



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

VIETNAM INDUSTRIAL INVESTMENTS LIMITED

29 August 2012

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

Dear Sirs

REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2012

(Previous corresponding period: 30 June 2011)

Attached is our report for the six months ended 30 June 2012 incorporating the requirements of Appendix 4D.

Results for announcement to the market

	6 months 30.06.2012	6 months 30.06.2011	Change \$	Change %
Revenues from ordinary activities (A\$)	204.082m	246.291m	(42.209m)	(17%)
Net loss for the period (A\$)	(0.793m)	(3.527m)	2.734m	(78%)
Net loss for the period attributable to members (A\$)	(1.082m)	(4.031m)	2.949m	(73%)
Dividends (distributions)	Amount per security	Franked amount per security		
Interim dividend	A\$0.063		0%	
Previous interim dividend	Nil		Nil	

On 27 June 2012, the Board declared a one-off special dividend of 6.3 Australian cents per ordinary share (fully unfranked). The entire dividend will be 100% conduit foreign income.

Payment and Dispatch Date: 18 September 2012

Brief explanation of any of the figures reported above:

Explanation of the results for the half-year ended 30 June 2012 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	0.27	0.25

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

The applicable accounting standards used by the consolidated entity are the Australian Accounting Standards.

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

Yours faithfully

ALAN A. YOUNG
Director



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

HALF-YEAR FINANCIAL REPORT 30 JUNE 2012

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 (Chief Executive Officer)</i>
A.D. Walker	<i>Independent Non-Executive Director</i>
R.S.Kwok	<i>Independent Non-Executive Director</i>

P. Shinn *Company Secretary*

Registered Office in Australia

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Auditors

Ernst & Young
11 Mounts Bay Road
PERTH Western Australia 6000

Legal Advisors

Hardy Bowen
Level 1, 28 Ord Street
WEST PERTH Western Australia 6008

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 2012.

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 (Chief Executive Officer)*

Mark Andrew Clements, *Non-Executive Director and Company Secretary (resigned 3 January 2012)*

Andrew David Walker, *Independent Non-Executive Director (appointed 3 January 2012)*

Roger (Sing-Leong) Kwok, *Independent Non-Executive Director*

REVIEW AND RESULTS OF OPERATIONS

The total comprehensive loss for the period was \$0.750 million compared to previous period's total comprehensive loss of \$7.825 million. The total comprehensive loss for the period consisted of: 1) Net loss for the period of \$0.793 million (2011 net loss: \$3.527 million), and 2) Foreign currency translation of a gain of \$0.043 million (2011: loss of \$4.298 million).

Net loss for the period

For the period ended 30 June 2012 ("1H2012"), the Group's net loss after tax was \$0.793 million on revenues of \$204.082 million (including other income of \$0.423 million and interest income of \$0.903 million) (2011: net loss after tax \$3.527 million on revenues of \$246.291 million).

The Group's net loss after tax for the period ended 30 June 2012 included the net profit of Vietnam operations which was attributable to the operations of the Steel Making Division (Vinausteel and SSESTEEL). The Steel Making Division contributed a net profit after tax of \$1.157 million (2011: net loss after tax of \$2.016 million. This was due to \$7.792 million impairment of investment in an associate). The Steel Product Division (Austnam and TBS) reported a net profit after tax of \$0.179 million (2011: net loss after tax of \$0.158 million).

The Steel Making Division 1H2012 sales of \$198.067 million (VND4.291 trillion) is lower than previous corresponding period of \$241.542 million (VND5.182 trillion). This is due to lower sales volume, 227,277 tonnes in 1H2012 versus 258,444 tonnes in 1H2011, a decrease of 12% and lower selling price. As a result, the gross profit margin has also declined from 6% to 4%. Despite experiencing lower sales and lower gross margin, the Steel Making Division was able to report a small net profit after tax of \$1.157 million. This is mainly because of a decrease in operating expenses from \$6.820 million to \$6.523 million, coming mainly from decrease in selling expenses as a result of decrease in sales offset by an increase in administrative expenses due to salaries and wages; and a decrease in finance costs due to decreased interest rates.

Foreign currency translation

For the half year ended 30 June 2012, the foreign currency translation was a gain of \$0.043 million (2011: loss of \$4.298 million). VND has remained consistent with AUD over the 1H2012 reporting period.



REVIEW AND RESULTS OF OPERATIONS (continued)

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. It produces high tensile rebar and wire rod for the construction industry.

Sales of VND2.969 trillion (\$137.017 million) were down by 14% on 2011 (VND3.435 trillion or \$160.121 million). Finished goods sales volumes for 2012 were 141,626 tonnes, a decrease of 4% on the previous period (147,167 tonnes).

SSESTEEL recorded a net profit after tax of VND6.627 billion (\$0.306 million) for the half-year ended 30 June 2012 (2011 net loss after tax: VND83.546 billion or \$3.655 million).

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 VND1.323 trillion (\$61.050 million) were down by 24% on 2011 (VND1.747 trillion or \$81.421 million). Sales for 2012 were 85,651 tonnes, a decrease of 23% on the previous period (111,277 tonnes). Vinausteel recorded a net profit after tax of VND18.449 billion (\$0.852 million) for the half-year ended 30 June 2012 (2011: VND35.161 billion or \$1.639 million).

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 VND31.237 billion (\$1.442 million) were down by 13% on 2011 (VND35.909 billion or \$1.674 million). Sales volumes were 130,661m² which was 47% lower than the previous period (247,336 m²). Austnam reported a net profit after tax of VND2.179 billion (\$0.101 million) (2011: VND0.951 billion or \$0.044 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 VND70.344 billion (\$3.247 million) were up by 906% on 2011 (VND6.990 billion (\$0.326 million)). TBS recorded a net profit after tax of VND1.698 billion (\$0.078 million) (2011: net loss after tax VND4.972 billion (\$0.232 million)).

REVIEW AND RESULTS OF OPERATIONS (continued)

Steel Products Division (continued)

VRC Weldmesh (Vietnam) Ltd (VII 100%)

VRC Weldmesh (Vietnam) Ltd ("VRC) produced welded steel mesh concrete reinforcing and steel fencing which were supplied throughout Vietnam. The operation has a purpose built factory in Ho Chi Minh City.

The Board of Directors has decided to dispose of VRC. The business of VRC has been operating in an unpredictable environment making it difficult for management to derive growth and profitability. As at 30 June 2012, VRC has been classified as a disposal group held for sale and as a discontinued operation. The loss of VRC as a discontinued operation for the half-year ended 30 June 2012 is VND4.052 billion (\$0.187 million) (2011: net loss after tax VND7.607 billion (\$0.354 million)). VRC's operation has been discontinued due to the difficulty economic environment and the inability to generate a profit.

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 2012.

Signed in accordance with a resolution of the directors.

ALAN A. YOUNG
Director

Hai Phong, 29 August 2012



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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 2012, 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
29 August 2012

FOR THE HALF-YEAR ENDED 30 JUNE 2012

	Notes	CONSOLIDATED	
		2012 \$'000	2011 \$'000
CONTINUING OPERATIONS			
Sale of goods		199,509	243,215
Contract revenue		3,247	326
Interest income		903	2,524
		<u>203,659</u>	<u>246,065</u>
Cost of sales		<u>(194,448)</u>	<u>(227,291)</u>
Gross profit		<u>9,211</u>	<u>18,774</u>
Other income	3	423	226
Selling expenses		(2,004)	(3,745)
Administrative expenses	3	(4,519)	(3,075)
Impairment of investment in an associate	9	-	(7,792)
Finance costs		(3,444)	(5,654)
Share of net loss of an associate	9	<u>-</u>	<u>(990)</u>
Loss before income tax		<u>(333)</u>	<u>(2,256)</u>
Income tax expense	5	<u>(273)</u>	<u>(887)</u>
Loss for the period from continuing operations		<u>(606)</u>	<u>(3,143)</u>
DISCONTINUED OPERATIONS			
Loss after tax from discontinued operations	8	<u>(187)</u>	<u>(384)</u>
Net Loss for the period		<u>(793)</u>	<u>(3,527)</u>
Other comprehensive income			
Foreign currency translation	9	<u>43</u>	<u>(4,298)</u>
Other comprehensive income/(loss) for the period		<u>43</u>	<u>(4,298)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		<u>(750)</u>	<u>(7,825)</u>
Net (loss)/income after tax attributable to:			
Equity holders of the parent		(1,082)	(4,031)
Non-controlling interests		289	504
		<u>(793)</u>	<u>(3,527)</u>
Total comprehensive (loss)/income net of tax attributable to:			
Equity holders of the parent		(1,022)	(7,922)
Non-controlling interests		272	97
		<u>(750)</u>	<u>(7,825)</u>



FOR THE HALF-YEAR ENDED 30 JUNE 2012

	CONSOLIDATED	
	2012	2011
Loss per share (cents per share) for loss attributable to the ordinary equity holders of the company:		
- basic loss per share	(0.76)	(2.83)
- diluted loss per share	(0.76)	(2.83)
Loss per share (cents per share) for continuing operations loss attributable to the ordinary equity holders of the company:		
- basic loss per share	(0.63)	(2.56)
- diluted loss per share	(0.63)	(2.56)

The accompanying notes form part of the financial report



AS AT 30 JUNE 2012

	Notes	CONSOLIDATED	
		As at 30 June 2012 \$'000	As at 31 December 2011 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	7	17,632	25,246
Trade and other receivables		27,991	14,224
Advances to suppliers		22,848	27,484
Inventories		64,465	55,667
Financial assets at fair value through profit or loss		9	28
Other current assets		332	434
		<u>133,277</u>	<u>123,083</u>
Assets held for sale	8	1,411	-
Total Current Assets		<u>134,688</u>	<u>123,083</u>
Non-current Assets			
Receivables		26	29
Property, plant and equipment		12,243	13,489
Deferred tax assets		1,642	1,637
Intangible assets and goodwill		81	301
Total Non-current Assets		<u>13,992</u>	<u>15,456</u>
TOTAL ASSETS		<u>148,680</u>	<u>138,539</u>
LIABILITIES			
Current Liabilities			
Trade and other payables		24,063	15,244
Advances from customers		216	3,826
Income tax provision		1,928	1,889
Interest-bearing loans and borrowings		67,668	61,676
Provisions	4	9,605	654
		<u>103,480</u>	<u>83,289</u>
Liabilities held for sale	8	709	-
Total Current Liabilities		<u>104,189</u>	<u>83,289</u>
Non-current Liabilities			
Interest-bearing loans and borrowings		-	235
Total Non-current Liabilities		<u>-</u>	<u>235</u>
TOTAL LIABILITIES		<u>104,189</u>	<u>83,524</u>
NET ASSETS		<u>44,491</u>	<u>55,015</u>
EQUITY			
Contributed equity	6	27,819	27,819
Reserves		(14,631)	(14,691)
Retained earnings		27,386	37,431
Parent interests		<u>40,574</u>	<u>50,559</u>
Non-controlling interests		<u>3,917</u>	<u>4,456</u>
TOTAL EQUITY		<u>44,491</u>	<u>55,015</u>

The accompanying notes form part of the financial report.



FOR THE HALF-YEAR ENDED 30 JUNE 2012

CONSOLIDATED	Attributable to equity holders of the parent					Non-controlling interests	Total equity
	Contributed equity	Foreign currency translation reserves	Retained Earnings	Other reserves	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2012	27,819	(15,815)	37,431	1,124	50,559	4,456	55,015
Net loss for the period	-	-	(1,082)	-	(1,082)	289	(793)
Other comprehensive income/(loss)	-	60	-	-	60	(17)	43
Total comprehensive (loss)/ income for the period	-	60	(1,082)	-	(1,022)	272	(750)
Dividends declared to ordinary shareholders	-	-	(8,963)	-	(8,963)	-	(8,963)
Dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	(811)	(811)
At 30 June 2012	27,819	(15,755)	27,386	1,124	40,574	3,917	44,491
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 loss 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

The accompanying notes form part of the financial report.



FOR THE HALF-YEAR ENDED 30 JUNE 2012

	Notes	CONSOLIDATED	
		2012 \$'000	2011 \$'000
Cash flows from operating activities			
Receipts from customers		196,522	250,744
Payments to suppliers and employees		(205,808)	(247,439)
Interest income		903	2,525
Borrowing costs		(3,444)	(5,815)
Income tax paid		(238)	(1,502)
Net cash flows used in operating activities		<u>(12,065)</u>	<u>(1,487)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(561)	(917)
Net cash flows used in investing activities		<u>(561)</u>	<u>(917)</u>
Cash flows from financing activities			
Proceeds from bank borrowings		112,015	113,149
Repayment of bank borrowings		(105,985)	(127,036)
Dividends paid to non-controlling interests		(811)	(807)
Net cash flows provided by/(used in) financing activities		<u>5,219</u>	<u>(14,694)</u>
Net decrease in cash and cash equivalents		(7,407)	(17,098)
Net foreign exchange difference		(137)	(2,188)
Cash and cash equivalents at beginning of period		<u>25,246</u>	<u>34,867</u>
Cash and cash equivalents at end of period	7	<u>17,702</u>	<u>15,581</u>

The accompanying notes form part of the financial report.



Notes to the Half-Year Financial Statements FOR THE HALF-YEAR ENDED 30 JUNE 2012

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 2011 and considered together with any public announcements made by Vietnam Industrial Investments Limited and its controlled entities during the half-year ended 30 June 2012 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 1054 Australian Additional Disclosures
- AASB 2010-6 Amendments to Australian Accounting Standards – disclosures on Transfers of Financial Assets (AASB 1 & AASB 7)
- AASB 2011-5 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation

The Group has not elected to early adopt any of the following new standards or amendments that are issued but not yet effective:

- AASB 1048 Interpretation of Standards
- AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]
- AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]
- AAAB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Disclosure of Interests in Other Entities
- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits
- Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine
- Annual Improvements to IFRSs 2009–2011 Cycle
- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]



Notes to the Half-Year Financial Statements FOR THE HALF-YEAR ENDED 30 JUNE 2012

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

- AASB 1053 Application of Tiers of Australian Accounting Standards
- AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle
- AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities
- AASB 9 Financial Instruments

2. SEGMENT INFORMATION

Segment Performance

	Steel Making \$'000	Steel Products \$'000	Others \$'000	Total \$'000
Half-year ended 30 June 2012				
Revenues				
External revenues	198,067	4,688	-	202,755
Inter-segment revenues	-	21	-	21
Interest income	877	26	1	904
Other revenues	282	22	119	423
Total segment revenues	199,226	4,757	120	204,103
Inter-segment elimination				(21)
Total revenue per statement of comprehensive income				204,082
Results				
Segment result before tax	1,430	179	(1,942)	(333)
Income tax expense	(273)	-	-	(273)
Net loss after tax	1,157	179	(1,942)	(606)
Half-year ended 30 June 2011				
Revenues				
External revenues	241,542	1,999	-	243,541
Inter-segment revenues	6,952	48	-	7,000
Interest income	2,513	10	1	2,524
Other revenues	120	86	20	226
Total segment revenues	251,127	2,143	21	253,291
Inter-segment elimination				(7,000)
Total revenue per statement of comprehensive income				246,291
Results				
Segment result before tax	7,644	(149)	(969)	6,526
Income tax expense	(878)	(9)	-	(887)
Segment results after tax	6,766	(158)	(969)	5,639
Impairment of investment in an associate	(7,792)	-	-	(7,792)
Share in net loss of associate	(990)	-	-	(990)
Net loss after tax				(3,143)



Notes to the Half-Year Financial Statements FOR THE HALF-YEAR ENDED 30 JUNE 2012

2. SEGMENT INFORMATION (continued)

	Steel Making \$'000	Steel Products \$'000	Others \$'000	Total \$'000
Segment assets				
At 30 June 2012				
Segment assets	143,027	3,929	42,091	189,047
Inter-segment eliminations	-	-	-	(41,855)
Goodwill	-	-	-	77
Assets held for sale	-	-	-	1,411
Total assets per statement of financial position				<u>148,680</u>
At 31 December 2011				
Segment assets	133,238	6,480	38,667	178,385
Inter-segment eliminations	-	-	-	(39,923)
Goodwill	-	-	-	77
Total assets per statement of financial position				<u>138,539</u>
Segment liabilities				
At 30 June 2012				
Segment liabilities	100,151	1,652	10,781	112,584
Inter-segment eliminations	-	-	-	(9,104)
Liabilities held for sale	-	-	-	709
Total liabilities per statement of financial position				<u>104,189</u>
At 31 December 2011				
Segment liabilities	86,894	5,732	285	92,911
Inter-segment eliminations	-	-	-	(9,387)
Total liabilities per statement of financial position				<u>83,524</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	
	2012	2011
	\$'000	\$'000
(i) Other income		
Rent income	22	85
Foreign exchange gain	232	-
Other	169	141
	<u>423</u>	<u>226</u>
(ii) Expenses		
Impairment of investment in an associate	-	(7,792)
Depreciation and amortisation	(857)	(860)
Foreign exchange loss	-	(952)
(iii) Selling expenses		
Salaries and wages	(453)	(376)
Accrued bonuses	-	(1,260)
Customer incentives	-	(1,175)
Delivery expenses	(400)	(568)
Other	(1,151)	(366)
	<u>(2,004)</u>	<u>(3,745)</u>

**Notes to the Half-Year Financial Statements
FOR THE HALF-YEAR ENDED 30 JUNE 2012**

3. REVENUE AND EXPENSES (continued)

CONSOLIDATED

	2012	2011
	\$'000	\$'000

(iv) **Administrative expenses**

Employee related expenses	(2,821)	(1,328)
Other	(1,698)	(1,815)
	(4,519)	(3,143)

4. DIVIDENDS PAID AND PROPOSED

Provisions include dividends proposed as noted below:

CONSOLIDATED

	2012	2011
	\$'000	\$'000

Dividends proposed and recognised as liability

Interim dividend fully unfranked for half –year 30 June 2012:

A\$0.063 per share (30 June 2011: Nil)

	8,963	-
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On 27 June 2012, the Board declared a one-off special dividend of 6.3 Australian cents per ordinary share (fully unfranked) payable on 18 September 2012. The entire dividend will be 100% conduit foreign income.

5. INCOME TAX EXPENSE

CONSOLIDATED

	2012	2011
	\$'000	\$'000

Income tax expense consists of:

Current income tax	(273)	(1,891)
Deferred income tax	-	1,004
	(273)	(887)

6. CONTRIBUTED EQUITY

CONSOLIDATED

	30 June 2012	31 December 2011
	\$'000	\$'000

Ordinary shares	27,819	27,819
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	Number	Number
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Number of shares	142,277,423	142,277,423
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7. CASH AND CASH EQUIVALENTS

CONSOLIDATED

	2012	2011
	\$'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	5,484	4,501
Short-term deposits	12,148	11,080
	17,632	15,581
Cash at bank attributable to discontinued operation	70	-
	17,702	15,581

Notes to the Half-Year Financial Statements FOR THE HALF-YEAR ENDED 30 JUNE 2012

8. DISCONTINUED OPERATION

The Board of Directors has decided to dispose of VRC Weldmesh (Vietnam) Limited ("VRC"). The business of VRC has been operating in an unpredictable environment making it difficult for management to derive growth and profitability. As at 30 June 2012, VRC was classified as a disposal group held for sale and as a discontinued operation. The result of VRC for the period is as follows:

	2012	2011
	\$'000	\$'000
Revenue	74	1,238
Expense	(217)	(1,461)
Finance cost	(44)	(161)
Loss for the period from discontinued operation	(187)	(384)

The assets and liabilities of VRC classified as held for sale at 30 June 2012 are as follows:

	2012
	\$'000
ASSETS	
Property, plant and equipment	986
Intangible assets	216
Cash	70
Receivables	66
Others	73
	1,411
LIABILITIES	
Interest-bearing liabilities	467
Other payables	242
	709

9. INVESTMENT IN AN ASSOCIATE

In the half-year ended 30 June 2011, SSESTEEL fully impaired its investment in an associate due to the ongoing losses of the associate which resulted in an impairment loss of \$7.792 million. Later, during that year, on 26 December 2011, SSESTEEL sold all of its investment in an associate for \$7.025 million. For the full year ended 31 December 2011, the net loss on the disposal of its investment in an associate was only \$0.767 million which was included in the consolidated income statement for the year ended 31 December 2011.

Movement in the carrying amount of the Groups' investment in an associate:

	\$'000
1 January 2011	9,766
Share in net loss of an associate after tax	(990)
Disposal of an associate/impairment loss	(7,792)
Exchange difference	(984)
31 December 2011	-

**Notes to the Half-Year Financial Statements
FOR THE HALF-YEAR ENDED 30 JUNE 2012**

10. 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.

11. COMMITMENTS AND CONTINGENCIES

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

12. 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 2012 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

Hai Phong, 29 August 2012

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 condensed statement of financial position as at 30 June 2012, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed 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 2012 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 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 2012 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
29 August 2012