VIETNAM INDUSTRIAL INVESTMENTS LIMITED

ABN 64 063 656 333

ANNUAL REPORT 2010

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*

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PERTH Western Australia 6000

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PERTH Western Australia 6000

Bankers
Australia & New Zealand Banking Group Limited
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PERTH Western Australia 6000

Bank of Western Australia Ltd
108 St Georges Terrace
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Share Registry
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APPLECROSS Western Australia 6153

Home Exchange
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VIETNAM INDUSTRIAL INVESTMENTS LIMITED

An investment holding company investing in the developing economy of Vietnam

HIGHLIGHTS OF 2010

Corporate

- Sales revenue from Vietnam operations was VND8.682 trillion ($491.416 million) up 62% on 2009 of VND5.346 trillion ($370.068 million).
- Net profit after tax and non-controlling interests was $6.892 million, down 73% on 2009 of $25.341 million.

Austnam Joint Stock Corporation (VII shareholding 67%)

- Annual sales of 532,152m², down 9% on 2009 (585,913m²).
- Sales revenue was VND74.388 billion ($4.211 million), up 19% on 2009 (VND62.442 billion or $4.323 million).
- Net profit after tax and before non-controlling interests was VND5.561 billion ($0.315 million), up 118% on 2009 net profit of VND2.554 billion ($0.177 million).

SSESTEEL Ltd (VII shareholding 100%)

- Rebar sales of 202,823 tonnes, up 6% on 2009 (190,746 tonnes).
- Wire rod sales of 59,629 tonnes, down 35% on 2009 (91,905 tonnes).
- Toll milling of 2,584 tonnes, down 55% on 2009 (5,818 tonnes).
- Total sales revenue was VND5.680 trillion ($321.515 million), up 90% on 2009 (VND2.997 trillion or $207.441 million).
- Net profit after tax and before non-controlling interests was VND110.833 billion ($6.273 million), down 68% on 2009 net profit of VND345.447 billion ($23.201 million).

Total Building Systems Limited (VII shareholding 99%)

- Revenues were VND59.304 billion ($3.357 million), up 47% on 2009 (VND40.263 billion or $2.787 million).
- Net loss after tax and before non-controlling interests was VND1.071 billion ($0.061 million), down 94% on 2009 net loss of VND17.749 billion ($1.229 million).

Vinausteel Limited (VII shareholding 70%)

- Annual sales of 221,255 tonnes, up 10% on 2009 (201,029 tonnes).
- Sales revenue was VND2.791 trillion ($157.984 million), up 29% on 2009 (VND2.168 trillion or $150.056 million).
- Net profit after tax and before non-controlling interests was VND68.641 billion ($3.885 million), down 50% on 2009 net profit of VND136.120 billion ($9.423 million).

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

- Annual sales of 5,197 tonnes, down 18% on 2009 (6,403 tonnes).
- Sales revenue was VND76.851 billion ($4.349 million), down 3% on 2009 (VND79.187 billion or $5.482 million).
- Net loss after tax and before non-controlling interests was VND14.513 billion ($0.821 million), down 13% on 2009 net loss (VND16.652 billion or $1.153 million).

CHAIRMAN'S REPORT

Dear Shareholders

The year 2010 was substantially down on 2009, however, this was not unexpected as advised in previous announcements. I remind you that the previous year achieved the best performance in the Group's history and we did not expect 2010 to match this.

The Group is reporting an operating profit attributable to Shareholders of $6.892 million which is only 27% of the result of $25.341 million achieved in 2009. The increase in revenues and decrease in profitability is largely due to the Steel Making Division. Even though this division's revenues increased by 64% to VND8.471 trillion (2009: VND5.164 trillion), the increase in revenues is due to higher steel prices and revenues from non core products as sales volumes were only marginally higher.

Interest rates had a big impact on the group result. Interest rates were high up to 20% at times, when working capital requirements increased due to higher steel prices.

Significant depreciation of the Vietnamese Dong and United States Dollar and appreciation of the Australian Dollar impacts on the group profitability reported in Australian Dollars. The Vietnamese Dong spot rate and average exchange rate depreciated by 6% against the United States Dollars and depreciated further by 20% and 22%, respectively, against the Australian Dollar.

The Steel Making Division's result includes a share in net loss of an associate, Dinh Vu Steel, of $1.365 million. SSESTEEL acquired an initial 20.5% interest in this local joint stock company in 2009 and increased its shareholding in 2010 to 48.5% by subscribing new capital of $9.821 million. Significant improvements have been made to improve the profitability of this entity, however, its operations were adversely affected by power cuts in 2010.

Despite the lower result, Vinausteel paid dividends during the year totalling the equivalent of $7.72 million of which VII's share was $5.404 million. The proceeds of these dividends will be retained within the group in the event they are needed for the group's operations in Vietnam.

The Steel Products Division performed a little better, due to cost cutting measures, and reported an overall loss of $0.671 million compared to $2.251 million in 2009. The Board continues to monitor how to deal with this division in the long term.

As for 2011, the year has not commenced on a positive note. Inflation is at high levels, which the Government has high priority to control. Interest rates are high and our operations have to pay rates of 18% pa plus for working capital facilities. The Vietnam Dong has been officially devalued by 7% since the end of the year. Government spending is to be reduced on infrastructure which will affect the demand for steel.

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.

ALEX HAMBLY
Chairman

REVIEW OF OPERATIONS

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

The 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 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 (Vinausteel and SSESTEEL). The Steel Making Division contributed an 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. The Steel Making Division result included a share in net loss of associate, Dinh Vu Steel Joint 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.

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 ($0.151 million) 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.

Principal Activities
The principal activities of the consolidated entity 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; and its associate, Dinh Vu Steel Joint Stock Company.

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 VND74.388 billion ($4.211 million) which was an increase of 19% on 2009 (VND62.442 billion or $4.323 million). Sales volume for 2010 of 532,152m² was a decrease of 9% on the previous year (585,913m²). Austnam reported a net profit after tax of VND5.561 billion (A$0.315 million) for the year ended 31 December 2010 (2009: VND2.554 billion or $0.177 million).

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 202,823 tonnes (2009: 190,746 tonnes), wire rod sales of 59,629 tonnes (2009: 91,905 tonnes) and toll milling of 2,584 tonnes (2009: 5,818 tonnes). Sales revenue was VND5.680 trillion ($321.515 million) which was higher by 90% on 2009 (VND2.997 trillion or $207.441 million). The SSESTEEL operation reported a net profit after tax of VND110.833 billion ($6.273 million) (2009: profit VND345.447 billion or $23.201 million). 2009 results took account of the SSESTEEL's previously impaired assets of VND82.154 billion or $4.957 million. Included in SSESTEEL's performance included a share in net loss of associate, Dinh Vu Steel (SSESTEEL 48.52%), for the period to 31 December 2010 of $1.365 million (2009: loss of $0.152 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 2010 were VND59.304 billion ($3.357 million) (2009: VND40.263 billion ($2.787 million). TBS reported a net loss after tax for the year of VND1.071 billion ($0.061 million) (2009: loss of VND17.749 billion or $1.229 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 volume for 2010 of 221,255 tonnes was an increase of 10% on the previous year (201,029 tonnes). Sales revenue was VND2.791 trillion ($157.984 million), higher by 29% on 2009 (VND2.168 trillion or $150.056 million). Vinausteel reported a net profit after tax for the year of VND68.641 billion ($3.885 million) (2009: VND136.120 billion or $9.423 million).

During the year, Vinausteel 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).

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.

Sales volume for 2010 of 5,197 tonnes was 18% lower than the previous year (6,403 tonnes). This represented sales revenue of VND76.851 billion ($4.349 million) which was lower by 3% on 2009 (VND79.187 billion or $5.482 million). VRC recorded a net loss after tax of VND14.513 billion ($0.821 million) for the year ended 31 December 2010 (2009: loss of VND16.652 billion or $1.153 million).

RESULTS OF VIETNAM OPERATIONS (CONTINUED)

Dinh Vu Steel Joint Stock Company
This company manufactures steel billets.

During the year SSESTEEL increased its equity in this associate company from 20.51% to 48.52%. Steady progress was made to improve production KPI's and the company produced 185,978 tons of billets in 2010 (2009 173,900 tons), despite losing 90 days production due to power cuts and technical modifications. SSESTEEL's share of net loss was $1.365 million (2009: $0.152 million - part year from acquisition date of 19 August 2009). Dinh Vu Steel has a high level of debt and its interest and forex expense in 2010 was VND93 billion. The company reported a loss of VND27.955 billion ($1.582 million) compared to a loss of VND169.983 billion ($11.654 million) in 2009. Management are working on plans to restructure the company.

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	(7,110)
	(38,695)

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 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 drawndown to which these corporate guarantees relate to were US$12.565 million ($12.364 million) (2009: US$4.845 million or $5.401 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% reduction for the following two years which are financial years ended 2009 and 2010.

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.

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 supplying engineering services, building systems and construction services to industrial and residential consumers 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.

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 25 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 2010.

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, 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 was 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 18 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 and is Company Secretary for a number of diversified ASX listed companies. Mr Clements previously worked for an international accounting firm. He 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.

DIRECTORS (CONTINUED)

Mr Craig Robert Martin (resigned 25 June 2010)
Alternate Non-Executive Director
He was an alternate director for Mr Hambly.

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	(1)	116,308,510
H. V. H. Lam	(2)	116,308,510
A. A. Young		-
R. S. Kwok		-
M. A. Clements		-

Notes:
(1) Mr Hambly is a director of Corbyns International Limited which owns 116,308,510 shares in VII.
(2) Mr Lam is a director and shareholder of Corbyns International Limited which owns 116,308,510 shares in VII.

EARNINGS PER SHARE	Cents
Basic and diluted earnings per share	4.84

DIVIDENDS

There were no dividends declared or paid during the year (2009: 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 Australian 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 2010 was $6.892 million (2009: $25.341 million).

Operating and Financial Review of the consolidated entity for the year is set out in pages 5 to 8 in the Annual Report 2010.

Principal Activities
The principal activities of the Company during the year were the investments in Vietnam through its operating subsidiaries, Vinausteel Ltd, SSESTEEL Ltd, Austnam Joint Stock Corporation, Total Building Systems Ltd, and VRC Weldmesh (Vietnam) Ltd. No change in the nature of those activities has occurred during the year.

Employees
The consolidated entity employs 713 employees as at 31 December 2010 (2009: 705 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

On 15 January 2011, Austnam (VII 67%) declared dividends of VND 3 billion ($0.151 million) of which VII's share is VND 2.01 billion ($0.101 million).

Subsequent to 31 December 2010, the Vietnamese Dong has devalued by approximately 7% against the US Dollar. However, US Dollar remains close to 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.

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, manufacturing of steel billets at Dinh Vu Steel, 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.

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 $	Bonus $	Non-Monetary Benefits $	Retirement Benefits $	Super-contributions $	Long Service Leave $	Total $
Remuneration of Directors								
A. J. Hambly (ii) (Non-Executive Director,Chairman)	2010	174,000	-	-	-	-	-	174,000
	2009	36,000	-	-	-	-	-	36,000
H. V. H. Lam (i) (iii) (Managing Director – Vietnam Operations)	2010	179,184	179,015	99,378	-	-	-	457,577
	2009	268,335	-	68,116	-	-	-	336,451
A. A. Young (i) (iii) (Managing Director, Chief Operating Officer)	2010	198,837	-	17,724	-	-	-	216,561
	2009	197,372	-	23,555	-	-	-	220,927
R. S. Kwok (ii) (Independent Non-Executive Director)	2010	144,000	-	-	-	-	-	144,000
	2009	36,000	-	-	-	-	-	36,000
M. A. Clements (ii) (Non-Executive Director and Company Secretary)	2010	172,000	2,000	-	-	-	-	174,000
	2009	92,000	-	-	-	-	-	92,000
C. R. Martin (v) (Alternate Director)	2010	-		-	-	-	-	-
	2009	-		-	-	-	-	-
Total	2010	868,021	181,015	117,102	-	-	-	1,166,138
	2009	629,707	-	91,671	-	-	-	721,378

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration of Key Management Personnel

		Short-term			Post employment		Long-term Benefit	
		Salary & Fees	Cash Bonus	Non-Monetary Benefits	Retirement Benefits	Super-contributions	Long Service Leave	Total
		$	$	$	$	$	$	$
Executives								
P. Shinn (iii)	2010	120,000	15,000	-	-	10,800	1,500	147,300
(Chief Financial Officer)	2009	120,000	21,800	-	-	10,800	4,500	157,100
D. Q. Phan (iii)	2010	135,866	27,250	-	-	-	-	163,116
(General Manager - VRC)	2009	156,512	-	-	-	-	-	156,512
T. Huang (iii) (iv)	2010	-	27,062	-	-	-	-	27,062
(Group Finance and Operations Officer)	2009	137,731	-	15,780	-	-	-	153,511
D. H. Ngoc (iii)	2010	56,520	11,198	-	-	-	-	67,718
(General Manager – TBS)	2009	65,109	-	-	-	-	-	65,109
Total	2010	312,386	80,510	-	-	10,800	1,500	405,196
	2009	479,352	21,800	15,780	-	10,800	4,500	532,232

(i) The Group's operating subsidiaries incurred non-cash benefits of $99,378 (2009: $68,116) for Mr Lam and $12,249 (2009: $23,555) for Mr Young in relation to their employment in Vietnam.
(ii) Included in non-executive directors remuneration is $167,000 which was paid to Mr Hambly ($69,000), Mr Kwok ($54,000) and Mr Clements ($44,000) following shareholder approval of the maximum aggregate remuneration payable to non-executive directors on 26 May 2010. The current non-executive directors fees paid to Mr Hambly ($105,000), Mr Kwok ($90,000) and Mr Clements ($80,000). Mr Clements is the Group's company secretary. His salary also included company secretarial fees of $56,000 (2009: $48,000).
(iii) Directors and executives receive non-performance based discretionary bonuses. Bonuses relating to Mr Lam, Mr Young, Mr Phan, Mr Huang and Mr Ngoc pertain to allocated 2009's $250,000 bonus accrual paid by VII parent company in 2010.
(iv) Mr Huang was Group Finance and Operations Officer until 31 August 2009 and appointed as General Director of Dinh Vu Steel Joint Stock Company ("Dinh Vu Steel") on 1 September 2009. The Group's operating subsidiaries incurred non-cash benefits of $15,780 for Mr Huang in relation to his employment in Vietnam in 2009.
(v) Mr Martin did not receive remuneration since he was the alternate director for Mr Hambly. He resigned on 25 June 2010.

Other than the directors and executives stated on the above tables, there were no other executives that meet the criteria for the key management personnel of the consolidated entity during the year.

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.

During the 2010 financial year, the Company has been undertaking a review of its executive remuneration contacts to ensure the approach reflects the relevant comparative remuneration based on the business needs and market practice. An independent remuneration consultant has been engaged to perform an overview of the executive remuneration structure. The Company expects that any changes resulting from this review will be implemented for the financial year commencing 1 January 2011.

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. Following the shareholders' meeting on 26 May 2010, the shareholders approved the maximum aggregate remuneration payable to Non-Executive Directors of $500,000 per year.

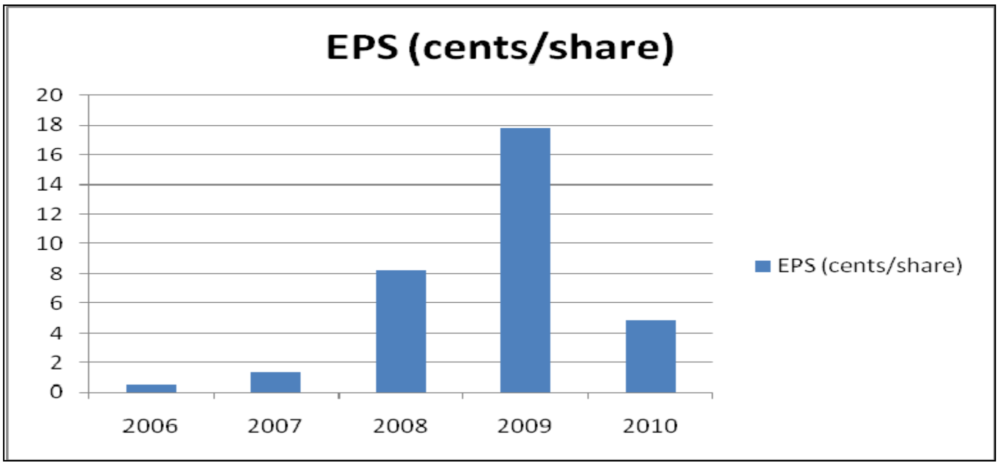
REMUNERATION REPORT (AUDITED) (CONTINUED)

Non-Executive Directors (continued)

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.

Performance-based Remuneration

Below is the Company performance in the last five years:



Based on the volatility of the earnings per share, there is no formal link between the performance and remuneration of the key management personnel. The amount is at the discretion of the Board of Directors after recommendation of the Remuneration Committee. No bonuses have been accrued for executive directors and Vietnam senior executives for the year ended 31 December 2010 (2009: $250,000).

The independent remuneration consultant will also consider a bonus incentive scheme.

There had been no share-based payments related compensation made to key management personnel during the year (2009: Nil).

Service Agreements
Employment contracts are yet to be finalised with Executive Directors. An independent remuneration consultant has been engaged to perform an overview of the executive remuneration structure.

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	5	5	3	3	1	1
H. V. H. Lam	5	5	-	-	-	-
A. A. Young	5	5	-	-	-	-
R. S. Kwok	5	5	3	3	1	1
M. A. Clements	5	5	3	3	1	1
C. R. Martin	3	3	-	-	-	-

There are board meetings of each of the Company's subsidiary companies in which members of the VII Board participate. In addition to the above, there were two occasions 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 2010. 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	$16,480
Tax advice	$15,368

Signed in accordance with a resolution of the directors.

ALAN A. YOUNG
Director

Hai Phong, 31 March 2011

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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 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

P McIver
Partner
Perth
31 March 2011

PM:AK:VII:009

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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*

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 2010 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 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 2010 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.

Three 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 Directors declared in writing to the Board that the Company's financial reports for the year ended 31 December 2010 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 Peter McIver, current lead engagement partner, was appointed in 2010.

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 Directors 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 2010 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 was one meeting of the Remuneration Committee during the reporting period. All members were present at this meeting.

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	

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

	Notes	**2010 $'000**	2009 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	7	34,867	73,562
Trade and other receivables	8	44,871	28,738
Inventories	9	55,747	39,907
Financial assets – at fair value through profit or loss	10	27	67
Other current assets	11	200	455
Total Current Assets		135,712	142,729
Non-current Assets			
Receivables	12	148	146
Investments in an associate	13	9,766	3,178
Property, plant and equipment	15	15,039	19,207
Intangible assets and goodwill	16	329	398
Total Non-current Assets		25,282	22,929
TOTAL ASSETS		160,994	165,658
LIABILITIES			
Current Liabilities			
Trade and other payables	17	11,593	18,573
Advances from customers		19,199	15,228
Income tax provision	6	2,230	4,041
Interest-bearing loans and borrowings	18	76,901	73,725
Provisions	19	1,416	611
Total Current Liabilities		111,339	112,178
Non-current Liabilities			
Interest-bearing loans and borrowings	18	1,109	2,776
Total Non-current Liabilities		1,109	2,776
TOTAL LIABILITIES		112,448	114,954
NET ASSETS		48,546	50,704
EQUITY			
Equity attributable to equity holders of parent			
Contributed equity	20	27,819	27,819
Reserves	21	(11,826)	(4,755)
Retained earnings	21	28,772	21,880
Parent interests		44,765	44,944
Non-controlling interests	22	3,781	5,760
TOTAL EQUITY		48,546	50,704

The above financial statements should be read in conjunction with the accompanying notes.

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

	Notes	**2010** **$'000**	2009 $'000
Sale of goods		488,060	367,218
Contract revenue		3,356	2,850
Other revenue	5	3,236	3,099
Revenue		494,652	373,167
Cost of sales	5	(455,998)	(316,891)
Gross profit		38,654	56,276
Other income	5	1,193	1,355
Reversal of impairment of plant and equipment	5, 15	-	4,957
Marketing expenses		(2,789)	(8,040)
Administrative expenses	5	(16,716)	(15,625)
Finance costs	5	(7,899)	(5,800)
Impairment of goodwill	5, 16	-	(114)
Share of net loss of an associate	5, 13	(1,365)	(152)
Profit before income tax		11,078	32,857
Income tax expense	6	(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

The above financial statements should be read in conjunction with the accompanying notes.

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

	Attributable to equity holders of the parent					*Non-controlling interests*	*Total equity*
	Contributed equity	*Foreign currency translation reserves*	*Retained earnings*	*Legal reserves*	*Owners of the parent*		
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
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 (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 1January 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

The above financial statements should be read in conjunction with the accompanying notes.

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 refund/(paid)		(4,123)	559
Net cash flows (used in)/ provided by operating activities	7(a)	(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	7	34,867	73,562

The above financial statements should be read in conjunction with the accompanying notes.

1. COMPANY INFORMATION

The consolidated financial report of Vietnam Industrial Investments Limited ("VII") for the year ended 31 December 2010 was authorised for issue in accordance with a resolution of the directors on 28 March 2011.

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 27.

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 with IFRS

The financial report also complies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

(b) Third statement of financial position

Two comparative periods are presented for the statement of financial position when the Group:

(i) applies an accounting policy respectively;
(ii) makes a retrospective restatement of items in its financial statements or
(iii) re-classifies items in the financial statements.

We have determined that only one comparative period for the statement of financial position was required for the current reporting period as the application of the new accounting standards have had no material impact on the previously presented primary financial statements that were presented in the prior year financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New accounting standards and interpretations

When the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

AASB 3 *Business Combinations (revised 2008) and ASB 127 Consolidated and Separate Financial Statements (revised 2008)*
AASB 3 (revised 2008) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation on non-controlling interests (previously "minority interests"), the accounting for transaction costs, the initial recognition and subsequent measurement of contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period when an acquisition occurs and future reported results.

AASB 127 (revised 2008) requires that a change in the ownership interest of a subsidiary (without a change in control) is to be accounted for as a transaction with owners in their capacity as owners. Therefore such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss in the statement of comprehensive income. Furthermore, the revised Standard changes the accounting for losses incurred by a partially owned subsidiary as well as the loss of control of a subsidiary. The changes in AASB 3 (revised 2008) and AASB 127 (revised 2008) will affect future acquisitions, changes in and loss of control of subsidiaries and transaction with non-controlling interests.

The change in accounting policy was applied prospectively and had no material impact on earnings per share.

Annual Improvements Project

In May 2009 and June 2010 the AASB issued omnibus of amendments to its Standards as part of the Annual Improvements Project, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions and application dates for each amendment. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position
or performance of the Group:
► AASB 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in AASB 5.
► AASB 8 Operating Segments: clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities, the Group has continued to disclose this information in note 4.
► AASB 107 Statement of Cash Flows: States that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment will impact amongst others, the presentation in the statement of cash flows of the contingent consideration on the business combination completed in 2010 upon cash settlement.
► AASB 136 Impairment of Assets: The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in AASB 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.
► AASB Interpretation 17 Distribution of Non-cash Assets to Owners: This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either the financial position or performance of the Group.

The following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- AASB 2 *Share-based Payment*.
- AASB 101 *Presentation of Financial Statements*.
- AASB 117 *Leases*.
- AASB 134 *Interim Financial Reporting*.
- AASB 138 *Intangible Assets*.
- AASB 139 *Financial Instruments: Recognition and Measurement*.
- AASB Interpretation 9 *Reassessment of Embedded Derivatives*.
- AASB Interpretation 16 *Hedges of a Net Investment in a Foreign Operation*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New accounting standards and interpretations (continued)

(i) Accounting standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 31 December 2010 are outlined in the table below:

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
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 February 2010	This amendment will not have any impact on the Group's financial report.	1 January 2011
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below. (a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria. (b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.	1 January 2013	AASB 9 amends the classification and measurement of financial assets; the effect on the Group will be that more assets are held at fair value and the need for impairment testing has been limited to assets held at amortised cost only. Minimal changes have been made in relation to the classification and measurement of financial liabilities, except 'own credit risk' instruments. The effect on the entity will be that the volatility in the profit or loss will be moved to the OCI, unless there is an accounting mismatch.	1 January 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New accounting standards and interpretations (continued)

(i) Accounting standards and Interpretations issued but not yet effective (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]	► These amendments arise from the issuance of AASB 9 *Financial Instruments* that sets out requirements for the classification and measurement of financial assets. The requirements in AASB 9 form part of the first phase of the International Accounting Standards Board's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. ► This Standard shall be applied when AASB 9 is applied.	1 January 2013	Refer to AASB 9 comment.	1 January 2013
AASB 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: (a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other (b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other (c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.	1 January 2011	Since the Group is not a government related entity; there is not expected to be any changes arising from this standard.	1 January 2011
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. In particular, it amends AASB 8 Operating Segments to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.	1 January 2011	Since the Group is not a government related entity; there is not expected to be any changes arising from this standard.	1 January 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New accounting standards and interpretations (continued)

(i) Accounting standards and Interpretations issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
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	As the Group does not have a defined benefit pension plan, this amendment to Interpretation 14 is not expected to have any impact on the Group's financial report.	1 January 2011
AASB 1053	Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements: (a) Tier 1: Australian Accounting Standards (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: (a) For-profit entities in the private sector that have public accountability (as defined in this Standard) (b) The Australian Government and State, Territory and Local Governments The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: (a) For-profit private sector entities that do not have public accountability (b) All not-for-profit private sector entities (c) Public sector entities other than the Australian Government and State, Territory and Local Governments	1 July 2013	This depends on the classification of the entity as a Tier 1 or 2. For Tier 1 entities or Tier 2 that prepare special purpose financial reports, there will be no impact on the financial statements as the reduced disclosure will not be available to apply. Tier 2 entities that prepare general purpose financial reports will be able to apply the reduced disclosures within the financial instruments, related parties, accounting policies, borrowing costs, and financial statement disclosures	1 January 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New accounting standards and interpretations (continued)

(i) Accounting standards and Interpretations issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2010-3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139]	Limits the scope of the measurement choices of non-controlling interest to instruments that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of NCI are measured at fair value. Requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), in a consistent manner i.e., allocate between consideration and post combination expenses. Clarifies that contingent consideration from a business combination that occurred before the effective date of AASB 3 Revised is not restated. Clarifies that the revised accounting for loss of significant influence or joint control (from the issue of IFRS 3 Revised) is only applicable prospectively.	1 July 2010	This amendment will not have any impact on the Group's financial report.	1 January 2011
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.	1 January 2011	This amendment will not have any impact on the Group's financial report.	1 January 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New accounting standards and interpretations (continued)

(i) Accounting standards and Interpretations issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
Interpretation 19	Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	This interpretation 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 as payment of a debt 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	This amendment will not have any impact on the Group's financial report.	1 January 2011
AASB 2010-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB. These amendments have no major impact on the requirements of the amended pronouncements.	1 January 2011	These amendments have no major impact on the requirements of the amended pronouncements.	1 January 2011
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]	The amendments increase the disclosure requirements for transactions involving transfers of financial assets. *Disclosures* require enhancements to the existing disclosures in IFRS 7 where an asset is transferred but is not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.	1 July 2011	The Group has not yet determined the impact of these amendments on the Group's financial report.	1 January 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New accounting standards and interpretations (continued)

(i) Accounting standards and Interpretations issued but not yet effective (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
***	Amendments to IFRS 9: Fair Value Option for Financial Liabilities	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 January 2013	The Group has not yet determined the impact of these amendments on the Group's financial report.	1 January 2013

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

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

*** The AASB has not yet issued this amendment finalised by the IASB in November 2010

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.

(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

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.

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 5-27 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.

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.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

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 average monthly salary of the 6-month period up to the reporting date, 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 Group has 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:

	2010 $'000	2009 $'000
Financial Assets		
Cash and cash equivalents	34,867	73,562
	34,867	73,562
Financial Liabilities		
Interest-bearing liabilities – bank loans	78,010	76,501
	78,010	76,501
Net exposure	(43,143)	(2,939)

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 2010, fixed interest rates vary in every contract ranging from 9.50% to 21.50% for Vietnamese Dong loans (2009: 5.85% - 21.50%) and from 4% to 6.50% for US Dollar loans (2009: 3.50% - 6.30%). The floating rates are based on bank bill rates.

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

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 2010, if interest rates in Vietnamese Dong and US Dollar 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)	
	2010	2009
	$’000	$’000
Consolidated		
High rate +2% (2009: +2%)	1,560	1,530
Low rate -2% (2009: -2%)	(1,560)	(1,530)

The movements in profit are due to higher/lower interest costs from debt balances. The debt balances at 31 December 2010 are higher than in 2009. Interest rate movements have no direct impact on equity.

The sensitivity is slightly higher in 2010 than in 2009 due to the increase in interest-bearing loans. 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.

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.

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 2010, the Group had the following exposure to US$ foreign currencies against the VND:

	2010 **$'000**	2009 $'000
Financial Assets		
Cash and cash equivalents	990	1,766
Financial Liabilities		
Advances from customers - USD	10,120	11,130
Interest-bearing liabilities		
- US Dollar	37,902	8,324
	48,022	19,454
Net exposure	(47,032)	(17,688)

The following exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
	2010	2009	**2010**	2009
USD/VND	19,203	18,087	19,500	18,479
AUD/USD	0.9200	0.7987	1.0163	0.8969

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

At 31 December 2010, 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)	
	2010 **$'000**	2009 $'000
Consolidated		
High rate +7% (2009: +5%)	(3,883)	(842)
Low rate -7% (2009: -1%)	3,540	179

The movements in profit in 2010 are more sensitive than in 2009 due to the advances and increase in USD interest bearing loans at the reporting date.

Significant assumptions used in the foreign currency sensitivity analysis include:

- Subsequent to 31 December 2010, the State Bank of Vietnam has devalued VND against the USD by a further 7% and narrowed the trading band to the VND/USD exchange rate to ±1% which reflect more practically the market supply-demand, improve the liquidity of the market, contribute to restricting trade deficit and facilitate the implementation of monetary policy.
- 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 2010, 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)	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
High rate +0% (2009: +4%)	-	(135)	-	-
Low rate -0% (2009: -4%)	-	131	-	-

Subsequent to 31 December 2010, the AUD remains parity against the USD (2009: ±4%). The sensitivity movements in 2009 were due to the higher levels of USD cash and cash equivalents to the AUD 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, receivables and inventories of the subsidiaries and in certain instances, by the guarantee of Vietnam Industrial Investments Limited ('the parent company"). 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 drawndown to which these corporate guarantees relate to were US$12.565 million ($12.364 million) (2009: US$4.845 million or $5.401 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 2010

Consolidated	**<=6 mths $'000**	**6-12 mths $'000**	**1-5 years $'000**	**>5 years $'000**	**Total $'000**
Financial Assets					
Cash and cash equivalents	34,867	-	-	-	34,867
Trade and other receivables	44,871	-	-	-	44,871
	79,738	-	-	-	79,738
Financial Liabilities					
Trade and other payables	11,593	-	-	-	11,593
Advances from customers	19,199	-	-	-	19,199
Interest-bearing liabilities	76,901	-	1,109	-	78,010
	107,693	-	1,109	-	108,802
Net maturity	(27,955)	-	(1,109)	-	(29,064)

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)

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair Value Risk

For determining the fair value of financial assets, the Group uses quoted market price for investments in listed shares (Level 1). 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.

	2010	2009
	$'000	$'000
Fair value		
Financial assets		
Listed Investments – Australian (Level 1)	27	67
	27	67

4. 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 Joint 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 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 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				495,845
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				8,161
Year ended 31 December 2009				
Revenues				
External revenues	357,497	12,571	-	370,068
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	13,125	-	377,029
Inter-segment elimination			-	(2,668)
Other/unallocated revenues			161	161
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 assets	4,957	-	-	4,957
Impairment of goodwill	-	-	(114)	(114)
Corporate charges	-	-	(2,092)	(2,092)
Net profit after tax				28,214

4. 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				160,994
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				165,658
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				112,448
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
Other segment information				
At 31 December 2010				
Depreciation and amortisation expense	(1,652)	(359)	(1)	(2,012)
Capital expenditure	741	158	-	899
Investment in associate	9,766	-	-	9,766
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
Cashflow Information				
At 31 December 2010				
Net cash flows from operating activities	(30,942)	364	(4,499)	(35,077)
Net cash flows from investing activities	(10,562)	(127)	-	(10,689)
Net cash flows from financing activities	8,268	(340)	6,253	14,181
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

5. REVENUE AND EXPENSES

Revenues and expenses from continuing operations	2010 $'000	2009 $'000
(a) Other Revenue		
Interest income	3,236	3,099
	3,236	3,099
(b) Other income		
Financial and executive services income	59	41
Income from sale of miscellaneous materials	554	-
Net gain from fair value adjustments of financial assets at fair value through profit or loss	-	30
Contract income	212	435
Rent income	219	116
Other	149	733
	1,193	1,355
(c) Reversal of impairment of property, plant and equipment (Note 15)	-	4,957
(d) Cost of sales		
Cost of goods sold	(452,990)	(313,930)
Construction costs	(3,008)	(2,961)
	(455,998)	(316,891)
(e) Finance costs		
Bank loans and other borrowings	(7,899)	(5,800)
(f) Depreciation, impairment and amortisation		
Depreciation expense	(1,993)	(1,465)
Amortisation of intangible assets	(19)	(24)
	(2,012)	(1,489)
(g) Employee benefits		
Wages and salaries	(6,187)	(8,817)
(h) Rent expense	(476)	(323)
(i) Allowance for impairment loss on trade and other receivables	(322)	(525)
(j) Foreign exchange loss	(2,009)	(5,733)
(k) Impairment loss on goodwill	-	(114)
(l) Share in net loss of an associate (Note 13)	(1,365)	(152)

6. INCOME TAX

	2010 $'000	2009 $'000
(a) Income tax expense		
The major components of income tax expense are:		
Statement of Comprehensive Income		
Current tax	2,917	4,654
Deferred tax	-	(11)
	2,917	4,643
(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	11,078	32,857
At Group's statutory income tax rate of 30% (2009: 30%)	3,323	9,857
Adjustments to tax expense:		
Foreign tax rate adjustment	(1,584)	(7,756)
Non-deductible expenses	256	2,581
Non-assessable income	-	(444)
Changes in fair value	12	(9)
Utilisation of carry forward tax losses	(32)	(236)
Other	942	650
Aggregate tax expense	2,917	4,643

(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.

(d) Unrecognised temporary differences

At 31 December 2010, 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 (2009: Nil). Deferred tax assets of $1.479 million (2009: $0.525 million) were not recognised in respect of the provisions of $6.976 million (2009: $3.600 million) because of the uncertainty of future profitability. At 31 December 2010, there is no deferred income tax liability recognised (2009: Nil)

(e) Income tax payable

At 31 December 2010, consolidated income tax payable is $2.230 million (2009: $4.041 million).

(f) Tax losses carried forward

At 31 December 2010, the following subsidiaries have accumulated tax losses of $3.049 million (2009: $4.556 million) available for offset against future taxable profits. No deferred tax assets of $0.762 million (2009: $1.139 million) were recognised in respect of the tax loss carried forward because of the uncertainty of future profitability.

	2010 $'000	2009 $'000
VRC Weldmesh (Vietnam) Ltd	1,483	-
Total Building Systems Limited	912	839
SSESTEEL Ltd	654	3,717
	3,049	4,556

7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2010 $'000	2009 $'000
Cash at bank and in hand	4,786	9,838
Short-term deposits	30,081	63,724
	34,867	73,562

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:

	2010 $'000	2009 $'000
Net profit after tax	8,161	28,214
Adjustment for non-cash items:		
Depreciation and amortisation	2,012	1,489
Reversal of impairment of fixed assets	-	(4,957)
Impairment loss on goodwill	-	114
Change in fair value of financial assets	40	(30)
Share in net loss of an associate	1,365	152
Net loss on disposal of property, plant and equipment	24	3
Impairment loss on plant, property and equipment	-	9
Changes in assets and liabilities		
(Increase)/decrease in:		
Trade and other receivables	(24,028)	(10,872)
Inventories	(25,096)	(12,176)
Prepayments	169	(108)
(Decrease)/increase in:		
Trade and other payables	3,376	8,319
Provisions	106	(39)
Income tax payable	(1,206)	5,213
Deferred income tax liabilities	-	(11)
Net cash flow (used in)/ provided by operating activities	(35,077)	15,320

(b) Disclosure of financing activities

Financing facilities are set out in Note 18.

8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	2010 **$'000**	2009 $'000
Trade receivables	11,299	8,008
Construction contract receivables	953	656
Allowance for impairment loss	(812)	(683)
	11,440	7,981
Other receivables	28,261	14,378
Allowance for impairment loss	(100)	(64)
	28,161	14,314
Related party receivables		
- an associate (Note 27)	5,270	6,443
Allowance for impairment loss	-	-
	5,270	6,443
Carrying amount of trade and other receivables	44,871	28,738

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 $0.322 million (2009: $0.525 million) has been recognised by the Group. These amounts have been included in the administrative expense item.

Movements in the provision for impairment loss were as follows:

	2010 **$'000**	2009 $'000
At 1 January	747	396
Charge for the year	322	525
Foreign exchange translation	(157)	(174)
At 31 December	912	747

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

	2010		2009	
	Trade receivables **$'000**	**Impairment** **$'000**	Trade receivables $'000	Impairment $'000
Within due date	10,468	295	6,992	229
Over 61 – 180 days	130	-	165	63
Over 181 – 360 days	112	44	490	227
Over 360 days	589	473	361	164
	11,299	812	8,008	683

Related party receivables do not contain impaired assets and are not past due. It is expected that these 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

	2010	2009
	$'000	$'000
Raw materials – at cost	31,952	31,537
Work in progress – at cost	-	179
Construction work in progress	21	55
Finished goods – at lower of cost and net realisable value	23,774	8,136
Total inventories at lower of cost and net realisable value	55,747	39,907

For the year ended 31 December 2010, there was no inventory write-down recognised as an expense for the Group (2009: $Nil).

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

	2010	2009
	$'000	$'000
Financial assets held for trading		
– at fair value		
Shares in listed companies	27	67
	27	67

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

	2010	2009
	$'000	$'000
Prepayments	200	455
	200	455

12. NON-CURRENT ASSETS - RECEIVABLES

	2010 $'000	2009 $'000
Long-term deposits	148	146
	148	146

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

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

13. NON-CURRENT ASSETS - INVESTMENT IN AN ASSOCIATE

(a) Investment details

	2010 $'000	2009 $'000
Investment in associate - unlisted	9,766	3,178

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

During the period from January 2010 to March 2010, SSESTEEL increased its ownership in Dinh Vu Steel 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. Dinh Vu Steel is incorporated in Vietnam and has a reporting date of 31 December.

(b) Share in associate's net loss

Associate	Ownership interest 31 December 2010	Ownership interest 31 December 2009	31 December 2010 $'000	31 December 2009 $'000
Dinh Vu Steel Joint Stock Company	48.52%	20.51%	(1,365)	(152)

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

	2010 $'000	2009 $'000
At 1 January	3,178	-
Acquisition of an associate	9,821	3,906
Share of loss after tax	(1,365)	(152)
Exchange difference	(1,868)	(576)
At 31 December	9,766	3,178

13. NON-CURRENT ASSETS - INVESTMENT IN AN ASSOCIATE (CONTINUED)

(d) Summarised financial position and performance of an associate

	2010 $'000	2009 $'000
Financial position		
Current assets	11,151	15,154
Non-current assets	51,254	58,456
Total assets	62,405	73,610
Current liabilities	38,035	56,329
Non-current liabilities	19,833	22,187
Total liabilities	57,868	78,516
Net assets/(deficiency)	4,537	(4,906)
Share of associate's net assets/(deficiency)	2,202	(1,006)
Financial performance for the year ended 31 December		
Revenues	121,751	98,347
Net loss after tax	(1,582)	(11,654)

(e) Fair value of investment in an associate

The fair value of the investment in an associate (unlisted) has been estimated using multiple valuation techniques based on comparable companies in other regional countries. The Board of Directors believes the estimated fair value resulting from the valuation techniques is higher than the carrying value of the investment at the reporting date. As a result, no impairment loss has been recognised for the year ended 31 December 2010 (2009: Nil).

14. INFORMATION RELATING TO VIETNAM INDUSTRIAL INVESTMENTS LIMITED ("The Parent Entity")

	2010 $'000	2009 $'000
Current Assets	8,817	5,110
Total Assets	40,860	37,356
Current liabilities	366	656
Total liabilities	366	656
Issued capital	27,819	27,819
Retained earnings	12,675	8,881
	40,494	36,700
Profit of the parent entity	3,794	8,472
Total comprehensive income of the parent entity	3,794	8,472

Corporate guarantees

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

Commitments and contingencies

The commitments have been disclosed in Note 28.

The contingencies have been disclosed in Note 29.

15. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	2010	2009
	$'000	$'000
Building on leasehold land		
- Cost	6,142	6,176
- Accumulated depreciation	(2,543)	(2,645)
Net carrying amount	3,599	3,531
Plant and equipment		
- Cost	22,076	26,326
- Accumulated depreciation and impairment	(13,062)	(19,093)
- Reversal of impairment loss	-	4,957
Net carrying amount	9,014	12,190
Motor vehicles		
- Cost	1,748	1,390
- Accumulated depreciation	(765)	(882)
Net carrying amount	983	508
Construction in progress – cost	1,443	2,978
Net carrying amount	15,039	19,207

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. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2010	2009
	$'000	$'000
Reconciliation of plant, property and equipment		
Building on leasehold land		
Opening net carrying amount	3,531	4,917
Additions	1,097	296
Disposals/transfers	-	(2)
Depreciation expense	(372)	(366)
Exchange difference	(657)	(1,314)
Closing net carrying amount	3,599	3,531
Plant and equipment		
Opening net carrying amount	12,190	8,267
Additions	271	2,384
Disposals/transfers	(49)	(49)
Depreciation expense	(1,547)	(963)
Reversal of impairment loss	-	4,957
Impairment loss	-	(9)
Exchange difference	(1,851)	(2,397)
Closing net carrying amount	9,014	12,190
Motor vehicles		
Opening net carrying amount	508	555
Additions	710	262
Disposals/transfers	(10)	(12)
Depreciation expense	(74)	(136)
Exchange difference	(151)	(161)
Closing net carrying amount	983	508
Construction in progress		
Opening net carrying amount	2,978	3,084
Net additions/transfers	(1,175)	830
Exchange difference	(360)	(936)
Closing net carrying amount	1,443	2,978
Net carrying amount	15,039	19,207

There are no capitalised interest on qualifying assets as at 31 December 2010 (2009: Nil).

16. NON-CURRENT ASSETS - INTANGIBLE ASSETS

	2010 **$'000**	2009 $'000
Software costs		
Cost (gross carrying amount)	91	108
Accumulated amortisation	(83)	(88)
	8	20
Land rights		
Cost (gross carrying amount)	321	384
Accumulated amortisation	(77)	(83)
	244	301
Goodwill [(i)]		
Cost	321	321
Impairment loss	(244)	(244)
	77	77
	329	398
Reconciliation of Intangible Assets		
Software costs		
Opening net carrying amount	20	44
Additions	-	1
Amortisation expense	(10)	(14)
Exchange difference	(2)	(11)
Closing net carrying amount	8	20
Land rights		
Opening net carrying amount	301	424
Amortisation expense	(9)	(10)
Exchange difference	(48)	(113)
Closing net carrying amount	244	301
Goodwill [(i)]		
Opening net carrying amount	77	191
Impairment loss on goodwill	-	(114)
Closing net carrying amount	77	77
Net carrying amount	329	398

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

At 31 December 2010, there is no impairment loss on intangible assets (2009: $0.114 million).

17. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	2010 $'000	2009 $'000
Trade payables	3,133	8,855
Other payables	8,443	8,395
Related party payables		
- key management personnel	17	447
- an associate	-	876
	11,593	18,573

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

	2010 $'000	2009 $'000
Current		
Bank loans – secured	76,901	73,725
Non-Current		
Bank loans – secured	1,109	2,776
	78,010	76,501

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 $78.010 million (2009: $76.501 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, receivables and inventories of the subsidiaries and in certain instances, by the guarantee of Vietnam Industrial Investments Limited ("the parent company"). The parent 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 drawndown to which these corporate guarantees relate to were US$12.565 million ($12.364 million) (2009: US$4.845 million or $5.401 million).

Interest is recognised at an effective interest rate.

	2010 $'000	2009 $'000
Financing facilities available		
At reporting date, the following financing facilities had been negotiated and were available:		
Total facilities available	137,816	150,667
Facilities used at reporting date		
- short-term loans	76,901	73,725
- long-term loans	1,109	2,776
Facilities unused at reporting date		
- short-term loans	59,806	74,166
- 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:

	2010 $'000	2009 $'000
Receivables	202	2,115
Inventories	45,320	37,137
Property, plant and equipment	12,191	9,922
Land use rights	244	301

19. CURRENT LIABILITIES - PROVISIONS

	2010 $'000	2009 $'000
Current		
Dividends payable to non-controlling interests	807	-
Employee benefits	606	608
Dividends payable	3	3
	1,416	611

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

	2010 $'000	2009 $'000
Ordinary shares		
Issued and fully paid	27,819	27,819

There was no issuance of shares for the year ended 31 December 2010 (2009: Nil).

142,277,423 (2009: 142,277,423) fully paid shares carry one vote per share and carry the right to dividends.

At reporting date, there were no options on issue (2009: Nil).

(a) 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:

	2010 $'000	2009 $'000
Total debt(i)	108,802	110,302
Less cash and cash equivalents	(34,867)	(73,562)
Net debt	73,935	36,740
Total equity	48,546	50,704
Less non-controlling interests	(3,781)	(5,760)
Equity	44,765	44,944
Net debt plus equity	118,700	81,684
Gearing ratio	62%	45%

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

21. RESERVES AND RETAINED EARNINGS

	2010 $'000	2009 $'000
Foreign currency translation reserve	(12,950)	(5,879)
Legal reserve	1,124	1,124
	(11,826)	(4,755)
Movement in foreign currency translation reserve		
Opening balance	(5,879)	2,865
Currency translation difference arising during the year	(7,071)	(8,744)
Closing balance	(12,950)	(5,879)

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.

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

22. NON-CONTROLLING INTERESTS

Contributed equity	4,639	4,639
Reserves	(2,096)	(1,214)
Retained earnings	1,238	2,335
	3,781	5,760

23. EARNINGS PER SHARE

	2010 $'000	2009 $'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 No. of Shares	2009 No. of Shares
Weighted average number of ordinary shares for basic and diluted earnings per share	142,277,423	142,277,423

	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

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 (2009: Nil). For the year ended 31 December 2010, no dividends were paid (2009: Nil).

	2010 $'000	2009 $'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.

	2010 $	2009 $
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	85,250	78,986
- tax compliance and advice	31,849	21,382
	117,099	100,368
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	84,560	89,116
	84,560	89,116
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	5,281	5,370
- internal audit services	23,110	-
	28,391	5,370

26. KEY MANAGEMENT PERSONNEL

(a) Compensation of Key Management Personnel

	2010 **$**	2009 $
Short-term	1,142,034	1,655,309
Post employment	10,800	10,800
Other long-term	1,500	4,500
Termination benefits	-	-
Share-based payments	-	-
	1,154,334	1,670,609

(b) Shareholdings of Key Management Personnel

Shares held in Vietnam Industrial Investments Limited:

2010	Beginning balance 1 January 2010	Granted as remuneration	On exercise of options	Net change other	Ending balance 31 December 2010
Directors					
A.J. Hambly	-	-	-	116,308,510	116,308,510
H. V. H. Lam[(ii)]	116,308,510	-	-	-	116,308,510
A. A. Young	-	-	-	-	-
R.S. Kwok	-	-	-	-	-
M.A. Clements	-	-	-	-	-
C.R. Martin[(iii)]	116,308,510	-	-	(116,308,510)	-
Executives					
D. Q. Phan	-	-	-	-	-
T. Huang	2,950	-	-	-	2,950
P. Shinn	-	-	-	-	-
D. H. Ngoc	-	-	-	-	-

Notes:

[(i)] As at 31 December 2010, Mr Hambly is a director of Corbyns which owned 116,308,510 shares in VII from the time Mr Martin resigned as a director of Corbyns. As at 31 December 2010, VII's number of shares on issue is 142,277,423 (2009: 142,277,423).

[(ii)] As at 31 December 2010, Mr Lam is a director and shareholder of Corbyns which owned 116,308,510 shares in VII. As at 31 December 2010, VII's number of shares on issue is 142,277,423 (2009: 142,277,423).

[(iii)] Mr Martin was also a director of Corbyns and an alternate director of VII for Mr Hambly until his resignation on 25 June 2010.

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:

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[(i)]	116,869,790	-	-	(561,280)	116,308,510
A. A. Young	-	-	-	-	-
R.S. Kwok	-	-	-	-	-
M.A. Clements	-	-	-	-	-
C.R. Martin[(ii)]	116,308,510	-	-	-	116,308,510
Executives					
D. Q. Phan	-	-	-	-	-
T. Huang	2,950	-	-	-	2,950
P. Shinn	-	-	-	-	-
D. H. Ngoc	-	-	-	-	-

Notes:

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

[(ii)] Mr Martin was also a director of Corbyns and an alternate director of VII for Mr Hambly.

(c) Option holdings of Key Management Personnel

There are no options granted as remuneration and outstanding at 31 December 2010 to key management personnel (2009: 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

Director and company secretarial services of $50,000 were provided by companies in which Mr Clements is a director and shareholder (2009: $48,000), in the ordinary course of business and normal commercial terms.

Financial services of $49,240 (2009: $41,277) were provided to Medical Corporation Australasia Limited ("MOD") for the financial services of Ms Shinn. Mr Clements is a director and shareholder of MOD. The financial services are provided in the ordinary course of business and are on normal terms and conditions.

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 2010.

27. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Investment in subsidiaries

	Company	
	2010	2009
	$'000	$'000
Investments in subsidiaries	38,297	38,297
Provision for impairment of investments in subsidiaries	(6,257)	(6,055)
	32,040	32,242

Investment in Subsidiaries				Company	
Name	Country of Incorporation	% Equity interest **2010**	% Equity interest 2009	Investment ($'000) **2010**	Investment ($'000) 2009
Parent entity					
Vietnam Industrial Investments Limited	Australia	-	-	-	-
Controlled entities					
Vinausteel Limited(i) (x)	Vietnam	70	70	12,554	12,554
Structure Steel Engineering Pte Ltd(iv) (xi)	Singapore	100	100	18,543	18,543
SSESTEEL Ltd(iv) (viii) (x)	Vietnam	100	100	-	-
Ausviet Industrial Investments Ltd(v) (xi)	Singapore	100	100	5,278	5,278
Austnam Joint Stock Corporation(ii) (x)	Vietnam	67	67	-	-
Parnham Overseas Ltd (ix)	British Virgin Islands	100	100	-	-
Total Building Systems Limited(vii) (x)	Vietnam	99	99	-	-
Vietnam Projects (Singapore) Pte Ltd(vi) (xi)	Singapore	100	100	1,922	1,922
VRC Weldmesh (Vietnam) Ltd(iii) (x)	Vietnam	100	100	-	-
				38,287	38,297
Provision for impairment of investments in subsidiaries (iv) (v) (vi)				(6,257)	(6,055)
				32,040	32,242
Movement in provision for impairment of investments in subsidiaries:					
Opening balance				(6,055)	(14,463)
Reversal of impairment loss(iv)				-	11,919
Impairment loss (v) (vi)				(202)	(3,511)
Closing balance				(6,257)	(6,055)

(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.

27. RELATED PARTY DISCLOSURES (CONTINUED)

(b) Investment in subsidiaries (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.

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

(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 $6.257 million (2009: $6.055 million) is $4.335 million (2009: $4.133 million) which represents the write-down of investment in Ausviet to a recoverable amount 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 $6.257 million (2009: $6.055 million) is $1.922 million (2009: $1.922 million) which represents the write-down of the investment in Vietnam Projects Singapore Pte Ltd to a recoverable amount of Nil. The investment has been written down due to the decline in operations of VRC.

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

(viii) 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.

(ix) 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.

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

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

(c) Key management personnel

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

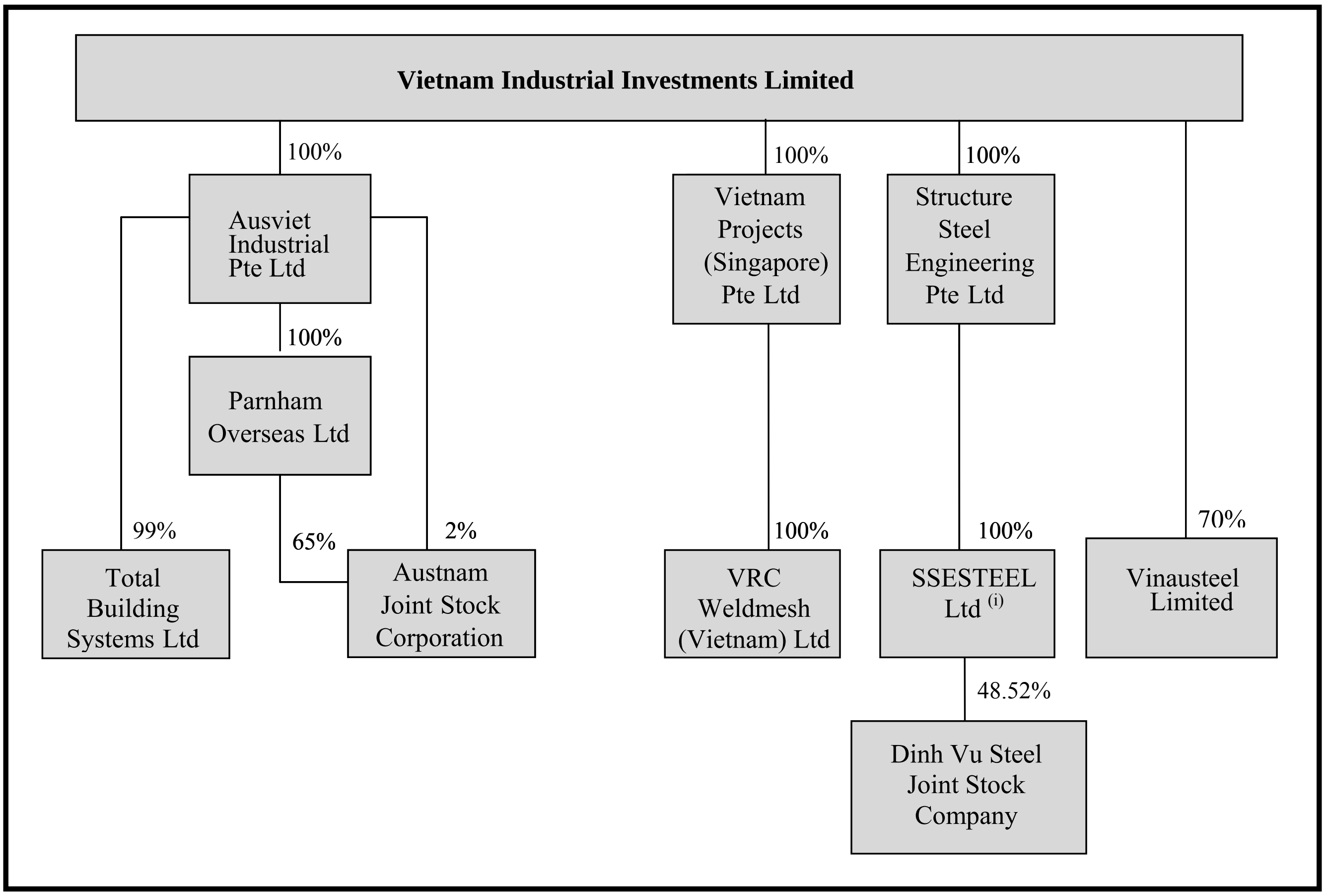
27. RELATED PARTY DISCLOSURES (CONTINUED)

(d) Associate

The Group has a 48.52% interest in Dinh Vu Steel Joint Stock Company which manufactures steel billets in Vietnam that the Group has access as a result of its investment. The investment is held in SSESTEEL Ltd.

(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 of $100,865,146 (2009: $7,010,398), no 2010 toll milling fees (2009: $8,309,704) and purchased billets and other steel products of $118,977,139 (2009: $8,819,393). As at 31 December 2010, the Group has an outstanding receivable from Dinh Vu Steel of $5,270,303 (2009: $6,443,134) and there is no payable to Dinh Vu Steel (2009: $875,531).

Other related parties
At 31 December 2010, outstanding advances totalling $3.794 million (2009: $4.736 million) have been made by SSESTEEL to Horizon Securities Corporation ("HSC"), a brokerage firm which SSESTEEL and Vinausteel Board of Management member, Mr Doan Manh Kham is Chairman. The advances did not bear any interest during the year (2009: Nil). During the year, SSESTEEL paid broker's fees of $3,700 to HSC (2009: $17,210).

(g) Corporate guarantees

The corporate guarantees provided by the parent company 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 2010 are as follows:

	2010 $'000	2009 $'000
Within one year	221	470
After one year but not more than five years	423	837
More than five years	1,085	1,136
Total minimum lease payments	1,729	2,443

28. COMMITMENTS (CONTINUED)

Office accommodation
Lease commitment

The parent company leases its office accommodation on a monthly basis. The lease is made in the ordinary course of business and on normal commercial terms and conditions

Future minimum rentals payable under non-cancellable operating lease as at 31 December 2010 are as follows:

	2010	2009
	$'000	$'000
Within one year	-	9
After one year but not more than five years	-	-
Total minimum lease payments	-	9

Commitments relating to an associate
As at 31 December 2010, the Group has commitments of $0.475 million (2009: $2.319 million) 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:

	2010	2009
	$'000	$'000
Within one year	475	2,034
After one year but not more than five years	-	285
More than five years	-	-
	475	2,319

(b) Capital expenditure commitments

There were no capital expenditure commitments as at 31 December 2010.

(c) Finance, lease and hire purchase commitments

There were no finance, lease and hire purchase commitments as at 31 December 2010.

(d) Remuneration commitments

There were no remuneration commitments as at 31 December 2010.

29. 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 the USD denominated advances 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.

30. EVENTS AFTER BALANCE SHEET DATE

On 15 January 2011, Austnam (VII 67%) declared dividends of VND 3 billion ($0.151 million) of which VII's share is VND 2.01 billion ($0.101 million).

Subsequent to 31 December 2010, the Vietnamese Dong has devalued by approximately 7% against the US Dollar. However, US Dollar remains close to 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.

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 and notes of Vietnam Industrial Investments Limited for the financial year ended 31 December 2010 are in accordance with the Corporations Act 2001, including:

      (i) Giving a true and fair view of its financial position as at 31 December 2010 and performance; and

      (ii) Complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

   (a) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(a).

   (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 financial year ended 31 December 2010.

On behalf of the Board

ALAN A. YOUNG
Director

Hai Phong, 31 March 2011

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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 consolidated statement of financial position as at 31 December 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 the auditor's 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, the auditor considers 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 complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

a. 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 consolidated entity's financial position as at 31 December 2010 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 11 to 13 of the directors' report for the year ended 31 December 2010. 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.

Opinion

In our opinion, the Remuneration Report of Vietnam Industrial Investments Limited for the year ended 31 December 2010, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

P McIver
Partner
Perth
31 March 2011

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 15 March 2011.

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 15 March 2011, there were 100 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	8
1,001 - 5,000	38
5,001 - 10,000	15
10,001 - 100,000	32
100,001 - and over	7
	100

The number of shareholders holding less than a marketable parcel at 15 March 2011 was 6.

TWENTY LARGEST SHAREHOLDERS (as at 15 March 2011)

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%
CR Investments Pty Ltd	6,120,089	4.30%
Joon Jin Goh	3,950,000	2.78%
J P Morgan Nominees Australia Limited	872,122	0.61%
Sonya Lam	561,280	0.39%
HSBC Custody Nominees Australia Ltd	264,000	0.19%
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%
Peter Lorenz	40,000	0.03%
Rhonda Lynette Denholm	38,997	0.03%
Robert James Jordan	34,654	0.02%
DMG & Partners Securities Pte Ltd	30,000	0.02%
John Alexander Flett	30,000	0.02%
Peter Lachlan Wiese	24,000	0.02%
Kenneth Francis McNamara	23,500	0.02%
Lloyd Kenneth Douglas	20,000	0.01%
Tullimbah Village DCP Pty Ltd	20,000	0.01%
Philip Kar Choon Ng	20,000	0.01%
Margarete Herta Rohrig	18,948	0.01%
	141,836,700	99.69%

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).

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VIETNAM INDUSTRIAL INVESTMENTS LIMITED
ABN 64 063 656 333

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