VIETNAM INDUSTRIAL INVESTMENTS LIMITED

ABN 64 063 656 333

ANNUAL REPORT 2009

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
Level 5, 150 St Georges Terrace
PERTH Western Australia 6000
Telephone: (618) 9322 2911
Facsimile: (618) 9322 2699
E-mail: vii@iinet.net.au

Website: **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
Suite 1/770 Canning Hwy
APPLECROSS Western Australia 6153

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

Vietnam Operations

Vinausteel Limited
Km9, Vat Cach, Quan Toan
Hong Bang District
Hai Phong VIETNAM
Telephone: (84) 31 3850 145
Facsimile: (84) 31 3850 140
E-mail: vinausteel@vinausteel.com.vn
Website: www.vinausteel.com.vn

Austnam Joint Stock Corporation
109 Truong Chinh Street
Thanh Xuan
Hanoi VIETNAM
Telephone: (84) 4 3869 1579
Facsimile: (84) 4 3869 1632
E-mail: hn@austnam.com.vn
Website: www.austnam.com.vn

SSESTEEL Ltd
Km9, Vat Cach, Quan Toan
Hong Bang District
Hai Phong VIETNAM
Telephone: (84) 31 3850 818
Facsimile: (84) 31 3850 828
E-mail: ssesteel@sse.com.vn
Website: www.thepuc.com.vn

VRC Weldmesh (Vietnam) Ltd
66 Cach Mang Thang 8,
Ward 6, District 3
Ho Chi Minh City VIETNAM
Telephone: (84) 8 3930 8616/7/8/9
Facsimile: (84) 8 3930 8636
E-mail (Ho Chi Minh City): vrcsales@vrcvn.com
Website: www.vrc.com.vn

Total Building Systems Limited
109 Truong Chinh Street
Thanh Xuan
Hanoi VIETNAM
Telephone: (84) 4 3869 1579
Facsimile: (84) 4 557 3127
E-mail: tbsinfo@tbs.vn
Website: www.tbs.vn

Contents

VIETNAM INDUSTRIAL INVESTMENTS LIMITED

An investment holding company investing in the developing economy of Vietnam

HIGHLIGHTS OF 2009

Corporate

- Sales revenue from Vietnam operations was VND5.346 trillion ($370.068 million) down 2% on 2008 of VND5.441 trillion ($389.488 million).
- Net profit after tax and non-controlling interests was $25.341 million, up 126% on 2008 of $11.190 million.

Austnam Joint Stock Corporation (VII shareholding 67%)

- Annual sales of 585,913m², up 8% on 2008 (544,772m²).
- Sales revenue was VND62.442 billion ($4.323 million), down 15% on 2008 (VND73.389 billion or $5.253 million).
- Net profit after tax and before non-controlling interests was VND2.554 billion ($0.177 million), up 614% on 2008 net loss of VND0.497 billion ($0.036 million).

SSESTEEL Ltd (VII shareholding 100%)

- Rebar sales of 190,746 tonnes, up 50% on 2008 (126,611 tonnes).
- Wire rod sales of 91,905 tonnes, up 66% on 2008 (55,315 tonnes).
- Toll milling of 5,818 tonnes, down 58% on 2008 (13,756 tonnes).
- Total sales revenue was VND2.997 trillion ($207.441 million), up 9% on 2008 (VND2.745 trillion or $196.463 million).
- Net profit after tax and before non-controlling interests was VND345.447 billion ($23.201 million), up 114% on 2008 net profit of VND161.779 billion ($11.580 million).

Total Building Systems Limited (VII shareholding 99%)

- Revenues were VND40.263 billion ($2.787 million), down 57% on 2008 (VND93.247 billion or $6.674 million).
- Net loss after tax and before non-controlling interests was VND17.749 billion ($1.229 million), down 6% on 2008 net loss of VND18.936 billion ($1.355 million).

Vinausteel Limited (VII shareholding 70%)

- Annual sales of 201,029 tonnes, up 29% on 2008 (155,755 tonnes).
- Sales revenue was VND2.168 trillion ($150.056 million), down 9% on 2008 (VND2.389 trillion or $170.993 million).
- Net profit after tax and before non-controlling interests was VND136.120 billion ($9.423 million), up 369% on 2008 net profit of VND28.993 billion ($2.075 million).

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

- Annual sales of 6,403 tonnes, down 26% on 2008 (8,701 tonnes).
- Sales revenue was VND79.187 billion ($5.482 million), down 44% on 2008 (VND141.159 billion or $10.104 million).
- Net loss after tax and before non-controlling interests was VND16.652 billion ($1.153 million), up 1,022% on 2008 loss (VND1.484 billion or $0.106 million).

CHAIRMAN'S REPORT

Dear Shareholders

In my last report to you, I noted that 2009 was likely to be a difficult year as uncertainty remained on how the global crisis and subsequent financial deleveraging would impact Vietnam. On review, in 2009, the Group was able to benefit from high demand for construction steel in the infrastructure, construction and property development industries which was in part due to the Vietnam government implementing stimulus measures to promote economic growth. The Group also benefitted from the Vietnam government's loan subsidy program, lowering the cost of working capital finance.

I am pleased to report that the Group has reported a consolidated profit after tax and non-controlling interests for the year ended 31 December 2009 of $25.341 million (2008: $11.190 million). Earnings per share increased from 8.26 cents to 17.81 cents.

The Steel Making segment consisting of the Vinausteel and SSESTEEL rolling mill operations in Hai Phong continued to outperform expectations. SSESTEEL achieved a net profit after tax of VND 345.447 billion ($23.201 million) surpassing the 2008 record profit (2008: VND161.779 billion or $11.580 million). Vinausteel reported a net profit after tax of VND 136.120 billion ($9.423 million) which was also significantly higher than the 2008 result of VND 28.993 billion ($2.075 million). During the year, Vinausteel declared a dividend of VND70 billion ($5.138 million) of which VII's share was VND49 billion ($3.597 million). The Steel Making segment contributed an operating profit attributable to members of $29.797 million on combined revenues of $357.497 million (2008: Operating profit $13.032 million; Revenues $367.457 million).

In the second half, SSESTEEL Ltd pursued a strategic equity investment in Dinh Vu Steel Stock Company ("DVSSC"), a local billet plant, which utilises an electric arc furnace to produce steel billets from scrap and is located in Dinh Vu Industrial Zone, Hai An District, Haiphong. DVSSC has a design capacity of 200,000 tonnes per annum and produced 133,000 tonnes in 2007 and 150,000 tonnes in 2008. SSESTEEL initially acquired a 20.51% interest in DVSSC, using existing cash reserves, for $3.4 million. Subsequent to 31 December 2009, SSESTEEL increased its ownership in DVSSC to 43.72% following an additional capital cash contribution of $6.171 million, which was also funded from existing cash reserves. The integration of this business into the Group has immediately assisted the rolling mill operations secure stable supply for part of their billet requirements with less pricing and foreign exchange risks than with importing billets.

Whilst cost-cutting measures were implemented in the smaller operations, namely Austnam, TBS and VRC in 2009, these operations returned a loss of $2.251 million. Board and Management are continuing to assess ways to improve profitability of the Steel Products segment.

Vietnam entered 2009 with mixed prospects, after emerging from a very turbulent 2008. During 2008 there had been a combination of domestic economic weaknesses, soaring interest rates and raging inflation in the first six months, followed by weaker international export markets, the removal of global liquidity from emerging markets and reduced foreign direct investment (FDI) flows in the second six months.

In early 2009, the economy faced weakening growth prospects and there were expectations of currency depreciation as the balance of payments appeared to be vulnerable, hit by a growing trade deficit, weakening inflows from FDI and lower inward remittances by overseas Vietnamese.

The Vietnamese Government reacted relatively decisively with the implementation of a stimulus package of tax breaks and interest rate subsidies. Under the stimulus package, businesses, local and foreign, could avail themselves of relatively cheap loans (4% versus 8% interest per annum) and enjoy corporate and personal income tax breaks. Much of the money injected in the economy through the stimulus program found its way into the stock market, the property market and the domestic gold market. Asset speculation was re-ignited with leveraged positions (some local sources indicated that the stock market inflows, which were mainly domestic, were leveraged by up to four times, and gold trading by similar levels. Gold was also seen as an attractive hiding place from both inflation and the continuing weakness in the Vietnamese Dong).

The Government's stimulus package helped GDP grow by 5.3% in 2009. This growth was much higher than the range of predictions given by international commentators at the beginning of the year (The Economist Intelligence Unit forecasted GDP growth of only 0.3%). Inflationary pressures have however remained and inflation is one of the areas to keep a watch-on during 2010.

CHAIRMAN'S REPORT (CONTINUED)

In the face of mounting pressure on the domestic currency (the VND), the State Bank of Vietnam announced in October a 5% devaluation of the VND against the USD. The Government has also taken action to close the gold trading activities of many banks and financial intermediaries, and encouraged large state-owned enterprises (SOEs) to sell their USD holding to the market. Both of these measures are attempts to increase USD liquidity for importers and to control parallel market currency activity.

Looking forward, although the results for this year were higher than those of the prior year, there is significant uncertainty regarding the trading conditions and performance of the Vietnam operations for 2010. Trading conditions are continuing to be affected by banking conditions in Vietnam VII Group's Vietnam operations require increased working capital facilities to fund higher input costs.

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

REVIEW OF OPERATIONS

This operational and financial review reports on the period under review for the Company 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"). Foreign exchange rates at 31 December 2009 were US$0.8969/A$ and VND18,479/US$ (2008: US$0.6928/A$ and VND17,486/US$). Average exchange rates for the year ended 31 December 2009 were US$0.7987/A$ and VND18,087/US$ (2008: US$0.8525/A$ and VND16,388/US$).

For the year ended 31 December 2009, the Group operating profit attributable to members was $25.341 million on revenues of $373.167 million (2008: Operating profit $11.190 million on revenues of $390.398 million). As SSESTEEL continued to improve its operating performance, the Company made a reversal of impaired fixed assets of $4.957 million. The improved results were due to the performance of the Steel Making segment (Vinausteel and SSESTEEL). This segment contributed an operating profit of $24.840 million ($29.797 million including the impairment reversal) on revenues of $357.497 million (2008: operating profit of $13.032 million on revenues of $367.457 million).

The improved performance of the Steel Making operations in 2009 was in part due to the recovery in the infrastructure, construction and property development industries. The Vietnamese government implemented economic stimulus measures to boost economic growth which enabled the Steel Making operations to increase sales to record levels to meet the high demand for construction steel.

Despite the efforts to maintain break even, the Group's Steel Products segment (Austnam, TBS and VRC Weldmesh) returned a loss of $2.251 million.

SSESTEEL's share in the net loss of associate Dinh Vu Steel Stock Company for the period to 31 December 2009 is $0.152 million.

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.

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 revenue was VND62.442 billion ($4.323 million) which was a decrease of 15% on 2008 (VND73.389 billion or $5.253 million). Austnam's operation continues to be adversely affected by the increasing competitiveness of the Vietnam metal roofing market.

During 2009, Austnam restructured its sale and production operations, managed interest expense on loans and leased out the new office building in November 2009 which improved its financial performance for the year ended 31 December 2009 recording a profit of VND2.554 billion ($0.177 million) (2008: loss VND0.497 billion or $0.036 million).

RESULTS OF VIETNAM OPERATIONS (CONTINUED)

SSESTEEL Ltd (VII 100%)
SSESTEEL owns and operates a fully automated rolling mill located in Haiphong which produces high tensile rebar and wire rod for the construction industry.

SSESTEEL achieved rebar sales of 190,746 tonnes (2008: 126,611 tonnes), wire rod sales of 91,905 tonnes (2008: 55,315 tonnes) and toll milling of 5,818 tonnes (2008: 13,756 tonnes). Sales revenue was VND2.997 trillion ($207.441 million), up 9% on 2008 (VND2.745 trillion or $196.463 million). The SSESTEEL operation reported a net profit after tax of VND263.293 billion ($18.244 million). However at Group level, SSESTEEL's net profit after tax was VND345.447 billion ($23.201 million) after the reversal of SSESTEEL's previously impaired assets of VND82.154 billion or $4.957 million (2008: profit VND161.779 billion or $11.580 million).

Total Building Systems Limited (VII 99%)
Total Building Systems Limited ("TBS") is a building systems provider supplying engineering services, building systems and construction services to industrial and residential consumers in Vietnam.

Revenues for the year ended 31 December 2009 were VND40.263 billion ($2.787 million) (2008: VND93.247 billion ($6.674 million). TBS reported a net loss after tax for the year of VND17.749 billion ($1.229 million) (2008: loss of VND18.936 billion or $1.355 million).

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.

Sales for 2009 were 201,029 tonnes, an increase of 29% on the previous year (155,755 tonnes). Sales revenue was VND2.168 trillion ($150.056 million), lower by 9% on 2008 (VND2.389 trillion or $170.993 million). Vinausteel reported a net profit for the year of VND136.120 billion ($9.423 million) (2008: VND 28.993 billion or $2.075 million).

During the year, Vinausteel declared an interim dividend of VND70 billion ($5.138 million) of which VII's share is VND49 billion ($3.597 million).

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 leases factory premises in Haiphong.

VRC recorded a significant loss of VND16.652 billion ($1.153 million) for the year ended 31 December 2009 (2008 loss: VND1.484 billion or $0.106 million). During 2009, VRC did not maximise its factory utilisation and sales significantly dropped. The drop in sales revenue contributed to the significant loss during the year. Sales for the year were 6,403 tonnes which was 26% lower than the previous year (8,701 tonnes). This represented sales revenue of VND79.187 billion ($5.482 million) down 44% on 2008 (VND141.159 billion or $10.104 million).

FINANCIAL REVIEW

The net increase in cash during the year of $45.033 million was due to the following:

	$'000
Increase in net cash flows from operating activities	15,320
Decrease in net cash flows from investing activities	(7,643)
Increase in net cash flows from financing activities	50,637
Net foreign exchange differences	(13,281)
	45,033

Increase in net cash flows from operating activities was due to the increase in interest income received of $3.099 million (2008: $0.910 million) evidenced by the increase in short-term deposits and decrease in payment to suppliers and employees of $341.740 million (2008: $388.103 million) as a result of managing the Group's operating costs, particularly the cost of raw materials.

FINANCIAL REVIEW (CONTINUED)

Decrease in net cash flows from investing activities was attributed to the Group's acquisition of a 20.51% interest in Dinh Vu Steel Stock Company for $3.906 million (2008: nil) and purchases of property and equipment of $3.797 million (2008: $3.112 million).

The significant increase in net cash flows from financing activities was due to the net cash inflow from bank borrowings of $52.956 million. The Steel Making segment benefited from the recovery in the infrastructure, construction and property development industries by increasing sales to record levels to meet the high demand for construction steel.

The Company has provided security to various banks for banking facilities provided to Vietnam subsidiaries in the form of letters of guarantee totalling US$19.900 million ($22.188 million) (2008: US$22.230 million or $32.087 million). At 31 December 2009 the total interest bearing liabilities drawndown to which these corporate guarantees relate to were US$4.845 million ($5.401 million) (2008: US$12.515 million or $18.065 million).

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 Austnam 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 was previously a joint venture enterprise established in Vietnam in accordance with the Investment Licence issued on 27 April 1992 for a term of 20 years by the Vietnamese Ministry of Planning and Investment and its amended Investment Licences. The principal activities of Austnam are to produce metal roofing and steel frames.

In 2005, Austnam was converted into a joint stock corporation. VII has an effective interest of 67% in Austnam.

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 structure and construction steel products in accordance with the Investment Licence.

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 years commencing with the first year of earning profits which were the financial years ended 2007 and 2008 and a 50 percent reduction for the following two years which are financial years ended 2009 and 2010.

Total Building Systems Limited

TBS was originally established as a 100% foreign invested enterprise in Vietnam in accordance with the Investment Licence issued on 27 April 2004, for a term of 30 years and its amended Investment Licences.

In 2007, TBS changed its legal form to a limited liability with two or more members.

The principal activities of TBS are to provide consultancy, design, technology transfer, technical assistance services and implementation of construction work, manufacture metal roofing and steel framing, and act as agents for similar products made in Vietnam.

TBS has the obligation to pay enterprise income tax at the rate of 25 percent of taxable profits. This company is entitled to an exemption from enterprise income tax for two years commencing with the first year of earning profits, and a 50% reduction for the following three years. TBS has yet to earn taxable profits.

VIETNAM OPERATIONS – ADDITIONAL INFORMATION (CONTINUED)

Vinausteel Limited
Vinausteel is a joint venture company incorporated under the Law on Enterprise of Vietnam pursuant to the 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 principal activities of Vinausteel are to manufacture and trade various types of reinforcing steel products in accordance with the Investment Licence.

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 nominees from VII and two from VSC.

Vinausteel has the obligation to pay enterprise income tax at the rate of 25 percent of taxable profits.

VRC Weldmesh (Vietnam) Ltd
VRC was formerly a 100% foreign invested enterprise established in Vietnam in accordance with the Investment Licence issued on 19 June 1993 and its amended Investment Licences. VRC changed its legal form into a one-member limited liability company with Vietnam Projects (Singapore) Pte Ltd, a wholly owned subsidiary of VII. The principal activities of VRC are the manufacturing and trading of electrically welded wire products for concrete reinforcement, screens, fences and partitions.

VRC has the obligation to pay enterprise income tax at the rate of 28 percent of taxable profits.

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

Your directors submit their report for the year ended 31 December 2009.

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 PPEM Pte Ltd ("PPEM"). He is responsible for Prudential Corporation Asia's private equity investments in Asia, and currently oversees approximately US$400 million of assets (as at 31 March 2009), including the Vietnam Segregated Portfolio, a private equity allocation from the Prudential Vietnam Life Insurance Premium Fund, and the PRUPIM Vietnam Property Fund. Mr Hambly has more than 20 years of direct investment experience gained in both Asia and other major markets. Prior to joining Prudential in January 2003, he worked for four years for CDC (now known as Actis Capital LLP) based in Singapore, four years with HSBC Private Equity based in India, and seven years with Barclays Bank plc based in London, India and Singapore, the last three years of which he was on secondment to a private equity fund (Baronsmead plc) in the United Kingdom. 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 17 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 has been the Secretary/Treasurer of the Western Australia-Vietnam Business Council Inc since 2001, is a Fellow of the Institute of Chartered Accountants in Australia and a member of the Australian Institute of Company Directors. Mr Clements is a member of the VII Audit and Remuneration Committees.

Mr Craig Robert Martin
Alternate Non-Executive Director
Mr Martin has worked in investment management in South East Asia for 17 years, including 10 years in Indo-China. During 2009, Mr Martin was an 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. Mr Martin works as a Director in PPEM Pte Ltd ("PPEM"), a subsidiary of Prudential plc in United Kingdom.. 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:

	Note	*Ordinary Shares*
A. J. Hambly		-
H. V. H. Lam	(1)	116,308,510
A. A. Young		-
R. S. Kwok		-
M. A. Clements		-
C. R. Martin	(2)	116,308,510

Notes: (1) Mr Lam is 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	17.81

DIVIDENDS

There were no dividends declared during the year (2008: Nil). For the year ended 31 December 2009, no dividends were paid (2008: 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 27.

Operating and Financial review
The consolidated profit after tax and non-controlling interests for the year ended 31 December 2009 was $25.341 million (2008: $11.190 million).

Operating and Financial Review of the consolidated entity for the year is set out in pages 5 to 8 in the Annual Report 2009.

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.

Employees
The consolidated entity employed 705 employees as at 31 December 2009 (2008: 757 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 Operating and Financial Review section.

SUBSEQUENT EVENTS AFTER THE BALANCE DATE

Subsequent to balance date, SSESTEEL has increased its equity in Dinh Vu Steel Stock Company to 43.72% following the investment of a further VND100 billion ($6.171 million).

Other than the above, there has been no other 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 providing engineering and project management services by TBS. The consolidated entity plans to increase its ownership in Dinh Vu Steel Stock Company.

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.

REMUNERATION REPORT (AUDITED)

The Company's 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.

Details of Remuneration

		Short-term		Post employment		Long-term benefit	
		Salary & Fees	Non-Monetary Benefits	Retirement Benefits	Super-contributions	Long Service Leave	Total
		$	$	$	$	$	$
Remuneration of Directors							
A. J. Hambly [(a)]	2009	36,000	-	-	-	-	36,000
(Non-Executive Director,Chairman)	2008	36,000	-	-	-	-	36,000
H. V. H. Lam [(i) (iii)]	2009	268,335	68,116	-	-	-	336,451
(Managing Director – Vietnam Operations)	2008	133,596	103,708	-	-	-	237,304
A. A. Young [(i) (iii)]	2009	197,372	23,555	-	-	-	220,927
(Managing Director, Chief Operating Officer)	2008	226,404	21,363	-	-	-	247,767
R. S. Kwok [(a)]	2009	36,000	-	-	-	-	36,000
(Independent Non-Executive Director)	2008	36,000	-	-	-	-	36,000
M. A. Clements [(a)]	2009	92,000	-	-	-	-	92,000
(Non-Executive Director and Company Secretary)	2008	84,000	-	-	-	-	84,000
C. R. Martin [(ii)]	2009	-	-	-	-	-	-
(Alternate Director)	2008	-	-	-	-	-	-
Total	2009	629,707	91,671	-	-	-	721,378
	2008	516,000	125,071	-	-	-	641,071

(a) Refer to the proposed increase on page 13 under 'Non-Executive Directors'.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration of Key Management Personnel

		Short-term		Post employment		Long-term benefit	
		Salary & Fees	Non-Monetary Benefits	Retirement Benefits	Super-contributions	Long Service Leave	Total
		$	$	$	$	$	$
Executives							
P. Shinn	2009	141,800	-	-	10,800	4,500	157,100
(Chief Financial Officer)	2008	124,500	-	-	10,305	1,163	135,968
D. Q. Phan (i)	2009	156,512	-	-	-	-	156,512
(General Manager - VRC)	2008	146,626	-	-	-	-	146,626
T. Huang (i) (iv)	2009	137,731	15,780	-	-	-	153,511
(Group Finance and Operations Officer)	2008	84,457	30,504	-	-	-	114,961
D. H. Ngoc (i)	2009	65,109	-	-	-	-	65,109
(General Manager – TBS Appointed 1 January 2009)	2008	-	-	-	-	-	-
T. T. Nguyen (iv)	2009	-	-	-	-	-	-
(General Director – TBS)	2008	74,172	-	-	-	15,443	89,615
B. Redman (vi)	2009	-	-	-	-	-	-
(General Manager – TBS)	2008	62,935	-	-	-	4,340	67,275
Total	2009	501,152	15,780	-	10,800	4,500	532,232
	2008	492,690	30,504	-	10,305	20,946	554,445

(i) Included in the related party payables at Note 17 are accrued bonuses of $250,000 (2008: Nil) for executive directors and Vietnam senior executives. As the allocation to each executive director and senior executive has not been finalised at the date of preparing the financial report, the accrual has not been included in the remuneration table above. The final amount paid will be reported in the following year.
(ii) Mr Martin does not have remuneration since he is the alternate director for Mr Hambly.
(iii) The Group's operating subsidiaries incurred non-cash benefits of $68,116 (2008: $103,708) for Mr Lam and $23,555 (2008: $21,363) for Mr Young in relation to their employment in Vietnam.
(iv) Mr Huang was Group Finance and Operations Officer until 31 August 2009 and appointed as General Manager of Dinh Vu Steel Stock Company ("Dinh Vu Steel") on 1 September 2009. As the Group's ownership in Dinh Vu Steel was 20.51% at 31 December 2009, Mr Huang's salary in Dinh Vu Steel is not included in the Remuneration Report. The Group's operating subsidiaries incurred non-cash benefits of $15,780 (2008: $30,504) for Mr Huang in relation to his employment in Vietnam.
(v) Mr Nguyen resigned as General Director of TBS on 1 January 2009.
(vi) Mr Redman was General Manager of TBS until he passed away in January 2009.

Executive Directors and Executive Management
Remuneration of Executive Directors and Executive management are paid by the companies that they are employed with. They receive a fixed salary and bonus payments based on the discretion of the Board of Directors. At present, there is no formal link between the Company's performance and the remuneration of directors and executives.

Non-Executive Directors
Fees and payments made to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the directors. Non-Executive Directors' fees have been reviewed by the Board. Non-Executive Directors' fees are based on comparative roles in the external market.

The total amount paid to Non-Executive Directors is determined by the Board from time to time for presentation to and resolution by shareholders in General Meeting. The current approved maximum aggregate remuneration payable to Non-Executive Directors is $100,000 per year.

It is expected that the Company will seek shareholder approval at the next Annual General Meeting to increase the maximum aggregate remuneration payable to Non-Executive Directors from 1 January 2009. Included in the related party payables at Note 17 is $167,000 (2008: Nil) to reflect this proposed increase which will be paid to Mr Hambly ($69,000), Mr Kwok ($54,000) and Mr Clements ($44,000). This accrual has not been included in the directors' remuneration table.

The Non-Executive Directors are paid a set amount per year and, apart from reimbursement of expenses incurred on the Company's behalf, are not eligible for any additional payments.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Performance-based Remuneration
There had been no share-based payments related compensation made to key management personnel during the year (2008: Nil). Bonuses of $250,000 (2008: Nil) have been accrued for executive directors and Vietnam senior executives as noted above. There is no formal link between the performance and remuneration of the key management personnel. The amount is discretionary at the decision of the Board of Directors.

Service Agreements
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.

Additional Information
Details of key management personnel disclosures are set out in Note 26.

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 the 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. As of the reporting date, there are no termination benefits accrued or payable.

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		Remuneration Committee Meetings	
	No. of meetings held while in office	**Meetings attended**	**No. of meetings held while in office**	**Meetings attended**	**No. of meetings held while in office**	**Meetings attended**
A. J. Hambly	8	8	4	4	3	3
H. V. H. Lam	8	8	-	-	-	-
A. A. Young	8	8	-	-	-	-
R. S. Kwok	8	8	4	4	3	3
M. A. Clements	8	8	4	4	3	3
C. R. Martin	8	5	-	-	-	-

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 was one occasion whereby the Board approved matters by circular resolution.

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 2009. This written Auditor's Independence Declaration forms part of this Directors' Report.

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	$12,730
Tax advice	$8,652

Signed in accordance with a resolution of the directors.

ALAN A. YOUNG
Director

Hai Phong, 31 March 2010

Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

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 2009, 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
31 March 2010

CORPORATE GOVERNANCE OVERVIEW STATEMENT

On 2 August 2007, the ASX Corporate Governance Council released 'The Revised Corporate Governance Principles and Recommendations' (second edition Corporate Governance Guidelines) ('guidelines').

In fulfilling its obligations and responsibilities to its various stakeholders, the Board of VII is a strong advocate of corporate governance. The Board has adopted corporate governance policies and practices consistent with the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations 2nd edition" (Recommendations) where considered appropriate for VII's size and nature.

This document outlines the 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 on the Company's website at www.vii.net.au.

Principle 1: Lay solid foundations for management and oversight
"Establish and disclose the respective roles and responsibilities of board and management."

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 Audit, Risk and Remuneration Committees. 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 Board as at the date of this report are:

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

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.

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.

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

Term of office
The Company's constitution specifies that all Directors (with the exception of the Managing Directors) 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.

Principle 2: Structure the Board to add value
"Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties."

Only one (Mr Roger Kwok) of the directors who served on the Board during the year ended 31 December 2009 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.

Chairman and Managing Directors
The roles of Chairman and Managing Directors 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.

Performance evaluations for the Board and executives were performed 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.

Principle 3: Promote ethical and responsible decision-making
“Actively promote ethical and responsible decision making.”

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), 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).

Principle 4: Safeguard integrity in financial reporting
"Have a structure to independently verify and safeguard the integrity of the company's financial reporting."

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:

Mr Roger (Sing-Leong) Kwok, *Independent Non-Executive Director (Chairman)*
Mr Alexander John Hambly, *Non-Executive Director*
Mr Mark Andrew Clements, *Non-Executive Director*

Only one (Mr Roger Kwok) of the Audit Committee members during the year ended 31 December 2009 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.

Four meetings of the Audit Committee were held during the reporting period. All members were present at these meetings.

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 Managing Director and the Chief Financial Officer declared in writing to the Board that the Company's financial reports for the year ended 31 December 2009 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).

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).

Ernst & Young, who are the current external auditors, have an Independence policy of rotating the audit partner at least every 5 years. Mr Gavin Buckingham, current lead engagement partner, was appointed in 2005.

Ernst & Young is requested to attend the annual general meeting to answer any questions concerning the audit and the content of the auditor's report.

Principle 5: Make timely and balance disclosure
"Promote timely and balance disclosure of all material matters concerning the company."

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).

Principle 6: Respect the rights of shareholders
"Respect the rights of shareholders and facilitate the effective exercise of those rights."

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).

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.

Principle 7: Recognise and manage risk
<u>"Establish a sound system of risk oversight and management and internal control."</u>

Oversight of the Risk Management System
The Board oversees the establishment, implementation and annual review of the Company's risk management system. A Risk Management Committee has been established which is responsible for reviewing the operations of the Group's activities to ensure that material business risks are identified, understood, accepted or rejected, mitigated where it is practical to do so and are subject to ongoing review and management. Every quarter, this Committee reports 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).

Risk Profile
Major risks for the consolidated entity arise from such matters as:

- price of raw materials and other supplies
- availability of raw materials
- changes to exchange or interest rates
- action by competitors
- changes in government policies
- changes to the laws and regulations
- distributors and/or customers
- reputation
- changes in tariffs and taxes
- management and employees

Based on reviews of VII's business, an overall profile of the risks is established and a process is established for dealing with such risks. Any identified risks are periodically brought to the attention of the Board of Directors or the Audit Committee, generally in the format of a Board meeting.

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 safe-guarded, 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;
- management review of the balance sheet and internal control environment;
- monthly review of financial performance compared to budget;
- analysis of financial performance and significant balance sheet items to comparative periods and key performance indicators; and
- environmental regulation compliance.

Financial Reporting
In accordance with section 295A of the Corporations Act, the Managing Director 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.

Principle 8: Remunerate fairly and responsibly
"Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is clear."

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.

Members of this committee during the financial year were:

Mr Roger (Sing-Leong) Kwok, *Independent Non-Executive Director (Chairman)*
Mr Alexander John Hambly, *Non-Executive Director*
Mr Mark Andrew Clements, *Non-Executive Director*

Only one (Mr Roger Kwok) of the Remuneration Committee members during the year ended 31 December 2009 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 three meetings of the Remuneration Committee during the reporting period. All members were present at these meetings.

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.

Recommendation	Comply (Yes/No)	Comments
Principle 1 – Lay solid foundations for management and oversight		
1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes	
1.2: Companies should disclose the process for evaluating the performance of senior executives.	Yes	
1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1.	Yes	
Principle 2 – Structure the board to add value		
2.1: A majority of the board should be independent directors.	No	Refer to page 18.
2.2: The chair should be an independent director.	No	Refer to page 18.
2.3: The roles of chair and chief executive officer should not be exercised by the same individual.	Yes	
2.4: The board should establish a nomination committee.	No	Refer to page 18.
2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	
2.6: Companies should provide the information indicated in the Guide to reporting on Principle 2.	Yes	
Principle 3 – Promote ethical and responsible decision-making		
3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	
3.2: Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	Yes	
3.3: Companies should provide the information indicated in the Guide to reporting on Principle 3.	Yes	

Recommendation	Comply (Yes/No)	Comments
Principle 4 – Safeguard integrity in financial reporting		
4.1: The board should establish an audit committee.	Yes	
4.2: The audit committee should be structured so that it:		
• consists only of non-executive directors	Yes	
• consists of a majority of independent directors	No	Refer to page 20.
• is chaired by an independent chair, who is not chair of the board	Yes	
• has at least three members.	Yes	
4.3: The audit committee should have a formal charter.	Yes	
4.4: Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes	
Principle 5 – Make timely and balanced disclosure		
5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	
5.2: Companies should provide the information indicated in the Guide to reporting on Principle 5.	Yes	
Principle 6 – Respect the rights of shareholders		
6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	
6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6.	Yes	

Recommendation	Comply (Yes/No)	Comments
Principle 7 – Recognise and manage risk		
7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	
7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	
7.3: The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is 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.	Yes	
7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7.	Yes	
Principle 8 – Remunerate fairly and responsibly		
8.1: The board should establish a remuneration committee.	Yes	
8.2: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	
8.3: Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes	

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	Notes	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
ASSETS					
Current Assets					
Cash and cash equivalents	7	73,562	28,529	4,459	1,415
Trade and other receivables	8	28,738	23,461	519	2,519
Inventories	9	39,907	40,077	-	-
Financial assets – at fair value through profit or loss	10	67	37	67	37
Other current assets	11	455	418	65	67
Total Current Assets		142,729	92,522	5,110	4,038
Non-current Assets					
Receivables	12	146	184	-	595
Investments in an associate	13	3,178	-	-	-
Investments in subsidiaries	14	-	-	32,242	23,834
Property, plant and equipment	15	19,207	16,823	4	14
Intangible assets and goodwill	16	398	659	-	-
Total Non-current Assets		22,929	17,666	32,246	24,443
TOTAL ASSETS		165,658	110,188	37,356	28,481
LIABILITIES					
Current Liabilities					
Trade and other payables	17	18,573	13,888	633	213
Advances from customers		15,228	19,363	-	-
Income tax provision	6	4,041	-	-	-
Interest-bearing loans and borrowings	18	73,725	40,691	-	-
Provisions	19	611	881	23	29
Total Current Liabilities		112,178	74,823	656	242
Non-current Liabilities					
Interest-bearing loans and borrowings	18	2,776	822	-	-
Deferred tax liabilities	6	-	11	-	11
Total Non-current Liabilities		2,776	833	-	11
TOTAL LIABILITIES		114,954	75,656	656	253
NET ASSETS		50,704	34,532	36,700	28,228
EQUITY					
Equity attributable to equity holders of parent					
Contributed equity	20	27,819	27,819	27,819	27,819
Reserves	21	(4,755)	3,989	-	-
Retained earnings/(accumulated losses)	21	21,880	(3,461)	8,881	409
Parent interests		44,944	28,347	36,700	28,228
Non-controlling interests	22	5,760	6,185	-	-
TOTAL EQUITY		50,704	34,532	36,700	28,228

The above statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	CONSOLIDATED 2009 $'000	CONSOLIDATED 2008 $'000	PARENT 2009 $'000	PARENT 2008 $'000
Sale of goods		367,218	382,818	-	-
Contract revenue		2,850	6,670	-	-
Other revenue	5	3,099	910	3,638	1,941
Revenue		373,167	390,398	3,638	1,941
Cost of sales	5	(316,891)	(360,446)	-	-
Gross profit		56,276	29,952	3,638	1,941
Other income	5	1,355	1,496	452	510
Reversal of impairment of plant and equipment	5, 15	4,957	-	-	-
Reversal of impairment of investments in subsidiaries	5, 14	-	-	11,919	5,038
Marketing expenses		(8,040)	(5,169)	-	-
Administrative expenses	5	(15,625)	(9,439)	(2,471)	(1,048)
Finance costs	5	(5,800)	(4,169)	-	(34)
Impairment of goodwill	5, 16	(114)	-	-	-
Impairment loss on investments in subsidiaries	5, 14	-	-	(3,511)	(2,158)
Impairment loss on receivables from subsidiaries	5, 8	-	-	(1,566)	-
Share of net loss of an associate	5, 13	(152)	-	-	-
Profit before income tax		32,857	12,671	8,461	4,249
Income tax (expense)/ benefit	6	(4,643)	(884)	11	9
Net profit for the year		28,214	11,787	8,472	4,258
Other comprehensive income					
Foreign currency translation		(10,501)	4,966	-	-
Other comprehensive income for the period		(10,501)	4,966	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		17,713	16,753	8,472	4,258
Profit attributable to:					
Owners of parent		25,341	11,190	8,472	4,258
Non-controlling interests		2,873	597	-	-
		28,214	11,787	8,472	4,258
Total comprehensive income attributable to:					
Owners of parent		16,597	15,106	8,472	4,258
Non-controlling interests		1,116	1,647	-	-
		17,713	16,753	8,472	4,258
		Cents	Cents		
Earnings per share for profit attributable to the ordinary equity holders of the Company:					
– Basic and diluted earnings per share		17.81	8.26		

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

CONSOLIDATED	*Contributed equity*	*Foreign currency translation reserves*	*Accumulated losses*	*Legal reserves*	*Owners of the parent*	*Non-controlling interests*	*Total equity*
	Attributable to equity holders of the parent						
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1January 2008	22,057	(1,051)	(14,651)	1,124	7,479	5,318	12,797
Net profit for the year	-	-	11,190	-	11,190	597	11,787
Other comprehensive income	-	3,916	-	-	3,916	1,050	4,966
Total comprehensive income for the year	-	3,916	11,190	-	15,106	1,647	16,753
Transaction with owners in their capacity as owners							
Issuance of Ordinary Shares	5,843	-	-	-	5,843	-	5,843
Transaction costs	(81)	-	-	-	(81)	-	(81)
Dividends paid by subsidiaries	-	-	-	-	-	(780)	(780)
At 31 December 2008	27,819	2,865	(3,461)	1,124	28,347	6,185	34,532
At 1January 2009	27,819	2,865	(3,461)	1,124	28,347	6,185	34,532
Net profit for the year	-	-	25,341	-	25,341	2,873	28,214
Other comprehensive income	-	(8,744)	-	-	(8,744)	(1,757)	(10,501)
Total comprehensive income for the year	-	(8,744)	25,341	-	16,597	1,116	17,713
Dividends paid by subsidiaries	-	-	-	-	-	(1,541)	(1,541)
At 31 December 2009	27,819	(5,879)	21,880	1,124	44,944	5,760	50,704

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 2009 (CONTINUED)

PARENT	*Attributable to equity holders of the parent*		
	Contributed equity	*(Accumulated losses)/retained earnings*	*Total*
	$'000	*$'000*	*$'000*
At 1 January 2008	22,057	(3,849)	18,208
Net profit for the year	-	4,258	4,258
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	4,258	4,258
Transaction with owners in their capacity as owners			
Issuance of ordinary shares	5,843	-	5,843
Transaction costs	(81)	-	(81)
At 31 December 2008	27,819	409	28,228
At 1 January 2009	27,819	409	28,228
Net profit for the year	-	8,472	8,472
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	8,472	8,472
At 31 December 2009	27,819	8,881	36,700

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	CONSOLIDATED		PARENT	
		2009	2008	**2009**	2008
		$'000	$'000	**$'000**	$'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		357,432	390,907	390	399
Payments to suppliers and employees (inclusive of GST)		(341,740)	(388,103)	(1,458)	(1,283)
Dividend received from subsidiaries		-	-	3,597	624
Interest received		3,099	910	43	116
Interest paid		(4,030)	(4,169)	-	(34)
Income taxes refund/(paid)		559	(2,594)	-	-
Net cash flows provided by/(used in) operating activities	7(a)	15,320	(3,049)	2,572	(178)
Cash flows from investing activities					
Purchase of property, plant and equipment		(3,797)	(3,112)	(2)	(3)
Acquisition of an associate		(3,906)	-	-	-
Proceeds from sale of property, plant and equipment		61	4	-	-
(Loan to)/proceeds from controlled entities		-	-	474	(480)
Investment in subsidiaries		-	-	-	(2,320)
Acquisition of software		(1)	(27)	-	-
Net cash flows used in investing activities		(7,643)	(3,135)	472	(2,803)
Cash flows from financing activities					
Proceeds from bank borrowings		244,281	168,460	-	-
(Repayment)/proceeds from other borrowings		-	(1,500)	-	(1,500)
Repayment of bank borrowings		(191,325)	(154,452)	-	-
Issuance of ordinary shares		-	5,843	-	5,843
Transaction costs		-	(81)	-	(81)
Dividends paid to minority interest		(2,319)	-	-	-
Net cash flows provided by financing activities		50,637	18,270	-	4,262
Net increase in cash and cash equivalents		58,314	12,086	3,044	1,281
Net foreign exchange differences		(13,281)	4,094	-	-
Cash and cash equivalents at beginning of year		28,529	12,349	1,415	134
Cash and cash equivalents at end of year	7	73,562	28,529	4,459	1,415

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

1. COMPANY INFORMATION

The financial report of Vietnam Industrial Investments Limited ("VII") for the year ended 31 December 2009 was authorised for issue in accordance with a resolution of the directors on 24 March 2010.

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 81.75% of the ordinary shares.

The nature of the operations and principal activities of the Group are described in Note 14.

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) Change in Accounting Policy

The Group has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current year. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements
AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- The replacement of Income Statement with Statement of Comprehensive Income. Items of income and expenses not recognised in profit and loss are now disclosed as components of "other comprehensive income". In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity.

- Other financial statements are renamed in accordance with the Standard

Operating Segments
From 1 January 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by the Group's chief operating decision maker which, for the Group, is the Board of Directors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) 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(c). This table lists all applicable standards/interpretations not yet effective for 31 December 2009 year end. Tthe 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. 17 and AASB 2008-13	Distributions of Non-cash Assets to Owners and consequential amendments to Australian Accounting Standards AASB 5 and AASB 110	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	This interpretation will be taken into consideration in future periods. The changes will not have an impact on the entity's financial report.	1 January 2010
AASB 3 (Revised)	Business Combinations	The revised Standard introduces a number of changes to the accounting for business combinations, the most significant of which includes the requirement to have to expense transaction costs and 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 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 127 (Revised)	Consolidated and Separate Financial Statements	There are a number of changes arising from the revision to AASB 127 relating to changes in ownership interest in a subsidiary without loss of control, allocation of losses of a subsidiary and accounting for the loss of control of a subsidiary. Specifically in relation to a change in the ownership interest of a subsidiary (that does not result in loss of control) – such a transaction will be accounted for as an equity transaction.	1 July 2009	This standard is not expected to have an impact on the entity's financial report.	1 January 2010
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. Refer above.	1 July 2009	This standard is not expected to have an 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	This was the second omnibus of amendments issued by the IASB arising from the Annual Improvements Project. Refer to AASB 2008-5 above for more details.	1 July 2009	These amendments are not expected to have any impact on the entity's financial report.	1 January 2010
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 is being hedged 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) 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, these amendments will not have any impact on the entity's financial report.	1 January 2010
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting except for the following: The amendment to AASB 117 removes the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible vs. property, plant and equipment) needs to be determined. The amendment to AASB 101 stipulates that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification. The amendment to AASB 107 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities. The amendment to AASB 118 provides additional guidance to determine whether an entity is acting as a principal or as an agent. The features indicating an entity is acting as a principal are whether the entity: ► has primary responsibility for providing the goods or service; ► has inventory risk; ► has discretion in establishing prices; ► bears the credit risk.	1 January 2010	These amendments are not expected to have any impact on the entity's financial report.	1 January 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2009-5 (con't)	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	The amendment to AASB 136 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes. The main change to AASB 139 clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract. The other changes clarify the scope exemption for business combination contracts and provide clarification in relation to accounting for cash flow hedges.			
AASB 2009-7	Amendments to Australian Accounting Standards [AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17]	These comprise editorial amendments and are expected to have no major impact on the requirements of the amended pronouncements.	1 July 2009	These amendments are not expected to have any impact on the entity's financial report.	1 January 2010
AASB 2009-8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]	This Standard makes amendments to Australian Accounting Standard AASB 2 Share-based Payment and supersedes Interpretation 8 Scope of AASB 2 and Interpretation 11 AASB 2 – Group and Treasury Share Transactions. The amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.	1 January 2010	These amendments are not expected to have any impact on the entity's financial report.	1 January 2010

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2009-9	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards.	The amendments address the retrospective application of IFRSs to particular situations and are aimed at ensuring that entities applying IFRSs will not face undue cost or effort in the transition process. Specifically, the amendments: ► exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets ► exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4 Determining whether an Arrangement contains a Lease when the application of their national accounting requirements produced the same result.	1 January 2010	These amendments are not expected to have any impact on the entity's financial report.	1 January 2010
AASB 2009-10	Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]	The amendment provides relief to entities that issue rights in a currency other than their functional currency, from treating the rights as derivatives with fair value changes recorded in profit or loss. Such rights will now be classified as equity instruments when certain conditions are met.	1 January 2010	These amendments are not expected to have any impact on the entity's financial report.	1 January 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes: ► two categories for financial assets being amortised cost or fair value ► removal of the requirement to separate embedded derivatives in financial assets ► strict requirements to determine which financial assets can be classified as amortised cost or fair value, Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows ► an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition ► reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes ► changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income	1 January 2013	These amendments are not expected to have any impact on the entity's financial report.	1 January 2013
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. The amendment to AASB 124 clarifies and simplifies the definition of a related party as well as providing some relief for government-related entities (as defined in the amended standard) to disclose details of all transactions with other government-related entities (as well as with the government itself)	1 January 2011	These amendments are not expected to have any impact on the entity's financial report.	1 January 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New accounting standards and interpretations (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2009-13	Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1]	This amendment to AASB 1 allows a first-time adopter may apply the transitional provisions in Interpretation 19 as identified in AASB 1048.	1 July 2010	These amendments are not expected to have any impact on the entity's financial report.	1 January 2011
AASB 2009-14	Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	These amendments arise from the issuance of Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14). The requirements of IFRIC 14 meant that some entities that were subject to minimum funding requirements could not treat any surplus in a defined benefit pension plan as an economic benefit. The amendment requires entities to treat the benefit of such an early payment as a pension asset. Subsequently, the remaining surplus in the plan, if any, is subject to the same analysis as if no prepayment had been made.	1 January 2011	These amendments are not expected to have any impact on the entity's financial report.	1 January 2011
Interpretation 19***	Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	This interpretation clarifies clarifies that equity instruments issued to a creditor to extinguish a financial liability are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The interpretation states that equity instruments issued in a debt for equity swap should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment.	1 July 2010	These amendments are not expected to have any impact on the entity's financial report.	1 January 2011

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

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

*** pronouncements that have been issued by the IASB and IFRIC but have not yet been issued by the AASB. Entities must disclose the impact of these pronouncements in order to make the statement of compliance with IFRS under AASB 101.14. For-profit public sector entities may not be required to disclose the impact of IASB and IFRIC pronouncements if they have applied an Australian Accounting Standard, which is inconsistent with IFRS requirements under AASB 101.Aus14.2. Not-for-profit entities need not comply with AASB 101.14 and are not required to disclose the impact of IASB and IFRIC pronouncements under AASB 101.Aus14.3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) 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.

(e) 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.

Reversal of impairment of previously recognised
The Group assesses the reversal of impairment previously recognised at each reporting date by evaluating the conditions of each Vietnam subsidiary operation. These include product and manufacturing performance, technology, economic and political environments, and future product expectations. Any reversal of impairment previously recognised is made to the extent of the recoverable amount of the asset at the reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) 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 statement of financial position. 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 statement of financial position 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 profit or loss.

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

Estimation of useful lives of plant, property and equipment
The estimation of useful lives of plant, property and equipment has been based on historical experience, assessment of the asset’s condition yearly and consideration of the remaining useful lives of assets.

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 statement of comprehensive income. The fair value of listed shares has been determined by reference to published price quotations in an active market.

(f) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker (board of directors) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the board of directors.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services,
- Nature of the production processes,
- Methods used to distribute the products or provide the services, and if applicable

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Operating segments (continued)

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for “all other segments”.

(g) Foreign currency translation

(i) Functional and presentation currency
The consolidated financial statements are presented in Australian dollars ($) which is both the functional and presentation currency of VII parent. The functional currencies of the overseas subsidiaries are Vietnamese Dong (VND) and Singapore Dollar (SGD) which are translated to the presentation currency (see below for consolidated reporting).

(ii) Transactions and balances
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 reporting 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.

(iii) Translation of Group Companies’ functional currency to presentation currency
The results of the overseas subsidiaries are translated into Australian Dollars (presentation currency) as at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at reporting date.

Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity.
On consolidation, exchange differences arising from the translation of the net investment in the overseas subsidiaries are taken to the foreign currency translation reserve. If an overseas subsidiary were sold, the proportionate share of exchange differences would be transferred out of equity and recognised in the statement of comprehensive income.

(h) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position 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 known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, 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 statement of financial position.

(i) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) 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.

(k) 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.

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 when the entity transfers substantially all the risks and rewards of the financial assets. If the entity neither retains nor transfers substantially all of the risks and rewards, it derecognises the asset if it has transferred control of the assets.

(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 profit or loss and the related assets are classified as current assets in the statement of financial position.

(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 profit or loss 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 reporting 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Borrowing costs

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

(m) Investments in associates

The Group's investment in its associates is accounted for using the equity method of accounting in the consolidated financial statements. The associates are entities over which the Group has significant influence and that are neither subsidiaries nor joint ventures.

The Group generally deems they have significant influence if they have over 20% of the voting rights. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates. Goodwill included in the carrying amount of the investment in associate is not tested separately rather the entire carrying amount of the investment is tested for impairment as a single asset. If an impairment is recognised, the amount is not allocated to the goodwill of the associate.

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent entity's statement of comprehensive income as a component of other income.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associates and the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(n) 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 statement of comprehensive income 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Goodwill and Intangible assets

Goodwill
Goodwill acquired in a business combination is initially measured at cost of the business combination being the excess of the consideration transferred over the fair value of the Group's net identifiable assets acquired and liabilities assumed. If this consideration transferred is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. 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.

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 profit or loss 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 / Acquired	Acquired	Acquired
Impairment test / Recoverable amount testing	Amortisation method reviewed at each financial year-end; Reviewed annually for indicator of impairment	Amortisation method reviewed at each financial year-end; Reviewed annually for 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 profit or loss when the asset is derecognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Impairment of non-financial assets other than goodwill

Non-financial assets other than goodwill 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.

(q) 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.

(r) 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 reporting date.

(s) 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.

(t) 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 reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) 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.

(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.

(v) Leases

Operating lease payments are recognised as an expense in the statement of comprehensive income 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.

(w) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Revenue (continued)

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.

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.

(x) 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 reporting date.

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

Deferred income tax liabilities are recognised 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Income tax and other taxes (continued)

The carrying amount of deferred income tax assets is reviewed at each reporting 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 reporting 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.

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 reporting 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 statement of financial position.

Cash flows are included in the Statement of Cash Flows 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.

(y) 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.

(z) 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.

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 18.

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

	CONSOLIDATED		PARENT	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Financial Assets				
Cash and cash equivalents	73,562	28,529	-	1,415
Intercompany receivables – fixed*	-	-	-	903
Intercompany receivables - variable	-	-	-	595
	73,562	28,529	-	2,913
Financial Liabilities				
Interest-bearing liabilities – fixed*				
-bank loans	76,501	37,649	-	-
Interest-bearing liabilities - variable				
- bank loans	-	3,864	-	-
	76,501	41,513	-	-
Net exposure	(2,939)	(12,984)	-	2,913

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

Cash and cash equivalents include short-term deposits that are made for varying periods between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

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 2009, fixed interest rates vary in every contract ranging from 5.85% to 21.5% for Vietnamese Dong loans (2008: 19.0% - 21.5%) and from 3.50% to 6.30% for US Dollar loans (2008: 6.29% - 8.85%). The floating rates are based on bank bill rates.

At 31 December 2009, the parent does not have any outstanding interest bearing loans (2008: Nil).

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

At 31 December 2009, 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 Higher/(lower)	
	2009	2008
	$'000	$'000
Consolidated		
High rate +2% (2008: +1%)	1,530	415
Low rate -2% (2008: -1%)	(1,530)	(415)

The movements in profit are due to higher/lower interest costs from debt balances. The debt balances at 31 December 2009 are higher than in 2008. Interest rate movements have no direct impact on equity.

The sensitivity is higher in 2009 than in 2008 due to the increase in short-term borrowings for working capital purposes. A sensitivity of 2% 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.

At 31 December 2009, there is no material interest rate risk exposure in the parent entity (2008 Nil).

Foreign currency risk

The consolidated financial statements are presented in Australian dollars ($) which is both the functional and presentation currency of VII parent. The functional currencies of the overseas subsidiaries are Vietnamese Dong (VND) and Singapore Dollar (SGD) which are translated to the presentation currency (see below for consolidated reporting).

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 and advances that are denominated in US dollars. 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 is 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 Company's subsidiaries which are based in Singapore are holding entities of the Vietnam subsidiaries. These Singapore entities mainly hold cash in bank, investments in subsidiaries and intercompany balances with the parent company. Cash in bank is held in US dollars. Investments in subsidiaries and intercompany balances are based in Australian dollars and are eliminated on consolidation. Therefore, the Singapore entities have its main exposure in the US dollar in cash in bank which is not significant to the consolidated entity.

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.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk Exposures and Responses (continued)

At 31 December 2009, the Group had the following exposure to US$ foreign currencies against the VND:

	CONSOLIDATED		PARENT	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Financial Assets				
Cash and cash equivalents	1,766	1,192	-	-
Financial Liabilities				
Advances from customers - USD	11,130	-	-	-
Trade and other liabilities – Euro	-	868	-	-
Interest-bearing liabilities				
- US Dollar	8,324	37,031	-	-
	19,454	37,899		
Net exposure	(17,688)	(36,707)	-	-

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

	PARENT	
	2009	2008
	$'000	$'000
Financial Assets		
Cash and cash equivalents	3,702	187
Receivables	-	2,637
Net exposure	3,702	2,824

The following exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
	2009	2008	**2009**	2008
USD/VND	18,087	16,388	18,479	17,486
AUD/USD	0.7987	0.8525	0.8969	0.6928
Euro/VND	-	24,559	-	24,950

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

At 31 December 2009, had the VND moved against the US$, 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 Higher/(lower)		Other equity Higher/(Lower)	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Consolidated				
High rate +5% (2008: +3%)	842	1,070	-	-
Low rate -1% (2008: -3%)	(179)	(1,136)	-	-

The movements in profit in 2009 are less sensitive than in 2008 due to the advances and decrease in USD interest bearing loans at the reporting date.

Significant assumptions used in the foreign currency sensitivity analysis include:

- The State Bank of Vietnam aims to harmonise the foreign exchange supply and demand, and to improve the circulation of the forex market thereby contributing to trade deficit control and macro-economic stability.
- Foreign exchange movements have no direct economic impact on equity.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk Exposures and Responses (continued)

At 31 December 2009, 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 Higher/(lower)		Other equity Higher/(Lower)	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Parent				
High rate +4% (2008: +4%)	(135)	(102)	-	-
Low rate -4% (2008: -6%)	131	171	-	-

The sensitivity movements in 2009 are due to the higher levels of USD cash and cash equivalents at reporting date.

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 18. The Company has provided security to various banks for banking facilities provided to Vietnam subsidiaries in the form of letters of guarantee totalling US$19.900 million ($22.188 million) (2008: US$22.230 million or $32.087 million). At 31 December 2009 the total interest bearing liabilities drawndown to which these corporate guarantees relate to were US$4.845 million ($5.401 million) (2008: US$12.515 million or $18.065 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.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk Exposures and Responses (continued)

Liquidity risk (continued)

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 one month to six months to meet the Group's working capital requirements. The long-term loans were to finance the construction of the production and equipment facilities.

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 2009

Consolidated	**<=6 mths $'000**	**6-12 mths $'000**	**1-5 years $'000**	**>5 years $'000**	**Total $'000**
Financial Assets					
Cash and cash equivalents	73,562	-	-	-	73,562
Trade and other receivables	28,738	-	-	-	28,738
	102,300	-	-	-	102,300
Financial Liabilities					
Trade and other payables	18,573	-	-	-	18,573
Advances from customers	15,228	-	-	-	15,228
Interest-bearing liabilities	73,725	-	2,776	-	76,501
	107,526	-	2,776	-	110,302
Net maturity	(5,226)	-	(2,776)	-	(8,002)

Year ended 31 December 2008

Consolidated	**<=6 mths $'000**	**6-12 mths $'000**	**1-5 years $'000**	**>5 years $'000**	**Total $'000**
Financial Assets					
Cash and cash equivalents	28,529	-	-	-	28,529
Trade and other receivables	23,461	-	-	-	23,461
	51,990	-	-	-	51,990
Financial Liabilities					
Trade and other payables	13,888	-	-	-	13,888
Advances from customers	19,363	-	-	-	19,363
Interest-bearing liabilities	40,691	-	822	-	41,513
	73,942	-	822	-	74,764
Net maturity	(21,952)	-	(822)	-	(22,774)

Year ended 31 December 2009

Parent	**<=6 mths $'000**	**6-12 mths $'000**	**1-5 years $'000**	**>5 years $'000**	**Total $'000**
Financial Assets					
Cash and cash equivalents	4,459	-	-	-	4,459
Trade and other receivables	519	-	-	-	519
	4,978	-	-	-	4,978
Financial Liabilities					
Trade and other payables	633	-	-	-	633
	633	-	-	-	633
Net maturity	4,345	-	-	-	4,345

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk Exposures and Responses (continued)

Year ended 31 December 2008

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

Fair Value Risk

For determining the fair value of financial assets, the Group uses quoted market price for investments in listed shares. The quoted market price represents the fair value determined on quoted prices of active markets as at the reporting date without any deductions for transaction costs.

	CONSOLIDATED		PARENT	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Fair value				
Financial assets				
Listed Investments - Australian	67	37	67	37
	67	37	67	37

4. SEGMENT INFORMATION

The segment note reflects the requirements of AASB 8 *Operating Segments*.

As this is the first time the Group has adopted AASB 8 *Operating Segments* the accounting policies have been provided so readers of the segment information have a complete understanding of the disclosures.

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, and engineering and project management services.

Others: relates to corporate charges of parent entity and Singapore entities 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 the 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.

4. SEGMENT INFORMATION (CONTINUED)

Segment Performance

	Steel Making $'000	Steel Products $'000	Others $'000	Total $'000
Year ended 31 December 2009				
Revenues				
External revenues	357,497	12,591	-	370,088
Inter-segment revenues	2,439	229	-	2,668
Interest income	3,022	36	-	3,058
Other revenues	946	289	-	1,235
Total segment revenues	363,904	13,145	-	377,049
Inter-segment elimination			-	(2,668)
Other/unallocated revenues			141	141
Total revenue and other income per statement of comprehensive income				374,522
Results				
Segment results before tax	32,473	(2,204)	-	30,269
Income tax expense	(4,654)	-	-	(4,654)
Segment results after tax	27,819	(2,204)	-	25,615
Share of net loss of an associate	(152)	-	-	(152)
Reversal of impairment of fixed assets	4,957	-	-	4,957
Impairment of goodwill	-	-	(114)	(114)
Corporate charges	-	-	(2,092)	(2,092)
Net profit after tax				28,214
Year ended 31 December 2008				
Revenues				
External revenues	367,457	22,031	-	389,488
Inter-segment revenues	2,338	12,918	-	15,256
Interest income	736	53	-	789
Other revenues	1,013	150	-	1,163
Total segment revenues	371,544	35,152	-	406,696
Inter-segment elimination			-	(15,256)
Other/unallocated revenues			454	454
Total revenue and other income per statement of comprehensive income				391,894
Results				
Segment results before tax	14,524	(1,473)	-	13,051
Income tax expense	(869)	(24)	-	(893)
Segment results after tax	13,655	(1,497)	-	12,158
Corporate charges	-	-	(371)	(371)
Net profit after tax				11,787

4. SEGMENT INFORMATION (CONTINUED)

	Steel Making $'000	Steel Products $'000	Others $'000	Total $'000
Segment assets				
At 31 December 2009				
Segment operating assets	149,987	9,075	4,620	163,682
Inter-segment eliminations	-	-	-	(1,279)
Investment in an associate	3,178	-	-	3,178
Goodwill	-	-	77	77
Total assets per statement of financial position				165,658
At 31 December 2008				
Segment operating assets	98,625	14,278	2,041	114,944
Inter-segment eliminations	-	-	-	(4,947)
Goodwill	-	-	191	191
Total assets per statement of financial position				110,188
Segment liabilities				
At 31 December 2009				
Segment operating liabilities	109,583	7,665	550	117,798
Inter-segment eliminations	-	-	-	(2,844)
Total liabilities per statement of financial position				114,954
At 31 December 2008				
Segment operating liabilities	72,972	9,719	548	83,239
Inter-segment eliminations	-	-	-	(7,583)
Total liabilities per statement of financial position				75,656
Other segment information				
At 31 December 2009				
Depreciation and amortisation expense	(1,006)	(480)	(3)	(1,489)
Reversal of impairment of property, plant and equipment	4,957	-	-	4,957
Impairment of goodwill	-	-	(114)	(114)
Capital expenditure	3,647	148	2	3,797
Investment in associate	3,178	-	-	3,178
At 31 December 2008				
Depreciation and amortisation expense	(1,328)	(477)	(3)	(1,808)
Capital expenditure	1,899	1,210	3	3,112
Cashflow Information				
At 31 December 2009				
Net cash flows from operating activities	17,576	(158)	(2,098)	15,320
Net cash flows from investing activities	(7,554)	(83)	(6)	(7,643)
Net cash flows from financing activities	46,164	460	4,013	50,637
At 31 December 2008				
Net cash flows from operating activities	(2,563)	746	(1,232)	(3,049)
Net cash flows from investing activities	(1,895)	(1,236)	(4)	(3,135)
Net cash flows from financing activities	15,297	(21)	2,994	18,270

5. REVENUE AND EXPENSES

Revenues and expenses from continuing operations	CONSOLIDATED		PARENT	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
(a) Other Revenue				
Interest income	3,099	910	41	120
Dividend income	-	-	3,597	1,821
	3,099	910	3,638	1,941
(b) Other income				
Guarantee income		-	333	284
Financial and executive services income	-	38	41	38
Rental income	41	77	18	77
Foreign exchange gain	-	218	-	111
Net gain from fair value adjustments of financial assets at fair value through profit or loss	30	-	30	-
Income from sale of miscellaneous materials	435	794	-	-
Other	733	369	30	-
	1,355	1,496	452	510
(c) Reversal of impairment of property, plant and equipment (Note 15)	4,957	-	-	-
(d) Cost of sales				
Cost of goods sold	(313,930)	(354,151)	-	-
Construction costs	(2,961)	(6,295)	-	-
	(316,891)	(360,446)	-	-
(e) Finance costs				
Bank loans and other borrowings	(5,800)	(4,169)	-	(34)
(f) Depreciation, impairment and amortisation				
Depreciation expense	(1,465)	(1,777)	(3)	(3)
Amortisation of intangible assets	(24)	(31)	-	-
	(1,489)	(1,808)	(3)	(3)
(g) Employee benefits				
Wages and salaries	(8,817)	(6,134)	(811)	(356)
(h) Rent expense	(323)	(325)	(71)	(116)
(i) Allowance for impairment loss on trade and other receivables	(525)	(5)	-	-
(j) Reversal of impairment of investments in subsidiaries (Note 14)	-	-	11,919	5,038
(k) Foreign exchange loss	(5,733)	(2,380)	(1,321)	-
(l) Impairment loss on investments in subsidiaries (Note 14)	-	-	(3,511)	(2,158)
(m) Impairment loss on goodwill	(114)	-	-	-
(n) Share in net loss of an associate (Note 13)	(152)	-	-	-
(o) Impairment loss on receivables from subsidiaries (Note 8)	-	-	(1,566)	-

6. INCOME TAX

	CONSOLIDATED		PARENT	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
(a) Income tax expense/(benefit)				
The major components of income tax expense are:				
Statement of Comprehensive Income				
Current tax	4,654	893	-	-
Deferred tax	(11)	(9)	(11)	(9)
	4,643	884	(11)	(9)
(b) Numerical reconciliation between the aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate				
Profit from continuing operations before tax	32,857	12,671	8,461	4,249
At Group's statutory income tax rate of 30% (2008: 30%)	9,857	3,801	2,538	1,275
Adjustments to tax expense:				
Foreign tax rate adjustment	(7,756)	(1,236)	-	-
Non-deductible expenses	2,581	34	1,856	681
Non-assessable income	(444)	(2,372)	(4,665)	(2,092)
Changes in fair value	(9)	37	(9)	37
Utilisation of carry forward tax losses	(236)	-	-	-
Other	650	620	269	90
Aggregate tax expense/(benefit)	4,643	884	(11)	(9)

(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 $4.733 million (2008: $3.670 million). This amount has not been recognised as a deferred tax asset at 31 December 2009 and 31 December 2008. 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	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Deferred tax liabilities				
Fair value of financial assets held for trading	-	11	-	11
Gross deferred tax liabilities	-	11	-	11

(e) Unrecognised temporary differences

At 31 December 2009, 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 (2008: Nil). Deferred tax assets of $0.525 million (2008: Nil) were not recognised in respect of the provisions of $3.600 million (2008: Nil)because of the uncertainty of future profitability.

(f) Income tax payable

At 31 December 2009, consolidated income tax payable is $4.041 million (2008: Nil). At 31 December 2009, there is no income tax payable in the parent entity (2008: Nil).

(g) Tax losses carried forward

At 31 December 2009, SSESTEEL and TBS have accumulated tax losses of $4.556 million (2008: $5.444 million) available for offset against future taxable profits. No deferred tax assets of $1.139 million (2008: $1.361 million) were recognised in respect of the tax loss carried forward because of the uncertainty of future profitability.

7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PARENT	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	9,838	6,998	70	61
Short-term deposits	63,724	21,531	4,389	1,354
	73,562	28,529	4,459	1,415

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 after tax to the net cash flows from operations:

	CONSOLIDATED		PARENT	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Net profit	28,214	11,787	8,472	4,258
Adjustment for non-cash items:				
Depreciation and amortisation	1,489	1,808	3	3
Reversal of impairment of fixed assets	(4,957)	-	-	-
Reversal of impairment of investments in subsidiaries	-	-	(11,919)	(5,038)
Impairment loss on goodwill	114	-	-	-
Dividends not received	-	-	-	(1,109)
Impairment loss on investments in subsidiaries	-	-	3,511	2,158
Impairment loss on receivables from subsidiaries	-	-	1,566	-
Change in fair value of financial assets	(30)	173	(30)	173
Share in net loss of an associate	152	-	-	-
Bad debts expense	-	-	-	43
Net loss on disposal of property, plant and equipment	3	103	-	-
Impairment loss on plant, property and equipment	9	-	9	-
Unrealised foreign exchange loss	-	-	546	-
Changes in assets and liabilities				
(Increase)/decrease in:				
Trade and other receivables	(10,872)	(77)	7	15
Inventories	(12,176)	(11,980)	-	-
Prepayments	(108)	38	3	2
(Decrease)/increase in:				
Trade and other payables	8,319	(4,527)	422	(671)
Provisions	(39)	1,348	(7)	(3)
Income tax payable	5,213	(1,713)	-	-
Deferred income tax liabilities	(11)	(9)	(11)	(9)
Net cash flow provided by /(used in) operating activities	15,320	(3,049)	2,572	(178)

(b) Disclosure of financing activities

Financing facilities are set out in Note 18.

8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		PARENT	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Trade receivables	8,008	11,201	-	-
Construction contract receivables	656	1,455	-	-
Allowance for impairment loss	(683)	(396)	-	-
	7,981	12,260	-	-
Other receivables	14,378	11,201	8	15
Allowance for impairment loss	(64)	-	-	-
	14,314	11,201	8	15
Related party receivables				
- an associate (Note 27)	6,443	-	-	-
- controlled entities	-	-	2,077	2,504
Allowance for impairment loss	-	-	(1,566)	-
	6,443	-	511	2,504
Carrying amount of trade and other receivables	28,738	23,461	519	2,519

Other receivables include Vietnamese income tax receivable and advances made to suppliers and employees. Other receivables bear no interest.

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 $0.525 million (2008: $0.005 million) has been recognised by the Group and $1.566 million (2008: Nil) by the Company in the current year. These amounts have been included in the administrative expense item. The impairment loss on receivables from controlled entities is due to the decline in operations of the underlying investments in VRC and TBS.

Movements in the provision for impairment loss were as follows:

	CONSOLIDATED		PARENT	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
At 1 January	396	386	-	-
Charge for the year	525	5	1,566	-
Foreign exchange translation	(174)	5	-	-
At 31 December	747	396	1,566	-

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

	CONSOLIDATED		CONSOLIDATED	
	2009		2008	
	Trade receivables	**Impairment**	Trade receivables	Impairment
	$'000	**$'000**	$'000	$'000
Within due date	6,992	229	9,767	85
Over 61 – 180 days	165	63	637	56
Over 181 – 360 days	490	227	267	75
Over 360 days	361	164	530	180
	8,008	683	11,201	396

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.

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

Related party receivables

For terms and conditions relating to related party receivables refer to Note 27.

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	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Raw materials – at cost	31,537	33,815	-	-
Work in progress – at cost	179	2	-	-
Construction work in progress	55	2	-	-
Finished goods – at lower of cost and net realisable value	8,136	6,258	-	-
Total inventories at lower of cost and net realisable value	39,907	40,077	-	-

For the year ended 31 December 2009, there was no inventory write-down recognised as an expense for the Group (2008: $Nil).

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

	CONSOLIDATED		PARENT	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Financial assets held for trading – at fair value				
Shares in listed companies	67	37	67	37
	67	37	67	37

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.

11. OTHER CURRENT ASSETS

	CONSOLIDATED		PARENT	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Prepayments	455	418	65	67
	455	418	65	67

12. NON-CURRENT ASSETS - RECEIVABLES

	CONSOLIDATED		PARENT	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Loans to related parties	-	-	-	595
Long-term deposits	146	184	-	-
	146	184	-	595

For terms and conditions relating to related party receivables refer to Note 27.

The carrying values of consolidated non-current receivables are not expected to be materially different to their fair values.

13. INVESTMENT IN AN ASSOCIATE

	CONSOLIDATED	
	2009	2008
	$'000	$'000
(a) Investment details		
Investment in associate - unlisted	3,178	-

Name	**Principal Activity**	**Country of Incorporation**	**Balance Date**	**Ownership Interest (%) 2009**	**2008**
Dinh Vu Steel Stock Company	Manufacturing of steel products	Vietnam	31 December	20.51	-

On 18 August 2009, the Group via SSESTEEL Ltd acquired 20.51% of Dinh Vu Steel Stock Company.

The Group has significant influence over the associate as the Group is represented on the associate's Board of Management and the Group's employees provide financial assistance to this company.

(b) Share of associate's net loss

The Group recognised share in the net loss of an associate using the equity method of $0.152 million in the year ended 31 December 2009 (2008: Nil).

13. INVESTMENT IN AN ASSOCIATE (CONTINUED)

	CONSOLIDATED CARRYING AMOUNT	
	2009	2008
	$'000	$'000
(c) Summarised financial position of an associate		
Current assets	15,154	-
Non-current assets	58,456	-
Total assets	73,610	-
Current liabilities	56,329	-
Non-current liabilities	22,187	-
Total liabilities	78,516	-
Net deficiency	(4,906)	-
Revenue	98,347	-
Net loss after tax	(11,654)	-
Share of associate's net deficiency	(1,006)	-
Share of associate' s net loss	(152)	-

(d) Fair value of investment in an associate

The fair value of the Group's investment in Dinh Vu Steel Sock Company is $4.503 million.

Subsequent to balance date, SSESTEEL has increased its equity in Dinh Vu Steel Stock Company to 43.72% following the investment of a further VND100 billion ($6.171 million).

14. INVESTMENTS IN SUBSIDIARIES (NON-CURRENT)

	PARENT	
	2009	2008
	$'000	$'000
Investments in subsidiaries	38,297	38,297
Provision for impairment of investments in subsidiaries	(6,055)	(14,463)
	32,242	23,834

Investment in Subsidiaries

Name	Country of Incorporation	% Equity interest **2009**	% Equity interest 2008	Investment ($'000) **2009**	Investment ($'000) 2008
Parent entity					
Vietnam Industrial Investments Limited	Australia	-	-	-	-
Controlled entities					
Vinausteel Limited (i) (xi)	Vietnam	70	70	12,554	12,554
Structure Steel Engineering Pte Ltd (iv) (xii)	Singapore	100	100	18,543	18,543
SSESTEEL Ltd (iv) (ix) (xi)	Vietnam	100	100	-	-
Ausviet Industrial Investments Ltd (v) (xii)	Singapore	100	100	5,278	5,278
Austnam Joint Stock Corporation (ii) (xi)	Vietnam	67	67	-	-
Parnham Overseas Ltd (x)	British Virgin Islands	100	100	-	-
Total Building Systems Limited (viii) (xi)	Vietnam	99	99	-	-
Vietnam Projects (Singapore) Pte Ltd (vi) (xii)	Singapore	100	100	1,922	1,922
VRC Weldmesh (Vietnam) Ltd (iii) (xi)	Vietnam	100	100	-	-
Vietnam Property Development Pte Ltd (vii)	Singapore	-	100	-	-
				38,297	38,297
Provision for impairment of investments in subsidiaries (iv) (v) (vi)				(6,055)	(14,463)
				32,242	23,834
Movement in provision for impairment of investments in subsidiaries:					
Opening balance				(14,463)	(17,343)
Reversal of impairment loss (iv)				11,919	5,038
Impairment loss (v) (vi)				(3,511)	(2,158)
Closing balance				(6,055)	(14,463)

(i) Vinausteel Limited ("Vinausteel") is a joint venture company established under the Laws on Enterprise 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") was previously a joint venture company established under the Laws on Enterprise 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. In 2005, Austnam was converted into a joint stock corporation .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.

14. INVESTMENT IN SUBSIDIARIES (NON-CURRENT) (CONTINUED)

(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.

A reversal of impairment of investment in SSE of $11.919 million was made for the year ended 31 December 2009 (2008: $5.038 million) as the underlying investment in SSESTEEL recognised net profit in the current year and SSESTEEL has a net asset position of $25.684 million (2008: $6.624 million). There had been no impairment indicators identified in the underlying investment in SSESTEEL Ltd during the year.

(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 $6.055 million (2008: $14.463 million) is $4.133 million (2008: $2.158 million) which represents the write-down of investment in Ausviet to a recoverable amount of $1.145 million (2008: $3.120 million) which represents the Group’s share of the recoverable amount of net assets of the underlying investments in Austnam and TBS at the reporting date. The investments have been written down due to the decline in operations of the subsidiaries and the resulting decline in their revenues.

(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 $6.055 million (2008: $14.463 million) is $1.922 million (2008: $0.386 million) which represents the write-down of the investment in Vietnam Projects Singapore Pte Ltd to a recoverable amount of Nil (2008: $1.536 million). The investment has been written down due to the decline in operations of VRC.

(vii) Vietnam Property Development Pte Ltd was a wholly owned Singapore subsidiary of VII. This company was dormant and was voluntarily deregistered in December 2009.

(viii) Total Building Systems Limited (“TBS”) is a building systems provider supplying engineering services, building systems and construction services to industrial and residential consumers.

(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.

(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 per cent of Austnam.

(xi) Controlled entity audited by other member firm of Ernst & Young International.

(xii) Controlled entity audited by auditors other than Ernst & Young.

15. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED		PARENT	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Building on leasehold land				
- Cost	6,176	8,104	-	-
- Accumulated depreciation	(2,645)	(3,187)	-	-
Net carrying amount	3,531	4,917	-	-
Plant and equipment				
- Cost	26,326	33,330	79	77
- Accumulated depreciation and impairment	(19,093)	(25,063)	(75)	(63)
- Reversal of impairment loss	4,957	-	-	-
Net carrying amount	12,190	8,267	4	14
Motor vehicles				
- Cost	1,390	1,627	-	-
- Accumulated depreciation	(882)	(1,072)	-	-
Net carrying amount	508	555	-	-
Construction in progress – cost	2,978	3,084	-	-
Net carrying amount	19,207	16,823	4	14

Reversal of impairment of previously recognised

The Group assesses the reversal of impairment previously recognised at each reporting date by evaluating the conditions of each Vietnam subsidiary operation. These include product and manufacturing performance, technology, economic and political environments, and future product expectations. Any reversal of impairment previously recognised is made to the extent of the recoverable amount of the asset at the reporting date.

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	CONSOLIDATED		PARENT	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Reconciliation of plant, property and equipment				
Building on leasehold land				
Opening net carrying amount	4,917	4,138	-	-
Additions	296	385	-	-
Disposals/transfers	(2)	-	-	-
Depreciation expense	(366)	(336)	-	-
Exchange difference	(1,314)	730	-	-
Closing net carrying amount	3,531	4,917	-	-
Plant and equipment				
Opening net carrying amount	8,267	8,178	14	14
Additions	2,384	232	2	3
Disposals/transfers	(49)	(73)	-	-
Depreciation expense	(963)	(1,298)	(3)	(3)
Reversal of impairment loss	4,957	-	-	-
Impairment loss	(9)	-	(9)	-
Exchange difference	(2,397)	1,228	-	-
Closing net carrying amount	12,190	8,267	4	14
Motor vehicles				
Opening net carrying amount	555	389	-	-
Additions	262	265	-	-
Disposals/transfers	(12)	(36)	-	-
Depreciation expense	(136)	(143)	-	-
Exchange difference	(161)	80	-	-
Closing net carrying amount	508	555	-	-
Construction in progress				
Opening net carrying amount	3,084	433	-	-
Net additions/transfers	830	2,230	-	-
Exchange difference	(936)	421	-	-
Closing net carrying amount	2,978	3,084	-	-
Net carrying amount	19,207	16,823	4	14

There are no capitalised interest on qualifying assets as at 31 December 2009 (2008: $0.02 million).

16. INTANGIBLE ASSETS

	CONSOLIDATED		PARENT	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Software costs				
Cost (gross carrying amount)	108	148	-	-
Accumulated amortisation	(88)	(104)	-	-
	20	44	-	-
Land rights				
Cost (gross carrying amount)	384	525	-	-
Accumulated amortisation	(83)	(101)	-	-
	301	424	-	-
Goodwill [(i)]				
Cost	321	321	-	-
Impairment loss	(244)	(130)	-	-
	77	191	-	-
	398	659	-	-
Reconciliation of Intangible Assets				
Software costs				
Opening net carrying amount	44	32	-	-
Additions	1	27	-	-
Amortisation expense	(14)	(21)	-	-
Exchange difference	(11)	6	-	-
Closing net carrying amount	20	44	-	-
Land rights				
Opening net carrying amount	424	372	-	-
Amortisation expense	(10)	(10)	-	-
Exchange difference	(113)	62	-	-
Closing net carrying amount	301	424	-	-
Goodwill [(i)]				
Opening net carrying amount	191	191	-	-
Impairment loss on goodwill	(114)	-	-	-
Closing net carrying amount	77	191	-	-
Net carrying amount	398	659	-	-

[(i)] Purchased as part of business combination.

The impairment loss on goodwill is due to the decline in operations of the underlying investment in Austnam.

17. TRADE AND OTHER PAYABLES (CURRENT)

	CONSOLIDATED		PARENT	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Trade payables	8,855	7,574	-	-
Other payables	8,395	6,314	75	100
Related party payables				
- key management personnel	447	-	447	-
- an associate	876	-	-	-
- controlled entity	-	-	111	113
	18,573	13,888	633	213

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 26 and 27.

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.

18. INTEREST-BEARING LOANS AND BORROWINGS

	CONSOLIDATED		PARENT	
	2009 $'000	2008 $'000	**2009 $'000**	2008 $'000
Current				
Bank loans – secured	73,725	40,691	-	-
Non-Current				
Bank loans – secured	2,776	822	-	-
	76,501	41,513	-	-

Fair value

The carrying values of the Group's interest bearing liabilities and borrowings approximate their fair value as they carry interest at market rates.

Foreign exchange, interest rate and liquidity risk

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

18. INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

Terms and conditions of Interest bearing loans and borrowings

Outstanding bank loans of $76.501 million (2008: $41.513 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. The Company has provided security to various banks for banking facilities provided to Vietnam subsidiaries in the form of letters of guarantee totalling US$19.900 million ($22.188 million) (2008: US$22.230 million or $32.087 million). At 31 December 2009 the total interest bearing liabilities drawndown to which these corporate guarantees relate to were US$4.845 million ($5.401 million) (2008: US$12.515 million or $18.065 million).

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

	CONSOLIDATED		PARENT	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Financing facilities available				
At reporting date, the following financing facilities had been negotiated and were available:				
Total facilities available	150,667	107,171	-	-
Facilities used at reporting date				
- short-term loans	73,725	40,691	-	-
- long-term loans	2,776	822	-	-
Facilities unused at reporting date				
- short-term loans	74,166	65,658	-	-
- 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 one month to six 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	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Receivables	2,115	-	-	-
Inventories	37,137	19,248	-	-
Property, plant and equipment	9,922	12,168	-	-

19. PROVISIONS

	CONSOLIDATED		PARENT	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Current				
Employee benefits	608	878	20	26
Dividends payable	3	3	3	3
	611	881	23	29

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

20. CONTRIBUTED EQUITY

	CONSOLIDATED		PARENT	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Ordinary shares				
Issued and fully paid	27,819	27,819	27,819	27,819

142,277,423 (2008: 142,277,423) fully paid shares carry one vote per share and carry the right to dividends.

	CONSOLIDATED		PARENT	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
(a) Ordinary shares				
Opening balance	27,819	22,057	27,819	22,057
Issuance of ordinary shares(i)	-	5,843	-	5,843
Transaction costs	-	(81)	-	(81)
Closing balance	27,819	27,819	27,819	27,819

(i) 38,957,421 ordinary fully paid shares issued at 15 cents per share on 5 March 2008.

(b) Number of shares issued

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

(c) Options

At reporting date, there were no options on issue (2008: Nil).

20. 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	
	2009	2008
	$'000	$'000
Total debt[(i)]	110,302	55,401
Less cash and cash equivalents	(73,562)	(28,529)
Net debt	36,740	26,872
Total equity	50,704	34,532
Less minority interest	(5,760)	(6,185)
Equity	44,944	28,347
Net debt plus equity	81,684	55,219
Gearing ratio	45%	49%

(i) Consist of trade and other payables, advances from customers, and interest bearing liabilities.

21. RESERVES AND RETAINED EARNINGS/(ACCUMULATED LOSSES)

	CONSOLIDATED		PARENT	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Foreign currency translation reserve	(5,879)	2,865	-	-
Legal reserve	1,124	1,124	-	-
	(4,755)	3,989	-	-
Movement in foreign currency translation reserve				
Opening balance	2,865	(1,051)	-	-
Currency translation difference arising during the year	(8,744)	3,916	-	-
Closing balance	(5,879)	2,865	-	-

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	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Retained earnings/ (accumulated losses)	21,880	(3,461)	8,881	409
Movement in retained earnings/ (accumulated losses)				
Opening balance	(3,461)	(14,651)	409	(3,849)
Net profit for the year	25,341	11,190	8,472	4,258
Closing balance	21,880	(3,461)	8,881	409

22. NON-CONTROLLING INTERESTS

Contributed equity	4,639	4,639	-	-
Reserves	(1,214)	543	-	-
Retained earnings	2,335	1,003	-	-
	5,760	6,185	-	-

23. EARNINGS PER SHARE

	CONSOLIDATED	
	2009	2008
	$'000	$'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	25,341	11,190
	2009	2008
	No. Of Shares	No. Of Shares
Weighted average number of ordinary shares for basic and diluted earnings per share	142,277,423	135,465,196
	Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:		
– Basic and diluted earnings per share	17.81	8.26

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.

24. DIVIDENDS PAID AND PROPOSED

There were no dividends declared during the year (2008: Nil). For the year ended 31 December 2009, no dividends were paid (2008: Nil).

	PARENT	
	2009	2008
	$'000	$'000
Franking credits available for the subsequent financial years based on a tax rate of 30%	5	5

25. AUDITORS' REMUNERATION

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

	CONSOLIDATED		PARENT	
	2009	2008	**2009**	2008
	$	$	**$**	$
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	78,986	94,161	78,986	94,161
- other services in relation to the entity and any other entity in the consolidated group				
- tax compliance and advice	21,382	20,230	21,382	20,230
	100,368	114,391	100,368	114,391
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	89,116	82,359	-	-
	89,116	82,359	-	-
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	5,370	6,764	-	-
- other non-audit services	-	-	-	-
	5,370	6,764	-	-

26. KEY MANAGEMENT PERSONNEL

(a) Compensation of Key Management Personnel

	CONSOLIDATED		PARENT	
	2009	2008	**2009**	2008
	$	$	**$**	$
Short-term	1,655,309	1,164,265	722,800	280,500
Post employment	10,800	10,305	10,800	10,305
Other long-term	4,500	20,946	4,500	1,163
Termination benefits	-	-	-	-
Share-based payments	-	-	-	-
	1,670,609	1,195,516	738,100	291,968

(b) Shareholdings of Key Management Personnel

Shares held in Vietnam Industrial Investments Limited:

2009	Beginning balance 1 January 2009	Granted as remuneration	On exercise of options	Net change other	Ending balance 31 December 2009
Directors					
A.J. Hambly	-	-	-	-	-
H. V. H. Lam*	116,869,790	-	-	(561,280)	116,308,510
A. A. Young	-	-	-	-	-
R.S. Kwok	-	-	-	-	-
M.A. Clements	-	-	-	-	-
C.R. Martin*	116,308,510	-	-	-	116,308,510
Executives					
D. Q. Phan	-	-	-	-	-
T. Huang	2,950	-	-	-	2,950
P. Shinn	-	-	-	-	-
D. H. Ngoc	-	-	-	-	-

* As at 31 December 2009, Mr Lam is a director and majority shareholder of Corbyns which owned 116,308,510 shares in VII. Mr Martin is also a director of Corbyns. As at 31 December 2009, the number of shares on issue is 142,277,423 (2008: 142,277,423).

26. 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:

2008	Beginning balance 1 January 2008	Granted as remuneration	On exercise of options	Net change other	Ending balance 31 December 2008
Directors					
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
Executives					
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 and is also a director and majority shareholder of Corbyns which owned 116,308,510 shares in VII. Mr Martin is also a director of Corbyns. As at 31 December 2008, the number of shares on issue is 142,277,423.

(c) Option holdings of Key Management Personnel

There are no options granted as remuneration and outstanding at 31 December 2009 to key management personnel (2008: 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

As at 31 December 2009, related party payable to key management personnel is $0.447 million (2008: Nil). For further information, please refer to the Remuneration Report included within the Annual Report.

During the year, company secretarial services of $48,000 were paid to Trident Management Services Pty Ltd, a company in which Mr Clements was a director and shareholder, in the ordinary course of business and normal commercial terms (2008: $48,000).

The Company provided financial services to Medical Corporation Australasia Limited ("MOD") of $41,277 (2008: $37,665). The financial services are provided in the ordinary course of business and are on normal terms and conditions. Also, the Company subleased a portion of its office accommodation to MOD for which the Company received rental income of $16,516 (2008: $76,844). 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 sublease expired in March 2009. The office lease commitments are set out in Note 28.

27. 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 81.75% of Vietnam Industrial Investments Limited as at 31 December 2009.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 14.

(c) Key management personnel

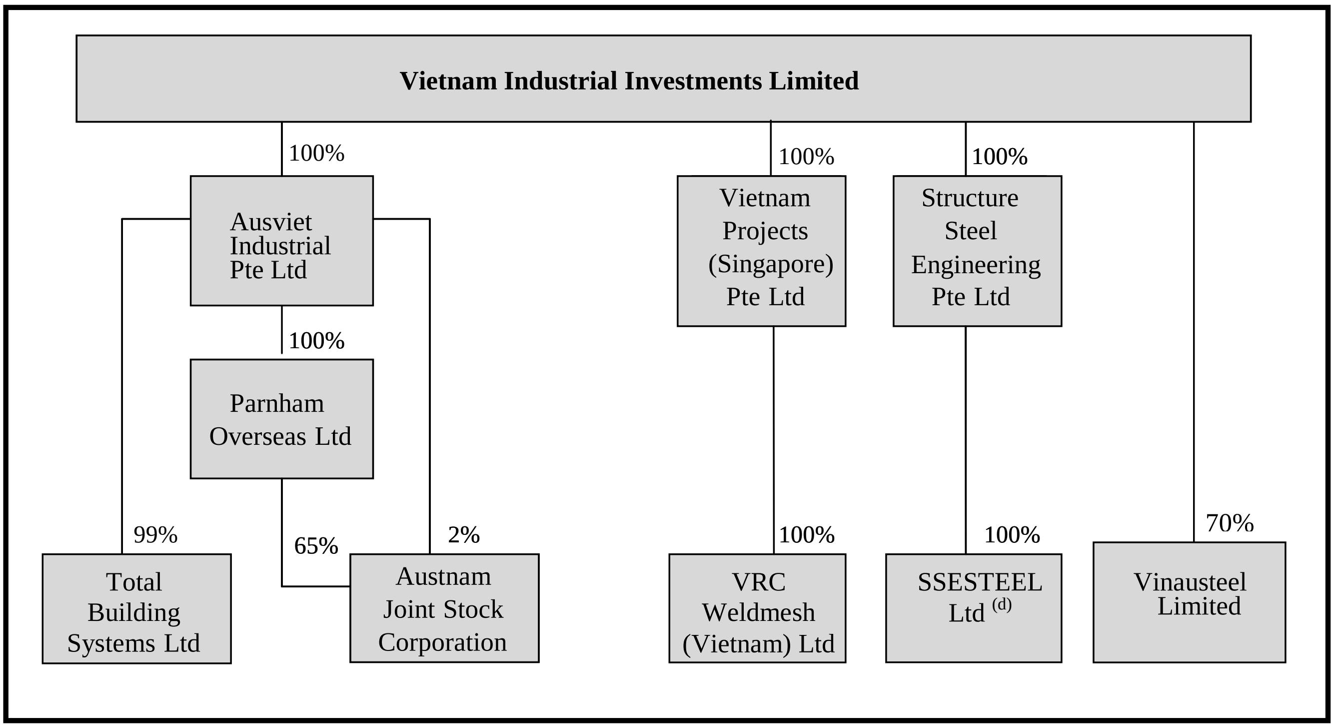
Details relating to key management personnel are set out in Note 26.

(d) Associate

The Group has a 20.51% interest in Dinh Vu Steel Stock Company which manufactures steel products in Vietnam that the Group has access as a result of its investment.

(e) Corporate structure

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



27. RELATED PARTY DISCLOSURES (CONTINUED)

(f) Transactions with related parties

Consolidated
Sales/Purchases
Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms. All intercompany balances and transactions have been eliminated in full.

Associate
During the year, SSESTEEL sold steel scrap to Dinh Vu Steel Stock Company of $7,010,398 (2008: Nil), toll milling fees of $8,309,704 (2008: Nil) and purchased billets and other steel products of $8,819,393 (2008: Nil). As at 31 December 2009, the Group via SSESTEEL has an outstanding receivable from Dinh Vu Steel Stock Company of $6,443,134 (2008: Nil) and payable to Dinh Vu Stock Company of $875,531 (2008: Nil).

Parent
The following table provides the total intercompany receivables and payable balances as at 31 December 2009:

		PARENT	
		2009	2008
	Note	**$'000**	$'000
VRC Weldmesh (Vietnam) Ltd	1	697	903
Total Building Systems Limited	1	869	595
Vinausteel Limited	3	-	1,139
Ausviet Industrial Investments Pte Ltd	2	38	1
Structure Steel Engineering Pte Ltd	2	429	423
Vietnam Projects (Singapore) Pte Ltd	2	44	38
		2,077	3,099
Allowance for impairment loss		(1,566)	-
		511	3,099
Current related party receivables (Note 8)		511	2,504
Non-current related party receivables		-	595
Intercompany payable:			
Parnham Overseas Limited (note 17)	4	111	113

Note:
1. The parent intercompany receivables from VRC of $697,369 and TBS of $868,840 were impaired for the year ended 31 December 2009 (2008: $43,283). For the year ended 31 December 2009, total impairment loss of $1,566,209 (2008: written off - $43,283) was recognised in the parent's statement of comprehensive income.

2. The Company incurred corporate expenses totaling $127,406 (2008: $79,449) on behalf of its Singapore incorporated controlled entities. As at 31 December 2009, the total related party receivables from the Singapore incorporated controlled entities is 510,669 (2008: $462,162). These related party receivables are non-interest bearing.

3. During the year, Vinausteel declared dividends of VND70 billion ($5,138,042) of which VII's share is VND49 billion ($3,596,630). At 31 December 2009, there are no dividend receivable from Vinausteel (2008: VND13.8 billion ($1,139,150)).

4. As at 31 December 2009, the parent owes Parnham Overseas Limited ("POL") $110,659 (2008: 112,634). The parent paid POL corporate expenses during the year of $1,975 (2008: $1,476).

(g) Corporate guarantees

The corporate guarantees provided by the parent have been disclosed in Note 18.

28. COMMITMENTS

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

Plant and Machinery 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. The Group also leases various plant and machinery under non-cancellable operating leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2009 are as follows:

	CONSOLIDATED		PARENT	
	2009	2008	**2009**	2008
	$’000	$’000	**$’000**	$’000
Within one year	470	555	-	-
After one year but not more than five years	837	616	-	-
More than five years	1,136	1,756	-	-
Total minimum lease payments	2,443	2,927	-	-

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 2009 are as follows:

	CONSOLIDATED		PARENT	
	2009	2008	**2009**	2008
	$’000	$’000	**$’000**	$’000
Within one year	9	65	9	65
After one year but not more than five years	-	10	-	10
Total minimum lease payments	9	75	9	75

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 sublease agreement was terminated on 15 March 2009. During the year, rent received from the related party was $16,516 (2008: $76,844).

Future minimum rentals receivable under non-cancellable operating lease as at 31 December 2009 are as follows:

	CONSOLIDATED		PARENT	
	2009	2008	**2009**	2008
	$’000	$’000	**$’000**	$’000
Within one year	-	16	-	16
After one year but not more than five years	-	-	-	-
Total minimum lease payments receivable	-	16	-	16

28. COMMITMENTS (CONTINUED)

Commitments relating to an associate
As at 31 December 2009, the Group has commitments of $2.319 million (2008: Nil) relating to the construction of Billet and Pig Iron factories to be used in the associate's operation.

Commitments contracted for as at the reporting date but not recognised as liabilities in respect of the associate are as follows:

	CONSOLIDATED		PARENT	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Within one year	2,034	-	-	-
After one year but not more than five years	285	-	-	-
More than five years	-	-	-	-
	2,319	-	-	-

(b) Capital expenditure commitments

There were no capital expenditure commitments as at 31 December 2009.

(c) Finance, lease and hire purchase commitments

There were no finance, lease and hire purchase commitments as at 31 December 2009.

(d) Remuneration commitments

There were no remuneration commitments as at 31 December 2009.

29. EVENTS AFTER BALANCE SHEET DATE

Subsequent to balance date, SSESTEEL has increased its equity in Dinh Vu Steel Stock Company to 43.72% following the investment of a further VND100 billion ($6.171 million).

Other than the above, there has been no other 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

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 2009 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 2009.

On behalf of the Board

ALAN A. YOUNG
Director

Hai Phong, 31 March 2010

Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

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 statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 2009 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 12 to 14 of the directors' report for the year ended 31 December 2009. 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 2009, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Gavin A Buckingham
Partner
Perth
31 March 2010

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 16 March 2010.

SUBSTANTIAL SHAREHOLDERS

Ordinary shareholder	Fully Paid Number	Percentage
Corbyns International Limited	116,308,510	81.75%
Land & General Berhad	13,002,000	9.14%

DISTRIBUTION OF EQUITY SECURITIES

At 16 March 2010, there were 99 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
	Fully paid ordinary shares
1 - 1,000	10
1,001 - 5,000	26
5,001 - 10,000	17
10,001 - 100,000	35
100,001 - and over	11
	99

The number of shareholders holding less than a marketable parcel at 16 March 2010 was 11.

TWENTY LARGEST SHAREHOLDERS (as at 16 March 2010)

Name	Number of Ordinary Shares Held	Percentage of 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%
Nefco Nominees Pty Ltd	1,186,090	0.83%
ANZ Nominees Limited	1,128,926	0.79%
UOB Kay Hian Private Limited	571,682	0.40%
Sonya Lam	561,280	0.39%
HSBC Custody Nominees Australia Ltd	156,000	0.11%
Chang Hong Eng	143,000	0.10%
Liam Q Phan & H T T Pham	130,000	0.09%
David & Colleen Dean	100,000	0.07%
Kok Hin Ng	80,000	0.06%
Le Quan Tring	58,600	0.04%
Graeme Bruce Lowe	50,000	0.04%
Wongs Holdings Pty Ltd	40,000	0.03%
Marcin Jaskulski	40,000	0.03%
Peter Lorenz	40,000	0.03%
DMG & Partners Securities Pte Ltd	30,000	0.02%
John Alexander Flett	30,000	0.02%
C & L E Pearson	25,000	0.02%
Robert James Jordan	24,570	0.02%
Peter Lachlan Wiese	24,000	0.02%
	141,679,658	99.59%

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).

This page has been left blank intentionally.

VIETNAM INDUSTRIAL INVESTMENTS LIMITED
ABN 64 063 656 333

www.vii.net.au