

**MULTISTACK INTERNATIONAL LIMITED**

**FINANCIAL REPORT**

**31 DECEMBER 2003**

# MULTISTACK INTERNATIONAL LIMITED

ACN 007 254 346

ABN 54 007 254 346

## DIRECTORS

S.W. Yan (Chairman)  
S. K Y. Leung (Chief Executive Officer)  
T.K.M. Chu (Non-executive Director)  
Y.N. Chan (Executive Director)  
A.H.W Yu (Non-executive Director)

## COMPANY SECRETARY

Y.Y. Wong

## REGISTERED OFFICE

1 Kylie Place  
Cheltenham, Victoria 3192  
Australia  
Tel: 61-3-8552-1200  
Fax: 61-3-8552-1201

## SOLICITORS

Minter Ellison

## BANKERS

HSBC Bank of Australia Limited  
Bank of China (HK) Limited

## SHARE REGISTER

Computershare Investor Services  
Level 12, 565 Bourse Street, Melbourne 3000  
Phone 61-3-9611 5711 or 1300 850 505  
Fax 61-3-9611 5710

## AUDITORS

Ernst & Young

## STOCK EXCHANGE

The company is listed on the Australian Stock Exchange. The home exchange is Melbourne.

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# MULTISTACK INTERNATIONAL LIMITED

## DIRECTORS' REPORT

The Directors present their report with the financial report of Multistack International Limited ("Company") and the consolidated accounts of the economic entity, being the Company and its controlled entities, for the year ended 31 December 2003. Multistack International Limited is a company limited by shares that is incorporated and domiciled in Australia.

### DIRECTORS

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

Mr. S. Yan	Chairman A graduate in Production Engineering, Master of Industrial Engineering (Hong Kong Polytechnic University) and a member of the American Institute of Industrial Engineers, Mr. Yan is a co-founder of the Super Link Group. He has over 15 years' experience in manufacturing and marketing industrial air conditioning products in the People's Republic of China. He has been Chairman since August 1999 and has been an Executive Director since 1995. Mr Yan serves on the group's audit, remuneration and nomination and governance committees.
Mr. S. Leung	Chief Executive Officer A graduate in Electrical Engineering (Hong Kong Polytechnic), Mr. Leung is a co-founder of the Super Link Group. He has built up substantial manufacturing and distribution resources in the People's Republic of China since 1981. Mr. Leung is a director of Omnitech Holdings Limited. He has been Chief Executive since 1997 and has been an Executive Director since 1995. Mr Leung serves on the group's audit, remuneration and nomination and governance committees.
Mr. T. Chu	Non-executive Director A Bachelor of Laws (University of London), Master of Laws (City University of Hong Kong), Mr. Chu is a solicitor admitted in England and Wales, Hong Kong, Australian Capital Territory and Singapore. Mr. Chu obtained his Master Degree in Laws from the City University of Hong Kong and he has extensive knowledge in Chinese laws. Mr. Chu specialises in property, company and commercial law and has a wide knowledge of People's Republic of China law. Mr. Chu was appointed to the Board in March 1999.
Ms Y.N. Chan	Executive Director A Bachelor in Business (Swinburne University of Technology), Graduate Diploma in Business Systems (RMIT). Ms Chan has substantial experience in the banking industry. She currently oversees all administration for the Multistack Chiller Division in Australia. Ms Chan was appointed to become a member of the Board on 26 November 2002.
Mr A.H.W Yu	Non-executive Director A graduate in Accountancy from Hong Kong Polytechnic University. Mr. Yu is a senior partner of a CPA firm based in Hong Kong with a multinational clientele base. His expertise is in mergers and acquisitions particularly in multinational courier and air-cargo business. Mr Yu was appointed as a member of the Board on 16 February 2004.

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

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

As at the date of this report, the interests of the directors in the shares of the company and related bodies corporate were:

	Multistack International Ltd. Ordinary shares	Bright Technology Ltd. Ordinary shares "A" class voting
S. Leung	30,202,878	2,000
S. Yan	34,692,921	2,000
T. Chu	-	-
Y.N.Chan	20,000	-
A.H.W Yu	-	-

# MULTISTACK INTERNATIONAL LIMITED

## DIRECTORS' REPORT - continued

### INTERESTS IN THE SHARES OF THE COMPANY AND RELATED BODIES CORPORATE (CONT'D)

Messrs. Leung and Yan privately hold a controlling interest in Bright Technology Ltd., a Hong Kong based holding company through which the Company holds an interest in Multistack Thermal Limited.

Messrs. Leung and Yan privately hold a controlling interest in Jiefeng China Ltd., which purchased a 43.5% equity interest in the Group's subsidiary Yuyao Jiefeng Air Conditioning Co. Ltd. on 6 December 1999.

### PRINCIPAL ACTIVITIES

The principal activities during the year of entities within the economic entity were: -

- manufacturing and marketing of industrial air conditioning equipment, primarily in China and Australia;
- manufacture and international distribution of Multistack water-cooled and air-cooled water chillers; and
- manufacture and international distribution of heat exchangers.

There have been no significant changes in the nature of those activities during the year.

### RESULTS, EARNINGS PER SHARE AND DIVIDENDS

For the year ended 31 December 2003 revenue from ordinary activities decreases to \$24,981,802 (2002 \$31,953,335), the profit from ordinary activities before income tax decreased to \$798,005 (2002 \$1,015,363) and net loss attributable to members of Multistack International Limited is \$472,523 (2002: profit of \$617,132).

Basic earnings per share is negative \$0.0042 (2002: positive \$0.005).

The directors recommend that no dividend be declared by Multistack International Ltd in respect of the year ended 31 December 2003. No other amounts have been declared or recommended by way of a dividend since the commencement of the financial year. During the year the controlled entity Yuyao Jiefeng (PRC) paid a dividend totalling A\$944,226 to its shareholders. Super Link Yuyao Ltd, an subsidiary of Multistack International Ltd has a 51% interest in Yuyao Jiefeng and received A\$481,555, whilst A\$462,671 was paid to the 49% outside equity interest shareholders

### REVIEW OF OPERATIONS

	Jan - Dec 2003 A\$'000	Jan. - Dec 2002 A\$'000
Revenue from ordinary activities	24,981	31,953
Operating profit/(loss) before tax and minority interests	797	1,015
Operating profit(loss) after tax attributable to members	(472)	617

After a difficult year of struggle, unfortunately the Group has made net losses due to two main reasons, the SARS impact and strong Australian currency which diluted the profit made in China attributable to members.

The SARS disease spread throughout Asia last year and has actually slowed down the economy. Although the statistics indicated a recovery in GDP with growth achieved later in the year, the building service industry still ran behind the overall economy. The Company has experienced some bad months in the last summer, a period when the business should have easily picked up. On the other hand, the weak US dollar had an adverse impact on the cost of production which has led to the decrease in margin given a lot of major components were imported from non-US dollar zones and then paid for using Renminbi which is more or less pegged with the US currency.

Despite the adverse situation, the Group has continued to carry out its technology development. As indicated in the last report, more new air-cooled chillers using screw and scroll technology have been launched and have made inroads into the market. A new design of a small water-cooled scroll chiller SRW075 has also been finished and introduced to the market within very tight time frame. The hard work was rewarded by orders for this new model from China, New Zealand and Indonesia. In the meantime the prototype modular water-cooled chiller using the turbo compressor technology has basically been completed with the expectation that it will be launched by April 2004 in China.

# MULTISTACK INTERNATIONAL LIMITED

## DIRECTORS' REPORT - continued

### REVIEW OF OPERATIONS (CONT'D)

The strong recovery of the general economy in China following the SARS epidemic indicates a much more positive picture for the Group at the start of the 2004 financial year. Power generation will be a fast growing market in China where the Group has received a lot of job references in the field for hydraulic, coal fired and nuclear plants. Other industries have shown similar place in bringing momentum to the HVACR industry. The directors believe that the Group's revenue will grow as more funds are injected into the market in the near future.

The Directors have carefully reviewed the Australian operation. It has been a non-contributing centre for many years in the Group. The Directors believe that some action must be taken in the near future to address the loss situation. Further announcements will be made should the Board make its final decision. The Directors have sought corporate advice to sell off certain assets for the purpose of reducing its debts. The Directors will continue to get further consultation from their advisers and oversee the right decision is made in the interest of all shareholders. This process will be enhanced by the professional expertise of Mr. Allan Yu, who recently joined the Group as a non-executive member of the Board.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

As mentioned above, the Directors of Multistack International Limited have continued to undertake a total review of the Company's operations both in Australia and offshore, particularly in the People's Republic of China. Advisers from different areas of expertise have been employed to provide opinions for the review. This review is expected to take some time to complete. It will examine all options for the future of the Company, including expansion, restructure and/or sale of certain assets of the company. No major decisions have yet been made on any particular course of action.

### SHARE OPTIONS

No options were issued during the financial period and none were outstanding at the end of the financial year.

### DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS

#### REMUNERATION POLICY

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for directors and the chief executive officer. The Executive Committee determines and reviews compensation of the executive team by assessing the appropriateness of the nature and amount of emoluments of such officers by reference to relevant market conditions and the capacity to pay.

Details of the nature and amount of each element of the emolument of each director of the company and the consolidated entity for the financial year are as follows.

<u>Director</u>	<u>Annual Emoluments</u>			<u>Long Term emoluments</u>
	<u>Base fee</u>	<u>Bonus</u>	<u>Other</u>	
S. Leung	\$150,722	-	\$10,000	-
S. Yan	\$150,722	-	-	-
T. Chu	-	-	-	-
Y N Chan	\$29,640	-	\$3,557	-

Base fees are not performance based.

Payment of emoluments to Messrs. Leung and Yan are made in Hong Kong dollars. The difference in the base amounts paid between this and prior years reflects changes in exchange rates, not changes in amounts paid or payable.

Emoluments of the most highly paid executive officers of the company and the consolidated entity are:

	<u>Annual Emoluments</u>			<u>Long Term Emoluments</u>			
	<u>Base Fee</u>	<u>Bonus</u>	<u>Other</u>	<u>Termination &amp; Similar Payments</u>	<u>Options</u>	<u>Superannuation</u>	<u>Other</u>
Tan Bi Juan	\$31,858	-	-	-	-	-	-

## MULTISTACK INTERNATIONAL LIMITED

### DIRECTORS' REPORT - continued

#### DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS (CONT'D)

The terms "director" and "officer" have been treated as mutually exclusive for the purposes of this disclosure. The elements of emoluments have been determined on the basis of the cost to the company and the consolidated entity.

Executives are those people directly accountable and responsible for the operational management and strategic direction of the company and the consolidated entity. The category "Other" includes the value of any non-cash benefits provided.

No options have been granted to Directors or Officers.

Disclosure of Directors' benefits is provided in Notes 27 and 28 to the Financial Statements.

#### INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company indemnifies all directors against any proper liabilities incurred in their discharge of their duties as directors of the Company. Nevertheless, each director retains a duty of care and due diligence throughout their conduct and oversight of Company affairs. The Company has not insured directors against costs incurred in defending proceedings for misconduct as permitted by Section 199B of the Corporations Law.

#### CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Multistack International Limited support and adhere to the best principles of corporate governance. The company's corporate governance statement is contained in the additional ASX information section of this annual report.

#### DIRECTORS' MEETINGS

The numbers of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director are as follows:

##### Directors' Meetings

Number of meetings held	4
Number of meetings attended	
Mr. S. Leung	4
Mr. S. Yan	4
Mr. T. Chu	3
Ms Y. Chan	3
Mr A Yu	1

As at the date of this report, the Board of Directors had an Audit Committee, a Remuneration Committee and a Nomination Committee. The members of the Audit Committee are Mr. S W Yan and Mr S Leung.

The members of the Remuneration and Nomination Committees are Mr S W Yan and Mr Leung.

No separate meetings were held during the year for these committees as all audit, remuneration and nomination and governance matters dealt with by the specific committees are discussed in the Board meetings.

#### EMPLOYEES

The consolidated entity employed 591 employees as at 31 December 2003 (2002: 610 employees)

#### SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There were no significant events after balance date.

#### LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The directors believe that the Group's revenue will grow as more funds are injected into the market in the near future. The Directors have carefully reviewed the Australian operation with respect to its loss making situation, and will make further announcements should the Board make any decisions.

## **MULTISTACK INTERNATIONAL LIMITED**

### **DIRECTORS' REPORT - continued**

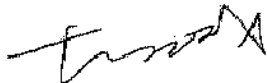
#### **ENVIRONMENT REGULATION AND PERFORMANCE**

The consolidated entity is not required to hold specific licenses issued by environmental protection authorities to operate. There have been no significant known breaches of these any applicable environmental laws by the consolidated entity.

#### **ROUNDING**

The amounts contained in this report and in the financial statements 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 the Class Order applies.

Signed in accordance with a resolution of the directors



S.W. Yan  
Chairman



S. Leung  
Managing Director, CEO

Melbourne, 23 March 2004

**MULTISTACK INTERNATIONAL LIMITED**

**STATEMENT OF FINANCIAL PERFORMANCE**

**YEAR ENDED 31 DECEMBER 2003**

	Notes	CONSOLIDATED		COMPANY	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>REVENUE FROM ORDINARY ACTIVITIES</b>	2	24,981	31,953	32	55
Changes in inventories of finished goods and work in progress		(962)	(1,630)	-	-
Raw materials and consumables used		(13,357)	(16,763)	-	-
Depreciation and amortisation expense	3	(903)	(1,131)	(42)	(36)
Borrowing costs expense	3	(809)	(1,082)	(118)	(141)
Salaries and employee benefits expense		(3,084)	(4,349)	(37)	(67)
Travelling costs		(985)	(1,136)	-	-
Management fees		(364)	(867)	-	-
Advertising and promotion		(133)	(549)	-	-
Sales commission & consignment fees		(460)	(409)	-	-
Transportation		(335)	(367)	-	-
Rent and rates		(341)	(484)	-	-
Repairs and maintenance		(260)	(272)	-	-
Selling services charges		(228)	(388)	-	-
Other expenses from ordinary activities	3	(2,689)	(2,356)	(11,206)	(137)
Share of net profits (losses) of associate accounted for using the equity method	2	727	845	-	-
<b>PROFIT (LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE</b>		798	1,015	(11,371)	(326)
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES	4				
		313	74	-	-
<b>PROFIT (LOSS) FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE (NET PROFIT)</b>		485	941	(11,371)	(326)
NET PROFIT attributable to outside equity interest	21	(957)	(324)	-	-
NET (LOSS)/ PROFIT attributable to members of Multistack International Ltd.	20	(472)	617	(11,371)	(326)
Net exchange difference on translation of financial report of foreign controlled entity	20	(3,652)	(1,881)	-	-
<b>TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS ATTRIBUTABLE TO MEMBERS OF MULTISTACK INTERNATIONAL LIMITED AND RECOGNISED DIRECTLY IN EQUITY</b>		(3,652)	(1,881)	-	-
<b>TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS</b>		(4,124)	(1,264)	(11,371)	(326)
Basic Earnings per Share (cents per share)	26	(0.42c)	0.5c		
Diluted Earnings per Share (cents per share)	26	(0.42c)	0.5c		

**MULTISTACK INTERNATIONAL LIMITED**

**STATEMENT OF FINANCIAL POSITION**

AS AT 31 DECEMBER 2003

	Notes	CONSOLIDATED		COMPANY	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>CURRENT ASSETS</b>					
Cash assets		1,080	2,755	6	7
Receivables	6	14,266	16,939	-	-
Inventories	7	6,942	9,616	-	-
Other	8	37	78	-	-
<b>TOTAL CURRENT ASSETS</b>		<b>22,325</b>	<b>29,388</b>	<b>6</b>	<b>7</b>
<b>NON-CURRENT ASSETS</b>					
Receivables	9	847	1,139	13,680	24,514
Investments accounted for using the equity method	10	3,429	3,455	-	-
Other Financial Assets	11	5	6	1	1
Property, plant and equipment	12	10,122	16,025	-	-
Intangibles	13	672	841	400	400
<b>TOTAL NON-CURRENT ASSETS</b>		<b>15,075</b>	<b>21,466</b>	<b>14,081</b>	<b>24,915</b>
<b>TOTAL ASSETS</b>		<b>37,400</b>	<b>50,854</b>	<b>14,087</b>	<b>24,922</b>
<b>CURRENT LIABILITIES</b>					
Accounts payable	14	11,622	15,545	1,270	755
Interest bearing liabilities	15	14,686	19,408	2,900	2,879
Provisions	16	435	888	-	-
Other		17	16	-	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>26,760</b>	<b>35,857</b>	<b>4,170</b>	<b>3,634</b>
<b>NON CURRENT LIABILITIES</b>					
Interest bearing liabilities	17	190	54	-	-
Provisions	18	407	439	-	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>597</b>	<b>493</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>27,357</b>	<b>36,350</b>	<b>4,170</b>	<b>3,634</b>
<b>NET ASSETS</b>		<b>10,043</b>	<b>14,504</b>	<b>9,917</b>	<b>21,288</b>
<b>SHAREHOLDERS' EQUITY</b>					
Parent entity interest					
Contributed equity	19	155,639	155,639	155,639	155,639
Reserves	20	18,191	21,733	3,165	3,165
Retained profits/(losses)	20	(166,857)	(166,275)	(148,887)	(137,516)
Total parent entity interest in equity		6,973	11,097	9,917	21,288
Total outside equity interest	21	3,070	3,407	-	-
<b>TOTAL EQUITY</b>		<b>10,043</b>	<b>14,504</b>	<b>9,917</b>	<b>21,288</b>

**MULTISTACK INTERNATIONAL LIMITED**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED 31 DECEMBER 2003**

	<b>CONSOLIDATED</b>		<b>COMPANY</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	25,194	29,444	381	55
Payments to suppliers and employees	(23,588)	(29,085)	(285)	(250)
Borrowing costs	(809)	(1,082)	(118)	-
Interest received	9	26	-	-
Patent and Research and development expenditure	(29)	(36)	-	(36)
Income tax paid	(313)	(345)	-	-
Rent received	-	-	-	-
Other	-	(113)	-	-
	<hr/>		<hr/>	
<b>NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>	<b>22(a)</b>	<b>464</b>	<b>(1,191)</b>	<b>(22)</b>
	<hr/>		<hr/>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of property, plant and equipment	(204)	(197)	-	-
Proceeds from sale of property, plant and equipment	86	24	-	-
Loans to subsidiaries and associates	-	-	-	(1,619)
Repayment of loans to subsidiaries and associates	-	731	-	-
Loans from associate	1,743	-	-	-
Loans from subsidiaries and associates	-	-	-	1,850
Loans from director related entities	-	148	-	-
Repayment of loans from director related entities	(542)	-	-	-
Loans to other related parties	(1,316)	(154)	-	-
Repayment of loans to other related entities	296	1,858	-	-
Loan from other entities	14	-	-	-
	<hr/>		<hr/>	
<b>NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES</b>		<b>77</b>	<b>2,410</b>	<b>-</b>
	<hr/>		<hr/>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from borrowings - other	473	416	21	-
Proceeds from borrowings - related parties	-	-	-	-
Repayment of borrowings - related parties	-	-	-	-
Repayment of borrowings - other	(62)	(931)	-	-
Dividend paid	(463)	-	-	-
Finance lease principal	(87)	(99)	-	-
	<hr/>		<hr/>	
<b>NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>		<b>(139)</b>	<b>(614)</b>	<b>21</b>
	<hr/>		<hr/>	
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>		<b>402</b>	<b>605</b>	<b>(1)</b>
	<hr/>		<hr/>	
Add opening cash brought forward	750	385	7	7
	<hr/>		<hr/>	
Effects of exchange rate changes on opening cash	(671)	(240)	-	-
	<hr/>		<hr/>	
<b>CLOSING CASH CARRIED FORWARD</b>	<b>22(b)</b>	<b>481</b>	<b>750</b>	<b>6</b>
	<hr/>		<hr/>	

## MULTISTACK INTERNATIONAL LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2003

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **BASIS OF ACCOUNTING**

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

The financial statements have been prepared in accordance with the historical cost convention.

The financial statements have been prepared on the basis of a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the normal course of business.

The financial statements disclose that the economic entity has incurred a net loss after exclusion of the outside equity interest. It has however disclosed positive net cashflows from operating activities and based on their forecasts for the 2004 financial year together with the ongoing support of their financiers and suppliers, the directors believe the economic entity is able to meet its debts as and when they fall due. The directors have continued to undertake a total review of the operations both in Australia and offshore, particularly in the Peoples Republic of China. This review is expected to take some time to complete and will examine all options for the future of the company and economic entity, including expansion, restructure and / or sale of certain assets.

The financial statements do not include any adjustments in anticipation of the outcome of this review, nor do they include any adjustments relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the support of significant financiers or suppliers be withdrawn such that either the company or the economic entity is unable to continue as a going concern.

##### **CHANGES IN ACCOUNTING POLICIES**

The accounting policies adopted are consistent with those of the previous year except for the accounting policies with respect to the provision for dividends and employee benefits.

##### *(i) Provision for dividends*

The consolidated entity has adopted the new Accounting Standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" which has resulted in a change in the accounting for the dividends provision. Previously, the consolidated entity recognised a provision for dividend based on the amount that was proposed or declared after the reporting date. In accordance with the requirements of the new Standard, a provision for dividends will only be recognised at the reporting date where the dividends have been declared, determined or publicly recommended prior to the reporting date. There has been no effect of the revised policy on consolidated retained profits. In accordance with the new Standard, no provision for dividend has been recognised for the year ended 31 December 2003.

##### *(ii) Employee benefits*

The consolidated entity has adopted the revised Accounting Standard AASB 1028 "Employee Benefits", which has resulted in a change in the accounting policy for the measurement of employee benefit liabilities. Previously, the consolidated entity measured the provision for employee benefits based on remuneration rates at the date of recognition of the liability. In accordance with the requirements of the revised Standard, the provision for employee benefits is now measured based on the remuneration rates expected to be paid when the liability is settled. The effect of the revised policy has been assessed as immaterial and there has been no impact on opening consolidated retained profits or on current year profits.

##### **PRINCIPLES OF CONSOLIDATION**

The consolidated financial reports are those of the economic entity, comprising Multistack International Limited (the Company or parent entity) and all entities, which Multistack International Limited controlled from time to time during the year and at balance date.

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

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

## MULTISTACK INTERNATIONAL LIMITED

### NOTES - continued 31 DECEMBER 2003

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont'd

##### PRINCIPLES OF CONSOLIDATION (CONT'D)

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

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

##### FOREIGN CURRENCIES

###### *Translation of foreign currency transactions*

Transactions in foreign currencies of entities within the economic entity are converted to local currency at the rate of exchange ruling at the date of the transaction.

Amounts payable to and by the entities within the consolidated entity that are outstanding at the balance date and are denominated in foreign currencies have been converted to local currency using rates of exchange ruling at the end of the financial year.

All resulting exchange differences arising on settlement or re-statement are brought to account in determining the profit or loss for the financial year.

###### *Translation of financial report of overseas operations*

All overseas operations are deemed self-sustaining, as each is financially and operationally independent of Multistack International Limited. The financial reports of overseas operations are translated using the current rate method and any exchange differences are taken directly to the foreign currency translation reserve.

##### CASH AND CASH EQUIVALENTS

Cash on hand and in banks are stated at the lower of cost or net realisable value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts. In previous years short term loans and commercial bills were treated as cash, they have now been reclassified as borrowings.

Bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.

##### TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised and carried at original invoice amount less a provision for any uncollectable debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

##### INVESTMENTS

###### *Associated companies*

Investments in associates are carried at the lower of the equity-accounted amount and recoverable amount in the consolidated financial report and the lower of cost and recoverable amount in Multistack International Limited's financial report.

Government bonds are carried at the lower of cost and recoverable amount.

Other non-current investments are carried at the lower of cost and recoverable amount.

##### INVENTORIES

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

Costs incurred in bringing each product to its present location and condition are accounted for on a first-in first-out basis.

# MULTISTACK INTERNATIONAL LIMITED

## NOTES - continued 31 DECEMBER 2003

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont'd

#### REVENUE RECOGNITION

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

##### *Sale of goods*

Control of the goods would have passed to the buyer.

##### *Licence and royalty revenue*

Advance payments of licence fees and royalties received under exclusive licence agreements relating to Multistack technology are brought to account in accordance with the terms of each agreement. Royalties are recorded upon receipts.

##### *Rendering of services*

Where the contract outcome can be reliably measured; the entity controls the right to be compensated for the services and the stage of completion can be reliably measured. Stage of completion is generally measured by reference to the labour hours incurred to date as a percentage of total estimated labour hours for each contract.

Where the contract outcome cannot be reliably measured; revenue is recognised only to the extent that costs have been incurred.

##### *Interest*

When control of the right to receive the interest payment is attained.

#### PROPERTY, PLANT AND EQUIPMENT

##### *Cost and valuation*

Property, plant and equipment are carried at cost or recoverable amount.

##### *Depreciation*

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

Major depreciation periods are:	2003	2002
Leasehold land	-	-
Leasehold buildings	40 years	40 years
Incomplete capital projects	-	-
Plant & equipment under lease	5 years	5 years
Plant and equipment	5 to 15 years	5 to 15 years

#### RECOVERABLE AMOUNT

Non-current assets are not revalued to an amount above their recoverable amount, and where carrying values exceed this recoverable amount assets are written down. In determining the recoverable amount for non current assets, the expected net cash flows have not been discounted.

#### INTANGIBLES

##### *Trade and service marks*

Trademarks have been brought to account at independent valuation. Amortisation has not been provided as the assets are regarded as having an indeterminate life, benefiting as they do from continued investment, promotion and protection. The directors assess the carrying value of trade and service marks annually.

##### *Patents*

Patents are brought to account at the cost of acquisition. As the useful life of most patents held by the company is less than 5 years the cost of renewing patents is expensed as incurred.

##### *Research and development costs*

As most of the research and development costs are incurred in China they are expensed as incurred, except where future benefits are expected, beyond any reasonable doubt, to exceed these costs. Where research and development costs are deferred such costs are amortised over 48 months on a basis related to expected future benefits. Unamortised costs are reviewed at each balance date to determine the amount (if any) that is no longer recoverable and any amount so identified is written off.

# MULTISTACK INTERNATIONAL LIMITED

## NOTES - continued 31 DECEMBER 2003

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont'd

#### INCOME TAX

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

#### TRADE AND OTHER PAYABLES

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

#### EMPLOYEE BENEFITS

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

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

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

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

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

#### LOANS AND BORROWINGS

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.

Bills of exchange and promissory notes are carried at the principal amount plus deferred interest.

Finance lease liability is determined in accordance with the requirements of AASB 1008: Leases

#### PROVISIONS

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

Dividends payable are recognised when a legal obligation to pay the dividend arises, typically following approval of the dividend at a meeting of shareholders.

A provision for warranty is recognised for all products under warranty at the reporting date based on sales volumes and past experience on level of warranty claims.

#### SHARE CAPITAL

Ordinary share capital is recognised at the fair value of the consideration received by the company.

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

# MULTISTACK INTERNATIONAL LIMITED

**NOTES - continued**  
**31 DECEMBER 2003**

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont'd**

### **LEASES**

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

#### *Operating leases*

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

#### *Finance leases*

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the group are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly to profit and loss.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

### **EARNINGS PER SHARE**

Earnings per share is determined by dividing the operating profit after tax by the weighted average number of ordinary shares outstanding during the financial year.

**MULTISTACK INTERNATIONAL LIMITED**  
**NOTES - continued**  
**31 DECEMBER 2003**

	Notes	CONSOLIDATED		COMPANY	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>2. REVENUE FROM ORDINARY ACTIVITIES</b>					
<b>Revenues from operating activities</b>					
Revenue from sale of goods		21,024	27,183	-	-
Revenue from services		2,830	4,416	-	-
Total revenue from operating activities		<u>23,854</u>	<u>31,599</u>	<u>-</u>	<u>-</u>
<b>Revenues from non-operating activities</b>					
Foreign currency gains (losses)		101	(2)	-	-
Interest - other corporations		9	26	-	-
Proceeds from sale of property plant and equipment		325	24	-	-
Proceeds from sale of business		522	-	-	-
Royalty revenue		32	55	32	55
Other		138	251	-	-
Total revenues from outside the operating activities		<u>1,127</u>	<u>354</u>	<u>32</u>	<u>55</u>
<b>Total revenues from ordinary activities</b>		<u>24,981</u>	<u>31,953</u>	<u>32</u>	<u>55</u>
<b>Share of net profit (loss) of associates accounted for using the equity method</b>		<u>727</u>	<u>845</u>	<u>-</u>	<u>-</u>
<b>3. EXPENSES AND LOSSES/(GAINS)</b>					
Amortisation and depreciation					
Building		412	435	-	-
Plant and equipment		418	606	-	-
Plant and equipment under lease		31	35	-	-
		<u>861</u>	<u>1,076</u>	<u>-</u>	<u>-</u>
Amortisation of intangibles					
Patents		5	4	5	4
Deferred research and development costs		37	51	37	32
		<u>42</u>	<u>55</u>	<u>42</u>	<u>36</u>
Total depreciation and amortisation expense		<u>903</u>	<u>1,131</u>	<u>42</u>	<u>36</u>
Impairment of property, plant and equipment - write down to recoverable amount		607	-	-	-
Bad and doubtful debts					
Related party - controlled entities		-	-	11,000	-
Trade debts - other persons		436	255	-	-
Borrowing costs expensed					
Interest expense					
Bank facilities		631	875	-	-
Convertible note		118	141	118	141
Other		60	66	-	-
		<u>809</u>	<u>1,082</u>	<u>118</u>	<u>141</u>
Other borrowing costs		-	-	-	-
Total borrowing costs		<u>809</u>	<u>1,082</u>	<u>118</u>	<u>141</u>
Cost of goods sold		17,646	22,888	-	-
Net loss (profit) on sale of plant & equipment		(55)	(24)	-	-
Provision for inventory obsolescence	7	(9)	653	-	-
Provision for employee entitlements		94	74	-	-
Provision for warranty claims		(392)	-	-	-

**MULTISTACK INTERNATIONAL LIMITED**

**NOTES - continued**  
**31 DECEMBER 2003**

	CONSOLIDATED		COMPANY	
	2003	2002	2003	2002
Notes	\$'000	\$'000	\$'000	\$'000
<b>3. EXPENSES AND LOSSES/(GAINS) - (cont'd)</b>				
Rental - operating lease	62	71	-	-
Research & development costs	37	32	-	-
Superannuation contributions	279	316	-	-
<b>4. INCOME TAX</b>				
The prima facie tax on net profit/(loss) differs from the income tax provided in the financial reports as follows:				
Prima facie tax on net profit/(loss) at 30%	239	304	(3,411)	(98)
Tax effect of permanent differences -				
Write down of previous appreciation in value of buildings	-	-	-	-
Research & development	-	-	-	-
Other items	-	-	-	-
Future income tax benefit not recognised	-	-	3,300	-
Future income tax benefit on tax losses not recognised/(recouped)	184	(34)	111	98
Under/ (over) provision of previous year	85	(26)	-	-
Differential in foreign tax rates	(195)	(170)	-	-
Income tax expense attributable to net profit	313	74	-	-
Future income tax benefit arising from tax losses of the company and a controlled entity not brought to account at balance date as realisation of the benefit is not regarded as virtually certain	7,069	7,545	2,773	2,803
This future income tax benefit will only be obtained if:				
(a) future assessable income is derived of a nature and an amount sufficient to enable the benefit to be realised;				
(b) the conditions for deductibility imposed by tax legislation continue to be complied with; and				
(c) no changes in tax legislation adversely affect the economic entity in realising the benefit.				
<i>Tax consolidation</i>				
For the purposes of income taxation, Multistack International Ltd and its 100% owned subsidiaries have not formed a tax consolidated group. This did not impact the consolidated results for reporting period. Given that a review of the Australian operations is currently being undertaken, entry into a tax consolidated group is unlikely. From 1 January 2004, the carried forward tax losses of each entity in the Group could only be used to offset taxable income of that individual entity.				
<b>5. DIVIDENDS PAID OR PROVIDED FOR</b>				
Dividends proposed				
Current year final - unfranked	-	-	-	-
Dividends paid during the year – outside equity interest - unfranked	463	-	-	-
Current year interim - franked	-	-	-	-
	463	-	-	-
The amount of franking credits available for the subsequent financial year are:				
- franking account balance as at the end of the financial year	1,687	1,687	-	-
- franking credits that will arise from the payment of income tax payable as at the end of the financial year.	-	-	-	-
	1,687	1,687	-	-

**MULTISTACK INTERNATIONAL LIMITED**

**NOTES - continued**  
**31 DECEMBER 2003**

	Notes	CONSOLIDATED		COMPANY	
		2003	2002	2003	2002
		\$'000	\$'000	\$'000	\$'000
<b>6. RECEIVABLES (CURRENT)</b>					
Trade debtors		11,617	13,929	-	-
Director related entities	32	1,360	230	-	-
		<u>12,977</u>	<u>14,159</u>	-	-
Provision for doubtful debts		(2,342)	(3,675)	-	-
		<u>10,635</u>	<u>10,484</u>	-	-
Purchase advances		312	1,003	-	-
Other receivables		3,137	4,848	-	-
Amounts other than trade debts receivable from related parties:					
- Directors	32	182	604	-	-
		<u>14,266</u>	<u>16,939</u>	-	-
Movement in provision for doubtful debts					
- balance at beginning of year		(3,675)	(3,781)	-	-
- debts previously provided for now written-off		-	-	-	-
- bad and doubtful debts provided for during the year		-	(255)	-	-
- doubtful debts provision write back		436	-	-	-
- foreign currency fluctuation to opening balance		897	361	-	-
- balance at end of year		<u>(2,342)</u>	<u>(3,675)</u>	-	-
Provision for doubtful debts comprises					
- trade debtors		(2,342)	(3,675)	-	-
- other persons		-	-	-	-
		<u>(2,342)</u>	<u>(3,675)</u>	-	-
Terms and conditions relating to receivables					
(a) Trade - Credit sales are on commercial terms and depend upon the region of operation. Credit terms typically are: China - 10% deposit, 80% upon delivery, 5% upon commissioning with a final 5% after 12 months warranty period. For larger projects, deferred terms of up to 24 months are often provided. Australia - 60 days from delivery					
(b) Details of the terms and conditions of related party receivables are set out in note 32					
(c) Receivables from other persons are on commercial terms and depend upon the region of operation					
<b>7. INVENTORIES (CURRENT)</b>					
Raw materials and stores - at cost		5,623	6,572	-	-
Provision for diminution in value		(937)	(1,173)	-	-
		<u>4,686</u>	<u>5,399</u>	-	-
Work in progress - at cost		2,087	2,785	-	-
Goods in transit - at cost		1	-	-	-
Finished goods - at cost		2,504	4,332	-	-
Provision for diminution in value		(2,336)	(2,900)	-	-
		<u>2,256</u>	<u>4,217</u>	-	-
Total inventories - at lower of cost and net realisable value		<u>6,942</u>	<u>9,616</u>	-	-

**MULTISTACK INTERNATIONAL LIMITED**

**NOTES - continued**  
**31 DECEMBER 2003**

	Notes	CONSOLIDATED		COMPANY	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>7. INVENTORIES (CURRENT) cont'd</b>					
Movement in provision for diminution in value					
Balance at beginning of year		(4,073)	(3,702)	-	-
Net additional provision		9	(653)	-	-
Net foreign currency movement		791	282	-	-
		<u>(3,273)</u>	<u>(4,073)</u>	<u>-</u>	<u>-</u>
Provision for diminution comprises					
Raw materials and stores		(937)	(1,173)	-	-
Finished goods		(2,336)	(2,900)	-	-
		<u>(3,273)</u>	<u>(4,073)</u>	<u>-</u>	<u>-</u>
<b>8. OTHER CURRENT ASSETS</b>					
Prepayments		37	78	-	-
		<u>37</u>	<u>78</u>	<u>-</u>	<u>-</u>
<b>9. RECEIVABLES (NON-CURRENT)</b>					
Wholly-owned group controlled entities		-	-	142,030	141,864
Provision for doubtful loan		-	-	(128,350)	(117,350)
		-	-	<u>13,680</u>	<u>24,514</u>
Other related parties	32	1,089	1,089	-	-
Provision for other related parties		(1,089)	(1,089)	-	-
Other persons		3,250	3,542	2,409	2,409
Provision for doubtful debts - other persons		(2,403)	(2,403)	(2,409)	(2,409)
		<u>847</u>	<u>1,139</u>	<u>13,680</u>	<u>24,514</u>
Movement in provision for doubtful debts					
- balance at beginning of year		(3,492)	(4,141)	(119,759)	(102,409)
- bad and doubtful debts provided for during the year		-	-	(11,000)	(17,350)
- provision no longer required		-	649	-	-
- bad debts written-off against provision		-	-	-	-
- balance at end of year		<u>(3,492)</u>	<u>(3,492)</u>	<u>(130,759)</u>	<u>(119,759)</u>
Provision for doubtful debts comprises					
- wholly-owned group controlled entities		-	-	(128,350)	(117,350)
- related parties - other		(1,089)	(1,089)	-	-
- other persons		(2,403)	(2,403)	(2,409)	(2,409)
		<u>(3,492)</u>	<u>(3,492)</u>	<u>(130,759)</u>	<u>(119,759)</u>
<b>10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (NON-CURRENT)</b>					
Associated companies - unlisted shares					
At cost		-	-	-	-
At equity accounted amount		4,429	4,455	-	-
Provision for diminution in value of investments		(1,000)	(1,000)	-	-
		<u>3,429</u>	<u>3,455</u>	<u>-</u>	<u>-</u>

**MULTISTACK INTERNATIONAL LIMITED**

**NOTES - continued**  
**31 DECEMBER 2003**

**10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (NON-CURRENT) CONT'D**

(i) Investments in associates	Economic Entity Interest		% held by Economic Entity	
	2003 \$'000	2002 \$'000	2003	2002
Bright Technology Ltd. (a)	4,429	4,455	60%(b)	60% (b)
Multistack Thermal Ltd. (a)	(c)	(c)	73%	73%
	<u>4,429</u>	<u>4,455</u>		
Provision for diminution in value of investments	(1,000)	(1,000)		
	<u>3,429</u>	<u>3,455</u>		

(a) Balance date is 31 December 2003

(b) B Class non-voting shares

(c) 40% held via 60% investment in Bright Technology Ltd., which owns 67% of Multistack Thermal Ltd., and direct investment by Super Link Guangzhou Ltd. (BVI), which holds 33% equity. Penthill Ltd 60% interest Bright Technologies Ltd is held through non-voting shares and as such the Bright Technologies Ltd is not a controlled entity.

**(ii) Principal activities of associated companies:**

- Bright Technology Ltd. - investment company, its only investment being in Multistack Thermal Ltd. an operating company which manufactures brazed plate heat exchangers

Notes	CONSOLIDATED	
	2003 \$'000	2002 \$'000
<b>(iii) Share of associates profits (losses)</b>		
Associates		
- net profits (losses) before income tax	727	845
- income tax expense attributable to net profit	-	-
- net profits (losses) after income tax	<u>727</u>	<u>845</u>
<b>(iv) Carrying amount on investments in associates</b>		
Balance at beginning of financial year	4,455	3,869
- share of associates net profits (losses) for the financial year	727	845
- foreign currency translation effect	(753)	(259)
Equity accounted value of investments in associates at end of the financial year	<u>4,429</u>	<u>4,455</u>
<i>Represented by:</i>		
Investments at equity accounted amounts:		
- Bright Technology Ltd./Multistack Thermal Ltd.	4,429	4,455
less provision for diminution	(1,000)	(1,000)
Carrying value of investments in associates	<u>3,429</u>	<u>3,455</u>
<b>(v) The consolidated entity's share of the assets and liabilities of associates</b>		
Current assets	2,184	1,767
Non-current assets	4,477	6,348
Current liabilities	(2,184)	(3,064)
Net assets	<u>4,477</u>	<u>5,051</u>

MULTISTACK INTERNATIONAL LIMITED

NOTES - continued

31 DECEMBER 2003

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (NON-CURRENT) CONT'D

	Notes	CONSOLIDATED	
		2003 \$'000	2002 \$'000
<b>(vi) Retained profits of the consolidated entity attributable to associates</b>			
Balance at the beginning of the financial year		(9,707)	(11,710)
Share of associate's net profits (losses)		727	845
Foreign currency translation effect		(2,360)	1,158
Balance at the end of the financial year		<u>(6,620)</u>	<u>(9,707)</u>
<b>(vii) Amount of reserves of the consolidated entity attributable to associates</b>			
Balance at the beginning of the financial year		2,018	2,239
Share of associate's net profits (losses)		-	-
Foreign currency translation effect		(491)	(221)
Balance at the end of the financial year		<u>1,527</u>	<u>2,018</u>

10A. INTEREST IN SUBSIDIARIES (NON-CURRENT)

(a) Investment in controlled entities comprises:

	Incorporated in	Beneficial percentage held by economic entity		Investment	
		2003	2002	2003 \$'000	2002 \$'000
Multistack International Ltd.	Aust.		(i)		
DunnAir International Limited	Aust.	100%	(i)	100%	(b) (b)
Controlled entities of DunnAir International Ltd. Dunn Air Conditioning (Purchasing) Pty. Ltd.	Aust.	100%	(i)	100%	(c) (c)
Multistack Inc.	USA	100%		100%	4,702 4,702
Airflow Holdings Inc.	USA	100%		100%	12 12
Controlled entities of Airflow Holdings, Inc. Airflow Company	USA	100%		100%	- -
Airflow Licence Inc.	USA	100%		100%	- -
Multistack PRC Pty. Ltd.	Aust	100%		100%	(a) (a)
Controlled entity of Multistack PRC Pty. Ltd. Super Link Australia Ltd.	BVI	100%	(f)	100%	- -
Controlled entity of Super Link Australia Ltd. Super Link Guangzhou Ltd.	BVI	100%	(f)	100%	- -
Controlled entities of Super Link Guangzhou Ltd. Panyu Super Link Company Ltd.	PRC	85%	(f)(g)	85%	- -
Panyu Jiefeng Air Conditioning Co. Ltd. Super Link Air Conditioning Installing Engineering Ltd.	PRC	100%	(f)	100%	- -
Super Link Panyu Ltd.	BVI	100%	(f)	100%	- -
Controlled entity of Super Link Panyu Ltd. Panyu Precision Jieneng Air-conditioning Equipment Company Ltd.	PRC	100%	(f)	100%	- -
Super Link Yuyao Ltd.	BVI	100%	(f)	100%	- -
Controlled entity of Super Link Yuyao Ltd. Yuyao Jiefeng Air-conditioning Equipment Company Ltd.	PRC	51%	(f)(h)	51%	- -
ACR Equipment (HK) Ltd.	HK	100%	(f)	100%	- -
Super Link North America Ltd.	BVI	100%	(f)	100%	- -
Penthill Ltd.	HK	100%	(e)	100%	(d) (d)

**MULTISTACK INTERNATIONAL LIMITED**

**NOTES - continued**  
**31 DECEMBER 2003**

**10A. INTEREST IN SUBSIDIARIES (NON-CURRENT) (CONT'D)**

(a) Investment in controlled entities comprises (cont'd):

Overseas controlled entities carry on business in the country of incorporation.

NB: BVI = British Virgin Islands; PRC = Peoples' Republic of China; HK = Hong Kong; Aust. = Australia; USA = United States of America

- (a) \$2; (b) \$5; (c) \$65; (d) \$191
- (e) Audited by Ko & Ng Certified Public Accountants.
- (f) Controlled entities, which are audited by other member firms of Ernst & Young International.
- (g) Equity contribution to the joint venture is 85%. However upon liquidation or termination of the joint venture, the joint venture agreement provides that the remaining assets be distributed to Super Link Guangzhou Ltd. (88%) and to Panyu No. 2 Light Industry (Holdings) Company (12%), provided that the distribution to Panyu No. 2 Light Industry (Holdings) Company is not less than the amount of its initial investment. For accounting purposes, it is a controlled entity.
- (h) Although the group does not have prima facie control of the board of directors, in the opinion of the directors of the group the company has control of the day-to-day management and operation of the joint venture. For accounting purposes, it is a controlled entity.
- (i) Pursuant to a class order 98/1418, relief has been granted to these controlled entities of Multistack International Ltd. from the Corporations Law requirements for preparation, audit and publication of accounts. As a condition of the class order, Multistack International Ltd. and the controlled entities subject to the class order (the "Closed Group"), entered into a Deed of Cross Guarantee on 30 June 1995. The effect of the Deed is that Multistack International Ltd. has guaranteed to pay any deficiency in the event of winding up of any of the controlled entities. The controlled entities have also given a similar guarantee in the event that Multistack International Ltd. is wound up.

Multistack International Ltd has given notice on 18 December 2003 that a Revocation Deed to this Deed of Cross Guarantee was lodged with ASIC. The effect of the Revocation Deed is that the Released Group Entities will be released from all liabilities under the Deed of Cross Guarantee. The operation of the Revocation Deed is now only conditional on there being no winding up or deregistration of the Released Group Entities within 6 months after lodgement of the Revocation Deed with ASIC. Released Group Entities include Multistack PRC Pty Ltd, DunnAir Conditioning (Purchasing) Pty Ltd and DunnAir International Ltd.

The consolidated profit and loss statement and balance sheet of the entities which are members of the "Closed Group" are as follows:

	<b>Closed Group</b>	
	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>
	<hr/>	<hr/>
<b>Consolidated Profit and loss statement for Closed Group</b>		
Operating profit/(loss) before income tax	(686)	(1,245)
Income tax attributable to operating profit/(loss)	-	-
	<hr/>	<hr/>
Operating profit/(loss) after income tax attributable to members	(686)	(1,245)
	<hr/>	<hr/>
Retained profits/(accumulated losses) at the beginning of the financial year	(152,799)	(151,554)
	<hr/>	<hr/>
Retained profits/(accumulated losses) at the end of the financial period	(153,485)	(152,799)
	<hr/>	<hr/>

**MULTISTACK INTERNATIONAL LIMITED**  
**NOTES - continued**  
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**10A. INTEREST IN SUBSIDIARIES (NON-CURRENT) CONT'D**

**Consolidated balance sheet - Closed Group**

	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>
Current assets		
Cash	28	15
Receivables	688	868
Inventories	1,048	1,122
Other	37	78
Total current assets	<u>1,801</u>	<u>2,083</u>
Non-current assets		
Receivables	8,780	10,509
Investments	1	1
Property, plant & equipment	188	248
Intangibles	400	400
Total non current assets	<u>9369</u>	<u>11,158</u>
Total assets	<u>11,170</u>	<u>13,241</u>
Current liabilities		
Accounts payable	1,764	1,981
Borrowings	3,554	4,157
Provisions	354	840
Other	17	16
Total current liabilities	<u>5,689</u>	<u>6,994</u>
Non-current liabilities		
Borrowings	5	53
Provisions	157	189
Total non current liabilities	<u>162</u>	<u>242</u>
Total liabilities	<u>5,851</u>	<u>7,236</u>
Net assets	<u>5,319</u>	<u>6,005</u>
Shareholders' equity		
Parent equity interest		
Share capital	155,639	155,639
Reserves	3,165	3,165
Retained profits/(accumulated losses)	<u>(153,485)</u>	<u>(152,799)</u>
Total shareholders' equity	<u>5,319</u>	<u>6,005</u>

**MULTISTACK INTERNATIONAL LIMITED**

**NOTES - continued**  
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	Notes	CONSOLIDATED		COMPANY	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>11. OTHER FINANCIAL ASSETS</b>					
Government Bonds	11(a)	5	6	-	-
Investments - unlisted shares					
At cost		-	-	3,224	3,224
At directors' valuation 1990		-	-	1,492	1,492
Provision for diminution in value of investments		-	-	(4,715)	(4,715)
		<u>5</u>	<u>6</u>	<u>1</u>	<u>1</u>
Terms and conditions relating to the above financial instruments:					
(a) Government bonds is an investment fund with the Bank of China in Yuyao, China. This is non-interest bearing and has not specified terms or conditions.					
<b>12. PROPERTY, PLANT &amp; EQUIPMENT</b>					
Leasehold land and buildings					
At cost		8,626	12,198	-	-
Accumulated depreciation		(2,849)	(2,932)	-	-
		<u>5,777</u>	<u>9,266</u>	<u>-</u>	<u>-</u>
Land at recoverable amount - 2003	12(a)	286	-		
At recoverable amount - 2000	12(a)	2,029	2,683	-	-
Accumulated depreciation		(630)	(833)	-	-
		<u>1,399</u>	<u>1,850</u>	<u>-</u>	<u>-</u>
Total land and buildings					
At lower of cost or recoverable amount		10,941	14,881	-	-
Accumulated depreciation		(3,479)	(3,765)	-	-
		<u>7,462</u>	<u>11,116</u>	<u>-</u>	<u>-</u>
Plant and equipment					
At cost		5,623	8,199	-	-
Accumulated depreciation		(3,838)	(5,785)	-	-
		<u>1,785</u>	<u>2,414</u>	<u>-</u>	<u>-</u>
Incomplete capital projects - At cost					
Plant and equipment under lease		849	2,438	-	-
At cost		182	274	-	-
Accumulated amortisation		(156)	(217)	-	-
		<u>26</u>	<u>57</u>	<u>-</u>	<u>-</u>
Total property, plant and equipment					
At lower of cost or recoverable amount		17,595	25,792	-	-
Provision for depreciation and amortisation		(7,473)	(9,767)	-	-
Total written down amount		<u>10,122</u>	<u>16,025</u>	<u>-</u>	<u>-</u>

(a) Buildings have been carried at cost. At 31 December 2000 some buildings were written down to recoverable amount. That amount was based on independent advice from real estate brokers based in China. As at 31 December 2003, land located at Guangzhou Nansha Economic Development Park was written down to recoverable amount based on the directors' valuation.

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	Notes	CONSOLIDATED		COMPANY	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>12. PROPERTY, PLANT &amp; EQUIPMENT - cont'd</b>					
<b>(b) Reconciliation</b>					
<i>Leasehold land and buildings</i>					
Carrying amount at beginning		11,116	11,817	-	-
Additions		-	989	-	-
Disposals		(244)	-	-	-
Depreciation expense		(412)	(435)	-	-
Impairment		(286)	-	-	-
Net foreign currency movements arising from self sustaining foreign operation		(2,712)	(1,255)	-	-
		<u>7,462</u>	<u>11,116</u>	<u>-</u>	<u>-</u>
<i>Plant and equipment</i>					
Carrying amount at beginning		2,414	3,081	-	-
Additions and transfers		887	79	-	-
Disposals		(548)	(16)	-	-
Depreciation expense		(418)	(606)	-	-
Net foreign currency movements		(550)	(124)	-	-
		<u>1,785</u>	<u>2,414</u>	<u>-</u>	<u>-</u>
<i>Incomplete capital projects</i>					
Carrying amount at beginning		2,438	2,722	-	-
Additional expenditure		-	43	-	-
Impairment		(321)	-	-	-
Transfer to land and buildings or plant and equipment		(674)	(59)	-	-
Net foreign currency movement		(594)	(268)	-	-
		<u>849</u>	<u>2,438</u>	<u>-</u>	<u>-</u>
<i>Plant and equipment under lease</i>					
Carrying amount at beginning		57	93	-	-
Additions		-	-	-	-
Disposals		-	(1)	-	-
Depreciation expense		(31)	(35)	-	-
		<u>26</u>	<u>57</u>	<u>-</u>	<u>-</u>

The group's fixed assets with a net book value of \$6,786,758 (2002: \$8,639,411) were pledged to secure a bank loan granted to the group and its associate.

**MULTISTACK INTERNATIONAL LIMITED**

**NOTES - continued**  
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	Notes	CONSOLIDATED		COMPANY	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>13. INTANGIBLES</b>					
Trade and Service Marks					
At cost	13(a)(b)	85,043	112,467	-	-
Provision for diminution		(84,671)	(112,027)	-	-
		<u>372</u>	<u>440</u>	<u>-</u>	<u>-</u>
At independent valuation 1991	13(c)	400	400	400	400
Provision for diminution		(100)	(100)	-	-
		<u>300</u>	<u>300</u>	<u>400</u>	<u>400</u>
Total Trade and Service Marks		<u>672</u>	<u>740</u>	<u>400</u>	<u>400</u>
The only movement in Trade and Service Marks during the period was due to foreign exchange movements:					
Deferred research and development costs					
At cost		8,007	7,976	8,007	7,976
Research and development costs incurred during the year and deferred		37	31	37	31
		<u>8,044</u>	<u>8,007</u>	<u>8,044</u>	<u>8,007</u>
Accumulated amortisation		(8,044)	(8,007)	(8,044)	(8,007)
Balance at end of year		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Patents		983	978	982	978
At cost		(983)	(978)	(982)	(978)
Accumulated amortisation		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total intangibles		94,070	121,452	9,026	8,950
At cost		400	400	400	400
At independent valuation		<u>94,470</u>	<u>121,852</u>	<u>9,426</u>	<u>9,350</u>
Accumulated amortisation		(9,026)	(8,985)	(9,026)	(8,950)
Provision for diminution in value		(84,772)	(112,026)	-	-
		<u>672</u>	<u>841</u>	<u>400</u>	<u>400</u>
<i>Intangibles</i>					
Carrying amount at beginning		841	915	400	634
Additional expenditure at cost		42	35	41	6
Amortisation expense		(42)	(35)	(41)	(240)
Net foreign currency movement		(169)	(74)	-	-
		<u>672</u>	<u>841</u>	<u>400</u>	<u>400</u>

- (a) The cost of the trade and service marks represents the fair value ascribed to those assets included in the total consideration paid upon acquiring some of the companies in the economic entity at 1 July 1994. The fair value ascribed to these trade and service marks was supported by an independent valuation carried out by American Appraisal Hong Kong Limited, an independent valuer, on 30 June 1994. The basis of appraisal was fair market value in continued use.

When the Company's China trade and service marks were valued in 1994, the market outlook was buoyant across the whole country. The Company's board of directors resolved early in 1995, that because of the cyclic variations in the Chinese economy, regular reviews of the carrying values of trade and service marks would be carried out.

Given difficult markets, and in particular the volatility and wide variations noted from province to province, the Company resolved during the year ended 31 December 1996 to then reduce the total carrying value of all the Company's brands and trade and service marks to a notional \$1 million. A further provision for diminution of \$250,000 was made as at 31 December 2000.

**MULTISTACK INTERNATIONAL LIMITED**

**NOTES - continued**  
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	Notes	CONSOLIDATED		COMPANY	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>13. INTANGIBLES - cont'd</b>					
(b)		Trademarks were valued by Carter, Smith & Beadle, Patent & Trademark Attorneys at 30 June 1991. The basis of the valuation was replacement cost.			
<b>14. ACCOUNTS PAYABLE (CURRENT)</b>					
Trade creditors		2,288	4,337	-	-
Customer advances		2,024	2,674	-	-
Sundry creditors		4,261	5,812	31	32
Aggregate amounts payable to related parties					
- Controlled entities - wholly owned (trade)		-	-	723	723
- Associate (trade)	32	1,770	294	-	-
- Director related parties (trade)	32	770	1,890	-	-
- Directors (non-trade)	32	516	520	516	-
		<u>11,629</u>	<u>15,527</u>	<u>1,270</u>	<u>755</u>
Terms and conditions relating to accounts payable					
(a)		Trade and sundry creditors are normally settled on terms appropriate to the region of operation and as arranged with particular suppliers.			
(b)		Customer advances are on commercial terms.			
(c)		Other related parties details are set out in note 32.			
<b>15. INTEREST BEARING LIABILITIES (CURRENT)</b>					
Lease liability - finance lease - secured	23	55	93	-	-
Bank overdrafts - secured		599	2,005	-	-
Bank loans - secured		11,051	14,274	-	-
Commercial bills and promissory notes		81	157	-	-
Convertible note (unsecured)		2,900	2,879	2,900	2,879
		<u>14,686</u>	<u>19,408</u>	<u>2,900</u>	<u>2,879</u>
Secured liabilities					
Lease liability	23	55	93	-	-
Bank overdrafts		599	2,005	-	-
Bank loans		11,051	13,482	-	-
Commercial bills and promissory notes		81	157	-	-
		<u>11,786</u>	<u>15,737</u>	<u>-</u>	<u>-</u>

**MULTISTACK INTERNATIONAL LIMITED**

**NOTES - continued**  
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**15. INTEREST BEARING LIABILITIES (CURRENT) CONT'D**

- (a) Lease liability is secured by a charge over the leased assets. As at balance date the average term for finance leases was 3 years. The average discount rate implicit in the leases is 8.2%.
- (b) Bank overdraft and bill facility used by Australian based entities is secured by a charge over those Companies' assets. The numerous bank overdraft and loan facilities used by China based entities are unsecured or are secured by corporate guarantees provided by a controlled entity, director related parties, joint venture partners, associate company, or a charge over group or associate properties, or a personal guarantee by a Director, or by a combination of these securities. Interest is charged based on the respective bank's benchmark plus a margin.
- (c) Bank loans are due for repayment between December 2003 and December 2004. Interest is charged at the bank's floating rate
- (d) Bills of exchange and promissory notes have an average maturity of 90 days with an effective interest rates of 8.7%
- (e) Convertible note and interest was due for repayment on 31 December 1996. The lender is entitled to convert the debt into ordinary shares in the company based on the weighted average sale price on the ASX for the preceding five days. The lender has indicated that at present it does not intend to exercise the right to convert.

	Notes	CONSOLIDATED		COMPANY	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>16. PROVISIONS (CURRENT)</b>					
Employee entitlements	24	303	351	-	-
Dividend payable		-	13		
Warranty claims	16 (a)	132	524	-	-
		<u>435</u>	<u>888</u>	<u>-</u>	<u>-</u>

*(a) Provision for Warranty*

All entities in the wholesale and retail operations provide for warranties under which faulty products are repaired or replaced. During the 2003 year, management concluded based on current sales levels and current information about warranty claims experience that the provision exceeded the amount of warranty claims on products sold and adjusted the provision accordingly.

**17. INTEREST BEARING LIABILITIES (NON-CURRENT)**

Bank Loan - secured		185	-		
Lease liability - finance lease - secured	23	5	54	-	-
		<u>190</u>	<u>54</u>	<u>-</u>	<u>-</u>

Refer to Note 15 for details of security

**18. PROVISIONS (NON-CURRENT)**

Employee entitlements	24	157	189	-	-
Provision for warranty		250	250	-	-
		<u>407</u>	<u>439</u>	<u>-</u>	<u>-</u>

*(b) Movements in provisions*

*(i) Dividend payable*

Carrying amount at the beginning of the financial year		13	-	-	-
Additional provision		-	13	-	-
Reversal of unused provision		(13)	-	-	-
Carrying amount at the end of the financial year		<u>-</u>	<u>13</u>	<u>-</u>	<u>-</u>

**MULTISTACK INTERNATIONAL LIMITED**

**NOTES - continued**  
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	Notes	CONSOLIDATED		COMPANY	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>18. PROVISIONS (CON'TD)</b>					
(ii) Warranty Claims					
Carrying amount at the beginning of the financial year		774	787	-	-
Reversal of unused provision		(392)	(13)	-	-
Carrying amount at the end of the financial year		<u>382</u>	<u>774</u>	<u>-</u>	<u>-</u>
<b>19. CONTRIBUTED EQUITY</b>					
<b>a) Issued paid up capital</b>					
112,303,924 ordinary shares fully paid		<u>155,639</u>	<u>155,639</u>	<u>155,639</u>	<u>155,639</u>
<b>b) Movements in shares on issue during the year</b>					
No shares were issued during the year.					
<b>c) Terms and Conditions of contributed equity</b>					
<i>Ordinary Shares</i>					
Ordinary shares have the right to received dividends as declared, and in the event of winding the company, to participate in the proceeds from the sale of all surplus asset in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company					
<b>20. RESERVES AND RETAINED (LOSSES)</b>					
Asset revaluation	20(a)	3,551	3,551	3,165	3,165
General reserve	20(b)	1,692	1,582	-	-
Foreign currency translation	20(c)	12,948	16,600	-	-
		<u>18,191</u>	<u>21,733</u>	<u>3,165</u>	<u>3,165</u>
Retained (losses)	20(d)	<u>(166,857)</u>	<u>(165,275)</u>	<u>(148,887)</u>	<u>(137,516)</u>
<b>(a) Asset revaluation</b>					
The asset revaluation reserve is used to record increments and decrements in the value of non current assets. The reserve can only be used to pay dividends in limited circumstances.					
Movements in reserve					
- balance at beginning		3,551	3,551	3,165	3,165
- movement		-	-	-	-
- balance at end of year		<u>3,551</u>	<u>3,551</u>	<u>3,165</u>	<u>3,165</u>
<b>(b) General reserve</b>					
The general reserve contains amounts of retained profits that have been set aside by directors for the purpose of funding specific projects.					
Movements in reserve					
- balance at beginning		1,582	675	-	-
- transfer from retained profits		110	907	-	-
- balance at end of year		<u>1,692</u>	<u>1,582</u>	<u>-</u>	<u>-</u>

**MULTISTACK INTERNATIONAL LIMITED**

**NOTES - continued**  
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	Notes	CONSOLIDATED		COMPANY	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>20. RESERVES AND RETAINED (LOSSES)</b>					
<b>(c) Foreign currency translation</b>					
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of self sustaining foreign operations					
Movements in reserve					
- balance at beginning		16,600	18,481	-	-
- Gain (loss) on translation of overseas controlled entities		(3,652)	(1,881)	-	-
- balance at end of year		<u>12,948</u>	<u>16,600</u>	<u>-</u>	<u>-</u>
<b>(d) Retained (losses)</b>					
Balance at beginning of year		(166,275)	(165,985)	(137,516)	(137,190)
Net (loss)/profit attributable to members of Multistack International Ltd		(472)	617	(11,371)	(326)
Total available for appropriation		(166,747)	(165,368)	-	-
Dividends provided for or paid		-	-	-	-
Aggregate amount transferred to the general reserve		(110)	(907)	-	-
Balance at end of year		<u>(166,857)</u>	<u>(166,275)</u>	<u>(148,887)</u>	<u>(137,516)</u>
<b>21. OUTSIDE EQUITY INTEREST</b>					
Reconciliation of outside equity interest in controlled entity:					
- Opening balance		3,407	3,630	-	-
- Share of operating profit (loss)		957	324	-	-
- Foreign currency fluctuation		(831)	(547)	-	-
- Dividends paid - unfranked		(463)	-	-	-
		<u>3,070</u>	<u>3,407</u>	<u>-</u>	<u>-</u>

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	Notes	CONSOLIDATED		COMPANY	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>22. STATEMENT OF CASH FLOWS</b>					
<b>(a) Reconciliation of the operating profit/(loss) after tax to the net cash flows from operations</b>					
Operating profit/(loss) after tax		485	941	(11,371)	(326)
Amortisation of leased assets		31	35	-	-
Amortisation of patent fees and copyrights		5	5	42	5
Amortisation of research and development expenditure		37	50	-	31
Impairment of fixed assets		607	-	-	-
Depreciation of property, plant and equipment		830	1,041	-	-
Loss (Gain) on sale of non current assets		(55)	(24)	-	-
Provision for employee entitlements		(80)	74	-	-
Provision for doubtful debts		(436)	285	11,000	-
Provisions - other		(429)	(649)	-	-
Share of associates profit		(727)	(845)	-	-
Decrement in value of buildings		-	-	-	-
Provision for inventory obsolescence		(9)	653	-	-
<b>Changes in assets and liabilities</b>					
Trade and other receivables		606	(1,752)	349	-
Inventory		465	1,142	-	-
Research and development expenditure		19	(31)	(42)	(31)
Patents		-	(5)	-	(5)
Tax provision		-	-	-	-
Trade and other creditors		(1,343)	(2,351)	-	95
Future income tax benefit		-	-	-	-
Provision for deferred income tax		-	-	-	-
Effects of exchange rate changes on opening cash		458	240	-	-
Net cash flow from operating activities		<u>464</u>	<u>1,191</u>	<u>(22)</u>	<u>(231)</u>
<b>(b) Reconciliation of cash</b>					
Cash balance comprises:					
- cash on hand		1,080	2,755	6	7
- bank overdraft		(599)	(2,005)	-	-
- commercial bills		-	-	-	-
Closing cash balance		<u>481</u>	<u>750</u>	<u>6</u>	<u>7</u>
<b>(c) Bank Facility</b>					
The controlled entities have multiple option facilities of \$10,529,777 (2002: \$15,990,069). Unused facilities is disclosed in Note 25.					
<b>(d) Non-cash financing and investing activities</b>					
Transfer of property title from debtor in lieu of settlement of trade debt					
		-	890	-	-

**MULTISTACK INTERNATIONAL LIMITED**

**NOTES - continued**  
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	Notes	CONSOLIDATED		COMPANY	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>23. EXPENDITURE COMMITMENTS</b>					
Estimated capital expenditure contracted for at reporting date, but not provided for, payable:					
- not later than one year					
- controlled entity		23	31	-	-
<b>Lease expenditure commitments</b>					
<i>(i) Finance leases</i>					
- not later than one year		55	69	-	-
- later than one year and not later than five years		5	106	-	-
- later than five years		-	-	-	-
- aggregated lease expenditure contracted for at balance date but not provided for		60	175	-	-
Finance Leases					
- not later than one year		61	102	-	-
- later than one year but not later than five years		5	57	-	-
- later than five years		-	-	-	-
- minimum lease payments		66	159	-	-
- future finance charges		(6)	(12)	-	-
- lease liability		60	147	-	-
- current liability	15	55	93	-	-
- non current liability	17	5	54	-	-
		60	147	-	-
Finance leases have an average term of 4 years and an average implicit rate of 7.5%. Assets under lease are motor vehicles					
<i>(ii) Operating leases (non-cancellable)</i>					
Minimum payments due for buildings leased.					
- not later than one year		295	342	-	-
- later than one but not later than five years		54	51	-	-
Aggregate lease expenditure contracted for at reporting date		349	393	-	-

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	Notes	CONSOLIDATED		COMPANY	
		2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
<b>24. EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS</b>					
<b>Employee entitlements:</b>					
The aggregate employee entitlements liability is comprised of:					
- Provisions - current	16	303	351	-	-
- Provisions - non current	18	157	189	-	-
		<u>460</u>	<u>540</u>	<u>-</u>	<u>-</u>
<b>Superannuation commitments</b>					
The superannuation plans provide benefits based on accumulated contributions. Australian employees contribute to the plans at various percentages of their wages and salaries. The economic entity also contributes to the plans in accordance with their obligations under the trust deeds and is only obligated under the Australian superannuation guarantee legislation.					
At balance date the assets of each of the plans are sufficient to satisfy all benefits that would have vested under the plans in the event of termination of the plans, and voluntary or compulsory termination of employment of each employee.					
<b>25. FINANCING ARRANGEMENTS</b>					
At reporting date, the following financing facilities had been negotiated and were available:					
Total facilities:					
- trust receipt		-	226	-	-
- bank overdraft		600	905	-	-
- bank loan		10,449	13,481	-	-
- bank bills and promissory notes		81	95	-	-
- letter of credit		-	226	-	-
Facilities used at reporting date:					
- trust receipt		-	-	-	-
- bank overdraft		504	882	-	-
- bank loan		10,449	13,481	-	-
- bank bills and promissory notes		81	95	-	-
- letter of credit		-	-	-	-
Facilities unused at reporting date:					
- trust receipt		-	226	-	-
- bank overdraft		96	23	-	-
- bank loan		-	-	-	-
- bank bills and promissory notes		-	-	-	-
- letter of credit		-	226	-	-

**MULTISTACK INTERNATIONAL LIMITED**

**NOTES - continued**  
**31 DECEMBER 2003**

	<b>CONSOLIDATED</b>		<b>COMPANY</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>26. EARNINGS PER SHARE</b>				
(a) Basic earnings per share	(\$0.0042)	\$0.005		
(b) Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share:	112,303,924	112,303,924		
(c) The following reflects the income and share data used in the calculations of basic and diluted earnings per shares:				
Net profit	485	941		
<b>Adjustments:</b>				
Net profit attributable to outside equity interest	(957)	(324)		
Earnings used in calculating the basic and diluted earnings per share	<u>(472)</u>	<u>617</u>		

**27. REMUNERATION OF DIRECTORS**

Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of each entity in the economic entity, directly or indirectly, by the entities of which they are directors or any related party:  
 Not rounded \$344,641 (2002 \$570,278)

345	570
-----	-----

Income paid or payable, or otherwise made available, in respect of the financial year, to all directors of Multistack International Limited, directly or indirectly, from the entity or any related party:  
 Not rounded \$344,641 (2002 \$437,611)

<u>345</u>	<u>438</u>
------------	------------

The number of directors of Multistack International Limited whose remuneration falls within the following bands:

	<b>2003</b>	<b>2002</b>
\$30,000 - \$39,999	1	1
\$60,000 - \$69,999	-	1
\$150,000 - \$159,999	1	-
\$160,000 - \$169,999	1	-
\$190,000 - \$199,999	-	1
\$200,000 - \$209,999	-	1

The two highest paid Directors are paid in Hong Kong dollars. The change in amounts shown as paid reflects a change in exchange rates not a change in amounts actually paid.

**MULTISTACK INTERNATIONAL LIMITED**

**NOTES - continued**  
**31 DECEMBER 2003**

	<b>CONSOLIDATED</b>		<b>COMPANY</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>28. REMUNERATION OF EXECUTIVES</b>				
Amounts received or due and receivable by executive officers of the economic entity and the company whose remuneration is \$100,000 or more, from entities in the economic entity and related entities				
Not rounded \$311,444 (2002 \$408,642)	<u>312</u>	<u>409</u>	<u>-</u>	<u>-</u>

The number of executives of the economic entity whose remuneration falls within the following bands are:

	Economic entity		Company	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
\$150,000 - \$159,999	1	-	-	-
\$160,000 - \$169,999	1	-	-	-
\$190,000 - \$199,999	-	1	-	-
\$200,000 - \$209,999	-	1	-	-

No staff are employed by the parent entity.

**29. AUDITORS' REMUNERATION**

Amounts received or due and receivable by the auditor of Multistack International Limited for:

Auditing financial reports	75	83	62	62
Other services	<u>22</u>	<u>10</u>	<u>8</u>	<u>4</u>
	<u>97</u>	<u>93</u>	<u>70</u>	<u>66</u>

Not rounded -

Consolidated: \$75,000 (2002 \$83,000); \$22,000 (2002: \$10,000)

Company \$62,000 (2002: \$62,000); \$8,000; (2002: \$4,000)

Amounts received or due and receivable by auditors other than the auditor of Multistack International Limited.

Auditing financial reports of certain controlled entities	92	124	-	-
Other services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>92</u>	<u>124</u>	<u>-</u>	<u>-</u>

Not rounded -

Consolidated \$91,860 (2002 \$124,440)

**MULTISTACK INTERNATIONAL LIMITED**  
**NOTES - continued**  
**31 DECEMBER 2003**

**30. CONTINGENT LIABILITIES**

Related bodies corporate

The chief entity has provided an unlimited guarantee to support bank facilities provided to controlled entities. At balance date the amount of the bank facilities so guaranteed was;

	600	1,030		600	1,030
--	-----	-------	--	-----	-------

The chief entity has guaranteed under the terms of ASC Class Order 98/1418 any deficiency of funds if certain Australian controlled entities are wound up. The controlled entities have also given such a guarantee to the Company.

The chief entity has given notice on 18 December 2003 that a Revocation Deed to this Deed of Cross Guarantee was lodged with ASIC. The effect is that the Released Group Entities will be released from all liabilities under the Deed of Cross Guarantee. The Revocation Deed is now only conditional on there being no winding up or deregistration of the Released Group Entities within 6 months after lodgement with ASIC. Released Group Entities include Multistack PRC Pty Ltd, DunnAir Conditioning (Purchasing) Pty Ltd and DunnAir International Ltd.

**31. SUBSEQUENT EVENTS**

The Directors have resolved to undertake a total review of the Company's operations both in Australia and offshore, particularly in the People's Republic of China. This review will examine all options for the future of the Company, including expansion, restructure and/or sale of certain assets of the company. No decision has yet been made on any particular course of action.

Except for the above, no significant item or event has occurred since the end of the financial year.

**32. RELATED PARTY DISCLOSURES**

(a) The directors of Multistack International Limited during the financial year up until the date of this report were:

S. Yan	S. Leung
T. Chu	Y.N. Chan

A. Yu (appointed on 16 February 2004)

The directors were in office for the full financial period unless otherwise stated.

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

I. Transactions with director related entities:

- (i) Management services provided by Welletin Investment Ltd. (a related party of S. Yan and S. Leung) to Multistack International Ltd. and its controlled entities on normal commercial terms and conditions. The aggregate amounts paid/payable are \$301,443 (2002 \$398,642).
- (ii) Multistack International Ltd provided an interest free loan to Bright Technology Ltd (a related party of S. Yan and S. Leung) totalling \$1,089,036 (2002: \$1,089,036) with no fixed repayments. No repayments were received during the year and the loan has been provided for in full at year end.
- (iii) Amounts owing under normal commercial terms and conditions from director related entities:
  - Shenyang Jie Feng (a related party of S. Yan and S Leung) \$112,187 (2002 \$172,438)
  - ACR Equipment Supplies Ltd (a related party of S. Yan and S Leung) \$106,499 (2002 Nil)
  - Good Point Investments Ltd (a related party of S. Yan and S Leung) \$ 806,868 (2002 Nil)
  - Bright Technology Ltd. (a related party of S. Yan and S Leung) \$334,398 (2002 \$431,175)

**MULTISTACK INTERNATIONAL LIMITED**  
**NOTES - continued**  
**31 DECEMBER 2003**

**32. RELATED PARTY DISCLOSURES (CONT'D)**

- (iv) Advances receivable at balance date under normal commercial terms and conditions from director related companies:  
 ACR Equipment Supplies Ltd. (a related party of S. Yan and S. Leung) Nil (2002 \$265,920)  
 Better Asia Group Ltd. (a related party of S. Yan and S. Leung) \$411,406 (2002 \$1,152,278)  
 Asia Capital Resources (L) Ltd. (a related party of S. Yan and S. Leung) \$66,021 (2002 \$100,899)  
 JF (L) Ltd. (a related party of S. Leung) \$102,452 (2002 \$135,490)  
 Jie Feng (Ningbo) (a related party of S. Yan and S Leung) \$124,680 (2002 \$149,431)  
 Jie Feng (Blower) (a related party of S. Yan and S Leung) \$65,512 (2002 \$86,163)
2. Transactions with other related parties:  
 Purchases were made under normal commercial terms and conditions from Multistack Thermal Ltd. (a subsidiary of associated company Bright Technology Ltd.) and the amount payable at year end is \$1,770,569 (2002 \$2,080,702).
3. Transactions with the directors of Multistack International Limited:
- (i) Interest free advance receivable from a director of Multistack International Ltd,  
 Mr. S Leung \$60,761 (2002 \$76,645)  
 Mr S W Yan \$121,050 (2002 \$153,682)
- (ii) Interest free advances payable to a director of Multistack International Ltd.,  
 Mr. S Leung \$515,513 (2002 \$520,313)
- (c) Interests in the shares of the entities within the economic entity held by directors of the reporting entity and their director-related entities, during the year were:

<b>Ordinary shares</b>	<b>2002</b>	<b>Acquired</b>	<b>Sold</b>	<b>2003</b>
S. Yan	34,692,921	-	-	34,692,921
S. Leung	30,202,878	-	-	30,202,878
Y.N.Chan	20,000	-	-	20,000
T.K.M. Chu	-	-	-	-
A Yu	-	-	-	-

There have been no other transactions concerning shares or share options between entities in the reporting entity and directors of the reporting entity or their director-related entities.

- (d) Multistack International Limited is the ultimate Australian holding company.

**MULTISTACK INTERNATIONAL LIMITED**

**NOTES - continued**  
**31 DECEMBER 2003**

**32. RELATED PARTY DISCLOSURES (CONT'D)**

**33. SEGMENT INFORMATION**

**Industry Segments**

The economic entity operates in one industry being the heating, ventilation and air conditioning (HVAC) industry. The major manufacturing operations comprise the production and sale of Multistack water and air cooled water chillers used in commercial air-conditioning and process cooling applications.

**Segment accounting policies**

The group generally accounts for intersegment sales and transfers at cost. Revenues attributed to geographic areas are based on the location of the asset producing the revenues.

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

	China		Australia		Elimination		Consolidation	
	2003	2002	2003	2002	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue from ordinary activities:</b>								
Sales ~	19,230	26,256	4,624	5,343	-	-	23,854	31,599
Other revenue ~	854	247	273	107	-	-	1,127	354
Intersegment								
Sales	1,283	732	174	420	(1,457)	(1,152)	-	-
<b>Total (Note 2)</b>	<b>21,367</b>	<b>27,235</b>	<b>5,071</b>	<b>5,870</b>	<b>(1,457)</b>	<b>(1,152)</b>	<b>24,981</b>	<b>31,953</b>
<b>Segment results</b>								
- Net profit (loss) before tax	1,485	1,611	(687)	(1,245)	-	649	798	1,015
- Net profit (loss) after tax attributable to members	215	1,213	(687)	(1,245)	-	649	(472)	617
Share of net profit of equity accounted investments	727	845	-	-	-	-	727	845
<b>Segment assets</b>	<b>41,069</b>	<b>51,506</b>	<b>15,883</b>	<b>17,955</b>	<b>(19,552)</b>	<b>(18,607)</b>	<b>37,400</b>	<b>50,854</b>
<b>Segment liabilities</b>	<b>28,302</b>	<b>37,913</b>	<b>5,851</b>	<b>7,237</b>	<b>(6,796)</b>	<b>(8,800)</b>	<b>27,357</b>	<b>36,350</b>
<b>Other segment information:</b>								
Equity accounted investments included in segment assets	3,429	3,455	-	-	-	-	3,429	3,455
Acquisition of property, plant and equipment, intangible assets and other non current assets	194	149	-	8	-	-	194	157
Depreciation	759	966	102	110	-	-	861	1,076
Amortisation	-	19	42	36	-	-	42	55
Non cash expenses other than depreciation and amortisation	(386)	86	113	253	-	-	(273)	339

Notes: ~ Transactions with customer outside the economic entity  
The basis of intersegment pricing is market price.

MULTISTACK INTERNATIONAL LIMITED

NOTES - continued  
31 DECEMBER 2003

34. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

The economic entity's exposure to interest rate risk and the effective interest rates of financial assets and liabilities at 31 December 2003, are as follows:

Financial instruments	Floating interest rate		Fixed Interest Rate maturing in:						Non-Interest Bearing		Total carrying amount as per the balance sheet		Weighted average effective interest rate		
			1 year or less		Over 1 to 5 years		More than 5 years								
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	
<i>(i) Financial assets</i>															
Cash	-	-	-	-	-	-	-	-	-	1,080	2,755	1,080	2,755	N/A	N/A
Receivables - trade	-	-	-	-	-	-	-	-	-	9,275	10,254	9,275	10,254	N/A	N/A
Receivables - related parties	-	-	-	-	-	-	-	-	-	1,542	834	1,542	834	N/A	N/A
Receivable - other	-	-	-	-	-	-	-	-	-	3,984	5,987	3,984	5,987	N/A	N/A
Investment (associate)	-	-	-	-	-	-	-	-	-	3,429	3,455	3,429	3,455	N/A	N/A
Other - government bonds	-	-	-	-	-	-	-	-	-	5	6	5	6	N/A	N/A
<b>Total financial assets</b>	-	-	-	-	-	-	-	-	-	<b>19,315</b>	<b>23,291</b>	<b>19,315</b>	<b>23,291</b>		
<i>(ii) Financial liabilities</i>															
Bank overdrafts	599	2,005	-	-	-	-	-	-	-	-	-	599	2,005	9.25%	9.0%
Bank loans	11,051	14,274	-	-	-	-	-	-	-	-	-	11,051	14,274	4.36%	4.8%
Bills and promissory notes	-	-	81	157	-	-	-	-	-	-	-	81	157	8.0%	8.5%
Convertible notes	-	-	2,900	2,879	-	-	-	-	-	-	-	2,900	2,879	6.03%	5.75%
Trade creditors	-	-	-	-	-	-	-	-	-	2,288	4,337	2,288	4,337	N/A	N/A
Sundry creditors & accruals	-	-	-	-	-	-	-	-	-	2,080	5,812	2,080	5,812	N/A	N/A
Customer advances	-	-	-	-	-	-	-	-	-	2,024	2,674	2,024	2,674	N/A	N/A
Accounts payable-related parties	-	-	-	-	-	-	-	-	-	5,237	2,704	5,237	2,704	N/A	N/A
Finance lease liability	-	-	55	93	5	54	-	-	-	-	-	60	147	7.5%	7.5%
<b>Total financial liabilities</b>	<b>11,650</b>	<b>16,279</b>	<b>3,036</b>	<b>3,129</b>	<b>5</b>	<b>54</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,629</b>	<b>15,527</b>	<b>26,320</b>	<b>34,989</b>		

N/A - not applicable for non-interest bearing financial instruments

**MULTISTACK INTERNATIONAL LIMITED**

**NOTES - continued**  
**31 DECEMBER 2003**

**34. FINANCIAL INSTRUMENTS - cont'd**

**34(b) Net fair values**

The aggregate net fair values of financial assets and financial liabilities at 31 December 2003 are as recorded in the financial statements.

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

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

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

*Investments – unlisted shares -* The carrying amount approximates fair value.

*Government bonds-* The carrying amount approximates fair value.

*Short-term borrowings:* The carrying amount approximates fair value because of their short-term to maturity.

*Long-term loans receivable:* The fair values of long-term loans receivable are estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of lending arrangements.

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

**34(c) Credit risk exposures**

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

***Concentrations of credit risk***

The company minimises concentrations of credit risk in relation to trade accounts receivable by undertaking transactions with a large number of customers.

Concentrations of credit risk on accounts receivable arise in the following locations:

	<b>Consolidated</b>	
	<b>2003</b>	<b>2002</b>
Australia	4%	7%
China	96%	93%

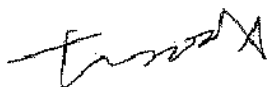
**DIRECTORS' DECLARATION**  
**31 DECEMBER 2003**

In accordance with a resolution of the directors of Multistack International Limited, we state that -

In the opinion of the directors:

- (a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2003 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



S. W. Yan  
Chairman



S. Leung  
Managing Director, CEO

Melbourne, 23 March 2004

## INDEPENDENT AUDIT REPORT TO MEMBERS OF MULTISTACK INTERNATIONAL 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, accompanying notes to the financial statements, and the directors' declaration for Multistack International Limited (the company) and the consolidated entity, for the year ended 31 December 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

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 company and the consolidated entity, and that complies with Accounting Standards in Australia, 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 financial report.

#### *Audit approach*

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

## Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

## Audit opinion

In our opinion, the financial report of Multistack International Limited is in accordance with:

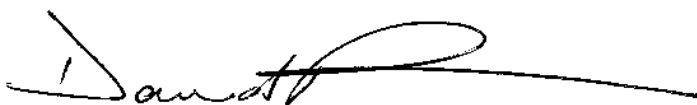
- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the financial position of Multistack International Limited and the consolidated entity at 31 December 2003 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

## Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter.

As a result of matters described in Note 1 under the heading 'Basis of Accounting' there is inherent uncertainty as to the outcome of the review described in this note and also the continuity of the support of significant financiers and suppliers. In the event that the positive outcomes referred to by the directors do not eventuate or continue, there is an inherent uncertainty as to whether the company and the economic entity will be able to continue as going concerns and therefore whether they will be able to pay debts as and when they fall due and realise assets and extinguish liabilities in the normal course of business and at the amounts stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company and the economic entity not continue as a going concerns.

Ernst & Young



David Petersen  
Partner  
Melbourne  
23 March 2004

## ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report. The information is current at 31 January 2004.

### CLASS OF SHARES AND VOTING RIGHTS.

There are 670 registered holders of ordinary shares of the company. All ordinary shares carry one vote per share.

### TWENTY LARGEST SHAREHOLDERS.

Name	Number of shares held	% held	Substantial shareholder interest
Asia Capital Resources (L) Ltd.	29,073,358	25.9	64,895,799
JF(L) Limited	23,655,454	21.1	64,895,799
ANZ Nominees Ltd.	8,708,524	7.8	
China Agents Ltd.	7,678,390	6.8	
National Nominees Ltd.	5,145,118	4.6	
Mr. S. Leung	4,750,000	4.2	64,895,799
Weyman Investment Ltd.	3,428,000	3.1	
Opal Mine Enterprises Ltd.	2,500,000	2.2	64,895,799
PRC Ltd.	2,500,000	2.2	64,895,799
Coningsby Nominees Pty. Ltd.	2,385,514	2.1	
Wellelin Investment Ltd.	1,672,000	1.5	64,895,799
Coningsby Noms. (Superannuation) Pty. Ltd.	1,601,196	1.4	
Galufu Pty. Ltd.	1,099,000	1.0	
National Australia Trustees Ltd.	1,049,608	0.9	
About Investment	981,300	0.9	
Mr William Oldjohn	531,833	0.5	
Miss B. Tan	515,000	0.5	
Hua Wai Enterprise Co.	494,140	0.4	
Louras Nominees Pty. Ltd.	470,000	0.4	
Mr. S. Diplock	419,358	0.4	
Total	<u>98,657,793</u>	<u>87.9</u>	

The twenty largest shareholders hold 87.9% of the ordinary shares of the company.

Messrs. Yan and Leung through their interests in the above entities are registered as having a substantial shareholder interest. There is no on-market buy-back currently in progress

### DISTRIBUTION OF SHAREHOLDERS

Ordinary shares

Range	Holders	Shares
1 - 1,000	72	44,963
1,001 - 5,000	253	735,913
5,001 - 10,000	99	844,534
10,001 - 100,000	204	7,616,803
100,001+	42	103,062,711

### DIVIDEND REINVESTMENT PLAN

This plan is currently suspended.

### CORPORATE PRACTICES AND CONDUCT

The Board of Directors of Multistack International Limited is responsible for the direction and supervision of the Company's businesses on behalf of the shareholders and the other stakeholders in the Company, including employees, lenders and the wider communities to which the Company belongs.

The Board to its Executive Committee, headed by the Chairman, and the senior management team, delegates responsibility for day to day to day strategy and operations. The Executive Committee also acts as the Finance Committee when required.

## **ASX ADDITIONAL INFORMATION - continued**

### **CORPORATE PRACTICES AND CONDUCT - CONTINUED**

#### **Board composition:**

The Board, currently chaired by an executive director, ordinarily comprises directors with an appropriate range of qualifications and experience spanning China, South East Asia and Australasia, desirably with a majority of non-executive directors. It meets quarterly in either Hong Kong or Melbourne with other teleconferences convened as required.

The directors in office at the date of this statement are:

Yan Siu Wai, Executive Chairman\*  
Stephen Leung Kwok-Yin, Managing Director, CEO\*  
Terence Chu, Non-executive Director  
Yim Ni Chan, Executive Director  
Allan Yu, Non-executive Director

\* Member of Executive Committee

#### **Audit Committee:**

The Managing Director, chairs the Audit Committee with the external auditor and company secretary attending all meetings, which are held as required.

The Committee monitors the adequacy of internal financial controls and ensures with the external auditors that the annual statutory audit and the half-yearly review are conducted effectively and cost-effectively. It also monitors changes in accounting standards and their potential effect on the Company's financial statements.

It continuously monitors the Company's compliance with the Continuous Disclosure policies of the Australian Stock Exchange and oversees the Company's annual reports, media and ASX announcements.

It reviews accounting procedures and the speed, accuracy and reliability of worldwide monthly financial reporting and monitors the management responses thereto.

External auditors may ordinarily meet with the Chairman of the Audit Committee to discuss any issue at any time without reference to executive management.

#### **Remuneration Committee:**

The Chairman and Mr. Leung act as the remuneration committee, which determines and reviews compensation levels for executive directors. The Remuneration Committee did not meet during 2003.

#### **Nomination and Governance Committee**

The Chairman and Mr. Leung act as the nomination committee, which regularly reviews the operation of the board and determines the membership of its committees. When necessary, it nominates candidates for the role of non-executive director.

#### **Board Responsibilities:**

The board's stewardship responsibilities are rigorously exercised at all times for the benefit of all shareholders. These include supervision of strategic direction, management accountability and the wider range of commercial risk issues and their effective mitigation.

The Board insists on the highest ethical standards of the Company's conduct with its customers, suppliers, employees, and regulatory authorities; indeed, all the Company's dealings are expected to reflect the highest standards of honesty, integrity and professionalism. Ethical issues are reported as a matter of course to the Audit Committee.

Every year, the Board ordinarily reviews and approves a strategic plan for the Group and its one-year operating plan, including the annual operating and capital budgets. At each quarterly meeting, the Board reviews progress against the strategic plan.

The Board separately receives submissions from the Executive Committee on major capital expenditures, acquisitions and disposals of significant assets or other material investment issues including research and new product development plans and policies. Every year the Board requires a summary report from the Executive Committee on succession planning and management development in each of its geographic divisions.

The Company indemnifies all directors against any proper liabilities incurred in their discharge of their duties as directors of the Company. Nevertheless, each director retains a duty of care and due diligence throughout their conduct and oversight of Company affairs.