent equity interest in Austnam in January 1997 through POL. From May 2002, the Group holds 67% of which POL holds 65 per cent of Austnam and the 2% remainder is held by Ausviet Industrial Investments Pte Ltd.
- (iii) VRC Weldmesh (Vietnam) Ltd (“VRC”) is a wholly owned subsidiary of Vietnam Projects (Singapore) Pte Ltd and ultimately owned by VII. VRC holds a 100 per cent foreign owned investment licence.
- (iv) Structure Steel Engineering Pte Ltd (“SSE”) is a company incorporated in Singapore for the purposes of holding the investment in SSESTEEL Ltd. VII is entitled to 100 per cent of the after tax profit derived by Structure Steel Engineering Pte Ltd and SSESTEEL Ltd.

Included in the provision for impairment of investments in subsidiaries of \$14.463 million (2007: \$17.343 million) is \$11.919 million (2007: \$16.957 million) which represents the write-down of the investment in SSE to a recoverable amount of \$6.624 million. There had been no impairment indicators identified in the underlying investment in SSESTEEL Ltd during the year. A reversal of impairment of investment in SSE of \$5.038 million was made for the year ended 31 December 2008 as the underlying investment in SSESTEEL recognised net profit in the current year and SSESTEEL has a net asset position of \$6.624 million.

- (v) Ausviet Industrial Investments Pte Ltd (“Ausviet”) is a wholly owned subsidiary of VII, which holds the investment in Austnam of 2 per cent, POL of 100 per cent and Total Building Systems Limited of 99%.

Included in the provision for impairment of investment in subsidiaries of \$14.463 million (2007: \$17.343 million) is \$2.158 million (2007: Nil) which represents the write-down of investment in Ausviet to a recoverable amount of \$3.120 million as the underlying investment in TBS continued to recognise a net loss during the year.

- (vi) Vietnam Projects (Singapore) Pte Ltd is a wholly owned subsidiary of VII which was incorporated in Singapore to hold an investment in Vietnam. It holds 100% of VRC Weldmesh (Vietnam) Ltd.

Included in the provision for impairment of investments in subsidiaries of \$14.463 million (2007: \$17.343 million) is \$0.386 million (2007: \$0.386 million) which represents the write-down of the investment in Vietnam Projects Singapore Pte Ltd to a recoverable amount. There were no impairment indicators identified in the underlying investment in VRC Weldmesh (Vietnam) Ltd during the year. No further impairment losses have been recognised for the year ended 31 December 2008.

- (vii) Vietnam Property Development Pte Ltd is a wholly owned subsidiary acquired by VII. It is incorporated in Singapore to hold an investment in Vietnam.

- (viii) Total Building Systems Limited (“TBS”) is a full service building systems provider supplying engineering services, building systems and construction services to industrial and residential consumers. During the year, the Group contributed additional funds of \$0.734 million, capitalised loans of \$1.451 million and related interest of \$0.110 million resulting in an increase in investment of \$2.295 million via Ausviet. Ausviet holds 99% of TBS.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

**13. INVESTMENT IN SUBSIDIARIES (NON-CURRENT) (CONTINUED)**

- (ix) SSESTEEL Ltd is a company established under the Foreign Investment Laws of Vietnam as a 100% foreign invested enterprise which received an Investment Licence on 8 August 1997 and its amended investment licences to produce steel wire rod and high tensile rebar for the construction industry. SSESTEEL Ltd is a wholly owned subsidiary of SSE. During the year, the Group contributed additional funds of \$1.586 million via SSE.
- (x) Parnham Overseas Ltd is a wholly owned subsidiary of Ausviet which was incorporated in the British Virgin Islands to hold an investment in Vietnam. It holds 65% of Austnam.
- (xi) Controlled entity audited by other member firm of Ernst & Young International.
- (xii) Controlled entity audited by auditors other than Ernst & Young.

**14. PROPERTY, PLANT AND EQUIPMENT**

|   | CONSOLIDATED   |                | PARENT         |                |
|---|----------------|----------------|----------------|----------------|
|   | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| Building on leasehold land                |                |                |                |                |
| - Cost                                    | 8,104          | 6,531          | -              | -              |
| - Accumulated depreciation                | (3,187)        | (2,393)        | -              | -              |
| Net carrying amount                       | 4,917          | 4,138          | -              | -              |
| Plant and equipment                       |                |                |                |                |
| - Cost                                    | 33,330         | 28,387         | 77             | 74             |
| - Accumulated depreciation and impairment | (25,063)       | (20,209)       | (63)           | (60)           |
| Net carrying amount                       | 8,267          | 8,178          | 14             | 14             |
| Motor vehicles                            |                |                |                |                |
| - Cost                                    | 1,627          | 1,192          | -              | -              |
| - Accumulated depreciation                | (1,072)        | (803)          | -              | -              |
| Net carrying amount                       | 555            | 389            | -              | -              |
| Construction in progress – cost           | 3,084          | 433            | -              | -              |
| Net carrying amount                       | 16,823         | 13,138         | 14             | 14             |

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

**14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

|   | CONSOLIDATED   |                | PARENT         |                |
|---|----------------|----------------|----------------|----------------|
|   | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| Reconciliation of plant, property and equipment |                |                |                |                |
| Building on leasehold land                      |                |                |                |                |
| Opening net carrying amount                     | 4,138          | 5,266          | -              | -              |
| Additions                                       | 385            | 43             | -              | -              |
| Disposals/transfers                             | -              | -              | -              | -              |
| Depreciation expense                            | (336)          | (351)          | -              | -              |
| Loss on re-measurement                          | -              | (287)          | -              | -              |
| Exchange difference                             | 730            | (533)          | -              | -              |
| Closing net carrying amount                     | 4,917          | 4,138          | -              | -              |
| Plant and equipment                             |                |                |                |                |
| Opening net carrying amount                     | 8,178          | 11,800         | 14             | 18             |
| Additions                                       | 232            | 126            | 3              | -              |
| Disposals/transfers                             | (73)           | (21)           | -              | -              |
| Depreciation expense                            | (1,298)        | (1,310)        | (3)            | (4)            |
| Loss on re-measurement                          | -              | (995)          | -              | -              |
| Exchange difference                             | 1,228          | (1,422)        | -              | -              |
| Closing net carrying amount                     | 8,267          | 8,178          | 14             | 14             |
| Motor vehicles                                  |                |                |                |                |
| Opening net carrying amount                     | 389            | 722            | -              | -              |
| Additions                                       | 265            | 1              | -              | -              |
| Disposals/transfers                             | (36)           | (32)           | -              | -              |
| Depreciation expense                            | (143)          | (143)          | -              | -              |
| Loss on re-measurement                          | -              | (88)           | -              | -              |
| Exchange difference                             | 80             | (71)           | -              | -              |
| Closing net carrying amount                     | 555            | 389            | -              | -              |
| Construction in progress                        |                |                |                |                |
| Opening net carrying amount                     | 433            | 491            | -              | -              |
| Net additions/transfers                         | 2,230          | (8)            | -              | -              |
| Exchange difference                             | 421            | (50)           | -              | -              |
| Closing net carrying amount                     | 3,084          | 433            | -              | -              |
| <b>Net carrying amount</b>                      | 16,823         | 13,138         | 14             | 14             |

The capitalised interest on qualifying assets is \$0.02 million at 31 December 2008 (2007: Nil).

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

**15. INTANGIBLE ASSETS**

|                                     | CONSOLIDATED   |                | PARENT         |                |
|-------------------------------------|----------------|----------------|----------------|----------------|
|                                     | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| Software costs                      |                |                |                |                |
| Cost (gross carrying amount)        | 148            | 100            | -              | -              |
| Accumulated amortisation            | (104)          | (68)           | -              | -              |
|                                     | 44             | 32             | -              | -              |
| Land rights                         |                |                |                |                |
| Cost (gross carrying amount)        | 525            | 448            | -              | -              |
| Accumulated amortisation            | (101)          | (76)           | -              | -              |
|                                     | 424            | 372            | -              | -              |
| Goodwill <sup>(i)</sup>             | 191            | 191            | -              | -              |
|                                     | 659            | 595            | -              | -              |
| Reconciliation of Intangible Assets |                |                |                |                |
| Software costs                      |                |                |                |                |
| Opening net carrying amount         | 32             | 76             | -              | -              |
| Additions                           | 27             | -              | -              | -              |
| Amortisation expense                | (21)           | (20)           | -              | -              |
| Loss on re-measurement              | -              | (18)           | -              | -              |
| Exchange difference                 | 6              | (6)            | -              | -              |
| Closing net carrying amount         | 44             | 32             | -              | -              |
| Land rights                         |                |                |                |                |
| Opening net carrying amount         | 372            | 416            | -              | -              |
| Additions                           | -              | 11             | -              | -              |
| Amortisation expense                | (10)           | (8)            | -              | -              |
| Exchange difference                 | 62             | (47)           | -              | -              |
| Closing net carrying amount         | 424            | 372            | -              | -              |
| Goodwill <sup>(i)</sup>             |                |                |                |                |
| Opening net carrying amount         | 191            | 191            | -              | -              |
| Closing net carrying amount         | 191            | 191            | -              | -              |
| <b>Net carrying amount</b>          | <b>659</b>     | <b>595</b>     | <b>-</b>       | <b>-</b>       |

<sup>(i)</sup> Purchased as part of business combination.

There were no impairment losses on intangible assets during the year (2007: nil).

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

**16. TRADE AND OTHER PAYABLES (CURRENT)**

|                        | CONSOLIDATED   |                | PARENT         |                |
|------------------------|----------------|----------------|----------------|----------------|
|                        | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| Trade payables         | 7,574          | 20,902         | -              | -              |
| Other payables         | 6,314          | 3,739          | 100            | 189            |
| Related party payables | -              | 582            | 113            | 582            |
|                        | 13,888         | 25,223         | 213            | 771            |

Trade payables are non-interest bearing and are normally settled on 30-60 day terms.

Other payables are non-trade payables, are non-interest bearing and have varying terms of less than a year.

**Related party payables**

Related party payables' terms and conditions are set in Notes 25 and 26.

**Fair value**

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

**Foreign exchange, interest rate and liquidity risk**

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in Note 3.

**17. INTEREST-BEARING LOANS AND BORROWINGS**

|                         | CONSOLIDATED   |                | PARENT         |                |
|-------------------------|----------------|----------------|----------------|----------------|
|                         | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| Current                 |                |                |                |                |
| Bank loans – secured    | 40,691         | 15,872         | -              | -              |
| Other loans – secured   | -              | 3,500          | -              | -              |
| Other loans – unsecured | -              | 1,500          | -              | 1,500          |
|                         | 40,691         | 20,872         | -              | 1,500          |
| Non-Current             |                |                |                |                |
| Bank loans – secured    | 822            | 2,254          | -              | -              |
|                         | 822            | 2,254          | -              | -              |
|                         | 41,513         | 23,126         | -              | -              |

**Fair value**

Their carrying values of the Group's interest bearing liabilities and borrowings are assumed to approximate their fair value.

**Foreign exchange, interest rate and liquidity risk**

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in Note 3.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

**17. INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)**

**Terms and conditions of Interest bearing loans and borrowings**

Outstanding bank loans of \$41.51 million (2007: \$18.13 million) relate to loans from various banks in Vietnam which are valued in Vietnamese Dong and US Dollar. These interest bearing liabilities of the Group's operating subsidiaries have various repayment terms. The Group's operating subsidiaries in Vietnam have banking facilities with various banks in Vietnam for working capital and project finance purposes. These facilities are secured by a chattel pledge over machinery, equipment and inventories of the subsidiaries and in certain instances, by the guarantee of Vietnam Industrial Investments Limited of US\$22.23 million (\$32.09 million) (2007: US\$17.83 million or \$20.22 million).

At 31 December 2008, the total interest bearing liabilities drawdown to which these corporate guarantees relate to were US\$12.52 million (\$18.07 million) (2007: US\$8.07 million or \$9.15 million).

Interest is recognised at an effective interest rate. The effective interest rates are set out in Note 3.

|   | CONSOLIDATED   |                | PARENT         |                |
|---|----------------|----------------|----------------|----------------|
|   | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| <b>Financing facilities available</b>   |                |                |                |                |
| At reporting date, the following financing facilities had been negotiated and were available: |                |                |                |                |
| Total facilities available  | 107,171        | 65,693         | -              | 1,500          |
| Facilities used at reporting date   |                |                |                |                |
| - short-term loans  | 40,691         | 20,872         | -              | 1,500          |
| - long-term loans   | 822            | 2,254          | -              | -              |
| Facilities unused at reporting date   |                |                |                |                |
| - short-term loans  | 65,658         | 42,567         | -              | -              |
| - long-term loans   | -              | -              | -              | -              |

The facilities are repayable at the bank's discretion and as such the Group, in the absence of alternative sources of funding, is dependent upon the banks continuing to renew their short term facilities. The Directors are of the view that the facilities will continue to be renewed as they fall due as this has occurred previously. The Group obtained short-term loans which have ongoing maturity roll over dates ranging from 1 month to 6 months to meet the Group's working capital requirements. The long-term loans were to finance the construction of the production and equipment facilities.

**Assets pledged as security for liabilities**

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

|                               | CONSOLIDATED   |                | PARENT         |                |
|-------------------------------|----------------|----------------|----------------|----------------|
|                               | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| Receivables                   | -              | 651            | -              | -              |
| Inventories                   | 19,248         | 7,159          | -              | -              |
| Property, plant and equipment | 12,168         | 11,615         | -              | -              |



**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

**18. PROVISIONS**

|                                 | CONSOLIDATED   |                | PARENT         |                |
|---------------------------------|----------------|----------------|----------------|----------------|
|                                 | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| Current                         |                |                |                |                |
| Employee benefits               | 878            | 539            | 26             | 29             |
| Provision for onerous contracts | -              | 493            | -              | -              |
| Dividends payable               | 3              | 3              | 3              | 3              |
|                                 | 881            | 1,035          | 29             | 32             |

Employee benefits relate to long service leave and annual leave of employees. Dividends payable relates to dividends declared from the previous years.

**19. CONTRIBUTED EQUITY**

|                       | CONSOLIDATED   |                | PARENT         |                |
|-----------------------|----------------|----------------|----------------|----------------|
|                       | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| Ordinary shares       |                |                |                |                |
| Issued and fully paid | 27,819         | 22,057         | 27,819         | 22,057         |

142,277,423 (2007: 103,320,002) fully paid shares carry one vote per share and carry the right to dividends.

|  | CONSOLIDATED   |                | PARENT         |                |
|--|----------------|----------------|----------------|----------------|
|  | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| <b>(a) Ordinary shares</b>                 |                |                |                |                |
| Opening balance                            | 22,057         | 22,057         | 22,057         | 22,057         |
| Issuance of ordinary shares <sup>(i)</sup> | 5,843          | -              | 5,843          | -              |
| Transaction costs                          | (81)           | -              | (81)           | -              |
| Closing balance                            | 27,819         | 22,057         | 27,819         | 22,057         |

<sup>(i)</sup> 38,957,421 ordinary fully paid shares issued at 15 cents per share.

**(b) Number of shares issued**

|   |             |             |             |             |
|---|-------------|-------------|-------------|-------------|
| At the beginning of reporting period            | 103,320,002 | 103,320,002 | 103,320,002 | 103,320,002 |
| Shares issued during the year<br>- 5 March 2008 | 38,957,421  | -           | 38,957,421  | -           |
| At end of reporting period                      | 142,277,423 | 103,320,002 | 142,277,423 | 103,320,002 |

**(c) Options**

At reporting date, there were no options on issue (2007: Nil).

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

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**19. CONTRIBUTED EQUITY (CONTINUED)**

**(d) Capital management**

The Group's objective when managing capital is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

The gearing ratios at reporting date were as follows:

|                                | CONSOLIDATED |          |
|--------------------------------|--------------|----------|
|                                | 2008         | 2007     |
|                                | \$'000       | \$'000   |
| Total debt <sup>(i)</sup>      | 55,401       | 48,349   |
| Less cash and cash equivalents | (28,529)     | (12,349) |
| <b>Net debt</b>                | 26,872       | 36,000   |
| <br>                           |              |          |
| Total equity                   | 34,532       | 12,797   |
| Less minority interest         | (6,185)      | (5,318)  |
| <b>Equity</b>                  | 28,347       | 7,479    |
| <b>Net debt plus equity</b>    | 55,219       | 43,479   |
| <br>                           |              |          |
| <b>Gearing ratio</b>           | 49%          | 83%      |

<sup>(i)</sup> consist of trade and other payables, and interest bearing liabilities.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

**20. RESERVES AND (ACCUMULATED LOSSES)/RETAINED EARNINGS**

|   | CONSOLIDATED   |                | PARENT         |                |
|---|----------------|----------------|----------------|----------------|
|   | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| Foreign currency translation reserve                    | 2,865          | (1,051)        | -              | -              |
| Legal reserve   | 1,124          | 1,124          | -              | -              |
|   | <u>3,989</u>   | <u>73</u>      | <u>-</u>       | <u>-</u>       |
| Movement in foreign currency translation reserve        |                |                |                |                |
| Opening balance   | (1,051)        | (403)          | -              | -              |
| Currency translation difference arising during the year | 3,916          | (648)          | -              | -              |
| Closing balance   | <u>2,865</u>   | <u>(1,051)</u> | <u>-</u>       | <u>-</u>       |

**Nature and purpose of reserves**

*Foreign currency translation reserve*

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

*Legal reserve*

Under the Joint Venture Charter of Vinausteel, 5% of operating profit after tax and any transfers to other reserves are appropriated to the legal reserve up to a maximum of 10% of the invested capital of the enterprise. At the present time, there are no rules specifying the use that can be made of the reserve.

|  | CONSOLIDATED   |                 | PARENT         |                |
|--|----------------|-----------------|----------------|----------------|
|  | 2008<br>\$'000 | 2007<br>\$'000  | 2008<br>\$'000 | 2007<br>\$'000 |
| (Accumulated losses)/retained earnings             | (3,461)        | (14,651)        | 409            | (3,849)        |
| Movement in (accumulated losses)/retained earnings |                |                 |                |                |
| Opening balance                                    | (14,651)       | (16,052)        | (3,849)        | (3,751)        |
| Net profit/(loss) for the year                     | 11,190         | 1,401           | 4,258          | (98)           |
| Closing balance                                    | <u>(3,461)</u> | <u>(14,651)</u> | <u>409</u>     | <u>(3,849)</u> |

**21. MINORITY INTEREST**

|                    |              |              |          |          |
|--------------------|--------------|--------------|----------|----------|
| Contributed equity | 4,639        | 4,639        | -        | -        |
| Reserves           | 543          | (507)        | -        | -        |
| Retained earnings  | 1,003        | 1,186        | -        | -        |
|                    | <u>6,185</u> | <u>5,318</u> | <u>-</u> | <u>-</u> |

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

**22. EARNINGS PER SHARE**

CONSOLIDATED

|               |        |
|---------------|--------|
| <b>2008</b>   | 2007   |
| <b>\$'000</b> | \$'000 |

The following reflects the income used in the basic and diluted earnings per share computations:

|  |        |       |
|--|--------|-------|
| Net profit attributable to ordinary equity holders of the Parent | 11,190 | 1,401 |
|--|--------|-------|

|                      |               |
|----------------------|---------------|
| <b>2008</b>          | 2007          |
| <b>No. Of Shares</b> | No. Of Shares |

Weighted average number of ordinary shares for basic and diluted earnings per share

|             |             |
|-------------|-------------|
| 135,465,196 | 103,320,002 |
|-------------|-------------|

|              |       |
|--------------|-------|
| <b>Cents</b> | Cents |
|--------------|-------|

**Earnings per share for profit attributable to the ordinary equity holders of the Company:**

|  |      |      |
|--|------|------|
| – Basic and diluted earnings per share | 8.26 | 1.36 |
|--|------|------|

On 29 January 2008, the Company announced a renounceable rights issue to existing shareholders on the basis of one (1) new share for every two (2) shares held on 6 February 2008, at a price of \$0.15 per new share to raise a maximum of approximately \$7.75 million (before costs). The offer closed on 26 February 2008 and raised \$5.84 million (before costs).

On 5 March 2008, the Company issued 38,957,421 fully paid ordinary shares to those shareholders who accepted their entitlements. The number of shares issued at this date is 142,277,423.

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 completion of these financial statements.

**23. DIVIDENDS PAID AND PROPOSED**

There were no dividends declared during the year (2007: Nil). For the year ended 31 December 2008, no dividends were paid (2007: Nil).

PARENT

|               |        |
|---------------|--------|
| <b>2008</b>   | 2007   |
| <b>\$'000</b> | \$'000 |

Franking credits available for the subsequent financial years based on a tax rate of 30%

|   |   |
|---|---|
| 5 | 5 |
|---|---|

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

**24. AUDITORS' REMUNERATION**

The auditor of Vietnam Industrial Investments Limited is Ernst & Young.

|   | CONSOLIDATED |         | PARENT  |         |
|---|--------------|---------|---------|---------|
|   | 2008         | 2007    | 2008    | 2007    |
|   | \$           | \$      | \$      | \$      |
| Amounts received or due and receivable by Ernst & Young (Australia) for:                                  |              |         |         |         |
| - an audit or review of the financial report of the entity and any other entity in the consolidated group | 94,161       | 98,600  | 94,161  | 98,600  |
| - other services in relation to the entity and any other entity in the consolidated group                 |              |         |         |         |
| - tax compliance and advice   | 20,230       | 44,187  | 20,230  | 44,187  |
|   | 114,391      | 142,787 | 114,391 | 142,787 |
| Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:             |              |         |         |         |
| - an audit or review of the financial report of the subsidiary entities                                   | 82,359       | 69,326  | -       | -       |
|   | 82,359       | 69,326  | -       | -       |
| Amounts received or due and receivable by non Ernst & Young audit firms for:                              |              |         |         |         |
| - an audit or review of the financial report of the subsidiary entities                                   | 6,764        | 5,036   | -       | -       |
| - other non-audit services  | -            | 25,125  | -       | 25,125  |
|   | 6,764        | 30,161  | -       | 25,125  |

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

**25. KEY MANAGEMENT PERSONNEL**

**(a) Compensation of Key Management Personnel**

|                      | CONSOLIDATED |           | PARENT  |         |
|----------------------|--------------|-----------|---------|---------|
|                      | 2008         | 2007      | 2008    | 2007    |
|                      | \$           | \$        | \$      | \$      |
| Short-term           | 1,164,265    | 823,139   | 280,500 | 127,089 |
| Post employment      | 10,305       | 171,472   | 10,305  | 88,280  |
| Other long-term      | 20,946       | 9,250     | 1,163   | 9,250   |
| Termination benefits | -            | -         | -       | -       |
| Share-based payments | -            | -         | -       | -       |
|                      | 1,195,516    | 1,003,861 | 291,968 | 224,619 |

**(b) Shareholdings of Key Management Personnel**

Shares held in Vietnam Industrial Investments Limited:

| 2008              | Beginning<br>balance<br>1 January 2008 | Granted as<br>remuneration | On exercise<br>of options | Net change<br>other | Ending<br>balance<br>31 December 2008 |
|-------------------|--|----------------------------|---------------------------|---------------------|---------------------------------------|
| <b>Directors</b>  |  |                            |                           |                     |                                       |
| A.J. Hambly       | -                                      | -                          | -                         | -                   | -                                     |
| H. V. H. Lam*     | 78,100,287                             | -                          | -                         | 38,769,503          | 116,869,790                           |
| A. A. Young       | -                                      | -                          | -                         | -                   | -                                     |
| R.S. Kwok         | -                                      | -                          | -                         | -                   | -                                     |
| M.A. Clements     | -                                      | -                          | -                         | -                   | -                                     |
| C.R. Martin*      | 77,539,007                             | -                          | -                         | 38,769,503          | 116,308,510                           |
| <b>Executives</b> |  |                            |                           |                     |                                       |
| D. Q. Phan        | -                                      | -                          | -                         | -                   | -                                     |
| T.T. Nguyen       | -                                      | -                          | -                         | -                   | -                                     |
| B. Redman         | -                                      | -                          | -                         | -                   | -                                     |
| T. Huang          | -                                      | -                          | -                         | 2,950               | 2,950                                 |
| P. Shinn          | -                                      | -                          | -                         | -                   | -                                     |

\* On 5 March 2008, the Company issued 38,957,421 fully paid ordinary shares to those shareholders who accepted their entitlements. Corbyns accepted their entitlements of 38,769,503 shares. As at 31 December 2008, Mr Lam is the owner of 561,280 shares in VII. Mr Lam is also a director and majority shareholder of Corbyns which owned 116,308,510 shares in VII as at 31 December 2008. Mr Martin is also a director of Corbyns. As at 31 December 2008, the number of shares on issue is 142,277,423 (2007: 103,320,002).

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

**25. KEY MANAGEMENT PERSONNEL (CONTINUED)**

**(b) Shareholdings of Key Management Personnel (continued)**

All equity transactions with key management personnel have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

Shares held in Vietnam Industrial Investments Limited:

| 2007              | Beginning<br>balance<br>1 January 2007 | Granted as<br>remuneration | On exercise<br>of options | Net change<br>other | Ending<br>balance<br>31 December 2007 |
|-------------------|--|----------------------------|---------------------------|---------------------|---------------------------------------|
| <b>Directors</b>  |  |                            |                           |                     |                                       |
| A.J. Hambly       | -                                      | -                          | -                         | -                   | -                                     |
| H. V. H. Lam*     | 10,809,137                             | -                          | -                         | 67,291,150          | 78,100,287                            |
| A. A. Young       | 3,087,000                              | -                          | -                         | (3,087,000)         | -                                     |
| R.S. Kwok         | -                                      | -                          | -                         | -                   | -                                     |
| M.A. Clements     | 90,000                                 | -                          | -                         | (90,000)            | -                                     |
| C.R. Martin*      | -                                      | -                          | -                         | 77,539,007          | 77,539,007                            |
| <b>Executives</b> |  |                            |                           |                     |                                       |
| D. Q. Phan        | -                                      | -                          | -                         | -                   | -                                     |
| T.T. Nguyen       | -                                      | -                          | -                         | -                   | -                                     |
| B. Redman         | -                                      | -                          | -                         | -                   | -                                     |

\* Mr Lam is the owner of 561,280 shares in VII. Mr Lam is also a director and majority shareholder of Corbyns which owned 77,539,007 shares in VII as at 31 December 2007. Mr Martin is also a director of Corbyns.

**(c) Option holdings of Key Management Personnel**

There are no options granted as remuneration and outstanding at 31 December 2008 to key management personnel (2007: Nil). There have been no other transactions concerning shares or share options between entities in the reporting entity and directors of the reporting entity or their director-related entities.

**(d) Other transactions and balances with Key Management Personnel and their related parties**

Related party payables to key management personnel are as follows:

|                | CONSOLIDATED   |                | PARENT         |                |
|----------------|----------------|----------------|----------------|----------------|
|                | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| M. A. Clements | -              | 154            | -              | 154            |
| A.J. Hambly    | -              | 5              | -              | 5              |
| R.S. Kwok      | -              | 3              | -              | 3              |
| S. Lee         | -              | 371            | -              | 371            |
| M.P. Bowen     | -              | 49             | -              | 49             |
|                | -              | 582            | -              | 582            |

The Group's operating subsidiaries incurred non-cash benefits of \$103,708 (2007: \$54,779) for Mr Lam, \$21,363 (2007: \$19,465) for Mr Young and \$30,504 (2007: Nil) for Mr Huang in relation to their employment in Vietnam.

The Company subleases a portion of its office accommodation to Medical Corporation Australasia Limited ("MOD") for which the Company received rental income of \$76,844 (2007: \$67,510). MOD is a company in which Mr Clements is a director. The sublease was made in the ordinary course of business and is on normal commercial terms and conditions. The term of the sublease is until 15 March 2009. The office lease commitments are set out in Note 27.

The Company provided financial services to MOD of \$37,665 (2007: executive and financial services of \$137,956). The financial services are provided in the ordinary course of business and are on normal terms and conditions. Director and company secretarial services of \$84,000 were provided by Trident Management Services Pty Ltd, a company in which Mr Clements is a director and shareholder, in the ordinary course of business and normal commercial terms (2007: \$7,000). This is included in the directors' remuneration report.

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

**26. RELATED PARTY DISCLOSURES**

**(a) Ultimate parent entity**

Vietnam Industrial Investments Limited is the ultimate Australian parent entity and the ultimate parent of the Group is Corbyns International Limited, which was incorporated in the British Virgin Islands and owns 82.14% of Vietnam Industrial Investments Limited as at 31 December 2008.

**(b) Subsidiaries**

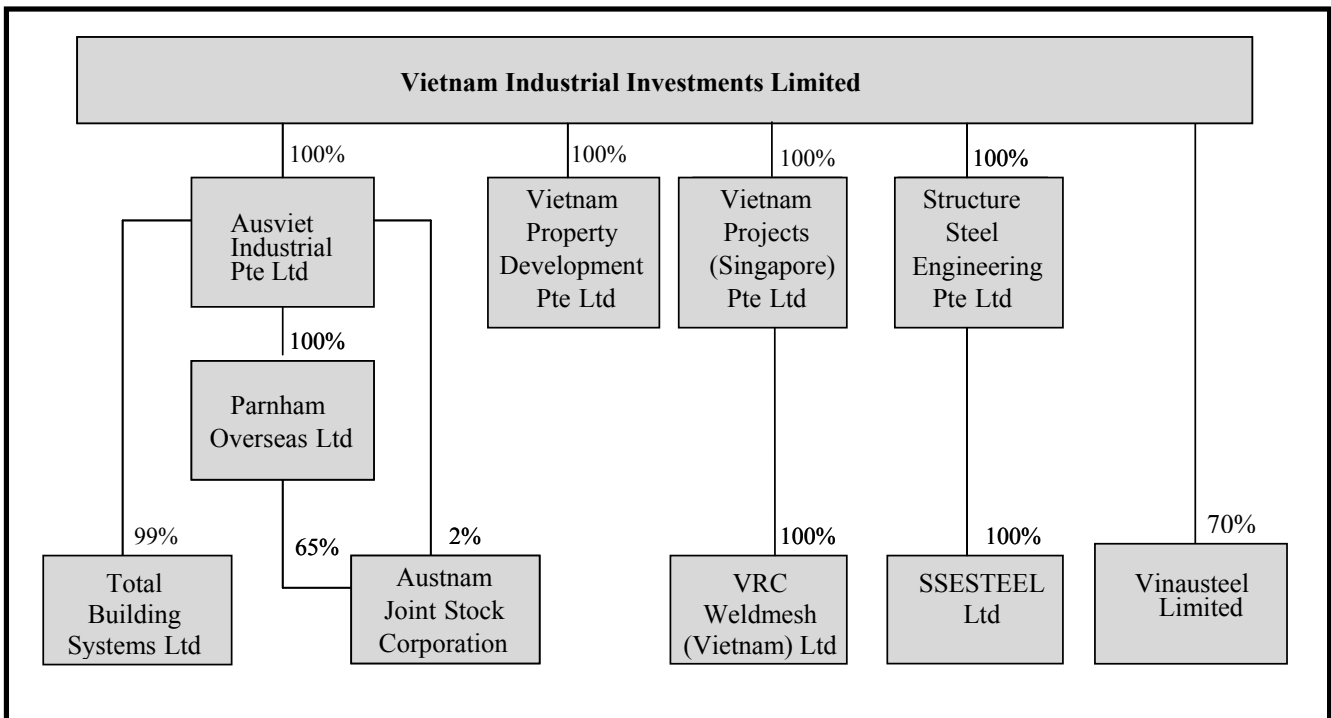
Interests in subsidiaries are set out in Note 13.

**(c) Key management personnel**

Details relating to key management personnel are set out in Note 25.

**(d) Corporate structure**

Vietnam Industrial Investments Limited is the ultimate Australian parent entity. The corporate structure is outlined below:





**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

**26. RELATED PARTY DISCLOSURES (CONTINUED)**

**(e) Transactions with related parties**

The following table provides the total intercompany receivable balance at 31 December 2008:

|  | Note | PARENT         |                |
|--|------|----------------|----------------|
|  |      | 2008<br>\$'000 | 2007<br>\$'000 |
| VRC Weldmesh (Vietnam) Ltd             | 1    | 903            | 709            |
| Total Building Systems Limited         | 3    | 595            | 1,590          |
| Vinausteel Limited                     | 4    | 1,139          | -              |
| Ausviet Industrial Investments Pte Ltd | 2    | 1              | 238            |
| Structure Steel Engineering Pte Ltd    | 2    | 423            | 403            |
| Vietnam Projects (Singapore) Pte Ltd   | 2    | 38             | 32             |
| Vietnam Property Development Pte Ltd   | 2    | -              | 29             |
|  |      | 3,099          | 3,001          |
| Current related party receivables      |      | 2,504          | 2,910          |
| Non-current related party receivables  |      | 595            | 91             |
| Intercompany payable:                  |      |                |                |
| Parnham Overseas Limited               |      | 113            | -              |

Note:

- The Company has outstanding unsecured loans of \$902,815 (2007: \$625,399), to VRC for working capital requirements. The loans bear interest rates of 5% and 6% (2007: 5% and 6%). The accrued interest of these loans as at 31 December 2008 has been waived (2007: \$84,072).
- The Company incurred corporate expenses totaling \$79,449 (2007: \$296,688) on behalf of its Singapore incorporated controlled entities. As at 31 December 2008, the total related party receivables from the Singapore incorporated controlled entities is \$462,162 (2007: \$702,113). These related party receivables are non-interest bearing (2007: nil).
- During the year, the loans and accrued interest made to TBS of \$1,561,280 had been converted to investments. Also, the Company provided fund contributions of \$734,171 via Ausviet. At 31 December 2008, the Company provided advances to TBS of \$594,895. These advances are repayable in three (3) years beginning 2010 on quarterly installments. Interest shall accrue from 1 January 2010 at a rate of 3-month Vietnam Interbank Offered Rate, plus 2% per annum.
- Vinausteel declared dividends of VND30 billion (\$2,600,889) of which VII's share was VND21 billion (\$1,820,622) on 15 October 2008. At 31 December 2008, the remaining dividend receivable is VND13.8 billion (\$1,139,150).
- As at 31 December 2008, the Company owes Parnham Overseas Limited ("POL") of \$112,634 (2007: nil) for tax refund received by the Company on behalf of POL.

**Allowance for impairment loss**

For the year ended 31 December 2008, impairment loss of \$43,283 (2007: nil) was recognised on intercompany receivable from Vietnam Property Development Pte Ltd and is included in the parent income statement. As at 31 December 2008, the carrying value of the intercompany receivable from Vietnam Property Development Pte Ltd is nil (2007: \$29,494).

**(f) Financial guarantees**

The Company has provided security to various banks for banking facilities provided to Vietnam subsidiaries in the form of letters of guarantee totalling US\$22.23 million (\$32.09 million) (2007: US\$17.83 million or \$20.22 million) and security to the supplier of machinery and equipment to SSESTEEL in the form of a letter of guarantee totalling Euro 0.43 million (\$0.85 million) (2007: Euro 2.5 million or \$4.1 million). At 31 December 2008 the total interest bearing liabilities drawdown to which these corporate guarantees relate to were US\$12.52 million (\$18.07 million) (2007: US\$8.07 million or \$9.15 million). The Company charges Vinausteel for the corporate guarantees. During the year, the Company recognised guarantee income of \$0.28 million (2007: \$0.24 million).

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

**27. COMMITMENTS**

**(a) Operating lease commitments – (Group as lessee)**

**Land rental**

The Group has entered into commercial leases on land where it is not in the best interest of the Group to purchase these assets. These leases have an average life of between 3 and 30 years with varying terms, clauses and renewal rights included in the contracts. Renewals are at the discretion of the specific entity that holds the lease. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2008 are as follows:

|   | CONSOLIDATED   |                | PARENT         |                |
|---|----------------|----------------|----------------|----------------|
|   | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| Within one year                             | 555            | 311            | -              | -              |
| After one year but not more than five years | 616            | 692            | -              | -              |
| More than five years                        | 1,756          | 1,993          | -              | -              |
| Total minimum lease payments                | 2,927          | 2,996          | -              | -              |

**Office accommodation**

*Lease commitment*

This commitment reflects the Company entering into a non-cancellable operating lease on office premises. The term of the lease is until 14 March 2010.

Future minimum rentals payable under non-cancellable operating lease as at 31 December 2008 are as follows:

|   | CONSOLIDATED   |                | PARENT         |                |
|---|----------------|----------------|----------------|----------------|
|   | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| Within one year                             | 65             | 109            | 65             | 109            |
| After one year but not more than five years | 10             | 23             | 10             | 23             |
| Total minimum lease payments                | 75             | 132            | 75             | 132            |

*Sublease of office accommodation*

*contracted but not recognised as a receivable:*

The Company subleases part of its office accommodation to a related party. The sublease was made in the ordinary course of business and is on normal terms and conditions. The term of the sublease is until 15 March 2009. During the year, rent received from the related party was \$76,844 (2007: \$67,510).

Future minimum rentals receivable under non-cancellable operating lease as at 31 December 2008 are as follows:

|   | CONSOLIDATED   |                | PARENT         |                |
|---|----------------|----------------|----------------|----------------|
|   | 2008<br>\$'000 | 2007<br>\$'000 | 2008<br>\$'000 | 2007<br>\$'000 |
| Within one year                             | 16             | 42             | 16             | 42             |
| After one year but not more than five years | -              | -              | -              | -              |
| Total minimum lease payments receivable     | 16             | 42             | 16             | 42             |

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2008 (CONTINUED)**

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**27. COMMITMENTS (CONTINUED)**

**(b) Capital expenditure commitments**

There were no capital expenditure commitments as at 31 December 2008.

**(c) Finance, lease and hire purchase commitments**

There were no finance, lease and hire purchase commitments as at 31 December 2008.

**(d) Remuneration commitments**

There were no remuneration commitments as at 31 December 2008.

**28. CONTINGENCIES**

Vietnam Industrial Investments Limited and its controlled entities have no known contingent liabilities at the end of the financial year.

**29. EVENTS AFTER BALANCE SHEET DATE**

There has not been any 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.

## DIRECTORS' DECLARATION

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

(1) In the opinion of the directors:

- (a) the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the Company and the consolidated entity are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2008 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the year ended 31 December 2008.

On behalf of the Board

ALAN A. YOUNG  
**Director**

Hai Phong, 30 March 2009

Independent auditor's report to the members of Vietnam Industrial Investments Limited

### **Report on the Financial Report**

We have audited the accompanying financial report of Vietnam Industrial Investments Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Independence*

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

*Auditor's Opinion*

In our opinion:

1. the financial report of Vietnam Industrial Investments Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the financial position of Vietnam Industrial Investments Limited and the consolidated entity at 31 December 2008 and of their performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
  
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 13 of the directors' report for the year ended 31 December 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's Opinion*

In our opinion the Remuneration Report of Vietnam Industrial Investments Limited for the year ended 31 December 2008, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

G A Buckingham  
Partner  
Perth  
30 March 2009

## ASX ADDITIONAL INFORMATION

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Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 12 March 2009.

### SUBSTANTIAL SHAREHOLDERS

| Ordinary shareholder                                     | Fully Paid Number | Percentage |
|--|-------------------|------------|
| Corbyns International Limited                            | 116,869,790       | 82.14%     |
| Henry Lam Van Hung                                       | 116,869,790       | 82.14%     |
| PCA International Funds SPC Vietnam Segregated Portfolio | 116,869,790       | 82.14%     |
| Land & General Berhad                                    | 13,002,000        | 9.14%      |

### DISTRIBUTION OF EQUITY SECURITIES

At 12 March 2009, there were 91 holders of the ordinary shares of the Company.

Ordinary shares

In accordance with the Company's constitution, on a show of hands, every member present in person or by proxy or attorney or duly authorised representative has one vote. In a poll, every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share.

| Category           | Number of Shareholders<br>Fully paid ordinary shares |
|--------------------|--|
| 1 - 1,000          | 9  |
| 1,001 - 5,000      | 23   |
| 5,001 - 10,000     | 10   |
| 10,001 - 100,000   | 40   |
| 100,001 - and over | 9  |
|                    | <hr/>  |
|                    | 91   |
|                    | <hr/>  |

The number of shareholders holding less than a marketable parcel at 12 March 2009 was 12.

## ASX ADDITIONAL INFORMATION (CONTINUED)

### TWENTY LARGEST SHAREHOLDERS (as at 12 March 2009)

| Name                                | Number of Ordinary<br>Shares Held | Percentage of<br>Shares Held |
|-------------------------------------|-----------------------------------|------------------------------|
| Corbyns International Ltd           | 116,308,510                       | 81.75%                       |
| Land & General Berhad               | 13,002,000                        | 9.14%                        |
| Seah Kee Khoo                       | 4,000,000                         | 2.81%                        |
| Joon Jin Goh                        | 3,950,000                         | 2.78%                        |
| ANZ Nominees Limited                | 1,517,022                         | 1.07%                        |
| Nefco Nominees Pty Ltd              | 1,285,830                         | .90%                         |
| Henry Van Hung Lam                  | 561,280                           | .39%                         |
| National Nominees Ltd               | 200,000                           | .14%                         |
| HSBC Custody Nominees Australia Ltd | 156,000                           | .11%                         |
| David & Colleen Dean                | 100,000                           | .07%                         |
| Robyn Mary Blenkiron                | 89,250                            | .06%                         |
| Kok Hin Ng                          | 80,000                            | .06%                         |
| Liam Q & Pham H T T Phan            | 80,000                            | .06%                         |
| Le Quan Tring                       | 58,600                            | .04%                         |
| Graeme Bruce Lowe                   | 50,000                            | .04%                         |
| Wongs Holdings Pty Ltd              | 40,000                            | .03%                         |
| Peter Lorenz                        | 40,000                            | .03%                         |
| DMG & Partners Securities Pte Ltd   | 30,000                            | .02%                         |
| John Alexander Flett                | 30,000                            | .02%                         |
| C & L E Pearson                     | 25,000                            | .02%                         |
| Peter Lachlan Wiese                 | 24,000                            | .02%                         |
| Kenneth Francis Mcnamara            | 23,500                            | .02%                         |
| Robert James Jordan                 | 22,846                            | .02%                         |
|                                     | 141,673,838                       | 98.79%                       |

### Restricted Securities

There are no ordinary shares on issue that have been classified by the Australian Securities Exchange (Perth) as restricted securities.

### Stock Exchange Listing

Vietnam Industrial Investments Limited shares are listed on the Australian Securities Exchange and the Frankfurt Stock Exchange's Unofficial Regulated Market. The home exchange is the Australian Securities Exchange (Perth).



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**Vietnam Industrial Investments Limited**

ABN 64 063 656 333

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