



**VIETNAM INDUSTRIAL INVESTMENTS LIMITED**  
ABN 64 063 656 333

**ANNUAL REPORT 2012**

## Corporate Directory

ABN 64 063 656 333

**ASX Code:** VII

### Directors

R.S.Kwok *Independent Non-Executive Director  
Chairman*  
H.V.H. Lam *Managing Director  
(Chief Executive Officer)*  
A.A. Young *Managing Director  
(Chief Operating Officer)*  
A.D. Walker *Independent Non-Executive Director*

### Company Secretary

P Shinn

### Registered Office in Australia

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Facsimile: (618) 9388 9155  
E-mail: [administrator@vii.net.au](mailto:administrator@vii.net.au)

Website: [www.vii.net.au](http://www.vii.net.au)

### Auditors

Ernst & Young  
11 Mounts Bay Road  
PERTH Western Australia 6000

### Legal Advisors

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

### Bankers

Australia & New Zealand Banking Group Limited  
8 St Georges Terrace  
PERTH Western Australia 6000

Bank of Western Australia Ltd  
108 St Georges Terrace  
PERTH Western Australia 6000

### Share Registry

Security Transfer Registrars Pty Ltd  
Suite 1/770 Canning Hwy  
APPLECROSS Western Australia 6153

### Home Exchange

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

### Vietnam Operations

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Km9, Vat Cach, Quan Toan  
Hong Bang District  
Hai Phong VIETNAM  
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Facsimile: (84) 31 3850 140  
E-mail: [vinausteel@vinausteel.com.vn](mailto:vinausteel@vinausteel.com.vn)  
Website: [www.vinausteel.com.vn](http://www.vinausteel.com.vn)

Austnam Joint Stock Corporation  
Lane 109 Truong Chinh Street  
Thanh Xuan  
Hanoi VIETNAM  
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Website: [www.austnam.com.vn](http://www.austnam.com.vn)

SSESTEEL Ltd  
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Hai Phong VIETNAM  
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Website: [www.thepuc.com.vn](http://www.thepuc.com.vn)

VRC Weldmesh (Vietnam) Limited  
Room 502, Block A  
4 Nguyen Dinh Chieu Street  
District 1  
Ho Chi Minh City VIETNAM  
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E-mail: [vrcsales@vrcvn.com](mailto:vrcsales@vrcvn.com)  
Website: [www.vrc.com.vn](http://www.vrc.com.vn)

Total Building Systems Limited  
220/9 Phan Van Han Street  
Ward 17, Binh Thanh District  
Ho Chi Minh City VIETNAM  
Telephone: (84) 8 3843 1917  
Facsimile: (84) 8 3843 2072  
E-mail: [info@tbs.vn](mailto:info@tbs.vn)  
Website: [www.tbs.vn](http://www.tbs.vn)

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# VIETNAM INDUSTRIAL INVESTMENTS LIMITED

## HIGHLIGHTS OF 2012

### Corporate

- Sales revenue from Vietnam operations was VND8.323 trillion (\$383.681 million) down 10% on 2011 of VND9.283 trillion (\$431.041 million).
- Net loss after tax and non-controlling interests was \$2.715 million, down 131% on 2011 net profit after tax and non-controlling interests of \$8.659 million.

### Austnam Joint Stock Corporation (VII shareholding 67%)

- Annual sales of 291,810m<sup>2</sup>, down 34% on 2011 (441,459m<sup>2</sup>).
- Sales revenue was VND61.740 billion (\$2.846 million), down 17% on 2011 sales revenue of VND74.603 billion (\$3.464 million).
- Net loss after tax and before non-controlling interests was VND0.357 billion (\$0.016 million), down 122% on 2011 net profit of VND1.602 billion (\$0.074 million).

### SSESTEEL Ltd (VII shareholding 100%)

- Rebar sales of 166,967 tonnes, down 1% on 2011 (168,810 tonnes).
- Wire rod sales of 111,467 tonnes, down 3% on 2011 (115,088 tonnes).
- Total sales revenue was VND5.843 trillion (\$269.337 million), down 4% on 2011 total sales revenue of VND6.070 trillion (\$281.813 million).
- Net loss after tax and before non-controlling interests was VND6.298 billion (\$0.290 million), down 104% on 2011 net profit of VND162.530 billion (\$7.806 million).

### Total Building Systems Limited (VII shareholding 99%)

- Revenues were VND92.546 billion (\$4.266 million), down 8% on 2011 total revenues of VND100.528 billion (\$4.668 million).
- Net loss after tax and before non-controlling interests was VND5.727 billion (\$0.264 million), down 404% on 2011 net profit of VND1.884 billion (\$0.087 million).

### Vinausteel Limited (VII shareholding 70%)

- Annual sales of 166,114 tonnes, down 15% on 2011 (195,005 tonnes).
- Sales revenue was VND2.326 trillion (\$107.234 million), down 23% on 2011 sales revenue of VND3.039 trillion (\$141.096 million).
- Net profit after tax and before non-controlling interests was VND13.653 billion (\$0.629 million), down 79% on 2011 net profit of VND65.715 billion (\$3.051 million).

### VRC Weldmesh (Vietnam) Limited (VII shareholding 100%)

(classified as assets held for sale)

- Sales revenue was VND5.695 billion (\$0.263 million), down 83% on 2011 sales revenue of VND33.828 billion (\$1.571 million).
- Net loss after tax and before non-controlling interests was VND4.187 billion (\$0.193 million), up 65% on 2011 net loss of VND12.259 billion (\$0.569 million).

## CHAIRMAN'S REPORT

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Dear Shareholders

This is my first address to you as Chairman of the Company, having been appointed to the position in February 2013.

I would like to begin by recording a vote of thanks to our former Chairman, Mr Alex Hambly, for his efforts on behalf of the Company during his tenure over the last six years. Mr Hambly made a significant contribution to the Company's affairs, particularly in reinforcing corporate governance principles. I and our board wish him well for the future.

As predicted, in the Chairman's Report to Shareholders of 2011, the year under review was indeed a difficult year for the Group. Whilst Vietnamese Government policies were successful in bringing inflation and interest rates under control, the policies also curbed credit growth and dampened domestic demand, particularly in the property and infrastructure sectors. This had a negative impact on the steel industry in Vietnam reducing demand and consumption.

Overall, our Vietnam operations recorded a small loss, however, the operating losses were increased due to recognition of impairments, reversal of deferred tax benefits and foreign currency movements. The net loss attributable to shareholders is \$2.715 million.

World economic conditions are still in a state of turmoil and uncertainty and Vietnam cannot be quarantined from these. It is difficult to be optimistic that the economy will improve in 2013 over 2012. Despite the world's economic woes, Vietnam's economy has some positive aspects and the Government is targeting GDP growth of 5.5 % in 2013. The latest HSBC Global Connection Report predicts that Vietnam, together with China and India, are expected to record the strongest export growth at a double-digit level annually from 2013 to 2020.

On behalf of the board, I would like to take this opportunity to thank our management and staff in Vietnam for their diligence, commitment and perseverance during difficult economic conditions.

ROGER KWOK  
**Chairman**

## OPERATING AND FINANCIAL REVIEW

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The directors submit the Annual Report of Vietnam Industrial Investments Limited (“VII”, “Company”, “consolidated entity” or “the Group”) for the year ended 31 December 2012.

### REVIEW OF OPERATIONS

This operational and financial review reports on the period under review for the Company and its businesses in Vietnam, Steel Making Division: Vinausteel Limited (“Vinausteel”), and SSESTEEL Ltd (“SSESTEEL”), and Steel Products Division: Austnam Joint Stock Corporation (“Austnam”), Total Building Systems Limited (“TBS”), and VRC Weldmesh (Vietnam) Limited (“VRC”) (classified as assets held for sale).

#### *Net Loss for the year*

The total comprehensive loss for the year was \$3.185 million which was lower than previous year’s total comprehensive income of \$6.469 million. The total comprehensive loss for the year consisted of: 1) net loss for the year of \$2.535 million (2011: net profit of \$9.600 million), and 2) Foreign currency translation of a loss of \$0.650 million (2011: loss of \$3.131 million).

For the year ended 31 December 2012, the Group net loss after tax attributable to members was \$2.715 million on revenues of \$385.253 million (2011: net profit after tax attributable to members \$8.659 million on revenues of \$432.894 million).

The Steel Making Division generated a profit, contributing a net profit after tax attributable to members of \$0.150 million (VND3.259 billion) on revenues of \$376.570 million (VND8.170 trillion) (2011: \$9.941 million (VND208.531 billion) on revenues of \$422.909 million (VND9.108 trillion). The decrease in net profit is due to lower gross profit margins and derecognition of deferred tax assets.

The Group’s Steel Products Division reported a net loss after tax attributable to members of \$0.272 million (2011: net profit after tax attributable to members of \$0.136 million). The net loss is mainly due to the impairment of assets.

#### *Foreign currency translation*

For the year ended 31 December 2012, the foreign currency translation was a loss of \$0.650 million (2011: loss of \$3.131 million). In 2012, the Vietnam Dong depreciated very slightly against the Australian dollar. The average VND/AUD exchange rate in 2012 was VND21,695, a decrease of less than 1% from the average VND/AUD exchange rate of VND21,537 in 2011. The VND/AUD spot rate at 31 December 2012 was VND21,640, a decrease of approximately 1% from 31 December 2011 VND/AUD spot rate of VND21,363. The Australian dollar also appreciated against the US dollar in 2012. The Australian dollar spot rate at 31 December 2012 of US\$1.0384/A\$1 was stronger than 31 December 2011 spot rate of US\$1.0156/A\$1.

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

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### 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) Limited (classified as assets held for sale).

### 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.

Sales revenue was VND61.740 billion (\$2.846 million) which was a decrease of 17% on 2011 sales revenue of VND74.603 billion (\$3.464 million). Sales volume for 2012 of 291,810 m<sup>2</sup> was a decrease of 34% on the previous year (441,459m<sup>2</sup>). Austnam reported a net loss after tax of VND0.357 billion (\$0.016 million) for the year ended 31 December 2012 (2011: net profit after tax of VND1.602 billion (\$0.074 million)).

#### ***SSESTEEL Ltd (VII 100%)***

SSESTEEL owns and operates a fully automated rolling mill located in Hai Phong which produces high tensile rebar and wire rod for the construction industry.

SSESTEEL achieved rebar sales of 166,967 tonnes (2011: 168,810 tonnes) and wire rod sales of 111,467 tonnes (2011: 115,088 tonnes). Sales revenue was VND5.843 trillion (\$269.337 million) which was lower by 4% on 2011 sales revenue of VND6.070 trillion (\$281.813 million). SSESTEEL reported a net loss after tax of VND6.298 billion (\$0.290 million) (2011: net profit after tax of VND162.530 billion (\$7.806 million)).

#### ***Total Building Systems Limited (VII 99%)***

TBS is a building systems provider supplying engineering services, building systems and construction services to industrial and commercial consumers in Vietnam.

Revenues for the year ended 31 December 2012 were VND92.546 billion (\$4.266 million) (2011: VND100.528 billion (\$4.668 million)). TBS reported a net loss after tax for the year of VND5.727 billion (\$0.264 million) (2011: a net profit after tax of VND1.884 billion (\$0.087 million)) due to an impairment of assets of \$0.084 million (2011: Nil).

#### ***Vinausteel Limited (VII 70%)***

Vinausteel owns and operates a steel rolling mill in Hai Phong which produces deformed reinforcing steel bar for the construction industry.

Sales volume for 2012 was 166,114 tonnes, a decrease of 15% on the previous year of 195,005 tonnes. Sales revenue was VND2.326 trillion (\$107.234 million), lower by 23% on 2011 (VND3.039 trillion (\$141.096 million)). Vinausteel reported a net profit after tax for the year of VND13.653 billion (\$0.629 million) (2011: net profit after tax of VND65.715 billion (\$3.051 million)).

#### ***VRC Weldmesh (Vietnam) Limited (VII 100%)***

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

Despite efforts to cut costs and increase sales volumes, management has not been successful in turning the VRC business around and it has continued to incur losses. Therefore, the Board of Directors has decided to discontinue its operations and dispose of VRC. VRC has been classified as a disposal group held for sale and as a discontinued operation. The net loss after tax attributable to members of VRC for the year ended 31 December 2012 was \$0.193 million (2011: net loss after tax attributable to members of \$0.569 million).

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

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### RESULTS OF VIETNAM OPERATIONS (CONTINUED)

#### CASH FLOWS

At 31 December 2012, cash and cash equivalents is \$37.112 million. There was net increase in cash and cash equivalents during the year of \$11.866 million due to the following:

	\$'000
Increase in net cash flows from operating activities (a)	23,897
Decrease in net cash flows from investing activities	(932)
Decrease in net cash flows from financing activities (b)	(10,736)
Cash at bank attributable to discontinued operation	(32)
Net foreign exchange differences	(331)
	<hr/>
Net Increase	<u>11,866</u>

Notes:

- (a) Net cash outflows from operating activities were due to reduction in the payment to suppliers and employees and reduction in receipts from customers.
- (b) Net cash outflows from financing activities were due mainly to dividend payment to shareholders.

#### 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 and amended Investment Licences. The principal activities of Austnam are to produce metal roofing and accessories.

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 25 percent of taxable profits.

## OPERATING AND FINANCIAL REVIEW (CONTINUED)

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### ***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 reinforcing and construction steel products.

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

### ***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.

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 Certificate issued on 27 April 2004, for a term of 30 years and its amended Investment Certificates.

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 commercial 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.

### ***VRC Weldmesh (Vietnam) Limited***

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. 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

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Your directors submit their report for the year ended 31 December 2012.

## 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 Roger (Sing-Leong) Kwok**

*Chairman (appointed 26 February 2013) and  
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. Mr Kwok is also a Director of Kalgoorlie Mining Company Limited since 25 May 2012. 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. Mr Kwok was the Chairman of the VII Audit and Remuneration Committees until 26 February 2013 and continues to be a member of the VII Audit and Remuneration Committees.

### **Mr Henry (Van Hung) Lam**

*Managing Director  
(Chief Executive Officer)*

Mr Lam, a resident of Vietnam, was born in Vietnam and came to Australia in 1977 and studied electrical engineering. He 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 2010 he was awarded the "Second Class 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 industry and was engaged for several years in banking and finance. For the past 35 years, he has been involved in the administration of public companies, previously in the resource sector. Mr Young is a Board member of all the Group's operating subsidiaries in Vietnam and has devoted all of his time to VII for the past 19 years. He has not been a director of any other public company in the last three years. Mr Young is a director of Corbyns International Limited.

### **Mr Andrew David Walker**

*Independent Non-Executive Director (appointed 3 January 2012)*

Mr Walker has graduate and postgraduate qualifications in Medicine and Medical Science from Newcastle University and is a Fellow of the International College of Surgeons. He also has a MBA from The University of Melbourne. Before starting his business career, Andrew was an officer in the Australian Army and a Platoon Commander in Australia's elite parachute battalion. Mr Walker has a wide range of Board experiences, in both public and private companies. He was the Past-Chairman of the Melbourne Chapter of the Young Presidents Organisation. He was named the 2006 Ernst & Young's National "Entrepreneur of the Year" (Service Category). In the past three years, Mr Walker is the Executive Chairman of Vallenar Iron Company and Founder-Chairman of Aspen Medical Pty Ltd. Mr Walker is a member of the VII Audit and Remuneration Committees. Mr Walker was appointed Chairman of VII Audit and Remuneration Committees on 26 February 2013.

### **Mr Alexander John Hambly**

*Chairman and Non Executive Director (resigned on 22 February 2013)*

Mr Hambly is the Regional Head of Private Equity of Eastspring Investments (Singapore) Limited (formerly known as Prudential Asset Management (Singapore) Limited) joined Prudential in 2003 and was Chief Executive Officer and Chief Investment Officer of Eastspring Investments Fund Management Limited Liability Company (formerly known as Prudential Vietnam Fund Management Private Limited Company) from January 2006 to September 2007. Alex was also the Chief Executive Officer for Prudential Property Investment Management (Singapore) Pte.Ltd. from September 2007 to February 2010 and the Chief Executive Officer of PPEM Pte. Ltd. from March 2009 to October 2010. He has more than 20 years' direct investment experience gained in both Asia and other major markets. Prior to joining Prudential, he worked for four years for Actis (formerly known as CDC Capital Partners) 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 was the Chairman of the Board and 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.

# DIRECTORS' REPORT (CONTINUED)

## DIRECTORS (CONTINUED)

### Mr Mark Andrew Clements

*Non-Executive Director and Company Secretary (resigned 3 January 2012)*

Mr Clements has 19 years experience in corporate accounting and public company administration. Since 1996, Mr Clements served as Chief Financial Officer and Company Secretary of the Company and in 2006, he was appointed as Executive Director of the Company until 6 December 2007 and was re-appointed as Non-Executive Director until his resignation on 3 January 2012. Mr Clements remained as Company Secretary until his resignation on 3 January 2012. Mr Clements is a Director of MOD Resources Limited and Indigo Properties Australia Limited, companies listed on the Australian Securities Exchange ("ASX"), 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 was a Non-Executive Director on the Board and a member of the VII Audit and Remuneration Committees.

## COMPANY SECRETARY

Ms Patricia Shinn (ACSA) was appointed as Company Secretary on 3 January 2012. She is a member of Chartered Secretaries Australia.

Mr Clements resigned as Company Secretary on 3 January 2012.

## 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:

	<i>Note</i>	<i>Ordinary Shares</i>
H. V. H. Lam	(1)	116,308,510
A. A. Young	(2)	116,308,510
R. S. Kwok		-
A.D. Walker		-

Note:

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

## EARNINGS PER SHARE

### Cents

Basic and diluted loss per share (1.91)

## DIVIDENDS

On 27 June 2012, the Board declared a one-off special dividend of 6.3 Australian cents per ordinary share (fully unfranked) which was paid and dispatched on 18 September 2012 (2011: Nil). The entire dividend was 100% conduit foreign income.

There were no dividends declared or paid at the end of year (2011: Nil).

## CORPORATE INFORMATION

### Corporate Structure

VII 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 in Note 28.

### Operating and Financial review

Operating and Financial Review of the consolidated entity for the year is set out in pages 4 to 7 in the Annual Report 2012.

## **DIRECTORS' REPORT (CONTINUED)**

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### **Employees**

The consolidated entity employed 641 employees as at 31 December 2012 (2011: 669 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**

There has been no 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 to focus on the commercial production of rebar and wire rod from VII's rolling mills at Vinausteel and SSESTEEL, roofing and wall cladding at Austnam's factory in Hanoi, and the provision of engineering and project management services by TBS.

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

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 Andrew Walker. Mr Kwok was the Chairman of the Remuneration committee until 26 February 2013. The Board appointed Mr Walker as the new 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.

## DIRECTORS' REPORT (CONTINUED)

### REMUNERATION REPORT (AUDITED) (CONTINUED)

The Remuneration Committee of the Board reviews and makes recommendations to the Board on remuneration policies and packages applicable to the Chief Executive Officer, Chief Operating Officer, senior executives and directors themselves. It is also responsible for devising policies in relation to the use and implementation of share option schemes, performance incentive packages, superannuation entitlements, retirement and termination entitlements, fringe benefit policies and professional indemnity and liability insurance policies.

#### Details of Remuneration

			Short-term	Non-	Post employment		Long-term	
		Salary & Fees	Bonus	Monetary Benefits	Retirement Benefits	Super-contributions	Benefit Long Service Leave	Total
		\$	\$	\$	\$	\$	\$	\$
<b>Directors</b>								
A. J. Hambly	2012	115,000	-	-	-	-	-	115,000
(Non-Executive Director, Chairman)	2011	115,000	-	-	-	-	-	115,000
H. V. H. Lam <sup>(i)</sup>	2012	1,694,796	-	92,566	-	-	-	1,787,362
(Managing Director/ Chief Executive Officer)	2011	163,104	-	94,256	-	-	-	257,360
A. A. Young <sup>(ii)</sup>	2012	809,713	-	30,537	-	-	-	840,250
(Managing Director/ Chief Operating Officer)	2011	173,785	-	25,977	-	-	-	199,762
R. S. Kwok	2012	110,000	-	-	-	-	-	110,000
(Independent Non-Executive Director)	2011	110,000	-	-	-	-	-	110,000
A. D. Walker	2012	90,000	-	-	-	-	-	90,000
(Independent Non-Executive Director - appointed 3 January 2012)	2011	-	-	-	-	-	-	-
M. A. Clements	2012	-	-	-	-	-	-	-
(Non-Executive Director and Company Secretary - resigned 3 January 2012)	2011	138,000	-	-	21,599	-	-	159,599
<b>Total</b>	2012	<b>2,819,509</b>	<b>-</b>	<b>123,103</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,942,612</b>
	2011	<b>699,889</b>	<b>-</b>	<b>120,233</b>	<b>21,599</b>	<b>-</b>	<b>-</b>	<b>841,721</b>
<b>Senior Executives</b>								
D. Nguyen	2012	213,974	-	45,149	-	-	-	259,123
(Chief Financial Officer)	2011	151,831	-	31,090	-	-	-	182,921
P. Shinn <sup>(iii)</sup>	2012	140,000	15,000	-	-	13,950	4,700	173,650
(Company Secretary appointed 3 January 2012)	2011	35,000	-	-	-	3,150	1,511	39,661
D. Q. Phan	2012	-	-	-	-	-	-	-
(General Manager - VRC - resigned 28 February 2012)	2011	20,019	-	112	46,278	-	-	66,409
D. H. Ngoc <sup>(iv)</sup>	2012	60,043	15,793	-	-	-	-	75,836
(General Manager - TBS)	2011	64,761	-	-	-	-	-	64,761
<b>Total</b>	2012	<b>414,017</b>	<b>30,793</b>	<b>45,149</b>	<b>-</b>	<b>13,950</b>	<b>4,700</b>	<b>508,609</b>
	2011	<b>271,611</b>	<b>-</b>	<b>31,202</b>	<b>46,278</b>	<b>3,150</b>	<b>1,511</b>	<b>353,752</b>

## DIRECTORS' REPORT (CONTINUED)

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### REMUNERATION REPORT (AUDITED) (CONTINUED)

- (i) In May 2012, Mr Lam accepted the Board of Directors' offer for his salary adjustment for years 2009 – 2011 and bonuses for 2010-2011 for achieving key performance indicators totalling \$1,262,362 which is included in his remuneration.
- (ii) In May 2012, Mr Young accepted the Board of Directors' offer for his salary adjustment for years 2009 – 2011 and bonuses for 2010-2011 for achieving key performance indicators totalling \$555,250 which is included in his remuneration.
- (iii) Ms Shinn was paid 2011 non-performance based discretionary bonus in 2012.
- (iv) Mr D.H. Ngoc was paid 2011 non-performance based discretionary bonus in 2012.

Non-monetary benefits of certain directors and senior executives pertain to benefits in relation to their employment in Vietnam.

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 Senior Executives

Remuneration of the CEO, COO and Senior Executives are paid by the companies that they are employed with. They receive a fixed remuneration and performance bonus based on the discretion of the Board of Directors.

#### *CEO and COO Remuneration*

The Remuneration Committee recommended performance bonus for the CEO and COO in 2011 and 2010. Key performance indicators (“KPIs”) are set to reward the CEO and COO with performance bonus entitlements. The KPIs comprise of financial targets relating to the achievement of Budget Net Profit for the year and Working Capital Ratio greater than 1.

The Board of Directors, on recommendation of the Remuneration Committee, approves the KPIs and assesses the performance of CEO and COO against the KPIs. With respect to review of performance against the KPIs, the Board of Directors has the discretion to determine the performance bonus. The quantum of the performance bonus in 2010 was established in 2011 upon the engagement of the independent remuneration consultant.

In 2011, PJ Kinder Consultant (“PJ Kinder”) was engaged as an independent remuneration consultant to the Board and the Remuneration Committee, and developed a protocol for the provision of remuneration packages for the CEO and COO.

The Remuneration Consultant recommended total fixed remuneration package for the CEO and COO.

PJ Kinder received \$7,700 for its remuneration recommendation on the Company's remuneration packages for the CEO and COO.

# DIRECTORS' REPORT (CONTINUED)

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## REMUNERATION REPORT (AUDITED) (CONTINUED)

### 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 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.

The Non-Executive Directors' fees are reviewed annually by the Board. However, the maximum aggregate remuneration payable to Non-Executive Directors is \$500,000 per year.

### Share options

There had been no share-based payments related compensation made to key management personnel during the year (2011: Nil).

### Service Agreements

Employment contracts are yet to be finalised with the CEO and COO.

Contractual arrangements between senior 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, senior executives are entitled to receive their entitlements to accrued annual and long service leave, together with any superannuation benefits.

### Retirement Policy

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.

### Additional Information

Details of key management personnel disclosures are set out in Note 27.

### Performance Evaluation

There is no formal performance evaluation made for the Directors during the year. However, the Board of Directors continuously assess the effectiveness of the Board's performance. Performance evaluations were performed for senior executives during the year.

## DIRECTORS' REPORT (CONTINUED)

### DIRECTORS' MEETINGS

For the year ended 31 December 2012, the number of meetings at which Directors were in attendance is as follows:

	Directors' Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	No. of meetings held while in office	Meetings attended	No. of meetings held while in office	Meetings attended	No. of meetings held while in office	Meetings attended
A. J. Hambly	8	7	3	3	3	3
H. V. H. Lam	8	7	-	-	-	-
A. A. Young	8	8	-	-	-	-
R. S. Kwok	8	8	3	3	3	3
A. D. Walker	8	8	3	3	3	3

There are board meetings of each of the Company's subsidiary companies in which members of the Board participate. In addition to the above, there were eight 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 2012. This written Auditor's Independence Declaration forms part of this Directors' Report.

## DIRECTORS' REPORT (CONTINUED)

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### **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	\$25,500
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Signed in accordance with a resolution of the directors.

ALAN A. YOUNG

**Director**

Hai Phong, 27 March 2013



## 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 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

P McIver  
Partner  
Perth  
27 March 2013

# CORPORATE GOVERNANCE STATEMENT

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## 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](http://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 Roger (Sing-Leong) Kwok, *Independent Non-Executive Director and Chairman (appointed on 26 February 2013)*

Mr Henry (Van Hung) Lam, *Managing Director (Chief Executive Officer)*

Mr Alan Alexander Young, *Managing Director (Chief Operating Officer)*

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

Mr Alexander John Hambly, *Non-Executive Director and Chairman (resigned on 22 February 2013)*

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.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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### **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.”***

In considering the independence of directors, the Board refers to the Independence Criteria as set out in Box 2.1 of the ASX Principles and Recommendations. Notwithstanding the Independence Criteria, the Board considers Mr Roger Kwok who served on the Board during the year ended 31 December 2012 as independent. During the year, the Company leased an office space in Arcadia Group Pty Ltd, an entity which Mr Kwok is a Managing Director. The Board considers that there is no potential conflict of interests, and he is capable of and demonstrates that he consistently makes decisions and takes actions for the best interest of the Company.

Mr Alex Hambly, the Chairman, was not considered to be an independent director of the Company as he is associated with a company which advises one of Corbyns International Limited’s shareholders.

Given the size and scope of the Company’s operations, the Board considers that it is appropriately structured to discharge its duties in a manner that is in the best interests of the Company and its shareholders from both a long-term strategic and day-to-day operations perspective. All board committees are comprised only of non-executive directors and under the Company’s Directors and Executives Code of Conduct, all directors have agreed not to participate in any conflicting decisions. The Board is of the view that it has an appropriate independent representation and maintained sufficient experience for the Board to fulfil its responsibilities.

The Board has established clear protocols for handling conflicts of interests. Given the size and scope of the Company’s operations, the Board considers that it is appropriately structured to discharge its duties in a manner that is in the best interests of the Company and its shareholders from both a long-term strategic and day-to-day operations perspective.

### **Chairman and Managing Directors**

The roles of Chairman and Managing Directors are separated. The roles and responsibilities are set out in the Company’s Board Charter and Code of Conduct.

### **Performance Assessment**

The Board undergoes periodic formal assessments, as and when considered appropriate. Remuneration Charter is disclosed on the Company’s website.

Performance evaluations for the Board and senior 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 the Company’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.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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### **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 consolidated entity are set out in Note 27 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](http://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**

Directors and employees, including Key Management Personnel, must not trade in the Company’s securities, or in financial products issued or created over or in respect of the Company’s securities, during a Closed Period.

Closed Period means:

- the period that is within two weeks prior to the publication of the Company’s annual results (or, if shorter, the period from its financial year end to the time of publication);
- the period that is within two weeks prior to the publication of the Company’s half year results (or, if shorter, the period from its half year end to the time of publication);
- the period that is within two weeks prior to the announcement of its quarterly results (or, if shorter, the period from the relevant financial period end up to and including the time of the announcement);

The Company may at its discretion vary this rule in relation to a particular period by general announcement to all employees either before or during the period.

However, if a Director or employee of the Company is in possession of price sensitive information which is not generally available to the market, then he or she must not deal in the Company’s securities at any time.

The ASX Listing Rules require the Company to notify the ASX within 5 business days after any dealing in securities of the Company (either personally or through an Associate) which results in a change in the relevant interests of a Director in the securities of the Company.

The Securities Trading Policy may be viewed at the Company’s website ([www.vii.net.au](http://www.vii.net.au)).

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### Diversity in the Company

The Company and all its related bodies corporate are committed to workplace diversity.

The Company recognises the benefits arising from employee and Board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent.

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background.

The Diversity Policy does not impose on the Company, its directors, officers, agents or employee any obligation to engage in, or justification for engaging in, any conduct which is illegal or contrary to any anti-discrimination or equal employment opportunity legislation or laws in any State or Territory of Australia or of any foreign jurisdiction.

The Company has established a diversity policy including the board's measurable objectives for achieving diversity. This is assessed annually to measure the progress towards achieving those objectives. The diversity policy may be viewed at the Company's website ([www.vii.net.au](http://www.vii.net.au)).

### Diversity Annual Reporting

The Company's annual reporting on the number and percentage of females in the organisation is as follows:

Measurable objectives	Number of females	Percentage of females
Representation in the Board	Nil	Nil
Representation in senior management of the Group	7	50%
Representation throughout the Group	77	12%

### 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 (resigned on 22 February 2013)*  
Mr Andrew David Walker, *Non-Executive Director*

During the year, Mr Kwok was considered to be independent. Refer to page 18 regarding the directors' independence. 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 COO and CFO declared in writing to the Board that the Company's financial reports for the year ended 31 December 2012 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](http://www.vii.net.au)).

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### 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](http://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](http://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](http://www.vii.net.au)).

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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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**

**"Establish a sound system of risk oversight and management and internal control."**

#### **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](http://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 safeguarded, 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.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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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 COO and CFO 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 (resigned on 22 February 2013)*  
Mr Andrew David Walker, *Non-Executive Director*

During the year, Mr Kwok was considered to be independent. Refer to page 18 regarding the directors' independence. Given the size and scope of the Company's operations, the Board considers that it is appropriately structured to discharge its duties in a manner that is in the best interests of the Company and its shareholders from both a long-term strategic and day-to-day operations perspective.

### **Remuneration of directors and executives**

The Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the managing directors, senior executives and directors themselves. This role also includes responsibility for share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefit policies and professional indemnity and liability insurance policies.

### *Remuneration Policies*

Remuneration levels are competitively set to attract the most qualified and experienced directors and senior executives. The Remuneration Committee, when deemed necessary, obtains independent advice on the appropriateness of remuneration packages.

The Remuneration Committee meet as required. There were three meetings of the Remuneration Committee during the reporting period. All members were present at 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.



## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Recommendation	Comply (Yes/No)	Comments
<p><b>Principle 1 – Lay solid foundations for management and oversight</b></p> <p>1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.</p> <p>1.2: Companies should disclose the process for evaluating the performance of senior executives.</p> <p>1.3: Companies should provide the information indicated in the guide to reporting on Principle 1.</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p>	
<p><b>Principle 2 – Structure the board to add value</b></p> <p>2.1: A majority of the board should be independent directors.</p> <p>2.2: The chair should be an independent director.</p> <p>2.3: The roles of chair and chief executive officer should not be exercised by the same individual.</p> <p>2.4: The board should establish a nomination committee.</p> <p>2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.</p> <p>2.6: Companies should provide the information indicated in the guide to reporting on Principle 2.</p>	<p>No</p> <p>No</p> <p>Yes</p> <p>No</p> <p>Yes</p> <p>Yes</p>	<p>Refer to page 18.</p> <p>Refer to page 18.</p> <p>Refer to page 18.</p>
<p><b>Principle 3 – Promote ethical and responsible decision-making</b></p> <p>3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to:</p> <ul style="list-style-type: none"> <li>• the practices necessary to maintain confidence in the company’s integrity</li> <li>• the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders</li> <li>• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul> <p>3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.</p> <p>3.4: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress in achieving them.</p> <p>3.5: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.</p> <p>3.3: Companies should provide the information indicated in the guide to reporting on Principle 3.</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p>	

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Recommendation	Comply (Yes/No)	Comments
<p><b>Principle 4 – Safeguard integrity in financial reporting</b></p> <p>4.1: The board should establish an audit committee.</p> <p>4.2: The audit committee should be structured so that it:</p> <ul style="list-style-type: none"> <li>• consists only of non-executive directors</li> <li>• consists of a majority of independent directors</li> <li>• is chaired by an independent chair, who is not chair of the board</li> <li>• has at least three members.</li> </ul> <p>4.3: The audit committee should have a formal charter.</p> <p>4.4: Companies should provide the information indicated in the guide to reporting on Principle 4.</p>	<p>Yes</p> <p>Yes</p> <p>No</p> <p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p>	Refer to page 20.
<p><b>Principle 5 – Make timely and balanced disclosure</b></p> <p>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.</p> <p>5.2: Companies should provide the information indicated in the guide to reporting on Principle 5.</p>	<p>Yes</p> <p>Yes</p>	
<p><b>Principle 6 – Respect the rights of shareholders</b></p> <p>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.</p> <p>6.2: Companies should provide the information indicated in the guide to reporting on Principle 6.</p>	<p>Yes</p> <p>Yes</p>	

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Recommendation	Comply (Yes/No)	Comments
<b>Principle 7 – Recognise and manage risk</b>		
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	
<b>Principle 8 – Remunerate fairly and responsibly</b>		
8.1: The board should establish a remuneration committee.	Yes	
8.2: The remuneration committee should be structured so that it: <ul style="list-style-type: none"> <li>• consists of a majority of independent directors</li> <li>• is chaired by an independent chair</li> <li>• has at least three members.</li> </ul>	No Yes Yes	Refer to page 23
8.3: Companies should clearly distinguish the structure of non-executive directors’ remuneration from that of executive directors and senior executives.	Yes	
8.4: Companies should provide the information indicated in the guide to reporting on Principle 8.	Yes	

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2012**

	Notes	2012 \$'000	2011 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	8	37,112	25,246
Trade and other receivables	9	19,999	14,224
Advances to suppliers	10	13,834	27,484
Inventories	11	42,634	55,667
Financial assets – at fair value through profit or loss	12	9	28
Other current assets	13	249	434
		<u>113,837</u>	<u>123,083</u>
Assets classified as held for sale	7	1,398	-
<b>Total Current Assets</b>		<u>115,235</u>	<u>123,083</u>
<b>Non-current Assets</b>			
Receivables	14	4	29
Property, plant and equipment	16	11,271	13,489
Deferred tax assets	6 (d)	45	1,637
Intangible assets and goodwill	17	79	301
<b>Total Non-current Assets</b>		<u>11,399</u>	<u>15,456</u>
<b>TOTAL ASSETS</b>		<u>126,634</u>	<u>138,539</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	18	22,791	15,244
Advances from customers		295	3,826
Income tax provision	6 (e)	516	1,889
Interest-bearing loans and borrowings	19	60,152	61,676
Provisions	20	622	654
		<u>84,376</u>	<u>83,289</u>
Liabilities directly associated with assets classified as held for sale	7	202	-
<b>Total Current Liabilities</b>		<u>84,578</u>	<u>83,289</u>
<b>Non-current Liabilities</b>			
Interest-bearing loans and borrowings	19	-	235
<b>Total Non-current Liabilities</b>		<u>-</u>	<u>235</u>
<b>TOTAL LIABILITIES</b>		<u>84,578</u>	<u>83,524</u>
<b>NET ASSETS</b>		<u>42,056</u>	<u>55,015</u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of parent</b>			
Contributed equity	21	27,819	27,819
Reserves	22	(15,512)	(14,691)
Foreign currency translation reserves of disposal group classified held for sale	7	248	-
Retained earnings	22	25,753	37,431
<b>Parent interests</b>		<u>38,308</u>	<u>50,559</u>
<b>Non-controlling interests</b>	23	3,748	4,456
<b>TOTAL EQUITY</b>		<u>42,056</u>	<u>55,015</u>

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

	Notes	2012 \$'000	2011 \$'000
<b>Continuing operations</b>			
Sale of goods		379,417	426,373
Contract revenue		4,265	4,668
Other revenue	5	1,571	1,853
<b>Revenue</b>		385,253	432,894
Cost of sales	5	(374,345)	(407,037)
<b>Gross profit</b>		10,908	25,857
Other income	5	2,820	5,389
Marketing expenses	5	(1,224)	(4,187)
Administrative expenses	5	(7,910)	(7,137)
Impairment of assets	5	(265)	-
Finance costs	5	(4,881)	(8,344)
Share of net loss of an associate	15	-	(990)
Loss on disposal of investment of an associate	15	-	(767)
<b>(Loss)/profit before income tax</b>		(552)	9,821
Income tax (expense)/benefit	6 (a)	(1,790)	348
Net (loss)/profit after tax from continuing operations		(2,342)	10,169
<b>Discontinued operations</b>			
Net loss after tax from discontinued operations	7	(193)	(569)
<b>Net (loss)/profit for the year</b>		(2,535)	9,600
<b>Other comprehensive loss</b>			
Foreign currency translation		(650)	(3,131)
<b>Other comprehensive loss for the year</b>		(650)	(3,131)
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR</b>		(3,185)	6,469
(Loss)/profit attributable to:			
Owners of parent		(2,715)	8,659
Non-controlling interests		180	941
		(2,535)	9,600
Total comprehensive (loss)/income attributable to:			
Owners of parent		(3,288)	5,794
Non-controlling interests		103	675
		(3,185)	6,469
		Cents	Cents
<b>(Loss)/earnings per share (cents per share) for continuing operations attributable to the ordinary equity holders of the company:</b>			
- Basic and diluted (loss)/earnings per share	24	(1.77)	6.49
<b>(Loss)/earnings per share (cents per share) attributable to the ordinary equity holders of the Company:</b>			
- Basic and diluted (loss)/earnings per share	24	(1.91)	6.09

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 2012**

	<i>Attributable to equity holders of the parent</i>						<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>Contributed equity</i>	<i>Foreign currency translation reserves</i>	<i>Retained earnings</i>	<i>Discontinued Operation</i>	<i>Legal reserves</i>	<i>Owners of the parent</i>		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 January 2012</b>	27,819	(15,815)	37,431	-	1,124	50,559	4,456	55,015
Net (loss)/profit for the year	-	-	(2,715)	-	-	(2,715)	180	(2,535)
Other comprehensive loss	-	(573)	-	-	-	(573)	(77)	(650)
<b>Total comprehensive (loss)/ income for the year</b>	-	(573)	(2,715)	-	-	(3,288)	103	(3,185)
<b>Dividends to shareholders</b>		-	(8,963)			(8,963)	-	(8,963)
<b>Dividends paid by subsidiaries</b>	-	-	-		-	-	(811)	(811)
<b>Discontinued operation</b>	-	(248)	-	248	-	-	-	-
<b>At 31 December 2012</b>	27,819	(16,636)	25,753	248	1,124	38,308	3,748	42,056
<b>At 1 January 2011</b>	27,819	(12,950)	28,772	-	1,124	44,765	3,781	48,546
Net profit for the year	-	-	8,659	-	-	8,659	941	9,600
Other comprehensive loss	-	(2,865)	-	-	-	(2,865)	(266)	(3,131)
<b>Total comprehensive income for the year</b>	-	(2,865)	8,659	-	-	5,794	675	6,469
<b>Dividends paid by subsidiaries</b>	-	-	-	-	-	-	-	-
<b>At 31 December 2011</b>	27,819	(15,815)	37,431	-	1,124	50,559	4,456	55,015

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

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

	Notes	2012 \$'000	2011 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of VAT)		396,051	434,105
Payments to suppliers and employees (inclusive of VAT)		(367,276)	(428,127)
Interest received		1,571	1,878
Interest paid		(4,881)	(8,554)
Income taxes paid		(1,568)	(1,505)
<b>Net cash flows provided by/(used in) operating activities</b>	8 (a)	23,897	(2,203)
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(930)	(1,297)
Proceeds from sale of an associate	15	-	7,025
Proceeds from sale of property, plant and equipment		-	16
Purchase of software		(2)	(2)
<b>Net cash flows (used in)/ provided by investing activities</b>		(932)	5,742
<b>Cash flows from financing activities</b>			
Proceeds from bank borrowings		229,230	202,654
Repayment of bank borrowings		(230,194)	(213,027)
Dividends paid to shareholders		(8,961)	-
Dividends paid to minority interest		(811)	(807)
<b>Net cash flows used in financing activities</b>		(10,736)	(11,180)
Net increase/(decrease) in cash and cash equivalents		12,229	(7,641)
Net foreign exchange differences		(331)	(1,980)
Cash and cash equivalents at beginning of year		25,246	34,867
<b>Cash and cash equivalents at end of year</b>	8	37,144	25,246

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012

### 1. COMPANY INFORMATION

The consolidated financial statements of Vietnam Industrial Investments Limited and its subsidiaries (“the Group”) for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the directors on 22 March 2013.

It is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange Limited (“ASX”). The ultimate parent is Corbyns International Limited which owns 81.75% of the ordinary shares. The Group is a for-profit entity.

The nature of the operations and principal activities of the Group are described in the Directors’ Report and Note 28.

### 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.

#### (a) Compliance with IFRS

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

#### (b) New accounting standards and interpretations

##### (i) Changes in accounting policy and disclosures

This table lists all the applicable accounting standards which would have been adopted for the first time. These applicable accounting standards do not have any financial impact for the Group in the current year or its prior period. The Group will consider the impact of these standards on future periods, if any.

Reference	Title	Application date of standard	Application date for Group
AASB 1054	<p><b><i>Australian Additional Disclosures</i></b></p> <p>This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB.</p> <p>This standard, with AASB 2011-1 relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas:</p> <ul style="list-style-type: none"> <li>(a) Compliance with Australian Accounting Standards</li> <li>(b) The statutory basis or reporting framework for financial statements</li> <li>(c) Whether the entity is a for-profit or not-for-profit entity</li> <li>(d) Whether the financial statements are general purpose or special purpose</li> <li>(e) Audit fees</li> <li>(f) Imputation credits</li> </ul>	1 July 2011	1 January 2012



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) New accounting standards and interpretations (continued)**

*(i) Changes in accounting policy and disclosures (continued)*

Reference	Title	Application date of standard	Application date for Group
AASB 2010-6	<p><b>Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets [AASB 1 &amp; AASB 7]</b></p> <p>The amendments increase the disclosure requirements for transactions involving transfers of financial assets but which are 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.</p>	1 July 2011	1 January 2012
AASB 2010-9	<p><b>Amendments to Australian Accounting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time adopters [AASB 1]</b></p> <p>In respect of the removal of fixed dates, the amendments provide relief for first-time adopters of Australian Accounting Standards from having to reconstruct transactions that occurred before their date of transition to Australian Accounting Standards. The amendments in respect of severe hyperinflation provide guidance for entities emerging from severe hyperinflation either to resume presenting Australian Accounting Standards financial statements or to present Australian Accounting Standards financial statements for the first time.</p>	1 July 2011	1 January 2012
AASB 2011-5**	<p><b>Amendments to Australian Accounting Standards - Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation [AASB 127, AASB 128 &amp; AASB 131]</b></p> <p>This standard makes amendments to:</p> <ul style="list-style-type: none"> <li>▶ AASB 127 <i>Consolidated and Separate Financial Statements</i></li> <li>▶ AASB 128 <i>Investments in Associates</i></li> <li>▶ AASB 131 <i>Interests in Joint Ventures</i></li> </ul> <p>To extend the circumstances in which an entity can obtain relief from consolidation, the equity method or proportionate consolidation, and relates primarily to those applying the Reduced Disclosure Regime or not-for-profit entities.</p>	1 July 2011	1 January 2012
AASB 1048	<p><b>Interpretation of Standards</b></p> <p>AASB 1048 identifies the Australian interpretations and classifies them into two groups: those that correspond to an IASB interpretation and those that do not. Entities are required to apply each relevant Australian interpretation in preparing financial statements that are within the scope of the standard. The revised version of AASB 1048 updates the lists of Interpretations for new and amended interpretations issued since the June 2010 version of AASB 1048.</p>	1 July 2011	1 Jan 2012

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) New accounting standards and interpretations (continued)**

*(ii) 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 2012 are outlined in the table below:

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2011-3**	Amendments to Australian Accounting Standards - <i>Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments</i> [AASB 1049]	This standard makes amendments including clarifying the definition of the ABS GFS Manual, facilitating the orderly adoption of changes to the ABS GFS Manual and related disclosures to AASB 1049.	1 July 2012	This amendment will not have any impact on the Group's financial report.	1 January 2013
AASB 2012-8**	Amendments to Australian Accounting Standards - <i>Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments</i> [AASB 1049]	This Standard amends AASB 1049 to provide a further two-year period of transitional relief (from 30 June 2013 to 30 June 2015) from the requirement to adopt Chapter 2 <i>Amendments to Defence Weapons Platforms</i> of the ABS publication <i>Amendments to Australian System of Government Finance Statistics, 2005</i> (ABS Catalogue No. 5514.0).	1 July 2012	This amendment will not have any impact on the Group's financial report.	1 January 2013
AASB 2011-9	Amendments to Australian Accounting Standards - <i>Presentation of Other Comprehensive Income</i> [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	This standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.	1 July 2012	The Group will determine the impact of these amendments on the Group's financial report for year ending 31 December 2013.	1 January 2013

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) New accounting standards and interpretations (continued)**

*(ii) 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*
AASB10	<i>Consolidated Financial Statements</i>	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 <i>Consolidated and Separate Financial Statements</i> dealing with the accounting for consolidated financial statements and UIG-112 Consolidation - <i>Special Purpose Entities</i> . The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. Consequential amendments were also made to other standards via AASB 2011-7.	1 January 2013***	The Group will consider the new control model and impact of these amendments on the Group's financial report for year ending 31 December 2013.	1 January 2013
AASB 11	<i>Joint Arrangements</i>	AASB 11 replaces AASB 131 <i>Interests in Joint Ventures</i> and UIG-113 <i>Jointly- controlled Entities - Non-monetary Contributions by Ventures</i> . AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 128.	1 January 2013***	The Group will determine the impact of these amendments on the Group's financial report for year ending 31 December 2013.	1 January 2013

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) New accounting standards and interpretations (continued)**

*(ii) 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*
AASB12	<i>Disclosure of Interests in Other Entities</i>	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013***	The Group will determine the impact on the Group's financial report for year ending 31 December 2013.	1 January 2013
AASB13	<i>Fair Value Measurement</i>	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. Consequential amendments were also made to other standards via AASB 2011-8.	1 January 2013	The Group will determine the impact on the Group's financial report for year ending 31 December 2013.	1 January 2013
AASB 119	<i>Employee Benefits</i>	The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. Consequential amendments were also made to other standards via AASB 2011-10.	1 January 2013	As the Group does not have a defined benefit pension plan, this standard is not expected to have any impact on the Group's financial report.	1 January 2013

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) New accounting standards and interpretations (continued)**

(ii) *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 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>	This interpretation applies to stripping costs incurred during the production phase of a surface mine. Production stripping costs are to be capitalised as part of an asset, if an entity can demonstrate that it is probable future economic benefits will be realised, the costs can be reliably measured and the entity can identify the component of an ore body for which access has been improved. This asset is to be called the "stripping activity asset". The stripping activity asset shall be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method shall be applied unless another method is more appropriate. Consequential amendments were also made to other standards via AASB 2011-12.	1 January 2013	This interpretation will not have any impact on the Group's financial report.	1 January 2013
AASB 2012-2	Amendments to Australian Accounting Standards - <i>Disclosures - Offsetting Financial Assets and Financial Liabilities</i>	AASB 2012-2 principally amends AASB 7 <i>Financial Instruments: Disclosures</i> to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.	1 January 2013	The Group will determine the impact on the Group's financial report for year ending 31 December 2013.	1 January 2013

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) New accounting standards and interpretations (continued)**

*(ii) 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 2012-4	Amendments to Australian Accounting Standards - <i>Government Loans</i>	AASB 2012-4 adds an exception to the retrospective application of Australian Accounting Standards under AASB 1 <i>First-time Adoption of Australian Accounting Standards</i> to require that first-time adopters apply the requirements in AASB 139 <i>Financial Instruments: Recognition and Measurement</i> (or AASB 9 <i>Financial Instruments</i> ) and AASB 120 <i>Accounting for Government Grants and Disclosure of Government Assistance</i> prospectively to government loans (including those at a below-market rate of interest) existing at the date of transition to Australian Accounting Standards.	1 January 2013	This amendment will not have any impact on the Group's financial report.	1 January 2013
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle	AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following: <ul style="list-style-type: none"> <li>▶ Repeat application of AASB 1 is permitted (AASB 1)</li> <li>▶ Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 <i>Presentation of Financial Statements</i>).</li> </ul>	1 January 2013	The Group will determine the impact on the Group's financial report for year ending 31 December 2013.	1 January 2013
AASB 2012-9	Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039	AASB 2012-9 amends AASB 1048 <i>Interpretation of Standards</i> to evidence the withdrawal of Australian Interpretation 1039 <i>Substantive Enactment of Major Tax Bills in Australia</i> .	1 January 2013	This amendment will not have any impact on the Group's financial report.	1 January 2013
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies.	1 July 2013	The Group will determine the impact on the Group's financial report for year ending 31 December 2014.	1 January 2014

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) New accounting standards and interpretations (continued)**

(ii) *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 2012-10	Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments	<p>AASB 2012-10 amends the following standards:</p> <ul style="list-style-type: none"> <li>• AASB 10 <i>Consolidation</i> and related Standards - clarifies the transition guidance, in particular that the assessment of control is to be made at the beginning of the period AASB 10 is adopted rather than prior periods. .</li> <li>• AASB 10 and related Standards to defer the mandatory application by not-for-profit entities to annual reporting periods beginning on or after 1 January 2014. .</li> <li>• Various editorial amendments to a range of Australian Accounting Standards and to Interpretation 12 <i>Service Concession Arrangements</i>, to reflect changes made to the text of IFRSs by the IASB</li> </ul>	1 January 2013	The Group will determine the impact on the Group's financial report for year ending 31 December 2013.	1 January 2013
AASB1053	<i>Application of Tiers of Australian Accounting Standards</i>	<p>This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements:</p> <p>(a) Tier 1: Australian Accounting Standards</p> <p>(b) Tier 2: Australian Accounting Standards - Reduced Disclosure Requirements</p> <p>Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.</p> <p>The following entities apply Tier 1 requirements in preparing general purpose financial statements:</p> <p>(a) For-profit entities in the private sector that have public accountability (as defined in this standard)</p> <p>(b) The Australian Government and State, Territory and Local governments</p>	1 July 2013	The Group will determine the impact on the Group's financial report for year ending 31 December 2014.	1 January 2014

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) New accounting standards and interpretations (continued)**

*(ii) 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*
		<p>The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:</p> <p>(a) For-profit private sector entities that do not have public accountability</p> <p>(b) All not-for-profit private sector entities</p> <p>(c) Public sector entities other than the Australian Government and State, Territory and Local governments.</p> <p>Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11, 2012-1 and 2012-7.</p>			
AASB 2012-3	Amendments to Australian Accounting Standards - <i>Offsetting Financial Assets and Financial Liabilities</i>	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	The Group will determine the impact on the Group's financial report for year ending 31 December 2014.	1 January 2014
AASB 9	<i>Financial Instruments</i>	<p>AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.</p> <p>(a) Financial assets that are debt instruments will be 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.</p>	1 January 2015	The Group will determine the impact on the Group's financial report for year ending 31 December 2015.	1 January 2015



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) New accounting standards and interpretations (continued)**

(ii) *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*
		<p>(b) 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.</p> <p>(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.</p> <p>(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> <li>▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI)</li> <li>▶ The remaining change is presented in profit or loss</li> </ul> <p>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.</p> <p>Further amendments were made by AASB 2012-6 which amends the mandatory effective date to annual reporting periods beginning on or after 1 January 2015. AASB 2012-6 also modifies the relief from restating prior periods by amending AASB 7 to require additional disclosures on transition to AASB 9 in some circumstances. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and 2010-10.</p>			

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

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

\*\*\* The mandatory effective date for AASB 10, 11 and 12 for **not-for-profit entities** has been deferred to 1 January 2014, per AASB 2012-10.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Vietnam Industrial Investments Limited and its subsidiaries ('the Group') as at 31 December each year. Interest in an associate is equity accounted and are not part of the consolidated Group.

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 the subsidiaries are prepared for the same reporting period as the Parent, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends 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.

Investments in subsidiaries held by Vietnam Industrial Investments Limited are accounted for at cost in the separate financial statements of the Parent less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate income statement of the Parent, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the Parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition. 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 that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit disposal 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 circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the Parent.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary that does not result in a loss of control, is accounted for as an equity transaction.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (c) Basis of consolidation (continued)

- Reclassifies the Parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate

#### (d) Significant accounting judgements, estimates, and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

#### **Judgements**

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

##### *Discontinued operation*

Despite management's efforts to cut costs and increase sales volumes, the company has not been successful in turning the VRC business around and it has continued to incur losses. Therefore, the Board of Directors has decided to discontinue its operations dispose of VRC. VRC has been classified as a disposal group held for sale and as a discontinued operation. For more details on the discontinued operation refer to Note 7.

#### **Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

##### *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.

##### *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.

##### *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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(d) Significant accounting judgements, estimates, and assumptions (continued)**

*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.

**(e) Foreign currency translation**

The consolidated financial statements are presented in Australian dollars (\$) which is both the functional and presentation currency of the Parent. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currencies of the overseas subsidiaries are Vietnamese Dong (VND) and Singapore Dollar (SGD) which are translated to the presentation currency.

*(i) Transactions and balances*

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. 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.

*(ii) Group companies*

On consolidation the assets and liabilities of foreign operations are translated into Australian Dollars (presentation currency) at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

**(f) Cash and cash equivalents**

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

**(g) 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (h) 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 – cost of purchase on weighted average basis.
- Finished goods – cost of direct materials and labour and plus attributable overheads based on the normal levels of activities on a weighted average basis.

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.

#### (i) Financial instruments

##### *Financial assets*

##### *Initial recognition and measurement*

Financial assets within the scope of AASB 139 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, and quoted financial instruments.

##### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as described below:

##### *(i) Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the income statement.

##### *(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. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs for loans and in cost of sales or other operating expenses for receivables.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (i) Financial instruments (continued)

##### Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

##### *Financial liabilities*

##### Initial recognition and measurement

Financial liabilities within the scope of AASB 139 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, accrued expenses, and loans and borrowings.

##### Subsequent measurement

The measurement of financial liabilities depends on their classification, described as follows:

##### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognised in the income statement.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB 139 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

##### Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

##### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

##### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

#### j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (k) Investment in an associate

The Group's investment in its associate is accounted for using the equity method. An associate is an entity in which the Group has significant influence.

Under the equity method, the investment in the associate is carried on the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The income statement reflects the Group's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit of an associate is shown on the face of the income statement. This is the profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on its investment in its associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the "share of profit of an associate" in the income statement.

Upon loss of significant influence over the associate, the Group measures and recognises any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

#### (l) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in the income statement 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

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (m) Goodwill and Intangible assets

##### *Goodwill*

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration 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 combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

When goodwill forms part of a cash-generating unit and part of the 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 circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

##### *Intangible assets*

Intangible assets acquired separately are measured on initial recognition 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 economic life and assessed 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 the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible assets.

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.

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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (n) Impairment of non-financial assets other than goodwill

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

#### (o) 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.

#### (p) 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.

#### (q) Advances from customers

Payments received in advance from customers for products to be delivered are recorded as customer advance payments until the delivery of goods and passing of significant risks and rewards of ownership of goods, at which time revenue is recognised.

#### (r) 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (s) 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.

#### (t) Leases

As a lessee, operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

As a lessor, leases in which the Group does not transfer 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.

#### (u) 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 the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

##### *Rendering of services other than construction contracts*

Revenues are generally recognised when the service is provided to the customer.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (u) 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 income*

Rental income 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.

#### (v) Income tax and other taxes

##### *Current income tax*

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### *Deferred tax*

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

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
- in respect of taxable temporary difference associated with investments in subsidiaries, associates or interests in joint ventures, when 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 credits and unused tax losses. Deferred tax assets are recognised 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 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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (v) Income tax and other taxes (continued)

- in respect of deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, deferred tax assets are recognised only 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.

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 the deferred income tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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 relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or in profit or loss.

#### (w) 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.

#### (x) 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.

#### (y) Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the income statement.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

### 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 19.

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

	2012 \$'000	2011 \$'000
Financial Assets		
Cash and cash equivalents	37,112	25,246
	37,112	25,246
Financial Liabilities		
Interest-bearing liabilities – bank loans	60,152	61,911
	60,152	61,911
Net exposure	(23,040)	(36,665)

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 2012, fixed interest rates for bank loans vary in every contract ranging from 9% to 11.8% for Vietnamese Dong loans (2011: 13.30% - 23.30%) and from 4.43% to 5.2% for US Dollar loans (2011: 3.90% - 7.40%). The floating rates are based on bank bill rates.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

### 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 2012, 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)	
	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
Consolidated		
High rate +2% (2010: +2%)	1,203	1,238
Low rate -2% (2010: -2%)	(1,203)	(1,238)

The movements in profit are due to higher/lower interest costs from debt balances. The interest rate sensitivity remains consistent at 2%. 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. Interest rate movements have no direct impact on equity.

#### *Foreign currency risk*

The consolidated financial statements are presented in Australian dollars (\$) which is both the functional and presentation currency of the parent entity. 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 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

**3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

**Risk Exposures and Responses (continued)**

At 31 December 2012, the Group had the following exposure to USD foreign currencies against the VND:

	<b>2012</b>	2011
	<b>\$'000</b>	<b>\$'000</b>
Financial Assets		
Cash and cash equivalents	3	22
Financial Liabilities		
Interest-bearing liabilities		
- US Dollar	8,674	37,732
	8,674	37,732
Net exposure	(8,671)	(37,710)

The following exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2012	2011	2012	2011
USD/VND	20,875	20,696	20,840	21,035
AUD/USD	1.0393	1.0407	1.0384	1.0156

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

At 31 December 2012, had the VND moved against the USD, 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)	
	2012	2011
	\$'000	\$'000
Consolidated		
High rate +1% (2011: +1%)	107	(373)
Low rate -1% (2011: -1%)	284	381

The movements in profit in 2012 are less sensitive than in 2011 due to minimal exposure of the VND against USD and a reduction in the reasonably possible movement in the exchange rates.

The foreign currency sensitivity of 1% remains the same as the State Bank of Vietnam's reference rate at VND20,828 to USD1 has not change since 26 December 2011 and that the VND is allowed to trade as much as  $\pm 1$  percent on either side of the reference rate.

Foreign exchange movements have no direct economic impact on equity.

At 31 December 2012, movement of AUD against the USD and VND with all other variables held constant would not be significant as the Group transactions mainly deal in VND and USD. The foreign exchange rate exposure for VND/USD is outlined above.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

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### 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

#### Risk Exposures and Responses (continued)

##### *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's cash and cash equivalents are deposited with reputable banks. The Group manages its cash and cash equivalents to meet its working capital and debt requirements.

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 and advances to suppliers. 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 their 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 the parent entity. The Company has provided security to various banks for banking facilities provided to Vietnam subsidiaries in the form of letters of guarantee totalling US\$16.000 million (\$15.408 million) (2011: US\$19.900 million or \$19.594 million). At 31 December 2012 the total interest bearing liabilities drawdown to which these corporate guarantees relate to were US\$6.497 million (\$6.257 million) (2011: US\$10.403 million or \$10.244 million).

The Group use forecast cash flow budgets which assist in monitoring cash flow requirements. Typically, the Group 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.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

**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 2012**

Consolidated	<=6 mths \$'000	6-12 mths \$'000	1-5 years \$'000	>5 years \$'000	Total \$'000
<b>Financial Assets</b>					
Cash and cash equivalents	37,112	-	-	-	37,112
Trade and other receivables	19,999	-	-	-	19,999
Advances to suppliers	13,834	-	-	-	13,834
	70,945	-	-	-	70,945
<b>Financial Liabilities</b>					
Trade and other payables	22,791	-	-	-	22,791
Advances from customers	295	-	-	-	295
Interest-bearing liabilities	65,149	-	-	-	65,149
	88,235	-	-	-	88,235
Net maturity	(17,290)	-	-	-	(17,290)

**Year ended 31 December 2011**

Consolidated	<=6 mths \$'000	6-12 mths \$'000	1-5 years \$'000	>5 years \$'000	Total \$'000
<b>Financial Assets</b>					
Cash and cash equivalents	25,246	-	-	-	25,246
Trade and other receivables	14,224	-	-	-	14,224
Advances to suppliers	27,484	-	-	-	27,484
	66,954	-	-	-	66,954
<b>Financial Liabilities</b>					
Trade and other payables	15,244	-	-	-	15,244
Advances from customers	3,826	-	-	-	3,826
Interest-bearing liabilities	63,597	-	303	-	63,900
	82,667	-	303	-	82,970
Net maturity	(15,713)	-	(303)	-	(16,016)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

### 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.

	2012 \$'000	2011 \$'000
Fair value		
Financial assets		
Listed Investments – Australian (Level 1)	9	28
	9	28

### 4. SEGMENT INFORMATION

#### **Identification of reportable segments**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by the Board based on the manner in which the product is sold and the nature of the services provided. Discrete financial information about each of these operating businesses is reported to the Board on a regular basis.

The Group has two main reportable segments: Steel Making and Steel Products, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. The following summary describes the operations in each Group reportable segment:

**Steel Making:** includes the manufacturing and selling of wire rod and rebar activities of Vinausteel Limited and SSESTEEL Ltd.

**Steel Products:** includes Austnam Joint Stock Corporation, and Total Building Systems Ltd, which are primarily engaged in the manufacturing and trading of steel roofing and steel frames, and engineering and project management services.

**Discontinued operation:** relates to VRC Weldmesh (Vietnam) Limited. For more details on the discontinued operation refer to Note 7.

**Others:** relates to corporate charges of Parent 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

**4. SEGMENT INFORMATION (CONTINUED)**

**Segment Performance**

	Steel Making	Steel Products	Discontinued Operation	Others	Total	Adjustments and eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Year ended 31 December 2012</b>							
<b>Revenues</b>							
External revenues	376,570	7,111	263	-	383,944	(263)	383,681
Inter-segment revenues	-	26	-	-	26	(26)	-
Interest income	1,499	49	1	-	1,549	(1)	1,548
Other revenues	2,800	88	5	(44)	2,849	(5)	2,844
Total segment revenues	380,869	7,274	269	(44)	388,368	(295)	388,073
<b>Results</b>							
Segment results before income tax	2,148	(300)	(193)	-	1,655	-	1,655
Income tax benefit/(expense)	(1,809)	19	-	-	(1,790)	-	(1,790)
Segment results after tax	339	(281)	(193)	-	(135)	-	(135)
Corporate charges	-	-	-	(2,400)	(2,400)	-	(2,400)
Net loss after tax					(2,535)	-	(2,535)
<b>Year ended 31 December 2011</b>							
<b>Revenues</b>							
External revenues	422,909	8,132	1,571	-	432,612	(1,571)	431,041
Inter-segment revenues	-	29	31	-	60	(60)	-
Interest income	1,832	21	25	-	1,878	(25)	1,853
Other revenues	3,693	165	21	45	3,924	(21)	3,903
Total segment revenues	428,434	8,347	1,648	45	438,474	(1,677)	436,797
<b>Results</b>							
Segment results before income tax	12,251	177	(569)	-	11,859	-	11,859
Income tax benefit/(expense)	363	(15)	-	-	348	-	348
Segment results after tax	12,614	162	(569)	-	12,207	-	12,207
Share of net loss of an associate	(990)	-	-	-	(990)	-	(990)
Net loss on disposal of investment in an associate	(767)	-	-	-	(767)	-	(767)
Corporate charges	-	-	-	(850)	(850)	-	(850)
Net profit after tax					9,600	-	9,600

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

**4. SEGMENT INFORMATION (CONTINUED)**

	<b>Steel Making \$'000</b>	<b>Steel Products \$'000</b>	<b>Discontinued operation</b>	<b>Others \$'000</b>	<b>Total \$'000</b>
<b>Segment assets</b>					
<b>At 31 December 2012</b>					
Segment operating assets	123,900	2,955	1,398	263	128,816
Inter-segment eliminations	-	-	-	-	(1,959)
Intangibles	-	-	-	77	77
Total assets per statement of financial position					<u>126,634</u>
<b>At 31 December 2011</b>					
Segment operating assets	133,238	6,480	-	487	140,205
Inter-segment eliminations	-	-	-	-	(1,743)
Intangibles	-	-	-	77	77
Total assets per statement of financial position					<u>138,539</u>
<b>Segment liabilities</b>					
<b>At 31 December 2012</b>					
Segment operating liabilities	82,509	1,173	202	1,642	85,526
Inter-segment eliminations	-	-	-	-	(948)
Total liabilities per statement of financial position					<u>84,578</u>
<b>At 31 December 2011</b>					
Segment operating liabilities	86,894	5,732	-	285	92,911
Inter-segment eliminations	-	-	-	-	(9,387)
Total liabilities per statement of financial position					<u>83,524</u>
<b>Other segment information</b>					
<b>At 31 December 2012</b>					
Depreciation and amortisation expense	(1,517)	(160)	-	-	(1,677)
Capital expenditure	867	54	-	-	921
<b>At 31 December 2011</b>					
Depreciation and amortisation expense	(1,461)	(268)	-	(3)	(1,732)
Capital expenditure	1,220	75	-	2	1,297
<b>Cashflow Information</b>					
<b>At 31 December 2012</b>					
Operating activities	24,450	489	(192)	(850)	23,897
Investing activities	(867)	(54)	(11)	-	(932)
Financing activities	(682)	(588)	(505)	(8,961)	(10,736)
<b>At 31 December 2011</b>					
Operating activities	(1,853)	359	42	(751)	(2,203)
Investing activities	5,805	(77)	16	(2)	5,742
Financing activities	(10,233)	80	(1,027)	-	(11,180)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

**5. REVENUE AND EXPENSES**

<b>Revenues and expenses from continuing operations</b>	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Other Revenue</b>		
Interest income-banks	1,571	1,853
	<u>1,571</u>	<u>1,853</u>
<b>(b) Other income</b>		
Financial and executive services income	58	43
Foreign exchange gain (includes reversal of provisions. Refer to Note 31)	2,462	1,486
Interest income - associate	-	2,061
Interest income - customers	20	1,282
Rent income	77	159
Other	203	358
	<u>2,820</u>	<u>5,389</u>
<b>(c) Cost of sales</b>		
Cost of goods sold	(370,562)	(402,938)
Construction costs	(3,783)	(4,099)
	<u>(374,345)</u>	<u>(407,037)</u>
<b>(d) Finance costs</b>		
Bank loans and other borrowings (includes reversal of provisions. Refer to Note 31)	(4,881)	(8,344)
<b>(e) Marketing expenses</b>		
Customer incentives	-	(1,867)
Other	(1,224)	(2,320)
	<u>(1,224)</u>	<u>(4,187)</u>
<b>(f) Administrative expenses</b>		
Employee benefits	(6,510)	(5,390)
Rent expense	(351)	(442)
Other	(1,049)	(1,305)
	<u>(7,910)</u>	<u>(7,137)</u>
<b>(g) Depreciation, impairment and amortisation</b>		
Depreciation expense	(1,627)	(1,600)
Amortisation of intangible assets	(50)	(6)
	<u>(1,677)</u>	<u>(1,606)</u>
<b>(h) Impairment of assets</b>		
Building on leasehold land	(181)	-
Construction in progress	(84)	-
	<u>(265)</u>	<u>-</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

**6. INCOME TAX**

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Income tax/(benefit) expense</b>		
The major components of income tax/(benefit) expense are:		
<b>Statement of Comprehensive Income</b>		
Current tax	223	1,276
Deferred tax	1,567	(1,624)
	1,790	(348)
<b>(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</b>		
(Loss)/profit from continuing operations before tax	(552)	9,821
At Group's statutory income tax rate of 30% (2011: 30%)	(165)	2,946
Adjustments to tax expense:		
Foreign tax rate adjustment	(477)	(1,478)
Deferred tax asset derecognition/(recognition)	1,567	(1,624)
Non-deductible expenses	323	483
Non-assessable income	(415)	-
Utilisation of carry forward tax losses	-	-
Other	957	(675)
Aggregate tax expense	1,790	(348)

**(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 2011, 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 (2011: Nil). At 31 December 2012, the deferred tax assets of \$0.045 million (2011: \$1.637 million) were recognised in respect of the provisions of \$0.180 million (2011: \$7.746 million). At 31 December 2012, there is no deferred income tax liability recognised (2011: Nil)

**(e) Income tax payable**

At 31 December 2012, consolidated income tax payable is \$0.516 million (2011: \$1.889 million).

**(f) Tax losses carried forward**

At 31 December 2012, the following subsidiaries have accumulated tax losses of \$0.909 million (2011: \$2.655 million) available for offset against future taxable profits. Deferred tax assets of \$0.227 million (2011: \$0.664 million) were not recognised in respect of the tax loss carried forward because of the uncertainty of future profitability of these companies.

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue tax losses not recognised		
VRC Weldmesh (Vietnam) Limited	-	1,809
Total Building Systems Limited	909	846
	909	2,655
Revenue tax losses not recognised		
Vietnam Industrial Investments Limited ('Parent entity')	2,849	2,149
	2,849	2,149

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

**7. DISCONTINUED OPERATION**

Despite management's efforts to cut costs and increase sales volumes, the company has not been successful in turning the VRC business around and it has continued to incur losses. Therefore, the Board of Directors has decided to discontinue its operations dispose of VRC. VRC has been classified as a disposal group held for sale and as a discontinued operation. The result of VRC for the year ended 31 December 2012 is as follows:

	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
Revenue	269	1,617
Expense	(388)	(1,976)
Finance cost	(74)	(210)
Loss for the year from discontinued operation	<u>(193)</u>	<u>(569)</u>

The assets and liabilities of VRC classified as held for sale at 31 December 2012 are as follows:

	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
<b>ASSETS</b>		
Property, plant and equipment	1,028	-
Intangible assets	216	-
Cash (Note 5)	32	-
Receivables	82	-
Others	40	-
<b>Assets classified as held for sale</b>	<u>1,398</u>	<u>-</u>
<b>LIABILITIES</b>		
Other payables	202	-
<b>Liabilities directly associated with assets classified as held for sale</b>	<u>202</u>	<u>-</u>
<b>Foreign currency translation reserves of a disposal group classified held for sale</b>	<u>248</u>	<u>-</u>

The net cash flows incurred by VRC are as follows:

	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
Operating	(192)	42
Investing	(11)	16
Financing	(505)	(1,027)
<b>Net cash outflow</b>	<u>(708)</u>	<u>(969)</u>
	<b>Cents</b>	Cents
<b>Loss per share:</b>		
Basic and diluted loss for the year from discontinued operation	(0.14)	(0.40)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

**8. CURRENT ASSETS - CASH AND CASH EQUIVALENTS**

	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
Cash at bank and in hand	6,558	2,001
Short-term deposits	30,554	23,245
	37,112	25,246
Cash at bank attributable to discontinued operation	32	-
	37,144	25,246

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.

Credit risk of cash and cash equivalents is disclosed in Note 3.

**(a) Reconciliation from the net profit after tax to the net cash flows from operations:**

	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
Net (loss)/profit after tax	(2,535)	9,600
<i>Adjustment for non-cash items:</i>		
Depreciation and amortisation	1,677	1,732
Impairment of assets	265	-
Share in net loss of an associate	-	990
Loss on disposal of investment in an associate	-	767
Change in fair value of financial assets	19	(1)
Net gain on disposal of property, plant and equipment	-	(1)
<i>Changes in assets and liabilities</i>		
<i>(Increase)/decrease in:</i>		
Trade, other receivables, and advances to suppliers	9,549	(2,431)
Inventories	12,282	(3,924)
Prepayments	154	(126)
Deferred tax assets	1,567	(1,637)
<i>(Decrease)/increase in:</i>		
Trade and other payables	2,287	(7,045)
Provisions	(23)	88
Income tax payable	(1,345)	(215)
Net cash flow used in operating activities	23,897	(2,203)

**(b) Disclosure of financing activities**

Financing facilities are set out in Note 19.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

**9. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES**

	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
Trade receivables	16,972	12,754
Construction contract receivables	122	415
	<u>17,094</u>	<u>13,169</u>
Allowance for impairment loss	(757)	(1,091)
	<u>16,337</u>	<u>12,078</u>
Other receivables	3,815	2,302
Allowance for impairment loss	(153)	(156)
	<u>3,662</u>	<u>2,146</u>
Carrying amount of trade and other receivables	<u>19,999</u>	<u>14,224</u>

Other receivables include Vietnamese income tax receivable, value added tax receivables and advances made to 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 \$0.398 million (2011: \$0.322 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:

	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
At 1 January	1,247	912
Charge for the year	1,372	398
Discontinued operation	(136)	-
Unused amounts reversed	(1,556)	-
Foreign exchange translation	(17)	(63)
At 31 December	<u>910</u>	<u>1,247</u>

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

	<b>2012</b>		2011	
	<b>Receivables</b>	<b>Impairment</b>	Receivables	Impairment
	<b>\$'000</b>	<b>\$'000</b>	\$'000	\$'000
Trade receivables				
Within due date	16,417	261	11,819	287
Over 61 – 180 days	13	-	23	-
Over 181 – 360 days	26	-	108	22
Over 360 days	516	458	804	782
	<u>16,972</u>	<u>719</u>	<u>12,754</u>	<u>1,091</u>
Construction contract receivables	122	38	415	-
	<u>17,094</u>	<u>757</u>	<u>13,169</u>	<u>1,091</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

**9. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES (CONTINUED)**

**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.

**10. ADVANCES TO SUPPLIERS**

	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
Other suppliers	13,834	27,484
	<u>13,834</u>	<u>27,484</u>

The advances made to related party and other suppliers are recoverable as the Group holds collateral as security for these assets.

**11. CURRENT ASSETS – INVENTORIES**

	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
Raw materials – at cost	19,951	33,228
Construction work in progress	-	233
Finished goods – at lower of cost and net realisable value	22,683	22,206
Total inventories at lower of cost and net realisable value	<u>42,634</u>	<u>55,667</u>

**12. CURRENT ASSETS – FINANCIAL ASSETS – AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
Financial assets held for trading – at fair value		
Shares in listed companies	9	28
	<u>9</u>	<u>28</u>

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

**13. OTHER CURRENT ASSETS**

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Prepayments	249	434
	249	434

**14. NON-CURRENT ASSETS – RECEIVABLES**

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Long-term deposits	4	29
	4	29

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

**15. NON-CURRENT ASSETS – INVESTMENT IN AN ASSOCIATE**

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Investment details</b>		
Investment in associate – unlisted	-	-
	-	-

The Group had significant influence over the associate as SSESTEEL was represented on the associate's Board of Management and SSESTEEL provided some financial and operational assistance to this company. Dinh Vu Steel is incorporated in Vietnam and had a reporting date of 31 December.

**(b) Share in associate's net loss**

<b>Associate</b>	<b>Ownership interest</b>	<b>Ownership interest</b>	<b>31 December 2012</b>	<b>31 December 2011</b>
	<b>31 December 2012</b>	<b>31 December 2011</b>	<b>\$'000</b>	<b>\$'000</b>
Dinh Vu Steel Joint Stock Company	-	-	-	(990)
	-	-	-	(990)

**(c) Disposal of investment in an associate**

On 26 December 2011, SSESTEEL sold all of its shares in its investment in an associate for \$7.025 million. For the year ended 31 December 2011, the loss on the disposal of its investment in an associate was \$0.767 million which was included in the consolidated income statement.

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

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
At 1 January	-	9,766
Acquisition of an associate	-	-
Share of loss after tax	-	(990)
Disposal of an associate	-	(7,792)
Exchange difference	-	(984)
At 31 December	-	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

**16. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT**

	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
Building on leasehold land		
- Cost	5,593	6,286
- Accumulated depreciation	(3,183)	(2,749)
Net carrying amount	<u>2,410</u>	<u>3,537</u>
Plant and equipment		
- Cost	19,355	20,775
- Accumulated depreciation and impairment	(13,127)	(13,193)
Net carrying amount	<u>6,228</u>	<u>7,582</u>
Motor vehicles		
- Cost	1,654	1,612
- Accumulated depreciation	(887)	(905)
Net carrying amount	<u>767</u>	<u>707</u>
Construction in progress – cost	1,866	1,663
Net carrying amount	<u>11,271</u>	<u>13,489</u>
<b>Reconciliation of plant, property and equipment</b>		
Building on leasehold land		
Opening net carrying amount	3,537	3,599
Additions	5	646
Disposals/transfers	25	-
Impairment loss	(181)	-
Depreciation expense	(386)	(388)
Discontinued operation	(544)	-
Exchange difference	(46)	(320)
Closing net carrying amount	<u>2,410</u>	<u>3,537</u>
Plant and equipment		
Opening net carrying amount	7,582	9,014
Additions	274	218
Disposals/transfers	2	(23)
Depreciation expense	(1,058)	(1,167)
Discontinued operation	(473)	-
Exchange difference	(99)	(460)
Closing net carrying amount	<u>6,228</u>	<u>7,582</u>
Motor vehicles		
Opening net carrying amount	707	983
Additions	277	96
Disposals/transfers	(13)	(50)
Depreciation expense	(183)	(165)
Discontinued operation	(11)	-
Exchange difference	(10)	(157)
Closing net carrying amount	<u>767</u>	<u>707</u>
Construction in progress		
Opening net carrying amount	1,663	1,443
Net additions/transfers	352	322
Impairment loss	(84)	-
Amortisation expense	(47)	-
Exchange difference	(18)	(102)
Closing net carrying amount	<u>1,866</u>	<u>1,663</u>
<b>Net carrying amount</b>	<u>11,271</u>	<u>13,489</u>

There is no capitalised interest on qualifying assets as at 31 December 2012 (2011: Nil).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

**17. NON-CURRENT ASSETS – INTANGIBLE ASSETS AND GOODWILL**

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Software costs		
Cost (gross carrying amount)	80	87
Accumulated amortisation	(78)	(82)
	2	5
Land rights		
Cost (gross carrying amount)	-	298
Accumulated amortisation	-	(79)
	-	219
Goodwill <sup>(i)</sup>		
Cost	321	321
Impairment loss	(244)	(244)
	77	77
	79	301

**Reconciliation of Intangible Assets**

Software costs		
Opening net carrying amount	5	8
Additions	2	2
Amortisation expense	(1)	(5)
Discontinued operation	(1)	-
Others	(3)	-
Closing net carrying amount	2	5
Land rights		
Opening net carrying amount	219	244
Amortisation expense	(2)	(7)
Discontinued operation	(215)	-
Exchange difference	(2)	(18)
Closing net carrying amount	-	219
Goodwill <sup>(i)</sup>		
Opening net carrying amount	77	77
Impairment loss on goodwill	-	-
Closing net carrying amount	77	77
<b>Net carrying amount</b>	<b>79</b>	<b>301</b>

<sup>(i)</sup> Purchased as part of business combination.

At 31 December 2012, there is no impairment loss on intangible assets (2011: nil).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

**18. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES**

	<b>2012</b>	2011
	<b>\$'000</b>	<b>\$'000</b>
Trade payables	17,209	5,452
Other payables	4,080	9,647
Related party payables		
- key management personnel (Note 27)	1,502	145
	22,791	15,244

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 out in Note 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.

**19. INTEREST-BEARING LOANS AND BORROWINGS**

	<b>2012</b>	2011
	<b>\$'000</b>	<b>\$'000</b>
Current		
Bank loans – secured	60,152	61,676
Non-Current		
Bank loans – secured	-	235
	60,152	61,911

**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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

### 19. INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

#### Terms and conditions of Interest bearing loans and borrowings

Outstanding bank loans of \$60.152 million (2011: \$61.911 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 ("Parent"). The Parent has provided security to various banks for banking facilities provided to Vietnam subsidiaries in the form of letters of guarantee totalling US\$16.000 million (\$15.408 million) (2011: US\$19.900 million or \$19.594 million). At 31 December 2012 the total interest bearing liabilities drawdown to which these corporate guarantees relate to were US\$6.497 million (\$6.257 million) (2011: US\$10.403 million (\$10.244 million)).

Interest is recognised at an effective interest rate.

	2012 \$'000	2011 \$'000
<b>Financing facilities available</b>		
At reporting date, the following financing facilities had been negotiated and were available:		
Total facilities available	150,159	162,395
Facilities used at reporting date		
- short-term loans	60,152	61,676
- long-term loans	-	235
Facilities unused at reporting date		
- short-term loans	90,007	100,484
- 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:

	2012 \$'000	2011 \$'000
Receivables	11,304	6,458
Inventories	40,464	54,056
Property, plant and equipment	7,254	11,497
Land use rights	-	219

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

**20. CURRENT LIABILITIES – PROVISIONS**

	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
Current		
Employee benefits	620	651
Dividends payable	2	3
	<u>622</u>	<u>654</u>

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

**21. CONTRIBUTED EQUITY**

	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
Ordinary shares		
Issued and fully paid	<u>27,819</u>	<u>27,819</u>

There was no issuance of shares for the year ended 31 December 2012 (2011: Nil).

At 31 December 2012, there are 142,277,423 fully paid ordinary shares carry one vote per share and carry the right to dividends (2011: 142,277,423).

At reporting date, there were no options on issue (2011: 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:

	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
Total debt <sup>(i)</sup>	83,238	80,981
Less cash and cash equivalents	(37,112)	(25,246)
<b>Net debt</b>	<u>46,126</u>	<u>55,735</u>
Total equity	42,056	55,015
Less non-controlling interests	(3,748)	(4,456)
<b>Equity</b>	<u>38,308</u>	<u>50,559</u>
<b>Net debt plus equity</b>	<u>84,434</u>	<u>106,294</u>
<b>Gearing ratio</b>	<u>55%</u>	<u>52%</u>

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



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

**22. RESERVES AND RETAINED EARNINGS**

	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
Foreign currency translation reserve	(16,636)	(15,815)
Legal reserve	1,124	1,124
	(15,512)	(14,691)
 Movement in foreign currency translation reserve		
Opening balance	(15,815)	(12,950)
Currency translation difference arising during the year	(573)	(2,865)
Discontinued operation (Note 7)	(248)	-
Closing balance	(16,636)	(15,815)

**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.

	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
Retained earnings	25,753	37,431
 Movement in retained earnings		
Opening balance	37,431	28,772
Net (loss)/profit for the year	(2,715)	8,659
Dividend to shareholders	(8,963)	-
Closing balance	25,753	37,431

**23. NON-CONTROLLING INTERESTS**

Contributed equity	4,639	4,639
Reserves	(2,439)	(2,362)
Retained earnings	1,548	2,179
	3,748	4,456

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

**24. EARNINGS PER SHARE**

	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
Net (loss)/profit attributable to ordinary equity holders of the Parent from continuing operations	(2,522)	9,228
Loss attributable to ordinary equity holders of the Parent from discontinued operation	(193)	(569)
Net (loss)/profit attributable to ordinary equity holders of the Parent for basic and diluted (loss)/earnings	(2,715)	8,659
	<b>2012</b>	2011
	<b>No. of Shares</b>	No. of Shares
Weighted average number of ordinary shares for basic and diluted earnings per share	142,277,423	142,277,423
	<b>Cents</b>	Cents
<b>(Loss)/earnings per share (cents per share) for continuing operations attributable to the ordinary equity holders of the company:</b>		
- Basic and diluted (loss)/earnings per share	(1.77)	6.49
<b>(Loss)/earnings per share for profit attributable to the ordinary equity holders of the Company:</b>		
- Basic and diluted (loss)/earnings per share	(1.91)	6.09

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.

**25. DIVIDENDS PAID AND PROPOSED**

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

There were no dividends declared at the end of the year (2011: Nil).

	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
Declared and paid during the year		
Interim unfranked dividend for 2012: 6.3 cents per share (2011: NIL)	8,963	-
	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
<b>Franking credit balance</b>		
Franking credits available for the subsequent financial years based on a tax rate of 30%	5	5

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

**26. AUDITORS' REMUNERATION**

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

	2012	2011
	\$	\$
Amounts paid or payable to Ernst & Young (Australia) for:		
- an audit or review of the financial report of the entity and any other entity in the consolidated group	91,168	93,874
- tax compliance and advice	25,500	20,000
	116,668	113,874
Amounts paid or payable to related practices of Ernst & Young (Australia) for:		
- an audit or review of the financial report of the subsidiary entities	70,264	68,390
	70,264	68,390
Amounts paid or payable to non Ernst & Young audit firms for:		
- an audit or review of the financial report of the subsidiary entities	5,379	5,490
- internal audit services	19,858	4,542
	25,237	10,032

**27. KEY MANAGEMENT PERSONNEL**

**(a) Compensation of Key Management Personnel**

	2012	2011
	\$	\$
Short-term	3,432,571	1,122,935
Post employment	13,950	71,027
Other long-term	4,700	1,511
Termination benefits	-	-
Share-based payments	-	-
	3,451,221	1,195,473

**(b) Shareholdings of Key Management Personnel**

Shares held in Vietnam Industrial Investments Limited:

	Beginning balance 1 January 2012	Granted as remuneration	On exercise of options	Net change other	Ending balance 31 December 2012
<b>Directors</b>					
A.J. Hambly <sup>(i)</sup>	116,308,510	-	-	(116,308,510)	-
H. V. H. Lam <sup>(ii)</sup>	116,308,510	-	-	-	116,308,510
A. A. Young	-	-	-	-	-
R.S. Kwok	-	-	-	-	-
A.D. Walker	-	-	-	-	-
<b>Executives</b>					
D. Nguyen	-	-	-	-	-
D. Q. Phan	-	-	-	-	-
P. Shinn	-	-	-	-	-
D. H. Ngoc	-	-	-	-	-

Notes:

<sup>(i)</sup> On 23 April 2012, Mr Hambly resigned as director of Corbyns which owns 116,308,510 shares in the Company. As at 31 December 2012, the total number of shares on issue is 142,277,423 (2011: 142,277,423).

<sup>(ii)</sup> As at 31 December 2012, Mr Lam is a director and shareholder of Corbyns which owns 116,308,510 shares in the Company. As at 31 December 2012, the total number of shares on issue is 142,277,423 (2011: 142,277,423).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

**27. 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:

<b>2011</b>	Beginning balance 1 January 2011	Granted as remuneration	On exercise of options	Net change other	Ending balance 31 December 2011
<b>Directors</b>					
A.J. Hambly <sup>(i)</sup>	116,308,510	-	-	-	116,308,510
H. V. H. Lam <sup>(ii)</sup>	116,308,510	-	-	-	116,308,510
A. A. Young	-	-	-	-	-
R.S. Kwok	-	-	-	-	-
M.A. Clements	-	-	-	-	-
<b>Executives</b>					
D. Nguyen	-	-	-	-	-
D. Q. Phan	-	-	-	-	-
P. Shinn	-	-	-	-	-
D. H. Ngoc	-	-	-	-	-

Notes:

- <sup>(i)</sup> As at 31 December 2011, Mr Hambly was a director of Corbyns which owned 116,308,510 shares in the Company. As at 31 December 2011, the total number of shares on issue is 142,277,423 (2010: 142,277,423).
- <sup>(ii)</sup> As at 31 December 2011, Mr Lam was a director and shareholder of Corbyns which owned 116,308,510 shares in the Company. As at 31 December 2011, the total number of shares on issue is 142,277,423 (2010: 142,277,423).

**(c) Option holdings of Key Management Personnel**

There are no options granted as remuneration and outstanding at 31 December 2012 to key management personnel (2011: 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**

In May 2012, Mr Lam and Mr Young accepted the Board of Directors offered for salary adjustments for years 2009 – 2011 and bonuses for 2010-2011 for achieving key performance indicators totalling \$1,262,362 and \$555,250, respectively. At 31 December 2012, the amounts owing to Mr Lam and Mr Young are \$1,124,286 and \$322,356, respectively.

In September 2011, the Company decided to relocate its registered office to 1 Station Street, Subiaco, Western Australia 6008. The Company subleased its office accommodation from Arcadia Group Pty Ltd ("Arcadia") of which Mr Kwok is a Managing Director. During the year, rent paid to this entity was \$60,000 (2011: \$15,000). The lease with Arcadia is made in the ordinary course of business and on normal commercial terms and conditions.

At 31 December 2012, the Company has a director fee payable to Mr Kwok of \$55,000 (2011: \$10,083).

At 31 December 2012, the Company does not have a director fee payable to Mr Hambly (2011: of \$86,250).

On 3 January 2012, Mr Clements resigned as Non-Executive Director and Company Secretary of the Company. At 31 December 2011, the Company has a director fee payable to Mr Clements of \$49,059.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

### 28. 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 2012.

#### (b) Investment in subsidiaries

	2012 \$'000	Company 2011 \$'000
Investments in subsidiaries	39,166	39,166
Provision for impairment of investments in subsidiaries	(8,069)	(8,069)
	31,097	31,097

Investment in Subsidiaries			Company		
Name	Country of Incorporation	% Equity interest	Investment (\$'000)		
		2012	2011	2012	2011
<b>Parent entity</b>					
Vietnam Industrial Investments Limited	Australia	-	-	-	-
<b>Controlled entities</b>					
Vinausteel Limited <sup>(i) (x)</sup>	Vietnam	70	70	12,554	12,554
Structure Steel Engineering Pte Ltd <sup>(iv) (xi)</sup>	Singapore	100	100	18,543	18,543
SSESTEEL Ltd <sup>(iv) (viii) (x)</sup>	Vietnam	100	100	-	-
Ausviet Industrial Investments Ltd <sup>(v) (xi)</sup>	Singapore	100	100	6,147	6,147
Austnam Joint Stock Corporation <sup>(ii) (x)</sup>	Vietnam	67	67	-	-
Parnham Overseas Ltd <sup>(ix)</sup>	British Virgin Islands	100	100	-	-
Total Building Systems Limited <sup>(vii) (x)</sup>	Vietnam	99	99	-	-
Vietnam Projects (Singapore) Pte Ltd <sup>(vi) (xi)</sup>	Singapore	100	100	1,922	1,922
VRC Weldmesh (Vietnam) Limited <sup>(iii) (x)</sup>	Vietnam	100	100	-	-
				39,166	39,166
Provision for impairment of investments in subsidiaries <sup>(iv) (v) (vi)</sup>				(8,069)	(8,069)
				31,097	31,097
<b>Movement in provision for impairment of investments in subsidiaries:</b>					
Opening balance				(8,069)	(6,257)
Impairment on conversion of intercompany loan to equity				-	(869)
Impairment loss				-	(943)
Closing balance				(8,069)	(8,069)

(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. The Company 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 the Company is entitled to 70% of the after tax profits derived by Vinausteel, it is considered that the Company 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 the Company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

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### 28. RELATED PARTY DISCLOSURES (CONTINUED)

#### (b) Investment in subsidiaries (continued)

- (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. The Company 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.
- (iii) VRC Weldmesh (Vietnam) Limited (“VRC”) is a wholly owned subsidiary of Vietnam Projects (Singapore) Pte Ltd and ultimately owned by the Company. 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. The Company 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 (2010: Nil).

- (v) Ausviet Industrial Investments Pte Ltd (“Ausviet”) is a wholly owned subsidiary of the Company, 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 \$8.069 million (2011: \$8.069 million) is \$6.147 million (2011: \$6.147 million) which represents the write-down of investment in Ausviet to a recoverable amount of Nil which represents the Group’s share of the recoverable amount of net assets of the underlying investments in Austnam and TBS. 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 the Company which was incorporated in Singapore to hold an investment in Vietnam. It holds 100% of VRC Weldmesh (Vietnam) Limited.

Included in the provision for impairment of investments in subsidiaries of \$8.069 million (2011: \$8.069 million) is \$1.922 million (2011: \$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

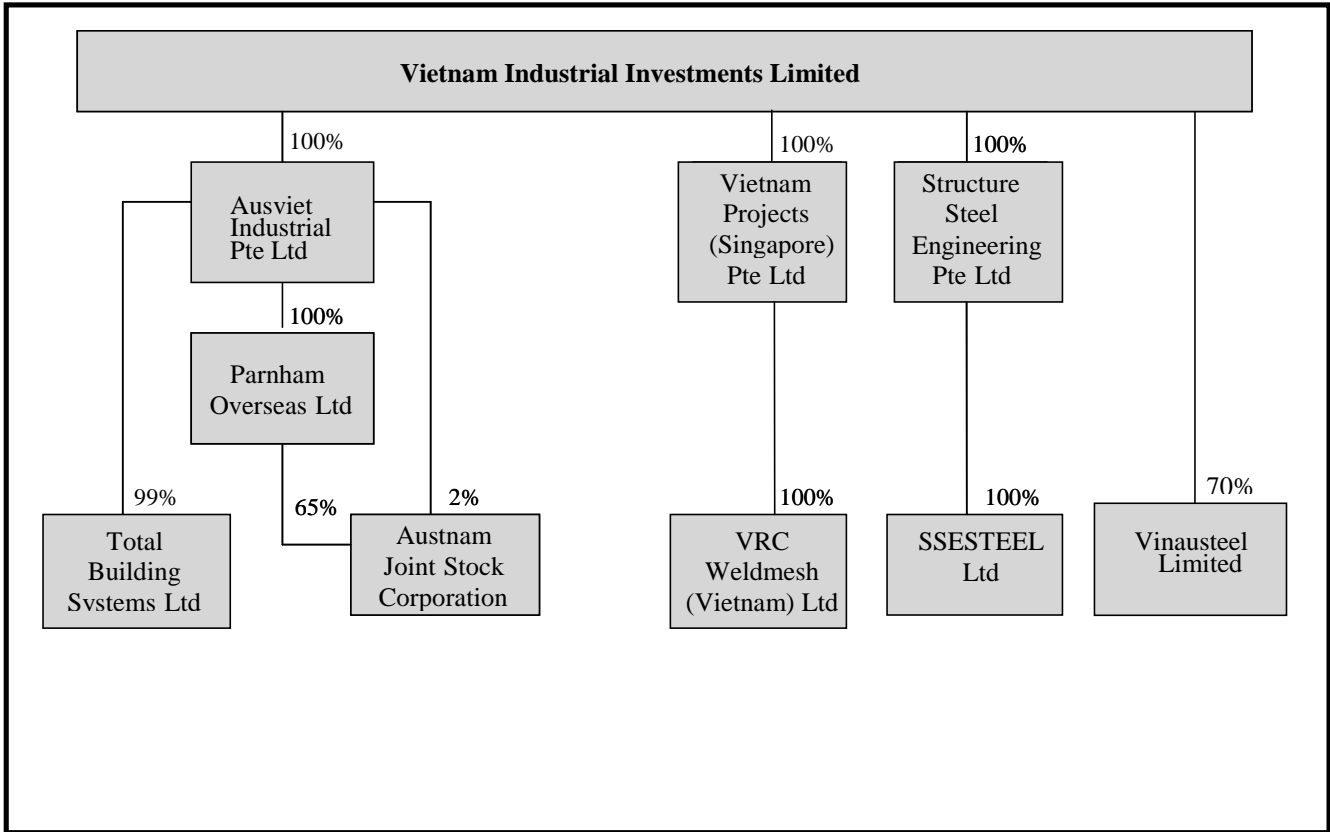
Details relating to key management personnel are set out in Note 27.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

**28. RELATED PARTY DISCLOSURES (CONTINUED)**

**(d) Corporate structure**

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



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

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**28. RELATED PARTY DISCLOSURES (CONTINUED)**

**(e) 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.

**(f) Corporate guarantees**

The corporate guarantees provided by the parent company have been disclosed in Note 19.

**29. 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 2012 are as follows:

	<b>2012</b>	2011
	<b>\$'000</b>	\$'000
Within one year	212	192
After one year but not more than five years	404	429
More than five years	810	851
Total minimum lease payments	<u>1,426</u>	<u>1,472</u>

**(b) Capital expenditure commitments**

There were no capital expenditure commitments as at 31 December 2012 (2011: Nil).

**(c) Finance, lease and hire purchase commitments**

There were no finance, lease and hire purchase commitments as at 31 December 2012 (2011: Nil).

**(d) Remuneration commitments**

There were no remuneration commitments as at 31 December 2012 (2011: Nil).



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)**

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

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Current Assets	1,201	8,074
Total Assets	32,299	39,201
Current liabilities	1,874	492
Total liabilities	1,874	492
Issued capital	27,819	27,819
Retained earnings	2,606	10,890
	<b>30,425</b>	<b>38,709</b>
Net profit/(loss) of the parent entity	679	(1,785)
Total comprehensive income/(loss) of the parent entity	679	(1,785)

**Corporate guarantees**

The corporate guarantees provided by the parent entity have been disclosed in Note 19.

**Commitments and contingencies**

The commitments have been disclosed in Note 29.

The contingencies have been disclosed in Note 31.

**31. CONTINGENT LIABILITY**

In year 2011, the Company reported a contingent liability relating to a Vietnamese customer, who 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 expense 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.

For the reporting financial year, the Group has been advised by its legal adviser that in their opinion, the case is closed. Therefore, this contingent liability no longer exists. Accordingly, the provisions for interest expense of \$2.181 million and foreign exchange losses of \$2.217 million have been reversed in the current year.

**32. EVENTS AFTER BALANCE SHEET DATE**

There has been no 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.

**33. RECLASSIFICATION OF CORRESPONDING FIGURES**

Certain corresponding figures in the consolidated income statement have been reclassified to reflect the presentation of the current financial statements.

	2011		2011	
	\$'000	\$'000	\$'000	\$'000
	(previously presented)	Discontinued operation	reclassification	(reclassified)
Consolidated income statement				
Other income	3,924	(21)	1,486	5,389
Administrative expenses	(5,767)	116	(1,486)	(7,137)

## DIRECTORS' DECLARATION

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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 2012 are in accordance with the Corporations Act 2001, including:
    - (i) Giving a true and fair view of its financial position as at 31 December 2012 and performance; and
    - (ii) Complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
  - (b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(a).
  - (c) 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 2012.

On behalf of the Board

ALAN A. YOUNG  
**Director**

Hai Phong, 27 March 2013

## **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 2012, 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 company 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 2012 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 10 to 13 of the directors' report for the year ended 31 December 2012. 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 2012, complies with section 300A of the Corporations Act 2001.

Ernst & Young

P McIver  
Partner  
Perth  
27 March 2013

## ASX ADDITIONAL INFORMATION

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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 2013.

### 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 2013, there were 103 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	9
1,001 - 5,000	33
5,001 - 10,000	15
10,001 - 100,000	37
100,001 - and over	9
	<hr/>
	103
	<hr/> <hr/>

The number of shareholders holding less than a marketable parcel at 15 March 2013 was 39.

## ASX ADDITIONAL INFORMATION (CONTINUED)

### TWENTY LARGEST SHAREHOLDERS (as at 15 March 2013)

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	5,587,015	3.93%
Joon Jin Goh	3,950,000	2.78%
J P Morgan Nominees Australia Limited	762,183	0.54%
Sonya Lam	561,280	0.39%
UOB Kay Hian Private Ltd	459,300	0.32%
HSBC Custody Nominees Australia Ltd	249,000	0.18%
Liem Q Phan & H T T Pham	130,000	0.09%
Citicorp Nominees Pty Ltd	120,000	0.08%
David & Colleen Dean	100,000	0.07%
Melissa May Longcake	62,000	0.04%
Le Quan Tring	58,600	0.04%
Angela Rutherford & Suriya Das	53,500	0.04%
Graeme Bruce Lowe	50,000	0.04%
Peter Lorenz	40,000	0.03%
Rhonda Lynette Denholm	38,997	0.03%
Marendale PL	35,714	0.03%
Robert James Jordan	34,654	0.02%
Basil Ladyman PL	33,276	0.02%
	141,636,029	99.56%

### 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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