



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

VIETNAM INDUSTRIAL INVESTMENTS LIMITED

3 October 2011

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

Dear Sirs

REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2011

(Previous corresponding period: 30 June 2010)

Attached is our report for the six months ended 30 June 2011 incorporating the requirements of Appendix 4D.

Results for announcement to the market

	6 months 30.06.2011	6 months 30.06.2010	Change \$	Change %
Revenues from ordinary activities (A\$)	247.529m	195.413m	52.116m	27%
Net (loss)/profit for the period (A\$)	(3.527m)	9.138m	(12.665m)	(139%)
Net (loss)/profit for the period attributable to members (A\$)	(4.031m)	8.548m	(12.579m)	(147%)
Dividends (distributions)	Amount per security	Franked amount per security		
Interim dividend	Nil	Nil		
Previous interim dividend	Nil	Nil		

Brief explanation of any of the figures reported above:

Explanation of the results for the half-year ended 30 June 2011 is provided in Review of Results of Operations of the consolidated entity in the Half-Year Financial Report.

Net Tangible Asset Backing	Current Period	Previous Corresponding Period
Net tangible asset per ordinary security	0.25	0.37

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

The applicable accounting standards used by the consolidated entity have been prepared in accordance with the Australian Accounting Standards.

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

On 31 August 2011 the Company requested suspension of its securities pending review of the treatment of an associated investment in a subsidiary entity. The review has been completed and the Company now releases its Half Year Report.

Yours faithfully

ALAN A. YOUNG
Director



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

HALF-YEAR FINANCIAL REPORT 30 JUNE 2011

Corporate Information

A.B.N. 64 063 656 333

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

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

Directors

A.J. Hambly	<i>Non-Executive Director, Chairman</i>
A.A. Young	<i>Managing Director (Chief Operating Officer)</i>
H.V.H. Lam	<i>Managing Director (Vietnam Operations)</i>
M.A. Clements	<i>Non-Executive Director and Company Secretary</i>
R.S.Kwok	<i>Independent Non-Executive Director</i>

Registered Office in Australia

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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 George's Terrace
PERTH Western Australia 6000

Bank of Western Australia Ltd
108 St George's Terrace
PERTH Western Australia 6000

Share Registry

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

Home Exchange

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

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Directors' Report

Your directors submit their report for the half-year ended 30 June 2011.

DIRECTORS

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

Alexander John Hambly, *Non-Executive Director, Chairman*
 Alan Alexander Young, *Managing Director (Chief Operating Officer)*
 Henry (Van Hung) Lam, *Managing Director (Vietnam Operations)*
 Mark Andrew Clements, *Non-Executive Director and Company Secretary*
 Roger (Sing-Leong) Kwok, *Independent Non-Executive Director*

REVIEW AND RESULTS OF OPERATIONS

The total comprehensive loss for the period was \$7.825 million which was 183% lower than previous period's total comprehensive income of \$9.471 million. The total comprehensive loss for the period consisted of: 1) Net loss for the period of \$3.527 million (2010: net profit: \$9.138 million), and 2) Foreign currency translation of a loss of \$4.298 million (2010: gain of \$0.333 million).

Net Loss for the period

For the period ended 30 June 2011 ("1H2011"), the Group net loss after tax attributable to members was \$4.031 million on revenues of \$247.529 million (including other income of \$0.256 million and interest income of \$2.525 million) (2010: Operating profit \$8.548 million on revenues of \$195.413 million).

The EBITDA of \$10.124 million is slightly lower than the corresponding period last year of approximately \$10.590 million, a 4% reduction. This is largely attributed to the devaluation of the Vietnamese Dong ("VND") against the Australian Dollar ("AUD"). In terms of VND, the EBITDA for 1H2011 is approximately VND 238 billion, a 35% increment to the corresponding period last year.

The 1H2011 net loss was largely attributable to the operations of the Steel Making Division (Vinausteel and SSESTEEL). The Steel Making Division contributed a net loss after tax attributable to members of \$2.508 million (2010: net profit after tax: \$8.808 million). The Steel Product Division (Austnam, TBS and VRC) reported a loss after tax attributable to members of \$0.554 million (2010: loss of \$0.411 million).

The Steel Making Division 1H2011 sales of \$241.542 million (VND5.182 trillion) is higher than previous corresponding period of \$186.441 million (VND3.143 trillion). This was due to an increase in sales volume, 258,444 tonnes in 1H2011 versus 232,666 tonnes in 1H2010, an increment of 11%. Gross profit margin remained consistent at approximately 6%. The following contributed to the net loss after tax:

- Increased interest expenses due to increased interest rates and higher steel prices resulting in increased working capital borrowings;
- Significant depreciation of the VND and United States dollar ("USD") and appreciation of AUD has impacted on Group profitability reported in AUD. The VND/AUD foreign exchange rate at 30 June 2011 is VND22,112 vs VND19,818 at 31 December 2010, a devaluation of approximately 12%;
- Share in net loss of associate, Dinh Vu Steel ("DVS"), for the period ended 30 June 2011 of \$0.990 million was recognised (2010: \$2.068 million). SSESTEEL has a 48.5% shareholding in DVS.



REVIEW AND RESULTS OF OPERATIONS (continued)

An impairment on the DVS investment of \$7.792 million was recognised during the period (2010: nil). DVS has two main assets, Electric Arc Furnace ("EAF") and Blast Furnace ("BF"). The BF has not materialised as DVS anticipated due to the adverse economic conditions in Vietnam. At this stage, DVS considers that it is not financial viable to bring the BF into operation due to unanticipated price escalation of coking coal and iron ore. DVS expects that the high world prices of coking coal and iron ore will remain at this level in the foreseeable future. As a result, the cash flow generated from the EAF operation is not sufficient to service the existing debts. As of 30 June 2011, DVS has net assets of only \$0.727 million, has a debt to equity of approximately 84 times, a quick ratio of less than 0.5 times, and a negative net profit margin of approximately of 2%. DVS is in discussion with its lenders to reorganise the existing financing facilities.

In view of the objective evidence, the Group has taken a conservative measure to recognise the impairment of DVS accordingly. Nevertheless, this is a non-cash item and as shown above, does not affect the EBITDA of the Group.

Foreign currency translation

For the half year ended 30 June 2011, the foreign currency translation was a loss of \$4.298 million (2009: gain of \$0.333 million). As mentioned above, VND has depreciated by approximately 12% against AUD over the 1H2011 reporting period.

The results of the Vietnam operations are as follows:

Steel Making Division

SSESTEEL Ltd (VII 100%)

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

Sales of VND3.435 trillion (\$160.121 million) were up by 80% on 2010 (VND1.903 trillion or \$112.872 million). Finished goods sales volumes for 2011 were 147,167 tonnes, an increase of 15% on the previous period (128,108 tonnes).

SSESTEEL recorded a net loss after tax of VND83.546 billion (\$3.655 million) for the half-year ended 30 June 2011 (2010 net profit after tax: VND126.915 billion or \$7.528 million). Included in SSESTEEL net loss after tax for half-year ended 30 June 2011 is its share in Dinh Vu Steel's net loss of VND21.243 billion (\$0.990 million) (2010: VND34.866 billion (\$2.068 million)) and impairment of assets of VND172.299 billion (\$7.792 million) (2010: nil).

Vinausteel Ltd (VII 70%)

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

Sales of VND1.747 trillion (\$81.421 million) were up by 41% on 2010 (VND1.240 trillion or \$73.569 million). Sales for 2011 were 111,277 tonnes, an increase of 6% on the previous period (104,558 tonnes). Vinausteel recorded a net profit after tax of VND35.161 billion (\$1.639 million) for the half-year ended 30 June 2011 (2010: VND30.840 billion or \$1.829 million).



REVIEW AND RESULTS OF OPERATIONS (continued)

Steel Products Division

Austnam Joint Stock Corporation (VII 67%)

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

Sales of VND35.909 billion (\$1.674 million) were up by 5% on 2010 (VND34.203 billion or \$2.028 million). Sales volumes were 247,336m² which was 4% lower than the previous period (258,343 m²). Austnam reported a net profit after tax of VND0.951 billion (\$0.044 million) (2010: VND2.156 billion or \$0.128 million).

Total Building Systems Ltd (VII 99%)

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

Sales of VND6.990 billion (\$0.326 million) were down by 82% on 2010 (VND39.266 billion (\$2.329 million)). TBS recorded a net loss after tax of VND4.972 billion (\$0.232 million) (2010: VND0.454 billion (\$0.027 million)).

VRC Weldmesh (Vietnam) Ltd (VII 100%)

VRC Weldmesh (Vietnam) Ltd ("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. VRC is in the process of looking for a joint venture partner to expand its operations.

Sales of VND25.886 billion (\$1.207 million) were down by 24% on 2010 (VND33.856 billion (\$2.008 million)). Sales volumes were 1,555 tonnes which was 34% lower than the previous period (2,355 tonnes). VRC recorded a net loss after tax of VND7.607 billion (\$0.354 million) (2010: VND7.921 billion (\$0.470 million)).

EVENTS SUBSEQUENT TO BALANCE DATE

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

ROUNDING

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

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is set out on page 5 and forms part of the directors' report for the half-year ended 30 June 2011.

Signed in accordance with a resolution of the directors.

ALAN A. YOUNG

Director

Perth, 3rd October 2011



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

In relation to our review of the financial report of Vietnam Industrial Investments Limited for the half-year ended 30 June 2011, 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

P McIver
Partner
Perth
3 October 2011

FOR THE HALF-YEAR ENDED 30 JUNE 2011

	Notes	CONSOLIDATED	
		2011 \$'000	2010 \$'000
Sale of goods		244,422	190,478
Contract revenue		326	2,328
Interest income		2,525	1,891
		<u>247,273</u>	<u>194,697</u>
Cost of sales		<u>(228,553)</u>	<u>(174,735)</u>
Gross profit		<u>18,720</u>	<u>19,962</u>
Other income	3	256	716
Selling expenses		(3,876)	(1,014)
Administrative expenses	3	(3,143)	(3,771)
Impairment of assets		(7,792)	-
Finance costs		(5,815)	(3,326)
Share of net loss of an associate		(990)	(2,068)
		<u>(2,640)</u>	<u>10,499</u>
(Loss)/profit before income tax		<u>(2,640)</u>	<u>10,499</u>
Income tax expense	5	(887)	(1,361)
		<u>(3,527)</u>	<u>9,138</u>
Net (loss)/profit for the period		<u>(3,527)</u>	<u>9,138</u>
Other comprehensive income			
Foreign currency translation	9	(4,298)	333
		<u>(4,298)</u>	<u>333</u>
Other comprehensive income for the period		<u>(4,298)</u>	<u>333</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		<u>(7,825)</u>	<u>9,471</u>
Net (loss)/profit after tax attributable to:			
Equity holders of the parent		(4,031)	8,548
Non-controlling interests		504	590
		<u>(3,527)</u>	<u>9,138</u>
Total comprehensive (loss)/income net of tax attributable to:			
Equity holders of the parent		(7,922)	8,904
Non-controlling interests		97	567
		<u>(7,825)</u>	<u>9,471</u>
(Loss)/earnings per share (cents per share) for profit attributable to the ordinary equity holders of the company:			
- basic earnings per share		(2.83)	6.01
- diluted earnings per share		(2.83)	6.01

The accompanying notes form part of the financial report.



AS AT 30 JUNE 2011

	Notes	CONSOLIDATED	
		As at 30 June 2011 \$'000	As at 31 December 2010 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	7	15,581	34,867
Trade and other receivables		41,631	44,871
Inventories		59,955	55,747
Financial assets at fair value through profit or loss		14	27
Other current assets		270	200
Total Current Assets		<u>117,451</u>	<u>135,712</u>
Non-current Assets			
Receivables		106	148
Investment in an associate	8	-	9,766
Property, plant and equipment		13,525	15,039
Deferred tax assets		973	-
Intangible assets and goodwill		296	329
Total Non-current Assets		<u>14,900</u>	<u>25,282</u>
TOTAL ASSETS		<u>132,351</u>	<u>160,994</u>
LIABILITIES			
Current Liabilities			
Trade and other payables		14,489	11,593
Advances from customers		17,627	19,199
Income tax provision		2,424	2,230
Interest-bearing loans and borrowings		56,026	76,901
Provisions		610	1,416
Total Current Liabilities		<u>91,176</u>	<u>111,339</u>
Non-current Liabilities			
Interest-bearing loans and borrowings		454	1,109
Total Non-current Liabilities		<u>454</u>	<u>1,109</u>
TOTAL LIABILITIES		<u>91,630</u>	<u>112,448</u>
NET ASSETS		<u>40,721</u>	<u>48,546</u>
EQUITY			
Contributed equity	6	27,819	27,819
Reserves		(15,717)	(11,826)
Retained earnings		24,741	28,772
Parent interests		<u>36,843</u>	<u>44,765</u>
Non-controlling interests		<u>3,878</u>	<u>3,781</u>
TOTAL EQUITY		<u>40,721</u>	<u>48,546</u>

The accompanying notes form part of the financial report.



FOR THE HALF-YEAR ENDED 30 JUNE 2011

CONSOLIDATED	Attributable to equity holders of the parent				Total	Non-controlling	Total
	Contributed equity	Foreign currency translation reserves	Retained Earnings/ (Accumulated Losses)	Other reserves		interests	equity
						\$'000	\$'000
At 1 January 2011	27,819	(12,950)	28,772	1,124	44,765	3,781	48,546
Net loss for the period	-	-	(4,031)	-	(4,031)	504	(3,527)
Other comprehensive loss	-	(3,891)	-	-	(3,891)	(407)	(4,298)
Total comprehensive income for the period	-	(3,891)	(4,031)	-	(7,922)	97	(7,825)
At 30 June 2011	27,819	(16,841)	24,741	1,124	36,843	3,878	40,721
At 1 January 2010	27,819	(5,879)	21,880	1,124	44,944	5,760	50,704
Net profit for the period	-	-	8,548	-	8,548	590	9,138
Other comprehensive income	-	356	-	-	356	(23)	333
Total comprehensive income for the period	-	356	8,548	-	8,904	567	9,471
Dividends by subsidiaries	-	-	-	-	-	(1,559)	(1,559)
At 30 June 2010	27,819	(5,523)	30,428	1,124	53,848	4,768	58,616

The accompanying notes form part of the financial report.



FOR THE HALF-YEAR ENDED 30 JUNE 2011

	Notes	CONSOLIDATED	
		2011 \$'000	2010 \$'000
Cash flows from operating activities			
Receipts from customers		250,744	225,250
Payments to suppliers and employees		(247,439)	(226,878)
Interest income		2,525	1,891
Borrowing costs		(5,815)	(3,326)
Income tax paid		(1,502)	(1,090)
Net cash flows used in operating activities		<u>(1,487)</u>	<u>(4,153)</u>
Cash flows from investing activities			
Acquisition of an associate		-	(9,821)
Proceeds from sale of property, plant and equipment		-	38
Purchase of property, plant and equipment		(917)	(388)
Net cash flows used in investing activities		<u>(917)</u>	<u>(10,171)</u>
Cash flows from financing activities			
Proceeds from bank borrowings		113,149	48,364
Repayment of bank borrowings		(127,036)	(71,731)
Dividends paid to non-controlling interests		(807)	(1,559)
Net cash flows used in financing activities		<u>(14,694)</u>	<u>(24,926)</u>
Net (decrease)/increase in cash and cash equivalents		(17,098)	(39,250)
Net foreign exchange difference		(2,188)	(651)
Cash and cash equivalents at beginning of period		<u>34,867</u>	<u>73,562</u>
Cash and cash equivalents at end of period	7	<u><u>15,581</u></u>	<u><u>33,661</u></u>

The accompanying notes form part of the financial report.



Notes to the Half-Year Financial Statements FOR THE HALF-YEAR ENDED 30 JUNE 2011

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of Preparation

The half-year consolidated financial report is a general-purpose condensed financial report of Vietnam Industrial Investments Limited (“the Company”) and its subsidiaries (“the consolidated entity” or “Group”), which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is also recommended that the half-year financial report be read in conjunction with the annual report for the year ended 31 December 2010 and considered together with any public announcements made by Vietnam Industrial Investments Limited and its controlled entities during the half-year ended 30 June 2011 in accordance with the continuous disclosure obligations of the *ASX listing rules*.

The half-year financial report has been prepared on a historical cost basis, except for the financial assets through profit or loss that have been measured at fair value.

Changes in accounting policy

The following amending Standards have been adopted from 1 January 2011. Adoption of these Standards did not have any effect on the financial position or performance of the Group:

▶ *AASB 5 Non-current Assets Held for Sale and Discontinued Operations*: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in AASB 5. The disclosure requirements of other Accounting Standards only apply if specifically required for such non-current assets or discontinued operations.

▶ *AASB 107 Statement of Cash Flows*: States that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact amongst others, the presentation in the statement of cash flows of the contingent consideration on the business combination completed in 2010 upon cash settlement.

▶ *AASB 136 Impairment of Assets*: The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in AASB 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

▶ *AASB Interpretation 17 Distribution of Non-cash Assets to Owners*: This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either, the financial position or the performance of the Group.

The Group has not elected to early adopt any other new Standards or amendments that are issued but not yet effective.



Notes to the Half-Year Financial Statements FOR THE HALF-YEAR ENDED 30 JUNE 2011

2. SEGMENT INFORMATION

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by the Board based on the manner in which the product is sold and the nature of the services provided. Discrete financial information about each of these operating businesses is reported to the Board on a regular basis.

The Group has two main reportable segments: Steel Making and Steel Products, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. The following summary describes the operations in each Group reportable segment:

Steel Making: includes the manufacturing and selling of wire rod and rebar activities of Vinausteel Limited and SSESTEEL Ltd.

Steel Products: includes Austnam Joint Stock Corporation, Total Building Systems Ltd, and VRC Weldmesh (Vietnam) Ltd which are primarily engaged in the manufacturing and trading of steel roofing and steel frames, electrically welded wire products whilst providing total building solutions for the Vietnam construction industry.

Others: relates to corporate charges which are separately accounted from the business segments.

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

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

The Board of directors review the results of the reportable segments during their meetings.

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision makers with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.



Notes to the Half-Year Financial Statements FOR THE HALF-YEAR ENDED 30 JUNE 2011

2. SEGMENT INFORMATION (continued)

Segment Performance

	Steel Making \$'000	Steel Products \$'000	Others \$'000	Total \$'000
Half-year ended 30 June 2011				
Revenues				
External revenues	241,542	3,206	-	244,748
Inter-segment revenues	6,952	59	-	7,011
Interest income	2,513	11	1	2,525
Other revenues	120	116	20	256
Total segment revenues	<u>251,127</u>	<u>3,392</u>	<u>21</u>	<u>254,540</u>
Inter-segment elimination				<u>(7,011)</u>
Total revenue per statement of comprehensive income				<u><u>247,529</u></u>
Results				
Segment result before tax	7,644	(533)	(969)	6,142
Income tax expense	(878)	(9)	-	(887)
Segment results after tax	<u>6,766</u>	<u>(542)</u>	<u>(969)</u>	<u>5,255</u>
Impairment of assets	(7,792)	-	-	(7,792)
Share in net loss of associate	(990)	-	-	(990)
Net loss after tax				<u><u>(3,527)</u></u>
Half-year ended 30 June 2010				
Revenues				
External revenues	186,441	6,365	-	192,806
Inter-segment revenues	325	44	-	369
Interest income	1,849	28	14	1,891
Other revenues	189	72	455	716
Total segment revenues	<u>188,804</u>	<u>6,509</u>	<u>469</u>	<u>195,782</u>
Inter-segment elimination				<u>(369)</u>
Total revenue per statement of comprehensive income				<u><u>195,413</u></u>
Results				
Segment result before tax	12,786	(369)	150	12,567
Income tax expense	(1,361)	-	-	(1,361)
Segment results after tax	<u>11,425</u>	<u>(369)</u>	<u>150</u>	<u>11,206</u>
Share in net loss of associate	(2,068)	-	-	(2,068)
Net profit after tax				<u><u>9,138</u></u>



**Notes to the Half-Year Financial Statements
FOR THE HALF-YEAR ENDED 30 JUNE 2011**

2. SEGMENT INFORMATION (continued)

	Steel Making \$'000	Steel Products \$'000	Others \$'000	Total \$'000
Segment assets				
At 30 June 2011				
Segment operating assets	128,275	5,119	435	133,829
Inter-segment eliminations	-	-	-	(1,555)
Investment in an associate	-	-	-	-
Goodwill	-	-	77	77
Total assets per statement of financial position				<u>132,351</u>
At 31 December 2010				
Segment operating assets	138,777	6,827	6,441	152,045
Inter-segment eliminations	-	-	-	(894)
Investment in an associate	9,766	-	-	9,766
Goodwill	-	-	77	77
Total assets per statement of financial position				<u>160,994</u>
Segment liabilities				
At 30 June 2011				
Segment operating liabilities	96,012	5,176	189	101,377
Inter-segment eliminations	-	-	-	(9,747)
Total liabilities per statement of financial position				<u>91,630</u>
At 31 December 2010				
Segment operating liabilities	110,103	5,577	164	115,844
Inter-segment eliminations	-	-	-	(3,396)
Total liabilities per statement of financial position				<u>112,448</u>

3. REVENUE AND EXPENSES

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

	CONSOLIDATED	
	2011	2010
	\$'000	\$'000
(i) Other income		
Rent income	85	32
Foreign exchange gain	-	171
Contract compensation received	-	221
Other	171	292
	<u>256</u>	<u>716</u>
(ii) Expenses		
Impairment of assets		
– investment in an associate (Note 8)	(7,792)	-
Depreciation and amortisation	(860)	(1,041)
Foreign exchange loss	(952)	-
(iii) Selling expenses		
Salaries and wages	(376)	(440)
Accrued bonuses	(1,260)	-
Customer incentives	(1,175)	-
Delivery expenses	(568)	(436)
Other	(497)	(138)
	<u>(3,876)</u>	<u>(1,014)</u>

**Notes to the Half-Year Financial Statements
FOR THE HALF-YEAR ENDED 30 JUNE 2011**

3. REVENUE AND EXPENSES (continued)

	CONSOLIDATED	
	2011	2010
	\$'000	\$'000
(iv) Administrative expenses		
Employee related expenses	(1,328)	(1,166)
Other	(1,815)	(2,605)
	(3,143)	(3,771)

4. DIVIDENDS PAID AND PROPOSED

There have been no dividends paid and proposed during the half-year ended 30 June 2011 (2010: Nil) and for the financial year ended 31 December 2010 (2009: Nil).

5. INCOME TAX EXPENSE

	CONSOLIDATED	
	2011	2010
	\$'000	\$'000
Income tax expense consists of:		
Current income tax	(1,891)	(1,707)
Deferred income tax	1,004	346
	(887)	(1,361)

6. CONTRIBUTED EQUITY

	CONSOLIDATED	
	30 June 2011	31 December 2010
	\$'000	\$'000
Ordinary shares	27,819	27,819
	Number	Number
Number of shares	142,277,423	142,277,423

7. CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2011	2010
	\$'000	\$'000
For the purpose of the half-year statement of cash flows, cash and cash equivalents are comprised of the following:		
Cash at bank and in hand	4,501	11,977
Short-term deposits	11,080	21,684
	15,581	33,661

**Notes to the Half-Year Financial Statements
FOR THE HALF-YEAR ENDED 30 JUNE 2011**

8. INVESTMENT IN AN ASSOCIATE

(a) Investment details

	CONSOLIDATED	
	30 June 2011	31 December 2010
	\$'000	\$'000
Investment in an associate - unlisted	-	9,766

(b) Share in associate's net loss

Associate	30 June 2011	Ownership interest 31 December 2010	30 June 2011 \$'000	30 June 2010 \$'000
Dinh Vu Steel Stock Company	48.52%	48.52%	(990)	(2,068)

(c) Movement in the carrying amount of the Group's investment in an associate

	CONSOLIDATED	
	30 June 2011	31 December 2010
	\$'000	\$'000
At beginning	9,766	3,178
Acquisition of an associate	-	9,821
Share of loss after tax	(990)	(1,365)
Impairment loss	(7,792)	-
Exchange difference	(984)	(1,868)
At ending	-	9,766

(d) Summarised financial position and performance of an associate

	30 June 2011	31 December
	\$'000	2010
		\$'000
Financial position		
Current assets	17,273	11,151
Non-current assets	44,741	49,156
Total assets	62,014	60,307
Current liabilities	44,225	38,035
Non-current liabilities	17,062	19,833
Total liabilities	61,287	57,868
Net assets	727	2,439
Share of associate's net assets	353	1,183

Notes to the Half-Year Financial Statements FOR THE HALF-YEAR ENDED 30 JUNE 2011

8. INVESTMENT IN AN ASSOCIATE (continued)

(d) Summarised financial position and performance of an associate (continued)

	30 June 2011 \$'000	30 June 2010 \$'000
Financial performance for the period ended 30 June		
Revenues	63,829	52,891
Share in the net loss after tax	<u>(990)</u>	<u>(2,068)</u>

(e) Impairment

The recoverable amount of investment in an associate has been assessed as at 30 June 2011. Where the carrying value of the investment exceeded the recoverable amount, the investment has been impaired. At each reporting date, an assessment will be made as to whether there are any circumstances that would indicate that the impairment recognised has decreased or no longer exists. Where evidence supports a reduction in the impairment, the impairment expense may be reversed through profit. At 30 June 2011, the Directors assessed the value of the investment in Dinh Vu Steel Stock Company ("DVS") for possible impairment.

DVS has two main assets, Electric Arc Furnace ("EAF") and Blast Furnace ("BF"). The BF has not materialised as DVS anticipated due to the adverse economic conditions in Vietnam. At this stage, DVS considers that it is not financial viable to bring the BF into operation due to unanticipated price escalation of coking coal and iron ore. DVS expects that the high world prices of coking coal and iron ore will remain at this level in the foreseeable future. As a result, the cash flow generated from the EAF operation is not sufficient to service the existing debts. As of 30 June 2011, DVS has net assets of only \$0.727 million, has a debt to equity of approximately 84 times, a quick ratio of less than 0.5 times, and a negative net profit margin of approximately 2%. DVS is in discussion with its lenders to reorganise the existing financing facilities. Based on the objective evidence, the investment in an associate, DVS, has been impaired by \$7.792 million in the six month period ended 30 June 2011.

(f) Guarantees

As at 30 June 2011, the Group has guaranteed the associate's loans with a facility limit of \$6.558 million (VND145 billion) (31 December 2010: \$7.317 million (VND145 billion)) and drawn down to the extent of \$4.432 million (VND98 billion) (31 December 2010: \$7.084 million (VND140 billion)). The difference in the facility limit relates to the foreign currency translation at reporting date. As at this stage, in view of management, there would not be a material cash outflow arising out of the guarantees provided by the Group to the associate.

9. FOREIGN CURRENCY TRANSLATION

The foreign currency translation in the statement of comprehensive income reflects the movement of foreign currency between the assets and liabilities of the Vietnam subsidiaries and the investment in an associate which are translated to Australian Dollars (presentation currency) at the prevailing rate at the reporting date, and the results of these subsidiaries and associate are translated into exchange rates as at the date of each transaction.

**Notes to the Half-Year Financial Statements
FOR THE HALF-YEAR ENDED 30 JUNE 2011**

10. COMMITMENTS AND CONTINGENCIES

Since the last annual reporting date, there has been no material change of any contingent liabilities or contingent assets.

11. EVENTS AFTER BALANCE SHEET DATE

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

Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position as at 30 June 2011 and the performance for the half-year ended on that date of the consolidated entity
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

ALAN A. YOUNG

Director

Perth, 3rd October 2011

To the members of Vietnam Industrial Investments Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Vietnam Industrial Investments Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Vietnam Industrial Investments Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

P McIver
Partner
Perth
3 October 2011