



Vietnam Industrial Investments Limited

A.B.N. 64 063 656 333



Annual Report 2002

Corporate Directory

A.B.N. 64 063 656 333

ASX Code: VII

Directors

S. Lee, AO

Chairman and

Chief Executive Officer

A.A. Young

Managing Director

(Chief Operating Officer)

H.V.H. Lam

Managing Director

(Vietnam Operations)

K.M. Leong

Non-Executive Director

D. Bacopanos

Non-Executive Director

Company Secretary

M.A. Clements

Registered Office in Australia

Level 36, Exchange Plaza

2 The Esplanade

PERTH Western Australia 6000

Telephone: (618) 9218 9899

Facsimile: (618) 9218 8099

E-mail: vii@iinet.net.au

Website: www.vii.net.au

Auditors

Ernst & Young

Level 34, Central Park

152-158 St George's Terrace

PERTH Western Australia 6000

Legal Advisors

Clayton Utz

Level 39, BankWest Tower

108 St George's Terrace

PERTH Western Australia 6000

Deacons

Unit 303, Central Building

31 Hai Ba Trung Street

Hanoi

VIETNAM

Bankers

Australia & New Zealand Banking Group
Limited

8 St Georges Terrace

PERTH Western Australia 6000

Bank of Western Australia Ltd

108 St George's Terrace

PERTH Western Australia 6000

Share Registry

Security Transfer Registrars Pty Ltd

Suite 1/770 Canning Hwy

APPLECROSS Western Australia 6153

Telephone: (618) 9315 0933

Facsimile: (618) 9315 2233

Home Exchange

Australian Stock Exchange Limited

Exchange Plaza

2 The Esplanade

PERTH Western Australia 6000

VIETNAM OPERATIONS

Vinausteel Ltd

KM9, Vat Cach, Quan Toan

Hong Bang District

Haiphong

Telephone: (84) 31 850145

Facsimile: (84) 31 850140

E-mail: vasteelhp@vinausteel.com.vn

Website: www.vinausteel.com.vn

Vinausteel also has sales offices in Hanoi,

Ho Chi Minh City, Da Nang, Nha Trang and

Vinh

Austnam Company Ltd

112 Truong Chinh Street

Hanoi

Telephone: (84) 4 869 1579

Facsimile: (84) 4 869 1632

E-mail: austnam.hn.@hn.vnn.vn

SSESTEEL Ltd

KM9, Vat Cach, Quan Toan

Hong Bang District

Haiphong

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VRC Weldmesh (Vietnam) Ltd

70 Nguyen Van Luong Street

Ward 10, Go Vap District

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E-mail: vrcvn-sgn@hcm.vnn.vn

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Highlights of 2002

2002 was a year of strong growth in revenue and a satisfactory profit performance under difficult market conditions.

CORPORATE

Sales Revenue from Vietnam Operations A\$158.2 million up 40% on 2001 (A\$112.8 million)

Net Profit after tax attributable to members was A\$1.854 million (2001:A\$7.036 million)

Dividend declared of 0.5 cents per share, partially franked to 2.1% - record date 8 May 2003

AUSTNAM COMPANY LTD

Roofing sales were 896,808m³ up 81% on 2001 (495,834m³)

Sales revenue VND 59.6 billion (A\$7.1 million), an increase of 36% on 2001 (VND 43.8 billion)

Net Profit after tax VND 7.5 billion (A\$0.9 million), up 63% on 2001 (VND 4.6 billion)

SSESTEEL LTD

Wire rod production of 100,351 tonnes

Annual sales of 93,840 tonnes (2001: Nil)

Sales revenue VND 402 billion (A\$48 million) (2001: Nil)

Operating loss of VND14.8 billion (A\$1.8 million) and a net loss of VND 26 billion (A\$3.1 million) after a provision for a foreign currency loss on a Euro Loan (VND11.2 billion, A\$1.3 million)

VINAUSTEEL LTD

Steel bar production of 200,379 tonnes, exceeding design capacity (180,000t) by 11%

Annual sales of 193,111 tonnes (2001: 198,285t)

Sales Revenue VND 844 billion (A\$101 million) (2001:VND 815 billion)

Net Profit after tax VND 53 billion (A\$6.4 million) (2001:VND 78 billion)

VRC WELDMESH (VIETNAM) LTD

Sales of 2,109 tonnes up 98% on 2001 (1,065t)

Net loss for the year VND 420 million (A\$0.05 million) (2001:VND 115 million)



VIETNAM INDUSTRIAL INVESTMENTS LIMITED

An investment holding company

investing in the developing economy of Vietnam

Chairman's Report

On reviewing our results for 2002 I can report that it has been a successful but challenging year. The strength of our investments in Vietnam have enabled us to endure the difficult trading conditions faced by the local steel industry and record sales from Vietnamese operations of A\$158 million, up 40% on 2001 (A\$113 million). Since release of our Financial Report to the Australian Stock Exchange on 31 March 2003, the Company has declared a dividend of 0.5 cents per share (partially franked to 2.1%) which is payable to shareholders registered at 8 May 2003.

Our established operations have continued to perform satisfactorily despite increasing raw material costs, depreciation of the Vietnamese Dong and appreciation of the Australian dollar.

Vinausteel's reputation of achieving excellence in quality and service has certainly contributed to its success in these difficult trading times. The efficient management of the capacity of the rolling mill has enabled production in excess of 10% above the plant's design capacity (180,000tpa) for a successive year. The sales and marketing team continuing to sell all we could produce. Vinausteel's turnover was VND 844 billion (A\$101 million) from sales of 193,111 tonnes and net profit after tax was VND 53 billion (A\$6.4 million). Vinausteel has been selected as one of the first participants in the equitisation programme which is in the preliminary stages of development by the Government.

Austnam Company Ltd achieved a record year as it continued to strengthen its share of the steel roofing market. Sales revenue was VND 59.6 billion (A\$7.1 million), an increase of 36% on the previous year (VND 43.8 billion) and net profit after tax was VND 7.5 billion (A\$0.9 million), up 63% on the 2001 result of VND 4.6 billion.

VRC Weldmesh (Vietnam) achieved significant sales growth in 2002, recording sales revenue of VND 14.9 billion (A\$1.8 million) from 2,109 tonnes, an increase of 98% from last year. Although the Company recorded a loss of VND 420 million (A\$0.05 million) in 2002, significant steps have been made into the local construction market.

Our most recent investment, SSESTEEL Ltd has not performed to our expectations. Whilst the Company has benefited from its strategic alliance with Vinausteel by utilising established sales and distribution networks, it recorded an operating loss of VND 14.8 billion (A\$1.8 million) and a net loss of VND 26 billion (A\$3.1 million) after the provision for a foreign currency loss on a Euro loan (VND 11.2 billion, A\$1.3 million). The increase in raw material prices and entry of a number of new manufacturers challenged all participants of the local steel industry. We were amongst the steel producers in Vietnam who have rallied together to seek assistance from the Government to address the impact of the sudden rise in raw material prices. The Board and management have dedicated necessary resources to seeking alternative ways to reduce costs and improve gross margins. It is expected that this hard work will translate into a profitable operation in 2003.

The developing economy of Vietnam has presented us with a number of interesting challenges and investment opportunities. From time to time, the Board examines these opportunities to expand our investments in Vietnam and, in the future, these may not be limited to businesses in the building materials sector.

Our focus continues to be the growth of our industrial group and delivering returns to our shareholders. Although trading conditions in Vietnam are often difficult to estimate we expect that there will be some improvement in 2003, which will reflect positively in the operating results of all our Company's businesses.

I would like to thank my fellow board members for their continued support and efforts and on behalf of the Board, to thank the management and work force of our operations in Vietnam for their dedication, loyalty and hard work.

Simon Lee, AO



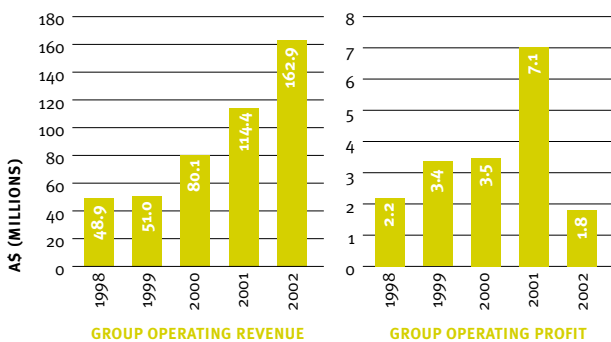
Review of Operations

Vietnam Industrial Investments Limited (“VII”) is an investment holding Company which was formed specifically to invest in the developing economy of Vietnam. Following investment of 9.8 million in seed capital, the Company raised a further 12.5 million by an IPO and was listed on the Australian Stock Exchange in September 1995. Since implementing its first project, VII has acquired another two businesses and implemented a fourth project, without raising further capital.

This review of operations reports on the period under review for the Company and its businesses in Vietnam, Austnam Company Ltd, SSESTEEL Limited, Vinausteel Limited and VRC Weldmesh (Vietnam) Ltd. This is followed by additional information on the legal structure and taxation concessions of the operations. Exchange rates at 31 December 2002 were US\$0.5662/A\$ and VND15,401/US\$ (31 December 2001 : US\$0.5106/A\$ and VND15,083/US\$).

CORPORATE

Group revenues were \$163 million, up 43% on the previous year (2001 : \$114 million) and group operating profit attributable to members were \$1.85 million (2001 : \$7.04 million).



Austnam Company Ltd (VII 68%)

Austnam produces steel roofing, wall cladding and associated materials from its factory in Hanoi. The Company has been in operation for ten years and was the first to introduce these products to North Vietnam. It has maintained an excellent reputation for supplying high quality products.

The Company achieved good growth in 2002 with sales of 896,808 square metres, up 81% on the previous year (495,834m²). Net profit after tax was VND 7.5 billion (A\$0.9 million), an increase of 63% on 2001 (VND 4.6 billion). Growth in 2002 was largely attributable to expansion of product range and new marketing initiatives.

SSESTEEL Ltd (VII 100%)

The group’s most recent investment was the construction of a new rolling mill to produce steel wire rod, a product used extensively in the construction industry for concrete reinforcing. Commercial operations commenced in January 2002.

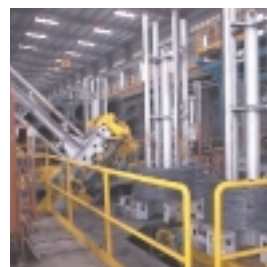
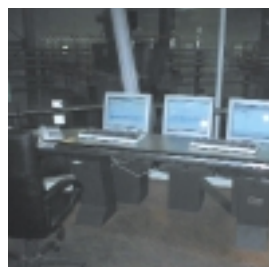
Sales for the year were 93,840 tonnes. Fierce competition amongst steel producers has impacted upon pricing of steel rod and the Company recorded a loss of VND 26 billion (A\$3.1 million) in its first year of operation. Steel wire rod has complemented the group’s range of steel building products and has brought synergies in distribution, sales and marketing.



Austnam roof on new swimming stadium for South-East Asia Games, Hanoi.



An Austnam factory building under construction.



Bottom row: SSESteel’s wire mill in Haiphong, which commenced operations in 2002.



Review of Operations (continued)

VinaSteel Ltd (VII 70%)

VinaSteel has been in operation for 7 years and produces concrete reinforcing steel bar from its factory in Haiphong and distributes its products throughout Vietnam.

The plant has a design capacity of 180,000 tonnes per annum and, with some modification by the Company's engineers and careful production scheduling, the Company produced 200,379 tonnes in 2002, 11% above capacity.

Sales of 193,111 tonnes, slightly lower than the previous year (2001: 198,285t), resulted in revenues of VND 844 billion (A\$101.2 million), an increase of 4% on 2001 (VND 815 billion). Net profit after tax was VND 53 billion (A\$6.4 million) after prior year's adjustments of VND 2 billion, down 32% on the previous best year (2001 : VND 78 billion) due to a number of factors, including an increase in raw material costs and an increased tax rate from 7.5% to 15%. VinaSteel declared dividends of VND 60 billion (VII share: VND 42 billion) consisting of an interim dividend of VND 20 billion and a final dividend of VND 40 billion.

High rise office supplied by VinaSteel.



One of VinaSteel's many distributors supplying the retail trade.



Infrastructure projects are a large part of the group's market.

VRC Weldmesh (Vietnam) Ltd (VII 100%)

The Weldmesh operation, located in Ho Chi Minh City, produces welded steel mesh for concrete reinforcing and welded steel fencing.

Although VRC Weldmesh achieved sales of 2,109 tonnes, an increase of 98% on 2001 (1,065t), the Company reported a loss of VND 420 million (A\$50,000) (2001 loss: VND 115 million). The Company produced a positive cash flow from operations.

The Company will add to its product range in 2003 and is making in-roads into the local construction market.

VIETNAM OPERATIONS – ADDITIONAL INFORMATION

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

Austnam Company Ltd

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

Austnam is a joint venture company established under the Foreign Investment Laws of Vietnam between Parnham Overseas Ltd ("POL") and Hanoi Building Materials Supply Company ("HBMS"). The Investment Licence was issued on 27 April 1992 for a term of 20 years with equity and profit sharing on the following basis:

	Years 1 – 10	Years 11 – 15	Years 16 – 20
POL percentage	73	68	63
HBMS percentage	27	32	37

Austnam receives concessional taxation rates of 19% on profits tax and withholding tax on dividends repatriated at 5%. VII's share of current year profits have decreased from 73% to 68% from May 2002, however VII's share of legal capital, reserves and retained profits remains at 73% in accordance with the terms of the joint venture licence agreement.

VRC Weldmesh operations in Ho Chi Minh City.



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 and 30 August 2000 and 10 November 2001 to enable it to produce steel wire rod for the construction industry. The name of the Company was also amended to SSESTEEL Ltd.

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

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

Withholding tax on dividends repatriated is at a rate of 5%.

Vinausteel Ltd

Vinausteel is a joint venture company incorporated under the Foreign Investment Laws of Vietnam in terms of an Investment Licence issued on 20 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 board of management which comprises of 5 nominees of VII and 2 from VSC.

The joint venture receives concessional taxation rates from the Government of Vietnam on its profits tax as follows:

Term	Taxation Rate
First two profitable years	Nil
Years 3- 6	7.5%
Years 7 – 10	15.0%
Years 11 onwards	25.0%

The Company’s profits tax rate increased from 7.5% to 15.0% from 2002. Withholding tax on dividends paid to VII was 7%, however, in terms of measures introduced by the Government to encourage foreign investment, the Company has received a reduction in the dividend withholding tax rate to 5%.

VRC Weldmesh (Vietnam) Ltd

The Company was established under the Foreign Investments Laws of Vietnam as a 100% foreign invested enterprise in terms of an Investment Licence issued on 19 June 1993, for a term of 15 years.

Its profits tax rate is 23% and its dividend withholding tax rate is 5%.

TAX SPARING

The “tax sparing” arrangements under the Taxation Agreement between Australia and Vietnam have been formalised and included on the listed incentives which are subject to tax sparing are income from business and trading activities established in Vietnam. VII should obtain 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 present their report for the year ended 31 December 2002.

DIRECTORS

The names and details of the directors of the Company in office during the financial year and until the date of this report are:

(a) Names, qualifications, experience and special responsibilities:

Simon Lee, AO

Executive Chairman and Chief Executive Officer

Mr Lee has had extensive management experience with a diverse range of business enterprises in a career that has based him in Asia, England, Canada and Australia. He is the chairman of Equigold NL and of Medical Corporation Australasia Ltd, and was a director of the Bank of Western Australia Ltd, which are public companies listed on Australian Stock Exchange Limited. Mr Lee has held a number of honorary positions which included Board Member of the Australian Trade Commission (AUSTRADE), Chairman of the Western Australian Museum Foundation Trust and President of the Western Australian Chinese Chamber of Commerce Inc. In 1993 he received the Advance Australia Award for his contribution to commerce and industry and in 1994 he was bestowed an Officer of the Order of Australia.

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 was a non-executive director of Equigold NL a public company listed on the Australian Stock Exchange Limited. He is now based in Vietnam and resigned this position during the year. He is a Fellow of the Institute of Corporate Managers, Secretaries and Administrators and immediate past President of the Western Australia-Vietnam Business Council Inc.

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 is the General Director of Vinausteel Ltd and is responsible for the group's operations in Vietnam. He is fluent in Vietnamese and relocated his family to Vietnam in 1996 where he now resides. 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.

Leong Kian Ming

Non-Executive Director

Mr Leong, a resident of Kuala Lumpur, Malaysia, is a Fellow of The Association of Chartered Certified Accountants (ACCA), UK and a member of the Malaysian Institute of Accountants. He has several years experience as Chief Financial Officer of a number of public-listed companies, and is now the Chief Operating Officer and director of Overseas & General Limited. He is a non-executive director of Odin Mining & Exploration Limited, a public company listed on the Toronto Venture Exchange (TSX) and brings additional international experience to the Board.

Dimitri Bacopanos (appointed 1 July 2002)

Non-Executive Director

Mr Bacopanos is a Chartered Accountant and an Associate of the Securities Institute of Australia with broad corporate and professional experience in many industry sectors. Prior to joining the Company, Mr Bacopanos was a partner with an internationally affiliated accounting firm in Corporate Finance. He is also a director of Medical Corporation Australasia Ltd, a public company listed on the Australian Stock Exchange Limited.

Directors were in office from the beginning of the financial year until the date of this report, unless otherwise stated.

(b) Interests in the Shares and Options of the Company and related bodies corporate

At the date of this report, the interests of the directors in the shares and options of the Company and related bodies corporate were :

	Note	Ordinary Shares	Options over Ordinary Shares
Simon Lee	(1)	25,938,226	-
Alan Alexander Young	(2)	2,158,000	1,200,000
Henry Van Hung Lam	(3)	10,396,000	2,800,000
Kian Ming Leong	(4)	13,002,000	150,000
Dimitri Bacopanos		-	-

Notes:

- (1) Mr S. Lee is a director and shareholder of Phoenix Properties International Pty Ltd as trustee for the Wellington Place Property Trust, and a beneficiary of that trust, which trust is the holder of 12,810,000 shares in VII. Mr S. Lee is a director and shareholder of SHL Pty Ltd which company is the holder of 13,128,226 shares in VII.
- (2) Mr A. A. Young is the registered holder of 858,000 shares. Mr A. A. Young is a director and shareholder of Bayrunner Pty Ltd which company is the registered holder of 1,300,000 shares in VII.
- (3) Mr H.V.H. Lam is the beneficial owner of 10,396,000 shares in VII.
- (4) Mr K.M. Leong is an officer of a subsidiary of Land & General Berhad, which company is the registered holder of 13,002,000 shares in VII.

CORPORATE INFORMATION

Corporate Structure

Vietnam Industrial Investments Limited 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 29.

Employees

The consolidated entity employed 593 employees as at 31 December 2002 (2001 : 522 employees)

Nature of Operations and Principal Activities

The principal activity of the consolidated entity during the course of the financial year was investment in Vietnam and the commercial operations at its steel rolling mill in Haiphong , steel roofing factory in Hanoi, steel mesh and fencing factory in Ho Chi Minh City, and operation of a further steel rolling mill to produce and distribute steel wire rod. No change in the nature of those activities has occurred during the period under review.

REVIEW AND RESULTS OF OPERATIONS

The consolidated entity profit after providing for income tax and outside equity interest for the financial year ended 31 December 2002 was \$1,853,854 (2001 profit \$7,036,410).

Vinausteel Limited

The Company holds 70% equity in a steel rolling mill in Haiphong through its shareholding in Vinausteel Limited, a joint venture company incorporated in Vietnam. Vinausteel produces concrete reinforcing steel bar. Sales for 2002 were 193,111 tonnes slightly down on the previous year (198,285 tonnes). Vinausteel reported a net profit of VND 53 billion (A\$6.4 million) (2001 profit: VND 78 billion).

Austnam Company Ltd

The Company holds 68% (reducing to 63% over 15 years) of Austnam Company Ltd, a joint venture company incorporated in Vietnam which manufactures steel roofing and wall cladding materials in Hanoi. Sales for 2002 were 896,808m² up 81% on the previous year (495,834m²). Austnam reported a net profit after tax of VND 7.5 billion (A\$0.9 million) which was up 63% on the 2001 result of VND 4.6 billion.

VRC Weldmesh (Vietnam) Limited

The Company acquired 100% of VRC Weldmesh (Vietnam) Limited at the end of January 1999. The company manufactures steel mesh and wire products serving the construction industry from its factory in Ho Chi Minh City. Sales for the year were 2,109 tonnes, an increase of 98% on year 2001 (1,065 tonnes). The Company reported a loss of VND 420 million (A\$50,000) in 2002 (2001 loss: VND 115 million).

Directors' Report (continued)

SSESTEEL Limited

The Company holds 100% of SSESTEEL Limited which has constructed a new rolling mill in Haiphong to produce steel wire rod. Commercial operations commenced in January 2002.

Sales for the year to date were 93,840 tonnes, producing revenues of VND 402 billion (A\$ 48 million). The Company reported an operating loss of VND 14.8 billion (A\$1.8 million) and a net loss of VND 26 billion (A\$3.1 million) after the provision for a foreign currency loss on a Euro loan (VND 11.2 billion, A\$1.3 million).

DIVIDENDS

The decision regarding the declaration of a final dividend has been postponed pending review of operating results for the first half of 2003 (2001 : \$2,066,400 based on 2 cents per share).

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.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There has not arisen, in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

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:

- Continued commercial production of reinforcing steel at Vinausteel's steel rolling mill in Haiphong, roofing and wall cladding at Austnam's factory in Hanoi, welded steel reinforcing and fencing at VRC's factory in Ho Chi Minh City and commercial production of steel wire rod at SSESTEEL's rolling mill in Haiphong.
- Trading conditions in Vietnam cannot be estimated with any certainty, however, if the same level of economic activity occurs as in 2002, then the Company's businesses there should continue to trade profitably and an improvement in SSESTEEL's operations should result.
- The directors will continue to consider opportunities for growth of the Company's operations in Vietnam by expansion of existing operations and by investment in new projects.

DIRECTORS' AND OTHER EXECUTIVES' EMOLUMENTS

Due to the current level of activity in the Company and structure of the current board, all members of the board participate in remuneration policies and packages applicable to the Board members of the Company. The board remuneration policy is to ensure the remuneration package properly reflects the relevant person's duties and responsibilities; and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. Directors do not receive any performance remuneration.

Details of the nature and amount of each major element of the emoluments of each director of the Company are shown below;

Director	Base emolument	Non-cash benefits	Cash benefits	Superannuation contributions	Other ⁽ⁱ⁾	Total ⁽ⁱⁱ⁾
	\$	\$	\$	\$	\$	\$
S. Lee	75,000	2,429	-	6,000	-	83,429
A. A. Young	131,402	800	19,230	2,000	21,976	175,408
H. V. H. Lam ⁽ⁱ⁾	312,902	-	-	-	102,842	415,744
K. M. Leong	20,000	-	-	-	-	20,000
D. Bacopanos	10,000	-	-	-	-	10,000
	549,304	3,229	19,230	8,000	124,818	704,581

Notes:

- (i) The Company has a Consultancy Agreement with Waterbridge Ltd, an entity related to Mr H.V.H.Lam. Waterbridge Ltd agreed to provide to the Company the service of Mr H.V.H. Lam. Under the terms of this agreement, Waterbridge Ltd has been paid fees of \$65,928 (2001 : \$111,764) and other expenses of \$36,914 (2001 : \$69,727). The Company also incurs other expenses of \$21,976 (2001:Nil) for Mr A.A. Young in relation to his employment in Vietnam.
- (ii) The total does not include any value attributed to the options issued to directors as disclosed in this report.

There are no other executives involved in the management of the operations except those in executive positions in Vietnam.

DIRECTORS' MEETINGS

During the year 3 directors' meetings were held. The number of meetings at which directors were in attendance is as follows:

	No. of meetings held while in office	Meetings attended
S. Lee	3	3
A. A. Young	3	3
H.V. H. Lam	3	3
K. M. Leong	3	2
D. Bacopanos	1	1

SHARE OPTIONS - UNISSUED SHARES

As at the date of this report there were 6,620,000 unissued ordinary shares under options to take up one ordinary share in Vietnam Industrial Investments Limited at an issue price of \$0.20. The options expire on 31 December 2004. Option holders do not have any right, by virtue of the option, to participate in any share issue of the company or any related body corporate or in the interest issue of any other registered scheme.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of the Company support and have adhered to the principles of corporate governance. The Company's corporate governance statement is contained in the additional ASX information section of this annual report.

ENVIRONMENTAL REGULATION

The consolidated entity's operations are not subject to any significant environmental regulations under either 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.

INDEMNIFICATION AND INSURANCE OF DIRECTORS

During the financial year the Company has paid premiums of \$16,631 to indemnify all directors and officers against a liability for costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome and other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information acquired by virtue of their position as such an officer, to gain, directly or indirectly, an advantage for themselves or for any other person or to cause detriment to the Company.

Signed in accordance with a resolution of the directors

ALAN A. YOUNG
Director
Perth, 31 March 2003

Directors' Declaration

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

1. In the opinion of the directors:

- (a) the financial statements and notes, of the Company and of the consolidated entity are in accordance with the Corporations Act 2001, including :
 - i. giving a true and fair view of the financial position of the Company and consolidated entity as at 31 December 2002 and of their performance, for the year ended on that date; and
 - ii. complying with Accounting Standards and 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.

On behalf of the Board

ALAN A. YOUNG
Director
Perth, 31 March 2003

	NOTE	CONSOLIDATED		THE COMPANY	
		2002	2001	2002	2001
		\$	\$	\$	\$
SALES REVENUE	2	158,229,297	112,781,107	-	-
COST OF SALES	2	(140,092,594)	(94,059,580)	-	-
GROSS PROFIT	2	18,136,703	18,721,527	-	-
OTHER REVENUES FROM ORDINARY ACTIVITIES	2	4,744,618	1,568,219	8,905,950	7,002,548
FOREIGN EXCHANGE GAINS & (LOSSES)	2	(1,384,326)	493,388	(7,169)	518,976
BORROWING COSTS EXPENSED	2	(2,805,905)	(269,592)	-	-
OTHER EXPENSES FROM ORDINARY ACTIVITIES	2	(13,306,778)	(9,416,238)	(4,395,784)	(2,243,630)
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		5,384,312	11,097,304	4,502,997	5,277,894
INCOME TAX (EXPENSE)/BENEFIT ATTRIBUTABLE TO ORDINARY ACTIVITIES	3	(1,384,570)	(1,009,786)	8,224	(39,274)
NET PROFIT		3,999,742	10,087,518	4,511,221	5,238,620
NET PROFIT ATTRIBUTABLE TO OUTSIDE EQUITY INTEREST	22	2,145,888	3,051,108	-	-
NET PROFIT ATTRIBUTABLE TO MEMBERS OF Vietnam Industrial Investments Limited	21	1,853,854	7,036,410	4,511,221	5,238,620
NET EXCHANGE DIFFERENCE ON TRANSLATION OF financial report of foreign controlled entity	21	(3,359,907)	549,999	-	-
TOTAL VALUATION ADJUSTMENTS ATTRIBUTABLE TO MEMBERS OF THE COMPANY AND RECOGNISED DIRECTLY IN EQUITY		(3,359,907)	549,999	-	-
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTION WITH OWNERS AS OWNERS		(1,506,053)	7,586,409	4,511,221	5,238,620
Basic earnings per shares (cents per share)	32	1.79	6.81		
Diluted earnings per share (cents per share)	32	1.74	6.62		
Partially franked dividend per share (cents per share)	33	-	0.02		

12 Statement of Financial Position as at 31 December 2002

	NOTE	CONSOLIDATED		THE COMPANY	
		2002	2001	2002	2001
		\$	\$	\$	\$
CURRENT ASSETS					
Cash assets		4,125,467	9,800,405	2,568,976	4,493,085
Receivables	4	16,172,980	9,031,828	3,230,763	1,127,093
Inventories	5	44,656,409	28,422,215	-	-
Other financial assets	6	449,439	978,327	449,439	978,327
Other current assets	7	1,918,066	1,198,499	21,228	19,022
TOTAL CURRENT ASSETS		67,322,361	49,431,274	6,270,406	6,617,527
NON-CURRENT ASSETS					
Receivables	8	-	-	2,287,832	-
Other financial assets	10	1,829,445	97,725	23,419,218	23,003,362
Property plant and equipment	11	34,610,859	40,164,864	36,806	44,301
Other non-current assets	12	275,054	305,930	-	-
Deferred tax assets	13	166,032	166,032	166,032	166,032
TOTAL NON-CURRENT ASSETS		36,881,390	40,734,551	25,909,888	23,213,695
TOTAL ASSETS		104,203,751	90,165,825	32,180,294	29,831,222
CURRENT LIABILITIES					
Payables	14	23,188,657	17,904,300	75,063	138,594
Interest bearing liabilities	15	25,550,483	10,431,656	-	-
Provisions	16	1,723,797	192,906	30,338	62,556
Current tax liabilities	17	257,265	510,316	-	-
TOTAL CURRENT LIABILITIES		50,720,202	29,039,178	105,401	201,150
NON-CURRENT LIABILITIES					
Interest bearing liabilities	18	14,023,713	16,909,797	-	-
Deferred tax liabilities	19	21,046	21,046	21,046	21,046
TOTAL NON-CURRENT LIABILITIES		14,044,759	16,930,843	21,046	21,046
TOTAL LIABILITIES		64,764,961	45,970,021	126,447	222,196
NET ASSETS		39,438,790	44,195,804	32,053,847	29,609,026
EQUITY					
Parent entity interest					
Contributed equity	20	22,057,019	22,057,019	22,057,019	22,057,019
Reserves	21	(1,838,632)	1,366,492	-	-
Retained profits	21	11,917,576	12,501,670	9,996,828	7,552,007
Total parent entity interest in equity		32,135,963	35,925,181	32,053,847	29,609,026
Outside equity interest					
Contributed equity		8,270,623	4,216,556	-	-
Reserves		(899,819)	697,902	-	-
Retained profits		(67,977)	3,356,165	-	-
Total outside equity interest in equity	22	7,302,827	8,270,623	-	-
TOTAL EQUITY		39,438,790	44,195,804	32,053,847	29,609,026

	NOTE	CONSOLIDATED		THE COMPANY	
		2002	2001	2002	2001
		\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		152,035,326	108,832,090	-	-
Payments to suppliers and employees		(163,706,065)	(103,951,207)	(2,417,544)	(787,791)
Interest received		189,700	272,475	116,087	207,813
Borrowing costs		(2,805,488)	(269,586)	-	-
Dividends received		36,500	40,597	4,202,448	5,590,479
Income taxes (paid)/refund		(1,637,621)	(980,632)	8,224	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	23(a)	(15,887,648)	3,943,737	1,909,215	5,010,501
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for investments		(4,705,345)	(995,782)	(3,195,336)	(9,203,501)
Proceeds from sale of investments		3,749,198	1,100,052	3,749,198	1,100,052
Payments for property, plant & equipment		(2,071,769)	(24,076,149)	(3,019)	(3,808)
Proceeds from sale of plant & equipment		12,165	-	-	-
NET CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES		(3,015,750)	(23,971,879)	550,843	(8,107,257)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from bank borrowings		79,989,953	55,856,360	-	-
Repayment of bank borrowings		(62,105,589)	(30,845,987)	-	-
Repayment of borrowings by controlled entity		-	-	-	4,277,659
Loan to controlled entity		-	-	(2,287,832)	-
Payment of dividend		(4,266,964)	(2,533,186)	(2,063,777)	(1,238,658)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES		13,617,400	22,477,187	(4,351,609)	3,039,001
NET INCREASE/(DECREASE) IN CASH HELD		(5,285,999)	2,449,045	(1,891,551)	(57,755)
Add opening cash brought forward		9,800,405	7,243,769	4,493,085	4,514,672
Add exchange rate effect on opening cash balances		(388,939)	107,591	(32,558)	36,168
CLOSING CASH CARRIED FORWARD	23(b)	4,125,467	9,800,405	2,568,976	4,493,085

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with. The financial report has been prepared in accordance with the historical cost convention.

(b) Change in Accounting Policies

The accounting policies adopted are consistent with those of the previous year except for the accounting policy with respect to earnings per share.

The consolidated entity has adopted the revised Accounting Standard AASB 1027 "Earnings Per Share" and has for the first time, determined basic and diluted earnings per share in accordance with the revised Standard. Basic earnings per share (EPS) was previously calculated by dividing the profit from ordinary activities after tax and preference dividends by the weighted average number of ordinary shares outstanding during the financial year. In accordance with the revised AASB 1027, basic EPS is now calculated as net profit attributable to members, adjusted to exclude 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 EPS was previously determined by dividing the profit from ordinary activities after tax and preference adjusted for the effect of earnings on potential ordinary shares, by the weighted average number of ordinary shares (both issued and potentially dilutive) outstanding during the financial year. In accordance with AASB 1027, diluted EPS is now calculated as net profit attributable to members, 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. The revised policy has had no effect on the basic and diluted earnings per share for the 2002 financial year.

(c) Principles of Consolidation

The consolidated financial statements are those of the consolidated entity, comprising Vietnam Industrial Investments Limited (the Company) and all entities which Vietnam Industrial Investments Limited controlled from time to time during the year and at balance date.

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the parent company has control.

Subsidiary acquisitions are accounted for using the purchase method of accounting.

The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

(d) Recoverable Amount

Non-current assets are not carried at an amount above their recoverable amount and where carrying values exceed this recoverable amount assets are written down. In determining recoverable amount the expected net cash flows have not been discounted to their present value using a market determined risk adjusted discount rate.

(e) Property, Plant and Equipment*Cost and valuation*

Items of property, plant and equipment comprising a class of non-current asset are carried at cost.

Depreciation

Depreciation is provided on a straight line basis on all property and plant and equipment.

Major depreciation periods are :

	2002	2001
Buildings on Leasehold Land :	2.5% to 5%	2.5% to 5%
Plant and equipment :	5% to 20%	5% to 20%
Motor Vehicles :	10% to 18%	10% to 18%

(f) Foreign Currencies*Translation of foreign currency transactions*

Foreign currency transactions are converted to Australian dollars at exchange rates prevailing at the dates those transactions occurred. Amounts payable and receivable in foreign currency at balance date are converted to Australian dollars at exchange rates prevailing on that date. Exchange differences arising from the conversion of amounts payable and receivable in foreign currencies are brought to account in determining the profit and loss for the financial year.

Translation of accounts of overseas operations

The accounts of those overseas operations deemed to be self-sustaining as they are financially and operationally independent of Vietnam Industrial Investments Limited, are translated using the current rate method whereby any exchange differences are taken directly to the foreign currency translation reserve.

The accounts of those overseas operations deemed to be integrated operations are translated using the temporal method whereby any exchange differences are taken to the profit and loss.

Hedges

The dividend amounts from the controlled entities, denominated in US dollars, are specifically hedged. Exchange gains or losses on the hedging transaction and the underlying financial transactions have been taken to the profit and loss statement at balance date.

(g) Cash and Cash Equivalents

Cash on hand and in banks and short term deposits are stated at nominal value. For the purpose of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investment readily convertible to cash within two working days, net of outstanding bank overdrafts.

(h) Trade and Other Receivables

The accounting policies adopted in relation to trade and other receivables are set out in Note 34.

(i) 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; and
- Finished goods – cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity

other than in Vinausteel Ltd and SSESTEEL Ltd where the cost is determined using the ‘moving average’ method. Net realisable value represents the estimated selling price less anticipated costs of disposal and after making provision for damaged and slow-moving items.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(j) Loans and Borrowings

The accounting policies adopted in relation to loans and borrowings are set out in Note 34.

(k) Employee Entitlements

Provision is made for employee entitlement benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, sick leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts. All other employee entitlement liabilities are measured at the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the interest rates attaching to government guaranteed securities which have terms to maturity approximating the terms of the related liability are used.

Employee entitlement expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave entitlements; and
- other types of employee entitlements

are charged against profits on a net basis in their respective categories.

The value of the Share Option Plan described in Note 30 is not being charged as an employee entitlement expense.

(l) Trade and Other Payables

The accounting policies adopted in relation to trade and other payables are set out in Note 34.

(m) Other Non Current Assets

Goodwill

Goodwill is amortised by the straight line method over the period during which benefits are expected to be received. This is taken as being 16 years in the case of Austnam Company Ltd, 20 years in the case of Vinausteel Limited.

Expenditure carried forward

Significant items of carry forward expenditure, such as start-up costs and project feasibility costs having benefit or relationship to more than one period, are capitalised and are written off over the periods to which such expenditure relates.

(n) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised :

Sale of Goods

Control of the goods has passed to the buyer

Interest

Control of a right to receive the interest payment.

Dividends

Dividend income is recognised when received.

(o) Derivative Financial Instruments

The accounting policies adopted in relation to financial instruments are set out in Note 34.

(p) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

The lease incentive liability in relation to the non-cancellable operating lease is being reduced on an imputed interest basis over the lease term (5 years) at the interest rate implicit in the lease.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

The lease liability in relation to the non-cancellable operating lease and Land Rental Leases are set out in Note 24.

(q) Investments

Current investments which are marketable securities are carried at the lower of cost or net market value. Diminution in the costs are recognised as revenue or expense in the profit and loss for the period. All non-current investments are carried at the lower of cost and recoverable amount.

(r) Taxes*Income Taxes*

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the accounts and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Goods and Services Tax (GST) and Value Added Tax (VAT)

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

- where the GST/VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST/VAT 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/VAT included.

The net amount of GST/VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST/VAT 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/VAT recoverable from, or payable to, the taxation authority.

(s) Earnings per Share

Basic EPS is calculated as net profit attributable to members, adjusted to exclude 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 EPS is calculated as net profit attributable to members, 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.

(t) Provisions

Dividends payable are recognised when a legal obligation to pay the dividend arises, which in the case of the Company, is when the Board releases the information to the Australian Stock Exchange.

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

(u) Construction in Progress

The cost of construction in progress comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing the steel plant to working condition for its intended use. The borrowing costs that are directly attributable to the construction of the steel plant are included in the costs of the steel plant. The amount of borrowing costs eligible for capitalisation on the steel plant are determined as the actual borrowing costs incurred on that borrowing during the year less any investment income on the temporary investment of those borrowings.

Administrative expenses and other general overhead costs that are directly attributed to the construction in progress are capitalised as part of the construction in progress.

(v) Contributed Equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(w) Comparatives

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

	NOTE	CONSOLIDATED		THE COMPANY	
		2002	2001	2002	2001
		\$	\$	\$	\$
2. PROFIT FROM ORDINARY ACTIVITIES					
Profit from ordinary activities before income tax is arrived at after taking into account :					
Revenues from operating activities					
(a) Revenue from sale of goods		158,229,297	112,781,107	-	-
(b) Cost of sales		(140,092,594)	(94,059,580)	-	-
Gross profit		18,136,703	18,721,527	-	-
Revenues from non-operating activities					
(c) Other revenues from ordinary activities					
- Dividend received					
Related parties					
(Partly-owned controlled entities)		-	-	4,926,829	5,619,722
Other corporations		36,500	40,597	36,500	40,597
- Interest received					
Other corporations		189,700	272,475	116,087	207,813
- Proceeds from sale of investments		3,749,198	1,100,052	3,749,198	1,100,052
- Proceeds from sale of plant & equipment		12,165	-	-	-
- Other income		757,055	155,095	77,336	34,364
		4,744,618	1,568,219	8,905,950	7,002,548
(d) Foreign exchange gains and (losses)					
- Unrealised foreign exchange gain/(loss)		(1,483,662)	502,112	(140,226)	552,654
- Realised foreign currency gain/(loss)		99,336	(8,724)	133,057	(33,678)
		(1,384,326)	493,388	(7,169)	518,976
(e) Borrowing costs					
- Interest paid		(2,805,905)	(1,195,721)	-	-
- Interest capitalised	11(b)	-	926,129	-	-
		(2,805,905)	(269,592)	-	-

	CONSOLIDATED		THE COMPANY	
	2002	2001	2002	2001
	\$	\$	\$	\$
2. PROFIT FROM ORDINARY ACTIVITIES (CONT.)				
(f) Other expenses from ordinary activities				
- Administration	(6,925,739)	(4,486,879)	(4,251,513)	(2,524,449)
- Selling	(3,839,337)	(3,399,854)	-	-
- Depreciation of non-current assets;				
Plant and equipment	(1,508,014)	(1,055,471)	(9,821)	(15,135)
Buildings	(488,591)	(280,549)	-	-
Motor vehicles	(118,737)	(100,381)	-	-
- Amortisation of goodwill	(18,584)	(18,584)	-	-
- Diminution in value of investments (provided for)/written back	(16,165)	359,713	(16,165)	359,713
- Bad and doubtful debts – trade debtors	(63,762)	(45,962)	-	-
- Decrement in value of inventories	(155,052)	(27,342)	-	-
- Operating lease rentals	(156,106)	(339,637)	(118,285)	(63,759)
- Amortisation of Preliminary feasibility expenses	(16,691)	(21,292)	-	-
	(13,306,778)	(9,416,238)	(4,395,784)	(2,243,630)
Profit from ordinary activities before income tax	5,384,312	11,097,304	4,502,997	5,277,894
(g) Other gains and (losses)				
- Net profit/(loss) on sale of investments	456,995	(452,429)	456,995	(452,429)
- Net loss on sale of plant & equipment	(693)	(5,163)	(693)	(5,163)
	456,302	(457,592)	456,302	(457,592)

3. INCOME TAX

The prima facie tax, using tax rates applicable in the country of operation on operating profit differs from the income tax provided in the financial statements as follows:

Prima facie tax on profit from ordinary activities using applicable tax rates	865,632	669,629	1,350,899	1,794,484
Tax effect of permanent differences:				
Non-deductible expenditure	165,484	113,076	171,692	85,603
Non-assessable income	4,547	(122,302)	(1,474,037)	(2,033,008)
Tax differences on overseas operations	749,662	3,103,454	-	-
Income tax expense attributable to operating profit for current year	1,785,325	3,763,857	48,554	(152,921)
Future income tax benefit arising from tax losses	-	50,046	-	50,046
Unrecorded future income tax benefit arising from tax losses which could be recouped	-	366,686	-	366,686
Over provision of previous year	(400,755)	(3,170,803)	(56,778)	(224,537)
Total income tax provided on operating profit	1,384,570	1,009,786	(8,224)	39,274

The future income tax benefit will only be obtained if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation continue to be complied with; and
- no changes in tax legislation adversely affect the consolidated entity in realising the benefit.

	CONSOLIDATED		THE COMPANY	
	2002	2001	2002	2001
	\$	\$	\$	\$
4. RECEIVABLES (CURRENT)				
Trade debtors	15,241,936	9,047,965	-	-
Provision for doubtful debts	(155,227)	(91,465)	-	-
	15,086,709	8,956,500	-	-
Other debtors	1,086,271	75,328	86,065	65,640
Amounts receivable from related parties :				
Controlled entities	-	-	2,382,087	1,061,453
Dividends receivable from controlled entity	-	-	762,611	-
	16,172,980	9,031,828	3,230,763	1,127,093
Movement In Provision for Doubtful Debts				
Balance at beginning of year	(91,465)	(45,503)	-	-
Doubtful debts provided for during the year	(63,762)	(45,962)	-	-
Balance at end of year	(155,227)	(91,465)	-	-
5. INVENTORIES				
Finished goods at cost	21,917,358	8,181,611	-	-
Provision for slow moving stock	(243,756)	(88,704)	-	-
	21,673,602	8,092,907	-	-
Raw materials at cost	22,982,807	20,329,308	-	-
Total inventories at lower of cost and net realisable value	44,656,409	28,422,215	-	-

The group's operating subsidiaries in Vietnam have banking facilities which facilitate the importation of raw materials and finished goods and are secured by finished goods and raw materials.

	CONSOLIDATED		THE COMPANY	
	2002	2001	2002	2001
	\$	\$	\$	\$
6. OTHER FINANCIAL ASSETS (CURRENT)				
Investments at cost comprise				
Shares listed on a prescribed stock exchange	465,604	978,327	465,604	978,327
Provision for diminution on listed shares	(16,165)	-	(16,165)	-
	449,439	978,327	449,439	978,327
Aggregate quoted market value of shares listed on a prescribed stock exchange	463,844	1,190,500	463,844	1,190,500
7. OTHER CURRENT ASSETS				
Prepayments	1,795,295	970,932	21,228	19,022
Advances to staff	122,771	227,567	-	-
	1,918,066	1,198,499	21,228	19,022
8. RECEIVABLES (NON-CURRENT)				
Related parties:				
Loan to controlled entity	-	-	2,287,832	-
9. AMOUNTS PAYABLE/RECEIVABLE IN FOREIGN CURRENCY				
The Australian dollar equivalents of unhedged amounts payable or receivable in foreign currencies, calculated at year end exchange rates are as follows:				
Vietnamese Dong				
Amounts payable - current	47,499,484	25,259,641	-	-
Amounts payable - non current	8,133,482	9,025,889	-	-
Amounts receivable - current	16,205,460	8,956,500	-	-
United States Dollars				
Amounts payable - current	-	2,937,721	-	-
Amounts payable - non current	-	1,144,624	-	-
Amounts receivable - current	-	-	2,287,832	-
Euro				
Amounts payable - non current	5,890,231	6,739,284	-	-

	CONSOLIDATED		THE COMPANY	
	2002	2001	2002	2001
	\$	\$	\$	\$
10. OTHER FINANCIAL ASSETS (NON-CURRENT)				
Investments at cost comprise				
Unlisted controlled entities	-	-	23,419,218	23,003,362
Other unlisted entities	1,829,445	97,725	-	-
	1,829,445	97,725	23,419,218	23,003,362

Investment in controlled entities

Investment in controlled entities comprises

Name	Country of Incorporation	Beneficial percentage of ordinary shares held by Consolidated entity		Amount of VII Investment	
		2002	2001	2002	2001
		%	%	\$	\$
Vietnam Industrial Investments Limited	Australia				
Vinausteel Limited (i) (viii)	Vietnam	70	70	12,554,028	12,554,028
Austnam Company Ltd (ii) (viii)	Vietnam	73	73	-	-
VRC Weldmesh (Vietnam) Ltd (iii) (viii)	Vietnam	100	100	-	-
Structure Steel Engineering Pte Ltd (iv) (ix)	Singapore	100	100	9,078,755	9,078,755
SSESTEEL Ltd (iv) (viii)	Vietnam	100	100	-	-
Ausviet Industrial Investments Ltd (v) (ix)	Singapore	100	100	1,131,264	1,131,264
Vietnam Projects (Singapore) Pte Ltd (vi) (ix)	Singapore	100	100	655,169	239,313
Vietnam Property Development Pte Ltd (vii) (ix)	Singapore	100	100	2	2
				23,419,218	23,003,362

(i) Vinausteel Limited is a joint venture company established under the Foreign Investment Law of Vietnam. Vietnam Industrial Investments Limited has a 70 per cent interest in the legal capital of Vinausteel Limited 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.

Vietnam Industrial Investments Limited 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 Limited.

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:

- Vietnam Industrial Investments Limited provided loan funds to the Joint Venturers to enable them to contribute their equity requirements, and
- Vietnam Industrial Investments Limited is entitled to 70 per cent of the after tax profits derived by Vinausteel Limited,

it is considered that Vietnam Industrial Investments Limited has the capacity to enjoy the majority of benefits and is exposed to the majority of risks in respect to Vinausteel Limited and therefore Vinausteel Limited has been treated as a controlled entity for the purpose of preparing the financial statements of the Vietnam Industrial Investments Limited entity.

10. OTHER FINANCIAL ASSETS (NON-CURRENT) (CONT.)

- (ii) Austnam Company Ltd is a joint venture company established under the Foreign Investments Laws of Vietnam between Parnham Overseas Ltd and Hanoi Building Materials Supply Company.

Vietnam Industrial Investments Limited acquired a 73% equity interest in Austnam Company Ltd. in January 1997. From May 2002, VII reduced its share of current year profits to 68% however maintained its 73% share of legal capital, reserves and retained profits.

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

- (iii) On 31 January 1999, Vietnam Projects (Singapore) Pte Ltd, a wholly owned subsidiary of Vietnam Industrial Investments Limited, acquired VRC Weldmesh (Vietnam) Ltd from BRC Asia Pte Ltd. VRC holds a 100% foreign owned investment licence.

There is a letter of support in place from Vietnam Industrial Investments Limited for these wholly owned subsidiaries.

- (iv) Structure Steel Engineering Pte Ltd is a company incorporated in Singapore for the purposes of holding the investment in SSESTEEL Ltd.

Vietnam Industrial Investments Limited is entitled to 100 per cent of the after tax profit derived by Structure Steel Engineering Pte Ltd and SSESTEEL Ltd.

- (v) Ausviet Industrial Investments Pte Ltd is a wholly owned subsidiary of Vietnam Industrial Investments Limited, which holds the investment in Austnam Company Ltd.

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

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

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

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

	CONSOLIDATED		THE COMPANY	
	2002	2001	2002	2001
	\$	\$	\$	\$
11. PROPERTY, PLANT AND EQUIPMENT				
Buildings on leasehold land				
At cost	9,020,032	10,048,993	-	-
Provision for depreciation	(1,961,062)	(1,717,427)	-	-
Total buildings	7,058,970	8,331,566	-	-
Plant and equipment				
At cost	34,813,169	38,036,580	84,272	83,733
Provision for depreciation	(7,807,831)	(6,555,136)	(47,466)	(39,432)
Total plant and equipment	27,005,338	31,481,444	36,806	44,301
Motor vehicles				
At cost	1,091,364	832,763	-	-
Provision for depreciation	(544,813)	(527,996)	-	-
Total motor vehicles	546,551	304,767	-	-
Construction in progress				
At cost	-	47,087	-	-
Total property, plant and equipment at cost	44,924,565	48,965,424	84,272	83,733
Provision for depreciation	(10,313,706)	(8,800,560)	(47,466)	(39,432)
Total written-down amount	34,610,859	40,164,864	36,806	44,301

(a) Reconciliations

Reconciliations of the carrying amounts of buildings on leasehold land at the beginning and end of the current and previous financial year.

Buildings on leasehold land

Carrying amount at beginning	8,331,566	3,287,523	-	-
Additions	21,976	5,012,575	-	-
Depreciation expense	(488,591)	(280,549)	-	-
Net foreign currency movements arising from self-sustaining foreign operation	(805,981)	(561,353)	-	-
Transfer from construction in progress	-	873,370	-	-
	7,058,970	8,331,566	-	-

Vinausteel Limited has been granted the lease of the land encompassing the steel mill operations for a period of thirty years from the date of issue of the Investment Licence. SSESTEEL Ltd has been granted a lease on the land on which the steel mill operations are situated, for the duration of the Investment Licence.

	CONSOLIDATED		THE COMPANY	
	2002	2001	2002	2001
	\$	\$	\$	\$
(a) Reconciliation (cont.)				
Plant and equipment				
Carrying amount at beginning	31,481,444	6,565,821	44,301	60,791
Additions	1,614,791	18,774,726	3,019	3,808
Disposals	(693)	(5,163)	(693)	(5,163)
Net foreign currency movements arising from self-sustaining foreign operation	(4,629,277)	121,632	-	-
Capitalised interest	-	926,129	-	-
Depreciation expense	(1,508,014)	(1,055,471)	(9,821)	(15,135)
Transfer from construction in progress	47,087	6,153,770	-	-
	27,005,338	31,481,444	36,806	44,301
Motor vehicles				
Carrying amount at beginning	304,767	102,875	-	-
Additions	435,001	288,848	-	-
Depreciation expense	(118,737)	(100,381)	-	-
Net foreign currency movements arising from self-sustaining foreign operation	(74,480)	13,425	-	-
	546,551	304,767	-	-
Construction in progress				
Carrying amount at beginning	47,087	7,074,227	-	-
Transfer to buildings on leasehold land	-	(873,370)	-	-
Transfer to plant and equipment	(47,087)	(6,153,770)	-	-
	-	47,087	-	-

Construction in progress related to civil and mechanical works, administrative expenses and borrowing costs directly related to the construction of a steel mill in Haiphong in 2001.

(b) Capitalised costs

Included in plant and equipment in 2001 were capitalised amounts of borrowing costs. These costs were capitalised at a rate of 3% and were of the following amount:

	-	926,129	-	-
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	CONSOLIDATED		THE COMPANY	
	2002	2001	2002	2001
	\$	\$	\$	\$
12. OTHER NON-CURRENT ASSETS				
Preliminary and feasibility expenses at cost	525,951	580,749	-	-
Accumulated amortisation	(460,422)	(502,928)	-	-
	65,529	77,821	-	-
Goodwill	321,029	321,029	-	-
Accumulated amortisation	(111,504)	(92,920)	-	-
	209,525	228,109	-	-
	275,054	305,930	-	-
13. DEFERRED TAX ASSETS				
Future income tax benefit	166,032	166,032	166,032	166,032
14. PAYABLES				
Trade creditors	21,311,696	17,128,409	75,063	138,594
Fees and expenses	556,574	559,701	-	-
Advances from customers	35,692	3,636	-	-
Sundry creditors	1,284,695	212,554	-	-
	23,188,657	17,904,300	75,063	138,594
15. INTEREST BEARING LIABILITIES (CURRENT)				
Borrowings – bank (secured)	24,372,434	10,431,656	-	-
Borrowings – other (secured)	1,178,049	-	-	-
	25,550,483	10,431,656	-	-

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 of machinery, equipment and inventories of the subsidiaries and in certain instances, by the guarantee of Vietnam Industrial Investments Ltd of US\$13 million (2001 : US\$13 million). The group's operating subsidiaries also have finance facilities amounting to Euro 3.84 million (A\$6.5 million) with its main supplier of machinery and equipment to finance the purchase of machinery and equipment from this company. Refer Note 18.

	NOTE	CONSOLIDATED		THE COMPANY	
		2002	2001	2002	2001
		\$	\$	\$	\$
16. PROVISIONS (CURRENT)					
Dividend		1,425,500	2,628	5,250	2,628
Employee entitlements	30	298,297	190,278	25,088	59,928
		1,723,797	192,906	30,338	62,556

Included in the provision for dividend is \$1,420,250 representing the outside equity interest's share of the dividend declared but not yet paid by controlled entities.

28 Notes to and Forming Part of the Accounts for the year ended 31 December 2002 (cont.)

	CONSOLIDATED		THE COMPANY	
	2002	2001	2002	2001
	\$	\$	\$	\$
17. CURRENT TAX LIABILITIES				
Provision for income tax	257,265	510,316	-	-
18. INTEREST BEARING LIABILITIES (NON-CURRENT)				
Borrowings – bank (secured)	8,133,482	10,170,513	-	-
Borrowings – other (secured)	5,890,231	6,739,284	-	-
	14,023,713	16,909,797	-	-

Details of security over these facilities are outlined at Note 15.

19. DEFERRED TAX LIABILITIES				
Provision for income tax	21,046	21,046	21,046	21,046
20. SHARE CAPITAL				
(a) Issued and paid up capital				
103,320,002 fully paid ordinary shares (2001: 103,320,002 fully paid ordinary shares)	22,057,019	22,057,019	22,057,019	22,057,019

(b) Share Options

Options over ordinary shares

Employee share plan

There are currently 6,620,000 options issued over ordinary shares, exercisable on or before 31 December 2004 at an exercise price of twenty cents. Details are provided in Note 30.

(c) Terms and Conditions of Contributed Equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

	CONSOLIDATED		THE COMPANY	
	2002	2001	2002	2001
	\$	\$	\$	\$
21. RESERVES AND RETAINED PROFITS				
Foreign currency translation	(3,081,891)	278,016	-	-
Legal	916,034	820,127	-	-
Other	327,225	268,349	-	-
	(1,838,632)	1,366,492	-	-
Foreign currency translation				
(i) Nature and purpose of reserve				
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of self-sustaining foreign operations				
(ii) Movements in reserve				
• balance at beginning of year	278,016	(271,983)	-	-
• gain/(loss) on translation of overseas controlled entities	(3,359,907)	549,999	-	-
Balance at end of year	(3,081,891)	278,016	-	-
Legal				
(i) Nature and purpose of reserve				
Under the Joint Venture Charter, 5% of operating profit after tax and transfer to other reserves, is appropriated to the legal reserve up to a maximum of 10% of invested capital of the enterprise. At the present time, there are no rules specifying the use that can be made of the reserve.				
(ii) Movements in reserve				
• balance at beginning of year	820,127	574,038	-	-
• appropriation of profit	194,111	396,465	-	-
• appropriation of profit attributable to outside equity interest	(98,204)	(150,376)	-	-
Balance at end of year	916,034	820,127	-	-

	CONSOLIDATED		THE COMPANY	
	2002	2001	2002	2001
	\$	\$	\$	\$
21. RESERVES AND RETAINED PROFITS (CONT.)				
Other				
(i) Nature and purpose of reserve				
Under Vietnamese Law, funds are required to be appropriated to reserves for the purposes of a retrenchment, bonus and welfare fund.				
(ii) Movements in reserve				
• balance at beginning of year	268,349	217,651	-	-
• appropriation of profit from reserve	72,136	72,424	-	-
• appropriation of profit attributable to outside equity interest	(13,260)	(21,726)	-	-
Balance at end of year	327,225	268,349	-	-
Retained profits at the beginning of the financial year	12,501,670	6,038,937	7,552,007	2,313,387
Net profit attributable to members of the Company	1,853,854	7,036,410	4,511,221	5,238,620
Total available for appropriation	14,355,524	13,075,347	12,063,228	7,552,007
Dividend provided for or paid	(2,066,400)	-	(2,066,400)	-
Aggregate of amounts transferred to reserves	(371,548)	(573,677)	-	-
	(2,437,948)	(573,677)	(2,066,400)	-
Accumulated profits at the end of the financial year	11,917,576	12,501,670	9,996,828	7,552,007

22. OUTSIDE EQUITY INTEREST

Reconciliation of outside equity interest in				
Controlled entities :				
Balance at beginning of year	8,270,623	6,397,942	-	-
Add share of operating profit	2,145,888	3,051,108	-	-
Less distribution of profit by dividend	(2,213,865)	(1,337,655)	-	-
Add share of reserves of controlled entity	(899,819)	159,228	-	-
Balance at end of year	7,302,827	8,270,623	-	-

CONSOLIDATED

THE COMPANY

2002

2001

2002

2001

\$

\$

\$

\$

23. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of the operating profit after tax to the net cash flows from operations

Profit from ordinary activities after tax	3,999,742	10,087,517	4,511,221	5,238,620
Non cash items :				
Depreciation and amortisation	2,150,617	1,454,985	9,821	15,135
Unrealised foreign exchange loss/(gain)	1,483,662	(502,112)	140,226	(552,654)
Amounts set aside to provisions	75,741	(219,161)	16,693	(292,465)
(Profit)/Loss on sale of investments	(456,995)	452,429	(456,995)	452,429
Loss on sale of plant and equipment	693	5,163	693	5,163
Dividend received from controlled entity	-	-	-	(2,878,967)
Transfer to reserves attributable to outside equity interest	(216,764)	(276,891)	-	-
Changes in assets and liabilities				
Receivables	(8,685,663)	(3,626,361)	(2,211,338)	2,950,059
Inventories	(17,506,327)	(13,799,336)	-	-
Other current assets	(882,969)	(540,681)	(2,206)	(19,022)
Other non-current assets	(25,285)	5,037	-	-
Accounts payable	6,078,279	12,515,360	(63,532)	92,203
Provisions	27,923	(496,380)	(35,368)	-
Other current liabilities	1,181,588	62,857	-	-
Other non-current liabilities	1,793	(262)	-	-
Outside equity interest	(3,113,683)	(1,178,427)	-	-
Net cash flow from operating activities	(15,887,648)	3,943,737	1,909,215	5,010,501

(b) Reconciliation of cash

Cash balance comprises				
- cash on hand	2,339,494	5,656,632	783,003	349,312
- short term deposits	1,785,973	4,143,773	1,785,973	4,143,773
	4,125,467	9,800,405	2,568,976	4,493,085

(c) Financing Facilities Available

The group's operating subsidiaries had no outstanding letters of credit amount under bank facilities for the importation of raw materials and machinery (2001 US\$1.1 million). At balance date, the group had financing facilities available totalling approximately US\$30 million (2001:US\$24 million) of which A\$39 million (2001:A\$27 million) has been used and A\$14 million (2001: A\$20 million) is unused.

	CONSOLIDATED		THE COMPANY	
	2002	2001	2002	2001
	\$	\$	\$	\$
24. EXPENDITURE COMMITMENTS				
Lease expenditure commitments				
(i) Operating leases				
- not later than one year	67,486	67,764	67,486	67,764
- later than one year and not later than five years	-	82,305	-	82,305
	67,486	150,069	-	150,069

These commitments represent payments due for leased premises over a remaining term of 2 years.

(ii) Land rental fees – controlled entities				
- not later than one year	293,096	269,512	-	-
- later than one year and not later than five years	1,116,915	1,078,047	-	-
- later than five years	4,220,629	3,750,969	-	-
	5,630,640	5,098,528	-	-

These commitments represent payments due by the group's operating subsidiaries in Vietnam for leasehold land over remaining terms ranging from 4 to 25 years.

25. CONTINGENT LIABILITIES

The Company has provided security to various banks for banking facilities provided to Vinausteel Ltd and SSESTEEL Ltd in the form of letters of guarantee totalling US\$13 million (A\$23 million) (2001: US\$13 million) and security to the supplier of machinery and equipment to SSESTEEL Ltd in the form of a letter of guarantee totalling Euro 3.84 million (A\$6.5 million) (2001: Euro 3.84 million).

	CONSOLIDATED		THE COMPANY	
	2002	2001	2002	2001
	\$	\$	\$	\$

26. REMUNERATION OF DIRECTORS

Income paid or payable, or otherwise made available, in respect of the financial year to all the directors of each entity in the consolidated entity directly or indirectly, by entities of which they are directors or any related party:

704,581 797,372

Income paid or payable, or otherwise made available, in respect of the financial year, to all the directors of Vietnam Industrial Investments Limited directly or indirectly, from the entity or any related party:

704,581 797,372

The number of directors of Vietnam Industrial Investments Limited whose income (including superannuation contributions) falls within the following bands is:

	2002	2001
\$10,000 - \$19,999	1	-
\$20,000 - \$29,999	1	1
\$80,000 - \$89,999	1	-
\$130,000 - \$139,999	-	1
\$140,000 - \$149,999	-	1
\$170,000 - \$179,999	1	-
\$410,000 - \$419,999	1	-
\$480,000 - \$489,999	-	1

27. REMUNERATION OF EXECUTIVES

Remuneration received or due and receivable by executive officers of the consolidated entity whose remuneration is \$100,000 or more, from entities in the controlled entity or a related party, in connection with the management of the affairs of the entities in the consolidated entity but excluding amounts paid to an executive officer where that person worked wholly outside Australia during the year:

- 288,800

Remuneration received or due and receivable by executive officers of the Company whose remuneration is \$100,000 or more, from the Company or any related party, in connection with the management of the affairs of the Company or any of its subsidiaries:

- 288,800

	CONSOLIDATED		THE COMPANY	
	2002	2001	2002	2001
	No.	No.	No.	No.

The number of executives of the consolidated entity and the Company whose remuneration falls within the following bands:

\$130,000 - \$139,999	-	1	-	1
\$140,000 - \$149,999	-	1	-	1

In the opinion of directors, remuneration paid to executives are considered reasonable.

CONSOLIDATED		THE COMPANY	
2002	2001	2002	2001
\$	\$	\$	\$

28. AUDITOR'S REMUNERATION

Amounts received or due and receivable by the auditors, of Vietnam Industrial Investments Limited for:

• an audit or review of the financial report of the entity and any other entity in the consolidated entity	52,050	44,172	52,050	44,172
• other services in relation to the entity and any other entity in the consolidated entity	18,785	35,633	18,785	35,633
	70,835	79,805	70,835	79,805

Amounts received or due and receivable by other member firms of Ernst & Young International:

• an audit or review of the financial report of the entity and any other entity in the consolidated entity	53,921	54,801	-	-
• other services in relation to the entity and any other entity in the consolidated entity	-	940	-	-
	53,921	55,741	-	-

Amounts received or due and receivable by auditors other than the auditor of Vietnam Industrial Investments Limited for:

• an audit or review of the financial report of subsidiary entities	12,132	6,547	-	-
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29. RELATED PARTY DISCLOSURES

(a) The directors of Vietnam Industrial Investments Limited during the financial year were:

Mr S. Lee
 Mr A. A. Young
 Mr H.V.H. Lam
 Mr K.M. Leong
 Mr D. Bacopanos

(b) The following related party transactions occurred during the financial year :

(i) Transactions with related parties in wholly owned group.

1. The Company, has provided an interest free loan of \$292,306 (2001 : \$129,524) via its wholly owned subsidiary, Vietnam Projects (Singapore) Pte Ltd, to VRC Weldmesh (Vietnam) Ltd for working capital requirements. These funds are subject to a letter of support from the Company.
2. The Company provided an interest bearing loan of US\$1,295,370 (A\$2,287,832) (2001: \$Nil) to SSESTEEL Ltd for working capital requirements.
3. The Company, has paid for corporate expenses totalling \$128,972 (2001 : \$168,594) on behalf of its controlled entities.

(ii) Transactions with director-related entities.

The Company has a Consultancy Agreement with Waterbridge Ltd, an entity related to Mr H.V.H.Lam. Waterbridge Ltd agreed to provide to the Company the service of Mr H.V.H. Lam. Under the terms of this agreement, Waterbridge Ltd has been paid fees of \$65,928 (2001 : \$181,491). The services were made under normal commercial terms and conditions.

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



* In May 2002, Vietnam Industrial Investments share of current year profits from Austnam decreased from 73% to 68%, however Vietnam Industrial Investments maintained its 73% equity share of legal capital, reserves and retained profits in accordance with the terms of the joint venture licence agreement.

(d) Interest in the equity investments of entities in the consolidated entity held by directors of the reporting entity and their director-related entities as at 31 December 2002, being the number of instruments held;

Vietnam Industrial Investments Limited

Directors	Note	Ordinary Shares	Options over Ordinary Shares
K.M. Leong	(1)	13,002,000	150,000
H.V.H. Lam	(2)	10,396,000	2,800,000
S. Lee	(3)	28,493,893	-
A. A. Young	(4)	2,158,000	1,200,000
D. Bacopanos		-	-

Notes:

- (1) Mr K.M. Leong is an officer of a subsidiary of Land & General Berhad, which company is the registered holder, of 13,002,000 shares in VII.
- (2) Mr H.V.H. Lam is the beneficial owner of 10,396,000 shares.
- (3) Mr S. Lee is a director and shareholder of Phoenix Properties International Pty Ltd as trustee for the Wellington Place Property Trust, and a beneficiary of that trust, which trust is the holder of 12,810,000 shares in VII. Mr S. Lee is a director and shareholder of SHL Pty Ltd which company is the holder of 15,683,893 shares in VII.
- (4) Mr A. A. Young is the registered holder of 858,000 shares. Mr A.A. Young is a director and shareholder of Bayrunner Pty Ltd which company is the registered holder of 1,300,000 shares in VII.

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. Refer Note 30 for details regarding the Company's Share Option Plan implemented during the year.

	NOTE	CONSOLIDATED		THE COMPANY	
		2002	2001	2002	2001
		\$	\$	\$	\$

30. EMPLOYMENT ENTITLEMENTS

Aggregate employee entitlement liability is comprised of :

Provisions (current)	16	298,297	190,278	25,088	59,928
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Share Option Plan

The Company has a Share Option Plan for directors, executives and employees of the Company and related bodies corporate.

The plan is designed as part of remuneration planning for directors and executives and as an incentive to motivate officers of the Company and to generate loyalty from senior employees. All current directors, executives and employees of the Company and its related corporations may be selected by the Board to participate in the plan.

A total of seven million options may be granted under the plan. There are currently, 6,620,000 options issued to participants. The options issued can be exercised on or before 31 December 2004 at an exercise price of twenty cents. At balance date all these options remained on issue under the Plan. No options have been exercised up to 31 December 2002 and accordingly, no amount has been received or is due and receivable from holders of the options.

The market value of VII shares closed at \$0.37 on 31 December 2002 (2001 : \$0.49).

No other equities in any of the entities within the consolidated entity were acquired by or issued to employees during the year in relation to any other ownership based remuneration plan.

31. SEGMENT INFORMATION

Geographical segments

The consolidated entity operated predominantly in two geographical areas - Australia and Vietnam. The manufacturing operations comprise the production and sale of concrete reinforcement steel bar, steel mesh and wire rod, cold rolled steel roofing, wall cladding materials and steel fencing for the construction industry. There were no intersegment sales.

	AUSTRALIA		VIETNAM		ELIMINATIONS		CONSOLIDATED	
	2002	2001	2002	2001	2002	2001	2002	2001
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Sales revenue	-	-	158,229,297	112,781,107	-	-	158,229,297	112,781,107
Interest revenue	116,087	207,813	73,613	64,662	-	-	189,700	272,475
Dividend revenue	4,963,329	5,660,319	271,284	666,284	(5,198,114)	(6,286,006)	36,500	40,597
Other income	3,826,534	1,134,416	691,884	120,731	-	-	4,518,418	1,255,147
Total segment revenue	8,905,950	7,002,548	159,266,078	113,632,784	(5,198,114)	(6,286,006)	162,973,915	114,349,326
Results								
Segment result	4,502,997	5,277,894	5,795,610	12,265,212	(4,914,294)	(6,445,802)	5,384,313	11,097,304
Consolidated operating profit before tax							5,384,313	11,097,304
Assets								
Segment assets	32,180,294	29,831,222	104,446,070	87,814,206	(32,422,613)	(27,479,603)	104,203,751	90,165,825
Liabilities								
Segment liabilities	126,447	222,196	72,332,536	48,646,666	(7,694,022)	(2,898,842)	64,764,961	45,970,020
Other Segment Information								
Acquisition of property, plant and equipment, Intangible assets and Other non current assets	3,019	-	2,068,749	24,076,149	-	-	2,071,768	24,076,149
Depreciation	9,821	15,135	2,346,315	1,421,267	(240,794)	-	2,115,342	1,436,402
Amortisation	-	-	16,691	-	18,584	18,584	35,275	18,584

Segment accounting policies

The group generally accounts for intersegment sales and transfers as if sales or transfers were to third parties at current market prices. Revenues are attributed to geographic areas based on the location of the assets producing the revenues.

Segment accounting policies are the same as the consolidated entity's policies described in Note 1. During the financial year, there were no changes in segment accounting policies that had a material effect on the segment information.

	2002	2001
32. EARNINGS PER SHARE		
(a) Basic earnings per share (cents per share)	1.79	6.81
(b) Diluted earnings per share (cents per share)	1.74	6.62
(c) Weighted average number of ordinary shares used in the calculation of basic earnings per share	103,320,002	103,320,002
(d) Weighted average number of ordinary shares used in the calculation of diluted earnings per share	109,940,002	109,940,002

	CONSOLIDATED		THE COMPANY	
	2002	2001	2002	2001
	\$	\$	\$	\$
33. DIVIDENDS PAID				
(a) Dividends paid during the year				
Partially franked dividends (2c per share)	2,053,099	-	2,053,099	-
Partially franked dividends (1.2c per share)	-	1,238,658	-	1,238,658
(b) Franking credit balance				
The amount of franking credits available for the subsequent Financial year are :				
- franking account balance as at the end of the financial year (at 34%)			-	-
- franking account credits that will arise from the payment of income tax payable as at the end of the financial year			-	23,614
- franking account credits that will arise from the receipt of fully franked dividends as at the end of the financial year			43,874	48,798
- franking debits that will arise from the payment of dividends as at the end of the financial year			(43,874)	(48,798)
- franking debits that will arise from the refund of income tax paid as at the end of the financial year			-	(23,614)
			-	-

The tax rate at which paid dividends have been franked is 30% (2001 : 34%).

34. FINANCIAL INSTRUMENTS

(a) Terms, conditions and accounting policies

The consolidated entity's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are as follows:

Recognised Financial Instruments	Balance Sheet Notes	Accounting Policies	Terms and Conditions
(i) Financial assets			
Receivables – trade	4	Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probably. Bad debts are written-off as incurred.	Credit sales are on 30 day terms.
Receivables – related entities	8	Receivables from related entities are recognised and carried at nominal amounts due. Interest is taken up as income on an accrual basis.	Details of the terms and conditions are set out in Note 9
Short-term deposits	23(b)	Short-term deposits are stated at the lower of cost and net realisable value. Interest is recognised in the profit and loss when earned.	Short term deposits have an average maturity of 30 days and effective interest rates from 0.1% to 4.70%.
Listed shares	6	Listed shares are carried at the lower of cost or recoverable amount. Dividend income is recognised when the dividends are declared by the investee.	
Unlisted shares	10	Unlisted shares are carried at the lower of cost or recoverable amount. Dividend income is recognised when the dividends are declared by the investee.	
(ii) Financial liabilities			
Bank loans	15/18	The bank loans are carried at the principal amount. Interest is charged as an expense as it accrues.	Interest is charged at the banks benchmark rate. Details of security over bank facilities is set out in Note 15.
Trade creditors and accruals	14	Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.	Trade liabilities are normally settled on 30 day terms.
		Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.	

34. FINANCIAL INSTRUMENTS (CONT.)

Recognised Financial Instruments	Balance Sheet Notes	Accounting Policies	Terms and Conditions
(iii) Equity			
Ordinary shares	20	Ordinary share capital is recognised at the fair value of the consideration received by the company.	Details of shares issued and terms and conditions of options outstanding over ordinary shares at balance date are set out at Note 20.
Unlisted options	30	The value of the Share Option Plan is not being charged as an employee entitlement expense.	Details of the Share Option Plan are set out at Note 30.
Forward Exchange Contracts			
Hedges		The consolidated entity enters into forward exchange contracts where it agrees to sell specified amounts of foreign currencies in the future at a predetermined exchange rate. The objective is to match the contract with anticipated future cash flows from loan repayments in foreign currencies, to protect the company against the possibility of loss from future exchange rate fluctuations. The forward exchange contracts are for no longer than 12 months. Forward exchange contracts are recognised at the date the contract is entered. Exchange gains or losses on forward exchange contracts are charged to the profit and loss.	The Company had not entered hedging contracts at balance date.

(b) Interest rate risk

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date as follows:

2002	Floating Interest Rate	Fixed interest rate maturing in:				Non-interest bearing	Total carrying amount as per the balance sheet	Weighted average effective interest rate
		1 year or less	Over 1 to 5 years	More than 5 years				
Financial Instruments								
	\$	\$	\$	\$	\$	\$	%	
(i) Financial assets								
Cash	4,122,988	-	-	-	2,479	4,125,467	4.05	
Receivables	-	-	-	-	16,172,980	16,172,980	N/A	
Listed shares	-	-	-	-	449,439	449,439	N/A	
Total financial assets	4,122,988	-	-	-	16,624,898	20,747,886		
(ii) Financial liabilities								
Accounts payable	-	-	-	-	23,188,657	23,188,657	N/A	
Borrowings	-	25,550,483	14,023,713	-	-	39,574,196	8.39%	
Total financial liabilities	-	25,550,483	14,023,713	-	23,188,657	62,762,853		

The consolidated entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date as follows:

2001	Floating Interest Rate	Fixed interest rate maturing in:				Non-interest bearing	Total carrying amount as per the balance sheet	Weighted average effective interest rate
		1 year or less	Over 1 to 5 years	More than 5 years				
Financial Instruments								
	\$	\$	\$	\$	\$	\$	%	
(i) Financial assets								
Cash	9,798,973	-	-	-	1,432	9,800,405	2.59	
Receivables	-	-	-	-	9,031,828	9,031,828	N/A	
Listed shares	-	-	-	-	978,327	978,327	N/A	
Total financial assets	9,798,973	-	-	-	10,011,587	19,810,560	-	
(ii) Financial liabilities								
Accounts payable	-	-	-	-	17,904,300	17,904,300	N/A	
Borrowings	-	10,431,656	16,909,797	-	-	27,341,453	8.23	
Total financial liabilities	-	10,431,656	16,909,797	-	17,904,300	45,245,753		

34. FINANCIAL INSTRUMENTS (CONT.)

(c) Net fair values

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at the balance date, are as follows:

	Total carrying amount as per the balance sheet 2002 \$	Aggregate net fair value (i) 2002 \$	Total carrying amount as per the balance sheet 2001 \$	Aggregate net fair value (i) 2001 \$
<i>Financial assets</i>				
Cash	4,125,467	4,125,467	9,800,405	9,800,405
Trade receivables	16,172,980	16,172,980	9,031,828	9,031,828
Listed shares	449,439	449,439	978,327	978,327
Total financial assets	20,747,886	20,747,886	19,810,560	19,810,560
<i>Financial liabilities</i>				
Accounts payable	23,188,657	23,188,657	17,904,300	17,904,300
Borrowings	39,574,196	39,574,196	27,341,453	27,341,453
Total financial liabilities	62,762,853	62,762,853	45,245,753	45,245,753

(i) The following methods and assumptions are used to determine the net fair values of financial assets and liabilities

Recognised financial instruments

Cash, cash equivalents and short-term investments: The carrying amount approximates fair value because of their short-term to maturity.

Trade receivables and payables: The carrying amount approximates fair value.

Dividends payable: The carrying amount approximates fair value.

Short-term borrowings: The carrying amount approximates fair value because of their short-term to maturity. These are working capital facilities for subsidiaries operating in Vietnam which have recently been renewed subject to annual review.

Long-term loans receivable: The carrying amount approximates fair value.

Long-term borrowings: The fair values of long-term borrowings are estimated using discounted cash flows analysis, based on current incremental borrowing rates for similar types of borrowing arrangements.

Unrecognised financial instruments

Forward exchange contracts: The fair values of forward exchange contracts is determined as the unrealised gain or loss at balance date calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

(d) Credit risk exposures

The consolidated entity's maximum exposures to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the balance sheet.

Concentrations of credit risk

The Company minimises concentrations of credit risk in relation to trade accounts receivable by undertaking transactions with a large number of customers. Refer also to Note 31- Segment information.

Credit risk in trade receivables is managed by limiting payment terms to 30 days and undertaking a risk assessment process for customers.

(e) Hedging instruments

(i) Hedges of specific commitments

The Company had not entered into foreign exchange contracts as at 31 December 2002.

To the members of Vietnam Industrial Investments Limited

Scope

We have audited the financial report of Vietnam Industrial Investments Limited for the financial year ended 31 December 2002, as set out on pages 10 to 43, including the Directors' Declaration. The financial report includes the financial statements of Vietnam Industrial Investments Limited, and the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at year's end or from time to time during the financial year. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Vietnam Industrial Investments Limited is in accordance with:

- (a) the Corporations Act 2001 including:
 - (i) giving a true and fair view of the company's and the consolidated entity's financial position as at 31 December 2002 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Ernst & Young

J P Dowling
Partner
Perth

31 March 2003

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report.

CORPORATE GOVERNANCE STATEMENT

This statement outlines the main Corporate Governance practices that were in place throughout the financial year, unless otherwise stated. These practices are dealt with under the headings of Board of Directors, Identifying and Managing Business Risks, Ethical Standards, Disclosure Policy and Dealing in Shares.

Board of Directors

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 economic entity, including its strategic direction and establishing goals for management. Due to the current level of activity in the Company and structure of the current Board, no committees have been formed, instead all members of the board participate in policy matters. For these reasons, the Company has not formed an audit committee at the present time.

The Board meets regularly in Australia and Vietnam, in order to retain full and effective control over the Company and monitor the executive management. The Board has established a framework for the management of the Company, including a system of internal control, a business risk management process and the establishment of appropriate ethical standards and procedures which allow directors to seek independent, professional advice at the Company's expense.

The Company is an investment holding company and does not have any operating businesses in its own right. The investments in Vietnam are all held through subsidiary or joint venture companies and each of those entities has its own management structure. The board of Vietnam Industrial Investments Limited has the responsibility to ensure that the boards of those operating companies have the required expertise. Vietnam Industrial Investments Limited is represented on the board of each of those operating entities.

Composition of the Board

The Board determines the nomination and selection of directors in accordance with the following principles:

- The Board shall have at least one non-executive director;
- The Board shall comprise directors with a range of expertise encompassing the current and proposed activities of the Company; and
- Where a vacancy is considered to exist, the Board selects an appropriate candidate through consultation with external parties, consideration of the needs of the shareholder base and consideration of the needs of the Company. Such appointments are referred to shareholders at the next available opportunity for re-election in general meeting.

Identifying and Managing Business Risks

The Board regularly monitors the operational and financial performance of the Company and consolidated entity against key performance measures. The Board also reviews and receives advice where appropriate on areas of operational and financial risks. Appropriate risk management strategies are considered and implemented to mitigate the controllable risks to which the Company and consolidated entity are exposed. The risk management strategies developed and implemented by the Board are consistent with the additional risks that the consolidated entity faces due to its investments in Vietnam.

Ethical Standards

Vietnam Industrial Investments Limited recognises the need for directors and employees to observe the highest standards of behaviour and business ethics in conducting its business, and intends to maintain a reputation of integrity.

Whilst the directors do not currently believe that the Company is of a size to warrant the development of formal ethical guidelines, the directors are at pains to ensure that their actions are appropriate and believe they provide the benchmark for their employees.

Disclosure Policy

The directors strive to ensure that the market is fully informed on a timely basis of all material, price sensitive information regarding the Company.

In support of this objective, the Company has protocols in place to ensure that it meets its reporting and continuous disclosure obligations. The Company supports the Australian Securities and Investment Commission's 'Better Disclosure for Investors' guidance principles and believes its practices are consistent with these guidance principles.

The Company Secretary is the Company's nominated Communications Officer for liaising with the Australian Stock Exchange and is responsible for ensuring the Company's compliance with its legal and Stock Exchange reporting and disclosure obligations.

The text of all announcements is approved, as appropriate, by the Board or Executive Directors. The Communications Officer ensures that all price sensitive announcements are immediately sent to the Australian Stock Exchange as soon as practical, once a release has been approved.

No communication is permitted to any external third party about an announcement until confirmation that the communication has been released to the market has been received from the Australian Stock Exchange. Once confirmation has been received, the Company provides a copy of its release on its website at www.vii.net.au as soon as possible. The Company also provides a variety of other information on its website including annual reports, a corporate profile and other supporting company information.

Dealing in Shares

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 Australian Stock Exchange 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 directors and employees in circumstances where any doubt exists.

SUBSTANTIAL SHAREHOLDERS

The number of shares held by the substantial shareholders as disclosed by notices received by the Company under Part 6.7 of the Corporations Law are as follows:

Shareholder	Note	Ordinary shares
Simon Lee	(1)	25,938,226
Land & General Berhad		13,002,000
Henry Lam	(2)	10,396,000
Vietnam Enterprise Investments Ltd		9,340,600

Notes:

- (1) Mr Simon Lee is :
- a director and shareholder of Phoenix Properties International Pty Ltd as trustee for the Wellington Place Property Trust, and a beneficiary of that trust, which trust is the holder of 12,810,000 shares in VII; and
 - a director and shareholder of SHL Pty Ltd which company is the holder of 13,128,226 shares in VII.
- (2) Mr Henry Lam is the beneficial owner of 10,396,000 shares in VII.

CLASS OF SHARES AND VOTING RIGHTS

At 26 March 2003 there were 285 holders of the ordinary shares of the Company. The voting rights attaching to the ordinary shares, set out in Article 14.1 of the Company's Constitution, are:

Subject to any special rights or restrictions for the time being attaching to any class of Shares and Articles 14.3, 14.6, 14.7, 14.8 and 15.10:

- (a) on a show of hands at a meeting of Members, every Eligible Voter has one vote; and
- (b) on a poll at a meeting of Members, every Eligible Member (not being a Corporation) present in person or by proxy or attorney, and every Eligible Member (being a Corporation) present a Representative or by proxy or attorney, has one vote for each Share that Eligible Member holds, but :
- (i) if at any time is on issue any Share which has not been fully Paid Up that Share on a poll will confer only that fraction of one vote which the amount paid (not credited) on that Share, excluding any amounts paid up in advance of the applicable due date for payment, bears to the total amounts paid and payable (excluding amounts credited) on that Share; and
- (ii) if the total number of votes to which an Eligible Member is entitled on a poll does not constitute a whole number, then the Company will disregard the fractional part of that total.

DISTRIBUTION OF SHAREHOLDERS (AS AT 26 MARCH 2003)

Category	Number of Shareholders	
	Ordinary shares	
1 - 1,000		10
1,001 - 5,000		70
5,001 - 10,000		58
10,001 - 100,000		105
100,001 - and over		42
		<u>285</u>

The number of shareholders holding less than a marketable parcel at 26 March 2003 was 38.

TWENTY LARGEST SHAREHOLDERS (AS AT 26 MARCH 2003)

Name	Number of Ordinary Shares Held
Nefco Nominees Pty Ltd	13,403,575
SHL Pty Ltd	13,128,226
Land & General Berhad	13,002,000
Phoenix Properties International Pty Ltd	12,810,000
Citicorp Nominees Pty Ltd	11,013,795
Swee Khoon Lee	5,050,000
Seah Kee Khoo	4,000,000
Goh Joon Jin	3,950,000
Westpac Custodian Nominee	3,268,325
National Nominees Limited	3,175,000
Wang Khee Pong	2,000,000
Patocoa Nominees	1,855,667
Chung Phil Hsing	1,854,200
Yang Yi Chung	1,546,000
Jiang Xin Qin	1,424,667
Bayrunner Pty Ltd	1,300,000
ANZ Nominees Limited	1,200,000
Young Alan Alexander	858,000
Lee Ryan	620,000
Colbern Fiduciary Nominee	618,700

The twenty largest shareholders hold 93 per cent of the ordinary shares of the Company.



Vietnam Industrial Investments Limited

A.B.N. 64 063 656 333