APPENDIX 4E

PRELIMINARY FINAL REPORT GIVEN TO THE ASX UNDER LISTING RULE 4.3A

ORIENTAL TECHNOLOGIES INVESTMENT LIMITED ABN 13 060 266 248

Reporting Period: Year ended 31 December 2007
Previous Reporting Period: Year ended 31 December 2006

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Key Information	Year ended 31 December		
	2007	2006	Movement
	$000	$000	
Revenue from ordinary activities	**68,279**	51,086	Up 33.7%
Profit from ordinary activities after income tax attributable to members	**352**	1,345	Down 73.8%
Net profit for the period attributable to members	**352**	1,345	Down 73.8%

Dividends	**Amount per security**	**Franked amount per security at 30%**	**Total**
	$	**$**	**$**
Final			
2007 final dividend	Nil	Nil	Nil
2006 final dividend	Nil	Nil	Nil
Interim			
2007 interim dividend	Nil	Nil	Nil
2006 interim dividend	Nil	Nil	Nil

It is not proposed to pay dividends and there is no record date for determining entitlements to dividends.

Explanation

Refer to the Review of Operations in Note 16 to these financial statements.

PRELIMINARY FINAL REPORT

ORIENTAL TECHNOLOGIES INVESTMENT LIMITED ABN 13 060 266 248

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ORIENTAL TECHNOLOGIES INVESTMENT LIMITED ABN 13 060 266 248

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 $'000	2006 $'000
Revenue	4	**67,964**	50,108
Other income	5	**315**	978
Changes in inventories of finished goods and work in progress		**5,152**	3,422
Raw materials and consumables used		**(65,286)**	(45,838)
Employee benefits expense		**(3,126)**	(2,432)
Depreciation expense	6	**(1,911)**	(2,127)
Finance costs	6	**(824)**	(681)
Other expenses	6	**(934)**	(1,271)
Profit before income tax		**1,350**	2,159
Income tax expense		**-**	(102)
Profit for the year		**1,350**	2,057
Profit attributable to minority equity interest		**(998)**	(712)
Profit attributable to members of the parent entity		**352**	1,345
		Cents	**Cents**
Basic Earnings per share			
Profit from continuing operations attributable to the ordinary equity holders of the Company		**0.3**	1.2
Profit from discontinued operations		**-**	-
Profit attributable to the ordinary equity holders of the Company		**0.3**	1.2
Diluted Earnings per share			
Profit from continuing operations attributable to the ordinary equity holders of the Company		**0.3**	1.2
Profit from discontinued operations		**-**	-
Profit attributable to the ordinary equity holders of the Company		**0.3**	1.2

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ORIENTAL TECHNOLOGIES INVESTMENT LIMITED ABN 13 060 266 248

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2007

	Note	2007 $'000	2006 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	7	**2,177**	4,101
Trade and other receivables		**11,092**	5,098
Inventories		**10,781**	5,629
Total current assets		**24,050**	14,828
Non-current assets			
Property, plant and equipment	9	**16,207**	16,830
Total non-current assets		**16,207**	16,830
Total assets		**40,257**	31,658
LIABILITIES			
Current liabilities			
Trade and other payables		**7,295**	4,176
Short-term borrowings		**14,347**	10,291
Short term provisions		**125**	15
Total current liabilities		**21,767**	14,482
Total liabilities		**21,767**	14,482
Net assets		**18,490**	17,176
EQUITY			
Issued capital	10	**27,892**	27,892
Reserves		**339**	(310)
Accumulated Losses		**(18,328)**	(18,014)
Parent entity interest		**9,903**	9,568
Minority equity interest		**8,587**	7,608
Total equity		**18,490**	17,176
Net tangible assets per share (cents)		**15.8**	14.7

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ORIENTAL TECHNOLOGIES INVESTMENT LIMITED ABN 13 060 266 248

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	**2007** **$'000**	2006 **$'000**
Cash flows from operating activities			
Cash receipts from customers		**60,943**	47,827
Cash paid to suppliers and employees		**(64,772)**	(48,710)
Interest received		**134**	32
Dividend received		**-**	-
Finance costs		**(824)**	(681)
Income taxes paid		**-**	(117)
Net cash (outflow)/inflow from operating activities		**(4,519)**	(1,649)
Cash flows from investing activities			
Purchase of property, plant and equipment		**(1,615)**	(4,963)
Proceeds from sale of property, plant and equipment		**137**	4,751
Net cash inflow/(outflow) from investing activities		**(1,478)**	(212)
Cash flows from financing activities			
Proceeds from issue of shares		**-**	5,233
Repayment of borrowings		**-**	(976)
Proceeds from borrowings		**4,444**	-
Dividend paid to minority interest		**(390)**	-
Net cash inflow/(outflow) from financing activities		**4,054**	4,257
Net (decrease)/increase in cash and cash equivalents		**(1,943)**	2,396
Net foreign exchange differences		**19**	(457)
Cash and cash equivalents at beginning of year		**4,101**	2,162
Cash at the end of the financial year	7	**2,177**	4,101

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ORIENTAL TECHNOLOGIES INVESTMENT LIMITED ABN 13 060 266 248

STATEMENT OF CONOLIDATED CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007

	Issued Capital	Accumulated Losses	Other Reserves	Total	Minority Interest	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000
CONSOLIDATED ENTITY						
At 1 January 2006	27,892	(19,382)	1,231	9,741	2,301	12,042
Profit for the year ended 31 December 2006	-	1,345	-	1,345	712	2,057
Foreign currency translation differences	-	-	218	218	(145)	73
Transfer to minority interest	-	23	-	23	(23)	-
Capital issue to minority shareholder	-	-	-	-	4,766	4,766
Transfer to gain on liquidation of foreign subsidiary	-	-	(1,762)	(1,762)	-	(1,762)
Other	-	-	3	3	(3)	-
Total income and expense for the year recognised directly in equity	-	23	(1,541)	(1,518)	4,595	3,077
At 31 December 2006	**27,892**	**(18,014)**	**(310)**	**9,568**	**7,608**	**17,176**
Profit for the year ended 31 December 2007	-	352	-	352	998	1,350
Foreign currency translation differences	-	-	(47)	(47)	(19)	(66)
Transfer between reserves	-	(276)	276	-	-	-
Share based payments	-	-	420	420	-	420
Dividend paid to minority shareholder	-	(390)	-	(390)	-	(390)
Total income and expense for the year recognised directly in equity	-	(666)	649	(17)	(19)	(36)
At 31 December 2007	**27,892**	**(18,328)**	**339**	**9,903**	**8,587**	**18,490**

ASX APPENDIX 4E

ORIENTAL TECHNOLOGIES INVESTMENT LIMITED ABN 13 060 266 248

NOTES TO ASX APPENDIX 4E

1 ACCOUNTING POLICIES, ESTIMATION METHODS AND MEASUREMENT BASES

Accounting policies, estimation methods and measurement bases used in this Appendix 4E are the same as those used in the last annual report and the last half-year report.

2 DETAILS OF CONTROLLED ENTITIES

There are no entities over which control has been gained or lost during the period.

3 JOINT VENTURES

There are no associates or joint venture entities

4 REVENUE

	Consolidated Entity	
	2007	2006
	$'000	$'000
Sale of goods	**67,899**	50,076
Interest	**65**	32
	67,964	50,108

5 OTHER INCOME

Foreign currency gain	**221**	13
Gain on liquidation of foreign subsidiary	**-**	845
Other	**94**	120
	315	978

6 EXPENSES

Profit before income tax includes the following specific expenses:

Depreciation expense		
Land use rights	**23**	24
Buildings	**225**	259
Plant and equipment	**1,663**	1,844
	1,911	2,127
Finance Costs		
Interest paid/payable	**824**	681
Defined contribution superannuation expense	**5**	6
Other Expenses:		
Technical and advisory fees	**107**	222
General & administrative costs	**808**	558
Bad and doubtful debts	**-**	12
Bank Charges	**12**	41
Loss on sale of fixed assets	**-**	31
Foreign currency loss	**-**	398
Other expenses	**7**	9
	934	1,271

7 CASH AND CASH EQUIVALENTS

	Consolidated Entity	
	2007	2006
	$'000	$'000
Cash at bank and in hand	**2,177**	4,101
	Per annum	Per annum
	%	%
Interest rates on cash at bank and in hand	**2.1**	1.0

8 SEGMENT REPORTING

Description of segments

The Group's primary reporting format is geographical segments. Secondary reporting by business segment is not necessary, due to the nature of this operation.

Although managed globally, the Group operates in three principal geographical areas – China, Australia and Europe. The composition of each geographical segment is as follows:

China - Oriental Technologies Investment Limited operates a lead acid battery manufacturing plant in China and makes local sales.

Europe and Australia - Oriental Technologies Investment Limited exports a broad range of its products to Europe and Australia.

Primary reporting format - Geographical segments

2007

	Europe	**Australia**	**China**	**Other**	**Total continuing operations**	**Inter-segment elimination/ Unallocated**	**Consolidated**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue							
Sales to external customers	38,223	16,393	7,164	6,119	67,899	-	67,899
Total sales revenue	38,223	16,393	7,164	6,119	67,899	-	67,899
Other revenue/income	-	-	-	-	-	353	353
Total segment revenue/income	38,223	16,393	7,164	6,119	67,899	353	68,252
Result							
Segment result	4,371	1,875	819	699	7,764	(6,414)	1,350
Profit before income tax							1,350
Income tax expense							-
Net profit for the year							1,350

8 SEGMENT REPORTING (continued)

2006

	Europe	**Australia**	**China**	**Other**	**Total continuing operations**	**Inter-segment elimination/ Unallocated**	**Consolidated**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue							
Sales to external customers	32,201	11,845	1,981	4,049	50,076	-	50,076
Total sales revenue	32,201	11,845	1,981	4,049	50,076	-	50,076
Other revenue/income	-	-	-	-	-	1,010	1,010
Total segment revenue/income	32,201	11,845	1,981	4,049	50,076	1,010	51,086
Result							
Segment result	4,975	1,863	188	634	7,660	(5,501)	2,159
Profit before income tax							2,159
Income tax expense							(102)
Net profit for the year							2,057

The costs of the holding company, which are included above as unallocated, are in respect of the business in China and costs incurred in respect of that business.

Oriental Technologies Investment Limited only manufactures lead acid batteries in China, so:

i) A split between segmental depreciation, assets and liabilities is not deemed necessary as all the risks and returns arising from the carrying amounts of assets and liabilities only apply to this one geographic segment, China;

ii) Included within Note 9 to these financial statements is the following information relating to assets:

a) The acquisition of Property, Plant & Equipment and Intangibles that is expected to be used over more than one period; and

b) The depreciation expenses for the assets; and

iii) Secondary reporting by business segment is not necessary, due to the nature of this operation.

Other Disclosures

Segment accounting policies
Segment information is prepared in conformity with the accounting policies used as disclosed in Note 1 to these financial statements and accounting standard AASB 114 Segment Reporting.

Segment revenues and expenses are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis.

9 PROPERTY, PLANT AND EQUIPMENT

	Consolidated Entity	
	2007	2006
	$'000	$'000
Land usage rights		
At cost	**1,121**	1,121
Accumulated depreciation	**(112)**	(89)
	1,009	1,032
Buildings - Leasehold		
At cost	**5,530**	4,996
Accumulated depreciation	**(647)**	(422)
	4,883	4,574
Total land and buildings	**5,892**	5,606
Plant and equipment		
At cost	**12,902**	12,255
Accumulated depreciation & impairment	**(3,112)**	(1,396)
	9,790	10,859
Plant and equipment under construction	**525**	365
Total plant and equipment	**10,315**	11,224
Total non-current property, plant and equipment	**16,207**	16,830
Total land Usage Rights		
Carrying amount at beginning of financial year	**1,032**	1,108
Depreciation	**(23)**	(24)
Effect of movement in foreign exchange	**-**	(52)
Carrying amount at end of financial year	**1,009**	1,032
Total Buildings - Leasehold		
Carrying amount at beginning of financial year	**4,574**	5,493
Additions	**-**	405
Disposals	**-**	(1,317)
Depreciation	**(225)**	(259)
Impairment loss reversal	**-**	113
Effect of movement in foreign exchange	**-**	(241)
Reclassification from construction in progress	**534**	380
Carrying amount at end of financial year	**4,883**	4,574
Total Plant & Equipment		
Carrying amount at beginning of financial year	**10,859**	12,672
Additions	**749**	3,429
Disposals	**(136)**	(5,482)
Depreciation	**(1,663)**	(1,843)
(Impairment loss)/Impairment loss reversal	**(192)**	2,032
Effect of movement in foreign exchange	**-**	(585)
Reclassification from construction in progress	**173**	636
Carrying amount at end of financial year	**9,790**	10,859
Total Construction in Progress		
Carrying amount at beginning of financial year	**365**	266
Additions	**867**	1,129
Effect of movement in foreign exchange	**-**	(14)
Reclassification to buildings leasehold	**(534)**	(380)
Reclassification to plant & equipment	**(173)**	(636)
Carrying amount at end of financial year	**525**	365

10 ISSUED CAPITAL

	2007 Shares	**2007 $'000**	2006 Shares	2006 $'000
Share capital				
Ordinary shares - no par value				
Fully paid and authorised	**116,884,005**	**27,892**	116,884,005	27,892
	116,884,005	**27,892**	116,884,005	27,892

Movements in ordinary share capital

Date	Details	Number of shares	$'000
1-Jan-06	Opening balance	116,884,005	27,892
31-Dec-06	Closing balance	116,884,005	27,892
1-Jan-07	Opening balance	116,884,005	27,892
31-Dec-07	Closing balance	116,884,005	27,892

11 SHARE-BASED PAYMENTS

	Consolidated Entity 2007 $	Consolidated Entity 2006 $	Parent Entity 2007 $	Parent Entity 2006 $
Share-based payment expense recognised during the financial year				
Options issued	420,000	-	420,000	-
	420,000	-	420,000	-

Details of options outstanding during the financial year are as follows:

2007

Grant date	**Exercise date**	**Exercise price**	**Balance at beginning of year**	**Granted during the year**	**Forfeited during the year**	**Exercised during the year**	**Expired during the year**	**Balance at end of year**	**Exercisable at end of year**
Series 2 Options									
18-May-05	5 years ending 17 May 2010	9.9 cents per share	200,000	-	-	-	-	200,000	200,000
Series 3 Options									
16-November-07	5 years ending 15 November 2012	7.0 cents per share	-	10,500,000	-	-	-	10,500,000	10,500,000
Total			200,000	10,500,000	-	-	-	10,700,000	10,700,000
Weighted average exercise price			9.9 cents per share	7.0 cents per share				7.1 cents per share	7.1 cents per share

11 SHARE-BASED PAYMENTS (continued)

2006

Grant date	Exercise date	Exercise price	Balance at beginning of year	Granted during the year	Forfeited during the year	Exercised during the year	Expired during the year	Balance at end of year	Exercisable at end of year
Series 2 Options									
18-May-05	5 years ending 17 May 2010	9.9 cents per share	200,000	-	-	-		200,000	200,000
Total			200,000	-	-	-	-	200,000	200,000
Weighted average exercise price			9.9 cents per share					9.9 cents per share	9.9 cents per share

The weighted average share price at the date of exercise of the options was 7.1 cents for the year ended 31 December 2007 (2006: 9.9 cents).

The weighted average remaining contractual life of share options outstanding at 31 December 2007 was 4 years and 10 months (2006: 3 years 5 months).

Fair value of options granted

The fair value of options at grant date was determined using a Black-Scholes option pricing model that takes into account the share price at grant date, exercise price, expected volatility, option life, expected dividends, the risk free rate, vesting and performance criteria, the impact of dilution, the fact that the options are not tradeable. The inputs used for the Black-Scholes option pricing model for options granted during the years ended 31 December 2007 (2006 Nil) were as follows:

	Series 3 options
Weighted average fair value	4.00 cents
Grant date	16 November 2007
Share price at grant date	7.0 cents
Exercise price	7.0 cents
Expected volatility	60.0%
Expected dividend yield	Nil%
Risk free interest rate	6.27%

Series 3 options were granted for no consideration; have a 5 year life; and are exercisable commencing the grant date

Expected volatility was determined based on the historic volatility (based on the remaining life of the option), adjusted for any expected changes to future volatility based on publicly available information.

12 PROVISIONS

Debt Restructure Arrangement

Under an arrangement entered into with China Venturetechno International Co. Limited ("CVIC") and Red Lion Resources Limited ("RLRL") in accordance with shareholders approval on 26 July 2000, the total indebtedness of $20,834,841 by the Company and its controlled entities to CVIC/RLRL was extinguished in return for the payment by the Company out of and limited to the Company's net profit after tax ("NPAT") (if any) in each year, of a profit share payment ("PSP") equal to 20% of each NPAT. In the opinion of Directors, a PSP is payable only if a dividend is declared payable by the

12 PROVISIONS (continued)

Company. The PSP will cease once the cumulative implied payment amount ("CIPA") reaches \$20,834,841 or the expiration of 50 years, whichever is the sooner.

The CIPA shall be equal to the sum of the Implied Payment Amount ("IPA") in each year.

The IPA in each year shall be equal to the actual amount paid to Red Lion and CVIC / (1 + (discount) or (premium). The discount or premium is the discount or premium that the current year's NPAT represents relative to the pre-agreed breakeven NPAT of \$4.0 million.

De recognition of provision

The Company has de-recognised the previous provision in respect of its cash liability for the PSP.

If this provision had been included in the Company's results, net profit attributable to members of the parent company for the year ended 31 December 2007 would have decreased by \$86,000 to \$343,000 (2006: net profit decrease by \$269,000 to \$1,076,000); and the total provision at 31 December 2007 would be \$1,451,000 (31 December 2006 \$\$1,365,000).

In December 2005, the liquidators of China Venturetechno International Co Limited (CVIC, holder of the 20% profit share right) sold CVIC together with the profit share right to a company in Hong Kong.

It is the Board's opinion, based upon a legal opinion received, that this 20% profit share right is only payable out of any dividends declared by Oriental Technologies Investment Limited. As no dividend has been declared by the Company since the commencement of this debt restructure, no present obligation for payment exists and no provision for any profit share payment is required.

Extracts from this legal opinion dated 14 March 2007 are as follows:

'I have been asked to advise you, as the Company's Auditors, for the purpose of the Company's half-yearly review for the period ended 30 June, 2006 and for the full year audit for the period ended 31 December, 2006 as to whether the Company has an unconditional obligation, under the terms of the Notes, to pay the Beneficiaries of the Notes the amount of 20% of the Company's net profits after tax ("the PSP") for the year ended 31st December, 2006.

The Notes in question are:

1. A Note in favour of China Venturetechno International Co Limited in the amount of A\$10,957,614.00.

2. A Note in favour of Red Lion Resources Limited in the amount of A\$9,877,227.00.

It is my view that the terms of the Notes, in this respect, are necessarily referable to the terms of a Share Sale Agreement dated 25th October, 1999… The Agreement envisaged the creation of Redeemable Preference Shares by the Company in favour of the Beneficiaries. That proposal was rejected by the Australian Stock Exchange which, instead, subsequently agreed to the creation of the Notes. I believe that, for the reasons I set out below, there is no such unconditional obligation.

The provisions of Clause 7.4 of the Share Sale Agreement are relevant and, specifically, the definition of the term "*Distributable Profits*".

According to the well established legal rule of interpretation regarding contracts, the definition must be read <u>as a whole</u>.

12 PROVISIONS (continued)

I am of the opinion that the words *"… otherwise be available to Apollo for payment of a dividend….."* mean that the mere existence of net profit after tax would not, of itself, create a liability to pay the PSP. It is my view that it is for the Directors to decide whether, in the circumstances, it is appropriate for those profits to be available for payment of a dividend and that the PSP may only be paid by way of a dividend. In making that decision, the Directors may take into account all of the matters which Directors normally take into account in deciding to recommend to shareholders whether a dividend should be paid. Such matters would include the availability of cash at the time the decision is made and any contingent or other liabilities which may exist at the time.

Pursuant to the definition, the Company's Auditor will have a role to play where there is a dispute between the parties to the Share Sale Agreement as to the amount of Distributable Profits but that role, in my opinion, is limited to a determination of quantum. On a proper interpretation of the definition as a whole, and for that matter the Agreement as a whole, the Auditor would have no role in the Directors' decision as to whether to make a distribution.

I take comfort in the fact that my view, as expressed above, regarding the true interpretation of the documents in question, independently accords with the manner in which the Share Sale Agreement was subsequently re-negotiated to arrive at the present situation…'

Further details of these Floating Notes are included in Note 14 to these financial statements.

13 YANGZHOU APOLLO BATTERY CO LTD PAID-UP CAPITAL

On 20 January 2006, one of the shareholders of Yangzhou Apollo Battery Co Ltd ("YABC") injected capital of USD 4.0 million into YABC. Upon completion of this capital injection, the paid-up capital of YABC increased from USD 4.1 million to USD 8.1 million.

On 23 June 2006 and 20 September 2006, certain equity holders of YABC directly injected part of their share of distributions from fellow subsidiary Yangzhou Huayang Battery Co Ltd ("YHBC") totaling USD 5.0 million to YABC as their capital contribution. The distributions were determined in accordance with YHBC's statutory financial statements, which are prepared under the generally accepted accounting principles in the People's Republic of China ("PRC GAAP"). After re-stating YHBC's financial statements under International Financial Reporting Standards, the capital injection to YABC by means of re-investment of YHBC's distributions amounted to USD 3.9 million. Upon completion of the capital injections, the paid-up capital of YABC increased to USD 12.0 million.

According to YABC's statutory financial statements prepared under PRC GAAP, only USD 13.1 million registered capital has been paid. According to the relevant Company Laws and Regulations of the People's Republic of China, YABC's registered capital of USD 20.0 million must be fully paid up within three years from the date of issuance of the operating licence. Since the registered capital has not been paid up on time, the People's Republic of China local government authority has issued a warning notice to YABC to take remedial action, otherwise YABC's operating licence may be withdrawn.

On 20 October 2006, YABC's directors resolved to reduce the registered capital of YABC from USD 20.0 million to USD 13.1 million. Up to the date of this report, the reduction of registered capital has not been finally approved by the People's Republic of China local government authority, although a first approval has been received. Further details of the status of this approval are included in Note 16 to these financial statements.

14 SUBSEQUENT EVENTS

Floating Notes

On 31 January 2008, Oriental Technologies Investment Limited, CVIC and RLRL each entered into a Share Subscription Agreement.

The terms of this Share Subscription Agreement include that, conditional upon Oriental Technologies Investment Limited issuing and allotting a total of 9,477,082 ordinary fully paid shares to CVIC and RLRL or their nominees:

i). CVI and RLR each agreed that the Floating Notes be extinguished and are no longer capable of exercise; and
ii). CVI and RLRL each acknowledged the full and final settlement of the Floating Notes and interest and costs and all other claims in relation to the circumstances in which OTI issued the Floating Notes to CVI and RLRL.

On 1 February 2008, Oriental Technologies Investment Limited issued and allotted a total of 9,477,082 ordinary fully paid shares to CVIC and RLRL in accordance with the Share Subscription Agreement.

Further details of the terms of these Floating Notes are included in Note 12 to these financial statements.

Yangzhou Apollo Battery Company Ltd Paid Up Capital

A letter dated 18 February 2008 and prepared by the Yangzhou Foreign Trade and Economic Department to provide a first approval for the reduction of YABC's registered capital from USD 20.0 million to USD 13.1 million has been received.

Further details of the status of this approval are included in Note 16 to these financial statements.

Purchase of Machinery

Subsequent to 31 December 2007, YABC contracted to acquire machinery for Rmb 26,172,000 ($4,081,000). A 30% contract deposit was paid during January 2008.

15 DETAILS OF DIVIDEND OR DISTRIBUTION REINVESTMENT PLANS IN OPERATION

There is not a dividend or distribution reinvestment plan in operation.

16 REVIEW OF OPERATIONS

China Operations

For the year ended on 31 December 2007 the Company's operation in China endured a year full of challenges again. The main factors that negatively impacted on YABC's results were:

i) Removal of 13% tax rebate on export of automotive batteries by Chinese government at the end of 2006, and
ii) Continued escalation in raw material costs and strengthening Chinese local currency.

The 13% tax rebate on export of automotive batteries, which are YABC's main product, plays a significant role for the battery costing structure over the past years. Without considering other immediate increase to YABC's product costs.

16 REVIEW OF OPERATIONS (continued)

Lead is the main raw material for batteries. The price of lead in China was at historical high levels for the whole of 2007. Compared to the 2006 average price, the market saw a relentless 65% increase in lead prices during 2007.

In the meantime, during 2007 Chinese local currency Rmb strengthened by more than 5%.

Due to this difficult operating environment, the focus of our China operation has been margin improvement for existing markets, instead of increased volumes. Another major target in 2007 was to develop the Chinese domestic market and take a major market share in the delta area of the Yangzijiang River.

YABC managed to maintain similar volume of sales comparing to 2006 (2.2% increase in 2007). The increase in revenue (total Rmb sales increased by 41% over the previous year) predominantly reflects the effect of higher average selling prices.

The domestic market has delivered a remarkable result in both sales revenue and profit. Rmb 45 million in domestic sales was achieved during 2007, which represent 11% of YABC's total annual sales.

Other measures to improve the financial performance include cost reductions in manufacturing, reduction in scrap rate for materials consumption, and tightly controlled overheads.

Capital Issue

Up to the date of this report, the application for reduction of YABC's registered capital has not yet been finally approved by the People's Republic of China's local government authority.

Verbal agreement was obtained prior to 31 December 2007. A letter dated 18 February 2008 and prepared by the Yangzhou Foreign Trade and Economic Department to approve the reduction of YABC's registered capital from USD 20.0 million to USD 13.1 million has also been received.

This written approval was a first approval and final approval is still conditional upon receipt of any objections from YABC's creditors, debtors, other Chinese Government authorities, or any other interested party. It is a requirement of Chinese law that YABC lodge a notice in the print media for public comment or objection about the proposed reduction in registered capital. There is then a 45 day period for receipt of any objections. YABC placed this notice in a Chinese newspaper on 20 February 2008 and final approval may be received soon.

Outlook

The year of 2008 should be a continued challenging year to the Company's China operation. Lead price remains unpredictable and will likely to continue to challenge the Company's profitability during 2008. Management will continue its efforts to consolidate the result achieved in second half of 2007, by implementing new costing structures which closely link with lead price movements and continuously improve profit margins by increasing domestic sales.

17 OTHER INFORMATION REGARDING THESE ACCOUNTS

These accounts are in the process of being audited.