montec International Limited
*Making dairy foods healthier... naturally*

Montec International Limited
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# APPENDIX 4D – HALF YEAR ENDED 31 DECEMBER 2003

Montec International Limited's ("Montec International" or "the Company") Appendix 4D for the Half Year ended 31 December 2003 is attached. Key items of note in relation to the Company's consolidated half year result and financial position for the half year ended 31 December 2003 are as follows:

**Statement of Financial Performance**

Revenue to 31 December 2003 reflects sales activity in Australia in respect of Montec International's patented premix formula, and interest income. It is planned that the launch of Montec International's mono-unsaturated milk products in Qingdao, the first targeted region of China, in the near future will lead to the generation of revenues.

The Company holds cash generated through the recent initial public offering which is to be applied in executing geographic and product extension initiatives. In the execution of the Company's business strategy there has been expenditure necessarily incurred in areas including marketing, employment, compliance, professional advice and a range of general and administrative commitments. These charges have exceeded revenue leading to a loss from ordinary activities for the 6 month period to 31 December 2003, as envisaged.

**Statement of Financial Position**

Montec International's primary asset comprises its patented mono-unsaturated formula and a range of acquired rights as outlined in the company's prospectus dated 22 September 2003.

**Statement of Cash Flows**

The Company's investment in patents and acquired rights comprises the major item of investing cash outflow, as foreshadowed in the Company's prospectus. For further guidance in respect of the Company's cash flow, reference should be made to the Company's December Appendix 4C, lodged with ASX 30 January 2004.

**Ends**

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*Rules 4.1, 4.3*

# Appendix 4D

## Half yearly report

Introduced 30/6/2002.

Name of entity

| |
|---|
| Montec International Limited |

| ABN or equivalent company reference | Half yearly *(tick)* | Preliminary final *(tick)* | Half year/financial year ended ('current period') |
|---|---|---|---|
| 62 104 600 544 | √ | | 31 December 2003 |

### For announcement to the market

*Extracts from this report for announcement to the market (see note 1).* $A'000

| | | | | |
|---|---|---|---|---|
| Revenues from ordinary activities *(item 1.1)* | up/down | % | to | 101 |
| Profit (loss) from ordinary activities after tax attributable to members (*item 1.22*) | up/down | % | to | (830) |
| Profit (loss) from extraordinary items after tax attributable to members (*item 2.5(d))* | gain (loss) of | | | - |
| Net profit (loss) for the period attributable to members *(item 1.11)* | up/down | % | to | (830) |

| **Dividends (distributions)** | Amount per security | Franked amount per security |
|---|---|---|
| Final dividend *(Preliminary final report only - item 15.4)*<br>Interim dividend *(Half yearly report only - item 15.6)* | -¢ | -¢ |
| Previous corresponding period *(Preliminary final report - item 15.5; half yearly report - item 15.7)* | -¢ | -¢ |

| | |
|---|---|
| +Record date for determining entitlements to the dividend, (in the case of a trust, distribution) *(see item 15.2)* | Not applicable |

Brief explanation of any of the figures reported above (see Note 1) and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:

**If this is a half yearly report it is to be read in conjunction with the most recent annual financial report.**

+ See chapter 19 for defined terms.

## Condensed consolidated statement of financial performance

| | | Current period - $A'000 | Previous corresponding period - $A'000 |
|---|---|---|---|
| 1.1 | Revenues from ordinary activities *(see items 1.23 -1.25)* | 101 | - |
| 1.2 | Expenses from ordinary activities (*see items 1.26 & 1.27)* | (931) | - |
| 1.3 | Borrowing costs | | |
| 1.4 | Share of net profits (losses) of associates and joint venture entities (*see item 16.7*) | | |
| **1.5** | **Profit (loss) from ordinary activities before tax** | **(830)** | - |
| 1.6 | Income tax on ordinary activities *(see note 4)* | - | - |
| **1.7** | **Profit (loss) from ordinary activities after tax** | **(830)** | - |
| 1.8 | Profit (loss) from extraordinary items after tax (*see item 2.5*) | - | - |
| **1.9** | **Net profit (loss)** | **(830)** | - |
| 1.10 | Net profit (loss) attributable to outside +equity interests | 2 | - |
| **1.11** | **Net profit (loss) for the period attributable to members** | **(828)** | - |
| **Non-owner transaction changes in equity** | | | |
| 1.12 | Increase (decrease) in revaluation reserves | - | - |
| 1.13 | Net exchange differences recognised in equity | - | - |
| 1.14 | Other revenue, expense and initial adjustments recognised directly in equity | (16) | - |
| 1.15 | Initial adjustments from UIG transitional provisions | - | - |
| 1.16 | Total transactions and adjustments recognised directly in equity (items 1.12 to 1.15) | (16) | - |
| **1.17** | **Total changes in equity not resulting from transactions with owners as owners** | (844) | - |

| **Earnings per security (EPS)** | | Current period | Previous corresponding Period |
|---|---|---|---|
| 1.18 | Basic EPS | $(0.015) | - |
| 1.19 | Diluted EPS | $(0.015) | - |

+ See chapter 19 for defined terms.

## Notes to the condensed consolidated statement of financial performance

## Profit (loss) from ordinary activities attributable to members

| | | Current period - $A'000 | Previous corresponding period - $A'000 |
|---|---|---|---|
| 1.20 | Profit (loss) from ordinary activities after tax (*item 1.7*) | (830) | - |
| 1.21 | Less (plus) outside +equity interests | - | - |
| **1.22** | **Profit (loss) from ordinary activities after tax, attributable to members** | **(830)** | - |

## Revenue and expenses from ordinary activities

*(see note 15)*

| | | Current period - $A'000 | Previous corresponding period - $A'000 |
|---|---|---|---|
| 1.23 | Revenue from sales or services | 45 | - |
| 1.24 | Interest revenue | 56 | - |
| 1.25 | Other relevant revenue | - | - |
| 1.26 | Details of relevant expenses | 930 | - |
| 1.27 | Depreciation and amortisation excluding amortisation of intangibles *(see item 2.3)* | 1 | - |
| **Capitalised outlays** | | | |
| 1.28 | Interest costs capitalised in asset values | - | - |
| 1.29 | Outlays capitalised in intangibles (unless arising from an +acquisition of a business) | 24 | - |

## Consolidated retained profits

| | | Current period - $A'000 | Previous corresponding period - $A'000 |
|---|---|---|---|
| 1.30 | Retained profits (accumulated losses) at the beginning of the financial period | - | - |
| 1.31 | Net profit (loss) attributable to members (*item 1.11*) | (828) | - |
| 1.32 | Net transfers from (to) reserves *(details if material)* | (16) | - |
| 1.33 | Net effect of changes in accounting policies | - | - |
| 1.34 | Dividends and other equity distributions paid or payable | - | - |

+ See chapter 19 for defined terms.

| | | | |
|---|---|---|---|
| **1.35** | **Retained profits (accumulated losses) at end of financial period** | **(844)** | - |

## Intangible and extraordinary items

| | | Consolidated - current period | | | |
|---|---|---|---|---|---|
| | | Before tax $A'000 (a) | Related tax $A'000 (b) | Related outside +equity interests $A'000 (c) | Amount (after tax) attributable to members $A'000 (d) |
| 2.1 | Amortisation of goodwill | - | | | |
| 2.2 | Amortisation of other intangibles | 51 | | | |
| **2.3** | **Total amortisation of intangibles** | 51 | | | |
| 2.4 | Extraordinary items (details) | - | | | |
| **2.5** | **Total extraordinary items** | - | | | |

## Comparison of half year profits

*(Preliminary final report only)*

| | | Current year - $A'000 | Previous year - $A'000 |
|---|---|---|---|
| 3.1 | Consolidated profit (loss) from ordinary activities after tax attributable to members reported for the *1st* half year (item 1.22 in the half yearly report) | | |
| 3.2 | Consolidated profit (loss) from ordinary activities after tax attributable to members for the *2nd* half year | | |

+ See chapter 19 for defined terms.

| | **Condensed consolidated statement of financial position** | At end of current period $A'000 | As shown in last annual report $A'000 | As in last half yearly report $A'000 |
|---|---|---|---|---|
| | **Current assets** | | | |
| 4.1 | Cash | 3,841 | | - |
| 4.2 | Receivables | 27 | | - |
| 4.3 | Investments | | | - |
| 4.4 | Inventories | 264 | | - |
| 4.5 | Tax assets | | | - |
| 4.6 | Other (provide details if material) | 78 | | - |
| **4.7** | **Total current assets** | **4,210** | | - |
| | **Non-current assets** | | | |
| 4.8 | Receivables | | | |
| 4.9 | Investments (equity accounted) | | | |
| 4.10 | Other investments | | | |
| 4.11 | Inventories | | | |
| 4.12 | Exploration and evaluation expenditure capitalised *(see para .71 of AASB 1022)* | | | |
| 4.13 | Development properties (+mining entities) | | | |
| 4.14 | Other property, plant and equipment (net) | 82 | | - |
| 4.15 | Intangibles (net) | 4,811 | | - |
| 4.16 | Tax assets | | | |
| 4.17 | Other (provide details if material) | | | - |
| **4.18** | **Total non-current assets** | **4,893** | | - |
| **4.19** | **Total assets** | **9,103** | | - |
| | **Current liabilities** | | | |
| 4.20 | Payables | 150 | | - |
| 4.21 | Interest bearing liabilities | | | |
| 4.22 | Tax liabilities | | | |
| 4.23 | Provisions exc. tax liabilities | 6 | | - |
| 4.24 | Other (provide details if material) | | | |
| **4.25** | **Total current liabilities** | **156** | | - |
| | **Non-current liabilities** | | | |
| 4.26 | Payables | | | |
| 4.27 | Interest bearing liabilities | 26 | | - |
| 4.28 | Tax liabilities | | | |
| 4.29 | Provisions exc. tax liabilities | | | |
| 4.30 | Other (provide details if material) | | | |
| **4.31** | **Total non-current liabilities** | **26** | | - |

+ See chapter 19 for defined terms.

## Condensed consolidated statement of financial position continued

| | | | | |
|---|---|---|---|---|
| **4.32** | **Total liabilities** | **182** | | - |
| **4.33** | **Net assets** | **8,921** | | - |

| | | | | |
|---|---|---|---|---|
| | **Equity** | | | |
| 4.34 | Capital/contributed equity | 9,764 | | - |
| 4.35 | Reserves | (16) | | |
| 4.36 | Retained profits (accumulated losses) | (828) | | - |
| **4.37** | **Equity attributable to members of the parent entity** | **8,920** | | - |
| 4.38 | Outside +equity interests in controlled entities | 1 | | - |
| **4.39** | **Total equity** | **8,921** | | - |

| | | | | |
|---|---|---|---|---|
| 4.40 | Preference capital included as part of 4.37 | | | |

## Notes to the condensed consolidated statement of financial position

## Exploration and evaluation expenditure capitalised

*(To be completed only by entities with mining interests if amounts are material. Include all expenditure incurred.)*

| | | Current period $A'000 | Previous corresponding period - $A'000 |
|---|---|---|---|
| 5.1 | Opening balance | | |
| 5.2 | Expenditure incurred during current period | | |
| 5.3 | Expenditure written off during current period | | |
| 5.4 | Acquisitions, disposals, revaluation increments, etc. | | |
| 5.5 | Expenditure transferred to Development Properties | | |
| **5.6** | **Closing balance as shown in the consolidated balance sheet** *(item 4.12)* | | |

## Development properties

*(To be completed only by entities with mining interests if amounts are material)*

| | | Current period $A'000 | Previous corresponding period - $A'000 |
|---|---|---|---|
| 6.1 | Opening balance | | |
| 6.2 | Expenditure incurred during current period | | |

+ See chapter 19 for defined terms.

| | | | |
|---|---|---|---|
| 6.3 | Expenditure transferred from exploration and evaluation | | |
| 6.4 | Expenditure written off during current period | | |
| 6.5 | Acquisitions, disposals, revaluation increments, etc. | | |
| 6.6 | Expenditure transferred to mine properties | | |
| **6.7** | **Closing balance as shown in the consolidated balance sheet** *(item 4.13)* | | |

## Condensed consolidated statement of cash flows

| | | Current period $A'000 | Previous corresponding period - $A'000 |
|---|---|---|---|
| | **Cash flows related to operating activities** | | |
| 7.1 | Receipts from customers | | |
| 7.2 | Payments to suppliers and employees | (739) | - |
| 7.3 | Dividends received from associates | | |
| 7.4 | Other dividends received | | |
| 7.5 | Interest and other items of similar nature received | 56 | - |
| 7.6 | Interest and other costs of finance paid | | |
| 7.7 | Income taxes paid | | |
| 7.8 | Other (provide details if material) | (21) | - |
| **7.9** | **Net operating cash flows** | **(704)** | **-** |
| | **Cash flows related to investing activities** | | |
| 7.10 | Payment for purchases of property, plant and equipment | (49) | - |
| 7.11 | Proceeds from sale of property, plant and equipment | | |
| 7.12 | Payment for purchases of equity investments | (4,209) | - |
| 7.13 | Proceeds from sale of equity investments | | |
| 7.14 | Loans to other entities | | |
| 7.15 | Loans repaid by other entities | | |
| 7.16 | Other (provide details if material) | | |
| **7.17** | **Net investing cash flows** | **(4,258)** | **-** |
| | **Cash flows related to financing activities** | | |
| 7.18 | Proceeds from issues of +securities (shares, options, etc.) | 10,254 | - |
| 7.19 | Proceeds from borrowings | | |
| 7.20 | Repayment of borrowings | | |
| 7.21 | Dividends paid | | |
| 7.22 | Other (provide details if material) | (1,456) | - |
| **7.23** | **Net financing cash flows** | **8,798** | **-** |

+ See chapter 19 for defined terms.

| | | | |
|---|---|---|---|
| 7.24 | **Net increase (decrease) in cash held** | 3,836 | - |
| 7.25 | Cash at beginning of period *(see Reconciliation of cash)* | 5 | - |
| 7.26 | Exchange rate adjustments to item 7.25. | | |
| **7.27** | **Cash at end of period** *(see Reconciliation of cash)* | 3,841 | - |

## Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. *( If an amount is quantified, show comparative amount.)*

In addition to shares in Montec International Ltd to the value of $180,000 issued as part of the transfer of certain assets and liabilities from Montec Holdings Ltd to Montec International Ltd, there have been shares to the value of $352,300 issued in respect of certain rights. The shares issued in respect of the ascribed values attributable to rights were reflected in the total issued share capital presented in the company's prospectus.
In respect of the payment for acquisition of an interest in Chongqing Montec Co Ltd, and in addition to the cash consideration of $131,605 there have been shares to the value of $150,000 issued to vendors' in respect of 15% of Chongqing Montec Co Ltd. These shares issued in respect of the 15% interest in Chongqing Montec Co Ltd were reflected in the total issued share capital presented in the company's prospectus.

## Reconciliation of cash

| Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows. | Current period $A'000 | Previous corresponding period - $A'000 |
|---|---|---|
| 8.1 Cash on hand and at bank | 540 | - |
| 8.2 Deposits at call | 3,301 | - |
| 8.3 Bank overdraft | | |
| 8.4 Other (provide details) | | |
| **8.5 Total cash at end of period** *(item 7.27)* | **3,841** | - |

## Other notes to the condensed financial statements

### Ratios

| | Current period | Previous corresponding period |
|---|---|---|
| **Profit before tax / revenue**<br>9.1 Consolidated profit (loss) from ordinary activities before tax (*item 1.5*) as a percentage of revenue (*item 1.1*) | (822)% | - |

| | | | |
|---|---|---|---|
| 9.2 | **Profit after tax / +equity interests** Consolidated net profit (loss) from ordinary activities after tax attributable to members (*item 1.11*) as a percentage of equity (similarly attributable) at the end of the period (*item 4.37*) | (9.28)% | - |

## Earnings per security (EPS)

10. Details of basic and diluted EPS reported separately in accordance with paragraph 9 and 18 of *AASB 1027: Earnings Per Share* are as follows.

## NTA backing

*(see note 7)*

| | | Current period | Previous corresponding period |
|---|---|---|---|
| 11.1 | Net tangible asset backing per +ordinary security | $0.08 | - |

## Discontinuing Operations

*(Entities must report a description of any significant activities or events relating to discontinuing operations in accordance with paragraph 7.5 (g) of AASB 1029: Interim Financial Reporting, or, the details of discontinuing operations they have disclosed in their accounts in accordance with AASB 1042: Discontinuing Operations (see note 17).)*

12.1 Discontinuing Operations

None.

+ See chapter 19 for defined terms.

## Control gained over entities having material effect

| | | |
|---|---|---|
| 13.1 | Name of entity (or group of entities) | Chongqing Montec Co Ltd |
| 13.2 | Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) since the date in the current period on which control was +acquired | $(10,320) |
| 13.3 | Date from which such profit has been calculated | 1 July 2003 |
| 13.4 | Profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period | $- |

## Loss of control of entities having material effect

| | | |
|---|---|---|
| 14.1 | Name of entity (or group of entities) | Not Applicable |
| 14.2 | Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) for the current period to the date of loss of control | $- |
| 14.3 | Date to which the profit (loss) in item 14.2 has been calculated | |
| 14.4 | Consolidated profit (loss) from ordinary activities and extraordinary items after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period | $- |
| 14.5 | Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control | $- |

## Dividends (in the case of a trust, distributions)

| | | |
|---|---|---|
| 15.1 | Date the dividend (distribution) is payable | Not Applicable |
| 15.2 | +Record date to determine entitlements to the dividend (distribution) (ie, on the basis of proper instruments of transfer received by 5.00 pm if +securities are not +CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if +securities are +CHESS approved) | |
| 15.3 | If it is a final dividend, has it been declared? *(Preliminary final report only)* | |

+ See chapter 19 for defined terms.

## Amount per security

| | | Amount per security | Franked amount per security at % tax (see note 4) | Amount per security of foreign source dividend |
|---|---|---|---|---|
| | *(Preliminary final report only)* | | | |
| **15.4** | **Final dividend:** Current year | ¢ | ¢ | ¢ |
| 15.5 | Previous year | ¢ | ¢ | ¢ |
| | *(Half yearly and preliminary final reports)* | | | |
| **15.6** | **Interim dividend:** Current year | -¢ | -¢ | -¢ |
| 15.7 | Previous year | -¢ | -¢ | -¢ |

## Total dividend (distribution) per security (interim *plus* final)

(Preliminary final report only)

| | Current year | Previous year |
|---|---|---|
| 15.8 +Ordinary securities | ¢ | ¢ |
| 15.9 Preference +securities | ¢ | ¢ |

## Half yearly report - interim dividend (distribution) on all securities *or* Preliminary final report - final dividend (distribution) on all securities

| | Current period $A'000 | Previous corresponding period - $A'000 |
|---|---|---|
| 15.10 +Ordinary securities *(each class separately)* | | |
| 15.11 Preference +securities *(each class separately)* | | |
| 15.12 Other equity instruments *(each class separately)* | | |
| **15.13 Total** | | |

The +dividend or distribution plans shown below are in operation.

| |
|---|
| |

| | |
|---|---|
| The last date(s) for receipt of election notices for the +dividend or distribution plans | |

Any other disclosures in relation to dividends (distributions). *(For half yearly reports, provide details in accordance with paragraph 7.5(d) of AASB 1029 Interim Financial Reporting)*

| |
|---|
| |

+ See chapter 19 for defined terms.

## Details of aggregate share of profits (losses) of associates and joint venture entities

| **Group's share of associates' and joint venture entities':** | Current period $A'000 | Previous corresponding period - $A'000 |
|---|---|---|
| 16.1 Profit (loss) from ordinary activities before tax | | |
| 16.2 Income tax on ordinary activities | | |
| **16.3 Profit (loss) from ordinary activities after tax** | | |
| 16.4 Extraordinary items net of tax | | |
| **16.5 Net profit (loss)** | | |
| 16.6 Adjustments | | |
| **16.7 Share of net profit (loss) of associates and joint venture entities** | | |

## Material interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities. *(If the interest was acquired or disposed of during either the current or previous corresponding period, indicate date of acquisition ("from dd/mm/yy") or disposal ("to dd/mm/yy").)*

| *Name of entity* | Percentage of ownership interest held at end of period or date of disposal | | Contribution to net profit (loss) (*item 1.9*) | |
|---|---|---|---|---|
| **17.1 Equity accounted associates and joint venture entities** | Current period | Previous corresponding period | Current period $A'000 | Previous corresponding period - $A'000 |
| | | | | |
| **17.2 Total** | | | | |
| 17.3 Other material interests | | | | |
| **17.4 Total** | | | | |

+ See chapter 19 for defined terms.

## Issued and quoted securities at end of current period

*(Description must include rate of interest and any redemption or conversion rights together with prices and dates)*

| | **Category of +securities** | Total number | Number quoted | Issue price per security (see note 14) (cents) | Amount paid up per security (see note 14) (cents) |
|---|---|---|---|---|---|
| **18.1** | **Preference +securities** *(description)* | | | | |
| 18.2 | Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks, redemptions | | | | |
| **18.3** | **+Ordinary securities** | 54,299,843 | 30,874,122 | | |
| 18.4 | Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buybacks | | | | |
| **18.5** | **+Convertible debt securities** *(description and conversion factor)* | | | | |
| 18.6 | Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted | | | | |
| **18.7** | **Options** *(description and conversion factor)* | | | *Exercise price* | *Expiry date (if any)* |
| | | 4,323,430 | | $0.50 | 30/06/05 |
| | | 5,000,000 | | $0.50 | 30/06/06 |
| | | 2,548,500 | | $0.35 | 30/06/07 |
| | | 609,826 | | $0.50 | 30/06/05 |
| | | 100,000 | | $0.50 | 01/07/07 |
| 18.8 | Issued during current period | | | | |
| 18.9 | Exercised during current period | | | | |
| 18.10 | Expired during current period | | | | |
| **18.11** | **Debentures** *(description)* | | | | |
| 18.12 | Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted | | | | |

+ See chapter 19 for defined terms.

| | | |
|---|---|---|
| **18.13** **Unsecured notes** *(description)* | | |
| 18.14 Changes during current period | | |
| (a) Increases through issues | | |
| (b) Decreases through securities matured, converted | | |

## Segment reporting

(Information on the business and geographical segments of the entity must be reported for the current period in accordance with *AASB 1005: Segment Reporting* and for half year reports, *AASB 1029: Interim Financial Reporting*. Because entities employ different structures a pro forma cannot be provided. Segment information in the layout employed in the entity's +accounts should be reported separately and attached to this report.)

## Comments by directors

(Comments on the following matters are required by ASX or, in relation to the half yearly report, by *AASB 1029: Interim Financial Reporting*. The comments do not take the place of the directors' report and statement (as required by the Corporations Act) and may be incorporated into the directors' report and statement. For both half yearly and preliminary final reports, if there are no comments in a section, state NIL. If there is insufficient space to comment, attach notes to this report.)

### Basis of financial report preparation

19.1 *If this report is a half yearly report, it is a general purpose financial report prepared in accordance with the listing rules and AASB 1029: Interim Financial Reporting.* ***It should be read in conjunction with any announcements to the market made by the entity during the period.*** *The financial statements in this report are "condensed financial statements" as defined in AASB 1029: Interim Financial Reporting. This report does not include all the notes of the type normally included in an annual financial report.*

19.2 Material factors affecting the revenues and expenses of the economic entity for the current period. In a half yearly report, provide explanatory comments about any seasonal or irregular factors affecting operations.

Montec International Limited is currently in the development phase of its business. As such expenditures have been incurred with the expectation of future revenues, resulting in losses in the half year being reported.

19.3 A description of each event since the end of the current period which has had a material effect and which is not already reported elsewhere in this Appendix or in attachments, with financial effect quantified (if possible).

No material subsequent events.

+ See chapter 19 for defined terms.

19.4 Franking credits available and prospects for paying fully or partly franked dividends for at least the next year.

| |
|---|
| No income tax paid, therefore no franking credits available to be paid. |

19.5 Unless disclosed below, the accounting policies, estimation methods and measurement bases used in this report are the same as those used in the last annual report. Any changes in accounting policies, estimation methods and measurement bases since the last annual report are disclosed as follows. (Disclose changes and differences in the half yearly report in accordance with *AASB 1029: Interim Financial Reporting*. Disclose changes in accounting policies in the preliminary final report in accordance with *AASB 1001: Accounting Policies-Disclosure*).

| |
|---|
| No previous annual report. |

19.6 Revisions in estimates of amounts reported in previous interim periods. For half yearly reports the nature and amount of revisions in estimates of amounts reported in previous +annual reports if those revisions have a material effect in this half year.

| |
|---|
| No previous annual report. |

19.7 Changes in contingent liabilities or assets. For half yearly reports, changes in contingent liabilities and contingent assets since the last + annual report.

| |
|---|
| No previous annual report. |

# Additional disclosure for trusts

| | |
|---|---|
| 20.1 Number of units held by the management company or responsible entity or their related parties. | |
| 20.2 A statement of the fees and commissions payable to the management company or responsible entity.<br><br>Identify:<br>• initial service charges<br>• management fees<br>• other fees | |

+ See chapter 19 for defined terms.

## Annual meeting

*(Preliminary final report only)*

The annual meeting will be held as follows:

| | |
|---|---|
| Place | |
| Date | |
| Time | |
| Approximate date the +annual report will be available | |

## Compliance statement

1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX (see note 12).

| | |
|---|---|
| Identify other standards used | |

2 This report, and the +accounts upon which the report is based, use the same accounting policies.

3 This report does give a true and fair view of the matters disclosed (see note 2).

4 This report is based on +accounts to which one of the following applies.
*(Tick one)*

- ☐ The +accounts have been audited.
- ☑ The +accounts have been subject to review.
- ☐ The +accounts are in the process of being audited or subject to review.
- ☐ The +accounts have *not* yet been audited or reviewed.

5 The review report by the auditor is attached to the Half Year Financial Report

6 The entity has a formally constituted audit committee.

Sign here: **Original signed by Malcolm Campbell** Date: **23 February 2003**
(Director)

Print name: **Malcolm Campbell**

+ See chapter 19 for defined terms.

## Notes

1. **For announcement to the market** The percentage changes referred to in this section are the percentage changes calculated by comparing the current period's figures with those for the previous corresponding period. Do not show percentage changes if the change is from profit to loss or loss to profit, but still show whether the change was up or down. If changes in accounting policies or procedures have had a material effect on reported figures, do not show either directional or percentage changes in profits. Explain the reason for the omissions in the note at the end of the announcement section. Entities are encouraged to attach notes or fuller explanations of any significant changes to any of the items in page 1. The area at the end of the announcement section can be used to provide a cross reference to any such attachment.

2. **True and fair view** If this report does not give a true and fair view of a matter (for example, because compliance with an Accounting Standard is required) the entity must attach a note providing additional information and explanations to give a true and fair view.

3. **Condensed consolidated statement of financial performance**

| | |
|---|---|
| Item 1.1 | The definition of "revenue" and an explanation of "ordinary activities" are set out in *AASB 1004: Revenue*, and *AASB 1018: Statement of Financial Performance*. |
| Item 1.6 | This item refers to the total tax attributable to the amount shown in item 1.5. Tax includes income tax and capital gains tax (if any) but excludes taxes treated as expenses from ordinary activities (eg, fringe benefits tax). |

4. **Income tax** If the amount provided for income tax in this report differs (or would differ but for compensatory items) by more than 15% from the amount of income tax *prima facie* payable on the profit before tax, the entity must explain in a note the major items responsible for the difference and their amounts. The rate of tax applicable to the franking amount per dividend should be inserted in the heading for the column "Franked amount per security at % tax" for items 15.4 to 15.7.

5. **Condensed consolidated statement of financial position**

   **Format** The format of the consolidated statement of financial position should be followed as closely as possible. However, additional items may be added if greater clarity of exposition will be achieved, provided the disclosure still meets the requirements of *AASB 1029: Interim Financial Reporting,* and *AASB 1040: Statement of Financial Position.* Also, banking institutions, trusts and financial institutions may substitute a clear liquidity ranking for the Current/Non-Current classification.

   **Basis of revaluation** If there has been a material revaluation of non-current assets (including investments) since the last +annual report, the entity must describe the basis of revaluation adopted. The description must meet the requirements of *AASB 1010: Accounting for the Revaluation of Non-Current Assets.* If the entity has adopted a procedure of regular revaluation, the basis for which has been disclosed and has not changed, no additional disclosure is required.

6. **Condensed consolidated statement of cash flows** For definitions of "cash" and other terms used in this report see *AASB 1026: Statement of Cash Flows.* Entities should follow the form as closely as possible, but variations are permitted if the directors (in the case of a trust, the management company) believe that this presentation is inappropriate. However, the

+ See chapter 19 for defined terms.

presentation adopted must meet the requirements of *AASB 1026*. +Mining exploration entities may use the form of cash flow statement in Appendix 5B.

7. **Net tangible asset backing** Net tangible assets are determined by deducting from total tangible assets all claims on those assets ranking ahead of the +ordinary securities (ie, all liabilities, preference shares, outside +equity interests etc). +Mining entities are *not* required to state a net tangible asset backing per +ordinary security.

8. **Gain and loss of control over entities** The gain or loss must be disclosed if it has a material effect on the +accounts. Details must include the contribution for each gain or loss that increased or decreased the entity's consolidated profit (loss) from ordinary activities and extraordinary items after tax by more than 5% compared to the previous corresponding period.

9. **Rounding of figures** This report anticipates that the information required is given to the nearest $1,000. If an entity reports exact figures, the $A'000 headings must be amended. If an entity qualifies under ASIC Class Order 98/0100 dated 10 July 1998, it may report to the nearest million dollars, or to the nearest $100,000, and the $A'000 headings must be amended.

10. **Comparative figures** Comparative figures are to be presented in accordance with *AASB 1018* or *AASB 1029 Interim Financial Reporting* as appropriate and are the unadjusted figures from the latest annual or half year report as appropriate. However, if an adjustment has been made in accordance with an accounting standard or other reason or if there is a lack of comparability, a note explaining the position should be attached. For the statement of financial performance, *AASB 1029 Interim Financial Reporting* requires information on a year to date basis in addition to the current interim period. Normally an Appendix 4B to which *AASB 1029 Interim Financial Reporting* applies would be for the half year and consequently the information in the current period is also the year to date. If an Appendix 4B Half yearly version is produced for an additional interim period (eg because of a change of reporting period), the entity must provide the year to date information and comparatives required by *AASB 1029 Interim Financial Reporting*. This should be in the form of a multi-column version of the consolidated statement of financial performance as an attachment to the additional Appendix 4B.

11. **Additional information** An entity may disclose additional information about any matter, and must do so if the information is material to an understanding of the reports. The information may be an expansion of the material contained in this report, or contained in a note attached to the report. The requirement under the listing rules for an entity to complete this report does not prevent the entity issuing reports more frequently. Additional material lodged with the +ASIC under the Corporations Act must also be given to ASX. For example, a director's report and declaration, if lodged with the +ASIC, must be given to ASX.

12. **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if one exists) must be complied with.

13. **Corporations Act financial statements** This report may be able to be used by an entity required to comply with the Corporations Act as part of its half-year financial statements if prepared in accordance with Australian Accounting Standards.

14. **Issued and quoted securities** The issue price and amount paid up is not required in items 18.1 and 18.3 for fully paid securities.

+ See chapter 19 for defined terms.

15 **Details of expenses** *AASB 1018* requires disclosure of expenses from ordinary activities according to either their nature or function. For foreign entities, there are similar requirements in other accounting standards accepted by ASX. *AASB ED 105* clarifies that the disclosures required by *AASB 10*18 must be either *all* according to nature or *all* according to function. Entities must disclose details of expenses using the layout (by nature or function) employed in their +accounts.

The information in lines 1.23 to 1.27 may be provided in an attachment to Appendix 4B.

**Relevant Items** *AASB 1018* requires the separate disclosure of specific revenues and expenses which are not extraordinary but which are of a size, nature or incidence that disclosure is *relevant* in explaining the financial performance of the reporting entity. The term "relevance" is defined in *AASB 1018*. There is an equivalent requirement in *AASB 1029: Interim Financial Reporting*. For foreign entities, there are similar requirements in other accounting standards accepted by ASX.

16 **Dollars** If reporting is not in A$, all references to $A must be changed to the reporting currency. If reporting is not in thousands of dollars, all references to "000" must be changed to the reporting value.

17. **Discontinuing operations**

Half yearly report

All entities must provide the information required in paragraph 12 for half years beginning on or after 1 July 2001.

Preliminary final report

Entities must either provide a description of any significant activities or events relating to discontinuing operations equivalent to that required by paragraph 7.5 (g) of *AASB 1029: Interim Financial Reporting*, or, the details of discontinuing operations they are required to disclose in their +accounts in accordance with *AASB 1042 Discontinuing Operations*.

In any case the information may be provided as an attachment to this Appendix 4B.

18. **Format**

This form is a Word document but an entity can re-format the document into Excel or similar applications for submission to the Companies Announcements Office in ASX.

+ See chapter 19 for defined terms.

# MONTEC INTERNATIONAL LIMITED
ACN 104 600 544
# AND CONTROLLED ENTITIES

# FINANCIAL REPORT
# FOR THE HALF YEAR ENDED 31 DECEMBER 2003

**MONTEC INTERNATIONAL LIMITED**
**ACN 104 600 544**
**AND CONTROLLED ENTITIES**

## TABLE OF CONTENTS

**MONTEC INTERNATIONAL LIMITED**
**ACN 104 600 544**
**AND CONTROLLED ENTITIES**

**DIRECTOR'S REPORT**

Your directors submit the financial report of the economic entity for the half-year ended 31 December 2003.

## Directors

The names of directors who held office during or since the end of the half-year:

| | |
|---|---|
| Jim Grant | Non Executive Chairman, appointed 22 September 2003 |
| Malcolm Campbell | Managing Director, appointed 27 May 2003 |
| Dr Xueqin Du | Executive Director, appointed 27 May 2003 |
| Terry Cuthbertson | Non Executive Director, appointed 22 September 2003 |
| Peter Herd | Non Executive Director, appointed 19 September 2003 |
| Spiro Lymberatos | Executive Director, appointed 27 May 2003; resigned 22 September 2003 |

## Review of Operations

A review of the operations of the economic entity during the half- year ended 31 December 2003 and the results of those operations found that during the half year, the economic entity continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

The business activities of the economic entity were resourced from November 2003 through the successful listing of Montec International Limited on the Australian Stock Exchange.

This report is signed in accordance with a resolution of the Board of Directors.

Director M Campbell
**Malcolm Campbell**

Dated this 23 day of February 2004

**MONTEC INTERNATIONAL LIMITED**
**ACN 104 600 544**
**AND CONTROLLED ENTITIES**

## CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

| | Economic Entity | |
|---|---|---|
| | 31.12.03 $ | 31.12.02 $ |
| Revenues from ordinary activities | 100,586 | - |
| Compliance and professional fees | (236,422) | - |
| Marketing expenses | (199,764) | - |
| Employment expenses | (174,923) | - |
| General and administrative expenses | (124,997) | - |
| Travel expenses | (56,844) | - |
| Insurance expenses | (29,241) | - |
| Depreciation and amortisation expenses | (52,918) | - |
| Other expenses from ordinary activities | (55,148) | - |
| **Loss from ordinary activities before income tax expense** | (829,671) | - |
| Income tax expense relating to ordinary activities | - | - |
| **Net loss from ordinary activities after income tax expense attributable to members of the parent entity** | (829,671) | - |
| Net loss attributable to outside equity interests | 1,548 | - |
| **Net loss attributable to members of the parent entity** | (828,123) | - |
| Net exchange difference on translation of financial report of self-sustaining foreign operations | (16,120) | - |
| **Total revenues, expenses and valuation adjustments attributable to members of the parent entity recognised directly in equity** | (16,120) | - |
| **Total changes in equity other than those resulting from transactions with owners as owners** | (844,243) | - |
| Basic loss per share (cents per share) | $(0.015) | - |
| Diluted loss per share (cents per share) | $(0.015) | - |

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

**MONTEC INTERNATIONAL LIMITED**
**ACN 104 600 544**
**AND CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AS AT 31 DECEMBER 2003**

| | Economic Entity | |
|---|---|---|
| | 31.12.03<br>$ | 30.6.03<br>$ |
| **CURRENT ASSETS** | | |
| Cash assets | 3,840,829 | 4,989 |
| Receivables | 27,391 | - |
| Inventories | 264,241 | - |
| Other | 77,914 | 16,761 |
| **TOTAL CURRENT ASSETS** | 4,210,375 | 21,750 |
| **NON-CURRENT ASSETS** | | |
| Receivables | - | - |
| Property, plant and equipment | 82,137 | 12,976 |
| Intangible assets | 4,810,607 | 1,293,499 |
| **TOTAL NON-CURRENT ASSSETS** | 4,892,744 | 1,306,475 |
| **TOTAL ASSETS** | 9,103,119 | 1,328,225 |
| **CURRENT LIABILITIES** | | |
| Payables | 150,536 | 1,317,800 |
| Provisions | 5,571 | - |
| **TOTAL CURRENT LIABILITIES** | 156,107 | 1,317,800 |
| **NON-CURRENT LIABILITIES** | | |
| Interest-bearing liabilities | 26,262 | - |
| **TOTAL NON-CURRENT LIABILITIES** | 26,262 | - |
| **TOTAL LIABILITIES** | 182,369 | 1,317,800 |
| **NET ASSETS** | 8,920,750 | 10,425 |
| **EQUITY** | | |
| Contributed equity | 9,764,178 | 11 |
| Reserves | (16,120) | - |
| Accumulated losses | (828,123) | - |
| Parent entity interest | 8,919,935 | 11 |
| Outside equity interest | 815 | 10,414 |
| **TOTAL EQUITY** | 8,920,750 | 10,425 |

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

**MONTEC INTERNATIONAL LIMITED**
**ACN 104 600 544**
**AND CONTROLLED ENTITIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS**
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2003**

| | Economic Entity | |
|---|---|---|
| | 31.12.03<br>$ | 31.12.02<br>$ |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Receipts from customers | - | - |
| Payments to suppliers and employees | (759,533) | - |
| Interest received | 55,632 | - |
| Net cash used in operating activities | (703,901) | - |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase of non-current assets | (46,798) | - |
| Purchase of intellectual property | (4,077,495) | - |
| Payment for subsidiary, net of cash acquired | (131,605) | - |
| Net cash used in investing activities | (4,257,898) | - |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from issue of shares | 8,797,787 | - |
| Net cash provided by used in financing activities | 8,797,787 | - |
| Net increase in cash held | 3,835,988 | - |
| Cash at 1 July 2003 | 4,991 | - |
| Effect of exchange rates on cash holdings in foreign currencies | (150) | - |
| **Cash at 31 December 2003** | 3,840,829 | - |

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

## NOTE 1: BASIS OF PREPARATION

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standard AASB 1029: Interim Financial Reporting, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with any public announcements made by Montec International Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

### a. Principles of Consolidation

A controlled entity is any entity controlled by Montec International Limited. Control exists where Montec International Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Montec International Limited to achieve the objectives of Montec International Limited.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation.

### b. Income Tax

The economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

### c. Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on the basis of weighted average costs.

**NOTE 1: BASIS OF PREPARATION**

d. **Property, Plant and Equipment**

Each class of property, plant and equipment are carried at cost or fair value less, where applicable, any accumulated depreciation.

**Plant and equipment**

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

**Depreciation**

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

| Class of Fixed Asset | Depreciation Rate |
|---|---|
| Plant and equipment | 25% |

e. **Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the economic entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

f. **Investments**

Non-current investments are measured on the cost basis. The carrying amount of non-current investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for listed investments or the underlying net assets for other non-listed investments. The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

## NOTE 1: BASIS OF PREPARATION

g. **Intangibles**

Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Both purchased goodwill and goodwill on consolidation are amortised on a straight line basis over the period of 20 years. The balances are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable are written off.

Patents and Acquired Rights

Patents and acquired rights are recorded in the accounts at cost of acquisition and are amortised over the period in which their benefits are expected to be realised. The carrying amount of patents and acquired rights are reviewed annually to ensure they do not exceed the recoverable amount.

h. **Foreign Currency Transactions and Balances**

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.

The gains and losses from conversion of assets and liabilities, whether realised or unrealised, are included in profit from ordinary activities as they arise.

The assets and liabilities of the overseas controlled entities, which are self-sustaining, are translated at year-end rates and operating results are translated at the rates ruling at the end of each month. Gains and losses arising on translation are taken directly to the profit and loss.

Exchange differences arising on hedged transactions undertaken to hedge foreign currency exposures, other than those for the purchase and sale of goods and services, are brought to account in the profit from ordinary activities when the exchange rates change. Any material gain or loss arising at the time of entering into hedge transactions is deferred and brought to account in the profit from ordinary activities over the lives of the hedges.

Costs or gains arising at the time of entering hedged transactions for the purchase and sale of goods and services, and exchange differences that occur up to the date of purchase or sale, are deferred and included in the measurement of the purchase or sale. Gains and losses from speculative foreign currency transactions are brought to account in the profit from ordinary activities when the exchange rate changes.

i. **Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

**MONTEC INTERNATIONAL LIMITED**
**ACN 104 600 544**
**AND CONTROLLED ENTITIES**

**NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2003**

## NOTE 1: BASIS OF PREPARATION

j. **Cash**

For the purpose of the statement of cash flows, cash includes:

— cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts; and

— investments in money market instruments with less than 14 days to maturity.

k. **Revenue**

Revenue and associated royalties from the sale of goods are recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

l. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

| | Economic Entity | |
|---|---|---|
| **NOTE 2: PROFIT FROM ORDINARY ACTIVITIES** | 31.12.03 $000 | 31.12.02 $000 |
| The following revenue and expense items are relevant in explaining the financial performance for the interim period: | | |
| There were no such relevant items. | - | - |

| | Economic Entity | |
|---|---|---|
| **NOTE 3: DIVIDENDS** | 31.12.03 $000 | 31.12.02 $000 |
| No Dividends were declared or paid in the period. | - | - |
| | - | - |

## NOTE 4: ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND RESTRUCTURINGS

The settlement of commitments in respect of the acquisition of an 85% interest in Chongqing Montec Co. Ltd was completed during the half year. The consideration for the acquisition involved a cash payment of $131,605 and shares to the value of $150,000, totalling $281,605.

## NOTE 5: SEGMENT INFORMATION

Primary reporting — Geographical segment

| | Australia $ | China $ | Eliminations $ | Economic Entity $ |
|---|---|---|---|---|
| **2003** | | | | |
| Total sales revenue | 44,954 | - | - | 44,954 |
| Total Segment Revenue | 44,954 | - | - | 44,954 |
| Unallocated revenue | | | | 55,632 |
| Revenue from ordinary activities | | | | 100,586 |
| Segment Result | (810,239) | (75,064) | - | (885,303) |
| Unallocated expenses net of unallocated revenue | | | | 55,632 |
| Profit from ordinary activities before income tax expense | | | | (829,671) |
| **2002** | | | | |
| Total sales revenue | - | - | - | - |
| Total Segment Revenue | - | - | - | - |
| Unallocated revenue | | | | - |
| Revenue from ordinary activities | | | | - |
| Segment Result | - | - | - | - |
| Unallocated expenses net of unallocated revenue | | | | - |
| Profit from ordinary activities before income tax expense | | | | - |

## NOTE 6: CONTINGENT LIABILITIES

There are no material contingent liabilities which have been identified.

## NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE

There are no material events subsequent to reporting date.

**MONTEC INTERNATIONAL LIMITED**
**ACN 104 600 544**
**AND CONTROLLED ENTITIES**

**DIRECTORS' DECLARATION**

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 2 to 10:

   a. comply with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations; and

   b. give a true and fair view of the economic entity's financial position as at 31 December 2003 and of its performance for the half year ended on that date.

2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director M Campbell
**Malcolm Campbell**

Dated this 23 day of February 2004

Grant Thornton

Chartered Accountants
Business Advisers and Consultants

**INDEPENDENT REVIEW REPORT**
**TO THE MEMBERS OF MONTEC INTERNATIONAL LIMITED**

## Scope

*The half-year financial report and directors' responsibility*

The half-year financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the consolidated entity, for the half-year ended 31 December 2003. The consolidated entity comprises both the Montec International Limited (the company) and the entities it controlled during that half-year.

The directors of the company are responsible for the preparation and true and fair presentation of the half-year financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the half-year financial report.

*Review approach*

We conducted an independent review of the half-year financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the half-year financial report is not presented fairly in accordance with Australian Accounting Standard AASB 1029: Interim Financial Reporting 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 consolidated entity's financial position and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the half-year financial report with the Australian Securities & Investments Commission/Australian Stock Exchange Limited.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. 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 provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

## Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

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**INDEPENDENT REVIEW REPORT**
**TO THE MEMBERS OF MONTEC INTERNATIONAL LIMITED (cont)**

**Statement**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Montec International Limited is not in accordance with:

(a) the Corporations Act 2001, including:

 (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2003 and of its performance for the half-year ended on that date; and

 (ii) complying with Australian Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

Grant Thornton NSW

GRANT THORNTON NSW
Chartered Accountants

M A ADAM-SMITH
Partner

Sydney 23 February 2004