VIETNAM INDUSTRIAL INVESTMENTS LIMITED
A.B.N. 64 063 656 333

ANNUAL REPORT 31 DECEMBER 2007

Corporate Directory
A.B.N. 64 063 656 333

ASX Code: VII

Directors

A.J. Hambly	*Non-Executive Director, Chairman*
A.A. Young	*Managing Director (Chief Operating Officer)*
H.V.H. Lam	*Managing Director (Vietnam Operations)*
M.A. Clements	*Non-Executive Director* and *Company Secretary*
R.S.Kwok	*Independent Non-Executive Director*
C.R. Martin	*Alternate Director*

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PERTH Western Australia 6000

Legal Advisors
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PERTH Western Australia 6000

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

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

Share Registry
Security Transfer Registrars Pty Ltd
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APPLECROSS Western Australia 6153

Home Exchange
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Vietnam Industrial Investments Limited

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

Highlights of 2007

Corporate

- Sales revenue from Vietnam operations was VND3.4 trillion (A$250 million) up 53% on 2006 of VND2.2 trillion (A$183 million).
- Net profit after tax and minority interests was A$1.40 million (2006: A$0.53 million).

Austnam Joint Stock Corporation (VII 67%)

- Roofing sales were 595,903m², down 13% on 2006 (681,359m²).
- Sales revenue was VND68.6 billion (A$5.04 million), an increase of 22% on 2006 (VND56.3 billion or A$4.65 million).
- Net loss after tax was VND2.8 billion (A$0.20 million), down 64% on 2006 loss (VND7.7 billion or A$0.63 million).

SSESTEEL Ltd (VII 100%)

- Rebar production of 102,952 tonnes, up 6% on 2006 (97,446 tonnes).
- Rebar sales of 106,334 tonnes, up 6% on 2006 (100,133 tonnes).
- Wire rod production of 49,048 tonnes, up 195% on 2006 (16,608 tonnes).
- Annual wire rod sales of 46,568 tonnes, up 170% on 2006 (17,239 tonnes).
- Total sales revenue was VND1.6 trillion (A$117.86 million), up 70% on 2006 (VND943 billion or A$77.95 million).
- Net profit after tax was VND18.7 billion (A$1.38 million), up 473% on 2006 profit (VND3.3 billion or A$0.27 million).

Total Building Systems Limited (VII 98%)

- Sales revenue was VND92.7 billion (A$6.82 million), up 47% on 2006 (VND63.1 billion or A$5.22 million).
- Net loss after tax was VND10.9 billion (A$0.80 million), down 447% on 2006 profit (VND0.025 billion or A$0.002 million).

Vinausteel Limited (VII 70%)

- Annual sales of 149,585 tonnes, up 8% on 2006 (138,980 tonnes).
- Steel bar production of 134,162 tonnes, up 19% on 2006 (112,704 tonnes).
- Sales revenue was VND1.5 trillion (A$112.62 million) up 40% on 2006 (VND1.1 trillion or A$88.66 million).
- Net profit after tax was VND38.9 billion (A$2.86 million), up 52% on 2006 profit (VND25.6 billion or A$2.11 million).

VRC Weldmesh (Vietnam) Ltd (VII 100%)

- Annual sales of 9,226 tonnes, up 9% on 2006 (8,484 tonnes).
- Sales revenue was VND100 billion (A$7.35 million), up 28% on 2006 (VND77.9 billion or A$6.44 million).
- Net loss after tax was VND3.3 billion (A$0.24 million), up 4% on 2006 loss (VND3.2 billion or A$0.26 million).

CHAIRMAN'S REPORT

I am pleased to provide my first report to you as Chairman of the Company. I was appointed to the Board in November 2007 and accepted the position of Chairman in December 2007. This Annual Report has detailed information on the results of operations in the year under review, and I do not wish to repeat this information, so I propose to focus upon the future of our Group.

Following Corbyns International Limited takeover offer towards the end of 2007, Corbyns became the largest shareholder of VII and, after the close of the offer, there were some changes to the Board. Mr Simon Lee AO, who was a founding shareholder and Chairman of the Company since its formation, stood down as did Mr Michael Bowen. We welcome Mr Roger Kwok as a new member of the Board and are pleased that the remaining three directors have continued.

In part, one of the difficulties we have faced in past few years has been the lack of capital in the Group. We have alleviated this by raising further capital by way of a rights issue which closed in March 2008 and raised $ 5.8 million, before costs. This has strengthened our balance sheet, enabled us to repay a short term debt in the Company and provides the Company with funds to assist our operations in Vietnam.

The core of our business is the Vinausteel and SSESTEEL rolling mill operations in Haiphong which represent the largest investments by VII. These two operations traded profitably in 2007 despite difficult market conditions due to sharp increases in worldwide steel billet prices which are at an all time high. This has put a further strain on our working capital requirements and management continues to monitor cash flow and billet procurement very carefully. There may be some uncertain times ahead as projects that have contracted at a lower steel price re-assess their positions.

SSESTEEL has obtained an Investment Certificate for a billet plant and has secured land for the project adjacent to our rolling mills. This is a key component of our strategy going forward in being able to secure a reliable supply of steel billets. It will also be the cornerstone for the growth and expansion of the Group's steel division. SSESTEEL is assessing various equipment suppliers, considering financing options and may seek a strategic partner in the project.

The original board members have asked me to record a vote of thanks to founding shareholder and former Chairman of the Company, Mr Simon Lee AO. Mr Lee was instrumental in the formation of the Group and building it to a sizeable and respected business in Vietnam. During my short time as Chairman of the Company, I soon became aware of the respect he has from local industry partners, our customers and employees in Vietnam. Mr Lee has earned the respect of Government agencies for the community-minded programs that he initiated which have improved the lives of many in Vietnam.

On behalf of Board, I would also like to take this opportunity to acknowledge the efforts of the loyal management and staff in Vietnam and Australia during the past year.

Alex Hambly

REVIEW OF OPERATIONS (CONTINUED)

Principal Activities
The principal activities of the Company during the year were the investments in Vietnam through its operating subsidiaries, Austnam Joint Stock Corporation, SSESTEEL Ltd, Total Building Systems Ltd, Vinausteel Ltd, and VRC Weldmesh (Vietnam) Ltd.

RESULTS OF VIETNAM OPERATIONS

The results of the Vietnam operations are as follows:

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

Sales for 2007 were 595,903m^2 which was 13% lower than the previous year (681,359m^2). This represented sales revenue of VND68.6 billion (A$5.04 million), an increase of 22% on 2006 (VND56.3 billion or A$4.65 million). The increase in sales revenue was due to the raw material costs which were passed on in higher sales price. Austnam reported a net loss after tax of VND2.8 billion (A$0.20 million), a decrease from the 2006 loss of VND7.7 billion (A$0.63 million). Austnam's operating result continues to be adversely affected by the increasing competitiveness of the Vietnam metal roofing market.

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.

The Company achieved 106,334 tonnes of rebar sales (2006: 100,133 tonnes) and wire rod sales of 46,568 tonnes (2006: 17,239 tonnes). This represented sales revenue of VND1.60 trillion (A$117.86 million), up 70% on 2006 (VND943 billion or A$77.95 million). SSESTEEL reported a net profit after tax of VND18.7 billion (A$1.38 million) (2006: profit VND3.3 billion or A$0.27 million). The SSESTEEL operation improved its operating performance in the second half of the year as a result of increased construction activity and rising finished steel prices. SSESTEEL's net profit after tax of VND18.7 billion (A$1.38 million) includes depreciation expense not recognised for the disposal group since it was classified as held for sale of VND9.4 billion (A$0.692 million).

SSESTEEL has a net current asset deficiency at 31 December 2007 of A$14.5 million (2006: A$18.5 million) which is due to the majority of its borrowings from financiers being due for renewal within 12 months of balance date and a net asset deficiency of A$7.4 million (2006: A$9.8 million).

The Company has provided security to various banks for banking facilities provided to Vietnam subsidiaries in the form of letters of guarantee totalling US$17.8 million (A$20.2 million) (2006: US$15.9 million or A$20 million) and security to the supplier of machinery and equipment to SSESTEEL in the form of a letter of guarantee totalling Euro 2.5 million (A$4.1 million) (2006: Euro 2.3 million or A$3.9 million). At 31 December 2007, the total interest bearing liabilities drawndown to which these corporate guarantees relate to were US$8.1 million (A$9.2 million) (2006: A$15 million).

The Board will continue to closely monitor the net current asset deficiency and a net 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:

- the ongoing financial support of the financiers of SSESTEEL; and,
- SSESTEEL successfully managing their working capital requirements and the procurement of steel billets, which account for greater than 80% of total costs for these operations and are subject to fluctuations driven by the worldwide steel market.

At the date of this financial report, SSESTEEL has the ongoing support of its financiers. Refer to Note 18 'Interest bearing liabilities' for further details. In addition, the Company raised $5.8 million before costs via a rights issue subsequent to year end which is intended to be used partly to reduce SSESTEEL's short term debt and net deficiency. Refer to Note 30 'Event after the Balance Sheet date' for further details.

REVIEW OF OPERATIONS (CONTINUED)

SSESTEEL Ltd (VII 100%) (continued)
Should SSESTEEL and thus the holding Company and the consolidated entity not materially achieve the matters above, there is uncertainty as to whether SSESTEEL and thus whether the holding Company and consolidated entity will continue as going concerns and therefore, whether the holding Company and the consolidated entity will be able to pay their debts as and when they fall due and payable and whether they will be able to realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

Total Building Systems Limited (VII 98%)
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.

On 22 August 2007, the Group provided a capital contribution to TBS of $0.22 million which increased the Company's equity interest in TBS from 97% to 98%.

Total revenues for the year were VND92.7 billion or A$6.82 million (2006: VND63.1 billion or A$5.22 million) as a result of rapidly establishing itself as a prominent turn-key solution building company in Vietnam. However, TBS reported a net loss after tax for the year of VND10.9 billion (A$0.80 million) (2006: profit of VND0.025 billion or A$0.002 million). TBS requires further working capital to reduce its financing costs.

On 11 March 2008, VII provided a further capital contribution to TBS of A$549,450. The Company's equity interest in TBS remained unchanged at 98%.

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 VND38.9 billion (A$2.86 million) (2006 profit: VND25.6 billion or A$2.11 million) as high billet prices, the main input material for production in the rolling mills, pushed pricing on finished steel higher. Vinausteel's net profit after tax of VND38.9 billion (A$2.86 million) includes depreciation expense not recognised for the disposal group since it was classified as held for sale of VND9.5 billion (A$0.696 million).

Sales for 2007 were 149,585 tonnes, an increase of 8% on the previous year (138,980 tonnes). This represented sales revenue of VND1.5 trillion (A$112.62 million) up 40% on 2006 (VND1.1 trillion or A$88.66 million).

On 18 August 2007, Vinausteel declared an interim dividend of VND10.00 billion (A$0.77 million) of which the share attributable to the Company is VND7.00 billion ($0.54 million).

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

Sales for the year were 9,226 tonnes which was 9% higher than the previous year (8,484 tonnes). This represented sales revenue of VND100 billion (A$7.35 million) up 28% on 2006 (VND77.9 billion or A$6.44 million). Sales were higher as a result of increased construction activity, particularly in the second half of the year. In 2007, the Company reported a net loss after tax of VND3.3 billion (A$0.24 million) (2006 loss: VND3.2 billion or A$0.26 million) which included adjustments for inventory obsolescence and deferred tax of VND3.9 billion (A$0.29 million).

VIETNAM OPERATIONS – ADDITIONAL INFORMATION

Following is additional information on the legal structure and taxation concessions of the operating subsidiaries in Vietnam.

Austnam Joint Stock Corporation
VII acquired 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.

REVIEW OF OPERATIONS (CONTINUED)

Austnam Joint Stock Corporation (continued)
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 pays concessional enterprise income tax at the rate of 19%.

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 pays concessional enterprise income tax 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.

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 enterprise income 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 enterprise income 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 pays enterprise income tax at the rate of 25%.

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 enterprise income 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 2007.

DIRECTORS

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

Mr Alexander John Hambly
(appointed Non-Executive Director on 6 November 2007 and Chairman on 6 December 2007)
Chairman
Mr Hambly is the Chief Executive Officer of Prudential Property Investment Management (Singapore) Pte Ltd - Asia Pacific where he is responsible for US$2 billion of funds under management. He is also a Board member of Prudential Vietnam Fund Management Company ("PVFMC") which is an advisor to PCA International Funds SPC Vietnam Segregated Portfolio, a shareholder of Corbyns International Limited, the Company's ultimate holding company. PVFMC is the leading global foreign institution on the ground in Vietnam. Mr Hambly has more than 15 years of direct investment experience gained in both Asia and international markets. Prior to joining PVFMC in 2003, he worked for four years for Actis Capital LLP, based in Singapore, four years with HSBC Private Equity based in India, and seven years with Barclays Bank plc in London, India and Singapore. He holds a BA in Modern History from Durham University in the UK. Mr Hambly is also a member of the VII Audit and Remuneration Committees. He has not been a director of any other listed company in the last three years.

Mr Simon Lee, AO
(resigned as Chairman and as a Non-Executive Director on 30 November 2007)
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 was also a member of the Audit and Remuneration Committees.

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

Mr Alan Alexander Young
Managing Director
(Chief Operating Officer)
Mr Young commenced his business career in the financial sector and was employed for several years in banking and finance. For the past twenty years, he has gained wide experience in the administration of public companies, particularly in the resource sector. Mr Young is a Board member of all the operating subsidiaries in Vietnam. He 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 Roger (Sing-Leong) Kwok
(appointed on 30 November 2007)
Independent Non Executive Director
Mr Roger Kwok is the Managing Director of Arcadia Group in Perth which specialises in designing, developing and managing retirement resorts and premium properties. For the last twenty years, Mr Kwok has managed a number of Australian businesses in the automotive and healthcare sectors. He is a past president of The Western Australian Chinese Chamber of Commerce and brings significant experience in business relations in international markets, particularly China, which sources raw materials to VII's rolling mills. He has not been a director of any other listed company in the last three years.

DIRECTORS' REPORT (CONTINUED)

Mr Michael Phillip Bowen
(resigned as Independent Non-Executive Director on 9 November 2007)
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 was also a member of the Audit and Remuneration Committees.

Mr Mark Andrew Clements
(resigned as Executive Director and appointed as Non-Executive Director on 6 December 2007)
Non-Executive Director and Company Secretary
Mr Clements has 15 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. Following the takeover bid from Corbyns International Limited, Mr Clements resigned as Executive Director and was appointed as a Non-Executive Director and remained Company Secretary of the Company. Mr Clements is also an Executive Director of Medical Corporation Australasia Limited, a company listed on the Australian Securities Exchange. He holds the position of company secretary for several listed and unlisted public companies. Mr Clements has been the Secretary/Treasurer of the Western Australia-Vietnam Business Council Inc since 2001. Mr Clements is a Fellow of the Institute of Chartered Accountants in Australia.

Mr Craig Robert Martin (appointed on 5 December 2007)
Alternate Non-Executive Director
Mr Martin has worked in investment management in South East Asia for 15 years, including 10 years in Indo-China. Mr Martin is Investment Director of Prudential Vietnam Fund Management Company which is an advisor to PCA International Funds SPC Vietnam Segregated Portfolio, a shareholder of Corbyns International Limited, the Company's ultimate holding company and Director of Corbyns International Limited. He is an alternate director for Mr Hambly. He has not been a director of any other listed company in the last three years

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

At the date of this report, there were no unissued ordinary shares under options. The interests of the directors in the shares of the Company and related bodies corporate were:

	Note	*Ordinary Shares*
A. J. Hambly		-
H. V. H. Lam	(1)	116,869,790
A. A. Young		-
R. S. Kwok		-
M. A. Clements		-
C. R. Martin	(2)	116,308,510

Notes: (1) Mr Lam is the owner of 561,280 shares in VII. Mr Lam is also a director and majority shareholder of Corbyns International Limited which owns 116,308,510 shares in VII.
(2) Mr Martin is a director of Corbyns International Limited which owns 116,308,510 shares in VII.

EARNINGS PER SHARE	Cents
Basic and diluted earnings per share	1.36

There were no dividends declared during the year (2006: Nil). For the year ended 31 December 2007, no dividends were paid (2006: Nil).

CORPORATE INFORMATION

CORPORATE STRUCTURE

Vietnam Industrial Investments Limited ("VII" and "the Company") is a company limited by shares that is incorporated and domiciled in Australia. It is the ultimate parent entity. VII has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are outlined in the Group's corporate structure at Note 27.

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW

The consolidated profit after tax and outside equity interests for the year ended 31 December 2007 was $1.40 million (2006: profit $0.53 million).

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

EMPLOYEES

The consolidated entity employed 811 employees as at 31 December 2007 (2006: 928 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

On 29 January 2008, the Company announced a renounceable rights issue to existing shareholders on the basis of one (1) new share for every two (2) shares held on 6 February 2008, at a price of A$0.15 per new share to raise a maximum of approximately A$7.75 million (before costs).

The offer closed on 26 February 2008 and raised A$5.84 million (before costs). The funds from the offer, after payment of the costs of the offer, are intended to be used by the Company to address the following:

(a) repayment of the short-term debt funding (this has been repaid after balance date);
(b) reduce SSESTEEL's short term debt and net deficiency; and
(c) assist with funding the working capital requirements of the Company and its operating subsidiaries in Vietnam, to enable the Company and its subsidiaries to continue to expand their manufacturing capacity and capabilities.

At the end of the renounceable rights issue, Corbyns increased its share of the issue capital of the Company to 82.14%.

On 5 March 2008, the Company issued 38,957,421 fully paid ordinary shares to those shareholders who accepted their entitlements. The number of shares issued at this date is 142,277,423.

On 15 January 2008, the Company announced that SSESTEEL has obtained an investment certificate to implement a billet plant in Haiphong, Vietnam, with an investment capital estimated at approximately VND893 billion (equivalent US$56 million). SSESTEEL is considering various designs and equipment suppliers for the project. The Company is assessing its financing options and may seek a suitable strategic partner to participate in the project. A new company will be established to implement the billet plant which will be known as Australia Steel Billet Co. Ltd.

On 11 March 2008, VII provided a further capital contribution to TBS of A$549,450. The Company's equity interest in TBS remained unchanged at 98%.

Other than the above, there has not been any other matter or circumstance that has arisen since the end of the year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

DIRECTORS' REPORT (CONTINUED)

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) Continued commercial production of rebar and wire rod from VII's rolling mills at Vinausteel and SSESTEEL, roofing and wall cladding at Austnam's factory in Hanoi, welded steel reinforcing and fencing at VRC's factories in Ho Chi Minh City and Hanoi and building solutions by Total Building Systems Ltd.

(b) Commencement of the development of a billet plant in Haiphong, Vietnam, subject to securing suitable finance.

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 Roger Kwok and non-executive director, Mr Alex Hambly. For the period until their resignation, the Remuneration Committee consisted 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 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.

		Short-term			Post employment		Long-term benefit	
		Salary & Fees $	Cash Benefits $	Non-Monetary Benefits $	Retirement Benefits $	Super-contributions $	Long Service Leave $	Total $
Directors								
A. J. Hambly	2007	4,500	-	-	-	-	-	4,500
	2006	-	-	-	-	-	-	-
H. V. H. Lam	2007	107,107	-	54,779	-	-	-	161,886
	2006	119,049	-	81,544	-	-	-	200,593
A. A. Young	2007	133,391	-	19,465	-	-	-	152,856
	2006	190,120	-	29,890	-	-	-	221,010
R. S. Kwok	2007	3,000	-	-	-	-	-	3,000
	2006	-	-	-	-	-	-	-
M. A. Clements	2007	92,742	-	5,380	65,385	18,964	9,250	191,721
	2006	78,750	-	5,592	-	6,750	20,625	111,717
C. R. Martin *	2007	-	-	-	-	-	-	-
	2006	-	-	-	-	-	-	-
S. Lee	2007	137,500	-	-	73,846	9,346	-	220,692
	2006	150,000	-	-	-	-	-	150,000
M. P. Bowen	2007	21,467	-	-	3,606	325	-	25,398
	2006	25,000	-	-	-	-	-	25,000
Total	2007	499,707	-	79,624	142,837	28,635	9,250	760,053
	2006	563,919	-	117,026	-	6,750	20,625	708,320

DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration of Key Management Personnel

		Short-term			Post employment		Long-term benefit	
		Salary & Fees	Cash Benefits	Non-Monetary Benefits	Retirement Benefits	Super-contributions	Long Service Leave	Total
		$	$	$	$	$	$	$
Executives								
D. Q. Phan	2007	93,531	-	-	-	-	-	93,531
	2006	76,894	-	14,854	-	-	-	91,748
T. T. Nguyen	2007	78,277	-	-	-	-	-	78,277
	2006	81,864	-	2,406	-	-	-	84,270
B. Redman	2007	72,000	-	-	-	-	-	72,000
	2006	-	-	-	-	-	-	-
Total	2007	243,808	-	-	-	-	-	243,808
	2006	158,758	-	17,260	-	-	-	176,018

There are three executives of the consolidated entity that met the definition of key management personnel.

* Mr Martin who was appointed on 5 December 2007 does not have remuneration since he is the alternate director for Mr Hambly.

Details of key management personnel disclosures are set out in Note 26.

Directors

Mr A.J. Hambly	–	Non-Executive Director, Chairman (appointed Non-Executive Director 6 November 2007; appointed Chairman 6 December 2007)
Mr S. Lee	–	Non-Executive Director, Chairman (resigned 30 November 2007)
Mr A. A. Young	–	Managing Director (Chief Operating Officer)
Mr H.V.H. Lam	–	Managing Director (Vietnam Operations)
Mr R.S. Kwok	–	Independent Non-Executive Director (appointed 30 November 2007)
Mr M. A. Clements	–	Non-Executive Director (appointed 6 December 2007) and Company Secretary
	–	Executive Director (resigned 6 December 2007)
Mr C.R. Martin	–	Alternate Director (appointed 6 December 2007)
Mr M. P. Bowen	–	Independent Non-Executive Director (resigned 9 November 2007)

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

The company also has a directors' retirement benefit policy with the following terms:

1. Qualification period – minimum service period as a director of 3 years.
2. Payable for retirement, resignation, termination for any reason other than termination due to willful misconduct.
3. Retirement benefit payable to retiring qualifying director:
   - A service payment of 4 weeks; and
   - Two (2) weeks of salary for each full six month period of service period; and
   - Where the director is aged 45 or over at retirement or termination an additional one half (0.5) weeks pay for each year of service or if aged 55 or more at termination an additional one (1) weeks pay for each year of service.
4. Retirement benefits are additional to any accrued statutory annual leave and long service entitlements accrued by executive directors in accordance with Vietnam Industrial Investments Limited policies.
5. Superannuation shall be payable on the retirement benefits.
6. The total payment to a director on retirement or termination (retirement benefits plus annual and long service leave entitlements) may not exceed the Corporations Act limits.

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' REPORT (CONTINUED)

DIRECTORS' MEETINGS

The number of meetings at which Directors were in attendance is as follows:

	No. of meetings held while in office	Meetings attended
A. J. Hambly	1	1
H. V. H. Lam	19	7
A. A. Young	19	19
R. S. Kwok	1	1
M. A. Clements	19	19
S. Lee	18	18
M. P. Bowen	18	17
C.R. Martin	1	1

Mr Lam was excluded from twelve Board Meetings due to his conflict of interest in matters relating to acquisition of the Company's assets and the Group.

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 required to meet once 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, Mr Bowen, Mr Clements and representatives from the external 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 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.

DIRECTORS' REPORT (CONTINUED)

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 2007. 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 during the current year:

Tax compliance services	$17,510
Tax advice	$26,677

Signed in accordance with a resolution of the directors.

ALAN A. YOUNG
Director

Hai Phong, 27 March 2008

ERNST & YOUNG

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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 2007, 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
27 March 2008

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 until their resignations.

Since 6 December 2007, the Committee has consisted of Mr Alex Hambly and Mr Roger Kwok.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD OF DIRECTORS (continued)

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 met once 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, Independent non-executive director, Mr Roger Kwok, non-executive director, Mr Alex Hambly and non-executive director, Mr Mark Clements. 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 2007 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.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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 26 to the financial statements.

Code of Conduct

The consolidated entity has advised each director, senior executive and employee that they must comply with the Company's Code of Conduct. The code may be viewed at the Company's website, 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.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

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.

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

ASX CORPORATE GOVERNANCE COUNCIL (CGC)

During the year ended 31 December 2007 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 until 9 November 2007 and Mr Kwok from 30 November 2007) of the directors who served on the Board during the year ended 31 December 2007 is independent**.** During 2007, 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

During the year, the Chairman, Mr Lee, was 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 Mr Lee was the Company's founder and was the largest shareholder and as such, was able to clearly identify with the interests of shareholders as a whole. The current Chairman, Mr Hambly, is not considered to be an independent director of the Company as he is associated with the Company which advises one of Corbyns International Limited's shareholders. 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 three members. However, during the year, the Audit Committee consisted of only two members. The Audit Committee was formally introduced in 2004. Given the 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 the independent director, Mr Bowen and non-executive director, Mr Lee, until their resignation . The Board now considers that the committee as constituted properly fulfils the objectives and responsibilities of an Audit Committee.

BALANCE SHEET AS AT 31 DECEMBER 2007

	Notes	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT 2007 $'000	PARENT 2006 $'000
ASSETS					
Current Assets					
Cash and cash equivalents	8	12,349	783	134	222
Trade and other receivables	9	19,835	5,352	2,940	862
Inventories	10	22,395	2,331	-	-
Financial assets – at fair value through profit or loss	11	210	376	210	376
Other current assets	12	406	785	70	30
		55,195	9,627	3,354	1,490
Assets of disposal group classified as held for sale	6	-	50,492	-	12,554
Total Current Assets		55,195	60,119	3,354	14,044
Non-current Assets					
Receivables	13	155	7	91	303
Investments in subsidiaries	14	-	-	17,072	4,302
Property, plant and equipment	15	13,138	4,065	14	18
Deferred tax assets	7	-	118	-	-
Intangible assets and goodwill	16	595	543	-	-
Total Non-current Assets		13,888	4,733	17,177	4,623
TOTAL ASSETS		69,083	64,852	20,531	18,667
LIABILITIES					
Current Liabilities					
Trade and other payables	17	25,223	3,064	771	250
Advances from customers		5,772	486	-	-
Income tax payable	7	1,110	-	-	-
Interest-bearing loans and borrowings	18	20,872	3,802	1,500	-
Provisions	19	1,035	170	32	88
		54,012	7,522	2,303	338
Liabilities directly associated with assets classified as held for sale	6	-	44,678	-	-
Total Current Liabilities		54,012	52,200	2,303	338
Non-current Liabilities					
Interest-bearing loans and borrowings	18	2,254	558	-	-
Deferred tax liabilities	7	20	23	20	23
Total Non-current Liabilities		2,274	581	20	23
TOTAL LIABILITIES		56,286	52,781	2,323	361
NET ASSETS		12,797	12,071	18,208	18,306
EQUITY					
Equity attributable to equity holders of parent					
Contributed equity	20	22,057	22,057	22,057	22,057
Reserves	21	73	721	-	-
Accumulated losses	21	(14,651)	(16,052)	(3,849)	(3,751)
Parent interests		7,479	6,726	18,208	18,306
Minority interests	22	5,318	5,345	-	-
TOTAL EQUITY		12,797	12,071	18,208	18,306

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

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT 2007 $'000	PARENT 2006 $'000
Continuing operations					
Sale of goods		242,475	179,951	-	-
Contract revenue		7,219	3,448	-	-
Other revenue	5	227	213	808	142
Revenue		249,921	183,612	808	142
Cost of sales	5	(233,840)	(169,711)	-	-
Gross profit		16,081	13,901	808	142
Other income	5	922	760	450	446
Impairment of investment in subsidiaries		-	-	-	(386)
Marketing expenses		(3,290)	(3,333)	-	-
Administrative expenses	5	(6,211)	(6,040)	(1,245)	(840)
Finance costs	5	(2,537)	(3,844)	(114)	-
Loss on the re-measurement of disposal group previously classified as held for sale		(1,388)	-	-	-
Profit/(loss) from continuing operations before income tax		3,577	1,444	(101)	(638)
Income tax (expense)/ benefit	7	(1,403)	(470)	3	(23)
Net profit/(loss) for the year		2,174	974	(98)	(661)
Attributable to:					
Minority interests		773	442	-	-
Members of the Parent		1,401	532	(98)	(661)
		Cents	Cents		
Earnings per share for profit attributable to the ordinary equity holders of the Company:					
– Basic and diluted earnings per share		1.36	0.52		

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2007

	Attributable to equity holders of the parent					*Minority interest*	*Total equity*
CONSOLIDATED	*Contributed equity*	*Foreign currency translation reserves*	*Accumulated losses*	*Other reserves*	*Total*		
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
At 1January 2007	22,057	(403)	(16,052)	1,124	6,726	5,345	12,071
Currency translation differences	-	(648)	-	-	(648)	(570)	(1,218)
Total income and expense recognised directly in equity	-	(648)	-	-	(648)	(570)	(1,218)
Net profit for the year	-	-	1,401	-	1,401	773	2,174
Total income and expense for the year	-	(648)	1,401	-	753	203	956
Dividends	-	-	-	-	-	(230)	(230)
At 31 December 2007	22,057	(1,051)	(14,651)	1,124	7,479	5,318	12,797
At 1 January 2006	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)
Net profit for the year	-	-	532	-	532	442	974
Total income and expense for the year	-	(465)	532	-	67	(8)	59
At 31 December 2006	22,057	(403)	(16,052)	1,124	6,726	5,345	12,071

The above statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

	Attributable to equity holders of the parent		
PARENT	*Contributed equity*	*Accumulated losses*	*Total*
	$'000	*$'000*	*$'000*
At 1 January 2007	22,057	(3,751)	18,306
Net loss for the year	-	(98)	(98)
At 31 December 2007	22,057	(3,849)	18,208
At 1 January 2006	22,057	(3,090)	18,967
Net loss for the year	-	(661)	(661)
At 31 December 2006	22,057	(3,751)	18,306

The above statement of changes in equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT 2007 $'000	PARENT 2006 $'000
Cash flows from operating activities					
Receipts from customers		253,430	176,163	450	746
Payments to suppliers and employees		(238,820)	(167,632)	(1,163)	(733)
Dividend received		-	-	538	-
Interest received		111	137	12	15
Interest paid		(2,468)	(3,844)	(45)	-
Income taxes paid		(572)	-	-	-
Net cash flows provided by/(used in) operating activities	8(a)	11,681	4,824	(208)	28
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		97	336	-	-
Purchase of property, plant and equipment		(169)	(1,481)	-	-
Proceeds from sale of financial assets at fair value through profit or loss		293	-	293	-
Purchase of financial assets at fair value through profit or loss		(10)	(50)	(10)	(50)
Investment in subsidiaries		-	-	(216)	(1,635)
Acquisition of intangible assets		(11)	(33)	-	-
Net cash flows provided by/(used in) investing activities		200	(1,228)	67	(1,685)
Cash flows from financing activities					
Proceeds from bank borrowings		144,488	118,054	-	-
Proceeds from other borrowings		1,500	-	1,500	-
Repayment of bank borrowings		(147,666)	(121,979)	-	-
(Loan to)/proceeds from controlled entities		-	-	(1,447)	969
Issuance of share capital by minority interest		-	43	-	-
Dividends paid to minority interest		(230)	-	-	-
Net cash flows (used in)/provided by financing activities		(1,908)	(3,882)	53	969
Net increase/(decrease) in cash and cash equivalents		9,973	(286)	(88)	(688)
Net foreign exchange differences		(527)	(259)	-	-
Cash and cash equivalents at beginning of year		2,903	3,448	222	910
Cash and cash equivalents at end of year	8	12,349	2,903	134	222

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

1. COMPANY INFORMATION

The financial report of Vietnam Industrial Investments Limited ("VII") for the year ended 31 December 2007 was authorised for issue in accordance with a resolution of the directors on 27 March 2008.

VII is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange Limited ("ASX"). The ultimate parent of VII is Corbyns International Limited ("Corbyns") which owns 75.59% of the ordinary shares as at 31 December 2007. Corbyns increased its share of the issue capital of the Company to 82.14% on 5 March 2008.

The nature of the operations and principal activities of the Group are described in Note 14.

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, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for 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 2007.

These are outlined in the table below.

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2007-1	Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]	Amending standard issued as a consequence of AASB Interpretation 11 *AASB 2 – Group and Treasury Share Transactions*.	1 March 2007	The amendments are not expected to have any impact on the Group's financial report.	1 January 2008
AASB 2007-2	Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]	Amending standard issued as a consequence of AASB Interpretation 12 *Service Concession Arrangements*.	1 January 2008	Unless the Group enters into service concession arrangements or public-private-partnerships (PPP), the amendments are not expected to have any impact on the Group's financial report.	1 January 2008

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2007-3	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	Amending standard issued as a consequence of AASB 8 *Operating Segments*.	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However the amendments may have an impact on the Group’s segment disclosures as segment information included in internal management reports is more detailed than is currently reported under AASB 114 *Segment Reporting*.	1 January 2009
AASB 2007-4	Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments [AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038]	Amendments arising as a result of the AASB decision that, in principle, all options that currently exist under IFRSs should be included in the Australian equivalents to IFRSs and additional Australian disclosures should be eliminated, other than those now considered particularly relevant in the Australian reporting environment.	1 July 2007	These amendments are expected to reduce the extent of some disclosures in the Group's financial report.	1 January 2008
AASB 2007-6	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	Amending standard issued as a consequence of revisions to AASB 123 *Borrowing Costs*.	1 January 2009	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	1 January 2009
AASB 2007-7	Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]	Amending standards for wording errors, discrepancies and inconsistencies.	1 July 2007	The amendments are minor and do not affect the recognition, measurement or disclosure requirements of the standards. Therefore the amendments are not expected to have any impact on the Group's financial report.	1 January 2008
AASB 2007-8	Amendments to Australian Accounting Standards arising from AASB 101	Amending standard issued as a consequence of revisions to AASB 101 Presentation of Financial Statements	1 January 2009	The amendments are expected to only affect the presentation of the Group’s financial report and will not have a direct impact on the measurement and recognition of amounts under the current AASB 101. The Group has not determined at this stage whether to present the new statement of comprehensive income as a single or two statements.	1 January 2009

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 8	Operating Segments	New standard replacing AASB 114 *Segment Reporting*, which adopts a management approach to segment reporting.	1 January 2009	Refer to AASB 2007-3 above.	1 January 2009
AASB 101 (revised)	Presentation of Financial Statements	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	Refer to AASB 2007-8 above.	1 January 2009
AASB 123 (revised)	Borrowing Costs	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset must be capitalised.	1 January 2009	Refer to AASB 2007-6 above.	1 January 2009
AASB Interpretation 4 (revised)	Determining whether an Arrangement contains a Lease	The revised Interpretation specifically scopes out arrangements that fall within the scope of AASB Interpretation 12.	1 January 2008	Refer to AASB 2007-2 above.	1 January 2008
AASB Interpretation 11	AASB 2 – Group and Treasury Share Transactions	Addresses whether certain types of share-based payment transactions with employees (or other suppliers of good and services) should be accounted for as equity-settled or as cash-settled transactions under AASB 2. It also specifies the accounting in a subsidiary's financial statements for share-based payment arrangements involving equity instruments of the parent.	1 March 2007	Refer to AASB 2007-1 above.	1 January 2008
AASB Interpretation 13	Customer Loyalty Programmes	Deals with the accounting for customer loyalty programmes, which are used by companies to provide incentives to their customers to buy their products or use their services.	1 July 2008	The Group does not have any customer loyalty programmes and as such this interpretation is not expected to have any impact on the Group's financial report.	1 January 2009

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Statement of compliance (continued)

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB Interpretation 14	AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Aims to clarify how to determine in normal circumstances the limit on the asset that an employer's balance sheet may contain in respect of its defined benefit pension plan.	1 January 2008	The Group does not have a defined benefit pension plan and as such this interpretation may not have an impact on the Group's financial report. The Group has not yet determined the extent of the impact, if any.	1 January 2008
AASB Interpretation 1003	Australian Petroleum Resource Rent Tax	Requires Australian Petroleum Resource Rent Tax to be accounted for within the scope of AASB 112.	Ending 30 June 2008	The Group does not engage in petroleum projects that would fall under AASB Interpretation 1003 and as such this interpretation is not expected to have any impact on the Group's financial report.	1 January 2008

* designates the beginning pf the applicable annual reporting period unless otherwise stated

Adoption of new accounting standard

The Group has adopted AASB 7 *Financial Instruments: Disclosures* and all consequential amendments which became applicable on 1 January 2007. The adoption of this standard has only affected the disclosure in these financial statements. There has been no affect on profit and loss or the financial position of the entity.

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

(c) Going concern considerations

SSESTEEL has a net current asset deficiency at 31 December 2007 of A$14.5 million (2006: A$18.5 million) which is due to the majority of its borrowings from financiers being due for renewal within 12 months of balance date and a net asset deficiency of A$7.4 million (2006: A$9.8 million).

The Company has provided security to various banks for banking facilities provided to Vietnam subsidiaries in the form of letters of guarantee totalling US$17.8 million (A$20.2 million) (2006: US$15.9 million or A$20 million) and security to the supplier of machinery and equipment to SSESTEEL in the form of a letter of guarantee totalling Euro 2.5 million (A$4.1 million) (2006: Euro 2.3 million or A$3.9 million). At 31 December 2007, the total interest bearing liabilities drawndown to which these corporate guarantees relate to were US$8.1 million (A$9.2 million) (2006: A$15 million).

The Board will continue to closely monitor the net current asset deficiency and a net 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:

- the ongoing financial support of the financiers of SSESTEEL; and,
- SSESTEEL successfully managing their working capital requirements and the procurement of steel billets, which account for greater than 80% of total costs for these operations and are subject to fluctuations driven by the worldwide steel market.

At the date of this financial report, SSESTEEL has the ongoing support of its financiers. Refer to Note 18 'Interest bearing liabilities' for further details. In addition, the Company raised $5.8 million before costs via a rights issue subsequent to year end which is intended to be used partly to reduce SSESTEEL's short term debt and net deficiency. Refer to Note 30 'Event after the Balance Sheet date' for further details.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Going concern considerations (continued)

Should SSESTEEL and thus the holding Company and the consolidated entity not materially achieve the matters above, there is uncertainty as to whether SSESTEEL and thus whether the holding Company and consolidated entity will continue as going concerns and therefore, whether the holding Company and the consolidated entity will be able to pay their debts as and when they fall due and payable and whether they will be able to 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 SSESTEELand 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.

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

Investments in subsidiaries are accounted for at cost less provision for impairment in the separate financial statements of the parent company.

(e) Significant accounting judgements, estimates, and assumptions

Significant accounting judgements

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

Impairment of non-financial assets other than goodwill

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Taxation

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

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

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only where management considers that it is probable that future taxable profits will be available to offset earlier tax losses.

Significant accounting estimates and assumptions

Classification of assets and liabilities as held for sale

The Group classifies assets and liabilities as held for sale when its carrying amount will be recovered through a sale transaction. The assets and liabilities must be available for immediate sale and the Group must be committed to selling the asset either through the entering into a contractual sale agreement or the activation and commitment to a program to locate a buyer and dispose of the assets and liabilities.

Classification of and valuation of investments

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

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Foreign currency translation

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

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.

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 variations resulting from the translation are recognised in the foreign currency translation reserve in equity.

(h) 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 a 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.

(i) 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 impairment.

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

(j) Borrowing costs

Borrowing costs are recognised as an expense when incurred. VII does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) 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 – over 5-20 years
Plant and equipment – over 5-15 years
Motor Vehicles – over 5-10 years

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

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

(l) 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. When the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this manner is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Intangible assets

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

The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in the 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
Internally generated / Acquired	Acquired	Acquired
Impairment test / Recoverable amount testing	Amortisation method reviewed at each financial year-end; Reviewed annually for indicator of impairment	Amortisation method reviewed at each financial year-end; Reviewed annually for indicator of impairment

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

(n) 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.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Inventories

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

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

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

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

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

(p) Trade and other payables

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

(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) Advances from customers

Payments received in advance from customers for products to be delivered are recorded as customer advance payments until earned, at which time revenue is recognised. Advances from customers are carried at amortised cost due to their short term nature and are not discounted.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments (not applicable to the Group), or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through the profit or loss, directly attributable transaction costs.

Recognition and Derecognition
All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cashflows from the financial assets have expired or been transferred.

(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 and the related assets are classified as current assets in the balance sheet.

(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. These are included in current assets, except those maturities greater than 12 months after the balance date which are classified as non-current.

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) 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 and assets and liabilities are presented separately on the face of the balance sheet.

(u) 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.

(v) Employee provisions and other post-employment benefits

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

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

(w) Leases

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

Leases in which the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Revenue

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

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

Sale of goods
Revenue from the sale of goods is recognised when there is persuasive evidence, usually in the form of an executed sales agreement at the time of delivery of the goods to customer, indicating that there has been a transfer of risks and rewards to the customer, no further work or processing is required, the quantity and quality of the goods has been determined, the price is fixed and generally title has passed.

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

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

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

Rental revenue
Rental revenue from office space is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned. Lease incentives granted are recognised as an integral part of the total rental income.

(y) 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.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(y) Income tax and other taxes (continued)

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.

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.

(z) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Group has not entered into hedging transactions.

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

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

Risk Exposures and Responses

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

At balance date, the Group had the following financial assets and liabilities exposed to interest rate risk that are not designated in cash flow hedges:

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Financial Assets				
Cash and cash equivalents	12,349	2,903	134	222
Intercompany receivables – fixed	-	-	2,299	1,011
	12,349	2,903	2,433	1,233
Financial Liabilities				
Interest-bearing liabilities – fixed				
-bank loans	9,155	18,808	-	-
- other loans	5,000	3,481	1,500	-
	14,155	22,289	1,500	-
Interest-bearing liabilities - variable				
- bank loans	8,971	5,232	-	-
	23,126	27,521	1,500	-
Net exposure	(10,777)	(24,618)	933	1,233

Vietnam subsidiaries are exposed to the interest rate risk in Vietnamese Dong, US Dollar and Euro. The Group constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing, and the mix of fixed and variable interest rates.

At 31 December 2007, fixed interest rates vary in every contract ranging from 10.61% to 13.68% for Vietnamese Dong loans (2006: 7.08% - 14.40%), from 6.60% to 11.40% for US Dollar loans (2006: nil), 6% for Euro loan (2006: 6%), and 12% for Australian Dollar loan (2006: nil). The floating rates are based on bank bill rates.

At 31 December 2007, the parent loan bears a fixed interest rate of 12% per annum (2006: nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Exposures and Responses (continued)

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

At 31 December 2007, if interest rates in Vietnamese Dong, US Dollar and Euro had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:

	Post Tax Profit Higher/(lower)	
	2007	2006
	$'000	$'000
Consolidated		
High rate +1% (100 basis points)	216	275
Low rate -1% (100 basis points)	(216)	(275)

The movements in profit are due to higher/lower interest costs from debt balances excluding the $1.5 million loan which has a fixed interest rate of 12%. The sensitivity is lower in 2007 than in 2006 because of the reduction in overall outstanding borrowings that has occurred due to early repayment of debt as a result of increased cash from the improvement of the subsidiaries' performance particularly SSESTEEL and Vinausteel. Interest rate movements have no direct impact on equity.

At 31 December 2007, there is no interest rate risk exposure in the parent entity's loan of $1.5 million which has a fixed interest rate of 12% (2006: nil).

Foreign currency risk

The Company's subsidiaries are mainly domiciled in Vietnam. The functional currency of the Vietnam subsidiaries is Vietnamese Dong. The Company's operations in Vietnam face some exposure to exchange rate fluctuations as the cost of the major raw materials are generally denominated in US dollars whereas the bulk of the their revenues is denominated in Vietnamese Dong. The Vietnam subsidiaries have foreign currency risk exposure to loans that are denominated in US dollars and Euro. Remittance of certain funds to the Company's Vietnam operating subsidiaries to assist with their working capital requirements is expected to be in foreign currency, either in Australian dollars or United States dollars and used to purchase Vietnamese Dong by the Company's Vietnam operating subsidiaries. The movements of foreign currency in Vietnam are subject to the restrictions and procedures imposed by the State Bank of Vietnam. The Group has not entered into hedging transactions.

The presentation currency of the Group is Australian dollars.

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

At 31 December 2007, the Group had the following exposure to US$ and Euro foreign currencies against the VND that is not designated in cash flow hedges:

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Financial Assets				
Cash and cash equivalents	1,211	76	-	-
Financial Liabilities				
Trade and other liabilities – Euro	623	244	-	-
Interest-bearing liabilities				
- US Dollar	8,900	6,975	-	-
- Euro	3,500	3,481	-	-
	13,023	10,700		
Net exposure	(11,812)	(10,624)	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Exposures and Responses (continued)

The following is the parent's exposure to US$ and VND foreign currencies against the AUD that is not designated in cash flow hedges:

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Financial Assets				
Cash and cash equivalents	85	149	85	149
Receivables	-	-	3,001	1,163
Net exposure	85	149	3,086	1,312

The following exchange rates applied during the year:

	Average rate		**Reporting date spot rate**	
	2007	2006	**2007**	2006
USD/VND	16,127	15,979	16,114	16,091
AUD/USD	0.8432	0.7574	0.8816	0.7913
Euro/VND	22,505	20,653	23,755	21,176

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

At 31 December 2007, had the VND moved against the US$ and Euro, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:

	Post Tax Profit Higher/(lower)		Other equity Higher/(Lower)	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Consolidated				
High rate +1%	136	109	6	-
Low rate -1%	(131)	(108)	2	-

The movements in 2007 are more sensitive than in 2006 due to the reduced dependence of the Vietnamese Dong on the US Dollar. The strengthening of the Vietnamese Dong against the USD and Euro encourages businesses to use the Vietnamese Dong in its day-to-day transactions.

At 31 December 2007, had the AUD moved against the US$ and VND, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:

	Post Tax Profit Higher/(lower)		Other equity Higher/(Lower)	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Parent				
High rate +5%	(45)	(48)	-	-
Low rate -2%	19	20	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Exposures and Responses (continued)

Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades only with recognised, creditworthy third parties, and generally, collateral is not requested nor is it the Group's policy to securitise its trade and other receivables. Collateral is requested if the receivable has been long outstanding.

At 31 December 2007, the Group's trade receivables of A$0.87 million has a collateral of bank's shares worth A$2.11 million. Subsequent to 31 December 2007, the customer paid the whole outstanding receivable and that the collateral has been released.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including its capability to pay, past experience and company reputation. Risk limits are set for each individual customer in accordance with parameters set by the board of management of each subsidiary. These risk limits are regularly monitored.

Collectibility of trade receivables is reviewed on an ongoing basis at an operating unit level. Interest is charged on overdue debts. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable.

There are no significant concentrations of credit risk within the Group.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans, and committed available credit lines.

The Group's operating subsidiaries in Vietnam have banking facilities with various banks in Vietnam for working capital and project finance purposes. These facilities are secured by a chattel pledge over machinery, equipment and inventories of the subsidiaries and in certain instances, by the guarantee of Vietnam Industrial Investments Limited. The carrying amount of these pledges held by the banks are presented in note 18.

One of the Group's operating subsidiaries has also used supplier finance facilities amounting to Euro 2.5 million (A$4.1million) (2006: Euro 2.3 million or A$3.9 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 2007, the total interest bearing liabilities drawndown to which these corporate guarantees relate to were US$8.1 million (A$9.2 million) (2006:$15 million).

The Company and its subsidiaries use forecast cash flow budgets which assist in monitoring cash flow requirements. Typically, the Company and its subsidiaries ensure that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Maturity analysis of financial assets and liability based on contractual maturity

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital eg inventories and trade receivables. These assets are considered in the Group's overall liquidity risk. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, the Group has established risk reporting that reflects expectations of management of expected settlement of financial assets and liabilities.

Year ended 31 December 2007

Consolidated	**<=6mos $'000**	**6-12 mos $'000**	**1-5 years $'000**	**>5 years $'000**	**Total $'000**
Financial Assets					
Cash and cash equivalents	12,349	-	-	-	12,349
Trade and other receivables	19,835	-	-	-	19,835
	32,184	-	-	-	32,184
Financial Liabilities					
Trade and other payables	25,223	-	-	-	25,223
Income tax payable	1,110	-	-	-	1,110
Interest-bearing liabilities	15,585	5,287	2,254	-	23,126
	41,918	5,287	2,254	-	49,459
Net maturity	(9,734)	(5,287)	(2,254)	-	(17,275)

Year ended 31 December 2007

Parent	**<=6mos $'000**	**6-12 mos $'000**	**1-3 years $'000**	**>3 years $'000**	**Total $'000**
Financial Assets					
Cash and cash equivalents	134	-	-	-	134
Trade and other receivables	2,940	-	91	-	3,031
	3,074	-	91	-	3,165
Financial Liabilities					
Trade and other payables	771	-	-	-	771
Interest-bearing liabilities	1,500	-	-	-	1,500
	2,271	-	-	-	2,271
Net maturity	803	-	91	-	894

Fair value

The methods for estimating fair value are outlined in the relevant notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

4. 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 consist of the wire rod and rebar activities of Vinausteel Limited and SSESTEEL Ltd. Austnam Joint Stock Corporation, Total Building Systems Ltd, and VRC Weldmesh (Vietnam) Ltd are primarily engaged in the manufacturing and trading of electrically welded wire products, steel roofing and steel frames whilst providing total building solutions for the Vietnam construction industry.

	Operations				Total		Eliminations		Consolidated	
	Australia		Vietnam							
	2007 $ '000	2006 $ '000	**2007 $ '000**	2006 $ '000	**2007 $ '000**	2006 $ '000	**2007 $ '000**	2006 $ '000	**2007 $ '000**	2006 $ '000
Revenue										
External sales	-	-	242,475	179,951	242,475	179,951	-	-	242,475	179,951
Intersegment Sales	-	-	16,016	480	16,016	480	(16,016)	(480)	-	-
Contract revenue	-	-	7,219	3,448	7,219	3,448		-	7,219	3,448
Interest revenue	154	66	99	122	253	188	(142)	(51)	111	137
Dividend revenue	538	-	-	-	538	-	(538)	-	-	-
Other income	566	522	716	314	1,282	836	(244)	-	1,038	836
Total segment revenue	1,258	588	266,525	184,315	267,783	184,903	(16,940)	(531)	250,843	184,372
Segment results										
Profit/(loss) before tax	(101)	(638)	4,216	1,696	4,115	1,058	(538)	386	3,577	1,444
Income tax expense	3	(23)	(1,406)	(447)	(1,403)	(470)	-	-	(1,403)	(470)
Consolidated operating profit after tax									2,174	974

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

4. SEGMENT REPORTING (continued)

	Continuing Operations Australia		Continuing Operations Vietnam		Total		Eliminations		Consolidated	
	2007 $ '000	2006 $ '000	**2007 $ '000**	2006 $ '000	**2007 $ '000**	2006 $ '000	**2007 $ '000**	2006 $ '000	**2007 $ '000**	2006 $ '000
Segment assets	20,531	18,667	78,503	76,925	99,034	95,592	(29,951)	(30,740)	69,083	64,852
Segment Liabilities	2,323	361	63,160	62,663	65,483	63,024	(9,197)	(10,243)	56,286	52,781
Other segment information:										
Acquisition of plant, property and equipment and other non-current assets	-	-	180	2,400	180	2,400	-	-	180	2,400
Depreciation and amortisation expense	4	6	1,828	530	1,832	536	-	-	1,832	536
Loss on re-measurement	-	-	1,388	-	1,388	-	-	-	1,388	-
Impairment losses	-	386	-	-	-	386	-	(386)	-	-
Cash flow Information										
Net cashflows from operating activities	(208)	28	12,056	5,484	11,848	5,512	(167)	(688)	11,681	4,824
Net cashflows from investing activities	67	(1,685)	(300)	(1,749)	(233)	(3,434)	433	2,206	200	(1,228)
Net cashflows from financing activities	53	969	(1,548)	(1,675)	(1,495)	(706)	(413)	(3,176)	(1,908)	(3,882)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

5. REVENUE AND EXPENSES

Revenues and expenses from continuing operations	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT 2007 $'000	PARENT 2006 $'000
(a) Other Revenue				
Interest income	111	137	154	66
Dividend income	-	-	538	-
Gain on sale of financial assets at fair value through profit or loss	127	-	127	-
Net (loss)/ gain from fair value adjustments of financial assets at fair value through profit or loss	(11)	76	(11)	76
	227	213	808	142
(b) Other income				
Financial and executive services income	138	123	138	123
Rental income	68	49	68	49
Gain on disposal of plant, property and equipment	29	-	-	-
Other income	687	588	244	274
	922	760	450	446
(c) Cost of sales				
Cost of goods sold	226,997	166,390	-	-
Construction costs	6,843	3,321	-	-
	233,840	169,711	-	-
(c) Finance costs				
Bank loans and other borrowings	2,537	3,844	114	-
(d) Depreciation, impairment and amortisation included in income statement				
Depreciation expense	1,804	521	4	6
Amortisation of intangible assets	28	15	-	-
	1,832	536	4	6
(e) Employee benefits				
Wages and salaries	3,275	1,862	466	366
(f) Rent				
Rent expense	548	190	104	123
(g) Loss on the re-measurement of disposal group classified as held for sale				
Depreciation expense	1,370	-	-	-
Amortisation expense	18	-	-	-
	1,388	-	-	-
(h) Impairment write-down of inventory	178	-	-	-
(i) Provision for doubtful debts	78	54	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

6. OPERATING PROFIT 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.

On 1 August 2007, Corbyns International Limited ("Corbyns") issued a Bidder's Statement to VII shareholders which indicated that should they acquire greater than 50% of the issued capital of the Company, it was their intention to retain the Vinausteel and SSESTEEL operations within the Group.

On 15 October 2007, the Company announced that Corbyns and its associates had relevant interests of 75.59% in VII shares.

The consolidated entity ceased to classify the disposal group as held for sale for the year ended 31 December 2007 on the basis that the Company's intention changed to retain its investment in Vinausteel Limited and SSESTEEL Limited.

As a result, the depreciation expense not recognised for the disposal group since it was classified as held for sale of A$1.39 million has been included in the current year's consolidated income statement. The Consolidated Income Statement for the year ended 31 December 2007 and the comparative year reflect the Group as a continuing operation.

The assets classified held for sale in 2006 of $12.554 million has been reclassified as part of investments in subsidiaries at 31 December 2007 (Note 14).

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

Financial performance of operations held for sale

The combined results of Vinausteel and SSESTEEL operations for the year ended 31 December 2006 are presented below:

	2006 $'000
Revenues	167,387
Expenses	(161,126)
Net profit from operations	6,261
Finance costs	(3,335)
Net profit before tax	2,926
Income tax expense	(547)
Net profit after tax on discontinued operations	2,379
Profit attributable to minority interest	(634)
Net profit after tax on discontinued operations attributable to equity holders of the Company	1,745

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

6. OPERATING PROFIT AFTER TAX FROM ASSETS HELD FOR SALE (continued)

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 were as follows:

	2006 $'000
Assets	
Intangibles	140
Property, plant and equipment	14,214
Other current assets	31
Inventories	15,550
Trade and other receivables	18,437
Cash and cash equivalents	2,120
Assets classified as held for sale	50,492
Liabilities	
Trade and other payables	20,671
Interest bearing loans and borrowings	23,161
Income tax payable	437
Provisions	369
Deferred tax liability	40
Liabilities directly associated with assets classified as held for sale	44,678
Net assets attributable to discontinued operations	5,814

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

	2006 $'000
Operating	6,521
Investing	(45)
Financing	(4,870)
Net cash inflow	1,606

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

7. INCOME TAX

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
(a) Income tax expense/(benefit)				
The major components of income tax expense are:				
Income Statement				
Current tax	1,280	547	-	-
Deferred tax	123	(77)	(3)	23
	1,403	470	(3)	23
(b) Numerical reconciliation between the aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate				
Profit/(loss) from continuing operations before tax	3,577	1,444	(101)	(638)
At Group's statutory income tax rate of 30% (2006: 30%)	1,073	433	(30)	(191)
Adjustments to tax expense:				
Foreign tax rate adjustment	(258)	(292)	-	-
Non-deductible expenses	272	194	-	54
Non-assessable income	-	-	(161)	-
Changes in fair value	(3)	23	(3)	23
Other	319	112	191	137
Aggregate tax expense	1,403	470	(3)	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 the tax consolidated regime. The tax losses of the Company are estimated to be $2.920 million (2006: $2.586 million). This amount has not been recognised as a tax asset at 31 December 2007 and 31 December 2006. Deferred tax assets have not been recognised because it is not probable that the future taxable profit will be available against the tax losses.

(d) Recognised deferred tax assets and liabilities

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Deferred tax assets				
Provision for doubtful debts	-	16	-	-
Termination allowance benefits	-	5	-	-
Other temporary differences	-	97	-	-
Gross deferred tax assets	-	118	-	-
Deferred tax liabilities				
Fair value of financial assets held for trading	20	23	20	23
Gross deferred tax liabilities	20	23	20	23

(e) Unrecognised temporary differences

At 31 December 2007, 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 (2006: Nil).

(f) Income tax payable

At 31 December 2007, consolidated income tax payable is $1.11 million (2006: nil). At 31 December 2007, there is no income tax payable in the parent entity (2006: nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

8. CURRENT ASSETS - CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	8,312	586	72	25
Short-term deposits	4,037	197	62	197
	12,349	783	134	222
Cash at bank and in hand attributable to discontinued operations (Note 6)	-	2,120	-	-
	12,349	2,903	134	222

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	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Net profit/(loss)	2,174	974	(98)	(661)
Adjustment for:				
Depreciation and amortisation	1,832	536	4	6
Profit from sale of other financial assets	(127)	-	(127)	-
Loss on the re-measurement of disposal group classified as held for sale	1,388	-	-	-
Net gain on disposal of plant and equipment	(29)	-	-	-
Change in fair value of financial assets	11	(76)	11	(76)
Impairment of investment in controlled entities	-	-	-	386
Provision for inventory obsolescence	175	-	-	-
Changes in assets and liabilities				
(Increase)/decrease in:				
Trade and other receivables	2,721	(8,072)	(170)	248
Inventories	(6,976)	12,747	-	-
Other current assets	189	(57)	(39)	1
Deferred tax assets	110	(76)	-	-
(Decrease)/increase in:				
Trade and other payables	8,465	(2,053)	270	47
Provisions	1,029	303	(56)	54
Income tax payable	722	621	-	-
Deferred income tax liabilities	(3)	(23)	(3)	23
Net cash flow provided by/(used in) operating activities	11,681	4,824	(208)	28

b) Disclosure of financing activities

Financing facilities are set out in Note 18.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

9. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Trade receivables	10,884	3,354	-	-
Construction contract receivables	2,771	1,054	-	-
Allowance for impairment loss	(386)	(99)	-	-
	13,269	4,309	-	-
Other receivables	6,566	1,043	30	2
Related party receivables				
- controlled entities	-	-	2,910	860
Carrying amount of trade and other receivables	19,835	5,352	2,940	862

Other receivables relate to value added tax from tax authorities and advances made to employees. Other receivables bear no interests and are collected within one year.

Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of $0.078 million (2006: $0.054 million) has been recognised by the Group and nil (2006: nil) by the Company in the current year. These amounts have been included in the administrative expense item.

Movements in the provision for impairment loss were as follows:

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
At 1 January	438	45	-	-
Charge for the year	78	54	-	-
Foreign exchange translation	(130)	-	-	-
At 31 December				
Continuing operations	386	99	-	-
Discontinuing operations	-	339	-	-
	386	438	-	-

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

	CONSOLIDATED 2007		CONSOLIDATED 2006	
	Trade receivables	**Impairment**	Trade receivables	Impairment
	$'000	**$'000**	$'000	$'000
Within due date	4,018	26	8,207	68
Over 31 – 60 days	4,905	50	6,985	66
Over 61 – 180 days	555	-	3,066	27
Over 181 – 360 days	111	6	1,052	4
Over 360 days	1,295	304	1,285	273
	10,884	386	20,595	438

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

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

Trade receivables consist of:

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Continuing operations	10,884	3,354	-	-
Discontinuing operations	-	17,241	-	-
	10,884	20,595	-	-

Related party receivables

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

Fair value and credit risk

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

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

Foreign exchange and interest rate risk

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

10. CURRENT ASSETS - INVENTORIES

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Raw materials – at cost	14,424	2,138	-	-
Work in progress – at cost	299	16	-	-
Construction work in progress	51	67	-	-
Finished goods – at net realisable value	7,621	110	-	-
Total inventories at lower of cost and net realisable value	22,395	2,331	-	-

For the year ended 31 December 2007, the inventory write-down of $0.175 million was recognised as an expense for the Group (2006: Nil).

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

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Financial assets held for trading – at fair value				
Shares in listed companies	210	376	210	376
	210	376	210	376

Financial assets – at fair value through profit or loss consist of investments in ordinary shares, and therefore have no fixed maturity date or coupon rate.

The fair value of Australian listed investments has been determined directly by reference to published price quotations in an active market. There are no individually material investments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

12. OTHER CURRENT ASSETS

	CONSOLIDATED		PARENT	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Prepayments	406	785	70	30
	406	785	70	30

13. NON-CURRENT ASSETS - RECEIVABLES

	CONSOLIDATED		PARENT	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Loans to related parties	-	-	91	303
Long-term deposits	155	7	-	-
	155	7	91	303

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

14. INVESTMENTS IN SUBSIDIARIES (NON-CURRENT)

	PARENT	
	2007 $'000	2006 $'000
Investments in subsidiaries	34,415	4,688
Impairment of investments in subsidiaries	(17,343)	(386)
	17,072	4,302

Investment in Subsidiaries

Name	Country of Incorporation	% Equity interest **2007**	% Equity interest 2006	Investment ($'000) **2007**	Investment ($'000) 2006
Parent entity					
Vietnam Industrial Investments Limited	Australia	-	-	-	-
Controlled entities					
Vinausteel Limited[(i) (xi)]	Vietnam	70	70	12,554	12,554
Structure Steel Engineering Pte Ltd[(iv) (xii)]	Singapore	100	100	16,957	16,957
SSESTEEL Ltd[(iv) (ix) (xi)]	Vietnam	100	100	-	-
Ausviet Industrial Investments Ltd[(v) (xii)]	Singapore	100	100	2,982	2,766
Austnam Joint Stock Corporation[(ii) (xi)]	Vietnam	67	67	-	-
Parnham Overseas Ltd [(x)]	British Virgin Islands	100	100	-	-
Total Building Systems Limited[(viii) (xi)]	Vietnam	98	97	-	-
Vietnam Projects (Singapore) Pte Ltd[(vi) (xii)]	Singapore	100	100	1,922	1,922
VRC Weldmesh (Vietnam) Ltd[(iii) (xi)]	Vietnam	100	100	-	-
Vietnam Property Development Pte Ltd[(vii) (xii)]	Singapore	100	100	-	-
				34,415	34,199
Impairment of investments in subsidiaries [(iv) (vi)]				(17,343)	(17,343)
				17,072	16,856

Of the $16.856 million, $12.554 million, net of impairment, relates to the investments in Vinausteel and SSESTEEL which were classified as discontinuing operations and assets held-for-sale in 2006.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

14. INVESTMENT IN SUBSIDIARIES (NON-CURRENT) (continued)

	PARENT	
	2007	2006
	$'000	$'000
Reconciliation of impairment		
Balance at 1 January	(17,343)	(16,957)
Impairment loss on investments in subsidiaries	-	(386)
Balance at 31 December	(17,343)	(17,343)

(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.

(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 (2006: $17.343 million) is $16.957 million which represents the write-down of the investment in Structure Steel Engineering Pte Ltd to a recoverable amount to nil. There had been no impairment indicators identified in the underlying investment in SSESTEEL Ltd during the year. No further impairment losses have been recognised for the year ended 31 December 2007.

(v) Ausviet Industrial Investments Pte Ltd ("Ausviet") is a wholly owned subsidiary of VII, which holds the investment in Austnam of 2 per cent, POL of 100 per cent and Total Building Systems Limited of 98 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 $17.383 million (2006: $17.343 million) is $0.386 million which represents the write-down of the investment in Vietnam Projects Singapore Pte Ltd to a recoverable amount. There were no impairment indicators identified in the underlying investment in VRC Weldmesh (Vietnam) Ltd during 2007. No further impairment losses have been recognised for the year ended 31 December 2007.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

14. INVESTMENT IN SUBSIDIARIES (NON-CURRENT) (continued)

(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 ("TBS") is a wholly owned subsidiary of Ausviet which is a full service building systems provider supplying engineering services, building systems and construction services to industrial and residential consumers. During the year, the Company contributed A$0.22 million which increased the shareholding in TBS to 98% (2006: 97%).

(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) Parnham Overseas Ltd ("POL") a wholly owned subsidiary of Ausviet which was incorporated in the British Virgin Islands to hold an investment in Vietnam. It holds 65 per cent of Austnam.

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

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

15. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Building on leasehold land				
- Cost	6,531	1,427	-	-
- Accumulated depreciation	(2,393)	(112)	-	-
Net carrying amount	4,138	1,315	-	-
Plant and equipment				
- Cost	28,387	3,808	74	74
- Accumulated depreciation and impairment	(20,209)	(1,508)	(60)	(56)
Net carrying amount	8,178	2,300	14	18
Motor vehicles				
- Cost	1,192	689	-	-
- Accumulated depreciation	(803)	(305)	-	-
Net carrying amount	389	384	-	-
Construction in progress – cost	433	66	-	-
Net carrying amount	13,138	4,065	14	18

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

15. PROPERTY, PLANT AND EQUIPMENT (continued)

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Reconciliation of plant, property and equipment				
Building on leasehold land				
Opening net carrying amount	5,266	81	-	-
Additions	43	1,449	-	-
Disposals/transfers	-	(101)	-	-
Depreciation expense	(351)	(43)	-	-
Loss on re-measurement	(287)	-	-	-
Exchange difference	(533)	(71)	-	-
Closing net carrying amount				
Continuing operations	4,138	1,315	-	-
Discontinuing operations	-	3,951	-	-
	4,138	5,266	-	-
Plant and equipment				
Opening net carrying amount	11,800	2,290	18	24
Additions	126	791	-	-
Disposals/transfers	(21)	(170)	-	-
Depreciation expense	(1,310)	(398)	(4)	(6)
Loss on re-measurement	(995)	-	-	-
Exchange difference	(1,422)	(213)	-	-
Closing net carrying amount				
Continuing operations	8,178	2,300	14	18
Discontinuing operations	-	9,500	-	-
	8,178	11,800	14	18
Motor vehicles				
Opening net carrying amount	722	409	-	-
Additions	1	91	-	-
Disposals/transfers	(32)	-	-	-
Depreciation expense	(143)	(80)	-	-
Loss on re-measurement	(88)	-	-	-
Exchange difference	(71)	(36)	-	-
Closing net carrying amount				
Continuing operations	389	384	-	-
Discontinuing operations	-	338	-	-
	389	722	-	-
Construction in progress				
Opening net carrying amount	491	1,060	-	-
Net additions/transfers	(8)	(994)	-	-
Exchange difference	(50)	-	-	-
Closing net carrying amount				
Continuing operations	433	66	-	-
Discontinuing operations	-	425	-	-
	433	491	-	-
Net carrying amount				
Continuing operations	13,138	4,065	14	18
Discontinuing operations	-	14,214	-	-
	13,138	18,279	14	18

The capitalised interest on qualifying assets is Nil at 31 December 2007 (2006: Nil).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

16. INTANGIBLE ASSETS

	CONSOLIDATED		PARENT	
	2006	2005	**2007**	2006
	$'000	$'000	**$'000**	$'000
Software costs				
Cost (gross carrying amount)	100	19	-	-
Accumulated amortisation and impairment	(68)	(6)	-	-
	32	13	-	-
Land rights				
Cost (gross carrying amount)	448	476	-	-
Accumulated amortisation and impairment	(76)	(60)	-	-
	372	416	-	-
Goodwill [(i)]				
Cost (gross carrying amount)	321	203	-	-
Accumulated amortisation and impairment	(130)	(89)	-	-
	191	114	-	-
	595	543	-	-
Reconciliation of Intangible Assets				
Software costs				
Opening net carrying amount	76	11	-	-
Additions	-	7	-	-
Amortisation expense	(20)	(3)	-	-
Loss on re-measurement	(18)	-	-	-
Exchange difference	(6)	(2)	-	-
Closing net carrying amount				
Continuing operations	32	13	-	-
Discontinuing operations	-	63	-	-
	32	76	-	-
Land rights				
Opening net carrying amount	416	457	-	-
Additions	11	-	-	-
Amortisation expense	(8)	(12)	-	-
Exchange difference	(47)	(29)	-	-
Closing net carrying amount				
Continuing operations	372	416	-	-
Discontinuing operations	-	-	-	-
	372	416	-	-
Goodwill [(i)]				
Opening net carrying amount	191	114	-	-
Amortisation expense	-	-	-	-
Closing net carrying amount				
Continuing operations	191	114	-	-
Discontinuing operations	-	77	-	-
	191	191	-	-
Net carrying amount				
Continuing operations	595	543	-	-
Discontinuing operations	-	40	-	-
	595	683	-	-

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

17. TRADE AND OTHER PAYABLES (CURRENT)

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Trade payables	20,902	1,914	-	-
Other payables	3,739	984	189	100
Related party payables	582	166	582	150
	25,223	3,064	771	250

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 $0.133 million (2006: $0.08 million)

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

Related party payables

Related party payables' terms and conditions are set in Notes 26 and 27.

Fair value

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

Foreign exchange, interest rate and liquidity risk

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

18. INTEREST-BEARING LOANS AND BORROWINGS

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Current				
Bank loans – secured	15,872	3,802	-	-
Other loans – secured	3,500	-	-	-
Other loans – unsecured	1,500	-	1,500	-
	20,872	3,802	1,500	-
Non-Current				
Bank loans – secured	2,254	558	-	-
	2,254	558	-	-
	23,126	4,360	-	-
Interest bearing liabilities attributable to discontinued operations (refer to Note 6)				
Bank loans – secured	-	17,324		
Other loans – secured	-	5,837		
	-	23,161		

Fair value

Their carrying values of the Group's interest bearing liabilities and borrowings are assumed to approximate their fair value.

Foreign exchange, interest rate and liquidity risk

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

18. INTEREST-BEARING LOANS AND BORROWINGS (continued)

Terms and conditions of Interest bearing loans and borrowings

Outstanding bank loans of $18.1 million (2006: $19.7 million) relate to loans from various banks in Vietnam which are valued in Vietnamese Dong and US Dollar. These interest bearing liabilities of the Group's operating subsidiaries have various repayment terms. The Group's operating subsidiaries in Vietnam have banking facilities with various banks in Vietnam for working capital and project finance purposes. These facilities are secured by a chattel pledge over machinery, equipment and inventories of the subsidiaries and in certain instances, by the guarantee of Vietnam Industrial Investments Limited of US$17.8 million (A$20.2 million) (2006: US$15.9 million or A$20 million).

One of the Group's operating subsidiaries has also used supplier finance facilities amounting to Euro 2.5 million (A$4.1million) (2006: Euro 2.3 million or A$3.9 million), to finance the purchase of machinery and equipment. This facility is also secured by a corporate guarantee from Vietnam Industrial Investments Limited. This loan bears an interest rate of 6% per annum and is repayable within 6 months.

At 31 December 2007, the total interest bearing liabilities drawndown to which these corporate guarantees relate to were US$8.1 million (A$9.2 million) (2006:$15 million).

The $1.5 million loan relates to shareholder loan which bears an interest rate of 12% per annum and is unsecured. This is repayable within 6 months.

Interest is recognised at an effective interest rate. The effective interest rates are set out in Note 3.

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Financing facilities available				
At reporting date, the following financing facilities had been negotiated and were available:				
Total facilities available	65,693	48,264	1,500	-
Facilities used at reporting date				
- short-term loans	20,872	26,963	1,500	-
- long-term loans	2,254	558	-	-
Facilities unused at reporting date				
- short-term loans	42,567	20,743	-	-
- 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.

Assets pledged as security for liabilities

The banks and suppliers have right to the security provided in the case of a default of the terms and condition of the finance. Some property, plant, and equipment which are pledged as security for bank loans and supplier loans are as follows:

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Receivables	651	1,164	-	-
Inventories	7,159	864	-	-
Property, plant and equipment				
Continuing operations	11,615	3,556	-	-
Discontinuing operation	-	11,611	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

19. PROVISIONS

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Current				
Employee benefits	539	167	29	85
Provision for onerous contracts	493	-	-	-
Dividends payable	3	3	3	3
	1,035	170	32	88

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

20. CONTRIBUTED EQUITY

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Ordinary shares				
Issued and fully paid	22,057	22,057	22,057	22,057

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

21. RESERVES AND ACCUMULATED LOSSES

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Foreign currency translation reserve	(1,051)	(403)	-	-
Legal reserve	1,124	1,124	-	-
	73	721	-	-
Movement in foreign currency translation reserve				
Opening balance	(403)	62	-	-
Currency translation difference arising during the year	(648)	(465)	-	-
Closing balance	(1,051)	(403)	-	-

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

21. RESERVES AND ACCUMULATED LOSSES (continued)

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Accumulated losses	(14,651)	(16,052)	(3,849)	(3,751)
Movement in accumulated losses				
Opening balance	(16,052)	(16,584)	(3,751)	(3,090)
Net profit/(loss) for the year	1,401	532	(98)	(661)
Closing balance	(14,651)	(16,052)	(3,849)	(3,751)

22. MINORITY INTEREST

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Contributed equity	4,639	4,639	-	-
Reserves	(507)	63	-	-
Retained earnings	1,186	643	-	-
	5,318	5,345	-	-

23. EARNINGS PER SHARE

	CONSOLIDATED	
	2007	2006
	$'000	$'000
The following reflects the profit used in the basic and diluted earnings per share computations:		
Net profit attributable to equity holders of the Company	1,401	532

	2007	2006
	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

On 29 January 2008, the Company announced a renounceable rights issue to existing shareholders on the basis of one (1) new share for every two (2) shares held on 6 February 2008, at a price of A$0.15 per new share to raise a maximum of approximately A$7.75 million (before costs). The offer closed on 26 February 2008 and raised A$5.84 million (before costs).

On 5 March 2008, the Company issued 38,957,421 fully paid ordinary shares to those shareholders who accepted their entitlements. The number of shares issued at this date is 142,277,423.

There have been no other transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

24. DIVIDENDS PAID AND PROPOSED

There were no dividends declared during the year (2006: Nil). For the year ended 31 December 2007, no dividends were paid (2006: Nil).

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Franking credits available for the subsequent financial years based on a tax rate of 30%	-	-	5	5

25. AUDITORS' REMUNERATION

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

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$	$	**$**	$
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	98,600	91,445	98,600	91,445
- other services in relation to the entity and any other entity in the consolidated group				
- tax compliance and advice	44,187	15,875	44,187	15,875
	142,787	107,320	142,787	107,320
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	69,326	61,068	-	-
- other non-audit services	-	2,780	-	2,780
	69,326	63,848	-	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	5,036	9,904	-	-
- other non-audit services	25,125	-	25,125	-
	30,161	9,904	25,125	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

26. KEY MANAGEMENT PERSONNEL

a) Details of key Management Personnel

Directors

Mr A.J. Hambly	–	Non-Executive Director, Chairman (appointed Non-Executive Director 6 November 2007; appointed Chairman 6 December 2007)
Mr S. Lee	–	Non-Executive Director, Chairman (resigned 30 November 2007)
Mr A. A. Young	–	Managing Director (Chief Operating Officer)
Mr H.V.H. Lam	–	Managing Director (Vietnam Operations)
Mr R.S. Kwok	–	Independent Non-Executive Director (appointed 30 November 2007)
Mr M. A. Clements	–	Non-Executive Director (appointed 6 December 2007) and Company Secretary
	–	Executive Director (resigned 6 December 2007)
Mr C.R. Martin	–	Alternate Director (appointed 6 December 2007)
Mr M. P. Bowen	–	Independent Non-Executive Director (resigned 9 November 2007)

Executives

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

b) Compensation of Key Management Personnel

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$	$	**$**	$
Short-term	823,139	856,963	127,089	109,342
Post employment	171,472	6,750	88,280	6,750
Other long-term	9,250	20,625	9,250	20,625
Termination benefits	-	-	-	-
Share-based payments	-	-	-	-
	1,003,861	884,338	224,619	136,717

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:

2007	Beginning balance 1 January 2007	Granted as remuneration	On exercise of options	Net change other	Ending balance 31 December 2007
Directors					
A.J. Hambly	-	-	-	-	-
H. V. H. Lam*	10,809,137	-	-	67,291,150	78,100,287
A. A. Young	3,087,000	-	-	(3,087,000)	-
R.S. Kwok	-	-	-	-	-
M.A. Clements	90,000	-	-	(90,000)	-
C.R. Martin*	-	-	-	77,539,007	77,539,007
S. Lee	25,938,226	-	-	(25,938,226)	-
M. P. Bowen	-	-	-	-	-
Executives					
D. Q. Phan	-	-	-	-	-
T.T. Nguyen	-	-	-	-	-
B. Redman	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

26. KEY MANAGEMENT PERSONNEL (continued)

c) Shareholdings of Key Management Personnel (continued)

* Mr Lam is the owner of 561,280 shares in VII. Mr Lam is also a director and majority shareholder of Corbyns which owned 77,539,007 shares in VII as at 31 December 2007. Mr Martin is also a director of Corbyns.

All equity transactions with key management personnel have been entered into under terms and conditions no more favourable than those the Group would have adopted if dealing at arm's length.

Shares held in Vietnam Industrial Investments Limited:

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	-	-	-	-	-

d) Option holdings of Key Management Personnel

There are no options granted as remuneration and outstanding at 31 December 2007 to key management personnel (2006: 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 transactions and balances with Key Management Personnel and their related parties

Related party payables to key management personnel are as follows:

	CONSOLIDATED		PARENT	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
S. Lee	371	150	371	150
M. A. Clements	154	-	154	-
M.P. Bowen	49	-	49	-
A.J. Hambly	5	-	5	-
R.S. Kwok	3	-	3	-
T.T. Nguyen	-	16	-	-
	582	166	582	150

The remuneration payable to Mr Lee of $220,692 for the year ended 31 December 2007 (2006: $150,000) has not yet been paid and the outstanding balance of $370,692 is included in related party payables (Note 17).

The remuneration payable to Mr Clements of $154,485 for the year ended 31 December 2007 (2006: nil) has not yet been paid and the outstanding balance of $154,485 is included in related party payables (Note 17).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

26. KEY MANAGEMENT PERSONNEL (continued)

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

The remuneration payable to Mr Bowen of $48,802 of which $44,871 relates to legal services for the year ended 31 December 2007 (2006: nil) has not yet been paid and the outstanding balance of $48,802 is included in related party payables (Note 17).

The remuneration payables to Mr Hambly and Mr Kwok of $4,500 and $3,000 respectively relating to directors fees for the year ended 31 December 2007 (2006: nil) have not yet been paid and the outstanding balances of $4,500 and $3,000 are included in related party payables (Note 17).

The Group's operating subsidiaries incurred non-cash benefits of $54,779 (2006: $81,544) for Mr Lam, and $19,465 (2006: $29,890) 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 $95,461 was paid (2006: $103,213). The term of the lease is five years until 15 March 2009.

The Company subleases a portion of its office accommodation to Medical Corporation Australasia Limited ("MOD") of which the Company received rental income of $67,510 (2006: $24,060). 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 16 August 2008. The office lease commitments are set out in Note 28.

The Company provided executive and financial services to MOD of $137,956 (2006: $122,625). The executive and financial services are provided in the ordinary course of business and are on normal terms and conditions. From 6 December 2007, director and company secretarial services of $7,000 were provided by Trident Management Services Pty Ltd, a company in which Mr Clements is a director and shareholder, in the ordinary course of business and normal commercial terms.

27. RELATED PARTY DISCLOSURES

(a) Ultimate parent entity

Vietnam Industrial Investments Limited is the ultimate Australian parent entity and the ultimate parent of the Group is Corbyns International Limited, which was incorporated in the British Virgin Islands and owns 75.59% of Vietnam Industrial Investments Limited as at 31 December 2007. Corbyns increased its share of the issue capital of the Company to 82.14% on 5 March 2008.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 14.

(c) Key management personnel

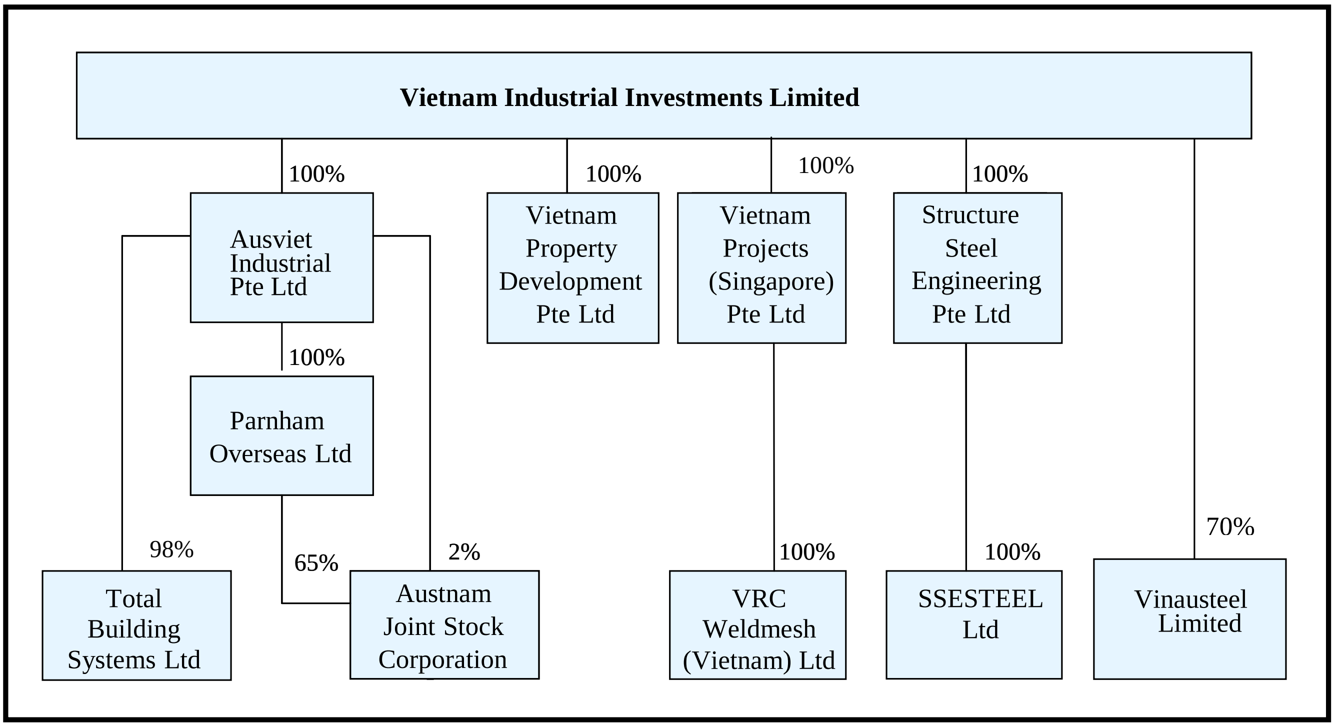
Details relating to key management personnel are set out in Note 26.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

27. RELATED PARTY DISCLOSURES (continued)

(d) Corporate Structure

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



(e) Transactions with related parties

The following table provides the total receivable balance at 31 December 2007:

		PARENT	
		2007	2006
	Note	**$'000**	$'000
VRC Weldmesh (Vietnam) Ltd	1	709	753
Total Building Systems Limited	3	1,590	258
Vinausteel Limited		-	5
Ausviet Industrial Investments Pte Ltd	2	238	67
Structure Steel Engineering Pte Ltd	2	403	27
Vietnam Projects (Singapore) Pte Ltd	2	32	27
Vietnam Property Development Pte Ltd	2	29	26
		3,001	1,163
Current related party receivables		2,910	860
Non-current related party receivables		91	303

Note:

1. The Company has outstanding unsecured loans of $625,399 (2006: $752,436), to VRC for working capital requirements. The loans bear interest rates of 5% and 6% (2006: 5% and 6%). The accrued interest of these loans is $84,072 as at 31 December 2007 (2006: $55,669).

2. The Company incurred corporate expenses totaling $296,688 (2006: $241,049) on behalf of its Singapore incorporated controlled entities. As at 31 December 2007, the total related party receivables from the Singapore incorporated controlled entities is $702,113 (2006: $146,479).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

27. RELATED PARTY DISCLOSURES (continued)

3. During the year, the Company provided an additional loan to TBS of $1,250,000 for working capital requirements which bears an interest rate of 12% and is repayable on demand. At 31 December 2007, the outstanding unsecured loan receivable from TBS is $1,465,517 (2006: $240,111). The loans bear interest rates of 5.25% and 12% (2006: 5.25%). The accrued interest of these loans is $124,225 as at 31 December 2007 (2006: $17,844).

Allowance for impairment loss
As at 31 December 2007, no allowance for impairment loss was provided (2006: nil).

(f) Financial guarantees

The Company has provided security to various banks for banking facilities provided to Vietnam subsidiaries in the form of letters of guarantee totalling US$17.8 million (A$20.2 million) (2006: US$15.9 million or A$20 million) and security to the supplier of machinery and equipment to SSESTEEL in the form of a letter of guarantee totalling Euro 2.5 million (A$4.1 million) (2006: Euro 2.3 million or A$3.9 million). At 31 December 2007, the total interest bearing liabilities drawndown to which these corporate guarantees relate to were US$8.1 million (A$9.2 million) (2006: A$15 million).

28. 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 2007 are as follows:

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Within one year	311	246	-	-
After one year but not more than five years	692	853	-	-
More than five years	1,993	2,341	-	-
Total minimum lease payments	2,996	3,440	-	-

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 2007 are as follows:

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Within one year	109	104	109	104
After one year but not more than five years	23	105	23	105
Total minimum lease payments	132	209	132	209

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

28. COMMITMENTS (continued)

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 16 August 2008. During the year, rent received from the related party was $67,510 (2006: $24,060).

Future minimum rentals receivable under non-cancellable operating lease as at 31 December 2007 are as follows:

	CONSOLIDATED		PARENT	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Within one year	42	58	42	58
After one year but not more than five years	-	34	-	34
Total minimum lease payments receivable	42	92	42	92

29. CONTINGENCIES

In March 2007 the Company entered into the Sale and Purchase Agreement with NatSteel Pte Ltd ("NatSteel") to acquire the Company's interests in Vinausteel and SSESTEEL. This agreement was conditional upon gaining Shareholder approval.

On 29 June 2007, Shareholders did not give approval for the Sale and Purchase Agreement.

On 4 July 2007, the Company announced that it had received notice from NatSteel terminating the Sale and Purchase Agreement and that NatSteel reserved its rights against the Company relating to the Sale and Purchase Agreement. NatSteel contended that the Company breached certain terms of the Sale and Purchase Agreement.

The Directors dispute that the Company has breached the Sale and Purchase Agreement. As at 31 December 2007, no further correspondence has been received from NatSteel in relation to this matter.

30. EVENTS AFTER BALANCE SHEET DATE

On 29 January 2008, the Company announced a renounceable rights issue to existing shareholders on the basis of one (1) new share for every two (2) shares held on 6 February 2008, at a price of A$0.15 per new share to raise a maximum of approximately A$7.75 million (before costs).

The offer closed on 26 February 2008 and raised A$5.84 million (before costs). The funds from the offer, after payment of the costs of the offer, are intended to be used by the Company to address the following:

(a) repayment of the short-term debt funding (this has been repaid after balance date);
(b) reduce SSESTEEL's short term debt and net deficiency; and
(c) assist with funding the working capital requirements of the Company and its operating subsidiaries in Vietnam, to enable the Company and its subsidiaries to continue to expand their manufacturing capacity and capabilities.

At the end of the renounceable rights issue, Corbyns increased its share of the issue capital of the Company to 82.14%.

On 5 March 2008, the Company issued 38,957,421 fully paid ordinary shares to those shareholders who accepted their entitlements. The number of shares issued at this date is 142,277,423.

On 15 January 2008, the Company announced that SSESTEEL has obtained an investment certificate to implement a billet plant in Haiphong, Vietnam, with an investment capital estimated at approximately VND893 billion (equivalent US$56 million). SSESTEEL is considering various designs and equipment suppliers for the project. The Company is assessing its financing options and may seek a suitable strategic partner to participate in the project. A new company will be established to implement the billet plant which will be known as Australia Steel Billet Co. Ltd.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (CONTINUED)

30. EVENTS AFTER BALANCE SHEET DATE (continued)

On 11 March 2008, VII provided a further capital contribution to TBS of A$549,450. The Company's equity interest in TBS remained unchanged at 98%.

Other than the above, there has not been any other matter or circumstance that has arisen since the end of the year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

DIRECTORS' DECLARATION

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

(1) In the opinion of the directors:

(a) the financial statements, 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 2007 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 2007.

On behalf of the Board

ALAN A. YOUNG
Director

Hai Phong, 27 March 2008

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

We have audited the accompanying financial report of Vietnam Industrial Investments Limited ("the company"), which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard 124 *Related Party Disclosures* ("remuneration disclosures"), under the heading "Remuneration Report" on pages 11 to 12 of the directors' report, as permitted by Corporations Regulation 2M.6.04 .

Directors' Responsibility for the Financial Report
The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(b), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility
Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party Disclosures*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Ernst & Young

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. 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.

Auditor's Opinion

In our opinion:

1. the financial report of Vietnam Industrial Investments Limited is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the financial position of Vietnam Industrial Investments Limited and the consolidated entity at 31 December 2007 and of their performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

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

3. the remuneration disclosures that are contained on pages 11 to 12 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Note 2(c) "Going Concern considerations" to the financial statements which indicates that 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
27 March 2008