VIETNAM INDUSTRIAL INVESTMENTS LIMITED

ABN 64 063 656 333

ANNUAL REPORT 2011

Corporate Directory
ABN 64 063 656 333

ASX Code: VII

Directors

A.J. Hambly	*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*
R.S.Kwok	*Independent Non-Executive Director*

P Shinn *Company Secretary*

Registered Office in Australia
Unit 5A, 1 Station Street
SUBIACO Western Australia 6008
Telephone: (618) 9322 2911
Facsimile: (618) 9322 2699
E-mail: administrator@vii.net.au

Website: 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

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

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

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

VRC Weldmesh (Vietnam) Ltd
Room 502, Block A
4 Nguyen Dinh Chieu Street
District 1
Ho Chi Minh City VIETNAM
Telephone: (84) 8 3911 5272
Facsimile: (84) 8 3911 5254
E-mail: vrcsales@vrcvn.com
Website: 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
Website: www.tbs.vn

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VIETNAM INDUSTRIAL INVESTMENTS LIMITED

HIGHLIGHTS OF 2011

Corporate

- Sales revenue from Vietnam operations was VND9.317 trillion ($432.612 million) up 7% on 2010 of VND8.682 trillion ($491.416 million).
- Net profit after tax and non-controlling interests was $8.659 million, up 26% on 2010 of $6.892 million.

Austnam Joint Stock Corporation (VII shareholding 67%)

- Annual sales of 441,459m², down 17% on 2010 (532,152m²).
- Sales revenue was VND74.603 billion ($3.464 million), up 0.3% on 2010 sales revenue of VND74.388 billion ($4.211 million).
- Net profit after tax and before non-controlling interests was VND1.602 billion ($0.074 million), down 71% on 2010 net profit of VND5.561 billion ($0.315 million).

SSESTEEL Ltd (VII shareholding 100%)

- Rebar sales of 168,810 tonnes, down 17% on 2010 (202,823 tonnes).
- Wire rod sales of 115,088 tonnes, up 93% on 2010 (59,629 tonnes).
- No milling in 2011(2010 2,584 tonnes).
- Total sales revenue was VND6.070 trillion ($281.813 million), up 7% on 2010 total sales revenue of VND5.680 trillion ($321.515 million).
- Net profit after tax and before non-controlling interests was VND162.530 billion ($7.806 million), up 47% on 2010 net profit of VND110.833 billion ($6.273 million).

Total Building Systems Limited (VII shareholding 99%)

- Revenues were VND100.528 billion ($4.668 million), up 70% on 2010 total revenues of VND59.304 billion ($3.357 million).
- Net profit after tax and before non-controlling interests was VND1.884 billion ($0.087 million), up 276% on 2010 net loss of VND1.071 billion ($0.061 million).

Vinausteel Limited (VII shareholding 70%)

- Annual sales of 195,005 tonnes, down 12% on 2010 (221,255 tonnes).
- Sales revenue was VND3.039 trillion ($141.096 million), up 9% on 2010 sales revenue of VND2.791 trillion ($157.984 million).
- Net profit after tax and before non-controlling interests was VND65.715 billion ($3.051 million), down 4% on 2010 net profit of VND68.641 billion ($3.885 million).

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

- Annual sales of 1,926 tonnes, down 63% on 2010 (5,197 tonnes).
- Sales revenue was VND33.828 billion ($1.571 million), down 56% on 2010 sales revenue of VND76.851 billion ($4.349 million).
- Net loss after tax and before non-controlling interests was VND12.259 billion ($0.569 million), down 16% on 2010 net loss of VND14.513 billion ($0.821 million).

CHAIRMAN'S REPORT

Dear Shareholders

As anticipated in the Chairman's 2010 Report to Shareholders, 2011 has been a difficult year in Vietnam. The Government has been focussed on measures to control inflation and the arising high interest rates and curbs on credit in particular have hindered growth in the economy, in general, and in particular in important sectors for us such as property development and infrastructure. The currency has also continued to depreciate, driving up raw material prices. This has impacted our operating performance resulting in lower profit margins.

That said, this year we are able to report a profit attributable to shareholders of $8.659 million, which is up 26% on 2010's result of $6.892 million. The increase in profit is primarily due to a reduction in certain provisions and some one-off benefits arising from deferred tax gains and foreign currency movements.

The Steel Making Division accounts for the major part of Group operations in Vietnam. Sales volumes were down slightly at 478,903 tons from 483,707 tonnes in 2010. Whilst total Group sales revenues were up slightly in VND terms, sales revenues in A$ were $434.490 million down 12% on 2010 ($494.652 million) due to devaluation of the Vietnam Dong.

Subsequent to the year end, Vinausteel has declared a dividend of VND60 billion ($2.704 million) VII's share is VND42 billion ($1.893 million), which will be paid when cash flow allows. Given the current economic conditions in Vietnam, we consider it prudent to retain the proceeds in the event the funds are required for our operations.

SSE's share in the loss of associate, Dinh Vu Steel ("DVS"), was $0.990 million, which was an improvement on the 2010 share of loss $1.365 million. However, the investment in DVS has not met our expectations. Whilst the EAF/melt shop has performed satisfactorily, the uncompleted blast furnace has proved to be a burden to the Group and we have sold our interest in this company and have booked a loss of $0.767 million.

The Steel Products Division reported an overall loss of $0.433 million which was an improvement on the 2010 result of $0.671 loss. The loss was attributable to VRC Weldmesh as Austnam and Total Building Systems reported modest profits. We continue monitor this division's operations closely.

The difficult economic conditions have continued into 2012, and the current financial year has not commenced well and sales to date have been low. There are indications that inflation is being brought under control and that interest rates will reduce in 2012. These are positive indicators for our businesses, but we expect the benefits, if any, to take some time, and we are cautious in predicting anything other than another difficult year for the Group.

I wish to take this opportunity to record the Board's thanks to our management and staff in Vietnam who have worked hard to ensure that our operations return optimum results in difficult economic circumstances.

ALEX HAMBLY
Chairman

OPERATING AND FINANCIAL REVIEW

The directors submit the Annual Report of Vietnam Industrial Investments Limited ("VII", "Company", "consolidated entity" or "the Group") for the year ended 31 December 2011.

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) Ltd ("VRC").

The total comprehensive income for the year was $6.469 million which was significantly higher than previous year's total comprehensive income of $0.208 million. The total comprehensive income for the year consisted of: 1) Net profit for the year of $9.600 million (2010: $8.161 million), and 2) Foreign currency translation of a loss of $3.131 million (2010: loss of $7.953 million).

Net Profit for the year

For the year ended 31 December 2011, the Group operating profit attributable to members was $8.659 million on revenues of $434.490 million (2010: Operating profit $6.892 million on revenues of $494.652 million).

The Steel Making Division generated more than 95% of the Group's total results, contributing an operating profit after tax of $9.941 million (VND208.531 billion) on revenues of $422.909 million (VND9.108 trillion) (2010: Operating profit after tax $8.993 million (VND158.881 billion) on revenue of $479.499 million (VND8.471 trillion). The increased revenue is due to higher steel prices and revenues from non-core products.

The Steel Making Division result included the share in net loss of an associate, Dinh Vu Steel Stock Company ("DVS"), (SSESTEEL 48.52%) for the year ended 31 December 2011 of $0.990 million (2010: $1.365 million).

On 26 December 2011, SSESTEEL sold all of its shares in its investment in an associate for $7.025 million. As a result, for the year ended 31 December 2011, the net loss on the disposal of its investment in an associate was $0.767 million.

Despite the efforts to break even, the Group's Steel Products Division continued to report a loss of $0.433 million (2010: loss of $0.671 million). The loss was caused by VRC's poor performance. Both Austnam and TBS generated a small operating profit.

The Directors have not yet given consideration to payment of a dividend for the period under review (2010: Nil).

Foreign currency translation

For the year ended 31 December 2011, the foreign currency translation was a loss of $3.131 million (2010 : loss of $7.953 million). Significant depreciation of the Vietnam Dong has impacted on Group profitability reported in Australian dollars. The average VND/AUD exchange rate in 2011 was VND21,537, a decrease of approximately 22% from 2010 average VND/AUD exchange rate of VND17,667. The VND/AUD spot rate at 31 December 2011 was VND21,363, a decrease of approximately 8% from 31 December 2010 VND/AUD spot rate of VND19,818. The USD/AUD spot rate at 31 December 2011 was US$1.0156 consistent with 31 December 2010 USD/AUD spot rate of US$1.0163.

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the year were the investments in Vietnam through its operating subsidiaries: Austnam Joint Stock Corporation, SSESTEEL Ltd, Total Building Systems Ltd, Vinausteel Ltd, and VRC Weldmesh (Vietnam) Ltd; and its associate, Dinh Vu Steel Joint Stock Company.

RESULTS OF VIETNAM OPERATIONS

The results of the Vietnam operations are as follows:

Austnam Joint Stock Corporation (VII 67%)
Austnam produces metal roofing and cladding from its factory in Hanoi which it distributes in that city and surrounding provinces. Austnam is one of a limited number of foreign invested enterprises which has been converted into a joint stock corporation.

Sales revenue was VND74.603 billion ($3.464 million) which was an increase of 0.3% on 2010 sales revenue of VND74.388 billion ($4.211 million). Sales volume for 2011 of 441,459m² was a decrease of 17% on the previous year (532,152m²). Austnam reported a net profit after tax of VND1.602 billion ($0.074 million) for the year ended 31 December 2011 (2010: net profit after tax of VND5.561 billion or $0.315 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 168,810 tonnes (2010: 202,823 tonnes), wire rod sales of 115,088 tonnes (2010: 59,629 tonnes) and no toll milling sales (2010: 2,584 tonnes). Sales revenue was VND6.070 trillion ($281.813 million) which was higher by 7% on 2010 sales revenue of VND5.680 trillion ($321.515 million). The SSESTEEL operation reported a net profit after tax of VND162.530 billion ($7.806 million) (2010: net profit after tax of VND110.833 billion or $6.273 million). Included in SSESTEEL's performance included a share in net loss of an associate, Dinh Vu Steel (SSESTEEL 48.52%), of $0.990 million (2010: loss of $1.365 million). On 26 December 2011, SSESTEEL sold all of its shares in the associate for $7.025 million and reported a loss on disposal of $0.767 million at Group level.

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

Revenues for the year ended 31 December 2011 were VND100.528 billion ($4.668 million) (2010: VND59.304 billion or $3.357 million). TBS reported a net profit after tax for the year of VND1.884 billion ($0.087 million) (2010: a net loss after tax of VND1.071 billion or $0.061 million).

Vinausteel Limited (VII 70%)
Vinausteel owns and operates a steel rolling mill in Hai Phong which produces round and deformed reinforcing steel bar for the construction industry.

Sales volume for 2011 was 195,005 tonnes, a decrease of 12% on the previous year of 221,255 tonnes. Sales revenue was VND3.039 trillion ($141.096 million), higher by 9% on 2010 (VND2.791 trillion or $157.984 million). Vinausteel reported a net profit after tax for the year of VND65.715 billion ($3.051 million) (2010: net profit after tax of VND68.641 billion or $3.885 million).

VRC Weldmesh (Vietnam) Ltd (VII 100%)
VRC produces welded steel mesh concrete reinforcing and steel fencing which are supplied throughout Vietnam. The operation has a purpose built factory in Ho Chi Minh City.

Sales volume for 2011 of 1,926 tonnes was 63% lower than the previous year of 5,197 tonnes. This represented sales revenue of VND33.828 billion ($1.571 million) which was lower by 56% on 2010 (VND76.851 billion or $4.349 million). VRC recorded a net loss after tax of VND12.259 billion ($0.569 million) for the year ended 31 December 2011 (2010: net loss after tax of VND14.513 billion or $0.821 million).

RESULTS OF VIETNAM OPERATIONS (CONTINUED)

FINANCIAL REVIEW

At 31 December 2011, cash and cash equivalents was $25.246 million. There was net decrease in cash during the year of $9.621 million due to the following:

	$'000
Net cash flows from operating activities (a)	(2,203)
Net cash flows from investing activities (b)	5,742
Net cash flows from financing activities	(11,180)
Net foreign exchange differences	(1,980)
Net Decrease	(9,621)

Notes:

(a) Net cash outflows from operating activities was principally due to the receipts from customers of $434.105 million, interest paid on loans of $8.554 million and payments to suppliers and employees of $428.127 million due largely to increased raw material costs and other operating costs. Funds used in operating activities were largely due to working capital requirements.

(b) On 26 December 2011, SSESTEEL sold all of its shares in DVS and received $7.025 million cash which resulted in an increase in net cash flows from investing activities.

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 steel frames.

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

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

SSESTEEL Ltd
SSESTEEL is a company established under the Foreign Investment Laws of Vietnam as a 100% foreign invested enterprise in terms of an Investment Licence issued on 8 August 1997 and its amended Investment Licences. The principal activities of SSESTEEL are to produce and distribute structure and construction steel products in accordance with the Investment Licence.

SSESTEEL has the obligation to pay enterprise income tax at the rate of 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 in accordance with the Investment Licence.

The term of the joint venture is 30 years and this term may be extended by mutual agreement of the parties. Operational management of Vinausteel is determined by a Joint Venture Agreement, a Charter and a Board of management which comprises of five nominees from VII and two from VSC.

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

Total Building Systems Limited
TBS was originally established as a 100% foreign invested enterprise in Vietnam in accordance with the Investment 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 residential consumers in Vietnam.

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

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

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

TAX SPARING

The "tax sparing" arrangements under the Taxation Agreement between Australia and Vietnam have been formalised. Income which is subject to tax sparing includes income from the business and trading activities established in Vietnam. VII obtains the benefit of the tax sparing arrangement. The effect of this is that income from operations in Vietnam will be quarantined from Australian income tax and VII will not be able to deduct expenses incurred on operations in Vietnam.

DIRECTORS' REPORT

Your directors submit their report for the year ended 31 December 2011.

DIRECTORS

The names, qualifications, experience and special responsibilities of the Directors of the Company in office during the financial year and until the date of this report are:

Mr Alexander John Hambly
Chairman (Non Executive Director)
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 is also a member of the VII Audit and Remuneration Committees. He has not been a director of any other listed company in the last three years.

Mr Henry (Van Hung) Lam
Managing Director
(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 sector and was employed for several years in banking and finance. For the past twenty years, he has gained wide experience in the administration of public companies, particularly in the resource sector. Mr Young is a Board member of all the operating subsidiaries in Vietnam. He was a Fellow of the Institute of Corporate Managers, Secretaries and Administrators and past President of the Western Australia-Vietnam Business Council Inc. He has not been a director of any other listed company in the last three years.

Mr Roger (Sing-Leong) Kwok
Independent Non Executive Director
Mr Roger Kwok is the Managing Director of Arcadia Group in Perth which specialises in designing, developing and managing retirement resorts and premium properties. For the last twenty years, Mr Kwok has managed a number of Australian businesses in the automotive and healthcare sectors. He is a past president of The Western Australian Chinese Chamber of Commerce and brings significant experience in business relations in international markets, particularly China, which sources raw materials to VII's rolling mills. Mr Kwok is the Chairman of the VII Audit and Remuneration Committees. He has not been a director of any other listed company in the last three years.

Mr Andrew David Walker (appointed 3 January 2012)
Independent Non-Executive Director
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 as officer in the Australian Army and a Platoon Commander in Australia's elite parachute regiment. Mr Walker has a wide range of Board experiences, 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.

DIRECTORS (CONTINUED)

Mr Mark Andrew Clements (resigned 3 January 2012)
Non-Executive Director and Company Secretary
Mr Clements has 18 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 the Executive Director of MOD Resources Limited (*formerly* Medical Corporation Australasia Limited), a company listed on the Australian Securities Exchange and is Company Secretary for a number of diversified ASX listed companies. Mr Clements previously worked for an international accounting firm. He is a Fellow of the Institute of Chartered Accountants in Australia and a Member of the Australian Institute of Company Directors. Mr Clements was a member of the VII Audit and Remuneration Committees.

COMPANY SECRETARY

Ms Patricia Shinn 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:

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

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

EARNINGS PER SHARE	**Cents**
Basic and diluted earnings per share	6.09

DIVIDENDS

There were no dividends declared or paid during the year (2010: 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
The consolidated profit after tax and non-controlling interests for the year ended 31 December 2011 was $8.659 million (2010: $6.892 million).

Operating and Financial Review of the consolidated entity for the year is set out in pages 4 to 7 in the Annual Report 2011.

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

Employees
The consolidated entity employed 669 employees as at 31 December 2011 (2010: 713 employees).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review, other than as outlined in the Operating and Financial Review section.

SUBSEQUENT EVENTS AFTER THE BALANCE DATE

On 22 February 2012, Vinausteel Limited has declared a dividend of VND60 billion ($2.704 million) of which VII's share is VND42 billion ($1.893 million).

Other than the above, there has been no other matter or circumstance that has arisen since the end of the year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The consolidated entity's operations are not subject to any significant environmental regulations under either the Commonwealth or State legislation. However, the Board believes that the consolidated entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the consolidated entity.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The consolidated entity expects to continue to focus on the commercial production of rebar and wire rod from rolling mills at Vinausteel and SSESTEEL, roofing and wall cladding at Austnam's factory in Hanoi, welded steel reinforcing and fencing at VRC's factory in Ho Chi Minh City, and 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 Mark Clements. Mr Roger Kwok is the Chairman of the Remuneration committee. Since the departure of Mr Clements subsequent to the year end, Mr Walker is a member of the Remuneration Committee. The Remuneration Committee meets as required to discuss senior executive's performance and remuneration packages. The Remuneration Committee may obtain independent advice on the appropriate remuneration packages, given trends in companies both locally and internationally.

The Remuneration Committee of the Board reviews and makes recommendations to the Board on remuneration 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			Post employment		Long-term Benefit	
		Salary & Fees $	Bonus $	Non-Monetary Benefits $	Retirement Benefits $	Super-contributions $	Long Service Leave $	Total $
Directors								
A. J. Hambly [(i)]	2011	115,000	-	-	-	-	-	115,000
(Non-Executive Director,Chairman)	2010	174,000	-	-	-	-	-	174,000
H. V. H. Lam [(ii) (iv)]	2011	163,104	-	94,256	-	-	-	257,360
(Managing Director/ Chief Executive Officer)	2010	179,184	179,015	99,378	-	-	-	457,577
A. A. Young [(iii) (iv)]	2011	173,785	-	25,977	-	-	-	199,762
(Managing Director/ Chief Operating Officer)	2010	198,837	-	17,724	-	-	-	216,561
R. S. Kwok [(i)]	2011	110,000	-	-	-	-	-	110,000
(Independent Non-Executive Director)	2010	144,000	-	-	-	-	-	144,000
M. A. Clements [(i) (v)]	2011	138,000	-	-	21,599	-	-	159,599
(Non-Executive Director and Company Secretary)	2010	172,000	2,000	-	-	-	-	174,000
Total	2011	699,889	-	120,233	21,599	-	-	841,721
	2010	868,021	181,015	117,102	-	-	-	1,166,138
Senior Executives								
D. Nguyen [(vi)]	2011	151,831	-	31,090	-	-	-	182,921
(Chief Financial Officer appointed 19 April 2011)	2010	-	-	-	-	-	-	-
P. Shinn [(vii)]	2011	35,000	-	-	-	3,150	1,511	39,661
(Chief Financial Officer until 18 April 2011)	2010	120,000	15,000	-	-	10,800	1,500	147,300
D. Q. Phan [(iv) (ix)]	2011	20,019	-	112	46,278	-	-	66,409
(General Manager - VRC)	2010	135,866	27,250	-	-	-	-	163,116
T. Huang [(iv) (viii)]	2011	-	-	-	-	-	-	-
(Group Finance and Operations Officer)	2010	-	27,062	-	-	-	-	27,062
D. H. Ngoc [(iv)]	2011	64,761	-	-	-	-	-	64,761
(General Manager – TBS)	2010	56,520	11,198	-	-	-	-	67,718
Total	2011	271,611	-	31,202	46,278	3,150	1,511	353,752
	2010	312,386	80,510	-	-	10,800	1,500	405,196

REMUNERATION REPORT (AUDITED) (CONTINUED)

(i) In 2010, the Non-Executive Directors' fees were as follows: $105,000 to Mr Hambly; $90,000 to Mr Kwok; and $80,000 to Mr Clements. Included in 2010 Non-Executive Directors' remuneration were payment to Mr Hambly ($69,000), Mr Kwok ($54,000) and Mr Clements ($44,000) which relates to the 2009 back pay for Non-Executive Directors following shareholder approval of the maximum aggregate remuneration payable to Non-Executive Directors on 26 May 2010. In 2011, the Board of Directors approved to increase the Non-Executive Directors fees by $10,000 per annum. The Board of Directors also approved an additional payment of $10,000 to Mr Kwok for chairing the Audit Committee.
(ii) Mr Lam's remuneration was paid by the Vietnam subsidiary that he is employed with in USD and VND. The strong AUD in the last two years led to the decrease in his 2011 remuneration on conversion to AUD using the average foreign exchange rates. Non-monetary benefits of $94,256 pertain to benefits in relation to his employment in Vietnam (2010: $99,378).
(iii) Mr Young's remuneration was paid by the Vietnam subsidiary that he is employed with in USD and VND. The strong AUD in the last two years led to the decrease in his 2011 remuneration on conversion to AUD using the average foreign exchange rates. Non-monetary benefits of $25,977 pertain to benefits in relation to his employment in Vietnam (2010: $17,724).
(iv) In 2010, the CEO, COO and senior executives received a once-off non-performance based discretionary bonus pertaining to 2009 financial year of $250,000 allocated among themselves.
(v) Mr Clements was the Group's company secretary until 3 January 2012. His salary included company secretarial fees of $48,000 (2010: $48,000). Mr Clements was paid retirement benefits of $21,599.
(vi) Mr Nguyen was appointed Chief Financial Officer on 19 April 2011 for the initial three-year period. His salary package is US$240,000 fixed remuneration per annum plus up to US$60,000 performance bonus based on target with payment being made at the end of each year. The final sum will depend on his performance to target and the profitability of the Group based on the discretion of the Directors. Non-monetary benefits of $31,090 pertain to benefits in relation to his employment in Vietnam.
(vii) Ms Shinn was the Chief Financial Officer until the appointment of Mr Nguyen on 19 April 2011.
(viii) Mr Huang was Group Finance and Operations Officer until 31 August 2009 and appointed as General Director of Dinh Vu Steel Joint Stock Company on 1 September 2009.
(ix) Mr D.Q. Phan resigned on 28 February 2011.

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 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.

PJ Kinder Consultant 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. However, this remuneration is subject to the acceptance of the CEO and COO upon determination of its tax implications.

The external remuneration consultant received $7,700 for its remuneration recommendation on the Company's remuneration packages for the CEO and COO.

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 (2010: Nil).

Service Agreements

Employment contracts are yet to be finalised with the CEO and COO. An independent remuneration consultant has been engaged to perform an overview of the executive remuneration structure.

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' MEETINGS

For the year ended 31 December 2011, 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	12	12	7	7	3	3
H. V. H. Lam	12	10	-	-	-	-
A. A. Young	12	12	-	-	-	-
R. S. Kwok	12	12	7	7	3	3
M. A. Clements	12	12	7	7	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 two occasions whereby the Board approved matters by circular resolution.

SHARE OPTIONS

Unissued shares

As at the date of this report there were no unissued ordinary shares under options. Since the Company does not have any share options, there were no shares issued as a result of the exercise of options.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has not, during or since the financial year, in respect of any person who is or has been an officer of the Company or related body corporate indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer; including costs and expenses in successfully defending any legal proceedings.

During the financial year the Company has paid premiums in respect of Directors' and Officers' Liability and Company Reimbursement Insurance contracts for the current directors and officers. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of this insurance, as such disclosure is prohibited under the terms of the contract.

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

Section 307C of the Corporations Act 2001 requires the company's auditors, Ernst & Young, to provide the directors with a written Independence Declaration in relation to their audit of the financial report for the year ended 31 December 2011. This written Auditor's Independence Declaration forms part of this Directors' Report.

Non-Audit Services
The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that the auditor independence was not compromised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services during the current year:

Tax compliance services	$20,000

Signed in accordance with a resolution of the directors.

ALAN A. YOUNG
Director

Hai Phong, 30 March 2012

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

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

Auditor's Independence Declaration to the Directors of Vietnam Industrial Investments Limited

In relation to our audit of the financial report of Vietnam Industrial Investments Limited for the financial year ended 31 December 2011, 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
30 March 2012

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE OVERVIEW STATEMENT

This document outlines the Corporate Governance practices that were in place throughout the financial year, unless otherwise stated. The following information about the Company's Corporate Governance practices is set out on the Company's website at www.vii.net.au.

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

BOARD OF DIRECTORS

Role of the Board
The Board's primary role is the protection and enhancement of long-term shareholders value. To fulfil this role, the Board is responsible for the overall corporate governance of the consolidated entity, including formulating its strategic direction, approving and monitoring capital expenditure, setting remuneration, appointing, removing and creating succession policies for directors and senior executives, establishing and monitoring the achievement of management's goals and ensuring the integrity of internal control and management information systems.

It is also responsible for approving and monitoring financial and other reporting. Details of the Board Charter are set out in the Company's website.

The Board has delegated responsibility for operation and administration of the Company to the Managing Directors and senior executives.

Board Processes
To assist in the execution of its responsibilities, the Board has established Audit, Risk and Remuneration Committees. The committees have written mandates which are reviewed on a regular basis. The Board has also established a framework for the management of the consolidated entity including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

Composition of the Board
The Board as at the date of this report are:

Mr Alexander John Hambly, *Non-Executive Director*, *Chairman*
Mr Henry (Van Hung) Lam, *Managing Director (Chief Executive Officer)*
Mr Alan Alexander Young, *Managing Director (Chief Operating Officer)*
Mr Roger (Sing-Leong) Kwok, *Independent Non-Executive Director*
Mr Andrew David Walker, *Independent Non-Executive Director (appointed 3 January 2012)*
Mr Mark Clements, *Non-Executive Director and Company Secretary (resigned 3 January 2012)*

The names, skills, experiences, expertise, and appointment dates of the directors of the Company in office at the date of this report are set out in the Directors' Report.

The composition of the Board is determined using the Statement of Selection and Appointment of New Directors contained in the Board Charter on the Company's website.

Independent Professional Advice and Access to Company Information
Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairperson, may seek independent professional advice from a suitably qualified adviser at the consolidated entity's expense. A copy of the advice received by the director must be made available to all other members of the Board

Term of office
The Company's constitution specifies that all Directors (with the exception of the Managing Directors) must retire from office no later than the third annual general meeting (AGM) following their last election. Where eligible, a Director may stand for re-election.

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

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 2011 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, is not considered to be an independent director of the Company as he is associated with the Company which advises one of Corbyns International Limited's shareholders. Mr Mark Clements was not considered to be an independent director of the Company as he used to be the Company's executive director until his resignation on 6 December 2007. At the same date, Mr Mark Clements was appointed as Non-Executive Director of the Company and Company Secretary until 3 January 2012.

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 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.

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 28 to the financial statements.

Code of Conduct
The consolidated entity has advised each director, senior executive and employee that they must comply with the Company's Code of Conduct. The Code may be viewed at the Company's website (www.vii.net.au), and it covers the following:

- the pursuit of the highest standards of ethical conduct in the interests of shareholders and other stakeholders;
- usefulness of financial information by maintaining appropriate accounting policies and practices and disclosure;
- employment practices such as employment opportunity, the level and structure of remuneration, and conflict resolution;
- responsibilities to the community;
- compliance with all legislation affecting the operations and activities of the consolidated entity, both in Australia and overseas;
- conflicts of interest;
- corporate opportunities such as preventing directors and key executives from taking advantage of property, information or position for personal gain;
- confidentiality of corporate information;
- protection and proper use of the Company's assets;
- compliance with laws; and
- reporting of unethical behaviour.

Trading in the Company's Securities by Directors and Employees
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).

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).

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	10	40%
Representation throughout the Group	95	14%

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

AUDIT COMMITTEE

The Audit Committee has a documented charter approved by the Board. All members of the Audit Committee must be non-executive directors, consists of majority of independent directors, is chaired by an independent director and has at least three members. The committee advises on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the consolidated entity.

Members of this Committee during the financial year were:

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

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.

Seven 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 2011 present a true and fair view, in all material respects, of the Company's financial condition and operational results, and are in accordance with relevant accounting standards. This statement is required annually.

The Audit Committee's charter is available on the Company's website (www.vii.net.au).

Responsibilities of the Audit Committee
The responsibilities of the Audit Committee include reporting to the Board on:

- reviewing the annual and half-year financial reports and other financial information distributed externally. This includes approving new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles, and assessing whether the financial information is adequate for shareholder needs;
- assessing corporate risk assessment processes;
- reviewing the Company's policies and procedures in accordance with International Financial Reporting Standards;
- assessing whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence.
- reviewing the appointment and performance of the external auditor;
- assessing the adequacy of the internal control framework and the Company's code of conduct; and
- monitoring the procedures to ensure compliance with the Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements.

The Audit Committee reviews the performance of the external auditors on an annual basis and normally meets with them during the year to:

- discuss the audit plans, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements;
- review the half-year and preliminary final report prior to lodgement with the ASX, and any other significant adjustments required as a result of the auditor's findings and to recommend Board approval of these documents, prior to announcement of results; and
- review the draft financial report and recommend Board approval of the financial report.

Information on procedures in relation to these matters may be viewed in the Audit Committee Charter on the Company's website (www.vii.net.au).

Ernst & Young, who are the current external auditors, have an Independence policy of rotating the audit partner at least every 5 years. Mr Peter McIver, current lead engagement partner, was appointed in 2010.

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

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

CONTINUOUS DISCLOSURE TO ASX

The Company's shares are listed on the ASX and as such the Company is required to comply with the continuous disclosure requirements set out in the ASX Listing Rules. The managing directors and the chief financial officer are responsible for interpreting the Company's policy and where necessary informing the Board. The Company Secretary is responsible for all communications with the ASX. Such matters are advised to the ASX on the day they are discovered. The directors and all senior executives are responsible for monitoring the Group's internal and external environment for information or events potentially requiring disclosure.

In order to ensure that the Company meets its obligations with regard to the continuous disclosure requirements, the Company has adopted a Continuous Disclosure Policy.

The Continuous Disclosure Policy sets out the Company's obligations and its policies and procedures to ensure timely and accurate disclosure of price sensitive information to the market. The detail of this policy is available on the Company's website (www.vii.net.au).

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

COMMUNICATION WITH SHAREHOLDERS

The Board provides shareholders with information using a Communication with Shareholder Policy which includes identifying matters that may have a material effect on the price of the Company's securities, notifying them to the ASX, posting them on the Company's website, and issuing media releases. More details of the policy are available on the Company's website (www.vii.net.au).

In summary, the Communication with Shareholder operates as follows:

- the annual report is distributed to all shareholders (unless a shareholder has specifically requested not to receive the document), including relevant information about the operations of the consolidated entity during the year, changes in the state of affairs and details of future developments. The annual report is posted on the Company's website;
- the half-yearly report and preliminary final report contain summarised information and a review of the operations of the consolidated entity during the period. The half-year reviewed financial report and full year audited financial report are lodged with the Australian Securities and Investments Commission and the ASX, and sent to any shareholder who requests a copy. The half-yearly report is posted on the Company's website;
- proposed major changes in the consolidated entity which may impact on share ownership rights are submitted to a vote of shareholders;
- all announcements made to the market, and related information (including information provided to analysts or the media during briefings), are placed on the Company's website after they are released to the ASX;
- transcripts of analyst and media presentations are placed on the Company's website; and
- the external auditor is requested to attend the annual general meeting to answer any questions concerning the audit and the content of the auditor's report.

Principle 7: Recognise and manage risk
"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).

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

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

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

Risk Management and Compliance and Control
The Board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities. The consolidated entity has established a system of internal controls which takes account of key business exposures. The system is designed to provide reasonable assurance that assets are safe-guarded, proper accounting records are maintained and financial information is reliable. The system is based upon detailed financial and operating reporting, written procedures, policies and guidelines, organisational structures that provide an appropriate division of responsibility and the careful selection and training of qualified personnel.

Operating practices have been established to facilitate that:

- major capital expenditure commitments obtain prior Board approval;
- financial exposures are controlled, including the use of derivatives;
- business transactions are properly authorised and executed;
- the quality and integrity of personnel;
- financial reporting accuracy and compliance with the financial reporting regulatory framework;
- management review of the balance sheet and internal control environment;
- monthly review of financial performance compared to budget;
- analysis of financial performance and significant balance sheet items to comparative periods and key performance indicators; and
- environmental regulation compliance.

Financial Reporting
In accordance with section 295A of the Corporations Act, the 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*
Mr Mark Andrew Clements, *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.

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

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

Recommendation	Comply (Yes/No)	Comments
Principle 7 – Recognise and manage risk		
7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	
7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	
7.3: The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	
7.4: Companies should provide the information indicated in the guide to reporting on Principle 7.	Yes	
Principle 8 – Remunerate fairly and responsibly		
8.1: The board should establish a remuneration committee.	Yes	
8.2: The remuneration committee should be structured so that it:		
• consists of a majority of independent directors	No	Refer to page 23
• is chaired by an independent chair	Yes	
• has at least three members.	Yes	
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 2011

	Notes	**2011** **$'000**	2010 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	7	25,246	34,867
Trade and other receivables	8	14,224	19,426
Advances to suppliers	9	27,484	25,445
Inventories	10	55,667	55,747
Financial assets – at fair value through profit or loss	11	28	27
Other current assets	12	434	200
Total Current Assets		123,083	135,712
Non-current Assets			
Receivables	13	29	148
Investments in an associate	14	-	9,766
Property, plant and equipment	16	13,489	15,039
Deferred tax assets	6 (d)	1,637	-
Intangible assets and goodwill	17	301	329
Total Non-current Assets		15,456	25,282
TOTAL ASSETS		138,539	160,994
LIABILITIES			
Current Liabilities			
Trade and other payables	18	15,244	11,593
Advances from customers		3,826	19,199
Income tax provision	6 (e)	1,889	2,230
Interest-bearing loans and borrowings	19	61,676	76,901
Provisions	20	654	1,416
Total Current Liabilities		83,289	111,339
Non-current Liabilities			
Interest-bearing loans and borrowings	19	235	1,109
Total Non-current Liabilities		235	1,109
TOTAL LIABILITIES		83,524	112,448
NET ASSETS		55,015	48,546
EQUITY			
Equity attributable to equity holders of parent			
Contributed equity	21	27,819	27,819
Reserves	22	(14,691)	(11,826)
Retained earnings	22	37,431	28,772
Parent interests		50,559	44,765
Non-controlling interests	23	4,456	3,781
TOTAL EQUITY		55,015	48,546

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	**2011** **$'000**	2010 $'000
Sale of goods		427,944	488,060
Contract revenue		4,668	3,356
Other revenue	5	1,878	3,236
Revenue		434,490	494,652
Cost of sales	5	(408,731)	(457,724)
Gross profit		25,759	36,928
Other income	5	3,924	1,193
Marketing expenses	5	(4,353)	(2,789)
Administrative expenses	5	(5,767)	(14,990)
Finance costs	5	(8,554)	(7,899)
Share of net loss of an associate	14	(990)	(1,365)
Loss on disposal of investment in an associate	14	(767)	-
Profit before income tax		9,252	11,078
Income tax benefit/(expense)	6	348	(2,917)
Net profit for the year		9,600	8,161
Other comprehensive income			
Foreign currency translation		(3,131)	(7,953)
Other comprehensive income for the year		(3,131)	(7,953)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		6,469	208
Profit attributable to:			
Owners of parent		8,659	6,892
Non-controlling interests		941	1,269
		9,600	8,161
Total comprehensive income attributable to:			
Owners of parent		5,794	(179)
Non-controlling interests		675	387
		6,469	208
		Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:			
– Basic and diluted earnings per share	24	6.09	4.84

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 2011

	Attributable to equity holders of the parent					*Non-controlling interests*	*Total equity*
	Contributed equity	*Foreign currency translation reserves*	*Retained earnings*	*Legal reserves*	*Owners of the parent*		
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1January 2010	27,819	(5,879)	21,880	1,124	44,944	5,760	50,704
Net profit for the year	-	-	6,892	-	6,892	1,269	8,161
Other comprehensive loss	-	(7,071)	-	-	(7,071)	(882)	(7,953)
Total comprehensive (loss)/income for the year	-	(7,071)	6,892	-	(179)	387	208
Dividends paid by subsidiaries	-	-	-	-	-	(2,366)	(2,366)
At 31 December 2010	27,819	(12,950)	28,772	1,124	44,765	3,781	48,546
At 1 January 2011	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)
Total comprehensive income for the year	-	(2,865)	8,659	-	5,794	675	6,469
Dividends paid by subsidiaries	-	-	-	-	-	-	-
At 31 December 2011	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 2011

	Notes	**2011 $'000**	2010 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		434,105	468,581
Payments to suppliers and employees (inclusive of GST)		(428,127)	(494,872)
Interest received		1,878	3,236
Interest paid		(8,554)	(7,899)
Income taxes paid		(1,505)	(4,123)
Net cash flows used in operating activities	7(a)	(2,203)	(35,077)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,297)	(899)
Acquisition of an associate		-	(9,821)
Proceeds from sale of investment in an associate	14	7,025	-
Proceeds from sale of property, plant and equipment		16	31
Acquisition of software		(2)	-
Net cash flows provided by/(used in) investing activities		5,742	(10,689)
Cash flows from financing activities			
Proceeds from bank borrowings		202,654	244,683
Repayment of bank borrowings		(213,027)	(228,943)
Dividends paid to minority interest		(807)	(1,559)
Net cash flows (used in)/provided by financing activities		(11,180)	14,181
Net decrease in cash and cash equivalents		(7,641)	(31,585)
Net foreign exchange differences		(1,980)	(7,110)
Cash and cash equivalents at beginning of year		34,867	73,562
Cash and cash equivalents at end of year	7	25,246	34,867

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

1. COMPANY INFORMATION

The consolidated financial statements of Vietnam Industrial Investments Limited for the year ended 31 December 2011 was authorised for issue in accordance with a resolution of the directors on 23 March 2012.

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 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 under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

(a) Compliance with IFRS

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

(b) New accounting standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 January 2011:

- AASB 124 Related Party Disclosures (amendment) effective 1 January 2011
- Improvements to AASBs (May 2010)

The adoption of the standards or interpretations is described below:

AASB 124 Related Party Transactions (Amendment)
The AASB issued an amendment to AASB 124 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) New accounting standards and interpretations (continued)

Improvements to AASBs
In May 2010, the AASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Group.

- AASB 3 Business Combinations: The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets.
- The amendments to AASB 3 are effective for annual periods beginning on or after 1 July 2011. The Group, however, adopted these as of 1 January 2011 and changed its accounting policy accordingly as the amendment was issued to eliminate unintended consequences that may arise from the adoption of AASB 3. This amendment has no impact on the Group.
- AASB 7 Financial Instruments — Disclosures: The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. The Group reflects the revised disclosure requirements in Note 3.
- AASB 101 Presentation of Financial Statements: The amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the financial statements. There are no amendments required for the Group.

Other amendments resulting from Improvements to AASBs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:
- AASB 3 Business Combinations (Contingent consideration arising from business combination prior to adoption of AASB 3 (as revised in 2008))
- AASB 3 Business Combinations (Un-replaced and voluntarily replaced share-based payment awards)
- AASB 127 Consolidated and Separate Financial Statements
- AASB 134 Interim Financial Statements

The following interpretation and amendments to interpretations did not have any impact on the accounting policies, financial position or performance of the Group:
- AASB Int 13 Customer Loyalty Programmes (determining the fair value of award credits)
- AASB Int 19 Extinguishing Financial Liabilities with Equity Instruments

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New accounting standards and interpretations (continued)

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 31 December 2011 are outlined in the table below:

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 1054	Australian Additional Disclosures	This standard is as a consequence of phase 1 of the joint Trans-Tasman Convergence project of the AASB and FRSB. This standard, with AASB 2011-1 relocates all Australian specific disclosures from other standards to one place and revises disclosures in the following areas: (a) Compliance with Australian Accounting Standards (b) The statutory basis or reporting framework for financial statements (c) Whether the financial statements are general purpose or special purpose (d) Audit fees (e) Imputation credits	1 July 2011	The Group will make these disclosures for the year ending 31 December 2012.	1 January 2012
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]	The amendments increase the disclosure requirements for transactions involving transfers of financial assets. *Disclosures* require enhancements to the existing disclosures in IFRS 7 where an asset is transferred but is not derecognised and introduce new disclosures for assets that are derecognised but the entity continues to have a continuing exposure to the asset after the sale.	1 July 2011	The Group has not yet determined the impact of these amendments on the Group's financial report.	1 January 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New accounting standards and interpretations (continued)

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

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 101]	This Standard requires entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).	1 July 2012	The Group has not yet determined the impact of these amendments 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 Standard makes amendments to remove individual key management personnel disclosure requirements from AASB 124.	1 July 2013	The Group will determine the impact of these amendments on the Group's financial report disclosures for year ending 31 December 2014.	1 January 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New accounting standards and interpretations (continued)

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

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 1053	Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements: (a) Tier 1: Australian Accounting Standards (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: (a) For-profit entities in the private sector that have public accountability (as defined in this Standard) (b) The Australian Government and State, Territory and Local Governments The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: (a) For-profit private sector entities that do not have public accountability (b) All not-for-profit private sector entities (c) Public sector entities other than the Australian Government and State, Territory and Local Governments. Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2.	1 July 2013	There will be no impact on the financial statements as the reduced disclosure will not be available to apply.	1 January 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New accounting standards and interpretations (continued)

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

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 9	Financial Instruments	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. (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. (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. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.	1 January 2013**	The Group has not yet determined the impact of these amendments on the Group's financial report.	1 January 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New accounting standards and interpretations (continued)

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

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
		(d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11			
AASB 10	Consolidated Financial Statements	AASB 10 establishes a new control model that applies to all entities**.** It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation – Special Purpose Entities.* 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. This is likely to lead to more entities being consolidated into the group. Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 127.	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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New accounting standards and interpretations (continued)

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

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 11	Joint Arrangements	AASB 11 replaces AASB 131 *Interests in Joint Ventures* and UIG-113 *Jointly- controlled Entities – Non-monetary Contributions by Ventures.* 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. This may result in a change in the accounting for the joint arrangements held by the group. Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB128.	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
AASB 12	Disclosure of Interests in Other Entities	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 judgements 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 of these amendments on the Group's financial report disclosures for year ending 31 December 2013.	1 January 2013

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New accounting standards and interpretations (continued)

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

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance under AASB 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 has not yet determined the impact of these amendments on the Group's financial report.	1 January 2013
AASB 119	Employee Benefits	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 recognized in full with actuarial gains and losses being recognized in other comprehensive income. It also revised the method of calculating the return on plan assets. 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) 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	Stripping Costs in the Production Phase of a Surface Mine	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.	1 January 2013	This interpretation will not have any impact on the Group's financial report.	1 January 2013

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

** AASB ED 215 *Mandatory effective date of IFRS 9* proposes to defer the mandatory effective date of AASB 9 to annual periods beginning on or after 1 January 2015, with early application permitted

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) 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 subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, 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.

Non-controlling interests not held by the Group are allocated their share of net profit/loss after tax in the income statement and are presented within equity in the consolidated balance sheet, separately from the parent shareholders’ equity.

(e) Significant accounting judgements, estimates, and assumptions

Significant accounting judgements

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

Impairment of non-financial assets other than goodwill
The Group assesses impairment of all assets at each reporting date by evaluating the conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments, and future product expectations. If an impairment trigger exists, the recoverable amount is determined.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Significant accounting judgements, estimates, and assumptions (continued)

Taxation
The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only to the extent it is probable that they will be recovered, which is dependent on the generation of sufficient future taxable profits. Deferred tax liabilities arising from temporary differences in investments, caused principally by retained earnings held in foreign tax jurisdictions, are recognised unless repatriation of retained earnings can be controlled and are not expected to occur in the foreseeable future.

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future cash flows. These depend on estimates of future production and sales volumes, operating costs, restoration costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the profit or loss.

Significant accounting estimates and assumptions

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

Classification of and valuation of investments
The Group has decided to classify investments in listed securities as 'financial assets – at fair value through profit or loss' investments and movements in fair value are recognised directly in the statement of comprehensive income. The fair value of listed shares has been determined by reference to published price quotations in an active market.

(f) Operating segments

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

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

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

- Nature of the products and services;
- Nature of the production processes;
- Type or class of customer for their products and services;
- Methods used to distribute their products or provide their services; and
- If applicable, the nature of the regulatory environment, for example, banking, insurance or public utilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Operating segments (continued)

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

(g) Foreign currency translation

The consolidated financial statements are presented in Australian dollars ($) which is both the functional and presentation currency of the parent company. Each entity in the Group determines its own 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 at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

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 income statement.

(h) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the statement of financial position.

(i) Trade and other receivables

Trade receivables, which are generally on a 60 day term, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectibility of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials – purchase cost on a first-in, first-out basis or weighted average basis.
- Finished goods and work-in-progress – cost of direct materials and labour and a proportion of variable and fixed manufacturing overheads based on normal operating capacity. Costs are assigned on the basis of weighted average costs.
- Construction work in progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where the progress billings exceed the aggregate costs incurred plus profits less losses, the net amounts are presented under other liabilities. Construction costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(k) Financial assets

Initial recognition and measurement
Financial assets in 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 classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Gains or losses on investments held for trading are recognised in profit or loss and the related assets are classified as current assets in the statement of financial position.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except those with maturities greater than 12 months after the balance date which are classified as non-current.

The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Borrowing costs

Borrowing costs 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.

(m) 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.

(n) 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Property, plant and equipment (continued)

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each financial year end.

Derecognition
An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

(o) 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Non-financial assets other than goodwill are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(q) Trade and other payables

Trade and other payables are carried at amortised cost due to their short term nature and are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(r) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(s) Advances from customers

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

(t) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of managements' best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Employee provisions and other post-employment benefits

(i) Wages, salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave
The liability for long service leave is recognised in the provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Expected future payments are discounted using the market yields at the reporting date on national government bonds with terms to maturity and currencies that match as closely as possible, the estimated future cash flows.

(iii) Retirement benefit obligations
The parent company contributes to several defined contribution superannuation plans. Contributions are recognised as an expense as they are incurred. Directors and employees of the parent company may be entitled to a retirement benefit which if determined to be payable will be based upon two weeks of salary for each full year of service and where the director or employee is aged 45 or over at retirement or termination, an additional one half weeks pay for each year of service, or if aged 55 or over at termination or retirement an additional one weeks pay for each year of service. Retirement benefits are in addition to any accrued statutory annual leave and long service leave entitlements accrued by employee and superannuation shall be payable on the retirement benefits. The total payment to a director or an employee on retirement or termination (retirement benefits, plus annual and long service leave entitlements) may not exceed the Corporations Act limits. Any determination and payment of termination benefits will be at the discretion of the Board of Directors and will be determined on a case to case basis.

In accordance with the applicable laws and regulations of the Group's overseas subsidiaries, employees are entitled to receive lump-sum payments upon termination of their employment, based on their average monthly salary of the 6-month period up to the reporting date, length of service and rate of pay at the time of termination. Accrued retirement benefits represent the amount which would be payable assuming all eligible employees were to terminate their employment as at the balance date.

(v) Leases

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 leasor, 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.

(w) Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods
Revenue from the sale of goods is recognised when 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Revenue (continued)

Interest income
Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividends
Revenue is recognised when the Group's right to receive the payment is established.

Construction contracts
Contract revenues and expenses are recognised in accordance with the percentage of completion method when the stage of contract completion can be reliably determined, cost to date can clearly be identified, and total contract revenue and costs to complete can be reliably estimated. The stage of completion is measured by reference to the labour hours incurred to date to the total estimated costs of the contract.

Where the contract outcome cannot be reliably estimated, contract costs are expensed as incurred. Where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred. Any expected loss is recognised immediately as an expense.

Rental 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.

(x) Income tax and other taxes

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 based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

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

Deferred income tax liabilities are recognised for all temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- 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 assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) 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 all or part of the deferred income tax asset to be utilised.

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, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be 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.

Other taxes
Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(y) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributed to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(z) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);

- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, advances, bank loans, and cash and short-term deposits. The main purpose of these financial instruments is to finance the Group's operations in Vietnam.

The Group has not entered into hedging transactions.

The Group has exposure to the following risks arising from the Group's financial instruments: interest rate risk, foreign currency risk, credit risk and liquidity risk.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Primary responsibility for identification and control of financial risks rests with the Chief Accountants and Board of Management of the subsidiaries under the authority of the Board. The Managing Director and the Chief Financial Officer declare, in writing to the Board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating efficiently and effectively. The Board is responsible for developing and monitoring risk management policies.

Risk Exposures and Responses

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's debt obligations. The level of debt is disclosed in Note 19.

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

	2011 $'000	2010 $'000
Financial Assets		
Cash and cash equivalents	25,246	34,867
	25,246	34,867
Financial Liabilities		
Interest-bearing liabilities – bank loans	61,911	78,010
	61,911	78,010
Net exposure	(36,665)	(43,143)

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 2011, fixed interest rates for bank loans vary in every contract ranging from 13.30% to 23.30% for Vietnamese Dong loans (2010: 9.50% - 21.50%) and from 3.90% to 7.40% for US Dollar loans (2010: 4.00% - 6.50%). The floating rates are based on bank bill rates.

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

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

At 31 December 2011, 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)	
	2011	2010
	$'000	$'000
Consolidated		
High rate +2% (2010: +2%)	1,238	1,560
Low rate -2% (2010: -2%)	(1,238)	(1,560)

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 the their revenues is denominated in Vietnamese Dong. The Vietnam subsidiaries have foreign currency risk exposure to loans and advances that are denominated in US dollars. Remittance of certain funds to the Company's Vietnam operating subsidiaries to assist with their working capital requirements is expected to be in foreign currency, either in Australian dollars or United States dollars and is used to purchase Vietnamese Dong by the Company's Vietnam operating subsidiaries. The movements of foreign currency in Vietnam are subject to the restrictions and procedures imposed by the State Bank of Vietnam. The Group has not entered into hedging transactions.

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

Intercompany borrowings are denominated in the currency stated by the lender. Transaction recharges between companies provides an economic hedge and the timing of payments are within the control of the Group to ensure economic viability, as a result no derivatives are entered into.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Risk Exposures and Responses (continued)

At 31 December 2011, the Group had the following exposure to USD foreign currencies against the VND:

	2011	2010
	$'000	$'000
Financial Assets		
Cash and cash equivalents	22	990
Financial Liabilities		
Advances from customers - USD	-	10,120
Interest-bearing liabilities		
- US Dollar	37,732	37,902
	37,732	48,022
Net exposure	(37,710)	(47,032)

The following exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
	2011	2010	**2011**	2010
USD/VND	20,696	19,203	21,035	19,500
AUD/USD	1.0407	0.9200	1.0156	1.0163

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

At 31 December 2011, 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)	
	2011	2010
	$'000	$'000
Consolidated		
High rate +1% (2010: +7%)	(373)	(3,883)
Low rate -1% (2010: -7%)	381	3,540

The movements in profit in 2011 are less sensitive than in 2010 due to minimal exposure of the VND against USD and a reduction in the reasonably possible movement in the exchange rates.

Significant assumptions used in the foreign currency sensitivity of 1% include:

- Subsequent to 31 December 2011, the VND is appreciating. The State Bank of Vietnam set the reference rate at VND20,828 to USD1 since 26 December 2011. The VND is allowed to trade as much as ±1 percent on either side of the reference rate.
- The inflation rate in Vietnam is improving.
- The Vietnam economy trade deficit has narrowed due to decrease in imports, reducing demand for USD.
- The demand for VND increase due to decrease in interest rates for the VND compared to the USD.
- Foreign exchange movements have no direct economic impact on equity.

At 31 December 2011, 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.

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$19.900 million ($19.594 million) (2010: US$19.900 million or $19.581 million). At 31 December 2011 the total interest bearing liabilities drawndown to which these corporate guarantees relate to were US$10.403 million ($10.244 million) (2010: US$12.565 million or $12.364 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.

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 2011

Consolidated	**<=6 mths $'000**	**6-12 mths $'000**	**1-5 years $'000**	**>5 years $'000**	**Total $'000**
Financial Assets					
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
Financial Liabilities					
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)

Year ended 31 December 2010

Consolidated	**<=6 mths $'000**	**6-12 mths $'000**	**1-5 years $'000**	**>5 years $'000**	**Total $'000**
Financial Assets					
Cash and cash equivalents	34,867	-	-	-	34,867
Trade and other receivables	19,426	-	-	-	19,426
Advances to suppliers	25,445	-	-	-	25,445
	79,738	-	-	-	79,738
Financial Liabilities					
Trade and other payables	11,593	-	-	-	11,593
Advances from customers	19,199	-	-	-	19,199
Interest-bearing liabilities	76,901	-	1,109	-	78,010
	107,693	-	1,109	-	108,802
Net maturity	(27,955)	-	(1,109)	-	(29,064)

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.

	2011 **$'000**	2010 $'000
Fair value		
Financial assets		
Listed Investments – Australian (Level 1)	28	27
	28	27

4. OPERATING SEGMENTS

Identification of reportable segments

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

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

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

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

Steel Products: includes Austnam Joint Stock Corporation, Total Building Systems Ltd, and VRC Weldmesh (Vietnam) Ltd which are primarily engaged in the manufacturing and trading of steel roofing and steel frames, electrically welded wire products, and engineering and project management services.

Unallocated: relates to corporate charges of parent company and Singapore entities which are separately accounted from the business segments.

The reportable segments are based on aggregated operating segments determined by the similarity of the products produced and sold and/or the services provided, as these are the sources of the Group's major risks and have the most effect on the rates of return.

The Group's two reportable segments are located in Vietnam. The Group provides the majority of its products and services to customers based in Vietnam.

The Board of directors review the results of the reportable segments during their meetings.

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision makers with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

4. SEGMENT INFORMATION (CONTINUED)

Segment Performance

	Steel Making $'000	Steel Products $'000	Unallocated $'000	Total $'000
Year ended 31 December 2011				
Revenues				
External revenues	422,909	9,703	-	432,612
Inter-segment revenues	-	60	-	60
Interest income	1,832	45	-	1,877
Other income	3,693	187	-	3,880
Total segment revenues	428,434	9,995	-	438,429
Inter-segment elimination	-	-	-	(60)
Unallocated income	-	-	45	45
Total revenue and other income per statement of comprehensive income				438,414
Results				
Segment results before income tax	12,251	(392)	-	11,859
Income tax benefit/(expense)	363	(15)	-	348
Segment results after tax	12,614	(407)	-	12,207
Share of net loss of an associate	(990)	-	-	(990)
Loss on the disposal of investment in an associate	(767)	-	-	(767)
Corporate charges	-	-	(850)	(850)
Net profit after tax				9,600

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

4. SEGMENT INFORMATION (CONTINUED)

	Steel Making $'000	Steel Products $'000	Unallocated $'000	Total $'000
Segment assets				
At 31 December 2011				
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				138,539
At 31 December 2010				
Segment operating assets	138,777	6,827	6,441	152,045
Inter-segment eliminations	-	-	-	(894)
Investment in an associate	9,766	-	-	9,766
Intangibles	-	-	77	77
Total assets per statement of financial position				160,994
Segment liabilities				
At 31 December 2011				
Segment operating liabilities	86,894	5,732	285	92,911
Inter-segment eliminations	-	-	-	(9,387)
Total liabilities per statement of financial position				83,524
At 31 December 2010				
Segment operating liabilities	110,103	5,577	164	115,844
Inter-segment eliminations	-	-	-	(3,396)
Total liabilities per statement of financial position				112,448
Other segment information				
At 31 December 2011				
Depreciation and amortisation expense	(1,461)	(268)	(3)	(1,732)
Capital expenditure	1,220	75	2	1,297
At 31 December 2010				
Depreciation and amortisation expense	(1,652)	(359)	(1)	(2,012)
Capital expenditure	741	158	-	899
Investment in associate	9,766	-	-	9,766
Cashflow Information				
At 31 December 2011				
Net cash flows from operating activities	(1,853)	401	(751)	(2,203)
Net cash flows from investing activities	5,805	(61)	(2)	5,742
Net cash flows from financing activities	(10,233)	(947)	-	(11,180)
At 31 December 2010				
Net cash flows from operating activities	(30,942)	364	(4,499)	(35,077)
Net cash flows from investing activities	(10,562)	(127)	-	(10,689)
Net cash flows from financing activities	8,268	(340)	6,253	14,181

5. REVENUE AND EXPENSES

Revenues and expenses from continuing operations	**2011 $'000**	2010 $'000
(a) Other Revenue		
Interest income-banks	1,878	3,236
	1,878	3,236
(b) Other income		
Financial and executive services income	43	59
Income from sale of miscellaneous materials	-	554
Interest income - associate	2,061	-
Interest income - customers	1,282	-
Rent income	159	219
Other	379	361
	3,924	1,193
(c) Cost of sales		
Cost of goods sold	(404,632)	(454,716)
Construction costs	(4,099)	(3,008)
	(408,731)	(457,724)
(d) Finance costs		
Bank loans and other borrowings	(8,554)	(7,899)
(e) Marketing expenses		
Customer incentives	(1,867)	-
Other	(2,486)	(2,789)
	(4,353)	(2,789)
(f) Administrative expenses		
Employee benefits	(5,541)	(6,187)
Foreign exchange gain/(loss)	1,486	(5,994)
Rent expense	(442)	(476)
Impairment loss on trade and other receivables	(398)	(322)
Other	(872)	(2,011)
	(5,767)	(14,990)
(g) Depreciation, impairment and amortisation		
Depreciation expense	(1,720)	(1,993)
Amortisation of intangible assets	(12)	(19)
	(1,732)	(2,012)

6. INCOME TAX

	2011 $'000	2010 $'000
(a) Income tax/(benefit) expense		
The major components of income tax/(benefit) expense are:		
Statement of Comprehensive Income		
Current tax	1,276	2,917
Deferred tax	(1,624)	-
	(348)	2,917
(b) Numerical reconciliation between the aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate		
Profit from continuing operations before tax	9,252	11,078
At Group's statutory income tax rate of 30% (2010: 30%)	2,776	3,323
Adjustments to tax expense:		
Foreign tax rate adjustment	(1,449)	(1,584)
Deferred tax asset recognition	(1,624)	-
Non-deductible expenses	483	256
Changes in fair value	-	12
Utilisation of carry forward tax losses	-	(32)
Other	(534)	942
Aggregate tax expense	(348)	2,917

(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 (2010: Nil). At 31 December 2011, the deferred tax assets of $1.637 million were recognised in respect of the provisions of $7.746 million. In 2010, the deferred tax assets of $1.479 million were not recognised in respect of the provision of $6.976 million because of the uncertainty of future profitability. At 31 December 2011, there is no deferred income tax liability recognised (2010: Nil)

(e) Income tax payable

At 31 December 2011, consolidated income tax payable is $1.889 million (2010: $2.230 million).

(f) Tax losses carried forward

At 31 December 2011, the following subsidiaries have accumulated tax losses of $2.655 million (2010: $3.049 million) available for offset against future taxable profits. Deferred tax assets of $0.664 million (2010: $0.762 million) were not recognised in respect of the tax loss carried forward because of the uncertainty of future profitability of these companies.

Tax losses not recognised	2011 $'000	2010 $'000
VRC Weldmesh (Vietnam) Ltd	1,809	1,483
Total Building Systems Limited	846	912
SSESTEEL Ltd	-	654
	2,655	3,049

7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2011 $'000	2010 $'000
Cash at bank and in hand	2,001	4,786
Short-term deposits	23,245	30,081
	25,246	34,867

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:

	2011 $'000	2010 $'000
Net profit after tax	9,600	8,161
Adjustment for non-cash items:		
Depreciation and amortisation	1,732	2,012
Share in net loss of an associate	990	1,365
Loss on disposal of investment in an associate	767	-
Change in fair value of financial assets	(1)	40
Net loss on disposal of property, plant and equipment	(1)	24
Changes in assets and liabilities		
(Increase)/decrease in:		
Trade and other receivables	(2,431)	(24,028)
Inventories	(3,924)	(25,096)
Prepayments	(126)	169
Deferred tax assets	(1,637)	-
(Decrease)/increase in:		
Trade and other payables	(7,045)	3,376
Provisions	88	106
Income tax payable	(215)	(1,206)
Net cash flow used in operating activities	(2,203)	(35,077)

(b) Disclosure of financing activities

Financing facilities are set out in Note 19.

8. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	2011 **$'000**	2010 $'000
Trade receivables	12,754	11,299
Construction contract receivables	415	953
Allowance for impairment loss	(1,091)	(812)
	12,078	11,440
Other receivables	2,302	8,086
Allowance for impairment loss	(156)	(100)
	2,146	7,986
Carrying amount of trade and other receivables	14,224	19,426

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 (2010: $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:

	2011 **$'000**	2010 $'000
At 1 January	912	747
Charge for the year	398	322
Foreign exchange translation	(63)	(157)
At 31 December	1,247	912

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

	2011		2010	
	Trade receivables $'000	**Impairment $'000**	Trade receivables $'000	Impairment $'000
Within due date	11,819	287	10,468	295
Over 61 – 180 days	23	-	130	-
Over 181 – 360 days	108	22	112	44
Over 360 days	804	782	589	473
	12,754	1,091	11,299	812

8. 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.

9. ADVANCES TO SUPPLIERS

	2011 **$'000**	2010 $'000
Related party receivables		
-an associate (Note 28)	-	5,270
Other suppliers	27,484	20,175
	27,484	25,445

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

Related party receivables

For terms and conditions relating to related party receivables refer to Note 28.

10. CURRENT ASSETS – INVENTORIES

	2011 **$'000**	2010 $'000
Raw materials – at cost	33,228	31,952
Construction work in progress	233	21
Finished goods – at lower of cost and net realisable value	22,206	23,774
Total inventories at lower of cost and net realisable value	55,667	55,747

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

	2011 **$'000**	2010 $'000
Financial assets held for trading		
– at fair value		
Shares in listed companies	28	27
	28	27

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.

12. OTHER CURRENT ASSETS

	2011 $'000	2010 $'000
Prepayments	434	200
	434	200

13. NON-CURRENT ASSETS – RECEIVABLES

	2011 $'000	2010 $'000
Long-term deposits	29	148
	29	148

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

14. NON-CURRENT ASSETS – INVESTMENT IN AN ASSOCIATE

	2011 $'000	2010 $'000
(a) Investment details		
Investment in associate – unlisted	-	9,766

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

Associate	Ownership interest **31 December 2011**	Ownership interest 31 December 2010	**31 December 2011 $'000**	31 December 2010 $'000
Dinh Vu Steel Joint Stock Company	-	48.52%	(990)	(1,365)

(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

	2011 $'000	2010 $'000
At 1 January	9,766	3,178
Acquisition of an associate	-	9,821
Share of loss after tax	(990)	(1,365)
Disposal of an associate	(7,792)	-
Exchange difference	(984)	(1,868)
At 31 December	-	9,766

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

(e) Summarised financial position and performance of an associate

	2011 $'000	2010 $'000
Financial position		
Current assets	-	11,151
Non-current assets	-	51,254
Total assets	-	62,405
Current liabilities	-	38,035
Non-current liabilities	-	19,833
Total liabilities	-	57,868
Net assets	-	4,537
Share of associate's net assets	-	2,202

Financial performance for the year ended 31 December

Revenues	-	121,751
Net loss after tax	-	(1,582)

As the investment in an associate was sold prior to year end, the financial information of the associate is not available at 31 December 2011.

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

	2011 $'000	2010 $'000
Current Assets	8,074	8,817
Total Assets	39,201	40,860
Current liabilities	492	366
Total liabilities	492	366
Issued capital	27,819	27,819
Retained earnings	10,890	12,675
	38,709	40,494
Net (loss)/profit of the parent entity	(1,785)	3,794
Total comprehensive income/(loss) of the parent entity	(1,785)	3,794

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 30.

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

	2011 $'000	2010 $'000
Building on leasehold land		
- Cost	6,286	6,142
- Accumulated depreciation	(2,749)	(2,543)
Net carrying amount	3,537	3,599
Plant and equipment		
- Cost	20,775	22,076
- Accumulated depreciation and impairment	(13,193)	(13,062)
Net carrying amount	7,582	9,014
Motor vehicles		
- Cost	1,612	1,748
- Accumulated depreciation	(905)	(765)
Net carrying amount	707	983
Construction in progress – cost	1,663	1,443
Net carrying amount	13,489	15,039

Reconciliation of plant, property and equipment

Building on leasehold land		
Opening net carrying amount	3,599	3,531
Additions	646	1,097
Depreciation expense	(388)	(372)
Exchange difference	(320)	(657)
Closing net carrying amount	3,537	3,599
Plant and equipment		
Opening net carrying amount	9,014	12,190
Additions	218	271
Disposals/transfers	(23)	(49)
Depreciation expense	(1,167)	(1,547)
Exchange difference	(460)	(1,851)
Closing net carrying amount	7,582	9,014
Motor vehicles		
Opening net carrying amount	983	508
Additions	96	710
Disposals/transfers	(50)	(10)
Depreciation expense	(165)	(74)
Exchange difference	(157)	(151)
Closing net carrying amount	707	983
Construction in progress		
Opening net carrying amount	1,443	2,978
Net additions/transfers	322	(1,175)
Exchange difference	(102)	(360)
Closing net carrying amount	1,663	1,443
Net carrying amount	13,489	15,039

There is no capitalised interest on qualifying assets as at 31 December 2011 (2010: Nil).

17. NON-CURRENT ASSETS – INTANGIBLE ASSETS

	2011 **$'000**	2010 $'000
Software costs		
Cost (gross carrying amount)	87	91
Accumulated amortisation	(82)	(83)
	5	8
Land rights		
Cost (gross carrying amount)	298	321
Accumulated amortisation	(79)	(77)
	219	244
Goodwill [(i)]		
Cost	321	321
Impairment loss	(244)	(244)
	77	77
	301	329

Reconciliation of Intangible Assets

Software costs		
Opening net carrying amount	8	20
Additions	2	-
Amortisation expense	(5)	(10)
Exchange difference	-	(2)
Closing net carrying amount	5	8
Land rights		
Opening net carrying amount	244	301
Amortisation expense	(7)	(9)
Exchange difference	(18)	(48)
Closing net carrying amount	219	244
Goodwill [(i)]		
Opening net carrying amount	77	77
Impairment loss on goodwill	-	-
Closing net carrying amount	77	77
Net carrying amount	301	329

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

At 31 December 2011, there is no impairment loss on intangible assets (2010: nil).

18. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	2011 $'000	2010 $'000
Trade payables	5,452	3,133
Other payables	9,647	8,434
Related party payables		
- key management personnel (Note 27)	145	26
	15,244	11,593

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 28.

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

	2011 $'000	2010 $'000
Current		
Bank loans – secured	61,676	76,901
Non-Current		
Bank loans – secured	235	1,109
	61,911	78,010

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.

19. INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

Terms and conditions of Interest bearing loans and borrowings

Outstanding bank loans of $61.911 million (2010: $78.010 million) relate to loans from various banks in Vietnam which are valued in Vietnamese Dong and US Dollar. These interest bearing liabilities of the Group's operating subsidiaries have various repayment terms. The Group's operating subsidiaries in Vietnam have banking facilities with various banks in Vietnam for working capital and project finance purposes. These facilities are secured by a chattel pledge over machinery, equipment, receivables and inventories of the subsidiaries and in certain instances, by the guarantee of Vietnam Industrial Investments Limited ("the parent entity"). The parent entity has provided security to various banks for banking facilities provided to Vietnam subsidiaries in the form of letters of guarantee totalling US$19.900 million ($19.594 million) (2010: US$19.900 million or $19.581 million). At 31 December 2011 the total interest bearing liabilities drawndown to which these corporate guarantees relate to were US$10.403 million ($10.244 million) (2010: US$12.565 million or $12.364 million).

Interest is recognised at an effective interest rate.

	2011 $'000	2010 $'000
Financing facilities available		
At reporting date, the following financing facilities had been negotiated and were available:		
Total facilities available	162,395	137,816
Facilities used at reporting date		
- short-term loans	61,676	76,901
- long-term loans	235	1,109
Facilities unused at reporting date		
- short-term loans	100,484	59,806
- 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:

	2011 $'000	2010 $'000
Receivables	6,458	202
Inventories	54,056	45,320
Property, plant and equipment	11,497	12,191
Land use rights	219	244

20. CURRENT LIABILITIES – PROVISIONS

	2011 **$'000**	2010 $'000
Current		
Dividends payable to non-controlling interests	-	807
Employee benefits	651	606
Dividends payable	3	3
	654	1,416

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

	2011 **$'000**	2010 $'000
Ordinary shares		
Issued and fully paid	27,819	27,819

There was no issuance of shares for the year ended 31 December 2011 (2010: Nil).

At 31 December 2011, there are 142,277,423 fully paid ordinary shares carry one vote per share and carry the right to dividends (2010: 142,277,423).

At reporting date, there were no options on issue (2010: 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:

	2011 **$'000**	2010 $'000
Total debt(i)	80,981	108,802
Less cash and cash equivalents	(25,246)	(34,867)
Net debt	55,735	73,935
Total equity	55,015	48,546
Less non-controlling interests	(4,456)	(3,781)
Equity	50,559	44,765
Net debt plus equity	106,294	118,700
Gearing ratio	52%	62%

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

22. RESERVES AND RETAINED EARNINGS

	2011 $'000	2010 $'000
Foreign currency translation reserve	(15,815)	(12,950)
Legal reserve	1,124	1,124
	(14,691)	(11,826)
Movement in foreign currency translation reserve		
Opening balance	(12,950)	(5,879)
Currency translation difference arising during the year	(2,865)	(7,071)
Closing balance	(15,815)	(12,950)

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.

	2011 $'000	2010 $'000
Retained earnings	37,431	28,772
Movement in retained earnings		
Opening balance	28,772	21,880
Net profit for the year	8,659	6,892
Closing balance	37,431	28,772

23. NON-CONTROLLING INTERESTS

Contributed equity	4,639	4,639
Reserves	(2,362)	(2,096)
Retained earnings	2,179	1,238
	4,456	3,781

24. EARNINGS PER SHARE

	2011 $'000	2010 $'000
The following reflects the income used in the basic and diluted earnings per share computations:		
Net profit attributable to ordinary equity holders of the Parent	8,659	6,892

	2011 No. Of Shares	2010 No. Of Shares
Weighted average number of ordinary shares for basic and diluted earnings per share	142,277,423	142,277,423

	Cents	Cents
Earnings per share for profit attributable to the ordinary equity holders of the Company:		
– Basic and diluted earnings per share	6.09	4.84

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

There were no dividends declared or paid during the year (2010: Nil).

	2011 $'000	2010 $'000
Franking credits available for the subsequent financial years based on a tax rate of 30%	5	5

26. AUDITORS' REMUNERATION

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

	2011 $	2010 $
Amounts received or due and receivable by Ernst & Young (Australia) for:		
- an audit or review of the financial report of the entity and any other entity in the consolidated group	93,874	85,250
- tax compliance and advice	20,000	31,849
	113,874	117,099
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:		
- an audit or review of the financial report of the subsidiary entities	68,390	84,560
	68,390	84,560
Amounts received or due and receivable by non Ernst & Young audit firms for:		
- an audit or review of the financial report of the subsidiary entities	5,490	5,281
- internal audit services	4,542	23,110
	10,032	28,391

27. KEY MANAGEMENT PERSONNEL

(a) Compensation of Key Management Personnel

	2011 **$**	2010 $
Short-term	1,122,935	1,142,034
Post employment	71,027	10,800
Other long-term	1,511	1,500
Termination benefits	-	-
Share-based payments	-	-
	1,195,473	1,154,334

(b) Shareholdings of Key Management Personnel

Shares held in Vietnam Industrial Investments Limited:

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

Notes:

(i) As at 31 December 2011, Mr Hambly is 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).

(ii) As at 31 December 2011, Mr Lam is 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).

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:

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

Notes:

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

(ii) As at 31 December 2010, Mr Lam was a director and shareholder of Corbyns which owned 116,308,510 shares in the Company. As at 31 December 2010, the total number of shares on issue is 142,277,423 (2009: 142,277,423).

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

(iv) Mr Huang was Group Finance and Operations Officer until 31 August 2009 and appointed as General Director of the associate.

(c) Option holdings of Key Management Personnel

There are no options granted as remuneration and outstanding at 31 December 2011 to key management personnel (2010: 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

At 31 December 2011, the Company has a director fee payable to Mr Hambly of $86,250 (2010: $26,250).

As the old office lease at Level 5, St. Georges Terrace, Perth Western Australia 6000 expired 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 $15,000 (2010: Nil). The lease with Arcadia is made in the ordinary course of business and on normal commercial terms and conditions.

At 31 December 2011, the Company has a director fee payable to Mr Kwok of $10,083 (2010: nil).

During the year, Mr Clements provided company secretarial services of $48,000 through Balion Pty Ltd in which Mr Clements is a director and shareholder (2010: $48,000), in the ordinary course of business and normal commercial terms. At 31 December 2011, the Company has a director fee payable to Mr Clements of $49,059 (2010: nil).

Financial services of $42,510 (2010: $49,240) were provided to MOD Resources Limited (*formerly* Medical Corporation Australasia Limited) ("MOD") for the accounting services of Ms Shinn. Mr Clements is a director and shareholder of MOD. The financial services are provided in the ordinary course of business and were on normal terms and conditions.

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 2011.

(b) Investment in subsidiaries

	Company	
	2011	2010
	$'000	$'000
Investments in subsidiaries	39,166	38,297
Provision for impairment of investments in subsidiaries	(8,069)	(6,257)
	31,097	32,040

Investment in Subsidiaries

				Company	
Name	Country of Incorporation	% Equity interest		Investment ($'000)	
		2011	2010	**2011**	2010
Parent entity					
Vietnam Industrial Investments Limited	Australia	-	-	-	-
Controlled entities					
Vinausteel Limited[(i) (x)]	Vietnam	70	70	12,554	12,554
Structure Steel Engineering Pte Ltd[(iv) (xi)]	Singapore	100	100	18,543	18,543
SSESTEEL Ltd[(iv) (viii) (x)]	Vietnam	100	100	-	-
Ausviet Industrial Investments Ltd[(v) (xi)]	Singapore	100	100	6,147	5,278
Austnam Joint Stock Corporation[(ii) (x)]	Vietnam	67	67	-	-
Parnham Overseas Ltd [(ix)]	British Virgin Islands	100	100	-	-
Total Building Systems Limited[(vii) (x)]	Vietnam	99	99	-	-
Vietnam Projects (Singapore) Pte Ltd[(vi) (xi)]	Singapore	100	100	1,922	1,922
VRC Weldmesh (Vietnam) Ltd[(iii) (x)]	Vietnam	100	100	-	-
				39,166	38,297
Provision for impairment of investments in subsidiaries [(iv) (v) (vi)]				(8,069)	(6,257)
				31,097	32,040
Movement in provision for impairment of investments in subsidiaries:					
Opening balance				(6,257)	(6,055)
Impairment on conversion of intercompany loan to equity[(v)]				(869)	-
Impairment loss [(v)]				(943)	(202)
Closing balance				(8,069)	(6,257)

(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.

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) Ltd ("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 (2010: $6.257 million) is $6.147 million (2010: $4.335 million) which represents the $5.278 million write-down of investment in Ausviet to a recoverable amount which represents the Group's share of the recoverable amount of net assets of the underlying investments in Austnam and TBS at the reporting date, and $0.869 million impairment of the conversion of loan to equity in TBS via Ausviet. 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) Ltd.

Included in the provision for impairment of investments in subsidiaries of $8.069 million (2010: $6.257 million) is $1.922 million (2010: $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.

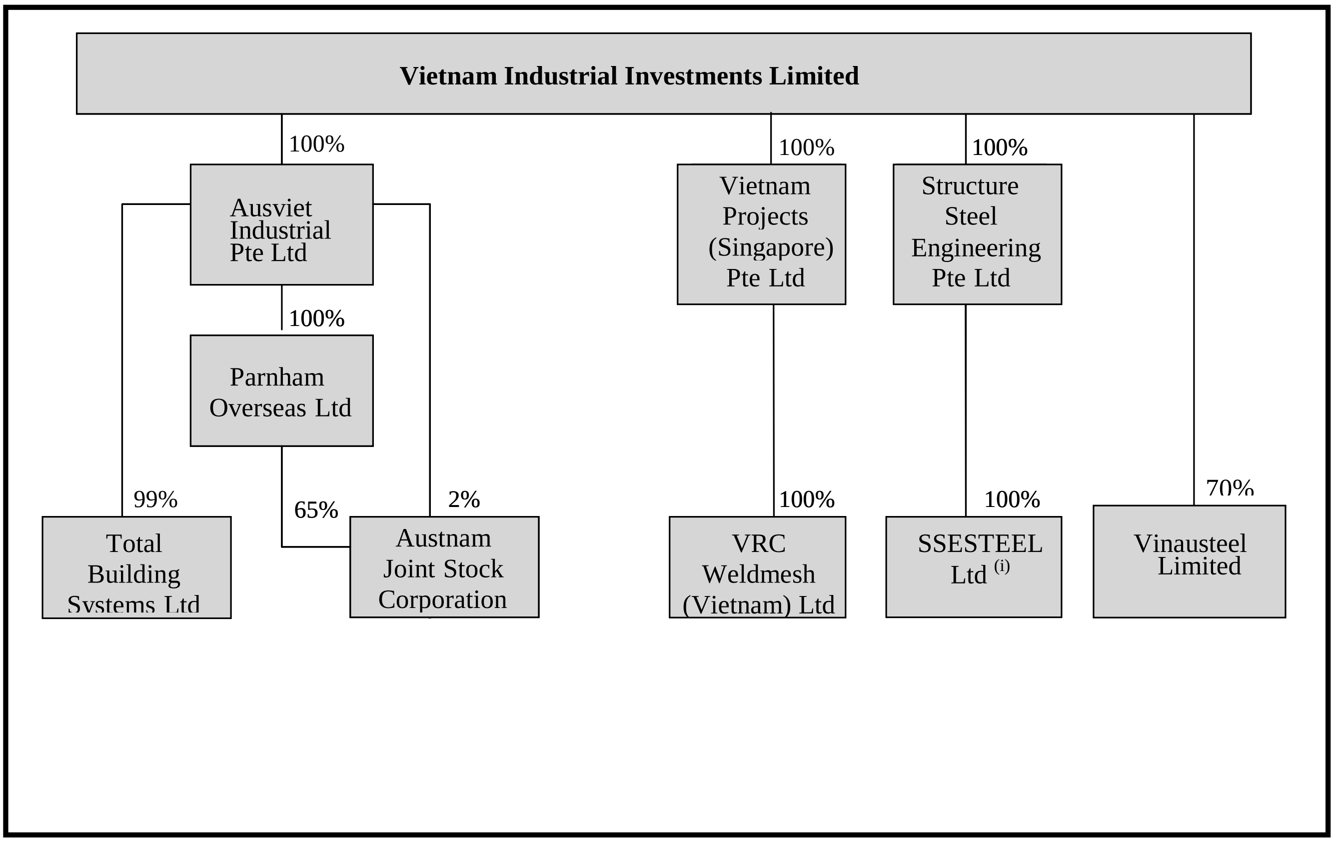
28. RELATED PARTY DISCLOSURES (CONTINUED)

(d) Associate

During the year the Group had a 48.52% (2010: 48.52%) interest in Dinh Vu Steel Joint Stock Company (DVS) which manufactures steel billets in Vietnam that the Group has access as a result of its investment. The investment was held in SSESTEEL. On 26 December 2011, SSESTEEL sold all of its shares in DVS for $7.025 million.

(e) Corporate structure

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



28. RELATED PARTY DISCLOSURES (CONTINUED)

(f) Transactions with related parties

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

Associate
During the year, SSESTEEL sold steel scrap and other materials to Dinh Vu Steel of $63,966,135 (2010: $100,865,146), earned interest income of $2,061,230 (2010: nil), and purchased billets and other products of $83,757,106 (2010: $118,977,139). As at 31 December 2011, there is no outstanding receivable from an associate (2010: $5,270,303). There is no payable to an associate (2010: nil) at 31 December 2011.

Other related parties
At 31 December 2011, there are no outstanding advances to other related parties.

(g) 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 2011 are as follows:

	2011 $'000	2010 $'000
Within one year	192	221
After one year but not more than five years	429	423
More than five years	851	1,085
Total minimum lease payments	1,472	1,729

29. COMMITMENTS (CONTINUED)

Commitments relating to an associate
As at 31 December 2011, the Group does not have commitments relating to the construction of Billet and Pig Iron factories to be used in the associate's operation as the associate was sold on 26 December 2011 (Note 14)

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

	2011	2010
	$'000	$'000
Within one year	-	475
After one year but not more than five years	-	-
More than five years	-	-
	-	475

(b) Capital expenditure commitments

There were no capital expenditure commitments as at 31 December 2011 (2010: Nil).

(c) Finance, lease and hire purchase commitments

There were no finance, lease and hire purchase commitments as at 31 December 2011 (2010: Nil).

(d) Remuneration commitments

There were no remuneration commitments as at 31 December 2011 (2010: Nil).

30. CONTINGENT LIABILITIES

A Vietnamese customer has taken action to obtain refund of advances made to SSESTEEL and Vinausteel for the purchase of steel. SSESTEEL and Vinausteel have made provision for interest and possible foreign exchange losses in the event that they are required to make refund of the USD denominated advances and pay damages in interest. The directors consider that adequate provision has been made for this contingency in these financial statements for the year ended 31 December 2011.

31. EVENTS AFTER BALANCE SHEET DATE

On 22 February 2012, Vinausteel Limited has declared a dividend of VND60 billion ($2.704 million) of which VII's share is VND42 billion ($1.893 million).

Other than above, there has been no other matter or circumstance that has arisen since the end of the year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Vietnam Industrial Investments Limited, I state that:

1. In the opinion of the directors:

   (a) The financial statements and notes of Vietnam Industrial Investments Limited for the financial year ended 31 December 2011 are in accordance with the Corporations Act 2001, including:

      (i) Giving a true and fair view of its financial position as at 31 December 2011 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 2011.

On behalf of the Board

ALAN A. YOUNG
Director

Hai Phong, 30 March 2012

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

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

Independent auditor's report to the members of Vietnam Industrial Investments Limited

Report on the financial report

We have audited the accompanying financial report of Vietnam Industrial Investments Limited, which comprises the consolidated statement of financial position as at 31 December 2011, 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 2011 and of its performance for the year ended on that date; and

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

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

Report on the remuneration report

We have audited the Remuneration Report included in pages 11 to 13 of the directors' report for the year ended 31 December 2011. 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 2011, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

P McIver
Partner
Perth
30 March 2012

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange and not shown elsewhere in this report is as follows. The information is current as at 16 March 2012.

SUBSTANTIAL SHAREHOLDERS

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

DISTRIBUTION OF EQUITY SECURITIES

At 16 March 2012, there were 102 holders of the ordinary shares of the Company.

Ordinary shares

In accordance with the Company's constitution, on a show of hands, every member present in person or by proxy or attorney or duly authorised representative has one vote. In a poll, every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share.

Category	Number of Shareholders Fully paid ordinary shares
1 - 1,000	8
1,001 - 5,000	37
5,001 - 10,000	15
10,001 - 100,000	34
100,001 - and over	8
	102

The number of shareholders holding less than a marketable parcel at 16 March 2011 was 16.

TWENTY LARGEST SHAREHOLDERS (as at 16 March 2012)

Name	Number of Ordinary Shares Held	Percentage of Shares Held
Corbyns International Ltd	116,308,510	81.75%
Land & General Berhad	13,002,000	9.14%
CR Investments Pty Ltd	6,120,089	4.30%
Joon Jin Goh	3,950,000	2.78%
J P Morgan Nominees Australia Limited	747,872	0.53%
Sonya Lam	561,280	0.39%
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%
Kok Hin Ng	80,000	0.06%
Le Quan Tring	58,600	0.04%
Graeme Bruce Lowe	50,000	0.04%
Wongs Holdings Pty Ltd	40,000	0.03%
Peter Lorenz	40,000	0.03%
Rhonda Lynette Denholm	38,997	0.03%
Robert James Jordan	34,654	0.02%
DMG & Partners Securities Pte Ltd	30,000	0.02%
John Alexander Flett	30,000	0.02%
Peter Lachlan Wiese	24,000	0.02%
Kenneth Francis McNamara	23,500	0.02%
Lloyd Kenneth Douglas	20,000	0.01%
Tullimbah Village DCP Pty Ltd	20,000	0.01%
Philip Kar Choon Ng	20,000	0.01%
Margarete Herta Rohrig	18,948	0.01%
	141,817,450	99.68%

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).

VIETNAM INDUSTRIAL INVESTMENTS LIMITED
ABN 64 063 656 333

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