



A.C.N. 063 656 333
A.B.N. 64 063 656 333

VIETNAM INDUSTRIAL INVESTMENTS LIMITED

30 August 2004

Company Announcements Office
Australian Stock Exchange Limited
10th Floor
20 Bond Street
SYDNEY NSW 2000

Dear Sirs

REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2004

Attached is our report for the six months ended 30 June 2004 incorporating the requirements of Appendix 4D.

Results for announcement to the market

	6 months 30.06.2004	6 months 30.06.2003	6 months 30.06.2002
Revenues from ordinary activities (A\$) Down 30% to	55.7m	79.8m	78.4m
Profit/(loss) from ordinary activities after tax attributable to members (A\$)	0.48m	(0.84m)	2.87m
Net profit/(loss) for the period attributable to members	0.48m	(0.84m)	2.87m

The percentage changes referred to in the above section are percentage changes calculated by comparing the current period's figures with those for the previous corresponding period.

Profit before tax/revenue

Consolidated profit/(loss) from ordinary activities before tax as a percentage of sales and other revenue	3.92%	0.40%	6.60%
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Profit after tax/equity interests

Consolidated net profit/(loss) from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	1.92%	(3.15%)	8.61%
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Yours faithfully

ALAN A. YOUNG
Director



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

**REPORT FOR THE
HALF YEAR ENDED 30 JUNE 2004**

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

DIRECTORS' REPORT

Your directors present their report for the half-year ended 30 June 2004.

DIRECTORS

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

Simon Lee, AO, *Executive Chairman*
Alan Alexander Young, *Managing Director (Chief Operating Officer)*
Van Hung (Henry) Lam, *Managing Director (Vietnam Operations)*
Dimitri Bacopanos, *Non-Executive Director*
Kian Ming Leong, *Non-Executive Director (Resigned 30 April 2004)*

All directors shown were in office from the beginning of the half-year until the date of this report, with the exception of Mr Kian Ming Leong who resigned from the board on 30 April 2004.

REVIEW AND RESULTS OF OPERATIONS

The consolidated operating profit after providing for income tax and outside equity interests for the half-year ended 30 June 2004 was \$0.475 million (2003: loss \$0.836 million).

Group sales revenue for the period under review decreased by 32% to \$53.4 million (2003: \$79.1 million). This was due to building activity slowing considerably in the first half of the year, particularly Government construction, due to the sharp increase in steel billet prices.

The result was also impacted upon by an appreciation of the Australian dollar against the US dollar and the weakening of the US dollar against the Euro during the period. Based upon current trends, we expect building activity to increase in the second half of the year as building contracts are adjusted to take account of increased steel billet prices.

The principal activities of the economic entity during the period under review was investment in Vietnam through its operating subsidiaries, Vinausteel Ltd, Austnam Company Ltd, VRC Weldmesh (Vietnam) Ltd and SSESTEEL Ltd. As part of VII's goal of growing and diversifying its business in Vietnam, Total Building Systems Ltd was established in the latter part of this period.

Exchange rates at 30 June 2004 were US\$0.6889/A\$, VND15,708/US\$ and VND18,374/Euro (30 June 2003: US\$0.6674/A\$, VND15,492/US\$ and VND17,697/Euro). The average US\$/A\$ exchange rate for the period ended 30 June 2004 was US\$0.7366/A\$, an increase of 18% on the average for the corresponding period last year (30 June 2003: US\$0.6233/A\$).

Other than the establishment of Total Building Systems Ltd during the period, there has been no change to the group structure within the consolidated entity and no change to the control structure.

DIRECTORS' REPORT (CONT.)

Vinausteel Ltd (VII 70%)

Vinausteel owns and operates a steel rolling mill in Haiphong which produces round and deformed reinforcing steel bar for the construction industry.

The Company achieved sales for the period of 67,694 tonnes, a 26% decrease on the first six months of 2003 (91,449 tonnes) however reported an operating profit after tax of VND 40 billion (A\$3.5 million), a significant increase on the previous corresponding period's result of VND 18 billion (A\$1.9 million).

Austnam Company Ltd (VII 68%)

Austnam produces cold rolled steel roofing and wall cladding from its factory in Hanoi which it distributes in that city and surrounding provinces.

The Company achieved sales of 278,220 square metres for the period, a 35% decrease on sales of the first half of 2003 (425,496m²) and reported an operating profit after tax of VND 1.3 billion (A\$0.112 million) which was 59% down on the previous corresponding period (2003: VND 3.2 billion – A\$0.337 million). It was expected that Austnam's revenue and operating position would be lower in the current period as a significant portion of Austnam's revenue for the corresponding period was generated by construction activity for the South East Asia Games, held in Hanoi in December 2003. Management have established alternative selling markets in the first half of 2004.

VRC Weldmesh (Vietnam) Ltd (VII 100%)

The factory is located in Ho Chi Minh City and produces welded steel mesh concrete reinforcing and steel fencing which are supplied throughout Vietnam. VRC Weldmesh has made a breakthrough in obtaining market acceptance for its products particularly in supplying mesh to high rise buildings in the South of the country. The Company has invested in a new weldmesh machine to enable it to meet demand.

The Company recorded sales for the period of 2,278 tonnes, a significant increase on the 882 tonnes for the first half of 2003, and reported a profit for the period of VND 2.7 billion (A\$0.233 million) (2003: loss VND 0.933 billion - A\$0.097 million).

SSESTEEL Ltd (VII 100%)

SSESTEEL owns and operates a fully automated high speed wire rod rolling mill based in Haiphong, the first company in Vietnam to introduce this advanced technology. It produces wire rod for the construction industry. SSESTEEL is investing in a new cooling bed which will enable the Company to produce rebar and not be reliant on a single product (wire rod).

The Company achieved sales of 22,764 tonnes and reported an operating loss after tax of VND 24 billion (A\$2.1 million) (2003: VND 17 billion – A\$ 1.8 million).

DIRECTORS' REPORT (CONT.)

Total Building Systems Ltd (VII 100%)

On 27 April 2004, as part of VII's goal of growing and diversifying its business in Vietnam, Total Building Systems Ltd ("TBS") was established.

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

SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE DATE

On 23 July 2004 Vinausteel declared an interim dividend of VND 50 billion of which VII's share is VND 35 billion (A\$3.1 million). These funds will be applied to the SSESTEEL operation predominantly to meet a supplier loan finance repayment with the balance held in reserve in the event SSESTEEL requires further support. SSESTEEL is investing in a new cooling bed which will enable the company to produce rebar and not be reliant on a single product (wire rod).

ROUNDING

The amounts contained in this report and in the half-year financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which this class order applies.

Signed in accordance with a resolution of the directors.

ALAN A. YOUNG
Director

Haiphong
30 August 2004

CONDENSED STATEMENT OF FINANCIAL PERFORMANCE FOR THE HALF YEAR ENDED 30 JUNE 2004

		30 JUNE 2004 \$ '000	Consolidated	30 JUNE 2003 \$ '000
	Note			
SALES REVENUE	2	53,441		79,096
COST OF SALES	2	(46,440)		(70,924)
		<hr/>		<hr/>
GROSS PROFIT	2	7,001		8,172
OTHER REVENUES FROM ORDINARY ACTIVITIES	2	2,218		700
OTHER EXPENSES FROM ORDINARY ACTIVITIES	2	(7,039)		(8,554)
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		<hr/>		<hr/>
		2,180		318
INCOME TAX EXPENSE ATTRIBUTABLE TO ORDINARY ACTIVITIES		(635)		(512)
PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		<hr/>		<hr/>
		1,545		(194)
NET PROFIT / (LOSS)		<hr/>		<hr/>
		1,545		(194)
NET PROFIT ATTRIBUTABLE TO OUTSIDE EQUITY INTEREST		<hr/>		<hr/>
		1,070		642
NET PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF VIETNAM INDUSTRIAL INVESTMENTS LTD		<hr/>		<hr/>
		475		(836)
Net Exchange Difference on Translation of Financial Report of Foreign Controlled Entity		<hr/>		<hr/>
		1,531		(3,971)
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS ATTRIBUTABLE TO MEMBERS OF THE COMPANY AND RECOGNISED DIRECTLY IN EQUITY		<hr/>		<hr/>
		1,531		(3,971)
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTION WITH OWNERS AS OWNERS		<hr/>		<hr/>
		2,006		(4,807)
Basic Earnings Per Shares (Cents Per Share)	4	0.46		(0.81)
Diluted Earnings Per Share (Cents Per Share)	4	0.46		(0.73)
Partially Franked Dividend Per Share (Cents Per Share)		N/A		N/A

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2004

	Consolidated		
	30 JUNE 2004 \$ '000	31 DECEMBER 2003 \$ '000	30 JUNE 2003 \$ '000
CURRENT ASSETS			
Cash assets	5,843	8,520	4,729
Receivables	16,534	12,624	18,204
Inventories	30,287	17,081	31,424
Other financial assets	845	1,638	387
Current tax assets	4	-	345
Other current assets	2,128	936	798
	<hr/>	<hr/>	<hr/>
TOTAL CURRENT ASSETS	55,641	40,799	55,887
	<hr/>	<hr/>	<hr/>
NON-CURRENT ASSETS			
Other financial assets	98	205	1,879
Property plant and equipment	25,690	24,560	28,572
Other non-current assets	326	345	302
Deferred tax assets	166	166	166
	<hr/>	<hr/>	<hr/>
TOTAL NON-CURRENT ASSETS	26,280	25,276	30,919
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	81,921	66,075	86,806
	<hr/>	<hr/>	<hr/>
CURRENT LIABILITIES			
Payables	19,611	15,178	16,352
Interest bearing liabilities	23,143	12,928	25,874
Provisions	347	953	353
Current tax liabilities	77	192	-
	<hr/>	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	43,178	29,251	42,579
	<hr/>	<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Interest bearing liabilities	6,283	7,989	10,858
Deferred tax liabilities	21	21	21
	<hr/>	<hr/>	<hr/>
TOTAL NON-CURRENT LIABILITIES	6,304	8,010	10,879
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	49,482	37,261	53,458
	<hr/>	<hr/>	<hr/>
NET ASSETS	32,439	28,814	33,348
	<hr/>	<hr/>	<hr/>

**CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2004 (CONTINUED)**

		Consolidated		
		30 JUNE	31 DECEMBER	30 JUNE
		2004	2003	2003
	Note	\$ '000	\$ '000	\$ '000
EQUITY				
Parent Entity Interest				
Contributed equity		22,057	22,057	22,057
Reserves		(6,482)	(8,014)	(5,923)
Retained profits	7	9,134	8,659	10,442
		<hr/>	<hr/>	<hr/>
Total Parent Entity Interest in Equity		24,709	22,702	26,576
		<hr/>	<hr/>	<hr/>
Total Outside Equity Interest in Equity		7,730	6,112	6,772
		<hr/>	<hr/>	<hr/>
TOTAL EQUITY		32,439	28,814	33,348
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CONDENSED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 30 JUNE 2004

		30 JUNE 2004 \$ '000	Consolidated 30 JUNE 2003 \$ '000
	Note		
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		49,569	76,146
Payments to suppliers and employees		(58,823)	(70,690)
Interest received		48	64
Borrowing costs		(901)	(1,538)
Dividends received		37	-
Income taxes paid		(754)	(512)
		<hr/>	<hr/>
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		(10,824)	3,470
		<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for investments		(625)	(635)
Proceeds from sale of investments		1,808	351
Payments for property, plant & equipment		(637)	(780)
Proceeds from sale of property, plant & equipment		173	-
		<hr/>	<hr/>
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		719	(1,064)
		<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank borrowings		41,926	41,926
Repayment of bank borrowings		(35,235)	(41,141)
Payment of dividend		(22)	(1,930)
		<hr/>	<hr/>
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		6,669	(1,145)
		<hr/>	<hr/>
NET INCREASE/(DECREASE) IN CASH HELD			
Add opening cash brought forward		8,520	4,125
Add exchange rate effect on opening cash balances		759	(657)
		<hr/>	<hr/>
CLOSING CASH CARRIED FORWARD	8	5,843	4,729
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO AND FORMING PART OF THE HALF YEAR FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2004

1. Basis of Preparation of the Half – Year Financial Report

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of Vietnam Industrial Investments Limited as at 31 December 2003. It is also recommended that the half-year financial report be considered together with any public announcements made by the company and its controlled entities during the half-year ended 30 June 2004 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of Accounting

The half-year financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 1029 “Interim Financial Reporting” and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

It has been prepared on the basis of historical cost. The accounting policies have been consistently applied by each entity in the consolidated entity and are consistent with those of the previous full year.

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

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

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.

(b) Changes in Accounting Policies

The accounting policies applied are consistent with the most recent annual financial report for the year ended 31 December 2003.

**NOTES TO AND FORMING PART OF THE HALF YEAR FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2004 (CONT)**

	30 JUNE 2004 \$ '000	Consolidated 30 JUNE 2003 \$ '000
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	53,441	79,096
(b) Cost of sales	(46,440)	(70,924)
	<hr/>	<hr/>
Gross profit	7,001	8,172
	<hr/>	<hr/>
Revenues from non-operating activities		
(c) Other revenues from ordinary activities		
- Dividends received		
Other corporations	37	-
- Interest received		
Other corporations	48	64
- Proceeds from sale of investments	1,808	351
- Proceeds from sale of property, plant and equipment	173	-
- Other income	152	285
	<hr/>	<hr/>
	2,218	700
	<hr/>	<hr/>
(d) Foreign exchange gains and (losses)		
- Unrealised foreign exchange gain/(loss)	627	(900)
- Realised foreign currency loss	(435)	(114)
	<hr/>	<hr/>
	192	(1,014)
	<hr/>	<hr/>
Expenses from operating activities		
(e) Borrowing costs		
- Interest paid	(901)	(1,547)
	<hr/>	<hr/>
	(901)	(1,547)
	<hr/>	<hr/>

**NOTES TO AND FORMING PART OF THE HALF YEAR FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2004 (CONT)**

	30 JUNE	Consolidated
	2004	30 JUNE
	\$ '000	2003
		\$ '000
2. PROFIT FROM ORDINARY ACTIVITIES (CONT.)		
(f) Other expenses from ordinary activities		
- Administration	(1,737)	(2,787)
- Cost of investments sold	(1,684)	(328)
- Cost of plant and equipment sold	(172)	-
- Selling	(651)	(1,238)
- Depreciation of non-current assets	(1,305)	(1,412)
- Amortisation of goodwill & intangibles	(9)	(9)
- Increase/(Decrease) in value of investments	114	(49)
- Bad and doubtful debts – trade debtors	57	124
- Increment/(Decrement) in value of inventories	(699)	85
- Operating lease rentals	(244)	(379)
	<u>(6,330)</u>	<u>(5,993)</u>

**NOTES TO AND FORMING PART OF THE HALF YEAR FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2004 (CONT)**

	Consolidated	
	30 JUNE 2004 \$'000	30 JUNE 2003 \$'000
3. DIVIDENDS PAID OR PROVIDED FOR ON ORDINARY SHARES		
(a) Dividends proposed and recognised as a liability	-	-
(b) Dividends paid during the half-year	-	517
	<u>-</u>	<u>517</u>
	<u>-</u>	<u>517</u>
(c) Dividends proposed and not recognised as a liability	-	-

Previous dividends paid by the Company have been partially franked. It is likely that should dividends be payable in the forthcoming year they will also be partially franked to a small percentage.

	30 JUNE 2004 Cents per Share	30 JUNE 2003 Cents per Share
4. EARNING PER SHARE		
Basic earnings per share (cents per share)	0.46	(0.81)
Diluted earnings per share (cents per share)	0.46	(0.73)

	Consolidated	
	30 JUNE 2004 \$'000	30 JUNE 2003 \$'000
(a) Reconciliation of earnings to net profit or loss		
Net profit/(loss)	1,545	(194)
Net profit attributable to outside equity interest	1,070	642
	<u>1,545</u>	<u>(194)</u>
Earnings used in the calculation of basic EPS	475	(836)
Potential interest earned from option conversion	-	32
	<u>475</u>	<u>(804)</u>
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS (000's)	103,320	103,320
Weighted average number of options outstanding	-	6,620
	<u>103,320</u>	<u>109,940</u>
Weighted average number of ordinary shares outstanding during the year used in calculation of dilutive EPS (000's)	103,320	109,940

**NOTES TO AND FORMING PART OF THE HALF YEAR FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2004 (CONT)**

Consolidated
30 JUNE **30 JUNE**
2004 **2003**

(c) Classification of securities

The following securities have been classified as potential ordinary shares and are included in determination of dilutive EPS:

- Options outstanding 7,000,000 6,620,000

On 10 July 2003 the Company issued a further 380,000 options over ordinary shares pursuant to the Company's Share Option Plan ("Plan"). The options issued can be exercised on or before 31 December 2004 at an exercise price of twenty cents. The total of seven million options approved under the plan have now been issued.

30 JUNE 2004 **30 JUNE 2003**
Cents per Share Cents per Share

5. NET TANGIBLE ASSETS PER SECURITY

Net tangible asset backing per ordinary security 23.44 25.43

6. ISSUED AND QUOTED SECURITIES AT END OF CURRENT PERIOD

Category of securities	Total number	Number quoted	Issue price per security (cents)	Amount paid up per security (cents)
Ordinary securities	103,320,002	103,320,002		
Changes during current period				
(a) Increases through issues				
(b) Decreases through returns of capital, buybacks	NIL			
Options			<i>Exercise price</i>	<i>Expiry date (if any)</i>
	7,000,000	NIL	20 cents	31 December 2004
Issued during current period	NIL			
Exercised during current period	NIL			
Expired during current period	NIL			

**NOTES TO AND FORMING PART OF THE HALF YEAR FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 JUNE 2004 (CONT)**

	30 JUNE 2004 \$ '000	Consolidated 31 DECEMBER 2003 \$ '000	30 JUNE 2003 \$ '000
7. CONSOLIDATED RETAINED PROFITS			
Retained profits at the beginning of the financial year	8,659	11,918	11,918
Net profit attributable to members of the Company	475	(2,699)	(836)
	<hr/>	<hr/>	<hr/>
Total available for appropriation	9,134	9,219	11,082
	<hr/>	<hr/>	<hr/>
Dividend provided for or paid	-	(517)	(517)
Aggregate of amounts transferred to reserves	-	(43)	(123)
	<hr/>	<hr/>	<hr/>
	-	(560)	(640)
	<hr/>	<hr/>	<hr/>
Retained profits at the end of the financial year	9,134	8,659	10,442
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	30 JUNE 2004 \$ '000	Consolidated 30 JUNE 2003 \$ '000
8. NOTES TO THE STATEMENT OF CASH FLOWS		
(a) Reconciliation of cash:		
Cash balance comprises - cash on hand	3,912	3,271
- short term deposits	1,931	1,458
	<hr/>	<hr/>
	5,843	4,729
	<hr/> <hr/>	<hr/> <hr/>

9. CONTINGENT ASSETS AND LIABILITIES

Since the last annual reporting date, there has been no material change of any contingent liabilities or contingent assets.

NOTES TO AND FORMING PART OF THE HALF YEAR FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2004 (CONT)

10. SUBSEQUENT EVENTS

On 23 July 2004 Vinausteel declared an interim dividend of VND 50 billion of which VII's share is VND 35 billion (A\$3.1 million). These funds will be applied to the SSESTEEL operation predominantly to meet a supplier loan finance repayment with the balance held in reserve in the event SSESTEEL requires further support. SSESTEEL is investing in a new cooling bed which will enable the company to produce rebar and not be reliant on a single product (wire rod).

11. SEGMENT INFORMATION

Geographical segments

The consolidated entity operates 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	
	30 JUNE 2004 \$ '000	30 JUNE 2003 \$ '000	30 JUNE 2004 \$ '000	30 JUNE 2003 \$ '000	30 JUNE 2004 \$ '000	30 JUNE 2003 \$ '000	30 JUNE 2004 \$ '000	30 JUNE 2003 \$ '000
Revenue								
Sales revenue	-	-	53,441	79,096	-	-	53,441	79,096
Interest revenue	38	49	10	14	-	-	48	63
Dividend revenue	37	-	-	-	-	-	37	-
Other income	2,045	125	88	512	-	-	2,133	637
Total segment revenue	2,120	174	53,539	79,622	-	-	55,659	79,796
Results								
Segment result	(10)	(520)	2,390	796	(200)	42	2,180	318
Consolidated operating profit before tax							2,180	318

NOTES TO AND FORMING PART OF THE HALF YEAR FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2004 (CONT)

12. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS

Vietnam Industrial Investments Ltd has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). The Company has allocated internal resources to review the impact of the transition to IFRS. As the Company has a 31 December year end, priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 January 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when the first fully IFRS compliant financial report for the year ended 31 December 2005 is prepared. Set out below are the key areas where accounting policies will change and may have an impact on the financial report of the Company.

Goodwill

Under AASB 3 *Business Combinations*, goodwill will no longer be able to be amortised but instead will be subject to annual impairment testing. This will result in a change in the group's current accounting policy which amortises goodwill over its useful life but not exceeding 20 years. Under the new policy, amortisation will no longer be charged, but goodwill will be written down to the extent it is impaired. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

Impairment of Assets

Under AASB 136 *Impairment of Assets*, the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the group's current accounting policy which determines the recoverable amount of an asset on the basis of expected undiscounted cash flows. Under the new policy it is likely that impairment of assets will be recognised sooner and that the amount of write-downs will be greater. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

Intangible assets

Under AASB 138 *Intangible Assets*, costs associated with starting up an operation must be expensed. This will result in a change in the group's current accounting policy which allows for the capitalisation of such costs where future benefits are expected beyond reasonable doubt. On transition approximately \$154,000 of currently recognised start up costs will be required to be adjusted against opening retained earnings as they will not meet the recognition requirements under IFRS.

Share based payments

Under AASB 2 *Share based Payments*, the company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. This standard is not limited to options and also extends to other forms of equity based remuneration. It applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005. reliable estimation of the future financial effects of this change in accounting policy is impracticable as the details of future equity based remuneration plans are unknown.

Income taxes

Under AASB 112 *Income Taxes*, the company will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet. It is not expected that there will be any material impact as a result of adoption of this standard.

NOTES TO AND FORMING PART OF THE HALF YEAR FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 30 JUNE 2004 (CONT)

12. IMPACT OF ADOPTING AASB EQUIVALENTS TO IASB STANDARDS (CONT)

Classification of Financial Instruments

Under AASB 139 *Financial Instruments: Recognition and Measurement*, financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item. The classifications are loans and receivables - measured at amortised cost, held to maturity – measured at amortised cost, held for trading – measured at fair value with fair value changes charged to net profit or loss, available for sale – measured at fair value with fair value changes taken to equity and non-trading liabilities – measured at amortised cost. This will result in a change in the current accounting policy that does not classify financial instruments. Current measurement is at amortised cost, with certain derivative financial instruments not recognised on balance sheet. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been fully completed.

DIRECTORS' DECLARATION

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

In the opinion of the directors:

- (a) The financial statements and notes of the consolidated entity:
 - i. give a true and fair view of the financial position as at 30 June 2004 and the performance for the half-year ended on that date of the consolidated entity; and
 - ii. comply with Accounting Standard AASB 1029: "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

ALAN YOUNG
Director

Haiphong
30 August 2004

INDEPENDENT REVIEW REPORT

Independent review report to members of Vietnam Industrial Investments Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows and accompanying notes to the financial statements and the other information set out in Appendix 4D to the Australian Stock Exchange (ASX) Listing Rules for the consolidated entity comprising both Vietnam Industrial Investments Limited (the company) and the entities it controlled during the 6 months to 30 June 2004, and the directors' declaration, for the company, for the 6 months ended 30 June 2004.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 1029 "Interim Financial Reporting", in accordance with the *Corporations Act 2001*, and the ASX Listing Rules as they relate to Appendix 4D. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the ASX and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia, and the ASX Listing Rules as they relate to Appendix 4D, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report, as defined in the scope section, of the consolidated entity Vietnam Industrial Investments Limited and the entities it controlled during the 6 months to 30 June 2004 is not in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity at 30 June 2004 and of its performance for the 6 months ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia and the ASX Listing Rules as they relate to Appendix 4D.

Ernst & Young

J P Dowling
Partner
Perth
30 August 2004