



A.C.N. 063 656 333

A.B.N. 64 063 656 333

VIETNAM INDUSTRIAL INVESTMENTS LIMITED

14 January 2011

Company Announcements Office
ASX Limited
Exchange Plaza
2 The Esplanade
PERTH WA 6000

Dear Sirs

EXPECTED GROUP RESULT

This announcement is made in accordance with Listing Rule 3.1 as it is expected that there will be a significant reduction in the full year Group result compared to the previous corresponding period. This announcement is based on unaudited results.

The consolidated operating profit after income tax for the year ended 31 December 2009 was A\$25.341 million on revenues of A\$325.782 million, however, it is estimated that the consolidated operating profit after tax for the year ended 31 December 2010 will be substantially lower at approximately A\$7 million on revenues of A\$417 million.

The increase in revenue and decrease in net profit was largely attributable to the operations of the steel making division. The steel making division is expected to contribute an operating profit of no greater than VND145 billion on revenues of VND 8 trillion (2009: Operating profit after tax VND440.731 billion on revenues of VND5.164 trillion). The increased revenue is due to higher steel prices and revenues from non-core products and not increased sales volumes.

As forewarned in previous announcements, it was expected that the 2010 result would be 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 which impacts on Group profitability reported in Australian dollars (Average exchange rate in 2010 VND17,720/A\$1 and average exchange rate in 2009 VND14,446/A\$1. The Vietnam Dong rate had further depreciated to VND20,500/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.).

The Company wishes to stress that this announcement is based on unaudited results and there may be variances when the final audited consolidated operating result is reported. In particular, there are often instances where adjustments may be required to be made to the Australian dollar audited consolidated financial statements due to variances in accounting treatment between Vietnam Accounting Standards (VAS) and International Financial Reporting Standards (IFRS). As a consequence, the expected consolidated result for year ended 31 December 2010 of approximately A\$7 million is lower than the reported consolidated result for the half year ended 30 June 2010 of A\$8.548 million even though the Vietnam operations reported an overall profit in the second half of 2010.

Yours faithfully,

LAM VAN HUNG (HENRY)
Managing Director
(Vietnam Operations)