montec International Limited
Making dairy foods healthier... naturally

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CHINA UPDATE JANUARY 2007

Montec International Limited (ASX: MTI) is pleased to advise that it is on track to meet its June 2007 target of 6,000 outlets in China distributing its "dairypure" and "Meng Tai" brands of monounsaturated, cholesterol-free milk. The number of outlets now exceeds 2,700, slightly ahead of the December 2006 target of 2,600. Having established a strong market presence in Beijing and Shanghai, geographic expansion is underway with sales outlets recently added in Qingdao and Dalian.

Reflecting dairypure's positioning as a premium product, the distribution strategy has been focussed on building a strong presence in the affluent AB demographic. Accordingly, a strong distribution capability has been established in hypermarkets and large supermarkets in both Beijing and Shanghai for all three dairypure products, being plain, chocolate and strawberry milk.

Managing Director Peter Herd said,

"Montec is encouraged by these trends which demonstrate the increasing confidence of our sales partners and their customer base. Importantly, the mix of stores achieved to date reflects careful selection by the sales development teams. Our customers include Carrefour and

Jingkelong hypermarkets, major supermarket chains such as Huarun and major convenience store groups such as Lianhua Kuik and Lawson."

In mid-January 2007, a production run of 47 tonnes of dairypure and Meng Tai product was completed. Of this, nearly 42% was chocolate and strawberry milk indicating broad acceptance of the current product offering. This run has been entirely supported by customer orders driven by inventory replenishment at the store level and consumer repeat purchase.

In commenting on the local market in China, Dr Xueqin Du, Montec's China Business Director said,

"Our partnership with Beijing Sanyuan Foods and our co-ordinated regional customer team provides the capability to expand distribution channels and ensure reliable product supply essential to Montec's overall strategy of building the brands and developing the distribution base for further product extensions."

Ends

Peter Herd
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ABOUT MONTEC INTERNATIONAL LIMITED

Montec International owns the Australian, New Zealand and Asian rights, to a unique technology that enables the production of monounsaturated, cholesterol-free dairy products including milk, icecream and yoghurts. NSW based milk processor Dairy Farmers has been licensed to market products in Australia using the technology.

Montec's principal focus is in developing the market for cholesterol-free dairy products in China using the technology. The company is currently building its range of plain, chocolate and strawberry flavoured milk under the "dairypure" and "Meng Tai" brands with distribution through more than 2,700 outlets predominantly in Beijing and Shanghai. Planned product extensions include ice cream and yoghurts.

ABOUT THE CHINESE DAIRY MARKET

The largest sector of the 9 billion litre Chinese dairy market is ice cream (5 billion litres) followed by milk (3 billion litres). The industry has enjoyed 10% plus annual growth for each of the past five years in response to rising incomes, a broader adoption of western-style foods, increased penetration of home refrigeration, improved cold chain distribution systems, and an increasingly sophisticated retail environment. Government support for better nutrition such as through children's milk programs has also been a positive factor in driving growth.