



Oriental Technologies Investment Limited

澳大利亚东方科技投资有限公司

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ASX Market Announcements Platform
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FOR ASX MARKET RELEASE

Update on Sale of Apollo

Oriental Technologies Investment Limited (ASX: OTI) (**Company**) has been endeavoring to finalize the sale of the Company's Business in Yangzhou, China, namely Yangzhou Apollo Battery Company Limited (**Apollo**), but it has had some problems in doing so.

The Company had entered into an Equity Transfer Agreement with a listed Chinese Battery Manufacturer, Camel Group ("the Purchaser") for the Sale.

A Condition of that Agreement was that an amount including RMB12.5 million¹ will be held back from the proceeds of Sale, in a Guarantee Account at CITIC Bank, Yangzhou pending *inter alia* receipt of written confirmation from the Taxation Authority, Yangzhou ("the local Tax Authority") that no tax was owing by Apollo.

The Purchaser asserted that the Apollo Joint Venture, in which the Company held 55.57%, had an uncertain tax position with the local Tax Authority.

The reason why this might have been the case is that a wholly owned Foreign Joint Venture, which was the status of Apollo, establishing a manufacturing operation in China is entitled to a 2 year tax free period and for a further 3 year period need only pay 50% of the full rate which would otherwise apply, so long as it can show that for a period of 10 years it had a continuous operation.

In Apollo's case, there was a change of location and name of operation during the 10 year period for a period of 6 months and there had been discussions with the

¹ The Company's 55.57% share is RMB 7.0 million or AUD 1.4 million at 5.1605:1 FX rate (1/5/2017)



local Tax Authority as to whether the necessary documentation was available to show a continuous 10 year operation.

The Company's Managing Director, Dr. Wang, obtained legal advice from a Chinese legal firm and advised the Board that sufficient documentation existed to confirm Apollo's tax-free status.

Dr. Wang also informed the Board that he had discussions with the local Tax Authority, who confirmed to him that Apollo was entitled to tax free status. However, the Purchaser would not accept oral assurances or consent to the monies being released from the Bank Guarantee to the Company, unless this advice was provided by the local Tax Authority, in writing.

Dr. Wang also advised Directors that he was informed by the local Tax Authority that it is not their custom to provide such advice in writing.

Further legal advice was sought by Dr. Wang who informed the Board that the Company, therefore, had no option but to commence legal proceedings in China against Camel to freeze the Guarantee Account; and the local Tax Authority for the release of monies under the Guarantee at CITIC Bank, Yangzhou.

Since commencement of the Company's legal proceedings, Dr. Wang advised the Board that a negotiated agreement was made, without his knowledge or involvement, between the Purchaser and the local Tax Authority, which, following commencement of the legal proceedings, had issued a letter to Apollo demanding RMB11.0 million² in outstanding tax.

Dr. Wang also advised the Board that, prior to the Court Hearing, the Purchaser had approached the local Taxation Authority, without reference to himself, and paid the local Taxation Authority the amount of RMB11million alleged to be owing.

Dr. Wang then obtained further legal advice from the Company's Chinese lawyers that, in the event, it was now unlikely its legal proceedings for the release of the Guarantee monies to the Company would be successful.

² The Company's 55.57% share is RMB 6.1 million or AUD 1.2 million



The Company, has, at all times, through Dr. Wang, in relation to this dispute, received legal advice from its China legal advisers who have now advised, in the circumstances, it would be fruitless to proceed with the Legal Proceedings and the Company therefore decided to withdraw from the Legal Proceedings.

Also, the Purchaser has now claimed that the Company owed it RMB 1.1 million³ for defect liability claims for which the Company had agreed to be responsible under the Equity Transfer Agreement for the sale of Apollo. The cut-off point for notification by the Purchaser of these claims was November, 2015 and at that time a reckoning was done of such claims and payments were made. However, it appears that not all the claims, which were signed off by Dr. Wang, were settled at that time and the amount of RMB 1.1 million did, in fact, remain owing.

The Board has been very surprised by these revelations about non-payment of defect liability claims. Dr. Wang has informed the Board that not all the claims, which were signed off by himself were settled at that time and the amount of RMB 1.1 million did, in fact, remain owing. Dr. Wang has been asked to provide details of these claims to the Company together with an explanation as to why these amounts were not paid at the appropriate time.

As these matters have now dragged on for several years, the Company has decided to settle all issues and remit to Australia whatever balance remains in the Guarantee Account and other Accounts at CITIC Bank, Yangzhou, after payment out of RMB 11.0 million to the Purchaser in reimbursement for its settlement with the local Taxation Authority and payment to the Purchaser of RMB 1.1 million on account of outstanding defects liability Claims.

The balance amounting to A\$64,864, after payment of legal fees and receipt of interest has now been remitted to the Company's Australian Bank Account.

Shareholders will note that the Company's share of the cash amount held under Guarantee at CITIC Bank Yangzhou has, for some time, not been reported as the Company's asset.

³ The Company's 55.57% share is RMB 0.6 million or AUD 0.1 million



As has been previously announced, the Company is now exploring new Business Options. Further Announcements will be made as progress in this area is made.

A handwritten signature in black ink, appearing to read 'Gerard McMahon'. The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Gerard McMahon
Chairman