Vietnam Industrial Investments Limited

A.B.N. 64 063 656 333

Annual Report 2006

Corporate Directory

A.B.N. 64 063 656 333

ASX Code: VII

Directors

S. Lee, AO	*Chairman*
A.A. Young	*Managing Director (Chief Operating Officer)*
H.V.H. Lam	*Managing Director (Vietnam Operations)*
M.A. Clements	*Executive Director and Company Secretary*
M.P. Bowen	*Non-Executive Director*

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Legal Advisors
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Bank of Western Australia Ltd
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Front cover: Curved steel truss structure fabricated by Total Building Systems Limited.

Highlights of 2006

VIETNAM INDUSTRIAL INVESTMENTS LIMITED

An investment holding company investing in the developing economy of Vietnam.

Corporate

» Sales revenue from Vietnam operations including Vinausteel Limited and SSESTEEL Ltd was VND2,214 billion (A$183 million) up 18% on 2005 of VND1,871 billion (A$155 million).
» Net profit after tax was A$0.532 million (2005: loss of A$3.467 million).

Austnam Joint Stock Corporation (VII 67%)

» Roofing sales were 681,359m² down 29% on 2005 (958,409m²).
» Sales revenue was VND56.3 billion (A$4.7 million), a decrease of 29% on 2005 (VND79.5 billion or A$6.6 million).
» Net loss after tax was VND7.7 billion (A$0.63 million) down 303% on 2005 profit (VND3.8 billion or A$0.3 million).

SSESTEEL Ltd (VII 100%)

» Rebar production of 97,446 tonnes, up 91% on 2005 (50,957 tonnes).
» Rebar sales of 100,133 tonnes, up 136% on 2005 (42,414 tonnes).
» Wire rod production of 16,608 tonnes, down 54% on 2005 (35,881 tonnes).
» Annual wire rod sales of 17,239 tonnes, down 46% on 2005 (31,856 tonnes).
» Total sales revenue was VND943 billion (A$77.9 million), up 76% on 2005 (VND537.9 billion or A$44.6 million).
» Net profit after tax was VND3.3 billion (A$0.27 million) (2005: loss: VND44.6 billion or A$3.7 million).

Total Building Systems Limited (VII 97%)

» Sales revenue was VND63.1 billion (A$5.2 million) down 9% on 2005 (VND69.5 billion or A$5.8 million).
» Net profit after tax was VND0.025 billion (A$0.002 million) up 103% on 2005 loss (VND0.96 billion or A$0.08 million).

Vinausteel Limited (VII 70%)

» Annual sales of 138,980 tonnes, down 11% on 2005 (155,547 tonnes).
» Steel bar production of 112,704 tonnes, down 22% on 2005 (145,289 tonnes).
» Sales revenue was VND1,073 billion (A$88.7 million) down 6% on 2005 (VND1,137 billion or A$94.3 million).
» Net profit after tax was VND25.6 billion (A$ 2.1 million), up 1,325% on 2005 loss (VND2.09 billion or A$0.17 million).

VRC Weldmesh (Vietnam) Ltd (VII 100%)

» Annual sales of 8,484 tonnes, up 74% on 2005 (4,867 tonnes).
» Sales revenue was VND77.9 billion (A$6.4 million) up 65% on 2005 (VND47.2 billion or A$3.9 million).
» Net loss after tax was VND3.2 billion (A$0.26 million) down 1,167% on 2005 profit (VND0.3 billion or A$0.02 million).

Chairman's Report

In my last report to you, I noted that our Vietnam operations had faced difficult trading conditions, particularly due to our reliance on billet supplies for our rolling mills based in Haiphong. These circumstances were better managed in 2006. However, the underlying uncertainty continued.

The Group returned to profitability in 2006 due to a number of factors. The contribution from the Vinausteel and SSESTEEL operations to the Group's consolidated result of $0.5 million was $2.4 million. This included an add-back of depreciation expense incurred during the year of $2.3 million which is required under International Financial Reporting Standards.

The SSESTEEL operation improved its performance when compared to 2005 through a toll-milling strategy that reduced its exposure to working capital finance. However, it has not proven to be a consistently profitable enterprise.

The Vinausteel operation returned to profitability as it was able to pass on increasing billet costs to customers through higher finished steel prices. However, the continued uncertainty of trading conditions faced by the Vinausteel and SSESTEEL rolling mills has reinforced the Board's decision that divestment of these operations is in the best interests of shareholders.

Early in 2006, we entered into discussions with an interested party wishing to evaluate the possible acquisition of the Company's interests in Vinausteel and SSESTEEL. Negotiations with this party have taken substantially longer than the Board expected. However, your Board is continuing to work with this interested party with a view to executing formal agreements.

The proposed transaction is subject to a number of terms and conditions and should the transaction proceed, it will not be concluded until the fulfilment of conditions precedent and a post completion audit.

The performance of the remaining operations including Austnam Joint Stock Corporation ("Austnam"), VRC Weldmesh Vietnam Ltd ("VRC") and Total Building Systems Ltd ("TBS") for 2006 was mixed. Whilst VRC has implemented a significant expansion program to improve production capacity and market share, increased sales revenues have not translated into profitability. Instead, these expansion costs have impacted upon VRC's operating loss of $0.26 million. Austnam has also recorded an operating loss of $0.63 million as competition within the metal roofing market in Vietnam strengthened. Austnam's management has initiated a diversification strategy to counter the issues faced by its core product. However this has not yet been fully implemented.

In contrast, TBS, the full service building systems provider, achieved a profitable market result in 2006. This operation is rapidly establishing itself as a prominent turn-key solution building company in Vietnam with export market potential.

To conclude, shareholders should note that should the transaction involving Vinausteel and SSESTEEL proceed, you will be consulted as part of this process. Further, on behalf of the Board, I would also like to acknowledge the dedication and loyalty of our management and staff in Vietnam and in Australia during the past year.

SIMON LEE, AO

Review of Operations

Vietnam Industrial Investments Limited ("VII") is an investment holding Company, which was formed specifically to invest in the developing economy of Vietnam. Following investment of $9.8 million in seed capital, the Company raised a further $12.5 million by an IPO and was listed on the Australian Securities Exchange Limited in September 1995. Since implementing its first project, VII has acquired another two businesses and implemented a further two projects, without raising further capital. The holding Company has no debt and all working capital requirements and project funding have been sourced by the operating subsidiaries in Vietnam.

This operational and financial review reports on the period under review for the Company and its businesses in Vietnam, Vinausteel Limited ("Vinausteel"), Austnam Joint Stock Corporation ("Austnam"), SSESTEEL Ltd ("SSESTEEL"), VRC Weldmesh (Vietnam) Ltd ("VRC") and Total Building Systems Limited ("TBS"). This is followed by additional information on the legal structure and taxation concessions of the operations. Exchange rates at 31 December 2006 were US$0.7913/A$ and VND16,091/US$ (31 December 2005 : US$0.7298/A$ and VND15,900/US$).

The consolidated profit after tax and outside equity interests for the year ended 31 December 2006 was $0.532 million (2005: loss $3.467 million).

The Board of directors have committed to a plan to sell the Company's interests in the Vinausteel and SSESTEEL operations. The investment in Vinausteel in 1994 represented VII's entry into the Vietnam steel industry and was selected by the Board due to the strategic importance of that industry in Vietnam's developing economy. It was the financial success of Vinausteel which allowed VII to expand its activities in the building and construction industry to invest in SSESTEEL which was established using the latest generation rolling mill technology. However, it is the uncertainty of trading conditions in this industry which has led to the Board's decision that divestment of the Vinausteel and SSESTEEL operations is in the best interest of shareholders.

As such, the classification of the assets and liabilities of Vinausteel and SSESTEEL has been treated as assets held for sale in the Balance Sheet at 31 December 2006. The net profit from Vinausteel and SSESTEEL operations of $2.4 million (2005: loss $3.6 million) have been disclosed as a single amount in the Income Statement under the heading discontinued operations and not included in revenues and expenses in the Income Statement (Sales Revenue including Vinausteel and SSESTEEL: $183 million (2005: $155 million)). The actual increase in revenues generated by the Group was primarily due to the increased turnover achieved by SSESTEEL (2006: $78 million, 2005: $45 million) following high rebar sales volumes. The contribution from the discontinued operations to the consolidated operating result also increased as a result of the improved operating performances of Vinausteel and SSESTEEL operations and the add-back of depreciation expense incurred during the year of $2.3 million (2005: Nil) which is required under the assets held-for-sale accounting policy (Note 2 (r)).

The continuing operations reported a net loss after tax attributable to VII of $1.2 million (2005 net profit: $0.07 million) due mainly to the operating losses incurred on the Austnam and VRC operations and despite the improved result from the TBS operation.

Customised sheet metal roofing produced from Austnam's factory in Hanoi.

The results of the Vietnam operations are as follows:

Austnam Joint Stock Corporation (VII 67%)

Austnam produces cold rolled steel roofing and wall cladding from its factory in Hanoi which it distributes in that city and surrounding provinces. Austnam is one of a limited number of foreign invested enterprises which has been converted into a joint stock company.

Sales for 2006 were 681,359m^2 down 29% on the previous year (958,409m^2). This represented sales revenue of VND56.3 billion (A$4.7 million), a decrease of 29% on 2005 (VND79.5 billion or A$6.6 million). Austnam reported a net loss after tax of VND7.7 billion (A$0.63 million), a decrease from the 2005 profit of VND3.8 billion (A$0.3 million). Austnam's operating result was adversely affected by the increasing competitiveness of the Vietnam metal roofing market. As part of a diversification strategy, Austnam is establishing a new distribution facility which will sell building and construction materials. Included in the result were costs of establishing this initiative which is yet to be launched.

SSESTEEL Ltd (VII 100%)

SSESTEEL owns and operates a fully automated rolling mill based in Haiphong, the first company in Vietnam to introduce this advanced technology. It produces high tensile rebar and wire rod for the construction industry. SSESTEEL was impacted upon by the fluctuating billet price and competition within the Vietnam steel industry. Turnover in the operation increased significantly following the growth in rebar sales volume. However, this operation was unable to consistently trade profitably during the year.

The Company achieved 100,133 tonnes of rebar sales (2005: 42,414 tonnes) and wire rod sales of 17,239 tonnes (2005; 31,856 tonnes). This represented sales revenue of VND943 billion (A$77.9 million), up 76% on 2005 (VND537.9 billion or A$44.6 million). SSESTEEL reported a net profit after tax of VND3.3 billion (A$0.27 million) (2005: loss VND44.6 billion or A$3.7 million) following an add-back of depreciation expense incurred during the year of VND18.9 billion (A$1.5 million) as required under the assets held-for-sale accounting policy (Note 2(r)).

SSESTEEL has a net current asset deficiency at 31 December 2006 of A$18.5 million (2005: A$15.9 million) which is due to the majority of its borrowings from financiers being due for renewal within 12 months of balance date. The Company has provided security to various banks for banking facilities provided to Vinausteel, SSESTEEL, VRC Weldmesh (Vietnam) Ltd and Total Building Systems Limited in the form of letters of guarantee totalling US$15.9 million (A$20 million) (2005: US$16 million or A$22 million) and security to the supplier of machinery and equipment to SSESTEEL in the form of a letter of guarantee totalling Euro 2.3 million (A$3.9 million) (2005: Euro 2.2 million or A$3.7 million). At 31 December 2006, the total interest bearing liabilities to which these corporate guarantees relate to were US$12 million (A$15 million) (2005: A$18 million).

The Board will continue to closely monitor the net current asset deficiency in the SSESTEEL operation.

The ability of SSESTEEL, and thus the holding Company and the consolidated entity to continue as a going concern and therefore realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report is dependent upon the following:

The Manor and the Kien bridge projects used steel from Vinausteel and SSESTEEL factories.

(i) The Directors successfully concluding the sale of SSESTEEL and Vinausteel. On 6 February 2006, VII announced to the Australian Securities Exchange that it had entered into a non-binding expression of interest ("EOI") with an interested party wishing to evaluate the possible full acquisition of Vinausteel and SSESTEEL. This EOI has since expired. Negotiations with this interested party have taken substantially longer than the Board expected. However, both parties have indicated their willingness to work toward formal agreements.

The transaction is subject to a number of terms and conditions and will not be concluded until the fulfilment of conditions precedent and a post-completion audit.

The indicative purchase consideration will be adjusted based on a number of factors, including Vinausteel and SSESTEEL being debt free and meeting a minimum net working capital and tangible fixed asset value. Therefore, the net purchase consideration payable will only be determined at post completion audit. Based on the financial statements as at 31 December 2006, the Company calculates that the indicative amount payable to VII, net of consultant's fees, will be approximately US$10.8 million, however, this may be higher or lower depending on the factors indicated above. Also, part of the indicative amount payable includes approximately US$2.7 million which will be held in escrow pending recovery of certain receivables and finalisation of tax matters and this could reduce the net amount payable.

The modification of the SSESTEEL rolling mill to enable it to produce rebar has not yet resulted in this operation consistently trading profitably. Further, continued uncertainty in the trading conditions faced by SSESTEEL and Vinausteel due to fluctuations in billet prices, which is the main input material for production in the rolling mills, has led to the VII Board's decision to conclude the sale of these assets.

Should this transaction proceed, the Company will seek the approval of shareholders as Vinausteel and SSESTEEL are considered to be the Company's main undertakings. Should the transaction not proceed, the Board will re-evaluate its investment strategy in Vinausteel and SSESTEEL.

(ii) The ongoing financial support of SSESTEEL's financiers. At the date of this financial report, SSESTEEL has the ongoing support of its financiers.

(iii) SSESTEEL successfully managing its working capital requirements and procurement of billets, until positive cash flows are achieved or until SSESTEEL is sold.

(iv) SSESTEEL and Vinausteel successfully managing the procurement of steel billets which account for greater than 80% of total costs for these operations. Billet prices are subject to fluctuations driven by the worldwide steel market.

Total Building Systems Limited (VII 97%)

Total Building Systems Limited ("TBS") is a full service building systems provider supplying engineering services, building systems and construction services to industrial and residential consumers in Vietnam. That is, a steel building maker that offers full service from engineering through to construction, including a wide range of products from building accessories to complete building systems.

The TBS design team produces concept to engineering design for industrial customers which meet with Australian standards.

During the year, TBS and VII entered into a Share Sale Agreement whereby Mr Tung Thanh Nguyen, General Director of TBS, will contribute US$0.225 million to acquire 15% equity in TBS. As at 31 December 2006, Mr Nguyen had contributed US$0.032 million to obtain a 3% shareholding.

Total revenues for the year were VND63.1 billion or A$5.2 million (2005: VND69.5 billion or A$5.8 million) as a result of completing several turn-key projects, supplying steel frame and cladding systems on a number of large industrial projects and growth of export volumes. TBS reported a profit after tax for the year of VND0.025 billion (A$0.002 million) (2005: loss of VND0.96 billion or A$0.08 million).

Vinausteel Limited (VII 70%)

Vinausteel owns and operates a steel rolling mill in Haiphong which produces round and deformed reinforcing steel bar for the construction industry. Vinausteel reported a net profit after tax of VND25.6 billion (A$2.1 million) (2005 loss: VND2.09 billion or A$0.17 million) as high billet prices, the main input material for production in the rolling mills, pushed pricing on finished steel higher. Included in this operating result is an add-back of depreciation expense incurred during the year of VND9.5 million (A$0.8 million) as required under the assets held-for-sale accounting policy (Note 2(r)).

Sales for 2006 were 138,980 tonnes, a decrease of 11% on the previous year (155,547 tonnes). This represented sales revenue of VND1,073 billion (A$88.7 million) down 6% on 2005 (VND1,137 billion or A$94.3 million).

An evaluation by an interested party of the possible acquisition of Vinausteel has been ongoing throughout the year. The Board continues to work with the interested party with a view to complete formal agreements. However, the proposed transaction will not be concluded until fulfilment of conditions precedent and a post-completion audit.

VRC Weldmesh (Vietnam) Ltd (VII 100%)

VRC produces welded steel mesh concrete reinforcing and steel fencing which are supplied throughout Vietnam. The operation has a purpose built factory in Ho Chi Minh City and established new factory premises in Hanoi during the second half of the year to improve its presence in the northern market. This has increased production capacity and sales volumes.

Sales for the year were 8,484 tonnes which was 74% higher than the previous year (4,867 tonnes). This represented sales revenue of VND77.9 billion (A$6.4 million) up 65% on 2005 (VND47.2 billion or A$3.9 million). In 2006, the Company reported a net loss after tax of VND3.2 billion (A$0.26 million) (2005 profit: VND0.3 billion or A$0.02 million) as a result of costs associated with the rapid expansion of this business.

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 the company in 1997 when it acquired all of the issued capital of Parnham Overseas Ltd ("POL") through a wholly owned subsidiary, Ausviet Industrial Investments (S) Pte Ltd.

Austnam Joint Stock Corporation is a joint venture company established under the Foreign Investment Laws of Vietnam between POL and Hong Ha Building Materials Import Export Company. The Investment Licence was issued on 27 April 1992 for a term of 20 years.

In 2002, VII reduced its share of current year profits to 68 per cent. Then, in 2005, Austnam was converted to a shareholding company under a pilot scheme to allow a limited number of foreign enterprises to convert into joint stock companies. With the conversion to a joint stock company, VII has an interest of 67% in Austnam and the Investment Licence no longer has a fixed term.

Austnam receives concessional taxation rates of 19% on profit tax.

SSESTEEL Ltd

SSESTEEL 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 to manufacture steel construction beams and large diameter steel pipes. The Company obtained an amended Investment Licence on 16 November 1999, 30 August 2000, and 10 November 2001 to enable it to produce steel wire rod and high tensile rebar for the construction industry.

SSESTEEL receives concessional taxation rates from the Government of Vietnam on its profit tax as follows:

Term	Taxation Rate
Year 1	Nil
Years 2 & 3	10%
Years 4 to 10	20%
Years 11 onwards	25%

Total Building Systems Limited

The Company was established under the Foreign Investment Laws of Vietnam as a 100% foreign invested enterprise in terms of an Investment Licence issued on 27 April 2004, for a term of 30 years. During the year, TBS and VII entered into a Share Sale Agreement whereby Mr Tung Thanh Nguyen, General Director of TBS, will contribute US$0.225 million to acquire 15% equity in TBS. As at 31 December 2006, Mr Nguyen had contributed US$0.032 million to obtain a 3% shareholding.

The Company has the obligation to pay its income tax at the rate of 20 percent of taxable profits from construction consulting activity, technology transferring activity, and technical assistance fees. The Company is entitled to an exemption from profit tax for 2 years commencing with the first year of earning profits, and a 50% reduction for the following 3 years.

The Company has the obligation to pay its income tax at the rate of 28 percent of taxable profits from other activities. The Company is entitled to an exemption from profit tax for 2 years commencing with the first year of earning profits, and a 50% reduction for the following 2 years.

Vinausteel Limited

Vinausteel is a joint venture company incorporated under the Foreign Investment Laws of Vietnam in terms of an Investment Licence issued on 28 June 1994 and various amendments. The current joint venture partners are VII with a 70% interest and the Vietnam Steel Corporation ("VSC") with a 30% interest.

The term of the joint venture is 30 years and this term may be extended by mutual agreement of the parties. Operational management of Vinausteel is determined by a Joint Venture Agreement, a Charter and a Board of management which comprises of five (5) nominees from VII and two (2) from VSC.

The joint venture received concessional taxation rates from the Government of Vietnam on its profit tax for the first 10 years. It now has the obligation to pay its profit tax at the rate of 25% on taxable profits.

VRC Weldmesh (Vietnam) Ltd

The Company was established under the Foreign Investment Laws of Vietnam as a 100% foreign invested enterprise in terms of an Investment Licence issued on 19 June 1993 and various amendments. The investment licence is valid until 2023.

Its profit tax rate is 23% and its dividend withholding tax rate is nil.

Tax Sparing

The "tax sparing" arrangements under the Taxation Agreement between Australia and Vietnam have been formalised and included on the listed incentives. 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 2006.

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 Simon Lee, AO

Chairman

Mr Lee is a qualified accountant with extensive management experience with a range of industries including nineteen years in the gold mining industry. During the past three years, he has served as Chairman of Equigold NL and is currently the Chairman of Medical Corporation Australasia Limited which are public companies listed on the Australian Securities Exchange. Mr Lee also held a number of directorships during the year and has been a board member of the Australian Trade Commission (AUSTRADE). In 1993, Mr Lee received the Advance Australia Award for his contribution to commerce and industry and in 1994 he was awarded the Order of Australia. He is also a member of the Audit and Remuneration Committees.

Mr Alan Alexander Young

Managing Director

(Chief Operating Officer)

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

Mr Henry (Van Hung) Lam

Managing Director

(Vietnam Operations)

Mr Lam, a resident of Vietnam, was born in Vietnam and came to Australia in 1977 and studied electrical engineering. He owned and managed several businesses in the retail sector before investing in Vietnam. Mr Lam was the General Director of Vinausteel Limited and SSESTEEL Ltd during the year. He is fluent in Vietnamese, resides in Vietnam and is responsible for the group's operations in Vietnam. He was awarded the "Red Star" at the end of 2000, the first overseas Vietnamese to receive this, for his contribution to the economy of Vietnam and in 2004 he was awarded the "Third Grade Labour Medal". He has not been a director of any other listed company in the last three years.

Mr Mark Andrew Clements

Executive Director and Company Secretary (appointed as Executive Director on 14 February 2006)

Mr Clements has 14 years experience in corporate accounting and public company administration. Since 1996, Mr Clements has held the role of Chief Financial Officer and Company Secretary of the Company and has been responsible for the financial and corporate administration of the Company. In February 2006, he was appointed Executive Director of the Company. He also holds the position of Executive Director and Company Secretary of Medical Corporation Australasia Limited, a company listed on the Australian Securities Exchange and has been Secretary/Treasurer of the Western Australia-Vietnam Business Council Inc since 2001. Mr Clements is a member of the Institute of Chartered Accountants in Australia.

Mr Michael Phillip Bowen

Independent Non Executive Director

Mr Bowen graduated from the University of Western Australia with a Bachelor of Law, Jurisprudence and Commerce. He has been admitted as a Barrister and Solicitor to the Supreme Court of Western Australia and is a Certified Practising Accountant. Mr Bowen is a partner at Hardy Bowen Lawyers, who specialises in corporate, commercial and securities law with an emphasis on resources. During the past three years, Mr Bowen's directorships have included IMF (Australia) Limited, Tennant Creek Gold Ltd and Medical Corporation Australasia Limited which are public companies listed on the Australian Securities Exchange. He is also a member of the Audit and Remuneration Committees.

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
S. Lee	(1)	25,938,226
A. A. Young	(2)	3,087,000
H. V. H. Lam	(3)	10,809,137
M. A. Clements		90,000
M. P. Bowen		-

Notes:

(1) Phoenix Properties International Pty Ltd is a trustee for the Wellington Place Property Trust which is the holder of 12,810,000 shares in VII. SHL Pty Ltd is a trustee for the SHL Family Trust which is the holder of 13,128,226 shares in VII. Mr Lee is a direct and indirect contingent beneficiary of these trusts.

(2) Mr Young is the registered holder of 100,000 shares. Mr Young is a Director and shareholder of Bayrunner Pty Ltd in which the company is the registered holder of 2,987,000 shares in VII.

(3) Mr Lam is the beneficial owner of 10,809,137 shares in VII.

Earnings Per Share	Cents
Basic and diluted earnings per share	0.52

There were no dividends declared during the year (2005: Nil). For the year ended 31 December 2006, no dividends were paid (2005: $5,000).

Corporate Information

Corporate Structure

Vietnam Industrial Investments Limited ("VII" and "the Company") is a company limited by shares that is incorporated and domiciled in Australia. It is the ultimate parent entity. VII has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are outlined in the Group's corporate structure at Note 25(d).

Operating and Financial review

The consolidated profit after tax and outside equity interests for the year ended 31 December 2006 was $0.532 million (2005: loss $3.467 million).

A review of operations of the consolidated entity for the year is set out in the Review of Operations which is included in these financial statements.

Principal Activities

The principal activity of the consolidated entity during the course of the financial year was investment in Vietnam, and its operations include the commercial operations at its two steel rolling mills in Haiphong, steel roofing factory in Hanoi, weldmesh factories in Ho Chi Minh City and Hanoi and provider of total building solutions throughout Vietnam. No change in the nature of those activities has occurred during the year.

Employees

The consolidated entity employed 928 employees as at 31 December 2006 (2005: 878 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 Review of Operations.

Significant Events After The Balance Date

There has not been any 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 likely developments in the operations of the consolidated entity and the expected results of those operations in the coming financial year are as follows:

(a) The modification of the SSESTEEL rolling mill to enable it to produce rebar has not yet resulted in this operation consistently trading profitably. Further, continued uncertainty in the trading conditions faced by SSESTEEL and Vinausteel due to fluctuations in billet prices, the main input material for production in the rolling mills, has led to the VII Board's decision to conclude the sale of these assets.

Should this transaction with an interested party proceed, the Company will seek the approval of shareholders as Vinausteel and SSESTEEL are considered to be the Company's main undertakings. Should this transaction not proceed, the Board will re-evaluate its investment strategy in Vinausteel and SSESTEEL.

(b) Continued commercial production of roofing and wall cladding at Austnam's factory in Hanoi, welded steel reinforcing and fencing at VRC's factories in Ho Chi Minh City and Hanoi and building solutions by Total Building Systems Ltd.

Remuneration Report (Audited)

The Company's broad remuneration policy is to ensure that remuneration levels are competitively set to be commensurate with director and executive responsibilities and to attract and retain appropriately qualified and experienced directors and senior executives.

The Remuneration Committee consists of independent, non-executive director, Mr Bowen and non-executive director, Mr Lee. The Remuneration Committee meets as required to discuss senior executive's performance and remuneration packages. The Remuneration Committee may obtain independent advice on the appropriate remuneration packages, given trends in companies both locally and internationally.

The Company does not have a director or executive option scheme. The remuneration packages of directors and executives are directly linked to the performance of their operations. The key performance indices upon which the cash bonuses have been paid are determined by Vinausteel's Board of Management. The primary key performance index used for the cash bonuses was the achievement of financial targets. The most significant financial targets were budgeted net profit after tax and operating cash flow which are assessed against actual results achieved.

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

Remuneration of Key Management Personnel

2006

	Short-term			Post employment		Long-term benefit	
	Salary & Fees	Cash Benefits	Non-Monetary Benefits	Retirement Benefits	Super contributions	Long Service Leave	Total
	$	$	$	$	$	$	$
Directors							
A. A. Young	186,195	4,925	29,890	-	-	-	221,010
H. V. H. Lam	119,049	-	81,544	-	-	-	200,593
S. Lee	150,000	-	-	-	-	-	150,000
M. A. Clements	78,750	-	5,592	-	6,750	20,625	111,717
M.P. Bowen	25,000	-	-	-	-	-	25,000
	558,994	4,925	117,026	-	6,750	20,625	708,320
Executives							
D.Q. Phan	76,894	-	14,854	-	-	-	91,748
T.T. Nguyen	81,864	-	2,406	-	-	-	84,270
	158,758	-	17,260	-	-	-	176,018
	717,752	4,925	134,286	-	6,750	20,625	884,338

Only two employees of the consolidated entity met the definition of key management personnel.

2005

	Short-term			Post employment		Long-term benefit	
	Salary & Fees	Cash Benefits	Non-Monetary Benefits	Retirement Benefits	Super-contributions	Long Service Leave	Total
	$	$	$	$	$	$	$
Directors							
H. V. H. Lam	102,670	15,687	110,441	-	-	-	228,798
S. Lee	166,846	-	2,327	30,000	9,000	-	208,173
A. A. Young	133,931	-	41,897	-	-	-	175,828
M.P. Bowen	25,000	-	-	-	-	-	25,000
	428,447	15,687	154,665	30,000	9,000	-	637,799
Executives							
S. Bardoloi	77,526	8,386	18,599	-	-	-	104,511
M.A. Clements	86,538	-	2,793	-	6,750	-	96,081
D.Q. Phan	52,881	-	33,149	-	-	-	86,030
T. Huang	42,617	-	-	19,388	-	-	62,005
T.T. Nguyen	39,463	-	-	-	-	-	39,463
	299,025	8,386	54,541	19,388	6,750	-	388,090
	727,472	24,073	209,206	49,388	15,750	-	1,025,889

Details of key management personnel disclosures are set out in Note 24.

(i) The remuneration due to Mr Lee and Mr Nguyen of $150,000 and $15,707 respectively for the year ended 31 December 2006 (2005: Nil) has not yet been paid and is included in related party payables in the Company's Balance Sheet (Note 15).

(ii) The Group's operating subsidiaries incurred non-cash benefits of $81,544 (2005: $110,441) for Mr Lam and $29,890 (2005: $41,897) for Mr Young in relation to their employment in Vietnam.

(iii) Mr Clements was appointed as an executive director on 14 February 2006.

There are no employment contracts entered into with the key management personnel.

Performance Evaluation

There have been no performance evaluations made for the key management personnel. There have been no performance hurdles which determine the remuneration rewards of key management personnel.

Directors' Meetings

During the year, eight (8) directors' meetings were held. The number of meetings at which Directors were in attendance is as follows:

	No. of meetings held while in office	Meetings attended
S. Lee	8	8
A. A. Young	8	8
H. V. H. Lam	8	8
M. A. Clements	8	8
M. P. Bowen	8	6

There are frequent Board Meetings of each of the Company's subsidiary companies in which members of the VII Board participate. In addition to the above, there were three occasions whereby the Board approved matters by circular resolutions. The Remuneration Committee was not required to meet during the year. The Audit Committee met twice during the year and approved matters by circular resolution on one occasion. The meetings were attended by Mr Lee and Mr Bowen and representatives from the auditors.

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 the year 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 2006. 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. 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:

Tax compliance services	$15,875
Other non-audit services	$ 2,780

Signed in accordance with a resolution of the directors.

ALAN A. YOUNG
Director

Hai Phong, 28 February 2007

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Australia

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Perth WA 6843

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

In relation to our audit of the financial report of Vietnam Industrial Investments Limited for the financial year ended 31 December 2006, 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

GAVIN A BUCKINGHAM
Partner
Perth
28 February 2007

Liability limited by a scheme approved under
Professional Standards Legislation.

Corporate Governance Statement

This statement outlines the main 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 in the Company's website at www.vii.net.au.

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's 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 executive management.

Board Processes

To assist in the execution of its responsibilities, the Board has established a Remuneration Committee and an Audit Committee. 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.

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.

Composition of the Board

The names, skills, experiences, expertise and independence of the directors of the Company in office at the date of this report are set out in the Director's Report.

The composition of the Board is determined using the following principles:

- there shall be at least two non-executive directors;
- directors shall have a range of expertise encompassing the current and proposed activities of the Company; and
- directors are subject to re-election every three years (except for the Managing Directors).

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. The committee consisted of independent non-executive director, Mr Bowen and non-executive director, Mr Lee. During 2006, the Board considered adding at least one other independent director however a suitable candidate has yet to be identified.

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 meets as required. The committee was not required to meet during the year as outlined in the Director's Report.

Audit Committee

The Audit Committee has a documented charter approved by the Board. All members of the Audit Committee must be non-executive directors. 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 independent non-executive director, Mr Bowen and non-executive director, Mr Lee. During 2006, the Board considered adding at least one other independent director however a suitable candidate has yet to be identified. 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 Committee met on two occasions during the year as outlined in the Director's Report.

The Managing Director and the Chief Financial Officer declared in writing to the Board that the Company's financial reports for the year ended 31 December 2006 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.

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 nomination 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.

Risk Management

Oversight of the Risk Management System

The Board oversees the establishment, implementation and annual review of the Company's risk management system. Management has an established approach for assessing, monitoring and managing operational, financial reporting, and compliance risks for the consolidated entity. The Managing Director and the Chief Financial Officer have declared, 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 operational and other compliance risk management have also been assessed and found to be operating efficiently and effectively.

Risk Profile

Major risks for the consolidated entity arise from such matters as exchange rates, political and economic climate in areas of investments, intellectual property risks, product development and commercialisation risk, technical, clinical and regulatory risks, operational and financial reporting risks.

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 ensure:

- 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; and
- environmental regulation compliance.

Financial Reporting

The Managing Director and the Chief Financial Officer have declared, in writing to the Board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board. Monthly actual results are reported against budgets approved by the directors and revised forecasts for the year are prepared regularly.

Ethical Standards

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

Conflict of Interest

Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists for a director on a board matter, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. Details of director related entity transactions with the Company and consolidated entity are set out in Note 24 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, and it covers the following:

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

Trading in the Company's Securities by Directors and Employees

All directors have an obligation to immediately advise the Company of all changes to their interests in shares, options and debentures, if any, in the Company and its associates for reporting to the ASX by the Company Secretary.

Directors and employees may not deal in securities of the Company when in possession of any information which, if made publicly available, could reasonably be expected to materially affect the price of the Company's securities, whether upwards or downwards. Legal advice will be obtained by the Company Secretary on behalf of the director and employees in circumstances where any doubt exists.

Communication with Shareholders

The Board provides shareholders with information using a Continuous Disclosure 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.

In summary, the Continuous Disclosure policy operates as follows:

- the Managing Directors and the Chief Financial Officer are responsible for interpreting the Company's policy and where necessary informing the Board. The Company Secretary is responsible for all communications with the ASX. Such matters are advised to the ASX on the day they are discovered and all senior executives are responsible for monitoring the Group's internal and external environment for information or events potentially requiring disclosure;
- 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 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;
- 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.

ASX Corporate Governance Council (CGC)

During the year ended 31 December 2006 the Company followed the principles of good corporate governance as outlined by the ASX CGC, other than the following recommendations:

CGC Recommendation 2.1 requires a majority of the Board to be independent directors

Only one (Mr Bowen) of the directors who served on the Board during the year ended 31 December 2006 is independent. During 2006, the Board considered adding at least one other independent director however a suitable candidate has yet to be identified. Given the size and scope of the Company's operations, the Board considers that it is appropriately structured to discharge its duties in a manner that is in the best interests of the Company and its shareholders from both a long-term strategic and day-to-day operations perspective. All board committees are comprised only of non-executive directors and under the Company's Directors and Executives Code of Conduct, all directors have agreed not to participate in any conflicting decisions. The Board is of the view that it has achieved an appropriate balance between independent representation and maintaining sufficient experience for the Board to fulfil its responsibilities.

CGC Recommendations 2.2 requires the Chairperson to be an independent director

Mr Lee, Chairman, is not considered to be an independent director of the Company. He has been Chairman since 1995 and whilst the Board recognises the value of independence, it also believes that industry experience and specific expertise to the Company's business are vital to directors making a meaningful contribution to the Board and its committees. Further, it should be noted that the current Chairman is the Company's founder and is the largest shareholder and as such, is able to clearly identify with the interests of shareholders as a whole. The Board has established clear protocols for handling conflicts of interests and has appointed only non-executive directors to the Remuneration and Audit Committees.

CGC Recommendation 2.4 requires the Board to establish a Nomination Committee

There is no separate Nomination Committee as a sub-committee. The functions to be performed by a nomination committee under the ASX Best Practice Recommendations are currently performed by the full Board and this is reflected in the written policy setting out the responsibilities of the Board. Having regard to the number of members currently comprising VII's Board, the Board does not consider it appropriate to delegate these responsibilities to a sub-committee of the Board. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

CGC Recommendation 4.3 requires at least three members of an Audit Committee

The Audit Committee currently consists of two members. During 2006, the Board considered adding at least one other independent director however a suitable candidate has not yet been identified. The Audit Committee was formally introduced in 2004. Given the current composition of the Board (ie only one independent director), the Board deemed it was necessary that the composition of the Audit Committee be comprised of this independent and non-executive director, Mr Lee. The Board considers that the committee as constituted properly fulfils the objectives and responsibilities of an Audit Committee. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

Balance Sheet as at 31 December 2006

	Notes	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT 2006 $'000	PARENT 2005 $'000
ASSETS					
Current Assets					
Cash and cash equivalents	6	**783**	1,815	**222**	910
Trade and other receivables	7	**5,352**	3,907	**862**	1,863
Inventories	8	**2,331**	1,469	**-**	-
Financial assets – at fair value through profit or loss	9	**376**	250	**376**	250
Other current assets	10	**785**	735	**30**	29
		9,627	8,176	**1,490**	3,052
Assets of disposal group classified as held for sale	4	**50,492**	62,513	**12,554**	12,554
Total Current Assets		**60,119**	70,689	**14,044**	15,606
Non-current Assets					
Receivables	11	**7**	-	**303**	520
Investments in controlled entities	12	**-**	-	**4,302**	3,053
Property, plant and equipment	13	**4,065**	3,840	**18**	24
Deferred tax assets	5	**118**	42	**-**	-
Intangible assets	14	**543**	582	**-**	-
Total Non-current Assets		**4,733**	4,464	**4,623**	3,597
TOTAL ASSETS		**64,852**	75,153	**18,667**	19,203
LIABILITIES					
Current Liabilities					
Trade and other payables	15	**3,550**	1,810	**250**	202
Interest-bearing loans and borrowings	16	**3,802**	1,441	**-**	-
Provisions	17	**170**	65	**88**	34
		7,522	3,316	**338**	236
Liabilities directly associated with assets classified as held for sale	4	**44,678**	58,223	**-**	-
Total Current Liabilities		**52,200**	61,539	**338**	236
Non-current Liabilities					
Interest-bearing loans and borrowings	16	**558**	1,602	**-**	-
Deferred tax liabilities	5	**23**	-	**23**	-
Total Non-current Liabilities		**581**	1,602	**23**	-
TOTAL LIABILITIES		**52,781**	63,141	**361**	236
NET ASSETS		**12,071**	12,012	**18,306**	18,967
EQUITY					
Equity attributable to equity holders of parent					
Contributed equity	18	**22,057**	22,057	**22,057**	22,057
Reserves	19	**721**	1,186	**-**	-
Accumulated losses	19	**(16,052)**	(16,584)	**(3,751)**	(3,090)
Parent interests		**6,726**	6,659	**18,306**	18,967
Minority interests	20	**5,345**	5,353	**-**	-
TOTAL EQUITY		**12,071**	12,012	**18,306**	18,967

The above balance sheet should be read in conjunction with the accompanying notes.

Income Statement for the year ended 31 December 2006

	Notes	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT 2006 $'000	PARENT 2005 $'000
Continuing operations					
Sale of goods		12,862	10,995	-	-
Contract revenue		3,448	5,295	-	-
Other revenue	3	167	175	142	2,466
Revenue		16,477	16,465	142	2,466
Cost of sales		(14,058)	(13,591)	-	-
Gross profit		2,419	2,874	142	2,466
Other income	3	508	820	446	841
Impairment of investment		-	-	(386)	(5,357)
Marketing expenses		(1,400)	(1,021)	-	-
Administrative expenses		(2,500)	(2,203)	(840)	(925)
Finance costs	3	(509)	(242)	-	-
(Loss)/profit from continuing operations before income tax		(1,482)	228	(638)	(2,975)
Income tax benefit/(expense)	5	77	(52)	(23)	-
(Loss)/profit from continuing operations after tax		(1,405)	176	(661)	(2,975)
Discontinued operations					
Profit/(loss) from assets held for sale	4	2,379	(3,591)	-	-
Net profit/(loss) for the year		974	(3,415)	(661)	(2,975)
Attributable to:					
Minority interest		442	52	-	-
Members of the Parent		532	(3,467)	(661)	(2,975)
		Cents	Cents		
Earnings/(loss) per share for profit from continuing operations attributable to the ordinary equity holders of the Company:					
– Basic and diluted earnings/(loss) per share		(1.17)	0.07		
Earnings/(loss) per share for profit attributable to the ordinary equity holders of the Company:					
– Basic and diluted earnings/(loss) per share		0.52	(3.4)		

The above income statement should be read in conjunction with the accompanying notes.

Statement of Changes in Equity for the year ended 31 December 2006

CONSOLIDATED	Contributed equity	Foreign currency translation reserves	Accumulated losses	Other reserves	Total	Minority interest	Total equity
	Attributable to equity holders of the parent						
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2005	22,057	(133)	(13,096)	1,124	9,952	6,007	15,959
Currency translation differences	-	195	-	-	195	294	489
Total income and expense recognised directly in equity	-	195	-	-	195	294	489
(Loss)/profit for the year	-	-	(3,467)	-	(3,467)	52	(3,415)
Total income and expense for the year	-	-	(3,467)	-	(3,467)	52	(3,415)
Dividends	-	-	-	-	-	(1,021)	(1,021)
Transfer of shares in subsidiary to minority interest	-	-	(21)	-	(21)	21	-
At 31 December 2005	22,057	62	(16,584)	1,124	6,659	5,353	12,012
Currency translation differences	-	(465)	-	-	(465)	(450)	(915)
Total income and expense recognised directly in equity	-	(465)	-	-	(465)	(450)	(915)
Profit for the year	-	-	532	-	532	442	974
Total income and expense for the year	-	-	532	-	532	442	974
At 31 December 2006	22,057	(403)	(16,052)	1,124	6,726	5,345	12,071

CONSOLIDATED	Contributed equity	Foreign currency translation reserves	Accumulated losses	Other reserves	Total	Total equity
	Attributable to equity holders of the parent					
	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2005	22,057	-	(115)	-	21,942	21,942
Loss for the year	-	-	(2,975)	-	(2,975)	(2,975)
At 31 December 2005	22,057	-	(3,090)	-	18,967	18,967
Loss for the year	-	-	(661)	-	(661)	(661)
At 31 December 2006	22,057	-	(3,751)	-	18,306	18,306

Cash Flow Statement for the year ended 31 December 2006

	Notes	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT 2006 $'000	PARENT 2005 $'000
Cash flows from operating activities					
Receipts from customers		176,163	153,635	746	192
Payments to suppliers and employees		(167,632)	(146,837)	(733)	(682)
Dividend received		-	-	-	2,282
Interest received		137	68	15	57
Borrowing costs		(3,844)	(3,403)	-	-
Income taxes paid		-	(1,022)	-	-
Net cash flows from operating activities	6(a)	4,824	2,441	28	1,849
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		336	132	-	-
Purchase of property, plant and equipment		(1,491)	(3,086)	-	(8)
Proceeds from sale of financial assets at fair value through profit or loss		-	1,864	-	1,864
Proceeds from sale of available-for-sale financial assets		-	931	-	931
Purchase of financial assets at fair value through profit or loss		(50)	(1,228)	(50)	(1,228)
Investment in subsidiaries		-	-	(1,635)	(4,714)
Acquisition of intangible assets		(33)	(440)	-	-
Net cash flows used in investing activities		(1,228)	(1,827)	(1,685)	(3,155)
Cash flows from financing activities					
Proceeds from bank borrowings		118,054	135,238	-	-
Repayment of bank borrowings		(121,979)	(134,677)	-	-
Proceeds from controlled entities		-	-	969	1,003
Issuance of share capital by minority interest		43	-	-	-
Equity dividends paid		-	(5)	-	(5)
Dividends paid to minority interest		-	(1,021)	-	-
Net cash flows (used in)/from financing activities		(3,882)	(465)	969	998
Net increase/(decrease) in cash and cash equivalents		(286)	149	(688)	(308)
Net foreign exchange differences		(259)	88	-	-
Cash and cash equivalents at beginning of year		3,448	3,211	910	1,218
Cash and cash equivalents at end of year	6	2,903	3,448	222	910

The above cash flow statement should be read in conjunction with the accompanying notes.

1. COMPANY INFORMATION

The financial report of Vietnam Industrial Investments Limited ("VII") for the year ended 31 December 2006 was authorised for issue in accordance with a resolution of the directors on 26 February 2007.

VII is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange Limited ("ASX").

The nature of the operations and principal activities of the Group are described in Note 12 and in the Directors' Report.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for the financial assets at fair value through profit or loss.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

(b) Statement of compliance

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 31 December 2006.

These are outlined in the table below.

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2005-10	Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]	Amendments arise from the release in August 2005 of AASB 7 *Financial Instruments: Disclosures.*	1-Jan -07	AASB 7 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However, the amendments will result in changes to the financial instrument disclosures included in the Group's financial report.	1-Jan-07
AASB 7	*Financial Instruments: Disclosures*	New standard replacing disclosure requirements of AASB 132.	1-Jan -07	As above.	1-Jan-07
Interpretation 7	Applying the Restatement Approach under AASB 129 *Financial Reporting in Hyperinflationary Economics*	Addresses the requirement in AASB 129 for financial statements to be stated in terms of the measuring unit current at the reporting date when reporting in the currency of a hyperinflationary economy.	1-May-06	As the Group has no investments in foreign operations operating in hyperinflationary economies, these amendments are not expected to have any impact on the Group's financial report.	1-Jan-07
AASB 101 (revised version issued October 2006)	Presentation of Financial Statements	AASB 101 was amended in October 2006 as a result of the AASB's decision to have the same requirements as IAS 1 in AASB 101 in respect of for-profit entities.	1-Jan-07	There is no impact in the financial statements at 31 December 2006.	1-Jan-07

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
Interpretation 8	Scope of AASB 2 *Share-based Payment*	Clarifies that the scope of AASB 2 includes transactions in which the entity cannot identify specifically some or all of the goods or services received as consideration for the equity instruments of the entity or other share-based payment.	1-May-06	Unless the Group enters into share-based payment arrangements unrelated to employee services in future reporting periods, these amendments are not expected to have any impact on the Group's financial report.	1-Jan-07
Interpretation 9	Reassessment of Embedded Derivatives	Clarifies that an entity reassesses whether an embedded derivative contained in a host contract must be separated from the host and accounted for as a derivative under AASB 139 only when there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required.	1-Jun-06	Unless the Group enters into arrangements containing embedded derivatives in future reporting periods, these amendments are not expected to have any impact on the Group's financial report.	1-Jan-07
Interpretation 10	Interim Financial Reporting and Impairment	Interpretation 10 prohibits the reversal of an impairment loss recognised in the previous interim period in respect of investments and receivables at cost.	1-Nov-06	These amendments are not expected to have any impact on the Group's financial report.	30-Jun-07

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with International Financial Reporting Standards (IFRS).

(c) Going concern considerations

SSESTEEL has a net current asset deficiency at 31 December 2006 of $18.5 million (2005:15.9 million) which is due to the majority of its borrowings from financiers being due for renewal within 12 months of balance date.

The Company has provided security to various banks for banking facilities provided to Vinausteel, SSESTEEL, VRC Weldmesh (Vietnam) Ltd and Total Building Systems Limited in the form of letters of guarantee totalling US$15.9 million (A$20 million) (2005: US$16 million or A$22 million) and security to the supplier of machinery and equipment to SSESTEEL Ltd in the form of a letter of guarantee totalling Euro 2.3 million (A$3.9 million) (2005: Euro 2.2 million or A$3.7 million). At 31 December 2006, the total interest bearing liabilities to which these corporate guarantees relate to were US$12 million (A$15 million) (2005: $18 million).

The Board will continue to closely monitor the net current asset deficiency in the SSESTEEL operation.

The ability of SSESTEEL and thus the holding Company and the consolidated entity to continue as a going concern and therefore realise their assets and extinguish their liabilities in the normal course of business at the amounts stated in the financial report is dependent upon the following:

(i) The Directors successfully concluding the sale of SSESTEEL and Vinausteel. An interested party's evaluation of the possible acquisition of Vinausteel and SSESTEEL throughout the year has taken substantially longer than the Board expected. However, both parties have indicated their willingness to work toward formal agreements.

The transaction is subject to a number of terms and conditions and will not be concluded until the fulfilment of conditions precedent and a post-completion audit.

The indicative purchase consideration will be adjusted based on a number of factors, including Vinausteel and SSESTEEL being debt free and meeting a minimum net working capital and tangible fixed asset value. Therefore, the net purchase consideration payable will only be determined at post completion audit. Based on the financial statements as at 31 December 2006, the Company calculates that the indicative amount payable to VII, net of consultant's fees, will be approximately US$10.8 million, however, this may be higher or lower depending on the factors indicated above. Also, part of the indicative amount payable includes approximately US$2.7 million which will be held in escrow pending recovery of certain receivables and finalisation of tax matters and this could reduce the net amount payable.

The modification of the SSESTEEL rolling mill to enable it to produce rebar has not yet resulted in this operation consistently trading profitably. Further, continued uncertainty in the trading conditions faced by SSESTEEL and Vinausteel due to fluctuations in billet prices, which is the main input material for production in the rolling mills, has led to the Board's decision to conclude the sale of these assets.

Should this transaction proceed, the Company will seek the approval of shareholders as Vinausteel and SSESTEEL are considered to be the Company's main undertakings.

Should the transaction not proceed, the Board will re-evaluate its investment strategy in Vinausteel and SSESTEEL.

(ii) The ongoing financial support of SSESTEEL's financiers. At the date of this financial report, SSESTEEL has the ongoing support of its financiers.

(iii) SSESTEEL successfully managing its working capital requirements and procurement of billets, until positive cash flows are achieved or until SSESTEEL is sold.

(iv) SSESTEEL and Vinausteel successfully managing the procurement of steel billets which account for greater than 80% of total costs for these operations. Billet prices are subject to fluctuations driven by the worldwide steel market.

Accordingly, having regard to the matters set out above the Directors consider it appropriate to prepare the financial statements of the holding Company and the consolidated entity on a going concern basis.

Should the subsidiary company and thus the holding Company and the consolidated entity not materially achieve the matters set out above, there is significant uncertainty as to whether the subsidiary company and thus whether the holding Company and consolidated entity will continue as a going concern and therefore, whether the holding Company and the consolidated entity will be able to pay debts as and when they fall due and payable and whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the subsidiary company and thus, the holding Company and the consolidated entity not be able to continue as a going concern.

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of VII and its subsidiaries ('the Group') as at 31 December each year.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses, profits and losses resulting from intra-group transactions, have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which VII has control.

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

Investments in subsidiaries are accounted for at cost in the individual financial statements of VII.

(e) Significant accounting judgements, estimates, and assumptions

Significant accounting judgements

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

Assets held for sale

In 2005, the Board of directors committed to a plan to sell certain assets and entered into a formal agreement with an independent financial adviser to source prospective strategic investors to evaluate a possible investment in Vinausteel and SSESTEEL. These assets were actively marketed for sale at a price that was considered reasonable in relation to its current fair value and a sale was expected to be completed within one year from the balance sheet date. The Board of Directors continues to hold that expectation. As such, the classification of the assets and liabilities of Vinausteel and SSESTEEL has been treated as assets held for sale in the Balance Sheet at 31 December 2006. The Company disclosed on the face of the income statement, a single amount comprising the total of the post-tax result of the discontinued operations and restated prior year for comparatives. The carrying amount of the disposal group and analysis of the single amount disclosed on the face of the income statement are discussed in Note 4.

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that the future taxable profits will be available to utilise those temporary differences.

Impairment of non-financial assets

The Group assesses impairment of all assets at each reporting date by evaluating the conditions specific to the Group and to the particular asset that may lead to impairment. These include product and manufacturing performance, technology, economic and political environments, and future product expectations. If an impairment trigger exists, the recoverable amount is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions.

Financial guarantees

AASB 2005-9 Amendments to the Australian Accounting Standards requires the issuer of the financial contract to recognise a financial guarantee liability at fair value. The fair value of the financial guarantee contracts has been assessed for the year ended 31 December 2006.

(f) Segment reporting

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different than those of segments operating in other economic environments.

(g) Foreign currency translation

The consolidated financial statements are presented in Australian dollars (A$) which is both the functional and presentation currency of VII ('ultimate parent entity'). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(g) Foreign currency translation (continued)

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date and all differences are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of the overseas subsidiaries are Vietnamese Dong (VND) and Singapore Dollar (SGD).

As at the reporting date the assets and liabilities of the overseas subsidiaries are translated into the presentation currency of VII at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rate for the year.

The exchange differences arising on the translation are taken directly to a separate component of equity.

On disposal of a foreign entity, the cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

(h) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the costs of replacing parts that are eligible for capitalisation when the costs of replacing parts are incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in the 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 – 5-20 years
Plant and equipment – 5-15 years
Motor Vehicles – 5-10 years

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

Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may not be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds the estimated recoverable amount. The asset or cash-generating unit is written down to its recoverable amount.

Impairment losses are recognised in the income statement.

An item of property, plant and equipment 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 in the year the asset is derecognised.

(i) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised as an expense when incurred.

(j) Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised and is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investments in each subsidiary.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. Where goodwill forms part of a cash-generating unit and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

(k) Intangible assets

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

The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful life and 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 each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible asset.

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

	Software costs	Land rights
Useful lives	Finite	Finite
Method used	2-5 years - Straight line	20-48 years – Straight line
Internaly 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

(k) Intangible assets (continued)

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 income statement when the asset is derecognised.

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

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(m) Investments and other financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place.

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

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Gains or losses on investments held for trading are recognised in 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. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(iii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in the income statement when the investments are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the income statement.

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

(n) Inventories

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

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

Raw materials – purchase cost on a first-in, first-out basis or weighted average basis;
Finished goods and work-in-progress – cost of direct materials and labour and a proportion of variable and fixed manufacturing overheads based on normal operating capacity. Costs are assigned on the basis of weighted average costs.

Construction work in progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where the progress billings exceed the aggregate costs incurred plus profits less losses, the net amounts are presented under other liabilities. Construction costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms of the contract and an allocation of costs incurred in connection with the Group's construction activities in general.

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.

(o) Trade and other receivables

Trade receivables which are generally on 30-60 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectibility of trade receivables is reviewed on an ongoing basis. An allowance for doubtful debts is raised when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

(p) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the balance sheet.

(q) 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 balance sheet date.

(r) Assets of disposal group held-for-sale and discontinued operations

Non-current assets and disposal groups are classified as held-for-sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortised. For an asset or disposal group to be classified as held-for-sale it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

A discontinued operation is a component of the entity that has been disposed of or is classified as held-for-sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the Income Statement.

(s) 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.

Provisions are measured at the present value of managements' best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(t) Trade and other payables

Trade and other payables are carried at amortised costs and 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.

(u) Employee provisions and other post-employment benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Liabilities 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 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.

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 length of service and rate of pay at the time of termination. Accrued retirement benefits represent the amount which would be payable assuming all eligible employees were to terminate their employment as at the balance date.

(v) Leases

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

(w) Revenue

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

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

Sale of goods
Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the cost incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Rendering of services other than construction contracts
Revenues are generally recognised when the service is provided to the customer.

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

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

Interest income
Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

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

(x) Income tax and other taxes

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current periods' taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

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

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

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

(x) Income tax and other taxes (continued)

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

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

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

- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

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

Other taxes

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

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

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

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

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

(y) Contributed equity

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

(z) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share 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) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

3. REVENUE AND EXPENSES

	CONSOLIDATED		PARENT	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Revenues and expenses from continuing operations				
(a) Other Revenue				
Interest income	**91**	48	**66**	57
Dividend income	**-**	-	**-**	2,282
Net gain from fair value adjustments	**76**	127	**76**	127
	167	175	**142**	2,466
(b) Other income				
Net foreign exchange gain	**-**	148	**-**	144
Gain on sale of financial assets at fair value through profit or loss	**-**	201	**-**	201
Gain on sale of available-for-sale financial assets	**-**	126	**-**	126
Financial and executive services income	**123**	120	**123**	120
Rental income	**49**	12	**49**	12
Other income	**336**	213	**274**	238
	508	820	**446**	841
(c) Cost of sales				
Cost of goods sold	**10,737**	9,912	**-**	-
Construction costs	**3,321**	3,679	**-**	-
	14,058	13,591	**-**	-
(d) Finance costs				
Bank loans and borrowings	**509**	242	**-**	-
(e) Depreciation, impairment and amortisation included in income statement				
Depreciation expense	**536**	416	**6**	6
(f) Employee benefits				
Wages and salaries	**1,862**	1,346	**366**	549
(g) Rent				
Rent expense	**190**	176	**123**	120

4. OPERATING PROFIT/(LOSS) AFTER TAX FROM ASSETS HELD-FOR-SALE

Details of operations held-for-sale

In 2005, the Board of directors committed to a plan to sell certain assets and entered into a formal agreement with an independent financial adviser to source prospective strategic investors to evaluate a possible investment in Vinausteel and SSESTEEL. These assets were actively marketed for sale at a price that was considered reasonable in relation to its current fair value. It was the expectation of the Board of directors to complete a sale within one year from the balance sheet date. The Board of Directors continue to hold that expectation. As such, the classification of the assets and liabilities of Vinausteel and SSESTEEL has been treated as assets held for sale in the Balance Sheet at 31 December 2006. The net profit from Vinausteel and SSESTEEL operations of $2.4 million (2005: loss $3.6 million) has been disclosed as a single amount in the Income Statement under the heading discontinued operations.

An interested party's evaluation of the possible acquisition of Vinausteel and SSESTEEL has taken substantially longer than the Board expected. However, both parties have indicated a willingness to work toward formal agreements.

The proposed transaction is subject to a number of terms and conditions and will not be concluded until the fulfilment of conditions precedent and a post-completion audit.

As at 31 December 2006, Vinausteel and SSESTEEL were classified as a disposal group and were held-for-sale.

	PARENT	
	2006	2005
	$'000	$'000
Assets classified as held for sale	**12,554**	12,554
	12,554	12,554

The investments in subsidiaries (Vinausteel and SSESTEEL) are classified as discontinuing operations that are held-for-sale.

Financial performance of operations held-for-sale

The combined results of Vinausteel and SSESTEEL operations for the year are presented below:

	2006	2005
	$'000	$'000
Revenues	**167,387**	139,782
Expenses	**(161,126)**	(140,212)
Net profit/(loss) from operations	**6,261**	(430)
Finance costs	**(3,335)**	(3,161)
Net profit/(loss) before tax	**2,926**	(3,591)
Income tax expense	**(547)**	-
Net profit/(loss) after tax on discontinued operations	**2,379**	(3,591)
(Profit)/loss attributable to minority interest	**(634)**	52
Net profit/(loss) after tax on discontinued operations attributable to equity holders of the Company	**1,745**	(3,539)

Assets and liabilities – held-for-sale operations

The combined major classes of assets and liabilities of Vinausteel and SSESTEEL measured at the lower of carrying amount and fair value less cost to sell as at 31 December 2006 are as follows:

	2006 $'000	2005 $'000
Assets		
Intangibles	140	123
Property, plant and equipment	14,214	15,573
Other current assets	31	105
Inventories	15,550	31,446
Trade and other receivables	18,437	13,633
Cash and cash equivalents	2,120	1,633
Assets classified as held for sale	50,492	62,513
Liabilities		
Trade and other payables	20,671	27,525
Interest bearing loans and borrowings	23,161	30,494
Income tax payable	437	-
Provisions	369	204
Deferred tax liability	40	-
Liabilities directly associated with assets classified as held for sale	44,678	58,223
Net assets attributable to discontinued operations	5,814	4,290

Based on the financial statements as at 31 December 2006, the Company calculates that the indicative amount payable to VII, net of consultant's fees, will be approximately US$10.8 million, however, this may be higher or lower depending on the factors indicated in the terms and conditions of the agreement. Also, part of the indicative amount payable includes approximately US$2.7 million which will be held in escrow pending recovery of certain receivables and finalisation of tax matters and this could reduce the net amount payable.

The net cash flows incurred by the combined Vinausteel and SSESTEEL, are as follows:

	2006 $'000	2005 $'000
Operating	6,521	3,235
Investing	(45)	(335)
Financing	(4,870)	(1,838)
Net cash inflow	1,606	1,062

Earnings per share (cents per share)	2006	2005
Basic and diluted EPS from discontinued operations	1.69	(3.4)

5. INCOME TAX

	CONSOLIDATED		PARENT	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
(a) Income tax expense				
The major components of income tax expense are:				
Income Statement				
Current tax	-	74	-	-
Deferred tax	(77)	(22)	23	-
	(77)	52	23	-
(b) Numerical reconciliation between the aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate				
(Loss)/profit for continuing operations before tax	(1,482)	228	(638)	(2,975)
Profit/(loss) from discontinued operations	2,926	(3,591)	-	-
	1,444	(3,363)	(638)	(2,975)
At Group's statutory income tax rate of 30% (2005: 30%)	433	(1,009)	(191)	(893)
Adjustments to tax expense:				
Foreign tax rate adjustment	(292)	(41)	-	-
Non-deductible expenses	194	25	54	25
Changes in fair value	23	-	23	-
Other	112	1,077	137	868
Aggregate tax expense	470	52	23	-
Aggregate income tax expense is attributable to:				
Continuing operations	(77)	52	23	-
Discontinued operations	547	-	-	-
	470	52	23	-

(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 tax consolidated regime. The tax losses of the Company are estimated to be $2.586 million (2005: $2.397 million). This amount has not been recognised as a tax asset at 31 December 2006 and 2005.

(d) Recognised deferred tax assets and liabilities

	CONSOLIDATED		PARENT	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Deferred tax assets				
Provision for doubtful debts	16	13	-	-
Termination allowance benefits	5	4	-	-
Other temporary differences	97	25	-	-
Gross deferred tax assets	118	42	-	-
Deferred tax liabilities				
Fair value of financial assets held for trading	23	-	23	-
Gross deferred tax liabilities	23	-	23	-

(e) Unrecognised temporary differences

At 31 December 2006, 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 (2005: Nil).

6. CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PARENT	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Cash at bank and in hand	586	1,541	25	636
Short-term deposits	197	274	197	274
	783	1,815	222	910
Cash at bank and in hand attributable to discontinued operations (Note 4)	2,120	1,633	-	-
	2,903	3,448	222	910

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represent fair value.

Short-term deposits are made for varying periods of between one day and one month, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

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

	CONSOLIDATED		PARENT	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Net profit/(loss)	974	(3,415)	(661)	(2,975)
Adjustment for:				
Depreciation and amortisation	536	1,958	6	6
Unrealised foreign exchange gain	-	(461)	-	-
Profit from sale of other financial assets	-	(267)	-	(267)
Net loss on disposal of plant and equipment	-	-	-	-
Change in fair value of financial assets	(76)	(127)	(76)	(127)
Impairment of investment in controlled entities	-	-	386	5,357
Provision for inventory obsolescence	-	(35)	-	-
Changes in assets and liabilities				
(Increase)/decrease in				
Trade and other receivables	(8,072)	(3,342)	248	(173)
Inventories	12,747	(5,566)		-
Other current assets	(57)	(570)	1	1
Deferred tax assets	(76)	(42)	-	-
(Decrease)/increase in				
Trade and other payables	(2,053)	15,263	47	62
Provisions	303	(24)	54	(35)
Income tax payable	621	(931)	-	-
Deferred income tax liabilities	(23)	-	23	-
Net cash flow from operating activities	4,824	2,441	28	1,849

b) Disclosure of financing activities

Financing facilities are set out in Note 16.

7. TRADE AND OTHER RECEIVABLES (CURRENT)

	CONSOLIDATED		PARENT	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Trade receivables	4,408	3,202	-	-
Allowance for impairment loss	(99)	(45)	-	-
	4,309	3,157	-	-
Other receivables	1,043	750	2	15
Related party receivables				
- controlled entities	-	-	860	1,848
Carrying amount of trade and other receivables	5,352	3,907	862	1,863

The carrying amount disclosed above is a reasonable approximation of fair value.

Trade receivables include receivables from customers for construction contracts of $0.748 million (2005: $0.873 million).

For terms and conditions relating to related party receivables refer to Note 25.

Credit risk and effective interest rate risk

Details regarding credit risk and effective interest rate risk of current trade receivables are disclosed in Note 30.

8. INVENTORIES

	CONSOLIDATED		PARENT	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Raw materials – at cost	2,138	1,370	-	-
Work in progress – at cost	16	48	-	-
Construction work in progress	67	43	-	-
Finished goods – at net realisable value	110	8	-	-
Total inventories at lower of cost and net realisable value	2,331	1,469	-	-

At 31 December 2006, there are no inventory write-downs recognised as an expense for the Group (2005: Nil).

9. FINANCIAL ASSETS – AT FAIR VALUE THROUGH PROFIT OR LOSS

	CONSOLIDATED		PARENT	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Financial assets held for trading – at fair value				
Shares in listed companies	376	250	376	250
	376	250	376	250

10. OTHERS CURRENT ASSETS

Prepayments	785	735	30	29
	785	735	30	29

11. NON-CURRENT RECEIVABLES

Loans to related parties	-	-	303	520
Other receivables	7	-	-	-
	7	-	303	520

For terms and conditions relating to related party receivables refer to Note 25.

12. INVESTMENTS IN SUBSIDIARIES (NON-CURRENT)

	PARENT 2006 $'000	PARENT 2005 $'000
Investments in subsidiaries	**4,688**	3,053
Impairment of investments in subsidiaries	**(386)**	-
	4,302	3,053

Investment in Subsidiaries

Name	Country of Incorporation	% Equity interest 2006	% Equity interest 2005	Investment ($'000) 2006	Investment ($'000) 2005
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	**16,957**	16,957
SSESTEEL Ltd[(iv) (ix) (x)]	Vietnam	100	100	**-**	-
Ausviet Industrial Investments Ltd[(v) (xi)]	Singapore	100	100	**2,766**	1,131
Austnam Joint Stock Corporation[(ii) (x)]	Vietnam	67	67	**-**	-
Parnham Overseas Ltd	British Virgin Islands	100	100	**-**	-
Total Building Systems Limited[(viii) (x)]	Vietnam	97	100	**-**	-
Vietnam Projects (Singapore) Pte Ltd[(vi) (xi)]	Singapore	100	100	**1,922**	1,922
VRC Weldmesh (Vietnam) Ltd[(vi) (x)]	Vietnam	100	100	**-**	-
Vietnam Property Development Pte Ltd[(vii) (xi)]	Singapore	100	100	**-**	-
				34,199	32,564
Impairment of investments in subsidiaries [(iv) (vi)]				**(17,343)**	(16,957)
				16,856	15,607

Of the $16.856 million, $12.554 million relates to the investment in Vinausteel which is classified as discontinuing operations and assets held-for-sale.

(i) Vinausteel Limited ("Vinausteel") is a joint venture company established under the Foreign Investment Laws of Vietnam. VII has a 70 per cent interest in the legal capital of Vinausteel and its liability is limited to the amount of legal capital contributed.

Vinausteel was created under an Investment Licence issued by the Vietnamese Government and its operations are governed by a Joint Venture Agreement and Joint Venture Charter. VII has the right to appoint five of the seven directors of the Board of Management and is entitled to 70 per cent of the after tax profit derived by Vinausteel. While some decisions of the Board of Management require a unanimous decision under the Joint Venture Agreement and Charter, by virtue of the fact that VII is entitled to 70 per cent of the after tax profits derived by Vinausteel, it is considered that VII has the capacity to enjoy the majority of benefits and is exposed to the majority of risks in respect to Vinausteel and therefore Vinausteel has been treated as a controlled entity for the purpose of preparing the financial statements of VII.

(ii) Austnam Joint Stock Corporation ("Austnam") is a joint venture company established under the Foreign Investment Laws of Vietnam between Parnham Overseas Ltd ("POL") and Hong Ha Building Materials Import Export Company. VII acquired a 73 per cent equity interest in Austnam in January 1997 through Parnham Overseas Ltd. In May 2002, VII reduced its share of current year profits to 68 per cent. In 2005, Austnam was converted to a shareholding company under a pilot scheme to allow a limited number of foreign enterprises to convert into joint stock companies. With the conversion to a Joint Stock Corporation, the Group holds 67 per cent of which POL holds 65 per cent of Austnam and the 2 per cent remainder is held by Ausviet Industrial Investments Pte Ltd.

It is considered that VII has the capacity to enjoy the majority of benefits and is exposed to the majority of risks in respect to Austnam and therefore Austnam has been treated as a controlled entity for the purpose of preparing the financial statements of VII.

12. INVESTMENTS IN SUBSIDIARIES (NON-CURRENT) (continued)

(iii) VRC Weldmesh (Vietnam) Ltd ("VRC") is a wholly owned subsidiary of Vietnam Projects (Singapore) Pte Ltd and ultimately owned by VII. VRC holds a 100 per cent foreign owned investment licence.

(iv) Structure Steel Engineering Pte Ltd is a company incorporated in Singapore for the purposes of holding the investment in SSESTEEL Ltd. VII is entitled to 100 per cent of the after tax profit derived by Structure Steel Engineering Pte Ltd and SSESTEEL Ltd.

Included in the provision for diminution of investments of $17.343 million (2005: $16.957 million) is $16.957 million which represents the write-down of the investment in Structure Steel Engineering Pte Ltd to recoverable amount in 2005. The recoverable amount assessment was required as there were impairment indicators identified in the underlying investment in SSESTEEL Ltd during 2005. It is considered that there has been no change in circumstances during the year ended 31 December 2006 to indicate that this impairment may be reversed. The recoverable amount was considered on a fair value less cost to sell basis with Vinausteel and SSESTEEL treated as one cash generating unit. The estimated fair value was based upon the possible full acquisition of Vinausteel and SSESTEEL in accordance with the non-binding expression of interest announced to the ASX dated 6 February 2006.

(v) Ausviet Industrial Investments Pte Ltd is a wholly owned subsidiary of VII, which holds the investment in Austnam of 2 per cent, Parnham Overseas Ltd of 100 per cent and Total Building Systems Limited of 97 per cent.

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

Included in the provision for diminution of investments of $17.343 million (2005: $16.957 million) is $0.386 million which represents the write-down of the investment in Vietnam Projects Singapore Pte Ltd to recoverable amount. The recoverable amount assessment was required as there were impairment indicators identified in the underlying investment in VRC Weldmesh (Vietnam) Ltd during 2006. Due to the uncertainty of trading conditions in Vietnam, the recoverable amount has been determined based on a value in use calculation using the cash flow projections based on the 2007 financial budget approved by the VRC Board of Management. The pre-tax discount rate applied to cash flow projections is 30%.

(vii) Vietnam Property Development Pte Ltd is a wholly owned subsidiary acquired by VII. It is incorporated in Singapore to hold an investment in Vietnam.

(viii) Total Building Systems Limited is a wholly owned subsidiary of Ausviet Industrial Investments Pte Ltd which is a full service building systems provider supplying engineering services, building systems and construction services to industrial and residential consumers. During the year, TBS and VII entered into a Share Sale Agreement whereby Mr Tung Thanh Nguyen, General Director of TBS, will contribute US$0.225 million to acquire 15% equity in TBS. As at 31 December 2006, Mr Nguyen had contributed US$0.032 million to obtain a 3% shareholding.

(ix) 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 to manufacture steel construction beams and large diameter steel pipes. The Company obtained an amended Investment Licence on 16 November 1999, 30 August 2000, and 10 November 2001 to enable it to produce steel wire rod and high tensile rebar for the construction industry. SSESTEEL Ltd is a wholly owned subsidiary of Structure Steel Engineering Pte Ltd.

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

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

13. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED		PARENT	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Building on leasehold land				
- Cost	1,427	463	-	-
- Accumulated depreciation	(112)	(382)	-	-
Net carrying amount	1,315	81	-	-
Plant and equipment				
- Cost	3,808	3,573	74	74
- Accumulated depreciation and impairment	(1,508)	(1,283)	(56)	(50)
Net carrying amount	2,300	2,290	18	24
Motor vehicles				
- Cost	689	661	-	-
- Accumulated depreciation	(305)	(252)	-	-
Net carrying amount	384	409	-	-
Construction in progress – cost	66	1,060	-	-
Net carrying amount	4,065	3,840	18	24
Reconciliation of plant, property and equipment				
Building on leasehold land				
Opening net carrying amount	81	4,215	-	-
Additions	1,449	127	-	-
Disposals/transfers	(101)	-	-	-
Attributable to discontinued operations	-	(4,321)	-	-
Depreciation expense	(43)	(414)	-	-
Exchange difference	(71)	474	-	-
Closing net carrying amount	1,315	81	-	-
Plant and equipment				
Opening net carrying amount	2,290	7,119	24	22
Additions	791	6,537	-	8
Disposals/transfers	(170)	(166)	-	-
Attributable to discontinued operations	-	(10,467)	-	-
Depreciation expense	(398)	(1,368)	(6)	(6)
Exchange difference	(213)	635	-	-
Closing net carrying amount	2,300	2,290	18	24
Motor vehicles				
Opening net carrying amount	409	768	-	-
Additions	91	190	-	-
Attributable to discontinued operations	-	(372)	-	-
Depreciation expense	(80)	(151)	-	-
Exchange difference	(36)	(26)	-	-
Closing net carrying amount	384	409	-	-
Construction in progress				
Opening net carrying amount	1,060	4,432	-	-
Net additions/transfers	(994)	(2,959)	-	-
Attributable to discontinued operations	-	(413)	-	-
Exchange difference	-	-	-	-
Closing net carrying amount	66	1,060	-	-
	4,065	3,840	18	24

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant, and equipment pledged as security for liabilities

Some property, plant, and equipment which are pledged as security for bank loans and supplier loans (Note 16) are as follows:

	CONSOLIDATED		PARENT	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Continuing operations	**3,556**	633	**-**	-
Disposal group	**11,611**	10,324	**-**	-

The capitalised interest on qualifying assets is Nil at 31 December 2006 (2005: $0.022 million).

14. INTANGIBLE ASSETS

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT 2006 $'000	PARENT 2005 $'000
Software costs				
Cost (gross carrying amount)	**19**	14	**-**	-
Accumulated amortisation and impairment	**(6)**	(3)	**-**	-
	13	11	**-**	-
Land rights				
Cost (gross carrying amount)	**476**	522	**-**	-
Accumulated amortisation and impairment	**(60)**	(65)	**-**	-
	416	457	**-**	-
Goodwill [(i)]	**114**	114	**-**	-
	543	582	**-**	-
Reconciliation of Intangible Assets				
Software costs				
Opening net carrying amount	**11**	66	**-**	-
Additions	**7**	7	**-**	-
Attributable to discontinued operations	**-**	(44)	**-**	-
Amortisation expense	**(3)**	(2)	**-**	-
Exchange difference	**(2)**	(16)	**-**	-
Closing net carrying amount	**13**	11	**-**	-
Land rights				
Opening net carrying amount	**457**	27	**-**	-
Additions	**-**	433	**-**	-
Attributable to discontinued operations	**-**	(2)	**-**	-
Amortisation expense	**(12)**	(23)	**-**	-
Exchange difference	**(29)**	22	**-**	-
Closing net carrying amount	**416**	457	**-**	-
Goodwill [(i)]				
Opening net carrying amount	**114**	191	**-**	-
Attributable to discontinued operations	**-**	(77)	**-**	-
Closing net carrying amount	**114**	114	**-**	-
	543	582	**-**	-

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

15. TRADE AND OTHER PAYABLES (CURRENT)

	CONSOLIDATED 2006 $'000	CONSOLIDATED 2005 $'000	PARENT 2006 $'000	PARENT 2005 $'000
Trade payables	**2,400**	924	**-**	-
Other payables	**984**	886	**100**	202
Related party payables	**166**	-	**150**	-
	3,550	1,810	**250**	202

Trade payables are non-interest bearing and are normally settled on 30-60 day terms. Trade payables includes payables to customers under construction contracts of $0.307 million (2005: $0.073 million)

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

Related party payables' terms and conditions are set in Note 25.

16. INTEREST-BEARING LOANS AND BORROWINGS

	CONSOLIDATED		PARENT	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Current				
Bank loans – secured	**3,802**	1,441	-	-
Non-Current				
Bank loans – secured	**558**	1,602	-	-
	4,360	3,043	-	-
Interest bearing liabilities attributable to discontinued operations (refer to Note 4)				
Bank loans – secured	**17,324**	26,409		
Other loans – secured	**5,837**	4,085		
	23,161	30,494		

Terms and conditions of Interest bearing loans and borrowings

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 and inventories of the subsidiaries and in certain instances, by the guarantee of Vietnam Industrial Investments Limited of US$15.9 million (A$20 million) (2005: US$16 million or A$22 million).

The Group's operating subsidiaries have also used supplier finance facilities amounting to Euro 2.3 million (A$3.9 million) (2005: Euro 2.2 million or A$3.7 million), to finance the purchase of machinery and equipment. This facility is also secured by a corporate guarantee from Vietnam Industrial Investments Limited.

At 31 December 2006, the total interest bearing liabilities to which these corporate guarantees relate to were US$12 million (A$15 million) (2005:$18 million).

Interest is recognised at an effective interest rate. The effective interest rates are set out in Note 30. The interest bearing liabilities of the Group's operating subsidiaries have various repayment terms.

Assets pledged as security

The bank and supplier loans of the Group are secured by mortgages over certain Group's property, plant and equipment (Note 13) and inventories.

	CONSOLIDATED		PARENT	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Financing facilities available				
At reporting date, the following financing facilities had been negotiated and were available:				
Total facilities available	**48,264**	41,616	-	-
Facilities used at reporting date				
- short-term loans	**26,963**	31,935	-	-
- long-term loans	**558**	1,602	-	-
Facilities unused at reporting date				
- short-term loans	**20,743**	8,079	-	-
- 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 has occurred previously. The Group obtained short-term loans which have ongoing maturity roll over dates ranging from 1 month to 6 months to meet the Group's working capital requirements. The long-term loans were to finance the construction of the production and equipment facilities.

Effective interest rate risk

Information regarding the effective interest rate risk of the interest-bearing loans and borrowings is set out in Note 30.

17. PROVISIONS

	CONSOLIDATED		PARENT	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Current				
Employee benefits	**167**	62	**85**	31
Dividends payable	**3**	3	**3**	3
	170	65	**88**	34

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

18. CONTRIBUTED EQUITY

Ordinary shares				
Issued and fully paid	**22,057**	22,057	**22,057**	22,057

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the parent entity does not have authorised capital or par value in respect of issued shares.

103,320,002 fully paid shares carry one vote per share and carry the right to dividends.

19. RESERVES AND ACCUMULATED LOSSES

Foreign currency translation	**(403)**	62	**-**	-
Legal reserve	**1,124**	1,124	**-**	-
	721	1,186	**-**	-
Movement in foreign currency translation reserve				
Opening balance	**62**	(133)	**-**	-
Currency translation difference arising during the year	**(465)**	195	**-**	-
Closing balance	**(403)**	62	**-**	-

Nature and purpose of reserves

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Legal reserve
Under the Joint Venture Charter of Vinausteel, 5% of operating profit after tax and any transfers to other reserves are appropriated to the legal reserve up to a maximum of 10% of the invested capital of the enterprise. At the present time, there are no rules specifying the use that can be made of the reserve.

	CONSOLIDATED		PARENT	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Accumulated losses	**(16,052)**	(16,584)	**(3,751)**	(3,090)
Movement in accumulated losses				
Opening balance	**(16,584)**	(13,096)	**(3,090)**	(115)
Profit/(loss) for the year	**532**	(3,467)	**(661)**	(2,975)
Transfer of shares in subsidiary to minority interest	**-**	(21)	**-**	-
Closing balance	**(16,052)**	(16,584)	**(3,751)**	(3,090)

20. MINORITY INTEREST

	CONSOLIDATED		PARENT	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Contributed equity	4,639	4,596	-	-
Reserves	63	556	-	-
Retained earnings	643	201	-	-
	5,345	5,353	-	-

21. EARNINGS/(LOSS) PER SHARE

	CONSOLIDATED	
	2006	2005
	$'000	$'000
The following reflects the profit/(loss) used in the basic and diluted earnings per share computations:		
Net (loss)/profit attributable to equity holders from continuing operations	(1,213)	72
Profit/(loss) attributable to equity holders from discontinuing operations	1,745	(3,539)
Net profit/(loss) attributable to equity holders of the Company	532	(3,467)
	2006	2005
	No. of Shares	No. of Shares
Weighted average number of ordinary shares for basic and diluted earnings per share	103,320,002	103,320,002

There have been no 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.

22. DIVIDENDS PAID AND PROPOSED

There were no dividends declared during the year (2005: Nil). For the year ended 31 December 2006, no dividends were paid (2005: $5,000).

	CONSOLIDATED		PARENT	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Franking credits available for the subsequent financial years based on a tax rate of 30%	-	-	5	5

23. AUDITORS' REMUNERATION

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

	CONSOLIDATED		PARENT	
	2006	2005	2006	2005
Amounts received or due and receivable by Ernst & Young (Australia) for:				
- an audit or review of the financial report of the entity and any other entity in the consolidated group	91,445	92,329	91,445	92,329
- other assurance service - AIFRS	-	45,988	-	45,988
- other services in relation to the entity and any other entity in the consolidated group				
- tax compliance	15,875	16,223	15,875	16,223
	107,320	154,540	107,320	154,540
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:				
- an audit or review of the financial report of the subsidiary entities	61,068	74,923	-	-
- other non-audit services	2,780	-	2,780	-
	63,848	74,923	2,780	-
Amounts received or due and receivable by non Ernst & Young audit firms for:				
- an audit or review of the financial report of the subsidiary entities	9,904	13,156	-	-
	9,904	13,156	-	-

24. KEY MANAGEMENT PERSONNEL

a) Details of Key Management Personnel

Directors

Mr S. Lee	–	Chairman
Mr A. A. Young	–	Managing Director (Chief Operating Officer)
Mr H.V.H. Lam	–	Managing Director (Vietnam Operations)
Mr M. A. Clements	–	Executive Director – appointed on 14 February 2006 (Chief Financial Officer and Company Secretary)
Mr M. P. Bowen	–	Independent Non-Executive Director

Executives

Mr D.Q. Phan	–	General Manager, VRC
Mr T.T. Nguyen	–	General Manager, TBS

b) Compensation of Key Management Personnel

	CONSOLIDATED		PARENT	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Short-term	**856,963**	960,761	**109,342**	283,504
Post employment	**6,750**	65,138	**6,750**	45,750
Other long-term	**20,625**	-	**20,625**	-
Termination benefits	**-**	-	**-**	-
Share-based payments	**-**	-	**-**	-
	884,338	1,025,889	**136,717**	329,254

VII has applied the option under *Corporations Amendments Regulation 2006* to transfer key management personnel remuneration disclosures required by AASB 124 *Related Party Disclosures* paragraphs Aus25.4 to Aus 25.7.2 to the Remuneration Report section of the Directors' Report. These transferred disclosures have been audited.

c) Shareholdings of Key Management Personnel

Shares held in Vietnam Industrial Investments Limited

2006	Beginning balance 1 January 2006	Granted as remuneration	On exercise of options	Net change other	Ending balance 31 December 2006
Directors					
S. Lee	25,938,226	-	-	-	25,938,226
H. V. H. Lam	10,809,137	-	-	-	10,809,137
A. A. Young	3,087,000	-	-	-	3,087,000
M.A. Clements	90,000	-	-	-	90,000
M. P. Bowen	-	-	-	-	-
Executives					
D. Q. Phan	-	-	-	-	-
T.T. Nguyen	-	-	-	-	-
	39,924,363	-	-	-	39,924,363

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.

Mr Lam is the beneficial owner of 10,809,137 shares.

Phoenix Properties International Pty Ltd is a trustee for the Wellington Place Property Trust which is the holder of 12,810,000 shares in VII. SHL Pty Ltd is a trustee for the SHL Family Trust which is the holder of 13,128,226 shares in VII. Mr Lee is a direct and indirect contingent beneficiary of these trusts.

Mr Young is the registered holder of 100,000 shares. Mr Young is a director and shareholder of Bayrunner Pty Ltd which company is the registered holder of 2,987,000 shares in VII.

Shares held in Vietnam Industrial Investments Limited

2005	Beginning balance 1 January 2005	Granted as remuneration	On exercise of options	Net change other	Ending balance 31 December 2005
Directors					
S. Lee	25,938,226	-	-	-	25,938,226
H. V. H. Lam	10,396,000	-	-	413,137	10,809,137
A. A. Young	2,847,000	-	-	240,000	3,087,000
M. P. Bowen	-	-	-	-	-
Executives					
M.A. Clements	90,000	-	-	-	90,000
T. Huang	2,950	-	-	-	2,950
S. Bardoloi	-	-	-	-	-
D. Q. Phan	-	-	-	-	-
T.T. Nguyen	-	-	-	-	-
	39,274,176	-	-	653,137	39,927,313

d) Option holdings of Key Management Personnel

There are no options granted as remuneration and outstanding at 31 December 2006 to key management personnel (2005: 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.

e) Other transaction and balances with Key Management Personnel and their related parties

Related party payables to key management personnel are as follows:

	CONSOLIDATED		PARENT	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
S Lee	150	-	150	-
T.T. Nguyen	16	-	-	-
	166	-	150	-

The remuneration due to Mr Lee and Mr Nguyen of $150,000 and $15,707 respectively for the year ended 31 December 2006 (2005: Nil) has not yet been paid and is included in related party payables (Note 15).The Group's operating subsidiaries incurred non-cash benefits of $81,544 (2005: $110,441) for Mr Lam, and $29,890 (2005: $41,897) for Mr Young in relation to their employment in Vietnam.

The Company leases its office accommodation from Phoenix Properties International Pty Ltd, a company associated with Mr Lee. The lease was made in the ordinary course of business and is on normal terms and conditions. During the year, rental of $103,213 was paid (2005: $105,430). The term of the lease is five years until 15 March 2009.

In 2006, the Company subleased a portion of its office accommodation to Medical Corporation Australasia Limited ("MOD") of which the Company received rental income of $24,060 (2005: Nil). MOD is a company in which Messers Lee, Clements and Bowen are directors. The sublease was made in the ordinary course of business and is on normal commercial terms and conditions. The term of the sublease is until 8 August 2008.

The office lease commitments are set out in Note 26.

The Company provided executive and financial services to MOD of $122,625 (2005: $119,900). The executive and financial services are provided in the ordinary course of business and are on normal terms and conditions.

25. RELATED PARTY DISCLOSURES

(a) Parent entity

The ultimate parent entity within the Group is Vietnam Industrial Investments Limited.

(b) Subsidiaries

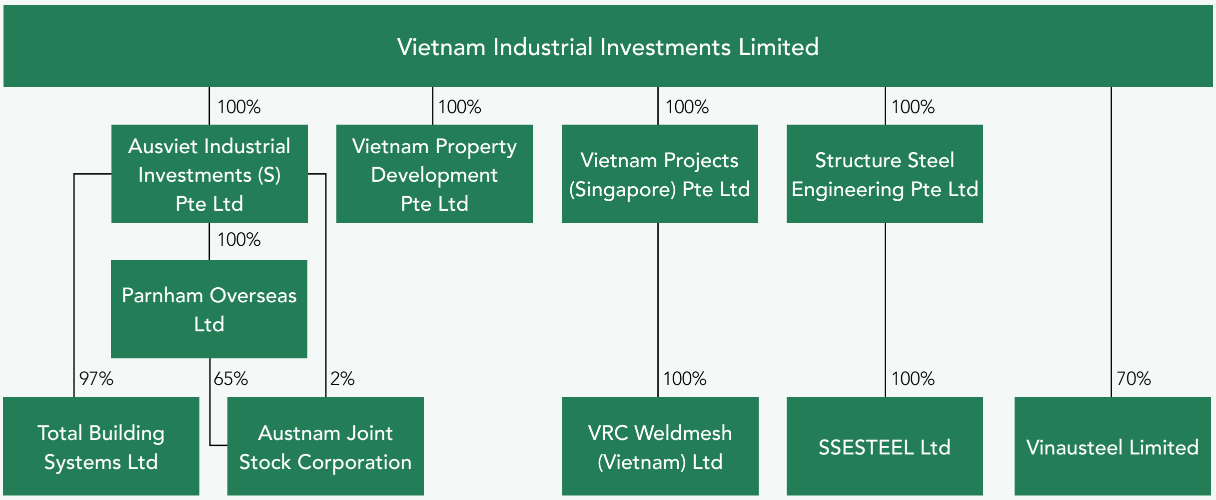
Interests in subsidiaries are set out in Note 12.

(c) Key management personnel

Details relating to key management personnel are set out in Note 24.

(d) Corporate structure

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



(e) Transactions with related parties

The following table provides the total receivable balance at 31 December 2006:

		PARENT	
		2006	2005
	Note	$'000	$'000
VRC Weldmesh (Vietnam) Ltd	1	**753**	775
Total Building Systems Limited	3	**258**	376
Vinausteel Limited		**5**	262
Ausviet Industrial Investments Pte Ltd		**67**	892
Structure Steel Engineering Pte Ltd	2	**27**	21
Vietnam Projects (Singapore) Pte Ltd	2	**27**	21
Vietnam Property Development Pte Ltd	2	**26**	21
		1,163	2,368
Current related party receivables		**860**	1,848
Non-current related party receivables		**303**	520

Note:

1. The Company has outstanding unsecured loans of $752,436 (2005: $774,644), to VRC Weldmesh (Vietnam) Ltd for working capital requirements. The loans bear interest rates of 5% and 6% (2005: 5%). These loans include accrued interest of $55,669 as at 31 December 2006 (2005: $19,160).

2. The Company incurred corporate expenses totaling $241,049 (2005: $91,254) on behalf of its Singapore incorporated controlled entities. As at 31 December 2006, the total related party receivables from the Singapore incorporated controlled entities is $146,479 (2005: $956,047).

3. The Company provided loans of US$270,303 ($370,364) to Total Building Systems Limited as at 31 December 2005. The loans bear an interest rate of 5.25%. In 2006, US$80,303 ($107,628) was converted into investment via Ausviet Industrial Investments Pte Ltd. Outstanding loan balance at 31 December 2006 is US$190,000 ($240,111) plus interest accrued at 31 December 2006 is $17,844 (2005: $5,680).

26. COMMITMENTS

a) Operating lease commitments – (Group as lessee)

Land 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.

Future minimum rentals payable under non-cancellable operating leases as at 31 December 2006 are as follows:

	CONSOLIDATED		PARENT	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Within one year	246	352	-	-
After one year but not more than five years	853	1,120	-	-
More than five years	2,341	2,796	-	-
Total minimum lease payments	3,440	4,268	-	-

Office accommodation

Lease commitment

This commitment reflects the Company entering into a non-cancellable operating lease premises on 15 March 2004. The term of the lease is for 5 years until 15 March 2009.

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

	CONSOLIDATED		PARENT	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Within one year	104	54	104	54
After one year but not more than five years	105	127	105	127
Total minimum lease payments	209	181	209	181

Sublease of office accommodation contracted but not recognised as a receivable:

The Company subleases part of its office accommodation to a related party. The sublease was made in the ordinary course of business and is on normal terms and conditions. The term of the sublease is until 8 August 2008. During the year, rent received from related party was $24,060 (2005: Nil).

Future minimum rentals receivable under non-cancellable operating lease as at 31 December 2006 are as follows:

	CONSOLIDATED		PARENT	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Within one year	58	-	58	-
After one year but not more than five years	34	-	34	-
Total minimum lease payments receivable	92	-	92	-

27. EVENTS AFTER BALANCE SHEET DATE

There has not been any 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.

28. SEGMENT REPORTING

Geographical segments

The consolidated entity operates predominantly in two geographical areas – Australia and Vietnam. The Group's geographical segments are determined based on the location of the Group's assets. The home country of the parent company is Australia where the holding investment company is located. The Vietnam manufacturing operations comprise the continuing operations and discontinued operations. Continuing operations include Austnam Joint Stock Corporation, Total Building Systems Ltd, and VRC Weldmesh (Vietnam) Ltd which primarily engaged in the manufacturing and trading of electrically welded wire products, steel roofing and steel frames, and providing total building solutions for the Vietnam construction industry. Discontinued operations relate to wire rod and rebar activities of Vinausteel Limited and SSESTEEL Ltd.

	Continuing Operations				Total		Discontinued Operations		Eliminations		Consolidated	
	Australia		Vietnam									
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Revenue												
External sales	-	-	12,862	10,995	12,862	10,995	167,089	138,993	-	-	179,951	149,988
Intersegment sales	-	-	-	-	-	-	480	1,902	(480)	(1,902)	-	-
Contract revenue	-	-	3,448	5,295	3,448	5,295	-	-	-	-	3,448	5,295
Interest revenue	66	57	76	48	142	105	46	20	(51)	(57)	137	68
Dividend revenue	-	2,282	-	-	-	2,282	-	-	-	(2,282)	-	-
Other income	522	968	62	207	584	1,175	252	769	-	(228)	836	1,716
Total segment revenue	588	3,307	16,448	16,545	17,036	19,852	167,867	141,684	(531)	(4,469)	184,372	157,067
Segment results												
Profit/(loss) before tax	(638)	(2,975)	(1,230)	226	(1,868)	(2,749)	2,926	(3,591)	386	2,977	1,444	(3,363)
Income tax expense	(23)	-	100	(52)	77	(52)	(547)	-	-	-	(470)	(52)
Consolidated operating profit after tax											974	(3,415)
Segment assets	18,667	19,203	23,310	20,444	41,977	39,647	53,615	65,315	(30,740)	(29,809)	64,852	75,153
Segment liabilities	361	236	15,176	12,972	15,537	13,208	47,487	61,070	(10,243)	(11,137)	52,781	63,141
Acquisition of plant, property and equipment and other non-current assets	-	8	2,338	3,407	2,338	3,415	62	5,352	-	-	2,400	8,767
Depreciation and amortisation expense	6	6	530	410	536	416	-	1,542	-	-	536	1,958
Impairment losses	386	5,357	-	-	386	5,357	-	-	(386)	(5,357)	-	-
Cash flow information												
Net cashflows from operating activities	28	1,849	(1,037)	(573)	(1,009)	1,276	6,521	3,235	(688)	(2,070)	4,824	2,441
Net cashflows from investing activities	(1,685)	(3,155)	(1,704)	(4,550)	(3,389)	(7,705)	(45)	(335)	2,206	6,213	(1,228)	(1,827)
Net cashflows from financing activities	969	998	3,195	4,147	4,164	5,145	(4,870)	(1,838)	(3,176)	(3,772)	(3,882)	(465)

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments are bank loans, other financial assets, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk.

Interest rate risk
The Group's exposure to market risk for changes in interest rates relates to the Group's interest-bearing liabilities. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt.

Foreign currency risk
It is the Group's policy not to enter into forward contracts.

Credit risk
The Group trades only with recognised, creditworthy third parties. Receivables are monitored on an ongoing basis with the result that the Group's exposure to bad debts is accounted for. The Group implemented a policy where collateral is obtained for long outstanding receivables to ensure recoverability.

Liquidity risk
The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

30. FAIR VALUE AND INTEREST RATE RISK

(a) Fair values

All assets and liabilities recognised in the balance sheet, whether they are carried at cost or at fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

30. FAIR VALUE AND INTEREST RATE RISK (continued)

(b) Interest rate risk

The following table sets out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk:

Year ended 31 December 2006 CONSOLIDATED	< 1 year $'000	>1<2 years $'000	>2<3 years $'000	>3<4 years $'000	>4<5 years $'000	>5 years $'000	Total $'000	Weighted average effective interest rate (%)
FINANCIAL ASSETS								
Floating interest rate								
Cash assets	783	-	-	-	-	-	783	2.50
Weighted average interest rate	2.50							
FINANCIAL LIABILITIES								
Floating interest rate								
Bank loans – current	3,341	-	-	-	-	-	3,341	10.14
Bank loans – noncurrent	-	361	-	-	-	-	361	10.76
Weighted average interest rate	10.14	10.76						
Fixed interest rate								
Bank loans – current	461	-	-	-	-	-	461	12.16
Bank loans – noncurrent	-	197	-	-	-	-	197	12.21
Interest-bearing liabilities attributable to discontinued operations								
Bank loans – current	15,795	612	917	-	-	-	17,324	9.00
Other loans – current	5,837	-	-	-	-	-	5,837	8.42
Weighted average interest rate	9.48	9.81	8.86					
PARENT								
Floating interest rate								
Cash assets	222	-	-	-	-	-	222	2.69
Weighted average interest rate	2.69							
Fixed interest rate								
Loan notes	708	202	101	-	-	-	1,011	5.42
Weighted average interest rate	5.42	5.42	5.42					

Year ended 31 December 2005 CONSOLIDATED	< 1 year $'000	>1<2 years $'000	>2<3 years $'000	>3<4 years $'000	>4<5 years $'000	>5 years $'000	Total $'000	Weighted average effective interest rate (%)
FINANCIAL ASSETS								
Floating interest rate								
Cash assets	1,815	-	-	-	-	-	1,815	2.44%
Weighted average interest rate	2.44%							
FINANCIAL LIABILITIES								
Floating interest rate								
Bank loans – current	1,154	-	-	-	-	-	1,154	8.42%
Bank loans – noncurrent	-	178	-	-	-	-	178	4.56%
Weighted average interest rate	8.42%	4.56%	-	-	-	-		
Fixed interest rate								
Bank loans – current	287	-	-	-	-	-	287	8.34%
Bank loans – noncurrent	-	512	456	456	-	-	1,424	8.88%
Interest-bearing liabilities attributable to discontinued operations								
Bank loans – current	24,009	686	686	686	342	-	26,409	8.31%
Other loans – current	-	4,085	-	-	-	-	4,085	9.28%
Weighted average interest rate	7.93%	10.88%	7.11%	7.11%	7.65%	-		
PARENT								
Floating interest rate								
Cash assets	910	-	-	-	-	-	910	3.47%
Weighted average interest rate	3.47%							
Fixed interest rate								
Loan notes	631	191	219	110	-	-	1,151	5.25%
Weighted average interest rate	5.25%	5.25%	5.25%	5.25%				

Interest on financial instruments classified as a floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until maturity of the instrument. The other financial instruments of the Group and the Parent that are not included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

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, notes and the additional disclosures included in the directors' report designated as audited, of the Company and the consolidated entity are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 31 December 2006 and of their performance for the year ended on that date; and

      (ii) complying with Accounting Standards and the Corporations Regulations 2001; and

   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable subject to the matters discussed at Note 2(c).

(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 year ended 31 December 2006.

On behalf of the Board

ALAN A. YOUNG
Director

Hai Phong, 28 February 2007

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INDEPENDENT AUDIT REPORT TO MEMBERS OF VIETNAM INDUSTRIAL INVESTMENTS LIMITED

Scope

The financial report, remuneration disclosures and directors' responsibility
The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Vietnam Industrial Investments Limited (the company) and the consolidated entity, for the year ended 31 December 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 *Related Party Disclosures* ("remuneration disclosures"), under the heading "Remuneration Report" on pages 10 to 12 of the directors' report, as permitted by Corporations Regulation 2M.6.04.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001.* This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach
We conducted an independent audit of the financial report in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party Disclosures.* The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001,* including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party Disclosures*.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and the remuneration disclosures; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report and the remuneration disclosures. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company and the consolidated entity and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, signed on 28 February 2007. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion

In our opinion:

1. the financial report of Vietnam Industrial Investments Limited is in accordance with:

   (a) the *Corporations Act 2001*, including:
      (i) giving a true and fair view of the financial position of Vietnam Industrial Investments Limited and the consolidated entity at 31 December 2006 and of their performance for the year ended on that date; and
      (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
   (b) other mandatory financial reporting requirements in Australia.

2. the remuneration disclosures that are contained on pages 10 to 12 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures*.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter.

As a result of the matters disclosed in Note 2 (c) "Going Concern considerations" to the financial statements, there is significant uncertainty whether the Company and consolidated entity will be able to continue as going concerns and, therefore, whether the Company and consolidated entity will be able to realise assets and extinguish liabilities in the normal course of business at the amounts stated in the financial report. The financial report of the Company and consolidated entity does not include any adjustments relating to the recoverability or classification of recorded asset amounts, or to the amounts or classification of liabilities, that might be necessary should the Company and the consolidated entity not be able to continue as going concerns.

Ernst & Young

GAVIN A BUCKINGHAM
Partner
Perth
28 February 2007

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 23 February 2007.

Substantial Shareholders

Ordinary shareholder	Fully Paid Number	Percentage
SHL Pty Ltd	13,128,226	12.71%
Land & General Berhad	13,002,000	12.58%
Phoenix Properties International Pty Ltd	12,810,000	12.40%
Henry Van Hung Lam	10,809,137	10.46%
Vietnam Enterprise Investments Ltd	9,340,600	9.04%
	59,089,963	57.19%

Distribution of Equity Securities (as at 23 February 2007)

At 23 February 2007 there were 222 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	50
5,001 - 10,000	44
10,001 - 100,000	87
100,001 - and over	32
	222

The number of shareholders holding less than a marketable parcel at 23 February 2007 was 28.

Twenty Largest Shareholders (as at 23 February 2007)

Name	Number of Ordinary Shares Held	Percentage of Shares Held
Nefco Nominees Pty Ltd	15,335,241	14.84%
SHL Pty Ltd	13,128,226	12.71%
Land & General Berhad	13,002,000	12.58%
Phoenix Properties International Pty Ltd	12,810,000	12.40%
ANZ Nominees Limited	12,583,889	12.18%
Lee Swee Khoon	5,050,000	4.89%
JP Morgan Nominees Australia Ltd	4,181,000	4.05%
Khoo Seah Kee	4,000,000	3.87%
Goh Joon Jin	3,950,000	3.82%
Citicorp Nominees Pty Ltd	3,149,145	3.05%
Bayrunner Pty Ltd	2,987,000	2.89%
Wang Khee Pong	2,100,000	2.03%
Chung Hsing Phil	1,619,200	1.57%
Yang Yi Chung	1,546,000	1.50%
Reghenzani Claude	810,000	0.78%
Colbern Fiduciary Nominee	618,700	0.60%
Lam Henry Van Hung	561,280	0.54%
Tulloch Nigel	389,728	0.38%
Semerdziev Ianaki	350,000	0.34%
Nissen Holdings Pty Ltd	300,000	0.29%
	98,471,409	95.31%

Restricted Securities

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

Stock Exchange Listing

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

Vietnam Industrial Investments Limited

A.B.N. 64 063 656 333

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