VIETNAM INDUSTRIAL INVESTMENTS LIMITED
ABN 64 063 656 333

ANNUAL REPORT 2013

Corporate Directory
ABN 64 063 656 333

ASX Code: VII

Directors

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

Company Secretary
P Williams

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PERTH Western Australia 6000

Legal Advisors
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WEST PERTH Western Australia 6008

Bankers
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PERTH Western Australia 6000

Bank of Western Australia Ltd
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PERTH Western Australia 6000

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APPLECROSS Western Australia 6153

Home Exchange
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VIETNAM INDUSTRIAL INVESTMENTS LIMITED

SUMMARY OF 2013

Corporate

- Sales revenue from Vietnam operations was $260.615 million (VND5.266 trillion) down 37% on 2012 of $383.681 million (VND8.323 trillion).
- Net loss after tax and non-controlling interests was $9.156 million including a non-cash impairment loss of $5.821 million (2012: net loss after tax and non-controlling interests of $2.715 million).

Austnam Joint Stock Corporation (VII shareholding 67%)

- Annual sales of 202,338m², down 31% on 2012 (291,810m²).
- Sales revenue was $2.648 million (VND53.517 billion), down 13% on 2012 sales revenue of $2.846 million (VND61.740 billion).
- Net profit after tax and before non-controlling interests was $87,000 (VND1.767 billion), up 595% on 2012 net loss of $16,000 (VND0.357 billion).

SSESTEEL Ltd (VII shareholding 100%)

- Rebar sales of 123,063 tonnes, down 26% on 2012 (166,967 tonnes).
- Wire rod sales of 56,910 tonnes, down 49% on 2012 (111,467 tonnes).
- Total sales revenue was $153.080 million (VND3.093 trillion), down 47% on 2012 total sales revenue of $269.337 million (VND5.843 trillion).
- Net loss after tax and before non-controlling interests was $8.040 million (VND154.823 billion) including a non-cash impairment loss of $5.821 million (2012: net loss of $0.290 million (VND6.298 billion)).

Total Building Systems Limited (VII shareholding 99%)

- Revenues were $2.206 million (VND44.568 billion), down 52% on 2012 total revenues of $4.266 million (VND92.546 billion).
- Net profit after tax and before non-controlling interests was $7,000 (VND0.134 billion) (2012: net loss of $0.264 million (VND5.727 billion).

Vinausteel Limited (VII shareholding 70%)

- Annual sales of 115,241 tonnes, down 31% on 2012 (166,114 tonnes).
- Sales revenue was $102.681 million (VND2.075 trillion), down 11% on 2012 sales revenue of $107.234 million (VND2.326 trillion).
- Net profit after tax and before non-controlling interests was $1.358 million (VND27.445 billion), up 101% on 2012 net profit of $0.629 million (VND13.653 billion).

CHAIRMAN'S REPORT

Dear Shareholders

The year under review was my first as Chairman of the Company and has seen the Company through another difficult year. This was expected and I mentioned, in my 2012 report, that we were not optimistic that the Vietnamese economy would improve in 2013.

It is encouraging to note that some sectors of the economy are performing better than others and it is not all doom and gloom. Figures released for the first two months of 2014 report that inflation in February 2014 was 4.6% y-o-y and the CPI is the lowest since November 2009. The trade surplus for the first two months was USD1.31 billion which indicates that exports are performing well, particularly in agricultural products. On the downside, the Vietnamese State Bank has reduced refinance rates form 7% to 6.5% to spur domestic demand and credit growth. It is expected that the rate cut will not have any significant impact on lending growth while the issue of non-performing loans remains unresolved.

The property and construction industries have some particular problems. There was a period of intense speculation on property development which led to unrealistically high prices and oversupply of office space and, to a lesser extent, apartment towers. This led the Vietnamese government to curb property development by limiting credit for property development, however, there is still an overhang in the market. Sales volumes and revenues were significantly down in 2013 compared to 2012.

The subsidiaries in Vietnam recorded an overall loss of $767,000 (VND15.5 billion), however, the Group net loss was substantially higher due to foreign currency translation movements and recognition of impairments. The Group net loss attributable to members is $9.156 million which includes a non-cash impairment of assets of $5.821 million.

The Company proposed a restructure of the Group under a Scheme of Arrangement ("Scheme") and further detail of this is set out in the Business Strategy on page 6 of this report. The shareholders meeting to approve the Scheme has been adjourned to allow negotiation with the major shareholders on revised terms of the Scheme.

The management and Board will be making every effort to improve the Group's performance going forward.

ROGER KWOK
Chairman

The directors submit the Annual Report of Vietnam Industrial Investments Limited (“VII”, “Company”, “consolidated entity” or “the Group”) for the year ended 31 December 2013.

On 29 November 2013, Vietnam Industrial Investments Limited (VII) announced the proposed internal restructure of its group of companies by scheme of arrangement (Scheme) in accordance with the terms of the Scheme Implementation Agreement entered into on the same date with VII's wholly owned Singapore subsidiary, Structure Steel Engineering Pte Ltd (SSE).

To effect the Scheme, VII shareholders are offered SSE shares in direct proportion to their respective shareholdings in VII. Consequently, VII shareholders will have the same percentage shareholdings in the same assets held prior to the Scheme, although shareholders will hold shares in SSE, an unlisted Singaporean company, rather than in VII, an Australian ASX listed company. Upon implementation of the Scheme, SSE will become the parent company of the VII group of companies.

If the Scheme was implemented, Scheme Shareholders (other than Ineligible Foreign Shareholders) would receive one SSE Share for every 6.8 VII Shares held on the Record Date, where fractional entitlements would be rounded up or down to the nearest whole number, with fractions of 0.5 being rounded up.

VII announced 19 December 2013 that the Federal Court of Australia approved the convening of a meeting of VII, to be held on 4 February 2014 (“the Scheme Meeting”), to consider the proposed scheme of arrangement.

The Scheme Meeting held on 4 February 2014 was adjourned (Refer to Subsequent Events After Balance Date on page 11).

REVIEW OF OPERATIONS

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

Net loss for the year

The total comprehensive loss for the year was $2.909 million which was 8.7% lower than previous year’s total comprehensive loss of $3.185 million. The total comprehensive loss for the year consisted of: (1) net loss for the year of $8.719 million (2012: net loss of $2.535 million), and (2) Foreign currency translation of a gain of $5.810 million (2012: loss of $0.650 million).

For the year ended 31 December 2013, the Group net loss after tax attributable to members was $9.156 million on revenues of $262.529 million (2012: net loss after tax attributable to members $2.715 million on revenues of $385.253 million) which included a non-cash impairment loss of assets of $5.821 million (2012: $0.265 million). Refer to Note 15.

The Steel Making Division reported a net loss after tax attributable to members of $7.090 million (VND135.612 billion) on revenues of $255.761 million (VND5.168 trillion) (2012: net profit after tax attributable to members of $0.150 million (VND3.259 billion) on revenues of $376.570 million (VND8.170 trillion)). Aside from lower sales volumes, lower gross profit margin and increase in operating expenses, the increase in net loss of the Steel Making Division is due to recognition of a non-cash impairment loss of assets of $5.821 million (2012: Nil).

The Group’s Steel Products Division reported a small net profit after tax attributable to members of $65,000 (2012: net loss after tax attributable to members of $0.272 million).

Foreign currency translation

For the year ended 31 December 2013, the foreign currency translation was a gain of $5.810 million (2012: loss of $0.650 million). In 2013, the Vietnam Dong appreciated against the Australian Dollar. The average VND/AUD exchange rate in 2013 was VND20,207, a decrease of approximately 7% from the average VND/AUD exchange rate of VND21,695 in 2012. The VND/AUD spot rate at 31 December 2013 was VND18,894, an increase of approximately 12% from 31 December 2012 VND/AUD spot rate of VND21,640. The Australian dollar depreciated against the US dollar in 2013. The Australian dollar spot rate at 31 December 2013 of US$0.8948/A$1 was weaker than 31 December 2012 spot rate of US$1.0384/A$1.

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the year were the investments in Vietnam through its operating subsidiaries: Austnam Joint Stock Corporation, SSESTEEL Ltd, Total Building Systems Ltd, Vinausteel Ltd, and VRC Weldmesh (Vietnam) Limited (classified as assets held for sale).

RESULTS OF VIETNAM OPERATIONS

The results of the Vietnam operations are as follows:

Austnam Joint Stock Corporation (VII 67%)
Austnam produces metal roofing and cladding from its factory in Hanoi which it distributes in that city and surrounding provinces.

Sales revenue was \$2.648 million (VND53.517 billion) which was a decrease of 13% on 2012 sales revenue of \$2.846 million (VND61.740 billion). Sales volume for 2013 of 202,338 m^2 was a decrease of 31% on the previous year (291,810 m^2). Austnam reported a net profit after tax of \$87,000 (VND1.767 billion) for the year ended 31 December 2013 (2012: net loss after tax of \$16,000 (VND0.357 billion)).

SSESTEEL Ltd (VII 100%)
SSESTEEL owns and operates a fully automated rolling mill located in Hai Phong, Vietnam which produces high tensile rebar and wire rod for the construction industry. Feasibility studies, preliminary engineering design and equipment procurement investigations have been undertaken, however, the project has been placed on hold due to current economic conditions.

SSESTEEL achieved rebar sales of 123,063 tonnes (2012: 166,967 tonnes) and wire rod sales of 56,910 tonnes (2012: 111,467 tonnes). Sales revenue was \$153.080 million (VND3.093 trillion) which was lower by 47% on 2012 sales revenue of \$269.337 million (VND5.843 trillion). SSESTEEL reported a net loss after tax of \$8.040 million (VND154.823 billion) which includes the recognition of a non-cash impairment loss of assets of \$5.821 million (VND109.982 billion) (2012: Nil) (2012: net loss after tax of \$0.290 million (VND6.298 billion)).

SSESTEEL had been issued with an investment certificate to form a new company, Australian Steel Billet Company, licensed to construct and own a factory for the manufacture of steel billets.

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

Revenues for the year ended 31 December 2013 were \$2.206 million (VND44.568 billion) (2012: \$4.266 million (VND92.546 billion)). TBS reported a net profit after tax for the year of \$7,000 (VND0.134 billion) (2012: net loss after tax for the year of \$0.264 million (VND5.727 billion)).

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

Sales volume for 2013 was 115,241 tonnes, a decrease of 31% on the previous year of 166,114 tonnes. Sales revenue was \$102.681 million (VND2.075 trillion), lower by 11% on 2012 (\$107.234 million (VND2.326 trillion)). Vinausteel reported a net profit after tax for the year of \$1.358 million (VND27.445 billion) (2012: net profit after tax for the year of \$0.629 million (VND13.653 billion)).

FINANCIAL POSITION

The Statement of Financial Position shows a decrease in net assets from \$42.056 million to \$37.969 million. The decrease in net assets attributed to the (1) recognition of a non-cash impairment loss of \$5.821 million in property, plant and equipment, (2) increase in advances made to suppliers to purchase raw materials at favourable prices, (3) decrease in trade and other receivables due to the decline in demand for steel as a result of the tough economic conditions for the Vietnam construction industry, and changes in credit sale policies as applied by the subsidiaries, (4) decrease in trade and other payables attributed by the changes in the Group's internal policies to reduce the level of raw material purchased from overseas market and more flexible credit terms given by local suppliers, and (5) increase in interest-bearing loans and borrowings to purchase raw materials at favourable prices, and lower bank interest rates at 31 December 2013.

CASH FLOWS

At 31 December 2013, cash and cash equivalents is $51.149 million. There was net increase in cash and cash equivalents during the year of $14.037 million due to the following:

	$'000
Decrease in net cash flows from operating activities (a)	(11,141)
Decrease in net cash flows from investing activities (b)	(1,205)
Increase in net cash flows from financing activities (c)	21,234
Decrease in cash at bank attributable to discontinued operation	(652)
Net foreign exchange differences	5,801
Net Increase	14,037

Notes:

(a) Net cash outflows from operating activities were due to the payment to suppliers and employees of $267.448 million due largely to raw material purchases and other operating expenses and receipts from customers of $259.696 million.

(b) Net cash outflows from investing activities were due to acquisition of plant, property and equipment.

(c) Net cash inflows from financing activities were due mainly to net proceeds from bank borrowings of $22.289 million and dividend payment to non-controlling interests of $1.178 million.

BUSINESS STRATEGY AND PROSPECTS FOR FUTURE FINANCIAL YEARS

The Board has given much consideration to business strategies which will enhance the Group's performance in the years ahead. The steel making division, SSESTEEL Ltd ("SSESTEEL") and Vinausteel Ltd ("Vinausteel") are of prime importance to the Group, contributing most of the revenue and profits, with the most potential to deliver improved returns and sustainable operations for shareholders. The Board's attention has been focused on the steel making division which has been losing market share to its competitors.

Over the years, modifications have been made to the rolling mills of SSESTEEL and Vinausteel, to increase capacity from 250,000 tpa to 300,000 tpa and 180,000 tpa to 220,000 tpa, respectively. In good years, the Company has achieved sales of the modified tonnages and therefore performance has been limited by capacity. Further modifications to the plants will not be effective and other alternatives have been investigated.

The Board believe that without further investment the Group will not be relevant in Vietnam where its competitors are investing in capacity and cost-saving technologies. Two projects have been earmarked as priority and feasibility studies undertaken:

1. Billet Plant

The study is for a 750,000 tpa billet plant using EAF (Electric arc furnace) technology to be constructed at the rear of the SSESTEEL and Vinausteel mills in Haiphong. This will be able to provide total billet supply for both mills with surplus for sale or future expansion. The plant will give the Company control over the quality of its billet supply and grade of billet which will enable it to move quickly to meet the market's requirements for particular grades of rebar. The capital cost is estimated at USD80-90 million.

An interim measure has been investigated using an alternative technology with a lower capital cost but which not be optimal in the long term due to electric power consumption and environmental reasons.

2. Furnace Fuel

The rolling mills use heavy fuel oil ("HFO") for billet reheating, however, the cost is rising and there may be environmental issues which may result in HFO being discontinued in the future. An alternative bio-fuel is being trialled, however, whilst this results in cost savings, supply is limited and this fuel is not a long term solution.

A study has been conducted into building a coal gas plant to fuel the furnaces. This is well-established technology which converts coal into gas, is cleaner than HFO and is cheaper. The capital cost for a plant to supply both plants is estimated at USD3.9 million.

Funding

The Company has been unable to move ahead with these important projects due to lack of funding.

It is difficult to raise further capital on the Australian market as one major shareholder, Corbyns, holds 81.75% of VII's issued capital. In any event, there is little interest or following from Australian investors for small – cap industrial companies, particularly those with their operations overseas.

The Board has considered other options to raise the capital it requires to improve its performance and secure its future in Vietnam. The directors have formed the view that the most likely source of funding is through private equity or partnership with other steel companies. Preliminary exploratory analysis indicates that domicile in Australia is not preferred, nor the current group structure.

The above are the principal drivers for the Company's proposal to change domicile and restructure the Group under the Scheme of Arrangement which was put to shareholders at the Scheme Meeting held on 4 February 2014. Some of the major shareholders were not prepared to approve the Scheme, under the structure proposed and the meeting was adjourned to allow the Company to attempt to revise the restructure on terms that were acceptable to these shareholders.

Prospects for future financial years

If the Scheme of Arrangement is not approved it will be a set-back for the Company's strategy and prospects for future financial years, however, the Board will consider other options to utilise the Company's resources to best effect under the current structure.

The steel market in Vietnam is still in difficulty with oversupply and low margins, however, the medium and long term prospects for growth are good and the Board are optimistic for the future of construction, and it follows, steel consumption.

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 (Singapore) Pte Ltd.

Austnam was previously a joint venture enterprise established in Vietnam in accordance with the Investment Licence issued on 27 April 1992 for a term of 20 years and amended Investment Licences. The principal activities of Austnam are to produce metal roofing and accessories.

In 2005, Austnam was converted into a joint stock corporation company incorporated under the Law on Enterprise of Vietnam pursuant to the Investment License number 358 CPH/GP dated 15 June 2005 issued by the Ministry of Planning and Investment. 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 foreign-owned company incorporated under the Enterprise Law and Investment Law 2005 of Vietnam pursuant to the Investment Certificate number 021043000053 on 19 October 2007. The principal activities of SSESTEEL are to produce and distribute rebar and wire rod reinforcing.

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

Vinausteel Limited
Vinausteel is a company incorporated under the Law on Enterprise of Vietnam pursuant to the Investment License No. 898/GP dated 28 June 1994, and various amendments issued by the Ministry of Planning and Investment. The current investors are VII with a 70% interest and the Vietnam Steel Corporation ("VSC") with a 30% interest. The principal activities of Vinausteel are to manufacture and trade various types of reinforcing steel products.

The term of the 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 Contract, 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 company incorporated under the Law on Enterprise of Vietnam pursuant to the Investment Certificate number 011023000084 on 27 April 2012 issued by the Ha Noi People's Committee.

The principal activities of TBS are supplying engineering services, building systems and construction services to industrial and commercial consumers in Vietnam.

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

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 2013.

DIRECTORS

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

Mr Roger (Sing-Leong) Kwok
Chairman and Independent Non-Executive Director
Mr Roger Kwok is the Managing Director of Arcadia Group in Perth which specialises in designing, developing and managing retirement resorts and premium properties. For the last twenty years, Mr Kwok has managed a number of Australian businesses in the automotive and healthcare sectors. He is a past president of The Western Australian Chinese Chamber of Commerce and brings significant experience in business relations in international markets, particularly China. Mr Kwok is a member of the VII Audit and Remuneration Committees. Mr Kwok was a Director of Kalgoorlie Mining Company Limited.

Mr Henry (Van Hung) Lam
Managing Director
(Chief Executive Officer)
Mr Lam, a resident of Vietnam, was born in Vietnam and came to Australia in 1977 and studied electrical engineering. He resides in Vietnam and is responsible for the group's operations in Vietnam. He was awarded the "Red Star" at the end of 2000, the first overseas Vietnamese to receive this, for his contribution to the economy of Vietnam and in 2010 he was awarded the "Second Class Labour Medal". He has not been a director of any other listed company in the last three years. Mr Lam is a director and shareholder of Corbyns International Limited, the Company's ultimate holding company.

Mr Alan Alexander Young
Managing Director
(Chief Operating Officer)
Mr Young commenced his business career in the financial industry and was engaged for several years in banking and finance. For the past 36 years, he has been involved in the administration of public companies, previously in the resource sector. Mr Young is a Board member of all the Group's operating subsidiaries in Vietnam and has devoted all of his time to VII for the past 20 years. He has not been a director of any other public company in the last three years. Mr Young is a director of Corbyns International Limited.

Mr Andrew David Walker
Independent Non-Executive Director
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 battalion. Mr Walker has a wide range of Board experiences, in both public and private companies. He was the Past-Chairman of the Melbourne Chapter of the Young Presidents Organisation. He was named the 2006 Ernst & Young's National "Entrepreneur of the Year" (Service Category). In the past three years, Mr Walker is the Executive Chairman of Vallenar Iron Company and Founder-Chairman of Aspen Medical Pty Ltd. Mr Walker is the Chairman of VII Audit and Remuneration Committees.

Mr Alexander John Hambly
Chairman and Non Executive Director (resigned on 22 February 2013)
Mr Hambly is the Regional Head of Private Equity of Eastspring Investments (Singapore) Limited (formerly known as Prudential Asset Management (Singapore) Limited) joined Prudential in 2003 and was Chief Executive Officer and Chief Investment Officer of Eastspring Investments Fund Management Limited Liability Company (formerly known as Prudential Vietnam Fund Management Private Limited Company) from January 2006 to September 2007. Alex was also the Chief Executive Officer for Prudential Property Investment Management (Singapore) Pte.Ltd. from September 2007 to February 2010 and the Chief Executive Officer of PPEM Pte. Ltd. from March 2009 to October 2010. He has more than 20 years' direct investment experience gained in both Asia and other major markets. Prior to joining Prudential, he worked for four years for Actis (formerly known as CDC Capital Partners) based in Singapore, four years with HSBC Private Equity based in India, and seven years with Barclays Bank plc based in London, India and Singapore, the last three years of which he was on secondment to a private equity fund (Baronsmead plc) in the United Kingdom. He holds a BA in Modern History from Durham University in the UK. Mr Hambly was the Chairman of the Board and a member of the VII Audit and Remuneration Committees. He has not been a director of any other listed company in the last three years.

COMPANY SECRETARY

Mrs Patricia Williams (AGIA) is an associate of Governance Institute of Australia (formerly Chartered Secretaries Australia). Mrs Williams holds a Bachelor of Accountancy degree from the Philippines. She was appointed company secretary of the Company 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*
H. V. H. Lam	(1)	116,308,510
A. A. Young		-
R. S. Kwok		-
A.D. Walker		-

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

EARNINGS PER SHARE	Cents
Basic and diluted loss per share	(6.44)

DIVIDENDS

There were no dividends declared or paid at the end of year (2012: Nil). On 27 June 2012, the Board declared a one-off special dividend of 6.3 Australian cents per ordinary share (fully unfranked) which was paid and dispatched on 18 September 2012. The entire dividend was 100% conduit foreign income.

CORPORATE INFORMATION

Corporate Structure
VII is a company limited by shares that is incorporated and domiciled in Australia. It is the ultimate Australian parent entity. VII has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are outlined in the Group's corporate structure in Note 28.

Operating and Financial review

Operating and Financial Review of the consolidated entity for the year is set out in pages 4 to 8 in the Annual Report 2013.

Employees
The consolidated entity employed 642 employees as at 31 December 2013 (2012: 641 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 4 February 2014, VII announced that the Scheme Meeting to consider the proposed scheme of arrangement ("the Scheme"), had been adjourned. Some of the Company's major shareholders were not prepared to approve the Scheme in the form submitted but may be prepared to consider variations to the Scheme. The adjournment, which was approved by the Court, is to allow the Company and its major shareholders time to negotiate variations to the structure of the Scheme, acceptable to all shareholders, which will be sent to ASIC for review before being submitted to the Court for approval and sent to VII shareholders.

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 VII's rolling mills at Vinausteel and SSESTEEL, roofing and wall cladding at Austnam's factory in Hanoi, and the provision of engineering and project management services by TBS.

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

Further information about likely developments in the operations of the Group are included in Operating and Financial Review section.

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 directors, Mr Andrew Walker and Mr Roger Kwok. Mr Walker was appointed Chairman of the Remuneration Committee on 26 February 2013. 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. During 2013, the Company did not engage independent remuneration consultants.

REMUNERATION REPORT (AUDITED) (CONTINUED)

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

Details of Remuneration

		Short-term			Post employment	Termination Benefit	Long-term Benefit	
		Salary & Fees	Bonus	Non-Monetary Benefits	Super-contributions	Termination Benefits	Long Service Leave	Total
		$	$	$	$	$	$	$
Directors								
R. S. Kwok (i)	2013	72,500	-	-	-	-	-	72,500
(Independent Non-Executive Director/ Chairman)	2012	110,000	-	-	-	-	-	110,000
A. D. Walker (i)	2013	60,000	-	-	-	-	-	60,000
(Independent Non-Executive Director)	2012	90,000	-	-	-	-	-	90,000
H. V. H. Lam (ii)	2013	454,617	-	70,383	-	-	-	525,000
(Managing Director/ Chief Executive Officer)	2012	911,046	783,750	92,566	-	-	-	1,787,362
A. A. Young (iii)	2013	276,085	-	8,915	-	-	-	285,000
(Managing Director/ Chief Operating Officer)	2012	397,213	412,500	30,537	-	-	-	840,250
A. J. Hambly (iv)	2013	-	-	-	-	-	-	-
(Non-Executive Director)	2012	115,000	-	-	-	-	-	115,000
Total	2013	863,202	-	79,298	-	-	-	942,500
	2012	1,623,259	1,196,250	123,103	-	-	-	2,942,612
Senior Executives								
D. Nguyen (v)	2013	66,218	-	41,355	-	50,091	-	157,664
(Chief Financial Officer - resigned 30 April 2013)	2012	213,974	-	45,149	-	-	-	259,123
Patricia Williams	2013	140,000	-	-	12,775	-	2,335	155,110
(Company secretary)	2012	140,000	15,000	-	13,950	-	4,700	173,650
D. H. Ngoc	2013	64,997	-	-	-	-	-	64,997
(General Manager – TBS)	2012	60,043	15,793	-	-	-	-	75,836
Total	2013	271,215	-	41,355	12,775	50,091	2,335	377,771
	2012	414,017	30,793	45,149	13,950	-	4,700	508,609

REMUNERATION REPORT (AUDITED) (CONTINUED)

(i) Effective 1 April 2013, non-executive directors agreed to decrease the non-executive directors' fees as follows: Mr Kwok from $110,000 per annum to $60,000 per annum and Mr Andrew Walker from $90,000 per annum to $50,000 per annum.
(ii) Mr Lam has a fixed remuneration package of $525,000 per annum. In May 2012, Mr Lam accepted the Board of Directors' offer for his salary adjustment for years 2009 – 2011 and bonuses for 2010-2011 for achieving key performance indicators totalling $1,262,362 (including bonus of $783,750) which was included in his remuneration in 2012. At 31 December 2013, the balance owing on the salary adjustment to Mr Lam is $493,782 (2012: $1,124,286).
(iii) Mr Young has a fixed remuneration package of $285,000 per annum. In May 2012, Mr Young accepted the Board of Directors' offer for his salary adjustment for years 2009 – 2011 and bonuses for 2010-2011 for achieving key performance indicators totalling $555,250 (including bonus of $412,500) which was included in his remuneration in 2012. At 31 December 2013, the balance owing on the salary adjustment to Mr Young is $142,750 (2012: $322,356).
(iv) Mr Hambly resigned as Chairman and Independent Non-Executive Director on 26 February 2013. No director's fees were paid in 2013.
(v) Mr D Nguyen resigned as Chief Financial Officer on 30 April 2013. In addition to his salary, Mr Nguyen was paid severance pay of $50,091.

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

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

Executive Directors and Senior Executives

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

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 (2012: Nil).

Service Agreements

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.

REMUNERATION REPORT (AUDITED) (CONTINUED)

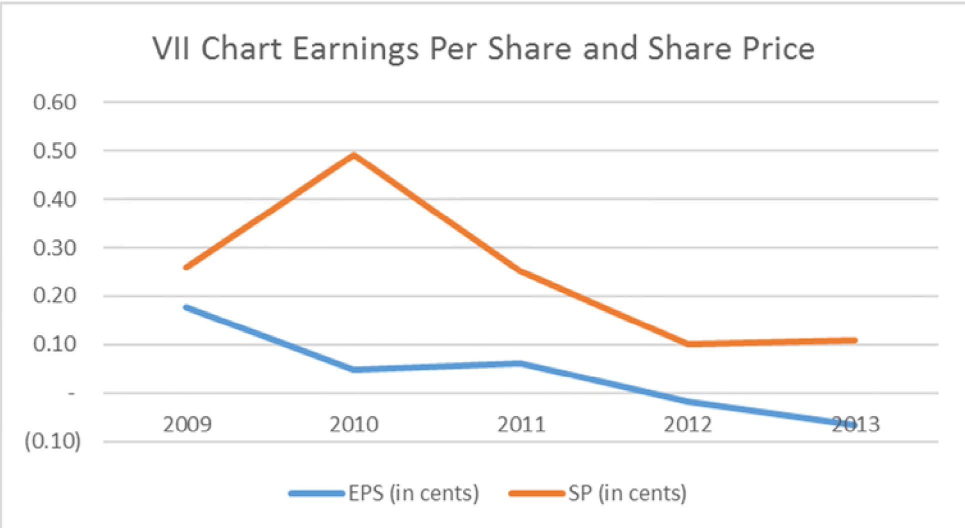
Retirement Policy

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.

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.

The following table shows the EPS and share price of the Group for the last 5 years:



End of the Remuneration Report.

DIRECTORS' MEETINGS

For the year ended 31 December 2013, 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**
R. S. Kwok	7	7	3	3	1	1
A. D. Walker	7	7	3	3	1	1
H. V. H. Lam	7	6	-	-	-	-
A. A. Young	7	7	-	-	-	-
A. J. Hambly	-	-	-	-	-	-

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 was one occasion 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 2013. 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 services in relation to income tax preparation	$18,025
Tax advice in relation to the scheme	$60,545
Accounting advice in relation to the scheme	$30,900
Interim financial report review in relation to the scheme	$30,900

Signed in accordance with a resolution of the directors.

ALAN A. YOUNG
Director
Perth, 31 March 2014

Building a better
working world

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

In relation to our audit of the financial report of Vietnam Industrial Investments Limited for the year ended 31 December 2013, 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
31 March 2014

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 Roger (Sing-Leong) Kwok, *Independent Non-Executive Director and Chairman (appointed on 26 February 2013)*
Mr Henry (Van Hung) Lam, *Managing Director (Chief Executive Officer)*
Mr Alan Alexander Young, *Managing Director (Chief Operating Officer)*
Mr Andrew David Walker, *Independent Non-Executive Director*
Mr Alexander John Hambly, *Non-Executive Director and Chairman (resigned on 22 February 2013)*

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

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

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

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

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."

The Company does not have a majority of Independent Directors appointed at present.

The Board recognises the value of independence and has established clear protocols for handling conflicts of interests.

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 Kwok who served on the Board during the year ended 31 December 2013 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.

During the period until his resignation, Mr Hambly was not considered to be an independent director of the Company as he was associated with a company which advises one of Corbyns International Limited's shareholders.

Mr Kwok, Chairman, and Mr Walker are considered independent non-executive directors.

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. 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.

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.

NOMINATIONS COMMITTEE

The Board has not established a 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.

Performance Assessment

The Board undergoes periodic formal assessments, as and when considered appropriate.

Principle 3: Promote ethical and responsible decision-making
"Actively promote ethical and responsible decision making."

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity. Every employee has a senior executive to whom they may refer any issues arising from their employment. The Board reviews the ethical standards related policies regularly and processes are in place to promote and communicate these policies.

Conflict of Interest
Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists for a director on a board matter, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. Details of director related entity transactions with the consolidated entity are set out in Note 27 to the financial statements.

Code of Conduct
The consolidated entity has advised each director, senior executive and employee that they must comply with the Company's Code of Conduct. The Code may be viewed at the Company's website (www.vii.net.au), 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, if any (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	7	50%
Representation throughout the Group	82	13%

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 Andrew David Walker, *Independent Non-Executive Director (Chairman appointed on 26 February 2013)*
Mr Roger (Sing-Leong) Kwok, *Independent Non-Executive Director*
Mr Alexander John Hambly, *Non-Executive Director (resigned on 22 February 2013)*

During the year, Mr Kwok was considered to be independent. Refer to page 18 regarding the directors' independence. When Mr Hambly resigned on 22 February 2013, there were only two remaining Audit Committee members. As the Company is not an S&P All Ordinaries Top 300 Companies, it is exempt under ASX Listing Rule 12.7 from maintaining an Audit Committee. However, the Company continues to have an Audit Committee as a principle of best practice.

Three meetings of the Audit Committee were held during the reporting period. All members were present at these meetings.

The external auditors, managing directors and chief financial officer are invited to Audit Committee meetings at the discretion of the Committee. The Audit Committee meets as required. The qualifications and attendance of meetings of the Audit committee are disclosed in the Directors' Report.

The COO and CEO declared in writing to the Board that the Company's financial reports for the year ended 31 December 2013 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 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;
- 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 CEO 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 Andrew David Walker, *Independent Non-Executive Director (Chairman appointed on 26 February 2013)*
Mr Roger (Sing-Leong) Kwok, *Independent Non-Executive Director*
Mr Alexander John Hambly, *Non-Executive Director (resigned on 22 February 2013)*

During the year, Mr Kwok was considered to be independent**.** Refer to page 18 regarding the directors' independence. When Mr Hambly resigned on 22 February 2013, there were only two remaining Remuneration Committee members. Given the size and scope of the Company's operations, the Board considers that it is appropriately structured to discharge its duties in a manner that is in the best interests of the Company and its shareholders from both a long-term strategic and day-to-day operations perspective.

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

Remuneration Policies

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

The Remuneration Committee meet as required. There was one meeting of the Remuneration Committee during the reporting period. All members were present at this meeting.

Under the Company's Remuneration Policy, non-executive director will receive a retirement benefit on retirement, resignation or termination, for any reason other than termination due to wilful misconduct. These arrangements are considered appropriate as an incentive to retain the requisite knowledge, skills and expertise within the organisation. These arrangements are reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

Recommendation	Comply (Yes/No)	Comments
Principle 1 – Lay solid foundations for management and oversight		
1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes	
1.2: Companies should disclose the process for evaluating the performance of senior executives.	Yes	
1.3: Companies should provide the information indicated in the guide to reporting on Principle 1.	Yes	
Principle 2 – Structure the board to add value		
2.1: A majority of the board should be independent directors.	No	Refer to page 18.
2.2: The chair should be an independent director.	No	Refer to page 18.
2.3: The roles of chair and chief executive officer should not be exercised by the same individual.	Yes	
2.4: The board should establish a nomination committee.	No	Refer to page 18.
2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	
2.6: Companies should provide the information indicated in the guide to reporting on Principle 2.	Yes	
Principle 3 – Promote ethical and responsible decision-making		
3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes	
3.2: Companies should establish a policy concerning 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 • consists of a majority of independent directors • is chaired by an independent chair, who is not chair of the board • has at least three members.	 Yes No Yes Yes	 Refer to page 20.
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 2013

	Notes	2013 $'000	2012 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	8	51,149	37,112
Trade and other receivables	9	12,274	19,999
Advances to suppliers	10	29,608	13,834
Inventories	11	42,428	42,634
Financial assets – at fair value through profit or loss	12	9	9
Other current assets	13	305	249
		135,773	113,837
Disposal group classified as held for sale	7	1,649	1,398
Total Current Assets		137,422	115,235
Non-current Assets			
Receivables	14	5	4
Property, plant and equipment	15	6,504	11,271
Deferred tax assets	6 (d)	44	45
Intangible assets and goodwill	16	78	79
Total Non-current Assets		6,631	11,399
TOTAL ASSETS		144,053	126,634
LIABILITIES			
Current Liabilities			
Trade and other payables	17	9,515	22,791
Advances from customers		1,504	295
Income tax provision	6 (e)	675	516
Interest-bearing loans and borrowings	18	92,742	60,152
Provisions	19	655	622
		105,091	84,376
Liabilities directly associated with disposal group classified as held for sale	7	871	202
Total Current Liabilities		105,962	84,578
Non-Current Liabilities			
Interest-bearing loans and borrowings	18	122	-
Total Current Liabilities		122	-
TOTAL LIABILITIES		106,084	84,578
NET ASSETS		37,969	42,056
EQUITY			
Equity attributable to equity holders of parent			
Contributed equity	20	27,819	27,819
Reserves	21	(9,922)	(15,512)
Foreign currency translation reserves of disposal group classified held for sale	7	(14)	248
Retained earnings	22	16,597	25,753
Parent interests		34,480	38,308
Non-controlling interests	23	3,489	3,748
TOTAL EQUITY		37,969	42,056

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	2013 $'000	2012 $'000
Continuing operations			
Sale of goods		258,409	379,417
Contract revenue		2,206	4,265
Other revenue	5	1,914	1,571
Revenue		265,529	385,253
Cost of sales	5	(248,755)	(374,345)
Gross profit		13,774	10,908
Other income	5	474	2,820
Marketing expenses	5	(2,616)	(1,224)
Administrative expenses	5	(8,551)	(7,910)
Impairment of assets	5	(5,821)	(265)
Finance costs	5	(4,769)	(4,881)
Loss before income tax		(7,509)	(552)
Income tax expense	6 (a)	(620)	(1,790)
Net loss after tax from continuing operations		(8,129)	(2,342)
Discontinued operations			
Net loss after tax from discontinued operations	7	(590)	(193)
Net loss for the year		(8,719)	(2,535)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences attributable to parent		5,328	(573)
Items that may not be reclassified subsequently to profit or loss			
Foreign currency translation attributable to non-controlling interests		482	(77)
Other comprehensive income/(loss) for the year		5,810	(650)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(2,909)	(3,185)
(Loss)/profit attributable to:			
Owners of parent		(9,156)	(2,715)
Non-controlling interests		437	180
		(8,719)	(2,535)
Total comprehensive (loss)/income attributable to:			
Owners of parent		(3,828)	(3,288)
Non-controlling interests		919	103
		(2,909)	(3,185)
		Cents	Cents
Loss per share (cents per share) for continuing operations attributable to the ordinary equity holders of the company:			
- Basic and diluted loss per share	24	(6.02)	(1.77)
Loss per share (cents per share) attributable to the ordinary equity holders of the Company:			
– Basic and diluted loss per share	24	(6.44)	(1.91)

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 2013

	Attributable to equity holders of the parent						*Non-controlling interests*	*Total equity*
	Contributed equity	*Foreign currency translation reserves*	*Retained earnings*	*Discontinued Operation*	*Legal reserves*	*Owners of the parent*		
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1 January 2013	27,819	(16,636)	25,753	248	1,124	38,308	3,748	42,056
Net (loss)/profit for the year	-	-	(9,156)			(9,156)	437	(8,719)
Other comprehensive income	-	5,328	-	-	-	5,328	482	5,810
Total comprehensive (loss)/ income for the year	-	5,328	(9,156)	-	-	(3,828)	919	(2,909)
Dividends paid by subsidiaries	-	-	-	-	-	-	(1,178)	(1,178)
Discontinued operation	-	262	-	(262)	-	-	-	-
At 31 December 2013	27,819	(11,046)	16,597	(14)	1,124	34,480	3,489	37,969
At 1 January 2012	27,819	(15,815)	37,431	-	1,124	50,559	4,456	55,015
Net (loss)/profit for the year	-	-	(2,715)	-	-	(2,715)	180	(2,535)
Other comprehensive loss	-	(573)	-	-	-	(573)	(77)	(650)
Total comprehensive (loss)/ income for the year	-	(573)	(2,715)	-	-	(3,288)	103	(3,185)
Dividends to shareholders		-	(8,963)			(8,963)	-	(8,963)
Dividends paid by subsidiaries	-	-	-		-	-	(811)	(811)
Discontinued operation	-	(248)	-	248	-	-	-	-
At 31 December 2012	27,819	(16,636)	25,753	248	1,124	38,308	3,748	42,056

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	**2013 $'000**	2012 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of VAT)		259,696	396,051
Payments to suppliers and employees (inclusive of VAT)		(267,448)	(367,276)
Interest received		1,914	1,571
Interest paid		(4,769)	(4,881)
Income taxes paid		(534)	(1,568)
Net cash flows (used in)/ provided by operating activities	8 (a)	(11,141)	23,897
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,210)	(930)
Proceeds from sale of property, plant and equipment		5	-
Purchase of software		-	(2)
Net cash flows used in investing activities		(1,205)	(932)
Cash flows from financing activities			
Proceeds from bank borrowings		278,741	229,230
Repayment of bank borrowings		(256,452)	(230,194)
Proceeds from other creditors		698	-
Repayment to other creditors		(575)	-
Dividends paid to shareholders		-	(8,961)
Dividends paid to minority interest		(1,178)	(811)
Net cash flows provided by/(used in) financing activities		21,234	(10,736)
Net increase in cash and cash equivalents		8,888	12,229
Net foreign exchange differences		5,801	(331)
Cash and cash equivalents at beginning of year		37,144	25,246
Cash and cash equivalents at end of year	8	51,833	37,144

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 and its subsidiaries ("the Group") for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the directors on 24 March 2014.

Vietnam Industrial Investments Limited is a for profit 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. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated.

(a) Compliance with IFRS

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

(b) Changes in accounting policy, disclosures, standards and interpretations

(i) Changes in accounting policy and disclosures

Excepted as noted below, the accounting policies adopted are consistent with the prior year. The Group has adopted all new amended accounting standards effective from 1 January 2013 as follows:

Reference	Title
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. **Consequential amendments were also made to this and other standards via AASB 2011-7 and AASB 2012-10.** Management has reviewed its control assessments in accordance with AASB 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group's investees held during the period or comparative periods covered by these financial statements.
AASB 119 (Revised 2011)	**Employee Benefits** The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. **Consequential amendments were also made to other standards via AASB 2011-10.** There is no impact on the Group based on the revised AASB 119.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards and interpretations (continued)

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

Reference	Title
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. **Consequential amendments were also made to this and other standards via AASB 2011-7, AASB 2010-10 and amendments to AASB 128.** The Group does not have joint arrangements within the scope of AASB 11.
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 structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests. Appropriate disclosures are made in the financial statements.
AASB 13	**Fair Value Measurement** AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets and liabilities. 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.** Appropriate disclosures are made in the financial statements.
AASB 2012-2	**Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities** AASB 2012-2 principally amends AASB 7 *Financial Instruments: Disclosures* to require disclosure of the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position, when all the offsetting criteria of AASB 132 are not met. This amendment does not have an impact on the Group.
AASB CF 2013-1	**Amendments to the Australian Conceptual Framework** AASB CF 2013-1 replaces the guidance in the *Framework* on the objective of general purpose financial reporting and the qualitative characteristics of useful financial information, as an integral part of the *Framework* and it also withdraws Statement of Accounting Concepts SAC 2 *Objective of General Purpose Financial Reporting*. There is no impact on the Group's financial position or performance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards and interpretations (continued)

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Group for the annual reporting period ending 31 December 2013 are outlined in the table below.

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2011-4	Amendments to Australian Accounting Standards to *Remove Individual Key Management Personnel Disclosure Requirements* [AASB 124]	This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.	1 July 2013	When these amendments are first adopted for the year ending 31 December 2014, the entity will assess any significant impact.	1 January 2014
AASB 2012-3	Amendments to Australian Accounting Standards - *Offsetting Financial Assets and Financial Liabilities*	AASB 2012-3 adds application guidance to AASB 132 *Financial Instruments: Presentation* to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	When these amendments are first adopted for the year ending 31 December 2014, the entity will assess any significant impact.	1 January 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards and interpretations (continued)

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

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 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: Tier 1: Australian Accounting Standards 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, 2011-2, 2011-6, 2011-11, 2012-1, 2012-7 and 2012-11.	1 July 2013	The entity is a Tier 1 entity and therefore not eligible to apply the Reduced Disclosure Requirements.	1 January 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards and interpretations (continued)

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

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
Interpretation 21	*Levies*	This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.	1 January 2014	When this interpretation is adopted for the first time on 1 January 2014, the entity has not yet assessed the full impact of this Interpretation.	1 January 2014
AASB 2013-4	Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]	AASB 2013-4 amends AASB 139 to permit the continuation of hedge accounting in specified circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.	1 January 2014	The entity will consider these amendments on the Group's financial report for the year ending 31 December 2014.	1 January 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards and interpretations (continued)

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

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 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.	I January 2017	The entity has not yet assessed the full impact of these amendments.	1 January 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards and interpretations (continued)

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

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
		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 and superseded by AASB 2010-7 and 2010-10. The AASB issued a revised version of AASB 9 (AASB 2013-9) during December 2013. The revised standard incorporates three primary changes: 1. New hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures; 2. Entities may elect to apply only the accounting for gains and losses from own credit risk without applying the other requirements of AASB 9 at the same time; and The mandatory effective date moved to 1 January 2017.			
AASB 2013-3	*Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*	AASB 2013-3 amends the disclosure requirements in AASB 136 *Impairment of Assets*. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.	1 January 2014	The entity will consider these amendments on the Group's financial report for the year ending 31 December 2014.	1 January 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards and interpretations (continued)

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

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
Annual Improvements 2010–2012 Cycle	Annual Improvements to IFRSs 2010–2012 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard: ► IFRS 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. ► IFRS 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to IAS 37. ► IFRS 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset t the entity's assets. ► IAS 16 & IAS 38 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.	1 July 2014	When these amendments are first adopted for the year ended 31 December 2015, the entity will assess material impact of these annual improvements.	1 January 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards and interpretations (continued)

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

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
		IAS 24 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of IAS 24 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.			
Annual Improvements 2011–2013 Cycle	Annual Improvements to IFRSs 2011–2013 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard: ► IFRS 13 - Clarifies that the portfolio exception in paragraph 52 of IFRS 13 applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32. ► IAS 40 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of IFRS 3 that includes an investment property. That judgment is based on guidance in IFRS 3.	1 July 2014	When these amendments are first adopted for the year ended 31 December 2015, the entity will assess material impact of these annual improvements.	1 January 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New accounting standards and interpretations (continued)

(iii) 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 1031	Materiality	The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.	1 January 2014		1 January 2014
AASB 2013-9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	The Standard contains three main parts and makes amendments to a number Standards and Interpretations. Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards. Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments.	^	The entity will consider these amendments on the Group's financial report going forward.	^

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

^ The application dates of AASB 2013-9 are as follows;
Part B - periods beginning on or after 1 January 2014
Part C - reporting periods beginning on or after 1 January 2015
The application date for the Group would be the same as per the Standard.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Vietnam Industrial Investments Limited and its subsidiaries ('the Group') as at 31 December 2013. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights to variable returns from involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of the other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(d) Significant accounting judgements, estimates, and assumptions

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

Judgements

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Impairment of non-financial assets other than goodwill
The Group assesses impairment of all assets of the Vietnam subsidiaries at each reporting date by evaluating the conditions specific to the Group and to the particular asset that may lead to impairment. These include market value of the assets, technology, economic and political environments, interest rates, physical assets' conditions and financial performance of the subsidiaries. An impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The Group used the value in use calculation based on the discounted cash flow ("DCF") model. The cash flows are derived from the budget for the next five to ten years and do not include any enhancements to the asset's performance for the CGU tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the CGUs, including a sensitivity analysis, are disclosed and further explained in Note 15.

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

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

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Foreign currency translation

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

(i) Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulated amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items, if any, are also recorded in other comprehensive income.

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. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the items (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

(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 statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

(f) Cash and cash equivalents

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

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

(g) Trade and other receivables

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

Collectibility of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectible are written off when identified. An impairment allowance 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)

(h) Inventories

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

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

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

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

(i) Financial instruments

Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, 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.

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

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

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

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

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

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs for loans and in cost of sales or other operating expenses for receivables.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (continued)

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

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

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

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

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

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

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

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

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

j) Borrowing costs

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Property, plant and equipment

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

Buildings are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Buildings and improvements – over 5-27 years
Plant and equipment – over 5-15 years
Motor Vehicles – over 5-10 years

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

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

(l) Goodwill and Intangible assets

Goodwill
Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

When goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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

Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Goodwill and Intangible assets

Intangible assets (continued)

A summary of the policies applied to the Group's intangible assets is as follows:

	Software costs	Land rights
Useful lives	Finite	Finite
Method used	2-5 years - Straight line	20-48 years – Straight line
Internally generated / Acquired	Acquired	Acquired
Impairment test / Recoverable amount testing	Amortisation method reviewed at each financial year-end; Reviewed annually for indicator of impairment	Amortisation method reviewed at each financial year-end; Reviewed annually for indicator of impairment

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

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

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

(m) Impairment of non-financial assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a weight average cost of capital that reflects current market assessments of the time value of money and the risks specific to the asset. On determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

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

(n) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) 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.

(p) 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.

(q) 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.

(r) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Employee provisions and other post-employment benefits (continued)

(iii) Retirement benefit obligations (continued)

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.

(s) Leases

As a lessee, operating lease payments are recognised as an operating expense in the statement of profit or loss 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.

(t) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The specific recognition criteria described below 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 as the services are provided to the customer.

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
Where the outcome of a construction contract can be estimated reliably, revenues and costs are recognised by reference to the stage of completion of the contract activity at balance date, as measured by the proportion that contract costs incurred for work performed to date bear the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of the construction contract cannot be reliably estimated, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are expensed as 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 and is included in other income in the statement of profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Income tax and other taxes

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

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

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

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

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

- in respect of taxable temporary difference associated with investments in subsidiaries, associates or interests in joint ventures, when the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

- 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. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) 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.

(w) 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.

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

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

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

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

(y) Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset as current when it is:
- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Group has not entered into hedging transactions.

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

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

Risk Exposures and Responses

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's debt obligations. The level of debt is disclosed in Note 18.

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

	2013 $'000	2012 $'000
Financial Assets		
Cash and cash equivalents	51,149	37,112
	51,149	37,112
Financial Liabilities		
Interest-bearing liabilities – bank loans	92,733	60,152
Interest-bearing liabilities – other creditors	131	-
	92,864	60,152
Net exposure	(41,715)	(23,040)

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 ranging from 4% to 7.5% (2012: 8% - 11%).

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 2013, fixed interest rates for bank loans vary in every contract ranging from 5.8% to 7% for Vietnamese Dong loans (2012: 9% - 11.8%) and from 3.4% to 4% for US Dollar loans (2012: 4.43% - 5.2%). 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 2013, if interest rates on short-term deposits 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/Equity Higher/(lower)	
	2013	2012
	$'000	$'000
Consolidated		
High rate +1% (2012: +1%)	111	77
Low rate -1% (2012: -1%)	(111)	(77)

A sensitivity of 1% has been selected as this is considered reasonable given most of the short-term deposits are in Vietnamese Dong and have fixed interest varying from one month to three months. Interest rate movements have no direct impact on equity.

At 31 December 2013, if interest rates on loans denominated 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/Equity Higher/(lower)	
	2013	2012
	$'000	$'000
Consolidated		
High rate +1% (2012: +2%)	929	1,203
Low rate -1% (2012: -2%)	(929)	(1,203)

The movements in profit are due to higher/lower interest costs from debt balances. A sensitivity of 1% 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 2013, the Group had the following exposure to USD foreign currencies against the VND:

	2013	2012
	$'000	$'000
Financial Assets		
Cash and cash equivalents	3	3
Financial Liabilities		
Interest-bearing liabilities		
- US Dollar	8,374	8,674
	8,374	8,674
Net exposure	(8,371)	(8,671)

The following exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
	2013	2012	**2013**	2012
USD/VND	21,048	20,875	21,115	20,840
AUD/USD	0.9600	1.0393	0.8948	1.0384

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

At 31 December 2013, 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/Equity Higher/(lower)	
	2013	2012
	$'000	$'000
Consolidated		
High rate + 2% (2012: +1%)	(164)	107
Low rate - 2% (2012: -1%)	171	284

The movements in profit in 2013 are less sensitive than in 2012 due to minimal exposure of the VND against USD and a reduction in the reasonably possible movement in the exchange rates.

The foreign currency sensitivity of 2% is used as the State Bank of Vietnam aims to keep changes in the USD/VND exchange rate within 2 percent after it depreciated the VND by 1 percent in 2013.

At 31 December 2013, 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 Parent has provided security to various banks for banking facilities provided to Vietnam subsidiaries in the form of letters of guarantee totalling US$16.000 million ($17.881 million) (2012: US$16.000 million ($15.408 million)). At 31 December 2013 the total interest bearing liabilities drawndown to which these corporate guarantees relate to were US$13.810 million ($15.434 million) (2012: US$6.497 million ($6.257 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 based on contractual maturity

The risk implied from the values shown in the table below, based on contractual cash flows. 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 2013

Consolidated	<=6 mths $'000	6-12 mths $'000	1-5 years $'000	>5 years $'000	Total $'000
Financial Liabilities					
Trade and other payables	9,515	-	-	-	9,515
Interest-bearing liabilities	98,584	11	96	144	98,835
	108,099	11	96	144	108,350

Year ended 31 December 2012

Consolidated	<=6 mths $'000	6-12 mths $'000	1-5 years $'000	>5 years $'000	Total $'000
Financial Liabilities					
Trade and other payables	22,791	-	-	-	22,791
Interest-bearing liabilities	65,149	-	-	-	65,149
	87,940	-	-	-	87,940

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair Value Measurement

Fair value measurement of financial assets and financial liabilities

The carrying values of financial assets and financial liabilities approximate their fair values at the balance sheet date.

Fair values derived may be based on information that is estimated or subject to judgement, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgement and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices.

	2013	2012
	$'000	$'000
Fair value		
Financial assets		
Listed Investments – Australian (Level 1)	9	9
	9	9

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

The three levels of a fair value hierarchy on financial assets and liabilities are defined based on the observability of significant inputs to the measurement as follows:

Level 1: quoted prices in active markets for assets or liabilities
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability

4. SEGMENT INFORMATION

Identification of reportable segments

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

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

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

Steel Making: includes the manufacturing and selling of wire rod and rebar activities of Vinausteel Limited and SSESTEEL Ltd. These companies are domiciled and main customers in Vietnam.

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

Unallocated: relates to corporate charges of Parent in Australia, British Virgin Islands and Singapore entities which are separately accounted from the business segments. The unallocated assets of $1.816 million at 31 December 2013 mainly relates to cash and cash equivalents of $1.637 million. The unallocated liabilities of $1.364 million at 31 December 2013 includes $0.641 million related parties' payables (refer to Notes 17 and 27 (d)) and $0.494 million legal fees in relation to the scheme.

4. SEGMENT INFORMATION (continued)

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.

Segment Performance

	Steel Making (Vietnam) $'000	Steel Products (Vietnam) $'000	Unallocated Note (i) $'000	Total $'000	Adjustments and eliminations $'000	Consolidated $'000
Year ended 31 December 2013						
Revenues						
External revenues	255,761	4,854	-	260,615	-	260,615
Inter-segment revenues	25	850	-	875	(875)	-
Interest income	1,868	46	-	1,914	-	1,914
Other revenues	284	130	60	474	-	474
Total segment revenues	257,938	5,880	60	263,878	(875)	263,003
Results						
Segment results before income tax	(6,093)	125	-	(5,968)	-	(5,968)
Income tax expense	(589)	(31)	-	(620)	-	(620)
Segment results after tax	(6,682)	94	-	(6,588)	-	(6,588)
Corporate charges	-	-	(1,541)	(1,541)	-	(1,541)
Net (loss)/profit after tax from continuing operations	(6,682)	94	(1,541)	(8,129)	-	(8,129)
Year ended 31 December 2012						
Revenues						
External revenues	376,570	7,111	-	383,681	-	383,681
Inter-segment revenues	-	26	-	26	(26)	-
Interest income	1,499	49	-	1,548	-	1,548
Other revenues	2,800	88	(44)	2,844	-	2,844
Total segment revenues	380,869	7,274	(44)	388,099	(26)	388,073
Results						
Segment results before income tax	2,148	(300)	-	1,848	-	1,848
Income tax benefit/(expense)	(1,809)	19	-	(1,790)	-	(1,790)
Segment results after tax	339	(281)	-	58	-	58
Corporate charges	-	-	(2,400)	(2,400)	-	(2,400)
Net profit/(loss) after tax from continuing operations	339	(281)	(2,400)	(2,342)	-	(2,342)

Note (i) – Australia, British Virgin Islands and Singapore.

4. SEGMENT INFORMATION (continued)

	Steel Making (Vietnam) $'000	Steel Products (Vietnam) $'000	Unallocated Note (i) $'000	Total $'000
Segment assets				
At 31 December 2013				
Segment operating assets	137,958	4,659	1,893	144,510
Disposal group classified as held for sale				1,649
Inter-segment eliminations				(2,106)
Total assets per statement of financial position				144,053
At 31 December 2012				
Segment operating assets	123,900	2,955	340	127,195
Disposal group classified as held for sale				1,398
Inter-segment eliminations				(1,959)
Total assets per statement of financial position				126,634
Segment liabilities				
At 31 December 2013				
Segment operating liabilities	101,527	2,518	1,364	105,409
Liabilities directly associated with disposal group classified as held for sale				871
Inter-segment eliminations				(196)
Total liabilities per statement of financial position				106,084
At 31 December 2012				
Segment operating liabilities	82,509	1,173	1,642	85,324
Liabilities directly associated with disposal group classified as held for sale				202
Inter-segment eliminations				(948)
Total liabilities per statement of financial position				84,578
Other segment information				
At 31 December 2013				
Depreciation and amortisation expense	(1,667)	(78)	-	(1,745)
Impairment of assets	(5,821)	-	-	(5,821)
Capital expenditure	1,206	2	2	1,210
At 31 December 2012				
Depreciation and amortisation expense	(1,517)	(160)	-	(1,677)
Impairment of assets	-	-	(265)	(265)
Capital expenditure	867	54	-	921
Cash flow Information				
At 31 December 2013				
Operating activities	(10,460)	594	(1,275)	(11,141)
Investing activities	(1,206)	(2)	3	(1,205)
Financing activities	21,112	122	-	21,234
At 31 December 2012				
Operating activities	24,450	489	(850)	23,897
Investing activities	(867)	(54)	(11)	(932)
Financing activities	(682)	(588)	(9,466)	(10,736)

Note (i) – Australia, British Virgin Islands and Singapore.

5. REVENUE AND EXPENSES

Revenues and expenses from continuing operations	2013 $'000	2012 $'000
(a) Other Revenue		
Interest income-banks	1,914	1,571
	1,914	1,571
(b) Other income		
Financial and executive services income	60	58
Foreign exchange gain	-	2,462
Interest income - customers	-	20
Rent income	128	77
Other	286	203
	474	2,820
(c) Cost of sales		
Cost of goods sold	(246,122)	(370,562)
Construction costs	(2,633)	(3,783)
	(248,755)	(374,345)
(d) Finance costs		
Bank loans and other borrowings	(4,769)	(4,881)
(e) Marketing expenses		
Other	(2,616)	(1,224)
	(2,616)	(1,224)
(f) Administrative expenses		
Employee benefits	(2,552)	(4,147)
Professional fees	(1,490)	(253)
Provision for doubtful debts	(1,658)	(1,372)
Foreign exchange loss	(113)	-
Rent expense	(372)	(351)
Other	(2,366)	(1,787)
	(8,551)	(7,910)
(g) Depreciation and amortisation		
Depreciation expense	(1,744)	(1,627)
Amortisation of intangible assets	(1)	(50)
	(1,745)	(1,677)
(h) Impairment of assets		
Property, plant and equipment	(5,070)	(181)
Construction in progress	(751)	(84)
	(5,821)	(265)

6. INCOME TAX

	2013 $'000	2012 $'000
(a) Income tax expense		
The major components of income tax expense are:		
Statement of Comprehensive Income		
Current tax	612	223
Deferred tax	8	1,567
	620	1,790
(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		
Loss from continuing operations before tax	(7,509)	(552)
At Group's statutory income tax rate of 30% (2012: 30%)	(2,253)	(165)
Adjustments to tax expense:		
Foreign tax rate adjustment	118	(477)
Deferred tax asset derecognition	1	1,567
Non-deductible expenses	2,375	323
Non-assessable income	-	(415)
Utilisation of carry forward tax losses	(2)	-
Other	381	957
Aggregate tax expense	620	1,790

(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 2013, 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 (2012: Nil). At 31 December 2013, the deferred tax assets of $0.044 million (2012: $0.045 million) were recognised in respect of the provisions of $0.176 million (2012: $0.180 million). At 31 December 2013, there is no deferred income tax liability recognised (2012: Nil)

(e) Income tax provision

At 31 December 2013, consolidated income tax payable is $0.675 million (2012: $0.516 million).

(f) Tax losses carried forward

At 31 December 2013, the following subsidiaries have accumulated tax losses of $5.967 million (2012: $0.909 million) available for offset against future taxable profits. Deferred tax assets of $1.256 million (2012: $0.227 million) were not recognised in respect of the tax loss carried forward because of the uncertainty of future profitability of these companies.

	2013 $'000	2012 $'000
Revenue tax losses not recognised		
SSESTEEL Ltd	4,720	-
Total Building Systems Limited	1,247	909
	5,967	909

7. DISCONTINUED OPERATION

VRC Weldmesh (Vietnam) Limited ("VRC") entered into a contract to sell its building and factory (including land use rights). The completion of the sale will be at the end of March 2014. Despite management's efforts to cut costs and increase sales volumes, the company has not been successful in turning the VRC business around and it has continued to incur losses. Therefore, the Board of Directors has decided to discontinue its operations dispose of VRC. VRC has been classified as a disposal group held for sale and as a discontinued operation. Previously, VRC was included in the Steel Products division. The result of VRC for the year ended 31 December 2013 is as follows:

	2013 **$'000**	2012 $'000
Revenue	249	269
Expense	(839)	(388)
Finance cost	-	(74)
Loss for the year from discontinued operation	(590)	(193)

The assets and liabilities of VRC classified as held for sale at 31 December 2013 are as follows:

	2013 **$'000**	2012 $'000
ASSETS		
Property, plant and equipment	622	1,028
Intangible assets	246	216
Cash (Note 8)	684	32
Receivables	57	82
Others	40	40
Disposal group classified as held for sale	1,649	1,398
LIABILITIES		
Other payables	871	202
Liabilities directly associated with disposal group classified as held for sale	871	202
Foreign currency translation reserves of a disposal group classified held for sale	(14)	248

The net cash flows incurred by VRC are as follows:

	2013 **$'000**	2012 $'000
Operating	563	(192)
Investing	5	(11)
Financing	-	(505)
Net cash outflow	568	(708)

	Cents	Cents
Loss per share:		
Basic and diluted loss for the year from discontinued operation	(0.41)	(0.14)

8. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	2013 **$'000**	2012 $'000
Cash at bank and in hand	6,642	6,558
Short-term deposits	44,507	30,554
	51,149	37,112
Cash at bank attributable to discontinued operation	684	32
	51,833	37,144

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 loss after tax to the net cash flows from operations:

	2013 **$'000**	2012 $'000
Net loss after tax	(8,719)	(2,535)
Adjustment for non-cash items:		
Depreciation and amortisation	1,745	1,677
Impairment of assets	5,821	265
Impairment of assets – discontinued operation	515	-
Change in fair value of financial assets	-	19
Net loss on disposal of property, plant and equipment	12	-
Changes in assets and liabilities		
(Increase)/decrease in:		
Trade, other receivables, and advances to suppliers	(2,012)	9,549
Inventories	5,992	12,282
Prepayments	(24)	154
Deferred tax assets	8	1,567
(Decrease)/increase in:		
Trade and other payables, and advances from customers	(14,508)	2,287
Provisions	(49)	(23)
Income tax provision	78	(1,345)
Net cash flow (used in)/provided by operating activities	(11,141)	23,897

(b) Disclosure of financing activities

Financing facilities are set out in Note 18.

9. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	2013 $'000	2012 $'000
Trade receivables	8,122	16,972
Allowance for impairment loss	(1,567)	(719)
	6,555	16,253
Construction contract receivables	1,512	122
Allowance for impairment loss	(38)	(38)
	1,474	84
Other receivables	4,568	3,815
Allowance for impairment loss	(323)	(153)
	4,245	3,662
Carrying amount of trade and other receivables	12,274	19,999

Trade receivables are non-interest bearing and are generally on terms of 60 days.

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 $1.658 million (2012: $1.372 million) has been recognised by the Group. These amounts have been included in the administrative expense item.

Movements in the allowance account for impairment losses were as follows:

	2013 $'000	2012 $'000
At 1 January	910	1,247
Charge for the year	1,658	1,372
Discontinued operation	-	(136)
Unused amounts reversed	(830)	(1,556)
Foreign exchange translation	190	(17)
At 31 December	1,928	910

At 31 December, the aging analyses of trade and other receivables are as follows:

	2013		2012	
	Receivables $'000	**Impairment $'000**	Receivables $'000	Impairment $'000
Trade receivables				
Within due date	6,061	322	16,417	261
Over 61 – 180 days	323	191	13	-
Over 181 – 360 days	1,167	524	26	-
Over 360 days	571	530	516	458
	8,122	1,567	16,972	719

9. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES (continued)

	2013		2012	
	Receivables	**Impairment**	Receivables	Impairment
	$'000	**$'000**	$'000	$'000
Construction contract receivables				
Within due date	1,474	-	89	5
Over 360 days	38	38	33	33
	1,512	38	122	38

	2013		2012	
	Receivables	**Impairment**	Receivables	Impairment
	$'000	**$'000**	$'000	$'000
Other receivables				
Within due date	4,245	-	3,662	-
Over 360 days	323	323	153	153
	4,568	323	3,815	153

Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

Foreign exchange and interest rate risk

Details regarding foreign exchange and interest rate risk of current trade receivables are disclosed in Note 3.

10. ADVANCES TO SUPPLIERS

	2013	2012
	$'000	$'000
Other suppliers	29,608	13,834
	29,608	13,834

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

11. CURRENT ASSETS – INVENTORIES

	2013	2012
	$'000	$'000
Raw materials – at cost	11,227	19,951
Finished goods – at lower of cost and net realisable value	31,201	22,683
Total inventories at lower of cost and net realisable value	42,428	42,634

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

	2013	2012
	$'000	$'000
Financial assets held for trading		
– at fair value		
Shares in listed companies	9	9
	9	9

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.

13. OTHER CURRENT ASSETS

	2013 $'000	2012 $'000
Prepayments	305	249
	305	249

14. NON-CURRENT ASSETS – RECEIVABLES

	2013 $'000	2012 $'000
Long-term deposits	5	4
	5	4

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

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

	2013 $'000	2012 $'000
Building on leasehold land		
- Cost	7,334	5,593
- Accumulated depreciation	(4,095)	(3,183)
Net carrying amount	3,239	2,410
Plant and equipment		
- Cost	22,281	19,355
- Accumulated depreciation and impairment	(21,105)	(13,127)
Net carrying amount	1,176	6,228
Motor vehicles		
- Cost	1,886	1,654
- Accumulated depreciation	(1,297)	(887)
Net carrying amount	589	767
Construction in progress – cost	1,500	1,866
Net carrying amount	6,504	11,271

Reconciliation of property, plant and equipment

Building on leasehold land		
Opening net carrying amount	2,410	3,537
Additions	877	5
Disposals/transfers	-	25
Impairment loss	-	(181)
Depreciation expense	(429)	(386)
Discontinued operation	-	(544)
Exchange difference	381	(46)
Closing net carrying amount	3,239	2,410
Plant and equipment		
Opening net carrying amount	6,228	7,582
Additions	221	274
Disposals/transfers	(11)	2
Impairment loss	(5,000)	-
Depreciation expense	(1,104)	(1,058)
Discontinued operation	-	(473)
Exchange difference	842	(99)
Closing net carrying amount	1,176	6,228

15. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

	2013 $'000	2012 $'000
Reconciliation of property, plant and equipment		
Motor vehicles		
Opening net carrying amount	767	707
Additions	-	277
Disposals/transfers	(2)	(13)
Impairment loss	(70)	-
Depreciation expense	(203)	(183)
Discontinued operation	-	(11)
Exchange difference	97	(10)
Closing net carrying amount	589	767
Construction in progress		
Opening net carrying amount	1,866	1,663
Net additions/transfers	113	352
Impairment loss	(751)	(84)
Amortisation expense	(8)	(47)
Exchange difference	280	(18)
Closing net carrying amount	1,500	1,866
Net carrying amount	6,504	11,271

Construction in progress mainly relates to the Australian Steel Billet Company project. SSESTEEL had been issued with an investment certificate to form a new company, Australian Steel Billet Company Ltd, licensed to construct and own a factory for the manufacture of steel billets. Feasibility studies, preliminary engineering design and equipment investigations have been undertaken, however, the project has been placed on hold due to current economic conditions.

The Group's main cash generating units are in SSESTEEL and Vinausteel.

In 2013, the recoverable amount of SSESTEEL (CGU) of $12.397 million was determined based on a value in use calculation using cash flow projections from financial budgets approved by Vietnam senior management covering a five year period. The projected cash flows reflect the demand for steel in Vietnam. The discount rate applied is 13% (2012: Nil). The grow rate used to determine the terminal value is 3%. Management believes that this growth rate is reasonable as the historical sales for SSESTEEL varied in each period. As a result of this DCF analysis, for the year ended 31 December 2013, the Group recognised a non-cash impairment loss of $5.821 million which represented the write-down of certain property, plant and equipment in SSESTEEL Ltd to the recoverable amount as a result of economic conditions for the construction industry in Vietnam. This was recognised separately in the statement of comprehensive income.

The recoverable amount of Vinausteel (CGU) of $21.698 million was determined based on a value in use calculation using cash flow projections from financial budgets approved by Vietnam senior management covering a ten year period until 2024, the year which Vinausteel parties may extend the term of operation in Vinausteel. The growth rate beyond three years was fixed at zero. The projected cash flows reflect the demand for steel in Vietnam. The discount rate applied is 13% (2012: Nil). As a result of this analysis, management did not identify any impairment for this CGU.

Key assumptions used in value in use calculations

The calculation of value in use for SSESTEEL and Vinausteel CGUs is most sensitive to gross profit margins, discount rates and growth rates. Gross profit margins are set at 4%-5% for SSESTEEL and 5%-6% Vinausteel. The discount rate of 13% is based on the Group's weight average cost of capital (WACC). Growth rate of 3% is based on the historical data of SSESTEEL.

Sensitivity to changes in assumptions

As a non-cash impairment loss was recognised for SSESTEEL, sensitivity analyses are determined for the gross profit margin, discount rate and growth rate for SSESTEEL's estimated recoverable amount.

15. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (continued)

Sensitivity to changes in assumptions (continued)

If the gross profit margin increased by 0.5% with the discount rate and growth rate held constant, the impairment loss would have to be decreased by $4.995 million as the estimated recoverable amount would improve to $17.392 million.

If the discount rate increased by 1% with the gross profit margin and growth rate held constant, further impairment loss would have to be recognised by $4.404 million as the estimated recoverable amount would decrease to $7.993 million.

If the growth rate increased by 0.5% with the discount rate and gross profit margin held constant, the impairment loss would have to be decreased by $1.873 million as the estimated recoverable amount would improve to $14.270 million.

16. NON-CURRENT ASSETS – INTANGIBLE ASSETS AND GOODWILL

	2013 $'000	2012 $'000
Software costs		
Cost (gross carrying amount)	92	80
Accumulated amortisation	(91)	(78)
	1	2
Goodwill (i)		
Cost	321	321
Impairment loss	(244)	(244)
	77	77
	78	79

Reconciliation of Intangible Assets

	2013	2012
Software costs		
Opening net carrying amount	2	5
Additions	-	2
Amortisation expense	(1)	(1)
Discontinued operation	-	(1)
Others	-	(3)
Closing net carrying amount	1	2
Goodwill (i)		
Opening net carrying amount	77	77
Impairment loss on goodwill	-	-
Closing net carrying amount	77	77
Net carrying amount	78	79

(i) Purchased as part of business combination.

At 31 December 2013, there is no impairment loss on intangible assets (2012: nil).

17. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	2013 **$'000**	2012 $'000
Trade payables	3,590	17,209
Other payables	5,284	4,080
Related party payables		
- key management personnel (Note 27)	641	1,502
	9,515	22,791

Trade payables are non-interest bearing and are normally settled on 30-60 day terms.

Other payables are non-trade payables, are non-interest bearing and have varying terms of less than a year.

Related party payables

Related party payables' terms and conditions are set out in Note 27.

Fair value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

Foreign exchange, interest rate and liquidity risk

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in Note 3.

18. INTEREST-BEARING LOANS AND BORROWINGS

	2013 **$'000**	2012 $'000
Current		
Bank loans – secured	92,733	60,152
Other creditor	9	-
	92,742	60,152
Non-Current		
Other creditor	122	-
	122	-

Fair value

The carrying values of the Group's interest bearing liabilities and borrowings approximate their fair value as they carry interest at market rates.

Foreign exchange, interest rate and liquidity risk

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in Note 3.

18. INTEREST-BEARING LOANS AND BORROWINGS (continued)

Terms and conditions of Interest bearing loans and borrowings

Outstanding bank loans of $92.733 million (2012: $60.152 million) relate to loans from various banks in Vietnam which are valued in Vietnamese Dong and US Dollar. These interest bearing liabilities of the Group's operating subsidiaries have various repayment terms. The Group's operating subsidiaries in Vietnam have banking facilities with various banks in Vietnam for working capital and project finance purposes. These facilities are secured by a chattel pledge over machinery, equipment, receivables and inventories of the subsidiaries and in certain instances, by the guarantee of Vietnam Industrial Investments Limited ("Parent"). The Parent has provided security to various banks for banking facilities provided to Vietnam subsidiaries in the form of letters of guarantee totalling US$16.000 million ($17.881 million) (2012: US$16.000 million ($15.408 million)). At 31 December 2013 the total interest bearing liabilities drawndown to which these corporate guarantees relate to were US$13.810 million ($15.434 million) (2012: US$6.497 million ($6.257 million)).

Interest is recognised at an effective interest rate.

	2013	2012
	$'000	$'000
Financing facilities available		
At reporting date, the following financing facilities had been negotiated and were available:		
Total facilities available	162,990	150,159
Facilities used at reporting date		
- short-term loans	92,733	60,152
- long-term loans	-	-
Facilities unused at reporting date		
- short-term loans	70,257	90,007
- 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:

	2013	2012
	$'000	$'000
Receivables	-	11,304
Inventories	40,270	40,464
Property, plant and equipment	4,866	7,254
	45,136	59,022

19. CURRENT LIABILITIES – PROVISIONS

	2013	2012
	$'000	$'000
Current		
Employee benefits	653	620
Dividends payable	2	2
	655	622

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

20. CONTRIBUTED EQUITY

	2013	2012
	$'000	$'000
Ordinary shares		
Issued and fully paid	27,819	27,819

There was no issuance of shares for the year ended 31 December 2013 (2012: Nil).

At 31 December 2013, there are 142,277,423 fully paid ordinary shares carry one vote per share and carry the right to dividends (2012: 142,277,423).

At reporting date, there were no options on issue (2012: 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:

	2013	2012
	$'000	$'000
Total debt(i)	103,883	83,238
Less cash and cash equivalents	(51,149)	(37,112)
Net debt	52,734	46,126
Total equity	37,969	42,056
Less non-controlling interests	(3,489)	(3,748)
Equity	34,480	38,308
Net debt plus equity	87,214	84,434
Gearing ratio	60%	55%

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

21. RESERVES

	2013 **$'000**	2012 $'000
Foreign currency translation reserve	(11,046)	(16,636)
Legal reserve	1,124	1,124
	(9,922)	(15,512)
Movement in foreign currency translation reserve		
Opening balance	(16,636)	(15,815)
Currency translation difference arising during the year	5,328	(573)
Discontinued operation (Note 7)	262	(248)
Closing balance	(11,046)	(16,636)

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
Vinausteel maintains a legal reserve account. At the present time, there are no rules specifying the use that can be made of the reserve.

22. RETAINED EARNINGS

	2013 **$'000**	2012 $'000
Retained earnings	16,597	25,753
Movement in retained earnings		
Opening balance	25,753	37,431
Net loss for the year	(9,156)	(2,715)
Dividend to shareholders	-	(8,963)
Closing balance	16,597	25,753

23. NON-CONTROLLING INTERESTS

	2013 $'000	2012 $'000
Contributed equity	4,639	4,639
Reserves	(1,957)	(2,439)
Retained earnings	807	1,548
	3,489	3,748
Non-controlling interests consist of:		
Vinausteel Limited	3,050	3,392
Austnam Joint Stock Corporation	428	347
Total Building Systems Limited	11	9
	3,489	3,748

Financial information of subsidiaries that have material non-controlling interests ("NCI") are provided below:

Name	Country of Incorporation	% Equity interests of NCI **2013**	2012
Vinausteel Limited	Vietnam	30	30
Austnam Joint Stock Corporation	Vietnam	33	33

The summarised financial information of these subsidiaries are provided below. This information is based on amounts before inter-company eliminations.

Summarised Statement of Profit or Loss	**Vinausteel**		**Austnam**	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Revenues	112,954	114,767	2,750	2,937
Cost of sales	(107,916)	(112,093)	(2,385)	(2,529)
Marketing expenses	(1,013)	(700)	(176)	(186)
Administrative expenses	(2,174)	(2,007)	(222)	(350)
Other income	1,358	1,697	151	105
Finance costs	(1,262)	(410)	-	(13)
Profit before income tax	1,947	1,254	118	(35)
Income tax expense	(589)	(625)	(31)	(19)
Net profit for the year	1,358	629	87	(16)
Total comprehensive income	1,358	629	87	(16)
Net profit after tax attributable to non-controlling interests	407	189	29	(5)
Dividends paid to non-controlling interests	1,178	811	-	-

Summarised Statement of Financial Position	**Vinausteel**		**Austnam**	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Current assets	33,593	23,804	1,584	1,390
Non-current assets	3,145	2,264	97	136
Current liabilities	(26,571)	(14,762)	(384)	(475)
Total equity	10,167	11,306	1,297	1,051

23. NON-CONTROLLING INTERESTS (continued)

Summarised Statement of Financial Position	Vinausteel		Austnam	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Total equity attributable to:				
- Equity holders of the parent	7,117	7,914	869	704
- Non-controlling interests	3,050	3,392	428	347
Contributed equity	4,084	4,084	512	512
Reserves	(1,742)	(2,171)	(213)	(265)
Retained earnings	708	1,479	129	100
Non-controlling interests' total equity	3,050	3,392	428	347

Summarised Cash Flows Information	Vinausteel		Austnam	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Operating	(1,395)	(514)	337	275
Investing	(1,061)	(299)	-	-
Financing	4,309	(501)	-	(485)
Net increase/(decrease) in cash and cash equivalents	1,853	(1,314)	337	(210)

24. EARNINGS PER SHARE

	2013	2012
	$'000	$'000
Net loss attributable to ordinary equity holders of the Parent from continuing operations	(8,566)	(2,522)
Loss attributable to ordinary equity holders of the Parent from discontinued operation	(590)	(193)
Net loss attributable to ordinary equity holders of the Parent for basic and diluted loss	(9,156)	(2,715)

	2013	2012
	No. of Shares	No. of Shares
Weighted average number of ordinary shares for basic and diluted earnings per share	142,277,423	142,277,423

	Cents	Cents
Loss per share (cents per share) for continuing operations attributable to the ordinary equity holders of the company:		
- Basic and diluted loss per share	(6.02)	(1.77)
Loss per share for profit attributable to the ordinary equity holders of the Company:		
– Basic and diluted loss per share	(6.44)	(1.91)

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

	2013 $'000	2012 $'000
Declared and paid during the year		
Interim unfranked dividend for 2013: Nil (2012: 6.3 cents per share)	-	8,963

	2013 $'000	2012 $'000
Franking credit balance		
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.

	2013 $	2012 $
Amounts paid or payable to Ernst & Young (Australia) for:		
- an audit or review of the financial report of the entity and any other entity in the consolidated group	97,680	91,168
- interim financial report review in regards to the scheme	30,900	-
- accounting advice in regards to the scheme	30,970	-
- tax services in regards to income tax preparation	18,025	25,500
- tax advice in regards to the scheme	60,545	-
	238,120	116,668
Amounts paid or payable to related practices of Ernst & Young (Australia) for:		
- an audit or review of the financial report of the subsidiary entities	76,584	70,264
	76,584	70,264
Amounts paid or payable to non Ernst & Young audit firms for:		
- an audit or review of the financial report of the subsidiary entities	6,005	5,379
- internal audit services	-	19,858
	6,005	25,237

27. KEY MANAGEMENT PERSONNEL

(a) Compensation of Key Management Personnel

	2013 $	2012 $
Short-term	1,255,070	3,432,571
Post employment	12,775	13,950
Other long-term	2,335	4,700
Termination benefits	50,091	-
Share-based payments	-	-
	1,320,271	3,451,221

27. KEY MANAGEMENT PERSONNEL (continued)

(b) Shareholdings of Key Management Personnel

Shares held in Vietnam Industrial Investments Limited:

2013	Beginning balance 1 January 2013	Granted as remuneration	On exercise of options	Net change other	Ending balance 31 December 2013
Directors					
R.S. Kwok	-	-	-	-	-
H. V. H. Lam[i]	116,308,510	-	-	-	116,308,510
A. A. Young	-	-	-	-	-
A.D. Walker	-	-	-	-	-
A.J. Hambly	-	-	-	-	-
Executives					
D. Nguyen	-	-	-	-	-
D. Q. Phan	-	-	-	-	-
P. Williams	-	-	-	-	-
D. H. Ngoc	-	-	-	-	-

Note:
[i] As at 31 December 2013, Mr Lam is a director and shareholder of Corbyns which owns 116,308,510 shares in the Company. As at 31 December 2013, the total number of VII shares on issue is 142,277,423 (2012: 142,277,423).

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:

2012	Beginning balance 1 January 2012	Granted as remuneration	On exercise of options	Net change other	Ending balance 31 December 2012
Directors					
A.J. Hambly	-	-	-	-	-
H. V. H. Lam[i]	116,308,510	-	-	-	116,308,510
A. A. Young	-	-	-	-	-
R.S. Kwok	-	-	-	-	-
A.D. Walker	-	-	-	-	-
Executives					
D. Nguyen	-	-	-	-	-
D. Q. Phan	-	-	-	-	-
P. Williams	-	-	-	-	-
D. H. Ngoc	-	-	-	-	-

Notes:
[i] As at 31 December 2012, Mr Lam is a director and shareholder of Corbyns which owns 116,308,510 shares in the Company. As at 31 December 2012, the total number of VII shares on issue is 142,277,423 (2011: 142,277,423).

(c) Option holdings of Key Management Personnel

There are no options granted as remuneration and outstanding at 31 December 2013 to key management personnel (2012: 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.

27. KEY MANAGEMENT PERSONNEL (continued)

(d) Other transactions and balances with Key Management Personnel and their related parties

In May 2012, Mr Lam and Mr Young accepted the Board of Directors offered for salary adjustments for years 2009 – 2011 and bonuses for 2010-2011 for achieving key performance indicators totalling $1,262,362 and $555,250, respectively. At 31 December 2013, the balance owing to Mr Lam and Mr Young are $493,782 and $142,750, respectively (2012: $1,124,286 and $322,356, respectively).

The Company subleased its office accommodation at Unit 5A, 1 Station Street, Subiaco, Western Australia 6008 from Arcadia Group Pty Ltd ("Arcadia") of which Mr Kwok is a Managing Director. During the year, rent paid to this entity was $60,000 (2012: $60,000). The lease with Arcadia is made in the ordinary course of business and on normal commercial terms and conditions. Also, the Company paid bookkeeping services to Arcadia of $48,000 during the year (2012: Nil).

At 31 December 2013, the Company has a director fee payable to Mr Walker of $4,583 (2012: Nil).

At 31 December 2013, the Company does not owe Mr Kwok any director's fee (2012: $55,000).

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 2013.

(b) Investment in subsidiaries

	Company	
	2013	2012
	$'000	$'000
Investments in subsidiaries	39,166	39,166
Provision for impairment of investments in subsidiaries	(14,215)	(8,069)
	24,951	31,097

Investment in Subsidiaries

Name	Country of Incorporation	% Equity interest **2013**	% Equity interest 2012	Company Investment ($'000) **2013**	Company Investment ($'000) 2012
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	6,147
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) Limited[(iii) (x)]	Vietnam	100	100	-	-
				39,166	39,166
Accumulated impairment loss [(iv) (v) (vi)]				(14,215)	(8,069)
				24,951	31,097
Movement in impairment account:					
Opening balance				(8,069)	(8,069)
Impairment loss[(iv)]				(6,146)	-
Closing balance				(14,215)	(8,069)

28. RELATED PARTY DISCLOSURES (continued)

(b) Investment in subsidiaries (continued)

(i) Vinausteel Limited ("Vinausteel") is a 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 Contract and 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. Operational management of Vinausteel is determined by a Joint Venture Contract and Charter. While some decisions of the Board of Management require a unanimous decision under the Joint Venture Contract and Charter (such as additions and amendments to the Joint Venture Enterprise and Joint Venture Charter, approval of the annual financial statements, appointment of the General Director and Chief Accountant, approval of final statements of capital construction and loans for investments), by virtue of the fact that the Company has power over the relevant activities of Vinausteel, it is considered that the Company controls Vinausteel.

(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.

(iii) VRC Weldmesh (Vietnam) Limited ("VRC") is a wholly owned subsidiary of Vietnam Projects (Singapore) Pte Ltd and ultimately owned by the Company. VRC holds a 100 per cent foreign owned investment licence. VRC has been treated as a disposal group held for sale.

(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.

Included in the accumulated impairment loss of $14.215 million (2012: $8.069 million) is $6.146 million (2012: Nil) which represents the write-down of investment in SSE to a recoverable amount of $12.397 million which represents the Group's share of the recoverable amount of net assets of the underlying investments in SSESTEEL. The investment has been written down due to the recognition of a non-cash impairment loss of $5.821 million at Group level which represented the write-down of certain property, plant and equipment in SSESTEEL Ltd to the recoverable amount as a result of economic conditions for the construction industry in Vietnam. This was recognised separately in the statement of comprehensive income. The recoverable amount of $12.397 million as at 31 December 2013 was based on the value in use and was determined at the level of the cash generating unit ("CGU"). The CGU consisted of the Vietnam subsidiaries' assets. In determining the value in use for the CGU, SSESTEEL Ltd's cash flows were discounted using the rate of 13%.

(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 accumulated impairment loss of $14.215 million (2012: $8.069 million) is $6.147 million (2012: $6.147 million) which represents the write-down of investment in Ausviet to a recoverable amount of Nil which represents the Group's share of the recoverable amount of net assets of the underlying investments in Austnam and TBS. The investments have been written down due to the decline in operations of the subsidiaries and the resulting decline in their revenues.

(vi) Vietnam Projects (Singapore) Pte Ltd is a wholly owned subsidiary of the Company which was incorporated in Singapore to hold an investment in Vietnam. It holds 100% of VRC Weldmesh (Vietnam) Limited.

Included in the accumulated impairment loss of $14.215 million (2012: $8.069 million) is $1.922 million (2012: $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 Ltd ("TBS") is a building systems provider supplying engineering services, building systems and construction services to industrial and residential consumers.

28. RELATED PARTY DISCLOSURES (continued)

(b) Investment in subsidiaries (continued)

(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. SSESTEEL had been issued with an investment certificate to form a new company, Australian Steel Billet Company Ltd, licensed to construct and own a factory for the manufacture of steel billets. Feasibility studies, preliminary engineering design and equipment investigations have been undertaken, however, the project has been placed on hold due to current economic conditions.

(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.

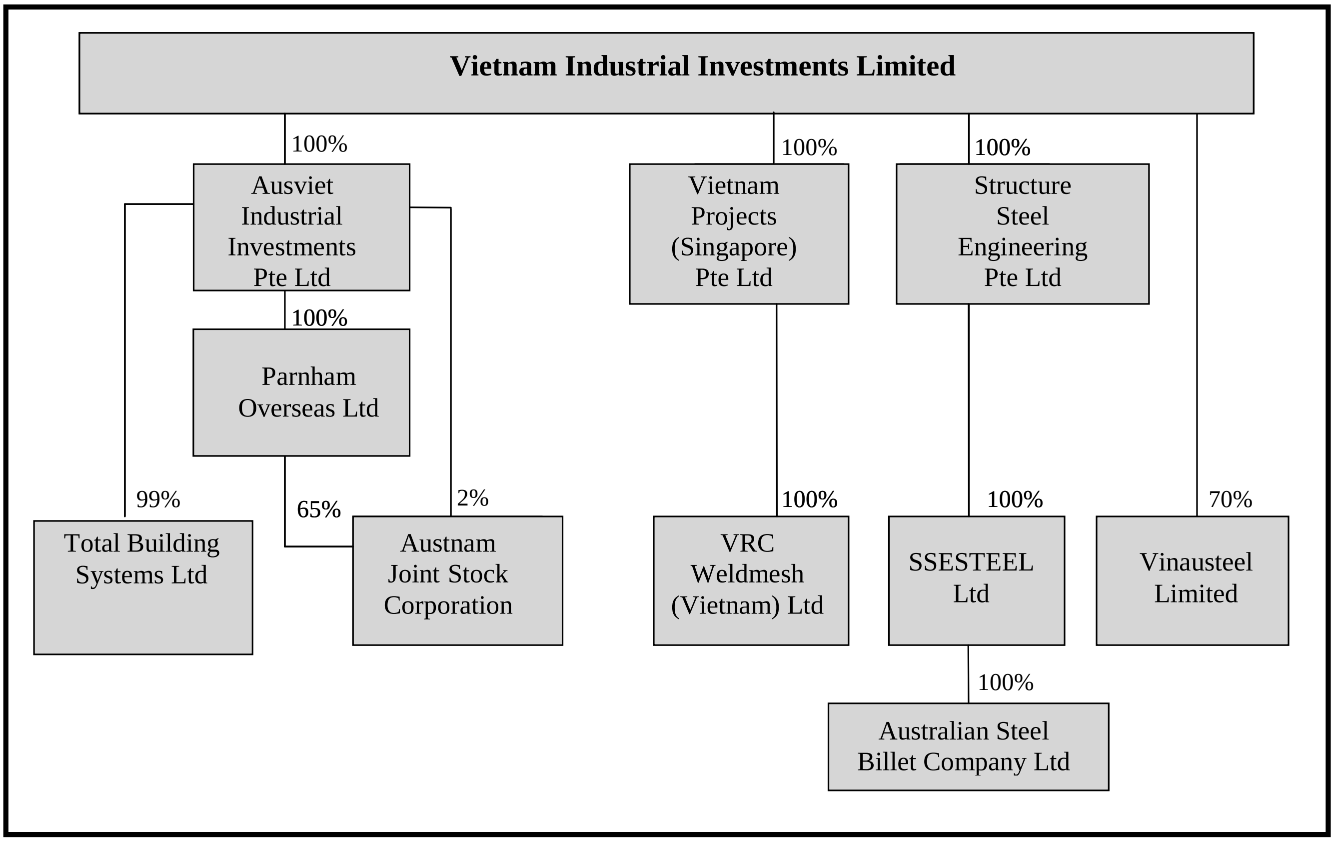
(xi) Controlled entity audited by auditors other than Ernst & Young.

(c) Key management personnel

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

(d) Corporate structure

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



28. RELATED PARTY DISCLOSURES (continued)

(b) Investment in subsidiaries (continued)

(e) Transactions with related parties

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

(f) Corporate guarantees

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

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 2013 are as follows:

	2013	2012
	$'000	$'000
Within one year	222	212
After one year but not more than five years	439	404
More than five years	839	810
Total minimum lease payments	1,500	1,426

(b) Capital expenditure commitments

There were no capital expenditure commitments as at 31 December 2013 (2012: Nil).

(c) Finance lease and hire purchase commitments

There were no finance lease and hire purchase commitments as at 31 December 2013 (2012: Nil).

(d) Remuneration commitments

There were no remuneration commitments as at 31 December 2013 (2012: Nil).

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

	2013 $'000	2012 $'000
Current Assets	1,901	1,201
Total Assets	26,864	32,299
Current liabilities	1,454	1,874
Total liabilities	1,454	1,874
Issued capital	27,819	27,819
(Accumulated losses)/retained earnings	(2,409)	2,606
	25,410	30,425
Net (loss)/profit of the parent entity	(5,015)	679
Total comprehensive (loss)/income of the parent entity	(5,015)	679

Corporate guarantees

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

Commitments and contingencies

The commitments have been disclosed in Note 29.

The contingencies have been disclosed in Note 31.

31. CONTINGENT LIABILITY

There were no contingent liabilities as at 31 December 2013.

32. EVENTS AFTER BALANCE SHEET DATE

On 4 February 2014, VII announced that the Scheme Meeting to consider the proposed scheme of arrangement ("the Scheme"), had been adjourned. Some of the Company's major shareholders were not prepared to approve the Scheme in the form submitted but may be prepared to consider variations to the Scheme. The adjournment, which was approved by the Court, is to allow the Company and its major shareholders time to negotiate variations to the structure of the Scheme, acceptable to all shareholders, which will be sent to ASIC for review before being submitted to the Court for approval and sent to VII shareholders.

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

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 2013 are in accordance with the Corporations Act 2001, including:

      (i) Giving a true and fair view of its financial position as at 31 December 2013 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 2013.

On behalf of the Board

ALAN A. YOUNG
Director

Perth, 31 March 2014

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

Report on the financial report

We have audited the accompanying financial report of Vietnam Industrial Investments Limited, which comprises the consolidated statement of financial position as at 31 December 2013, 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 2013 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 14 of the directors' report for the year ended 31 December 2013. 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 2013, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

P McIver
Partner
Perth
31 March 2014

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 17 March 2014.

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 17 March 2014, there were 89 holders of the ordinary shares of the Company.

Ordinary shares

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

Category	Number of Shareholders Fully paid ordinary shares
1 - 1,000	9
1,001 - 5,000	27
5,001 - 10,000	12
10,001 - 100,000	31
100,001 - and over	10
	89

The number of shareholders holding less than a marketable parcel at 17 March 2014 was 34.

TWENTY LARGEST SHAREHOLDERS (as at 17 March 2014)

Name	Number of Ordinary Shares Held	Percentage of Shares Held
Corbyns International Ltd	116,308,510	81.75%
Land & General Berhad	13,002,000	9.14%
CR Investments Pty Ltd	5,587,015	3.93%
Joon Jin Goh	3,950,000	2.78%
J P Morgan Nominees Australia Limited	754,718	0.53%
Sonya Lam	561,280	0.39%
UOB Kay Hian Private Ltd	459,300	0.32%
HSBC Custody Nominees Australia Ltd	188,000	0.13%
Milton Yannis	183,420	0.13%
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%
Susan Rose Longcake	95,700	0.07%
Melissa May Longcake	74,000	0.05%
Le Quan Tring	58,600	0.04%
Graeme Bruce Lowe	50,000	0.04%
Basil Ladyman PL	45,741	0.03%
Peter Lorenz	40,000	0.03%
Robert James Jordan	34,654	0.02%
DMG & Partners Securities Pte Ltd	30,000	0.02%
	141,772,938	99.64%

Restricted Securities

There are no ordinary shares on issue that have been classified by the Australian Securities Exchange (Perth) as restricted securities.

Stock Exchange Listing

Vietnam Industrial Investments Limited shares are listed on the Australian Securities Exchange and the Frankfurt Stock Exchange's Unofficial Regulated Market. The home exchange is the Australian Securities Exchange (Perth).

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VIETNAM INDUSTRIAL INVESTMENTS LIMITED
ABN 64 063 656 333

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