MULTISTACK INTERNATIONAL LIMITED
AND CONTROLLED ENTITIES

CONSOLIDATED FINANCIAL REPORT

31 DECEMBER 2007

MULTISTACK INTERNATIONAL LIMITED
ACN 007 254 346 ABN 54 007 254 346

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

COMPANY SECRETARY
Y.Y. Wong

REGISTERED OFFICE
10 Cochranes Road
Moorabbin, Victoria 3189
Australia
Tel: 61-3-8552-1200
Fax: 61-3-8552-1201

SOLICITORS
Minter Ellison

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

SHARE REGISTER
Computershare Investor Services Pty Limited
GPO Box 2975, Melbourne, Vic 3001
Phone: 1300 85 05 05
Fax 61-3-9415 4000

AUDITORS
Pitcher Partners

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 Group, being the Company and its controlled entities, for the year ended 31 December 2007. 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. T. Chu	Chairman and Non-executive Director 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 was appointed as director of the company in March 1999 and was elected as Chairman of the Board on 17 May 2004.
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. He has been Chief Executive Officer since 1997 and has been an Executive Director since 1995.
Mr. S. Yan	Executive Director 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 20 years' experience in manufacturing and marketing industrial air conditioning products in the People's Republic of China. He has been an Executive Director since 1995 and was Chairman between August 1999 and May 2004.
Ms Y.N. Chan	Executive Director 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 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 multi-national client base. His expertise is in mergers and acquisitions particularly in multi-national courier and air-cargo businesses. 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
T. Chu	-
S. Leung	30,202,878
S. Yan	34,692,921
Y.N.Chan	20,000
A.H.W Yu	-

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 ("MTL").

COMPANY SECRETARY

Ms Y.Y. Wong	Company Secretary Bachelor in Business (Victoria University of Technology) and Master in Finance (RMIT). Ms Wong is a CPA and has substantial experience in the banking industry. Ms Wong was appointed Company Secretary on 13 September 2002.

DIRECTORS' REPORT - continued

PRINCIPAL ACTIVITIES
The principal activities during the year of entities within the Group were: -

- manufacturing and marketing of industrial air conditioning equipment, primarily in China and Australia;
- manufacturing and international distribution of Multistack water-cooled and air-cooled water chillers; and
- manufacturing 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 2007 revenue decreased to $13,959,219 (2006: $14,774,307), the profit before income tax was $244,495 (2006: $461,352) and net profit attributable to members of Multistack International Limited is $360,000 (2006: $436,171).

Basic earnings per share is $0.0032 (2006: $0.0039).

Although profit was recorded, until a stronger cash flow position is achieved, the directors do not recommend any dividend to be declared in respect of the year ended 31 December 2007 in order to preserve the financial flexibility of Multistack International Ltd. No other amounts have been declared or recommended by way of a dividend since the commencement of the financial year.

REVIEW OF OPERATIONS

	Jan - Dec 2007 A$'000	Jan. – Dec 2006 A$'000
Revenue	13,959	14,774
Operating profit before tax, minority interests	244	461
Operating profit after tax attributable to members	360	436

The MTL heat exchanger plant in Panyu China has been successful in making inroads to more OEM markets. The growth in revenue has overcome the impact of cost increases on raw material including copper and stainless steel. The contribution from MTL to the group's profit in 2007 was encouraging and the Board was confident that this would continue in 2008.

The promotion of modular chiller and precision control air conditioning units in overseas markets was encouraging as was the agents in Indonesia, Malaysia, Singapore, Iran, and New Zealand. The group expects actual results from new customers like agents in Germany, S. Africa, UAE, Thailand and India in the forthcoming period. This would justify the intense product and marketing development undertaken in these areas.

The Board was also encouraged by the results of the operations in Australia. DunnAir International Pty Ltd has been transformed into a lean and mean but profitable operation consisting of a national distribution arm of modular chillers based in Melbourne and a service company in South Australia. It has managed to make a small but consistent profit since the beginning of its restructure program sometime ago. Plans are to be implemented to ensure that the operations remain commercially feasible in the foreseeable future. The Joint Venture in Australia – Dunnair Australia Pty Ltd became profitable in December, reinforcing the Board's decision to support the retention of this operation. The concept of building a strong dealership network proved successful. Plans are to be adopted to enhance the growth in the forthcoming period, with profits generated in a consistent long-term trend thereafter.

By maintaining our first modular water-cooled chiller using the turbo compressor technology MTTW300 installation for a hospital in Singapore, the Group has managed to get another order to supply a new MTTW300 installation for a commercial complex in downtown Singapore. The Group expected that these installations would become a market leader in the region. In conjunction with the successful launch of a larger capacity turbo compressor TT400 in the market, the Group prepared to make a new prototype MTTW400 module within the next few months for a performance test in the Panyu factory. This would enhance the product range as well as the promotion of the product in the market.

A new packaged type air conditioning unit major for industrial application was in the process of development in the Panyu factory and expected to be launched by the second quarter in 2008. This was highly supported with the proprietary Airflow technology that would enhance the design features and manufacturing efficiency. The Group is confident that this product would bring substantial revenue to the operation in China.

The Directors are determined to carry on improvements in the bottom line performance of the Company and enhance the shareholder's interest to the largest extent.

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. Advisors from different areas of expertise have been employed to give opinions. The board will examine all options for the future of the Company, including expansion, restructure and/or sale of certain assets of the Company. Appropriate announcements will be made once management has come to any conclusion.

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 REPORT

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for directors and the chief executive officer. The Remuneration 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.

	Primary Benefits		
	Base fee	Bonus	Other
Director			
S. Leung	$135,807	-	-
S. Yan	$135,807	-	-
T. Chu	-	-	-
Y N Chan	$52,500	-	$15,600
A H Yu	-	-	-

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.

The above remuneration excludes the following interest free advance receivable from a director of Multistack International Ltd:

Mr. S Leung $18,102 (2006 $15,523)
Mr S W Yan $15,517 (2006 $15,963)

Notionally, had interest been payable on these loans, income to the Directors would have approximated:

Mr S Leung $1,347
Mr S W Yan $1,154

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

	Primary Benefits		
	Base Fee	Bonus	Other
C L Fan	$37,479	-	-
H Jie	$20,129	-	-

Executive officers are mutually exclusive from directors. The executive officers are those directly responsible for the operational management and strategic direction of the company and consolidated entity. The directors believe that one officer falls within this definition, and this has been disclosed accordingly.

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

REMUNERATION REPORT (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 Note 26 to the Financial Statements.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company indemnifies all directors against any 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 were as follows:

	Board of Directors		**Audit Committee**	
	Eligible to attend	Attended	Eligible to attend	Attended
Mr. T. Chu	3	3	2	2
Mr. S. Leung	3	3	2	2
Mr. S. Yan	3	3	-	-
Ms Y. Chan	3	3	-	-
Mr A. Yu	3	3	2	2

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 A. Yu and Mr T. Chu. The members of the Remuneration committee are Mr T. Chu and Mr A. Yu. The members of the Nomination Committee are Mr S W Yan and Mr S Leung.

The Audit Committee met on 26 February 2007 and 23 August 2007. The Remuneration Committee and the Nomination Committee did not meet during the year as no issue had arisen in the respective field during the relevant period.

EMPLOYEES

The consolidated entity employed 294 employees as at 31 December 2007 (2006: 315 employees)

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There were no significant events after balance date.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Directors are undertaking a total review of the Company's operations, particularly in the People's Republic of China. The directors 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. The consolidated entity is not aware of any material breaches of any applicable environmental law.

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.

NON-AUDIT SERVICES

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor’s behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Amounts paid or payable to an auditor for non-audit services provided during the year by the auditor to Multistack International Limited and its consolidated entities for:

	2007	**2006**
Taxation Services	$13,000	$ -

AUDITOR’S INDEPENDENCE DECLARATION

The auditor’s independence declaration is included on page 7 of the financial report and forms part of this report.

In accordance with a resolution of the directors

T. Chu
Chairman

S. Leung
Director, CEO

Melbourne, 31 March 2008

PITCHER PARTNERS

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Multistack International Limited

In relation to the independent audit for the year ended 31 December 2007, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*.

(ii) No contraventions of any applicable code of professional conduct.

Pitcher Partners

PITCHER PARTNERS
Melbourne

K L BYRNE
31 March 2008

MULTISTACK INTERNATIONAL LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

		CONSOLIDATED		PARENT	
		2007	**2006**	**2007**	**2006**
	Notes	**$`000**	**$`000**	**$`000**	**$`000**
Continuing Operations					
Sale of goods		11,354	11,196	-	-
Rendering of services		1,964	2,507	-	-
Total Revenue		13,318	13,703	-	-
Cost of sales		(9,928)	(9,229)	-	-
Gross Profit		3,390	4,474	-	-
Other Income	2	641	1,071	59	79
Depreciation and amortisation expense	3 (a)	(133)	(291)	-	-
Salaries and employee benefits expense		(1,846)	(1,991)	-	-
Travelling costs		(273)	(296)	(10)	(9)
Management fees		(312)	(340)	-	-
Advertising and promotion		(100)	(81)	-	-
Sales commission & consignment fees		254	(56)	-	-
Transportation		(219)	(196)	-	-
Rent and rates		(211)	(255)	-	-
Repairs and maintenance		(72)	(192)	-	-
Selling services charges		(67)	(18)	-	-
Office expenses		(128)	(142)	-	-
Legal and professional fees		(67)	(87)	-	-
Stamp Duty on transfer of property		(158)	(123)	-	-
Advisory expenses		(81)	(47)	-	-
Audit and accounting expenses		(174)	(154)	(70)	(59)
Insurance		(55)	(62)	-	-
Telecommunication		(40)	(37)	-	-
Entertainment		(67)	(70)	-	-
Provision for intercompany receivables		-	-	-	(340)
Writeback of warranty provision		-	60	-	-
Writeback of accrued interest convertible note		-	300	-	300
Provision for inventory obsolescence		379	(169)	-	-
Bad & doubtful debt provision		195	(160)	-	-
Other expenses		(684)	(903)	(26)	(25)
Profit/(Loss) from continuing operations before tax and finance costs		172	712	(47)	(54)
Finance costs	3 (c)	(444)	(431)	-	-
Share of profits of associate accounted for using the equity method	9,10	516	180	-	-
Profit / (Loss) before income tax		244	461	(47)	(54)
Income tax refund (expense)	4	116	(25)	-	-
Profit /(Loss) after income tax expense from continuing operations		360	436	(47)	(54)
Profit / (Loss) attributable to members of the parent	25	360	436	(47)	(54)
Basic Earnings per Share (cents per share)	25	0.32c	0.39c		
Diluted Earnings per Share (cents per share)	25	0.32c	0.39c		

MULTISTACK INTERNATIONAL LIMITED

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2007

	Notes	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT 2007 $'000	PARENT 2006 $'000
ASSETS					
Current Assets					
Cash and cash equivalents	21	1,231	1,440	5	6
Trade and other receivables	6	9,251	10,115	943	724
Inventories	7	5,090	4,699	-	-
Other financial assets	8	-	-	7,333	7,600
Prepayments		7	7	-	-
Total Current Assets		**15,579**	**16,261**	**8,281**	**8,330**
Non-Current Assets					
Investments accounted for using the equity method	9,10	5,751	5,882	-	-
Property, plant and equipment	12	1,397	1,463	-	-
Investment property	13	1,363	1,578	-	-
Total Non-current Assets		**8,511**	**8,923**	**-**	**-**
TOTAL ASSETS		**24,090**	**25,184**	**8,281**	**8,330**
LIABILITIES					
Current Liabilities					
Trade and other payables	14	9,772	10,623	761	763
Short-term borrowings	15	5,798	6,093	-	-
Current tax liability	4	-	13	-	-
Provisions	16	179	189	-	-
Other		56	24	-	-
Total Current Liabilities		**15,805**	**16,942**	**761**	**763**
Non Current Liabilities					
Provisions	17	335	339	-	-
Total Non-current Liabilities		**335**	**339**	**-**	**-**
TOTAL LIABILITIES		**16,140**	**17,281**	**761**	**763**
NET ASSETS		**7,950**	**7,903**	**7,520**	**7,567**
EQUITY					
Equity attributable to equity holders of the parent					
Issued capital	18	155,639	155,639	155,639	155,639
Reserves	19	5,777	6,374	3,165	3,165
Accumulated losses	19	(154,455)	(155,136)	(151,284)	(151,237)
Parent interests		6,961	6,877	7,520	7,567
Minority equity interest	20	989	1,026	-	-
TOTAL EQUITY		**7,950**	**7,903**	**7,520**	**7,567**

MULTISTACK INTERNATIONAL LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2007

	Attributable to equity holders of the parent				Minority Interest	Total Equity
	Issued Capital	Retained Earnings	Other Reserves	Total		
CONSOLIDATED	$'000	$'000	$'000	$,000	$'000	$,000
At 1 January 2006	**155,639**	**(155,572)**	**6,481**	**6,548**	**1,071**	**7,619**
Transfer to/from General Reserve	-	-	-	-	-	-
Currency translation differences	-	-	(107)	(107)	(45)	(152)
Total Income/(Expense) for the period recognised directly in equity	-	-	**(107)**	**(107)**	**(45)**	**(152)**
Profit for the period	-	436	-	436	-	436
At 31 December 2006	**155,639**	**(155,136)**	**6,374**	**6,877**	**1,026**	**7,903**

	Attributable to equity holders of the parent				Minority Interest	Total Equity
	Issued Capital	Retained Earnings	Other Reserves	Total		
CONSOLIDATED	$'000	$'000	$'000	$,000	$'000	$,000
At 1 January 2007	**155,639**	**(155,136)**	**6,374**	**6,877**	**1,026**	**7,903**
Transfer to/from General Reserve	-	(12)	12	-	-	-
Transfer to/from Retained Earnings	-	333	-	333	-	333
Currency translation differences	-	-	(609)	(609)	(37)	(646)
Total Income/(Expense) for the period recognised directly in equity	-	**321**	**(597)**	**(276)**	**(37)**	**(313)**
Profit for the period	-	360	-	360	-	360
At 31 December 2007	**155,639**	**(154,455)**	**5,777**	**6,961**	**989**	**7,950**

MULTISTACK INTERNATIONAL LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2007

	Attributable to equity holders of the parent				Total Equity
	Issued Capital	Retained Earnings	Other Reserves	Total	
PARENT	$'000	$'000	$'000	$,000	$,000
At 1 January 2006	**155,639**	**(151,183)**	**3,165**	**7,621**	**7,621**
Loss for the period	-	(54)	-	(54)	(54)
Total recognised Income/(Expense) for the period	-	**(54)**	-	**(54)**	**(54)**
At 31 December 2006	**155,639**	**(151,237)**	**3,165**	**7,567**	**7,567**

	Attributable to equity holders of the parent				Total Equity
	Issued Capital	Retained Earnings	Other Reserves	Total	
PARENT	$'000	$'000	$'000	$,000	$,000
At 1 January 2007	**155,639**	**(151,237)**	**3,165**	**7,567**	**7,567**
Loss for the period	-	(47)	-	(47)	(47)
Total recognised Income/(Expense) for the period	-	**(47)**	-	**(47)**	**(47)**
At 31 December 2007	**155,639**	**(151,284)**	**3,165**	**7,520**	**7,520**

MULTISTACK INTERNATIONAL LIMITED

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

		CONSOLIDATED		PARENT	
		2007	**2006**	**2007**	**2006**
	Notes	**$'000**	**$'000**	**$`000**	**$`000**
Cash flows from operating activities					
Receipts from customers		16,406	14,812	59	3
Payments to suppliers and employees		(16,102)	(16,251)	(108)	(100)
Finance costs		(444)	(431)	-	-
Interest received		-	19	-	-
Income tax paid		103	(45)	-	-
Net cash flows used in operating activities	21(a)	**(37)**	**(1,896)**	**(49)**	**(97)**
Cash flows from investing activities					
Acquisition of property, plant and equipment		(23)	(44)	-	-
Proceeds from sale of property, plant and equipment		613	1,502	-	-
Net cash flows from investing activities		**590**	**1,458**	**-**	**-**
Cash flows from financing activities					
Loans from associates and director related parties		(1,193)	2,176	48	97
Repayment of convertible note			(1,241)	-	-
Repayment of borrowings		(293)	(907)	-	-
Increase in advance to joint venture		724	-	-	-
Net cash flows (used in)/provided by financing activities		**(762)**	**28**	**48**	**97**
Net increase/(decrease) in cash and cash equivalents		**(209)**	**(410)**	**(1)**	**-**
Cash and Cash equivalent at beginning of period		1,440	1,850	6	6
Net foreign exchange differences		-	-	-	-
CLOSING CASH AND CASH EQUIVALENTS	21	**1,231**	**1,440**	**5**	**6**

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2007

CORPORATE INFORMATION

The financial report of Multistack International Limited for the year ended 31 December 2007 was authorised for issue in accordance with a resolution of the directors on 31 March 2008.

Multistack International Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operation and principal activities of the Group are described in Note 31.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION
The financial report is a general-purpose financial report, which has been prepared in accordance with Australian Accounting Standards and the requirements of the Corporations Act 2001. The financial report has also been prepared on a historical cost basis as modified by revaluation to fair value for certain classes of assets as described in the accounting policies. The financial report of Multistack International Limited and Controlled entities, and Multistack International Limited as an individual parent entity comply with Australian Equivalents of International Financial Reporting Standards (AIFRS).

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated, under the option available to the company under ASIC Class Order 98/100. The company is an entity to which the class order applies.

GOING CONCERN
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 Group has recorded a net profit after exclusion of the outside equity interest. Based on the forecasts for the 2008 financial year together with the ongoing support of financiers and suppliers, the directors believe the Group 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. The review is ongoing and continues to examine all options for the future of the company and the group, including expansion, restructure and / or sale of certain assets.

The Group’s ability to continue as a going concern will be dependent upon its ability to trade profitably in the 2008 financial year as well as the ongoing support of financiers. The financial statements do not 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 business not trade profitably or the support of significant financiers or suppliers be withdrawn such that either the company or the Group is unable to continue as a going concern. The ability of the company to secure further financing, if existing facilities were to cease or circumstances were such that additional facilities were required, cannot be assessed with any degree of certainty. If the going concern basis is found to no longer be appropriate the recoverable amounts of the assets shown in the Balance Sheet are likely to be significantly less than the amounts disclosed.

STATEMENT OF COMPLIANCE
The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standard ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

The following standards and amendments were available for early adoption by the AASB but have not been applied by the Group in this report:

- Revised AASB101 *Presentation of Financial Statements* (September 2007).
- AASB8 *Operating Segments.*
- Revised AASB123 *Borrowing Costs.*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont'd

- AASB2007-3 *Amendments to Australian Accounting Standards* arising from AASB8 *Operating Segments*, amending AASB5 *Non-current Assets for Sale and Discontinued Operations,* AASB102 *Inventories,* AASB107 *Cash Flow Statements,* AASB19 *Employee Benefits,* AASB127 *Consolidated,* AASB134 *Interim Financial Reporting,* AASB136 *Impairment of Assets,* AASB1023 *General Insurance Contracts* and AASB1038 *Life Insurance Contracts.*
- AASB2007-6 *Amendments to Australian Accounting Standards* arising from AASB123 *Borrowing Costs*, amending AASB1 *First-time Adoption of Australian Equivalents* to *International Financial Reporting Standards*, AASB101 *Presentation of Financial Statements*, AASB107 *Cash Flow Statements,* AASB111 *Construction Contracts*, AASB116 *Property, Plant and Equipment*, AASB138 *Intangible Assets*, AI1 *Changes in Existing Decommissioning*, *Restoration and Similar Liabilities and Interpretation*, AI12 *Service Concession Arrangements*.
- AASB2007-8 *Amendments to Australian Accounting Standards* arising from AASB101 *Presentation of Financial Statements.*
- AI12 *Service Concession Arrangements.*
- AI14 IAS19 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.*
- AI129 *Service Concession Arrangements: Disclosures.*

These statements will be effective for the Group as of 1 January 2008. The Group is currently in the process of assessing the impact of the adoption of these standards.

The accounting policies set out below have been applied consistently to all periods presented in the financial report by the company and the Group.

BASIS OF CONSOLIDATION

The consolidated financial reports are those of the Group, 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.

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.

Minority interests represents the interests in Superlink companies not held by the Group. Refer to note 10B for further details.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont'd

INVESTMENTS

Investments in associates
The Group's investment in its associate is accounted for under the equity method of accounting in the consolidated financial statements. This is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

The financial statements of the associate are used by the Group to apply the equity method. The reporting dates of the associate and the Group are identical and both use consistent accounting policies.

The investment in the associate is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate, less any impairment in value. The consolidated income statement reflects the Group's share of the results of operations of the associate. Where there has been a change recognised directly in the associate's equity, the Group recognises its share of any changes and discloses this, when applicable in the consolidated statement of changes in equity.

FOREIGN CURRENCY TRANSLATION

Both the functional and presentation currency of Multistack International Limited is Australian dollars (A$).

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Differences relating to translation are taken to the income statement.

The functional currency of the overseas subsidiaries based in the Peoples Republic of China is RMB whilst for dormant subsidiaries based in the United States of America it is USD.

As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Multistack International Limited at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the period.

The exchange differences arising on the retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

PROPERTY, PLANT AND EQUIPMENT

Cost and valuation
Land and buildings are carried at fair value. Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

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

Major depreciation periods are:	**2007**	**2006**
Leasehold buildings	40 years	40 years
Plant and equipment	5 to 15 years	5 to 15 years

Incomplete capital projects are not depreciated until they are fully completed and transferred to plant and equipment.

Impairment
Refer note on Recoverable Amount.

INVESTMENT PROPERTY

Investment property is held to generate long-term rental yields. All tenant leases are on an arm's length basis. Investment property is carried at cost less any accumulated depreciation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont'd

FINANCE COSTS
Finance costs are recognized as an expense when incurred.

RECOVERABLE AMOUNT
At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Similarly, if the Group assesses that there is any indication that a previously impaired asset is no longer impaired, the recoverable amount of those assets is estimated. Any write backs of previously impaired assets are recorded through the income statement.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Costs incurred in bringing each product to its present location and condition are accounted for as follows:
Raw materials – purchase cost on a first-in, first-out basis;
Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

TRADE AND OTHER RECEIVABLES
Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

CASH AND CASH EQUIVALENTS
Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

INTEREST BEARING LOANS AND BORROWINGS
All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in the income statement when the liabilities are derecognised and as well as through the amortisation process.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont'd

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer.

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 accrued when earned in accordance with the relevant royalty agreement.

Rendering of services

Where the contract outcome can be reliably measured, revenue is recognised by reference to the stage of completion of the transaction. 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

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont'd

INCOME TAX

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.
Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

• except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

• in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

• except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

• in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont'd

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.

CONTRIBUTED EQUITY
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.

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 inception of the lease at the fair value of the leased property or, if lower, 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - cont'd

EARNINGS PER SHARE
Earnings per share is determined by dividing the net profit after tax attributed to members of the parent divided by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS
The group makes certain estimates and assumption concerning the future, which, by definition will seldom represent actual results. The estimates and assumptions that have a significant inherent risk in respect of estimates based on future events which could have a material impact on the assets and liabilities in the next financial year are disclosed below:

(a) Estimated impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. Impairment has been recognised in respect of investments and plant and equipment for the year ended 31 December 2007.

No additional impairment has been recognised in respect of investments for the year ended 31 December 2007. This is based on a discount rate of 10% being applied. Should the cashflows of the investment entities as estimated by management not reach figures used in value-in-use calculations, an impairment loss may be recognised.

MULTISTACK INTERNATIONAL LIMITED

NOTES - CONTINUED
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	Notes	CONSOLIDATED 2007 $`000	CONSOLIDATED 2006 $`000	PARENT 2007 $`000	PARENT 2006 $`000
2. REVENUES					
Other Income					
Foreign currency gains		19	6	-	-
Interest – other corporations		16	19	-	-
Gain from sale of property, plant & equipment		402	683	-	-
Royalty revenue		59	79	59	79
Other		145	284	-	-
		641	1,071	59	79
3. EXPENSES					
Continuing Operations					
(a) Depreciation and amortisation expense					
Building		106	252	-	-
Plant and equipment		27	39	-	-
Total depreciation and amortisation expense		133	291	-	-
(b) Bad and doubtful debts / (writeback)					
Trade debts - other persons		(195)	160	-	-
		(195)	160		
(c) Finance costs					
Interest expense					
Bank facilities		439	427	-	-
Other		5	4	-	-
Total finance costs		444	431	-	-
Provision for inventory obsolescence (writeback)	7	(379)	202	-	-
Provision for employee entitlements		7	6	-	-
Provision for intercompany receivable		-	-	-	340
Provision for doubtful debts		-	17	-	-

NOTES - CONTINUED
31 DECEMBER 2007

4. INCOME TAX	Notes	CONSOLIDATED 2007 $`000	CONSOLIDATED 2006 $`000	PARENT 2007 $`000	PARENT 2006 $`000
Income Statement					
Current income tax					
Current income tax charge		(116)	13	-	-
Adjustments in respect of current income tax of previous years		5	12	-	-
Income tax expense as reported in the income statement		(111)	25	-	-
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the groups applicable income tax rate is as follows:					
Accounting profit before tax from continuing operations		244	461	(47)	(54)
Profit/(loss) on discontinued operations before tax		-	-	-	-
Accounting profit before income tax		244	461	(47)	(54)
At the Groups statutory rate of 30% (2006:30%)		73	138	(14)	(16)
Utilised tax losses not previously brought to account		(196)	(141)	14	16
Under/ (over) provision of previous year		5	12	-	-
Differential in foreign tax rates		2	16	-	-
		(116)	25	-	-
Income tax expense reported in the consolidated income statement		(116)	25	-	-
Income tax attributable to discontinued operations		-	-	-	-
		(116)	25	-	-
Current income tax payable		(111)	13	-	-
Balance at beginning of year		13	33		
Income tax		(116)	25		
Tax payments		(8)	(45)		
		(111)	13		
Unused tax losses not brought to account					
Deferred tax balances of the Company and of the Group are not brought to account at balance date as realisation of the tax assets and extinguishment of tax liabilities are not regarded as being probable.		8,058	8,254	3,778	3,782

5. FRANKING CREDIT BALANCE

The amount of franking credits available for the subsequent financial year are:				
- franking account balance as at the end of the financial year	-	-	1,686	1,686
- franking credits that will arise from the payment of income tax payable as at the end of the financial year.	-	-	-	-
	-	-	1,686	1,686

The tax rate at which paid dividends have been franked is 30% (2006: 30%).

NOTES - CONTINUED
31 DECEMBER 2007

	Notes	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT 2007 $`000	PARENT 2006 $`000
6. TRADE AND OTHER RECEIVABLES (CURRENT)					
Trade receivables	(a)	6,417	6,931	-	-
Provision for doubtful debts		(1,365)	(1,644)	-	-
		5,052	5,287	-	-
Related Party receivables:					
Director related entities		1,531	997	-	-
		1,531	997	-	-
Purchase advances		136	307	-	-
Other receivables	(b)	2,532	3,524	943	724
		2,668	3,831	943	724
		9,251	10,115	943	724
Movement in provision for doubtful debts					
- balance at beginning of year		(1,644)	(1,627)	-	-
- debts previously provided for now written-off		-	-	-	-
- bad and doubtful debts provided for during the year		-	(141)	-	-
- doubtful debts provision write back		195	-		
- foreign currency fluctuation to opening balance		84	124	-	-
- balance at end of year		(1,365)	(1,644)	-	-
Provision for doubtful debts comprises					
- trade debtors		(1,365)	(1,644)	-	-
		(1,365)	(1,644)	-	-

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) Receivables from other persons are on commercial terms and depend upon the region of operation.

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT 2007 $`000	PARENT 2006 $`000
7. INVENTORIES (CURRENT)				
Raw materials and stores - at cost	4,396	4,544	-	-
Provision for diminution in value	(1,187)	(1,208)	-	-
	3,209	3,336	-	-
Work in progress – at cost	1,594	1,288	-	-
Finished goods - at cost	2,241	2,633	-	-
Provision for diminution in value	(1,954)	(2,558)	-	-
	1,881	1,363	-	-
Total inventories - at lower of cost and net realisable value	5,090	4,699	-	-

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
	$`000	$`000	$`000	$`000
7. INVENTORIES (CURRENT) cont'd				
Movement in provision for diminution in value				
Balance at beginning of year	(3,766)	(3,968)	-	-
Net (additional provision) / writeback	379	(169)	-	-
Inventory subsequently sold	113	248		
Net foreign currency movement	133	123	-	-
	(3,141)	(3,766)	-	-
Provision for diminution comprises				
Raw materials and stores	(1,187)	(1,208)	-	-
Finished goods	(1,954)	(2,558)	-	-
	(3,141)	(3,766)	-	-

	CONSOLIDATED		PARENT	
	2007	2006	2007	2006
8. OTHER FINANCIAL ASSETS (CURRENT)				
Loans- Wholly owned group controlled entities	-	-	138,223	138,490
Provision for doubtful loan	-	-	(130,890)	(130,890)
	-	-	7,333	7,600
Other related parties	1,089	1,089	-	-
Provision for related parties	(1,089)	(1,089)	-	-
Other persons	2,403	2,403	2,409	2,409
Provision for doubtful debts - other persons	(2,403)	(2,403)	(2,409)	(2,409)
	-	-	7,333	7,600
Movement in provision for doubtful debts				
- balance at beginning of year	(3,492)	(3,492)	(133,299)	(132,959)
- bad and doubtful debts provided for during the year	-	-	-	(340)
- balance at end of year	(3,492)	(3,492)	(133,299)	(133,299)
Provision for doubtful debts comprises				
- wholly-owned group controlled entities	-	-	(130,890)	(130,890)
- related parties – other	(1,089)	(1,089)	-	-
- other persons	(2,403)	(2,403)	(2,409)	(2,409)
	(3,492)	(3,492)	(133,299)	(133,299)

	CONSOLIDATED		PARENT	
	2007	**2006**	**2007**	**2006**
	$`000	**$`000**	**$`000**	**$`000**
9. INVESTMENT IN ASSOCIATE				
Associated companies - unlisted shares				
At equity accounted amount	5,751	5,882	-	-

(i) Investments in associates	**Group Interest**		**% held by Group**	
	2007	**2006**	**2007**	**2006**
	$'000	**$'000**		
Bright Technology Ltd. (a)	5,751	5,882	60%(b)	60% (b)
Multistack Thermal Ltd. (a)	-	-	33% (b)	33%(b)
	5,751	5,882		

(a) Bright Technology Ltd. – the principal activities of the company are investment holdings (its only investment being in Multistack Thermal Ltd), and acting as a heat exchangers technical consultants.

The reporting dates of Bright Technology Ltd and Multistack Thermal Ltd are the same as Multistack International Limited.

There were no impairment losses relating to investment in associates and no capital commitments or other commitments and contingencies relating to the associates.

(b) Bright Technology Limited – is held 60% (entitled to 66.7% of profits) by non-voting shares owned by Penthill Limited (100% owned subsidiary of Multistack International Limited). As the group has non voting shares it has no control over Bright Technology Limited and therefore equity accounts for its investment.

Multistack Thermal Ltd – is held 60% (33.3% voting power) by Bright Technology Limited, and 30% by Super Link Guangzhou Ltd (100% owned subsidiary of Multistack International Limited). The Groups 33.3% voting power does not constitute control over Multistack Thermal and therefore the Group equity accounts for this investment.

MULTISTACK INTERNATIONAL LIMITED

NOTES - CONTINUED
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9. INVESTMENT IN ASSOCIATE CONT'D

	CONSOLIDATED	
	2007	**2006**
	$'000	**$'000**
(ii) Share of associates profits		
Associates		
- net profits before income tax	452	376
- income tax expense attributable to net profit	-	-
- net profits after income tax	452	376
(iii) Carrying amount on investments in associates		
Balance at beginning of financial year	5,882	5,958
- share of associates net profits (losses) for the financial year	452	376
- reversal of impairment provision	-	-
- foreign currency translation effect	(583)	(452)
Equity accounted value of investments in associates at end of the financial year	5,751	5,882
Represented by:		
Investments at equity accounted amounts:		
- Bright Technology Ltd	5,751	5,882
Carrying value of investments in associates	5,751	5,882
(iv) Share of associate's balance sheet:		
Current assets	5,425	4,950
Non-current assets	2,344	2,685
Current liabilities	(1,325)	(1,747)
Net assets	6,444	5,888
(v) Retained profits of the consolidated entity attributable to associates		
Balance at the beginning of the financial year	(5,094)	(5,105)
Share of associate's net profits	452	376
Foreign currency translation effect	416	(365)
Balance at the end of the financial year	(4,226)	(5,094)
(vi) Amount of reserves of the consolidated entity attributable to associates		
Balance at the beginning of the financial year	1,532	1,600
Foreign currency translation effect	(55)	(68)
Balance at the end of the financial year	1,477	1,532

10. INVESTMENT IN JOINTLY CONTROLLED ENTITY

(i) Investments in Jointly Controlled Entity	Group Interest		% held by Group	
	2007 $'000	2006 $'000	2007	2006
Dunnair (Aust) Pty Ltd (a)	-	-	50%(a)	50% (a)
	-	-		

(a) Effective from 1 July 2004, Multistack International Ltd formed a joint venture namely Dunnair (Aust) Pty Ltd (formerly Dunnair (Vic Sales) Pty Ltd) with Rogton Pty Ltd. Each party has a 50% ownership interest.

The reporting date of Dunnair (Aust) Pty Ltd is 30 June each year.

The carrying value of this joint venture is $0 due to the effect of equity accounting losses being offset against the initial cost of the investment (including loans and advances).

	CONSOLIDATED	
	2007 $'000	2006 $'000
(ii) Share of jointly controlled entity's balance sheet:		
Current assets	1,130	873
Non- current assets	11	14
Current liabilities	(1,397)	(1,208)
Non-current liabilities	-	-
	(256)	(321)
(iii) Share of jointly controlled entity's revenue and profit:		
Revenue	1,564	1,195
Profit (Loss) before tax	64	(196)
Income tax	-	-
Profit (Loss) after income tax	64	(196)

MULTISTACK INTERNATIONAL LIMITED

NOTES - CONTINUED
31 DECEMBER 2007

10B. INTEREST IN SUBSIDIARIES (NON-CURRENT)

(a) Investment in controlled entities comprises:

	Incorporated in	Beneficial percentage held by Group			Investment	
		2007		**2006**	**2007 $'000**	**2006 $'000**
Multistack International Ltd.	Aust.					
DunnAir International Limited	Aust.	100%		100%	(b)	(b)
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%	(e)	100%	-	-
Controlled entity of Super Link Australia Ltd.						
Super Link Guangzhou Ltd.	BVI	100%	(e)	100%	-	-
Controlled entities of Super Link Guangzhou Ltd.						
Panyu Super Link Company Ltd.	PRC	85%	(e)(f)	85%	-	-
Panyu Jiefeng Air Conditioning Co. Ltd.	PRC	100%	(e)	100%	-	-
Super Link Air Conditioning Installing Engineering Ltd.	PRC	100%		100%	-	-
Super Link Panyu Ltd.	BVI	100%	(e)	100%	-	-
Controlled entity of Super Link Panyu Ltd.						
Panyu Precision Jieneng Air-conditioning Equipment Company Ltd.	PRC	100%	(e)	100%	-	-
Super Link Yuyao Ltd.	BVI	-	(e)	-	-	-
Controlled entity of Super Link Yuyao Ltd.						
ACR Equipment (HK) Ltd.	HK	100%	(e)	100%	-	-
Super Link North America Ltd.	BVI	100%	(e)	100%	-	-
Penthill Ltd.	HK	100%	(d)	100%	(c)	(c)

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) $191

(d) Audited by Ko & Ng Certified Public Accountants.

(e) Controlled entities, which are audited by other affiliated firms of Pitcher Partners.

(f) 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.

	Notes	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT 2007 $'000	PARENT 2006 $'000
11. AVAILABLE – FOR – SALE FINANCIAL ASSETS					
Investments - unlisted shares					
At cost		-	-	3,224	3,224
Accumulated impairment losses		-	-	(3,224)	(3,224)
		-	-	-	-

	Notes	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT 2007 $'000	PARENT 2006 $'000
12. PROPERTY, PLANT & EQUIPMENT					
Leasehold land and buildings					
At fair value	12 (a)	2,170	2,350	-	-
Accumulated depreciation		(888)	(1,052)	-	-
		1,282	1,298	-	-
Plant and equipment					
At cost		2,846	3,369	-	-
Accumulated depreciation		(2,246)	(2,069)	-	-
Impairment losses		(512)	(1,145)		
		88	155	-	-
Incomplete capital projects					
At cost		84	69	-	-
Impairment provision		(57)	(59)	-	-
		27	10	-	-
Total property, plant and equipment					
Cost or fair value		5,100	5,788	-	-
Accumulated depreciation and impairment		(3,703)	(4,325)	-	-
Net carrying amount		1,397	1,463	-	-

(a) 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.

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT 2007 $'000	PARENT 2006 $'000
12. PROPERTY, PLANT & EQUIPMENT - cont'd				
(b) Reconciliation				
Leasehold land and buildings				
Carrying amount at beginning	1,298	3,561	-	-
Additions	-	-	-	-
Disposals	(22)	(1,828)	-	-
Depreciation expense	(106)	(252)	-	-
Net foreign currency movements	112	(183)	-	-
	1,282	1,298	-	-
Plant and equipment				
Carrying amount at beginning	155	-	-	-
Additions and transfers	8	336	-	-
Disposals	-	(104)	-	-
Depreciation expense	(27)	(39)	-	-
Impairment expense	(29)	-		
Net foreign currency movements	(19)	(38)	-	-
	88	155	-	-
Incomplete capital projects				
Carrying amount at beginning	10	318	-	-
Additional expenditure	15	19	-	-
Impairment	-	-	-	-
Disposal and transfers	-	(311)	-	-
Net foreign currency movement	2	(16)	-	-
	27	10	-	-

The group's fixed assets with a net book value of $483,310 (2006: $425,272) were pledged to secure a bank loan granted to the controlled entities, Panyu Super Link Co Ltd and Panyu Jiefeng Air Conditioning Co Ltd.

13. INVESTMENT PROPERTY

		CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT 2007 $'000	PARENT 2006 $'000
Total investment property					
At fair value		2,043	2,119	-	-
Accumulated depreciation		(680)	(541)	-	-
	13(a)	1,363	1,578	-	-

(a) At 31 December 2006 the directors determined that the fair value of investment property was $1,580,000. The investment property is depreciated using a straight line basis over 40 years. Rental income recognised in profit and loss for the year ended 31 December 2007 was $76,885.

(b) Reconciliation

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT 2007 $'000	PARENT 2006 $'000
Carrying amount at beginning	1,578	1,615	-	-
Depreciation expense	(157)	(37)	-	-
Net foreign currency movements	(58)	-	-	-
	1,363	1,578	-	-

NOTES - CONTINUED
31 DECEMBER 2007

	Notes	CONSOLIDATED 2007 $`000	CONSOLIDATED 2006 $`000	PARENT 2007 $`000	PARENT 2006 $`000
14. TRADE AND OTHER PAYABLES (CURRENT)					
Trade payables		884	1,332	-	-
Customer advances		608	763	-	-
Sundry creditors		1,272	1,584	38	40
Aggregate amounts payable to related parties					
- Controlled entities - wholly owned (trade)		-	-	723	723
- Associate (trade)	26	4,995	4,276	-	-
- Director related parties (trade)	26	2,013	2,668	-	-
		9,772	10,623	761	763

Financing Facilities

The controlled entities have multi option facilities of $5,719,000 (2006: $5,964,000). Unused facilities are disclosed in Note 24.

	CONSOLIDATED 2007 $`000	CONSOLIDATED 2006 $`000	PARENT 2007 $`000	PARENT 2006 $`000
15. BORROWINGS (CURRENT)				
Interest Bearing				
Bank loans (secured)	5,719	5,964	-	-
Commercial bills and promissory notes (secured)	79	129	-	-
	5,798	6,093	-	-

Bank overdrafts

The Australian based entities have fully repaid the bank overdraft and have cancelled the overdraft and bill facility with HSBC. 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.

	Notes	CONSOLIDATED 2007 $`000	CONSOLIDATED 2006 $`000	PARENT 2007 $`000	PARENT 2006 $`000
16. PROVISIONS (CURRENT)					
Employee entitlements		107	117	-	-
Warranty claims	16 (a)	72	72	-	-
Other provision		-	-	-	-
		179	189	-	-

(a) Provision for Warranty

All entities in the wholesale and retail operations provide for warranties under which faulty products are repaired or replaced.

	CONSOLIDATED 2007	CONSOLIDATED 2006	PARENT 2007	PARENT 2006
17. PROVISIONS (NON-CURRENT)				
Employee entitlements	85	89	-	-
Warranty claims	250	250	-	-
	335	339	-	-
(b) Movements in provisions				
(i) Warranty Claims				
Carrying amount at the beginning of the financial year	322	382	-	-
Reversal of unused provision	-	(60)	-	-
Carrying amount at the end of the financial year	322	322	-	-

18. CONTRIBUTED EQUITY

a) Issued paid up capital

	CONSOLIDATED 2007	CONSOLIDATED 2006	PARENT 2007	PARENT 2006
112,303,924 ordinary shares fully paid	155,639	155,639	155,639	155,639

b) Movements in shares on issue during the year

No shares were issued during the year.

c) Terms and Conditions of contributed equity

Ordinary Shares

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 assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

	Notes	CONSOLIDATED		PARENT	
		2007 $'000	2006 $'000	2007 $'000	2006 $'000
19. RESERVES AND ACCUMULATED LOSSES					
Asset revaluation reserve	19(a)	3,551	3,551	3,165	3,165
General reserve	19(b)	2,354	2,342	-	-
Foreign currency translation reserve	19(c)	(128)	481	-	-
		5,777	6,374	3,165	3,165
Accumulated losses	19(d)	(154,455)	(155,136)	(151,284)	(151,237)

(a) Asset revaluation

(i) Nature and purpose of reserve

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.

(ii) Movements in reserve

	2007	2006	2007	2006
Balance at beginning	3,551	3,551	3,165	3,165
Balance at end of year	3,551	3,551	3,165	3,165

(b) General reserve

The general reserve contains amounts of retained profits that have been set aside by directors for the purpose of funding specific projects.

(ii) Movements in reserve

	2007	2006	2007	2006
Balance at beginning	2,342	2,342	-	-
Transfer to/from retained losses	12	-	-	-
Balance at end of year	2,354	2,342	-	-

	CONSOLIDATED		COMPANY	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
19. RESERVES AND RETAINED (LOSSES) CONT'D				
(**c) Foreign currency translation**				
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations				
Movements in reserve				
- balance at beginning	481	588	-	-
- Gain (loss) on translation of overseas controlled entities	(609)	(107)	-	-
- balance at end of year	(128)	481	-	-
(d) Accumulated losses				
Balance at beginning of year	(155,136)	(155,572)	(151,237)	(151,183)
Net loss for the year attributable to members of Multistack International Ltd	360	436	(47)	(54)
Total available for appropriation	(154,776)	(155,136)	(151,284)	(151,237)
Amount transferred (to)/from retained earnings	333	-	-	-
Aggregate amount transferred (to)/from the general reserve	(12)	-	-	-
Balance at end of year	(154,455)	(155,136)	(151,284)	(151,237)

	CONSOLIDATED		COMPANY	
	2007	2006	2007	2006
20. MINORITY INTEREST				
Reconciliation of minority interest in controlled entity:				
- Opening balance	1,026	1,071	-	-
- Foreign currency fluctuation	(37)	(45)	-	-
	989	1,026	-	-

	Notes	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT 2007 $'000	PARENT 2006 $'000
21. CASH AND CASH EQUIVALENTS					
Cash at bank and in hand		1,231	1,440	5	6

Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

The fair value of cash and cash equivalents is $1,231,000 (2006: $1,440,000)

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

	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT 2007 $'000	PARENT 2006 $'000
Operating profit/(loss) after tax	360	436	(47)	(54)
Debt forgiven	(195)	140	-	(300)
Depreciation of property, plant and equipment	133	291	-	-
Loss (Gain) on sale of non current assets	(402)	(683)	-	-
Provision for employee entitlements	(21)	6	-	-
Foreign exchange losses	(304)	160	-	340
Share of associates profit	-	(180)	-	-
Provision for inventory obsolescence	-	202	-	-
Changes in assets and liabilities				
Trade and other receivables	1,677	(246)	-	(76)
Inventory	(384)	1,105	-	-
Tax provision	(13)	(98)	-	-
Trade and other creditors	(888)	(3,187)	(2)	(7)
Effects of exchange rate changes on opening cash	-	158	-	-
Net cash used in operating activities	(37)	(1,896)	(49)	(97)

(b) Bank Facility
The controlled entities have multi option facilities of $5,719,000 (2006: $5,964,000).
Unused facilities are disclosed in Note 24.

	Notes	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT 2007 $'000	PARENT 2006 $'000
22. EXPENDITURE COMMITMENTS					
(i) Operating leases (non-cancellable)					
Minimum payments due for buildings leased.					
- not later than one year		114	144	-	-
- later than one but not later than five years		-	-	-	-
Aggregate lease expenditure contracted for at reporting date		114	144	-	-

23. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

	Notes	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT 2007 $'000	PARENT 2006 $'000
Employee entitlements:					
The aggregate employee entitlements liability is comprised of:					
- Provisions – current	16	107	117	-	-
- Provisions – non current	17	85	89	-	-
		192	206	-	-

Superannuation commitments

The superannuation plans provide benefits based on accumulated contributions. Australian employees contribute to the plans at various percentages of their wages and salaries. The Group 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.

24. FINANCING ARRANGEMENTS

	Notes	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	PARENT 2007 $'000	PARENT 2006 $'000
At reporting date, the following financing facilities had been negotiated and were available:					
Total facilities:					
- bank loan – short term		5,719	5,964	-	-
Facilities used at reporting date:					
- bank loan – short term		5,719	5,964	-	-
Facilities unused at reporting date:					
- bank loan – short term		-	-	-	-

25. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary shareholders (after deducting interest on the convertible redeemable preference shares) by the weighted average number of ordinary shares outstanding during the year adjusted for the effects of dilutive options and dilutive convertible non-cumulative redeemable preference shares. There were no such adjustments required in the year ended 31 December 2006 or 31 December 2007.

The following reflects the income and share data used in the total operations basic and diluted earnings per share computations:

	CONSOLIDATED	
	2007	**2006**
	$'000	**$'000**
(a) Basic and diluted earnings per share	$0.0032	$0.0039
(b) Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share:	112,303,924	112,303,924
The following reflects the income and share data used in the calculations of basic and diluted earnings per shares:		
Net profit attributable to equity holders	360	436
Adjustments:		
Net profit attributable to outside equity interest	-	-
Earnings used in calculating the basic and diluted earnings per share	360	436

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

26. KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Details of Key Management Personnel

(i) Directors

Mr. T. Chu	Chairman and Non-executive Director
Mr. S. Leung	Chief Executive Officer
Mr. S. Yan	Executive Director
Ms. Y.N. Chan	Executive Director
Mr. A.H.W Yu	Non-executive Director

(ii) Executives

Ms. B J Tan	General Manager (China)
Mr C L Fan	General Manager (Sales) and Chief Engineer (China)
Mr H Jie	General Manager (Administration) (China)

26. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

(b) Compensation of Key Management Personnel

(i) Compensation Policy

The Remuneration Committee is responsible for determining and reviewing compensation arrangements for directors, the chief executive officer and all other key management personnel. The Board determines and reviews compensation of the executive team by assessing the appropriateness of the nature and amount of compensation of key management personnel by reference to relevant employment and market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

(ii) Compensation of Key Management Personnel

		Short Term			Post Employment		Total
		Salary & fees	Cash Bonus	Non-Monetary benefits	Superan-nuation	Retirement benefits	
Directors							
S. Leung							
	2007	**135,807**	**-**	**-**	**-**	**-**	**135,807**
	2006	147,494	-	-	-	-	147,494
S. Yan							
	2007	**135,807**	**-**	**-**	**-**	**-**	**135,807**
	2006	147,494	-	-	-	-	147,494
T. Chu							
	2007	**-**	**-**	**-**	**-**	**-**	**-**
	2006	-	-	-	-	-	-
Y N Chan							
	2007	**52,500**	**-**	**15,600**	**-**	**-**	**68,100**
	2006	46,736	-	18,876	-	-	65,612
A H Yu							
	2007	**-**	**-**	**-**	**-**	**-**	**-**
	2006	-	-	-	-	-	-
Total compensation: Directors							
	2007	**324,114**	**-**	**15,600**	**-**	**-**	**339,714**
	2006	341,724	-	18,876	-	-	360,600

		Short Term			Post Employment		Total
		Salary & fees	Cash Bonus	Non-Monetary benefits	Superan-nuation	Retirement benefits	
Executives							
B J Tan							
	2007	**-**	**-**	**-**	**-**	**-**	**-**
	2006	15,134	-	-	-	-	15,134
C L Fan							
	2007	**37,479**	**-**	**-**	**-**	**-**	**37,479**
	2006	-	-	-	-	-	-
H Jie							
	2007	**20,129**	**-**	**-**	**-**	**-**	**20,129**
	2006	-	-	-	-	-	-
Total compensation: Executives							
	2007	**57,605**	**-**	**-**	**-**	**-**	**57,605**
	2006	15,134	-	-	-	-	15,134

26. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

(c) Shareholdings of Key Management Personnel

Ordinary shares	Balance 1 January 2007	Acquired	Sold	Balance 31 December 2007
Directors				
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	-	-	-	-
Executives				
B J Tan	515,000	-	-	515,000

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. There was no movement in share or share options between entities in the reporting entity and directors of the reporting entity or their director-related entities during the year ended 31 December 2007.

26. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

(d) Loans to directors

(i) Interest free advance receivable from a director of Multistack International Ltd,
Mr. S Leung $18,102 (2006 $15,523)
Mr S W Yan $15,517 (2006 $15,963)

(e) Other transactions and balances with key management personnel

Transactions with director related entities:

(i) Services

Management services provided by Welletin Investment Ltd. (a related party of S. Yan and S. Leung) to Multistack International Limited and its controlled entities were on normal commercial terms and conditions.
The aggregate service fees for the year were $271,615 (2006 $294,988).

(ii) Loans to director related party

Multistack International Limited and ARCHK provided an interest free loan to Bright Technology Ltd (a related party of S. Yan and S. Leung) totalling $977,609 (2006: $977,609) 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 from director related entities

The following loans are unsecured, non-interest bearing and have no set repayment terms.

Shenyang Jie Feng (a related party of S. Yan and S Leung) $13,195 (2006 $13,687)
Jie Feng (Blower) (a related party of S. Yan and S Leung) Nil (2006 $20,995)
Bright Technology Ltd. (a related party of S. Yan and S Leung) $304,054 (2006 $332,610)
SLYY (a related party of S. Yan and S Leung) $579,387 (2006 $598,593)
Goodpoint Investments Ltd (a related party of S Yan and S Leung) $229,572 (2006 Nil)
Goodpoint (a related party of S Yan and S Leung) $50,904 (2006 Nil)
ACR (O) (a related party of S Yan and S Leung) $319,928 (2006 Nil)

(iv) Advances payable at balance date from director related companies

The following loans are unsecured, non-interest bearing and have no set repayment terms.

ACR Equipment Supplies Ltd (a related party of S. Yan and S Leung) Nil (2006 $335,623)
Better Asia Group Ltd. (a related party of S. Yan and S. Leung) Nil (2006 $370,062)
Asia Capital Resources (L) Ltd. (a related party of S. Yan and S. Leung) $73,833 (2006 $76,583)
ACR (O) (a related party of S Yan and S Leung) $50,820 (2006 Nil)
JF (L) Ltd. (a related party of S. Leung) $99,144 (2006 $102,837)
Jie Feng (Ningbo) (a related party of S. Yan and S Leung) $129,615 (2006 $134,443)
Ningbo (Meiyi) (a related party of S Yan and S Leung) Nil (2006 $28,290)
Goodpoint Investments Ltd (a related party of S Yan and S Leung) Nil (2006 $78,238)
Yuyao Jiefeng Air-conditioning Equipment Company (a related party of S Yan and S Leung) Ltd $1,650,513 (2006 $1,541,000)
Jie Feng (Blower) (a related party of S. Yan and S Leung) $10,309 (2006 Nil)
Multistack Thermal Limited (a related party of S Yan and S Leung) $4,994,614 (2006 $4,275,857)

27. RELATED PARTY DISCLOSURES

Ultimate parent

Multistack International Limited is the ultimate Australian holding company.

Other related party transactions:

Purchases

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 $1,050,282 (2006 $1,050,282) (Bright Technology Ltd is a director related party of Mr Yan and Mr Leung).

	CONSOLIDATED		PARENT	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
28. AUDITORS' REMUNERATION				
Amounts received or due and receivable by the auditor of Multistack International Limited for:				
Audit of financial reports	148	134	59	46
Other services				
- tax compliance	8	-	5	-
	156	134	64	46

Not rounded –
Consolidated: $156,171 (2006: $134,407)
Company: $64,100 (2006: $46,000)

	CONSOLIDATED		PARENT	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Amounts received or due and receivable by auditors other than the auditor of Multistack International Limited.				
Auditing financial reports of certain controlled entities	18	20	-	-
Other services	-	-	-	5
	18	20	-	5

Not rounded –
Consolidated $17,653 (2006: $19,792)
Company Nil (2006: $5,000)

29. CONTINGENT LIABILITIES

There were no material contingent liabilities or assets at balance date.

30. SUBSEQUENT EVENTS

There has been no significant item or event occurred since the end of the financial year.

31. SEGMENT INFORMATION

Industry Segments

The Group 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.

31. SEGMENT INFORMATION – CONT'D

Geographical segments

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 have a material effect on the segment information.

	China		Australia		Unallocated		Consolidation	
	2007	2006	2007	2006	2007	2006	2007	2006
	$'000	$'000	$'000	$'000			$'000	$'000
Operating Revenue:								
External sales ~	10,558	9,910	2,761	3,793	-	-	13,319	13,703
Other revenue ~	533	942	91	110	-	-	624	1,052
Intersegment sales	393	1,301	69	92	-	-	462	1,393
Total segment revenue	11,484	12,153	2,921	3,995	-	-	14,405	16,148
Inter-segment elimination	-	-	-	-	-	-	(462)	(1,393)
Interest	6	6	10	13	-	-	16	19
Total Operating Revenue	11,490	12,159	2,931	4,008	-	-	13,959	14,774
Segment results								
Operating profit before tax and finance costs	219	347	(47)	365	-	-	172	712
Finance costs	(439)	(426)	(5)	(5)			(444)	(431)
Share of net profit/(loss) of equity accounted investment	452	376	64	(196)	-	-	516	180
Net profit/(loss) before income tax and minority interest	232	297	12	164			244	461
Income tax expense	116	(25)	-	-	-	-	116	(25)
Net profit/(loss)	348	272	12	164	-	-	360	436
Segment assets	32,098	33,310	9,686	10,270	2,279	2,528	44,063	46,108
Inter-segment assets							(19,973)	(20,924)
Total assets							24,090	25,184
Segment liabilities	20,805	22,514	8,914	8,952	2,279	2,528	31,998	33,994
Inter-segment liabilities							(15,858)	(16,713)
Total liabilities							16,140	17,281
Other segment information:								
Equity accounted investments included in segment assets	5,751	5,882	-	-	-	-	5,751	5,882
Acquisition of property, plant and equipment, intangible assets and other non current assets	22	354	3	1	-	-	25	355
Depreciation	122	269	11	22	-	-	133	291
Non cash expenses other than depreciation	(569)	142	50	197	-	-	(519)	339

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise bank loans, convertible notes, commercial bills finance leases and cash.

The main purpose of these financial instruments is to provide working capital for the Group's operations.

The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations.

Foreign currency risk

As a result of significant investment operations in China, the Group's balance sheet can be affected significantly by movements in the RMB/US$/A$ exchange rates.

The Group does not seek to hedge this exposure.

Approximately 23% of the Group's sales are denominated in currencies other than the functional currency of the operating unit making the sale, whilst almost 95% of costs are denominated in the unit's functional currency.

Credit risk

The Group'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.

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:

	Consolidated	
	2007	**2006**
Australia	10 %	12 %
China	90 %	88 %

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, related party loans and advances, commercial bills, convertible notes, and finance leases.

33. FINANCIAL INSTRUMENTS

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all the Group's financial instruments recognised in the financial statements.

The fair values of borrowings have been calculated by discounting the expected future cash flows at prevailing interest rates.

NOTES - CONTINUED
31 DECEMBER 2007

33. FINANCIAL INSTRUMENTS – Cont'd

(a) Interest Rate Exposure

The Group's exposure to interest rate risk and the effective interest rates of financial assets and liabilities at 31 December 2007, are as follows:

Financial instruments	Floating interest rate		Fixed Interest Rate maturing in: 1 year or less		Over 1 to 5 years		More than 5 years		Non-Interest Bearing		Total carrying amount as per the balance sheet		Weighted average effective interest rate	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
(i) Financial assets														
Cash	-	-	-	-	-	-	-	-	1,231	1,440	1,231	1,440	1.50%	1.34%
Receivables - trade	-	-	-	-	-	-	-	-	5,052	5,287	5,052	5,287	N/A	N/A
Receivables - related parties	-	-	-	-	-	-	-	-	1,531	997	1,531	997	N/A	N/A
Receivable – other	-	-	-	-	-	-	-	-	2,532	3,524	2,532	3,524	N/A	N/A
Investment (associate)	-	-	-	-	-	-	-	-	5,751	5,882	5,751	5,882	N/A	N/A
Total financial assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16,097**	**17,130**	**16,097**	**17,130**		
(ii) Financial liabilities														
Bank loans	5,719	5,964	-	-	-	-	-	-	-	-	5,719	5,964	7.44%	6.39%
Bills and promissory notes	-	-	79	129	-	-	-	-	-	-	79	129	7.44%	6.39%
Trade payables	-	-	-	-	-	-	-	-	884	1,332	884	1,332	N/A	N/A
Sundry creditors	-	-	-	-	-	-	-	-	1,272	1,584	1,272	1,584	N/A	N/A
Customer advances	-	-	-	-	-	-	-	-	608	763	608	763	N/A	N/A
Payables –related parties	-	-	-	-	-	-	-	-	7,008	6,944	7,008	6,944	N/A	N/A
Total financial liabilities	**5,719**	**5,964**	**79**	**129**	**-**	**-**	**-**	**-**	**9,772**	**10,623**	**15,570**	**16,716**		

The fair vales of the financial instruments are as above unless otherwise stated

34. FINANCIAL RISK MANAGEMENT

(i) Fair value interest rate risk
As the group has no significant interest-bearing assets, the Group's income and operating cash flows are not materially exposed to the changes in market interest rates.

The group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The group does not actively mitigate these risks nor does it have a strategy in place for the future to do so. During 2007 and 2006, the Group's borrowings at variable rate were denominated in Australian dollar and Chinese Renminbi.

At 31 December 2007, if interest rates had changed by -/+ 1% from the year-end rates of 7.4% with all other variables held constant, there would be no material impact on post-tax profit for the year or total equity at year end.

(ii) Foreign currency exchange risk
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Chinese Renminbi.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. The group does not actively mitigate these risks nor does it have a strategy in place for the future to do so. The risk is measured using sensitivity analysis.

As at 31 December 2007, had the Australian dollar weakened/strengthened by 10% against the Chinese Renminbi with all other variables held constant, post-tax profit for the year would have been $703,000 higher/lower, mainly as a result of foreign exchange gains/losses on translation of Chinese Renminbi denominated cash, bank loans and commercial bills. Equity would have been $703,000 higher/lower had the Australian dollar weakened/strengthened by 10% against the Chinese Renminbi.

		- 1%		**+ 1%**		**- 10%**		**- 10%**	
	Carrying Amount $'000	**Net Profit $'000**	**Equity $'000**	**Net Profit $'000**	**Equity $'000**	**Net Profit $'000**	**Equity $'000**	**Net Profit $'000**	**Equity $'000**
Financial Assets									
Cash	1,231	(12)	(12)	12	12	(123)	(123)	123	123
Receivables - trade	5,052								
Receivables - related parties	1,531								
Receivable - other	2,532								
Investment (associate)	5,751								
Total Financial Assets	**16,097**								
Financial Liabilties									
Bank Loans	5,719	(57)	(57)	57	57	(572)	(572)	572	572
Bills and promissory notes	79	(1)	(1)	1	1	(8)	(8)	8	8
Trade payables	884								
Sundry creditors	1,272								
Customer advances	608								
Payables - Related Parties	7,008								
Total Financial Liabilties	**15,570**					(703)	(703)	703	703
Total Increase/(decrease)		(70)	(70)	70	70	(1,406)	(1,406)	1,406	1,406

DIRECTORS' DECLARATION
31 DECEMBER 2007

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 2007 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.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with sections 295A of the Corporations Act 2001 for the financial period ending 31 December 2007.

On behalf of the Board

T. Chu
Chairman

S. Leung
Director, CEO

Melbourne, 31 March 2008

MULTISTACK INTERNATIONAL PTY LTD
ABN 54 007 254 346
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MULTISTACK INTERNATIONAL PTY LTD

We have audited the accompanying financial report of Multistack International Pty Ltd and controlled entities. The financial report comprises the Balance Sheet as at 31 December 2007, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors' of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion,

(a) the financial report of Multistack International Pty Ltd is 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 2007 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the statement expressed above, attention is drawn to the following matter:
As described in Note 1 under the heading ‘Basis of Accounting’ the Group’s ability to continue as a going concern will be dependent upon its ability to trade profitably in the 2008 financial year as well as the ongoing support of financiers. The financial statements do not 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 business not trade profitably or the support of significant financiers or suppliers be withdrawn such that either the company or the Group is unable to continue as a going concern. The ability of the company to secure further financing, if existing facilities were to cease or circumstances were such that additional facilities were required, cannot be assessed with any degree of certainty. If the going concern basis is found to no longer be appropriate the recoverable amounts of the assets shown in the Balance Sheet are likely to be significantly less than the amounts disclosed.

K L BYRNE

Partner

31 March 2008

PITCHER PARTNERS

Melbourne

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows. The information is current at 31 January 2008.

CLASS OF SHARES AND VOTING RIGHTS.

There are 530 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
China Agents Ltd.	7,678,390	6.8	
HSBC Custody Nominees (Australia) Ltd.	5,747,065	5.1	
Mr. S. Leung	4,750,000	4.2	64,895,799
National Nominees Ltd.	4,393,226	3.9	
Mr Graham G Coningsby	3,986,831	3.6	
Weyman Investment Ltd.	3,428,000	3.1	
ANZ Nominees Ltd	2,996,382	2.7	
Opal Mine Enterprises Ltd.	2,500,000	2.2	64,895,799
PRC Ltd.	2,500,000	2.2	64,895,799
Mr Trevor Neil Hay	2,218,008	2.0	
Welletin Investment Ltd.	1,672,000	1.5	64,895,799
National Australia Trustees Ltd.	1,218,376	1.1	
Galufo Pty. Ltd.	1,099,000	1.0	
Mr William Oldjohn	938,126	0.8	
Mr Antonius Clemens	814,787	0.7	
Aboud Investment Pty Ltd	527,044	0.5	
Miss B J Tan	515,000	0.5	
Hua Wai Enterprise Co.	494,140	0.4	
Total	100,205,187	89.3	

The twenty largest shareholders hold 89.3% 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	64	39,205
1,001 - 5,000	195	557,279
5,001 - 10,000	80	681,308
10,001 - 100,000	149	5,487,459
100,001+	42	105,538,673
TOTAL	**530**	**112,303,924**

DIVIDEND REINVESTMENT PLAN

This plan is currently suspended.

CORPORATE GOVENANCE STATEMENT

The Board of Directors of Multistack International Ltd has the responsibility for the corporate governance of the Group. The Board guides and monitors the business and the affairs of the Group on behalf of the shareholders

The Corporate Governance Statement of Multistack International Ltd is structured with reference to the Australian Stock Exchange Corporate Governance Council's principles and recommendations. Directors and management of Multistack International Limited are committed to high standards of corporate governance. The Board of Directors oversee the consolidated entity and performs its functions on behalf of shareholders. The goals of good corporate governance adopted by the Directors and Management of Multistack International Limited are to ensure alignment of Directors and shareholders interests. The following principles are adopted.

Principle 1. Lay foundations for management and oversight
Principle 2. Structure the board to add value
Principle 3. Respect the rights of shareholders
Principle 4. Encourage enhanced performance
Principle 5. Recognize legitimate interests of all stakeholders
Principle 6. Promote ethical and responsible decision making
Principle 7. Safeguard integrity in financial reporting
Principle 8. Make timely and balanced disclosure
Principle 9. Recognize and manage risks
Principle 10. Remunerate fairly and responsibly

The above principles were in place throughout the financial year ending 31 December 2007. With the exception of the departures from the Corporate Governance Council recommendations in relation to the independence of the board as detailed below, the corporate governance practices of Multistack International Limited were compliant with the Council's best practice recommendations.

Board composition:
The Board, currently chaired by a non-executive director since May 2004, ordinarily comprises directors with an appropriate range of qualifications and experience spanning China, South East Asia and Australia. It meets at least half yearly in either Hong Kong or Melbourne with other teleconferences convened as required.

The directors in office at the date of this statement are:
Terence Chu, Chairman & Independent Non-executive Director
Yan Siu Wai, Executive Director
Stephen Leung Kwok-Yin, Managing Director, CEO
Yim Ni Chan, Executive Director
Allan Yu, Independent Non-executive Director

Independence
Corporate Governance Council Recommendation 2.1 requires a majority of the Board to be independent directors. The Corporate Governance Council defines independence as being free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of unfettered and independent judgement. In accordance with this definition, the following directors are not considered to be independent:

Mr S W Yan - Executive Director; Mr S Leung - Chief Executive Officer and Ms Y Chan – Executive Director

Of the five Board members, three directors listed above are not considered to be independent when applying the Council's definition of independence. Therefore the majority of the Board are not independent. With the consideration of the industry experience and the specific expertise of its Board members, also the existing size of operations, the Board has considered the current composition adequate and will consider appointment of more independent directors as the operations expand.

CORPORATE GOVENANCE STATEMENT (CONT'D)

Board responsibilities

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 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 half-yearly meeting, the Board reviews progress against the strategic plan.

The Board separately receives submissions from the management 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 management 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.

Audit Committee
Mr Allan Yu (Independent Non-executive director) chairs the Audit Committee. The members of the audit committee were: Mr A. H Yu and Mr T. Chu

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 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.

The Audit Committee met on 26 February 2008 and 23 August 2007 to discuss issues relating to the financial reporting for 31 December 2007 and the half-yearly review ending 30 June 2007 respectively.

Remuneration Committee
The members of the Remuneration committee are Mr T. Chu and Mr A. Yu. During the year ended 31 December 2007, the remuneration committee did not have a separate meeting during the year as no issue had arisen in the respective field during the relevant period.

Nomination Committee
The members of the Nomination Committee are Mr S W Yan and Mr S Leung. During the year ended 31 December 2007, the nomination committee did not have a separate meeting during the year as no issue had arisen in the respective field during the relevant period.