



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

VIETNAM INDUSTRIAL INVESTMENTS LIMITED

28 February 2011

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

Dear Sirs

APPENDIX 4E

Please find attached Appendix 4E for the year ended 31 December 2010.

Yours faithfully
VIETNAM INDUSTRIAL INVESTMENTS LIMITED

ALAN A. YOUNG
Managing Director
(Chief Operating Officer)

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PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

(Corresponding year: 31 December 2009)

Results for announcement to the market

				\$'000
Revenues from ordinary activities	Up	32%	to	495,845
Profit from ordinary activities after tax attributable to members	Down	73%	to	6,892
Net Profit for the period attributable to members	Down	73%	to	6,892
Dividends (distributions)		Amount per security		Franked amount per security
Interim dividend		Nil		Nil
Previous corresponding period		Nil		Nil
No dividends declared and paid during the year (2009: Nil).				

Attached are the following:

- Commentaries for the net results for the year attributable to members
- Statement of Financial Position
- Statement of Comprehensive Income
- Statement of Changes in Equity
- Statement of Cash Flows
- Segment Information
- Retained earnings reconciliation
- Earnings Per Share calculation
- Investment in Associate

NTA Backing	Current Period	Previous Corresponding Period
Net tangible asset per ordinary security	31.23 cents per share	31.31 cents per share

COMPLIANCE STATEMENT

There had been no entities gained or lost control during the year.

The applicable accounting standards used by the consolidated entity are prepared in accordance with the Australian Accounting Standards issued by the Australian Accounting Standards Board.

The Financial Report for the year ended 31 December 2010 is in the process of being audited.

ALAN A. YOUNG
Managing Director
(Chief Operating Officer)

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PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

REVIEW OF OPERATIONS

This operational and financial review reports on the period under review for the Company and its businesses in Vietnam, Vinaasteel Limited (“Vinaasteel”), SSESTEEL Ltd (“SSESTEEL”), Austnam Joint Stock Corporation (“Austnam”), Total Building Systems Limited (“TBS”), and VRC Weldmesh (Vietnam) Ltd (“VRC”).

The unaudited total comprehensive income for the period was \$0.208 million which was 99% lower than previous year’s total comprehensive income of \$17.713 million. The total comprehensive income for the period consisted of: 1) Net profit for the year of \$8.161 million (2009: \$28.214 million), and 2) Foreign currency translation of a loss of \$7.953 million (2009: loss of \$10.501 million).

Net Profit for the year

For the year ended 31 December 2010, the unaudited Group operating profit attributable to members was \$6.892 million on revenues of \$494.652 million (2009: Operating profit \$25.341 million on revenues of \$373.167 million).

The increase in revenue and decrease in net profit was largely attributable to the operations of the Steel Making Division (Vinaasteel and SSESTEEL). The Steel Making Division contributed an unaudited operating profit of VND158.881 billion on revenues of VND8.471 trillion (2009: Operating profit after tax VND440.731 billion on revenue of VND5.164 trillion). The increased revenue is due to higher steel prices and revenues from non-core products and increased sales volumes. The Steel Making Division result included an unaudited share in net loss of associate Dinh Vu Steel Stock Company (SSESTEEL 48.52%) for the period to 31 December 2010 of \$1.365 million (2009: \$0.152 million).

As forewarned in previous announcements, the 2010 result is lower than 2009. In 2009, the Group was able to benefit from high demand for construction steel 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 interest rate subsidy program which lowered the cost of working capital finance.

The profitability of the Steel Making Division was lower in 2010 due to a number of reasons;

- Increased interest expenses due to increased interest rates and higher steel prices resulting in increased working capital borrowings;
- Reduced margins due to increasing reinforcing steel supply in the North of Vietnam and volatility of raw material prices;
- Significant depreciation of the Vietnam Dong and United States dollar and appreciation of the Australian dollar has impacted on Group profitability reported in Australian dollars (Average exchange rate in 2010 VND17,667/A\$1 and average exchange rate in 2009 VND14,446/A\$1). The Vietnam Dong rate had further depreciated to VND19,818/A\$1 at 31 December 2010 from 31 December 2009 VND16,574/A\$1 whilst the Australian dollar rate had appreciated to US\$1.0163/A\$1 at 31 December 2010 from 31 December 2009 US\$0.8969/A\$1.

During the year, Vinaasteel declared a dividend of VND 90 billion (\$5.197 million) on 31 March 2010 from 2009 profits of which VII’s share is VND63 billion (\$3.638 million) and a further dividend of VND 50 billion (\$2.523 million) of which VII’s share is VND35 billion (\$1.766 million).

Despite the efforts to break even, the Group’s Steel Products Division (Austnam, TBS and VRC) returned a loss of \$0.671 million (2009: \$2.251 million). On 15 January 2011, Austnam (VII 67%) declared dividends of VND3 billion of which VII’s share is VND2.01 billion (\$0.101 million).

Due to the volatility of the Vietnamese economy, the Directors believe it is prudent to retain cash reserves and therefore no dividends will be declared and paid (2009: Nil).

Foreign currency translation

For the year ended 31 December 2010, the foreign currency translation was a loss of \$7.953 million (2009: loss of \$10.501 million). Significant depreciation of the Vietnam Dong and United States dollar and appreciation of the Australian dollar has impacted on Group profitability reported in Australian dollars (Average exchange rate in 2010 VND17,667/A\$1 and average exchange rate in 2009 VND14,446/A\$1). The Vietnam Dong rate had further depreciated to VND19,818/A\$1 at 31 December 2010 from 31 December 2009 VND16,574/A\$1 whilst the Australian dollar rate had appreciated to US\$1.0163/A\$1 at 31 December 2010 from 31 December 2009 US\$0.8969/A\$1.

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PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

FINANCIAL REVIEW

At 31 December 2010, cash and cash equivalents is \$34.867 million. There was net decrease in cash during the year of \$38.695 million due to the following:

	\$'000
Decrease in net cash flows from operating activities	(35,077)
Decrease in net cash flows from investing activities	(10,689)
Increase in net cash flows from financing activities	14,181
Net foreign exchange differences	<u>(7,110)</u>
	<u>(38,695)</u>

Decrease in net cash flows from operating activities was due to the increase in interest paid on loans of \$7.899 million (2009: \$4.030 million) and increase in payment to suppliers and employees of \$494.872 million (2009: \$341.740 million) due largely to increased raw material costs and other operating costs. Funds used in operating activities were largely due to working capital requirements.

Decrease in net cash flows from investing activities was attributed to the Group's additional acquisition of 28.01% interest in Dinh Vu Steel Stock Company of \$9.821 million (2009: \$3.906 million). The Group has increased its ownership in Dinh Vu Steel to 48.52%.

The increase in net cash flows from financing activities was due to the net cash inflow from bank borrowings of \$15.740 million (2009: \$52.956 million).

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 (\$19.581 million) (2009: US\$19.900 million or \$22.188 million). At 31 December 2010 the total interest bearing liabilities drawdown to which these corporate guarantees relate to were US\$12.565 million (\$12.364 million) (2009: US\$4.845 million or \$5.401 million).

SUBSEQUENT EVENTS AFTER BALANCE DATE

On 15 January 2011, Austnam (VII 67%) declared dividends of VND3 billion of which VII's share is VND2.01 billion (\$0.101 million).

Subsequent to 31 December 2010, the Vietnamese Dong has devalued a further 7% against the US Dollar. However, US Dollar remains at parity with the Australian Dollar.

LIKELY DEVELOPMENTS

The consolidated entity expects to continue commercial production of rebar and wire rod from VII's rolling mills at Vinausteel and SSESTEEL, manufacturing of steel billets at Dinh Vu Steel Stock Company, roofing and wall cladding at Austnam's factory in Hanoi, welded steel reinforcing and fencing at VRC's factory in Ho Chi Minh City, and providing engineering and project management services by TBS.

The consolidated entity continues to assess the feasibility of establishing a billet plant in Vietnam.

The outlook for the steel industry in Vietnam for 2011 is uncertain. Domestic production may face higher pressure from supply excess that will affect productivity and high interest rates are expected to continue.

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PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	Notes	2010 \$'000	2009 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	5	34,867	73,562
Trade and other receivables		44,871	28,738
Inventories		55,747	39,907
Financial assets – at fair value through profit or loss		27	67
Other current assets		200	455
Total Current Assets		<u>135,712</u>	<u>142,729</u>
Non-current Assets			
Receivables		148	146
Investments in an associate	6	9,766	3,178
Property, plant and equipment		15,039	19,207
Intangible assets and goodwill		329	398
Total Non-current Assets		<u>25,282</u>	<u>22,929</u>
TOTAL ASSETS		<u>160,994</u>	<u>165,658</u>
LIABILITIES			
Current Liabilities			
Trade and other payables		11,593	18,573
Advances from customers		19,199	15,228
Income tax provision		2,230	4,041
Interest-bearing loans and borrowings		76,901	73,725
Provisions		1,416	611
Total Current Liabilities		<u>111,339</u>	<u>112,178</u>
Non-current Liabilities			
Interest-bearing loans and borrowings		1,109	2,776
Total Non-current Liabilities		<u>1,109</u>	<u>2,776</u>
TOTAL LIABILITIES		<u>112,448</u>	<u>114,954</u>
NET ASSETS		<u>48,546</u>	<u>50,704</u>
EQUITY			
Equity attributable to equity holders of parent			
Contributed equity		27,819	27,819
Reserves		(11,826)	(4,755)
Retained earnings	2	28,772	21,880
Parent interests		<u>44,765</u>	<u>44,944</u>
Non-controlling interests		<u>3,781</u>	<u>5,760</u>
TOTAL EQUITY		<u>48,546</u>	<u>50,704</u>

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PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

	2010	2009
	\$'000	\$'000
Sale of goods	488,060	367,218
Contract revenue	3,356	2,850
Other revenue	3,236	3,099
Revenue	494,652	373,167
Cost of sales	(455,998)	(316,891)
Gross profit	38,654	56,276
Other income	1,193	1,355
Reversal of impairment of plant and equipment	-	4,957
Marketing expenses	(2,789)	(8,040)
Administrative expenses	(16,716)	(15,625)
Finance costs	(7,899)	(5,800)
Impairment of goodwill	-	(114)
Share of net loss of an associate	(1,365)	(152)
Profit before income tax	11,078	32,857
Income tax expense	(2,917)	(4,643)
Net profit for the year	8,161	28,214
Other comprehensive income		
Foreign currency translation	(7,953)	(10,501)
Other comprehensive income for the period	(7,953)	(10,501)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	208	17,713
Profit attributable to:		
Owners of parent	6,892	25,341
Non-controlling interests	1,269	2,873
	8,161	28,214
Total comprehensive income attributable to:		
Owners of parent	(179)	16,597
Non-controlling interests	387	1,116
	208	17,713
	Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:		
- Basic and diluted earnings per share	4.84	17.81

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PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

	<i>Attributable to equity holders of the parent</i>				<i>Non-controlling interests</i>	<i>Total equity</i>	
	<i>Contributed equity</i>	<i>Foreign currency translation reserves</i>	<i>Retained earnings</i>	<i>Legal reserves</i>	<i>Owners of the parent</i>		
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
At 1 January 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 (loss)/ 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
At 1 January 2010	27,819	(5,879)	21,880	1,124	44,944	5,760	50,704
Net profit for the year	-	-	6,892	-	6,892	1,269	8,161
Other comprehensive income	-	(7,071)	-	-	(7,071)	(882)	(7,953)
Total comprehensive (loss)/ income for the year	-	(7,071)	6,892	-	(179)	387	208
Dividends paid by subsidiaries	-	-	-	-	-	(2,366)	(2,366)
At 31 December 2010	27,819	(12,950)	28,772	1,124	44,765	3,781	48,546

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PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2010

	Notes	2010 \$'000	2009 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		468,581	357,432
Payments to suppliers and employees (inclusive of GST)		(494,872)	(341,740)
Interest received		3,236	3,099
Interest paid		(7,899)	(4,030)
Income taxes (paid)/refund		(4,123)	559
Net cash flows (used in)/provided by operating activities		(35,077)	15,320
Cash flows from investing activities			
Purchase of property, plant and equipment		(899)	(3,797)
Acquisition of an associate		(9,821)	(3,906)
Proceeds from sale of property, plant and equipment		31	61
Acquisition of software		-	(1)
Net cash flows used in investing activities		(10,689)	(7,643)
Cash flows from financing activities			
Proceeds from bank borrowings		244,683	244,281
Repayment of bank borrowings		(228,943)	(191,325)
Dividends paid to minority interest		(1,559)	(2,319)
Net cash flows provided by financing activities		14,181	50,637
Net (decrease)/increase in cash and cash equivalents		(31,585)	58,314
Net foreign exchange differences		(7,110)	(13,281)
Cash and cash equivalents at beginning of year		73,562	28,529
Cash and cash equivalents at end of year	5	34,867	73,562

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PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

1. SEGMENT INFORMATION

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

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, and billet manufacturing by an associate, Dinh Vu Steel Stock Company.

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 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.

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PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

1. SEGMENT INFORMATION (continued)

Segment Performance

	Steel Making \$'000	Steel Products \$'000	Others \$'000	Total \$'000
Year ended 31 December 2010				
Revenues				
External revenues	479,499	11,918	-	491,417
Inter-segment revenues	420	182	-	602
Interest income	3,162	56	-	3,218
Other revenues	833	300	-	1,133
Total segment revenues	483,914	12,456	-	496,370
Inter-segment elimination			-	(602)
Other/unallocated revenues			77	77
Total revenue and other income per statement of comprehensive income				<u>495,845</u>
Results				
Segment results before income tax	14,381	(508)	-	13,873
Income tax expense	(2,857)	(60)	-	(2,917)
Segment results after tax	11,524	(568)	-	10,956
Share of net loss of an associate	(1,365)	-	-	(1,365)
Corporate charges	-	-	(1,430)	(1,430)
Net profit after tax				<u>8,161</u>
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				<u>374,522</u>
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 assets	4,957	-	-	4,957
Impairment of goodwill	-	-	(114)	(114)
Corporate charges	-	-	(2,092)	(2,092)
Net profit after tax				<u>28,214</u>

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PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

1. SEGMENT INFORMATION (continued)

	Steel Making \$'000	Steel Products \$'000	Others \$'000	Total \$'000
Segment assets				
At 31 December 2010				
Segment operating assets	138,777	6,827	6,441	152,045
Inter-segment eliminations	-	-	-	(894)
Investment in an associate	9,766	-	-	9,766
Intangibles	-	-	77	77
Total assets per statement of financial position				<u>160,994</u>
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
Intangibles	-	-	77	77
Total assets per statement of financial position				<u>165,658</u>
Segment liabilities				
At 31 December 2010				
Segment operating liabilities	110,103	5,577	164	115,844
Inter-segment eliminations	-	-	-	(3,396)
Total liabilities per statement of financial position				<u>112,448</u>
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				<u>114,954</u>

2. RETAINED EARNINGS

	2010 \$'000	2009 \$'000
Retained earnings	<u>28,772</u>	<u>21,880</u>
Movement in retained earnings/(accumulated losses)		
Opening balance	21,880	(3,461)
Net profit for the year	6,892	25,341
Closing balance	<u>28,772</u>	<u>21,880</u>

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PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

3. EARNINGS PER SHARE

	2010	2009
	\$'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	6,892	25,341
	2010	2009
	No. of Shares	No. of Shares
Weighted average number of ordinary shares for basic and diluted earnings per share	142,277,423	142,277,423

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

	Cents	Cents
– Basic and diluted earnings per share	4.84	17.81

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 this Appendix 4E.

	2010	2009
	\$'000	\$'000

4. SIGNIFICANT ITEMS

Net profit after tax includes the following whose disclosure is relevant in explaining the financial performance of the Group:

Reversal of impairment of fixed assets	-	4,957
Foreign exchange loss	(2,009)	(5,733)
Impairment of goodwill	-	(114)

5. CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents are comprised of the following:

Cash at bank and in hand	4,786	9,838
Short-term deposits	30,081	63,724
	<u>34,867</u>	<u>73,562</u>

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PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

6. INVESTMENT IN AN ASSOCIATE

	2010 \$'000	2009 \$'000
(a) Investment details		
Investment in associate - listed	9,766	3,178

Name	Principal Activity	Country of Incorporation	Balance Date	Ownership Interest (%)	
				2010	2009
Dinh Vu Steel Stock Company	Manufacturing of steel billets	Vietnam	31 December	48.52	20.51

On 19 August 2009, the Company announced that SSESTEEL Ltd had acquired a 20.51% interest in Dinh Vu Steel Stock Company ("Dinh Vu") for a cash consideration of \$3.906 million, funded from existing cash reserves.

During the period, SSESTEEL increased its ownership in Dinh Vu to 48.52% following an additional capital cash contribution of \$9.821 million, which was also funded from existing cash reserves.

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

(b) Share of associate's net loss

The Group recognised share in net loss of an associate using the equity method of \$1.365 million in the year ended 31 December 2010 (2009:\$0.152 million).

7. CONTINGENT LIABILITIES

A Vietnamese customer has taken action to obtain refund of advances made to SSESTEEL and Vinausteel for the purchase of steel. SSESTEEL and Vinausteel have made provision for interest and possible foreign exchange losses in the event that they are required to make refund of USD and pay damages in interest. The directors consider that adequate provision has been made for this contingency in these financial statements for the year ended 31 December 2010.

8. SUBSEQUENT EVENT AFTER BALANCE DATE

On 15 January 2011, Austnam (VII 67%) declared dividends of VND3 billion of which VII's share is VND2.01 billion (\$0.101 million).

Subsequent to 31 December 2010, the Vietnamese Dong has devalued a further 7% against the US Dollar. However, US Dollar remains at parity with the Australian Dollar.

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.