



**ORIENTAL TECHNOLOGIES  
INVESTMENT LIMITED**

**ABN 13 060 266 248**

**ANNUAL REPORT**

**2003**

**ORIENTAL TECHNOLOGIES INVESTMENT LIMITED**  
**ABN 13 060 266 248**

**ANNUAL REPORT 2003**

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**Oriental Technologies Investment Limited**  
ABN 12 060 266 248

**Review of Operations 2003**

The Company is pleased to report an improved result for the year ended 31 December 2003.

Net profit for the year ended 31 December 2003 was \$2.65 million, an increase of 84% over the previous year (2002 \$1.44 million). Turnover for the year ended 31 December 2003 was \$31.34 million, an increase of 16% over the previous year (2002: \$26.99 million).

The Company continued its export oriented strategy throughout the year by exporting over 95% of total output; and further strengthening its market position in Europe.

The Company's Chinese controlled entity, Yangzhou Hua Yang Battery Co Ltd achieved another strong performance during the year under review; retaining its position as China's largest automotive battery exporter. Hua Yang overcame some extraordinary operating conditions during the year; including the SARS outbreak and an unusually hot summer in Eastern China causing power shortages.

Delays in constructing the Company's new factory have delayed sales growth; as sales were limited by Hua Yang's production capacity. As the Company's production struggled to keep up with demand, only about half of the sales orders were converted into deliveries.

Favourable currency movement in Europe helped the Company to partly offset the adverse impact on profit margins caused by rapid raw material price increases in the second half of 2003.

**New Factory**

The Company has worked closely with the local Chinese government to expedite its new factory construction. At the time of this report, land has been acquired. Foundation works were finished within a new project schedule, which aims to have the new factory fully commissioned and production commencing by 4<sup>th</sup> quarter of 2004.

When this capital expansion program is fully completed, the existing factory will maintain partial production. Combined capacity will then be more than double the current Hua Yang capacity. New premium product ranges will be introduced.

The Company and its partners have committed to re-invest all their 2003 dividend entitlement from Yangzhou Hua Yang Battery Co Limited to finance this new factory. Additional bank financing is also being raised from local banks in China.

**Relocation of the Operational Headquarters to Shanghai**

In January 2004, the Company's operational headquarters relocated to Shanghai, China's largest city. This relocation signifies the Company's focus on re-entering the rapidly growing Chinese domestic market. China reportedly produced over 4 million motor vehicles during 2003; the 4<sup>th</sup> largest motor vehicle producer in the world after the US, Japan and Germany.

Increased market penetration is not expected in the near future, as the Company will continue to operate at 2003 production capacity through most of 2004.

However, in late 2004 the Company will be better positioned to service Chinese customers. The new factory construction will be complete, offering enlarged capacity and new product ranges.

Re-locating operational headquarters to Shanghai will also help the Company's Chinese operations to communicate with overseas customers; and facilitate potential business development with international strategic partners.

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**Review of Operations 2003**

China's lead acid industry presently has over 2,000 factories. The Company intends to take full advantage of the opportunities arising from the inevitable consolidation process arising from this large number of small factories.

**Outlook for 2004**

The year 2004 is shaping up to be a very critical year for the Company's future development. The Company is facing some difficult challenges.

Lead is the single biggest component raw material used by the Company to manufacture each battery. International lead prices have more than doubled since the beginning of last year.

The lead acid industry is the largest single user of lead (approximately 70% of lead is used for making lead acid batteries). Lead industry reports indicate that lead prices are not sustainable at the current historically high levels; but nobody knows how high prices will go, or for how long.

The large increase in the price of lead in the last 2 months has resulted the in company's operations for the month of February suffering a small loss and unless the Company increases the prices of its products, loss may continue. The Company is, therefore, presently negotiating with its customers for price increases.

The Company is also focusing on improving manufacturing techniques and product design to reduce material wastage.

In November 2003, Europe imposed a new import duty on batteries from China. This new import duty will reach 3.7% by May this year; whilst products from other competing countries (such as South Korea) are immune from the duty.

Commencing 1 January 2004, the Chinese government reduced a tax rebate given to lead acid battery exporters by 23.5% (from 17% to 13%). Selling price increases in export markets will offset some of the unfavourable impact of this reduced tax rebate. Domestic sales in China are not affected. The Company's re-entry into the Chinese domestic market should offer a mitigating alternative, in the long term.

The Company has invested in the new Chinese factory, using cash generated by 2003 net profit. No dividend is recommended for this year.

On behalf of the Board, I thank all our Company's staff, for their dedication and efforts during the year; and our Shareholders, for their continued support.

Sydney, 9 March 2004



Gerard McMahon  
Chairman of the Board

**Oriental Technologies Investment Limited**  
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**Directors Report for the year ended 31 December 2003**

The directors of Oriental Technologies Investment Limited present their report on the Company for the financial year ended 31 December 2003.

**Directors**

The names of the directors of the Company during or since the end of the financial year are:

		<b>Date Appointed</b>
Gerard McMahon	Chairman	7 April 2000
Lawrence Luo-lin Xin	Executive Vice-Chairman	24 December 1999
George Su Su	Managing Director	17 February 1995
Yong Bao		26 July 2000
Christopher Corrigan		26 July 2000
Patrick Ting Keung Ma		24 December 1999
Chunyang Qiu		14 July 1998
Steve Shulin Xin		24 December 1999

All the directors named above held office during and since the end of the financial year.

**Directors' Qualifications, Experience and Special Responsibilities**

Particulars of qualifications, experience and special responsibilities of each director are as follows:

**Gerard McMahon**

Chairman of Directors  
Chairman of the Audit Committee

Originally from Australia, Mr McMahon has been living and working in Hong Kong for 27 years and is currently Non-executive Director of a Hong Kong publicly listed company. He is also a director of Asian Capital (Corporate Finance) Limited, a Hong Kong based corporate finance advisory firm.

Mr McMahon is admitted as a barrister in Hong Kong and New South Wales. His past experience includes extensive involvement in Hong Kong's Securities and Futures Commission as its Chief Counsel, Member and Executive Director. Mr McMahon is particularly specialised in Hong Kong company law, securities and banking law and takeovers and mergers regulations.

**Lawrence Luo-lin Xin**

Executive Vice-Chairman  
Member of Audit Committee

Mr Xin is Managing Director of Red Investment & Development Limited, an investment company based in Hong Kong.

A post-graduate of Beijing University, Mr Xin has wide China related business experience in Japan, North America and Australia. From 1993 to 1997, Mr Xin was a Director of China C&Y Management Co. Limited, an investment manager of a Chinese investment fund based in Hong Kong with special industry focus.

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**Directors Report for the year ended 31 December 2003 (continued)**

**George S Su**

Managing Director

Mr Su was seconded to the Board of the Company by China Venturetechno International Co Ltd in February 1995 and became Managing Director of the Company in March 1998. He was instrumental in the setting up of Hua Yang Battery Co Ltd, the Company's joint venture subsidiary in China.

Prior to his appointment to the Company's Board, Mr Su held various positions in CVIC's direct investments and international operations with his last position being the Managing Director of CVIC's Asia/Pacific operations based in Singapore. He has more than 15 years of direct investment experience in China and the Asia Pacific region.

Mr Su studied at the Economic Department of Beijing University between 1981 and 1983 before he was sent on a Chinese government scholarship to Hamline University, St Paul, Minnesota, USA where he received his Bachelor of Arts Degree in Business Administration with Computer Science as an allied field in 1986.

**Yong Bao**

Non-executive Director

Mr Bao is a director and General Manager of Hua Yang Battery Co. Ltd. He joined Yangzhou Storage Battery Factory in 1975 and worked in various positions in the factory. The last position held by Mr Bao was General Manager of the factory.

In 1989, Hua Yang Battery Co. Ltd. was established as a Sino-foreign joint venture, of which Yangzhou Storage Battery is the local shareholder. Mr Bao was instrumental in the setting up of Hua Yang and, more importantly, the success afterwards. He has been the General Manager of Hua Yang since its inception.

**Christopher D Corrigan**

Non-executive Director

Mr Corrigan has a Bachelor of Economics from the Australian National University and studied at the Program for Management Development at Harvard.

Chris Corrigan had a career with Bankers Trust spanning twenty years, including periods as Managing Director of Bankers Trust in Australia and for the Asia/Pacific region.

Mr Corrigan sponsored the formation of a development capital business of A\$220 million known as Jamison Equity Limited in 1990, which became a wholly owned subsidiary, in December 1996, of the publicly listed company Patrick Corporation Limited.

Chris Corrigan is Managing Director of Patrick Corporation which handles international sea-based trade through Patrick Terminals, Australia's largest stevedore; domestic intermodal transport through its interest in Pacific National, the largest intermodal rail operator; and domestic aviation through its interest in Virgin Blue, a value-based Australian airline.

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**Directors Report for the year ended 31 December 2003 (continued)**

**Patrick Ting Keung Ma**

Non-executive Director

Mr Ma is Chairman of Red Investment & Development Limited, a Hong Kong based investment company and Chairman of Mainland Limited, which owns Majestic Hotel and Centre, a hotel and shopping complex in the heart of the commercial district in Kowloon, Hong Kong.

Mr Ma is Chairman of Yobo Construction Limited, a real estate development and construction company in Taiwan. As an executive director of Deluxe Motors Limited, Mr Ma was instrumental in that company's obtaining the sole marketing rights for SAAB cars in China's prosperous Guangdong Province.

Mr Ma's late father was the founder of Oriental Press Group Limited which publishes Hong Kong's largest newspaper. Mr Ma was director of Oriental Press Group Ltd between 1978 and 1993. He was also a director of Oriental Daily News Charitable Fund Association which is a major promoter of and contributor to the welfare of the handicapped and accident victims and their families in Hong Kong. Mr Ma is an Australian citizen.

**Chunvang Qiu**

Executive Director

Mr Qiu joined the Company in August 1995 and has been responsible for marketing and business development.

Mr Qiu has many years of experience in international business and financial management. Prior to joining the Company, Mr Qiu worked as an international business manager at China Venturetech Investment Corporation, export manager at China National Nonferrous Metals Import and Export Corporation's Australian operations and China business development consultant at Fletcher Construction Australia.

In 1981, Mr Qiu graduated from the British Columbia Institute of Technology in Canada with a diploma in business studies. In 2001, he obtained a postgraduate diploma in financial management at Macquarie University in Sydney.

**Steve Shulin Xin**

Non-executive Director

Mr Xin is a director of Red Investment & Development Limited and director in charge of direct investment of First Shanghai Investment Limited, a publicly listed investment company in Hong Kong with a focus on investing in China.

Mr Xin is also a director of China Assets (Holdings) Limited and RBI Holdings Limited, First Shanghai's associated companies which are also listed on the Hong Kong stock exchange. Mr Xin's business involvement in Australia includes serving on the board of Public Holdings (Australia) Ltd., an investment company listed on the Australian Stock Exchange.

Previously Mr Xin worked as a registered financial planner for Merrill Lynch and as a senior financial analyst and partner in Vail Securities Inc in Vail, Colorado.

Mr Xin graduated from Lanzhou University, Gansu, China in 1982 and obtained his MBA degree from University of Denver in 1992. Mr Xin is a U.S. citizen.

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**Directors Report for the year ended 31 December 2003 (continued)**

**Directors' Relevant Interests in Securities at 9 March 2004**

<b>Director</b>	<b>Number of ordinary shares</b>			<b>Number of options</b>
	<b>Beneficial</b>	<b>Non-Beneficial</b>	<b>Total</b>	<b>Beneficial</b>
Gerard McMahon	-	-	-	300,000
Lawrence L Xin	-	55,500,000	55,500,000	2,400,000
George Su Su	-	-	-	500,000
Yong Bao	-	-	-	500,000
Chris Corrigan	-	-	-	200,000
Patrick T K Ma	-	55,500,000	55,500,000	200,000
Chunyang Qiu	-	-	-	200,000
Steve S Xin	-	55,500,000	55,500,000	200,000

**Directors' Meetings**

During the financial year, 5 directors' meetings and 2 audit committee meetings were held. Meetings attended by each director are as follows:

<b>Director</b>	<b>Board of Directors</b>		<b>Audit Committee</b>	
	<b>Eligible to attend</b>	<b>Attended</b>	<b>Eligible to attend</b>	<b>Attended</b>
Gerard McMahon	5	5	2	2
Lawrence L Xin	5	5	2	2
George Su Su	5	5	-	-
Yong Bao	5	-	-	-
Christopher Corrigan	5	4	-	-
Patrick T K Ma	5	-	-	-
Chunyang Qiu	5	5	-	-
Steve S Xin	5	-	-	-

**Principal Activities**

The principal activities of the Consolidated Entity during the financial year were manufacturing, exporting, marketing and selling lead acid batteries.

**Operating Results**

Net profit attributable to members of Oriental Technologies Investment Limited for the financial year was \$2,654,000 (2002 \$1,444,000).

**Dividends**

The directors do not recommend the payment of a dividend (2002 \$Nil). No dividends have been paid or declared since the start of the financial year (2002 \$Nil).

**Review of Operations**

A review of the Consolidated Entity's operations during the financial year and the results of those operations are contained in the Review of Operations attached to this report.

**Significant Changes in State of Affairs**

Significant changes to the Company's state of affairs are referred to in the Review of Operations and the Financial Statements.



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**Directors Report for the year ended 31 December 2003 (continued)**

**Environmental Regulations**

The directors are not aware of any environmental regulations under the law of the Commonwealth and State with which the Consolidated Entity does not fully comply.

**Emoluments of Directors and Senior Management**

The Company's policy for determining the nature and amount of emoluments of directors and senior executives of the Company is as follows:

- i). The remuneration structure for executive officers, including executive directors, seeks to remunerate with due regard to performance and other factors.
- ii). The emoluments of each director and executive officer for the financial year were as follows:

<b>Parent Entity</b>	<b>Salary</b>	<b>Directors' Fees</b>	<b>Superannuation Contributions</b>	<b>Non-Cash Benefits</b>	<b>Total</b>
	\$	\$	\$	\$	\$
<b><u>Executive Directors</u></b>					
Lawrence L Xin	----	----	----	----	----
George Su Su	48,000	----	4,320	----	52,320
Chunyang Qiu	----	----	----	----	----
<b><u>Non-Executive Directors</u></b>					
Gerard McMahon	----	24,000	2,160	----	26,160
Patrick T K Ma	----	----	----	----	----
Steve S Xin	----	----	----	----	----
Christopher Corrigan	----	24,000	2,160	----	26,160
Yong Bao	10,247	----	----	----	10,247

**Share Options**

Oriental Technologies Investment Limited issued five million options on unissued shares under the Orientech Share Option Plan on 24 November 2000. Details of the options granted are:

Exercise Period:	Within the five-year period ending on 23 November 2005.
Exercise Price:	5.7 cents per share.
Exercise of Option:	An option may be exercised within the exercise period or if there is earlier termination of the option. An option cannot be exercised unless the option holder has provided not less than 24 months service to the Company (unless the directors determined otherwise).

Options were issued to, and are held at the date of this report by:

<b>Option Holder</b>	<b>Date of Grant of Options</b>	<b>Number of Options</b>	<b>Number of Ordinary Shares Over Which Options Granted</b>
Yong Bao	24-Nov-2000	500,000	500,000
Christopher Corrigan	24-Nov-2000	200,000	200,000
Oliver Kwok	24-Nov-2000	200,000	200,000
Patrick Ting Keung Ma	24-Nov-2000	200,000	200,000
Gerard McMahon	24-Nov-2000	300,000	300,000
Rodney Piggott	24-Nov-2000	200,000	200,000
Chunyang Qiu	24-Nov-2000	200,000	200,000
George Su Su	24-Nov-2000	500,000	500,000
Rodney Wilson *	24-Nov-2000	100,000	100,000
Lawrence Luo-lin Xin	24-Nov-2000	2,400,000	2,400,000
Steve Shulin Xin	24-Nov-2000	200,000	200,000
		<u>5,000,000</u>	<u>5,000,000</u>

\* Former Company Secretary, retired on 31 December 2003.

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**Directors Report for the year ended 31 December 2003 (continued)**

No shares have been issued as a result of the exercise of an option during the financial year or to the date of this report. There are five million unissued ordinary shares for which options are outstanding at the date of this report.

**Subsequent Events**

Except as stated elsewhere in this Report, the Review of Operations and in the Financial Statements, the Directors are not aware of any matter or circumstance that has arisen since the end of the financial year that has significantly affected or may significantly affect the Consolidated Entity's operations, the results of those operations or the Consolidated Entity's state of affairs in future financial years.

**Future Developments**

Likely developments in the Consolidated Entity's operations known at this date have been covered generally within this Directors' Report and the Review of Operations. In the directors' opinion, any further disclosure of information would prejudice the interests of the Consolidated Entity.

**Indemnification of Officers and Auditors**

No indemnity has been given to a current or former Officer or Auditor.

The Company has paid premiums to insure Directors, Secretaries and Executive Officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director, Secretary or Executive Officer of the Company other than conduct involving a wilful breach of duty in relation to the Company. The contract of insurance prohibits the disclosure of premiums payable under the contract.

**Proceedings on Behalf of Company**

No person has applied for leave of Court to bring proceedings on behalf of the Company, or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

**Rounding Off of Amounts**

The Company satisfies the requirements of Class Order 98/0100 issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the Directors' Report and the Financial Report to the nearest thousand dollars. Amounts have been rounded off in the Directors' Report and Financial Report in accordance with that Class Order.

Sydney, 9 March 2004

Signed in accordance with a resolution of the directors



Gerard McMahon  
Chairman

**Oriental Technologies Investment Limited**  
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**Corporate Governance**

The directors are responsible for the Corporate Governance practices of the Company. This statement sets out the main Corporate Governance practices in place during the financial year.

**BOARD OF DIRECTORS**

The Board consists of eight directors: three executives including the Managing Director; and 5 non-executives including the Chairman.

**DIRECTORS AND OTHER DIRECTORSHIPS**

Directors are permitted to act as directors of other companies that are not in competition with the Company. A Director must inform the Chairman before accepting an invitation to become a director of another Australian listed public company.

**AUDIT COMMITTEE**

To assist the directors to effectively fulfil their stewardship and due diligence responsibilities, an audit committee was established on 24 August 1993.

**APPOINTMENT AND RETIREMENT OF DIRECTORS**

**Appointment**

Any director of the Company may, at any time, nominate a person to be appointed a Company director.

Irrespective of whether any person has been so nominated, the Board may consider the appointment of any director to be in the Company's interests.

The Company's directors shall consider the appointment of any person as Company director by constituting a committee to investigate and report to the Board.

In accordance with the Company's constitution, any director appointed by the Board must retire at the next annual general meeting; but shall be eligible for election at that meeting.

**Retirement**

The retiring age for Company directors is 65 years. Any director aged over 65 years must retire at the Company's next annual general meeting, unless invited by the Board to remain as a director beyond that date.

**COMPENSATION COMMITTEE**

A Board compensation committee will be constituted, as required.

The primary functions of this compensation committee will include the review of:

- i). Compensation arrangements for the chief executive and senior executives reporting to the chief executive;
- ii). Termination and recruitment policies and practices;
- iii). Share and other incentive schemes;
- iv). Superannuation arrangements;
- v). Remuneration arrangements for members of the Board; and
- vi). Arrangements for reimbursement of expenses incurred by members of the Board.

**INSIDER TRADING – SECURITIES TRANSACTIONS RULES**

Rules known as Securities Transaction Rules were adopted on 26 October 1993.

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**Corporate Governance (continued)**

These Rules outline conditions under which directors, designated executives and other designated employees may buy and sell or otherwise trade in shares and securities of:

- i). The Company; or
- ii). Any company which the Company has, or is known to be contemplating acquiring, shares or other securities.

**ETHICAL STANDARDS**

A Company Code of Ethics was adopted on 19 April 1996.

This Code includes the following elements:

- i). Commitment to the Company Code of Ethics;
- ii). Responsibilities to shareholders;
- iii). Relations with customers and consumers;
- iv). Relations with suppliers;
- v). Employment practices;
- vi). Responsibilities to the community; and
- vii). Personal conduct.

**DIRECTORS' ABILITY TO TAKE INDEPENDENT PROFESSIONAL ADVICE**

Subject to prior approval by the Board, a Company director may seek independent professional advice at the Company's expense concerning any aspect of the Consolidated Entity's operations or undertakings.

**IDENTIFICATION OF SIGNIFICANT RISK**

The Board will seek to identify areas of significant business risk by requiring management to report: comprehensively, orally and in writing.

Senior executives are regularly required to report, in person, for review by the Board.

The Board will review and assess the application of the principles of Good Corporate Governance as issued by the ASX Corporate Governance Council in its paper titled "Principles of Good Corporate Governance and Best Practice Recommendations" issued in March 2003, and determine its practical application to a company the size of Oriental Technologies Investment Limited.

It is the Board's present intention to implement appropriate Best Practice Recommendations on a commercial cost effective basis applicable to the nature of its activities and provide the required disclosure pursuant to ASX Listing Rule 4.10.3 in its Annual Report for the year ending 31 December 2004.

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**Financial Information**

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**Statements of Financial Performance for the Year Ended 31 December 2003**

	Notes	Consolidated Entity		Parent Entity	
		12 months to 31 /12/03 \$'000	12 months to 31 /12/02 \$'000	12 months to 31 /12/03 \$'000	12 months to 31 /12/02 \$'000
Revenues from ordinary activities	2	31,337	26,989	1,906	1,207
Changes in inventories of finished goods and work in progress		(55)	(141)	----	----
Raw Materials and consumables used		(23,836)	(20,650)	----	----
Employee benefits expense		(1,286)	(1,388)	(128)	(119)
Depreciation and amortisation expense		(1,107)	(1,240)	(1)	(3)
Borrowing costs expense	3	(146)	(190)	----	----
Technical and advisory fees		(340)	(340)	(340)	(340)
Head office costs		(334)	(534)	(334)	(534)
Other expenses from ordinary activities		(243)	(27)	----	----
Profit from ordinary activities before income tax expense	3	3,990	2,479	1,103	211
Income tax expense relating to ordinary activities	4	(474)	(444)	----	----
Profit from ordinary activities after related income tax expense		3,516	2,035	1,103	211
Net profit		3,516	2,035	1,103	211
Net profit attributable to outside equity interests		(862)	(591)	----	----
Net profit attributable to members of Oriental Technologies Investment Limited	18	2,654	1,444	1,103	211
Net exchange difference on translation of financial report of self-sustaining foreign operations	17	(2,849)	(866)	----	----
Provision for profit share payment	15	(531)	(289)	(531)	(289)
Total revenues, expenses and valuation adjustments attributable to members of Oriental Technologies Investment Ltd and recognised directly in equity		(3,380)	(1,155)	(531)	(289)
Total changes in equity other than those resulting from transactions with owners as owners		(726)	289	572	(78)
Basic earnings per share (cents per share)	28	2.28	1.24		
Diluted earnings per share (cents per share)	28	2.24	1.24		

The above statements of financial performance should be read in conjunction with the accompanying notes.

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**Statements of Financial Position as at 31 December 2003**

	Notes	Consolidated Entity		Parent Entity	
		31/12/03 \$'000	31/12/02 \$'000	31/12/03 \$'000	31/12/02 \$'000
<b>Current Assets</b>					
Cash assets	5	7,012	4,731	344	1,578
Receivables	6	2,881	4,144	304	32
Inventories	7	1,488	1,543	----	----
<b>Total Current Assets</b>		<b>11,381</b>	<b>10,418</b>	<b>648</b>	<b>1,610</b>
<b>Non-current Assets</b>					
Other financial assets	8	----	----	9,331	7,468
Property, plant and equipment	9	10,803	10,239	----	7
Intangibles	10	494	528	----	----
Other	11	8	8	8	8
<b>Total Non-current Assets</b>		<b>11,305</b>	<b>10,775</b>	<b>9,339</b>	<b>7,483</b>
<b>Total Assets</b>		<b>22,686</b>	<b>21,193</b>	<b>9,987</b>	<b>9,093</b>
<b>Current Liabilities</b>					
Payables	12	1,732	3,496	72	284
Interest-bearing liabilities	13	6,762	3,419	----	----
Current tax liabilities	14	298	345	----	----
Provisions	15	1,057	523	1,057	523
<b>Total Current Liabilities</b>		<b>9,849</b>	<b>7,783</b>	<b>1,129</b>	<b>807</b>
<b>Total Liabilities</b>		<b>9,849</b>	<b>7,783</b>	<b>1,129</b>	<b>807</b>
<b>Net Assets</b>		<b>12,837</b>	<b>13,410</b>	<b>8,858</b>	<b>8,286</b>
<b>Equity</b>					
Contributed equity	16	27,870	27,870	27,870	27,870
Reserves	17	(1,981)	609	----	----
Accumulated losses	18	(15,608)	(17,472)	(19,012)	(19,584)
Parent entity interest		10,281	11,007	8,858	8,286
Outside equity interest	19	2,556	2,403	----	----
<b>Total Equity</b>		<b>12,837</b>	<b>13,410</b>	<b>8,858</b>	<b>8,286</b>

The above statements of financial position should be read in conjunction with the accompanying notes.

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**Statements of Cash Flows for the Year Ended 31 December 2003**

	Notes	Consolidated Entity		Parent Entity	
		31 /12/03 \$'000	31 /12/02 \$'000	31 /12/03 \$'000	31 /12/02 \$'000
<b>Cash flows from operating activities</b>					
Receipts arising from operating activities		32,381	26,894	1,863	1,171
Payments arising from operating activities		(28,022)	(24,279)	(1,276)	(680)
Interest received		85	105	43	54
Borrowing costs		(146)	(190)	---	---
Income tax paid		(456)	(288)	---	---
<b>Net cash inflow from operating activities</b>	29(b)	<u>3,842</u>	<u>2,242</u>	<u>630</u>	<u>545</u>
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment		(3,056)	(968)	---	---
Payment for land usage rights		(1,072)	---	---	---
Refund for security deposits		---	8	---	8
Investment in Yangzhou Apollo Battery Co Ltd		---	---	(1,864)	---
<b>Net cash (outflow)/inflow from investing activities</b>		<u>(4,128)</u>	<u>(960)</u>	<u>(1,864)</u>	<u>8</u>
<b>Cash flows from financing activities</b>					
Increase/(decrease) in bank loans		<u>3,343</u>	<u>(356)</u>	<u>---</u>	<u>---</u>
<b>Net cash inflow/(outflow) from financing activities</b>		<u>3,343</u>	<u>(356)</u>	<u>---</u>	<u>---</u>
Net increase/(decrease) in cash		3,057	926	(1,234)	553
Cash at the beginning of the financial year		4,731	4,096	1,578	1,025
Effect of exchange rates on cash holdings in foreign currencies		(776)	(291)	---	---
Cash at the end of the financial year	29(a)	<u>7,012</u>	<u>4,731</u>	<u>344</u>	<u>1,578</u>

The above cash flow statements should be read in conjunction with the accompanying notes.



**Oriental Technologies Investment Limited**  
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**Notes to and forming part of the Financial Statements for the year ended 31 December 2003**

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**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial report covers the consolidated entity of Oriental Technologies Investment Limited and controlled entities and Oriental Technologies Investment Limited as an individual parent entity. Oriental Technologies Investment Limited is a listed public company incorporated and domiciled in Australia. The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report.

The carrying amounts of all non-current assets are reviewed at each reporting date to determine whether they are in excess of their recoverable amount. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower value. In assessing recoverable amounts the relevant cash flows have not been discounted to their present value.

**(a) Basis of Consolidation**

The consolidated accounts comprise the accounts of the parent entity and its controlled entities. All inter-company balances and transactions between entities in the consolidated entity including any unrealised profits or losses, have been eliminated on consolidation.

**(b) Investments in Controlled Entities**

Investments in controlled entities are valued at cost less write-downs to recoverable amounts.

**(c) Property, Plant and Equipment**

**i) Acquisition** - Property, plant and equipment are brought to account at cost less, where applicable, any accumulated depreciation or amortisation.

**ii) Depreciation and amortisation** - The depreciable amount of all property, plant and equipment and capitalised leased assets, is depreciated/amortised over their useful lives to the consolidated entity on a straight line basis commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

<b>Class of Fixed Asset</b>	<b>Depreciation/Amortisation Rate</b>
Leasehold buildings	4.5%
Plant and equipment	3 - 27%

**iii) Disposals** - The gain or loss on disposal of all property, plant and equipment, is determined as the difference between the carrying amount of the asset at the time of disposal and the proceeds of disposal, and is included in the result from ordinary activities before income tax of the consolidated entity in the year of disposal.

**iv) Recoverable Amount** - The carrying amount of property, plant and equipment is reviewed at each reporting date by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

**v) Land Usage Rights** - Land usage rights are carried at cost and amortised over the life of the right acquired. The current life of land usage rights is 50 years.

**Oriental Technologies Investment Limited**  
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**Notes to and forming part of the Financial Statements for the year ended 31 December 2003**

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**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**(d) Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the economic entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

**(e) Inventories**

Inventories are valued at the lower of cost and net realisable value. Costs are assigned on a first in first out basis.

**(f) Foreign Currency Transactions and Balances**

Foreign currency transactions are initially translated into Australian currency at the rates of exchange ruling at the dates of the transactions. At balance date amounts payable and receivable in foreign currencies are translated into Australian currency at the rates of exchange at that date. Realised and unrealised gains or losses arising from exchange rate fluctuations relating to monetary items are included in the result from ordinary activities in the financial period in which they arise.

The assets and liabilities of overseas controlled entities, which are self-sustaining, are translated at period end rates and operating results are translated at an average rate. Gains and losses arising on translation are taken directly to the foreign currency translation reserve.

**(g) Provisions**

**Employee Benefits** - Provision is made for the consolidated entity's liabilities for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries and annual leave which will be settled after one year, are measured at the amounts expected to be paid when the liability is settled plus related on-costs. Other employee benefits payable later than one year are measured at the present value of the estimated future cash outflows to be made for those benefits.

**(h) Revenue**

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to financial assets.

Dividends from controlled entities are brought to account when they are proposed by the controlled entity.

**(i) Income Tax**

The consolidated entity adopts the liability method of tax effect accounting whereby the income tax expense in the statement of financial performance is based on the accounting result (after allowing for permanent differences). Timing differences are brought to account as either a provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

**Oriental Technologies Investment Limited**  
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**Notes to and forming part of the Financial Statements for the year ended 31 December 2003**

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation, the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with conditions of deductibility imposed by the law.

At balance date, the Directors did not consider that the recognition criteria for future income tax benefits had been met. Details of those benefits not brought to account are set out in note 4.

**(j) Trade Debtors**

Trade debtors are recognised when the risks and rewards of ownership of the underlying sales transactions have passed to customers.

This event usually occurs on the delivery of inventories to customers. Trade debtors are recorded at nominal amounts, credit terms are 30-60 days. Recoverability of overdue amounts is assessed on an ongoing basis. Specific provision is made for all doubtful accounts.

The recoverability of debts is assessed at each balance date and specific provision is made for any doubtful accounts. In addition a general provision in respect of debtors is maintained.

**(k) Intangibles**

Goodwill on consolidation is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at the date of acquisition. Goodwill on consolidation is amortised on a straight line basis over the period of 20 years. The balance is reviewed at each reporting date and any balance representing future benefits for which the realisation is considered to be no longer probable are written off.

**(l) Trade Creditors**

These amounts represent unpaid liabilities for goods received and services provided to the Company and consolidated entity prior to the end of the financial period. The amounts are unsecured and normally settled within 30-60 days.

**(m) Rounding of amounts**

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest \$1,000.

	<b>Consolidated Entity</b>		<b>Parent Entity</b>	
	<b>31 /12/03</b>	<b>31 /12/02</b>	<b>31 /12/03</b>	<b>31 /12/02</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>2. REVENUE</b>				
<b>Operating activities</b>				
Sale of goods	31,201	26,790	----	----
Other	51	94	----	68
	<u>31,252</u>	<u>26,884</u>	----	<u>68</u>
<b>Non - operating activities</b>				
Interest received from other persons	85	105	43	54
Dividends received from controlled entities	----	----	1,863	1,085
Total Revenue	<u>31,337</u>	<u>26,989</u>	<u>1,906</u>	<u>1,207</u>

**Oriental Technologies Investment Limited**  
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**Notes to and forming part of the Financial Statements for the year ended 31 December 2003**

	Consolidated Entity		Parent Entity	
	31 /12/03	31 /12/02	31 /12/03	31 /12/02
	\$'000	\$'000	\$'000	\$'000
<b>3. PROFIT FROM ORDINARY ACTIVITIES</b>				
Profit from ordinary activities before income tax is arrived at after crediting:				
Dividends received from controlled entities	----	----	1,863	1,085
Interest income from other persons	85	105	43	54
and after charging:				
Cost of sales	23,891	20,791	----	----
Borrowing costs – other persons	146	190	----	----
Depreciation – property, plant and equipment	1,025	1,142	1	3
Amortisation of buildings	48	64	----	----
Amortisation of goodwill	34	34	----	----
Total depreciation and amortisation	1,107	1,240	1	3
Loss on disposal of non-current assets	46	49	6	----
Rental expenses on operating leases	37	27	37	27
Foreign currency translation losses	235	25	----	----
<b>4. INCOME TAX EXPENSE</b>				
(a) The prima facie tax on profit from ordinary activities is reconciled to the income tax provided in the accounts as follows:				
Prima facie tax on profit from ordinary activities before income tax at 30%	1,197	744	331	63
Adjustment to reflect income tax payable at 12% for subsidiary in China	(861)	(611)	----	----
Add (less) tax effect of:				
- Exempt foreign dividend	----	----	(559)	(325)
- Other	(75)	118	15	69
	261	251	(213)	(193)
Income tax benefits not brought to account (refer note 1 (i))	213	193	213	193
Income tax attributable to profit from ordinary activities before income tax	474	444	----	----
(b) Future income tax benefits not brought to account is comprised of the following estimated tax benefits at 30%:				
Tax losses	312	99	312	99
Timing differences	21	75	21	75
	333	174	333	174
These benefits will only be realised if the conditions for deductibility in note 1(i) occur.				
<b>5. CURRENT ASSETS - Cash</b>				
Cash at bank and on hand	7,012	4,731	344	1,578
<b>6. CURRENT ASSETS - Receivables</b>				
Trade debtors	2,019	3,199	----	----
Provision for doubtful debts	(4)	(179)	----	----
	2,015	3,020	---	----
Other debtors	866	1,124	304	32
	2,881	4,144	304	32

**Oriental Technologies Investment Limited**  
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**Notes to and forming part of the Financial Statements for the year ended 31 December 2003**

	Consolidated Entity		Parent Entity	
	31 /12/03 \$'000	31 /12/02 \$'000	31 /12/03 \$'000	31 /12/02 \$'000
<b>7. CURRENT ASSETS - Inventories</b>				
Raw materials	932	1,350	----	----
Finished goods	556	193	----	----
	1,488	1,543	----	----
<b>8. NON-CURRENT ASSETS - Other financial assets</b>				
Shares in controlled entities at cost (Note 26)	----	----	10,204	8,341
Write down to recoverable amount	----	----	(873)	(873)
	----	----	9,331	7,468
<b>9. NON-CURRENT ASSETS - Property, Plant and Equipment</b>				
<b>Land</b>				
Land usage rights	1,072	----	----	----
<b>Buildings – Leasehold</b>				
Leasehold Buildings at cost	3,479	1,430	----	----
Less accumulated amortisation	(245)	(197)	----	----
	3,234	1,233	----	----
<b>Plant and Equipment</b>				
Plant and equipment - at cost	10,645	13,704	----	37
Less accumulated depreciation	(4,148)	(4,698)	----	(30)
	6,497	9,006	----	7
<b>Total Property, Plant and Equipment</b>	10,803	10,239	----	7

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial period

	Land Usage Rights \$000	Leasehold Buildings \$000	Plant and Equipment \$000	Total \$000
Consolidated Entity:				
Balance at the beginning of period	----	1,233	9,006	10,239
Additions	1,072	2,353	630	4,055
Disposals	----	----	(46)	(46)
Foreign currency translation movement	----	(304)	(2,068)	(2,372)
Depreciation expense	----	(48)	(1,025)	(1,073)
	1,072	3,234	6,497	10,803
Parent entity:				
Balance at the beginning of period	----	----	7	10
Depreciation expense	----	----	(1)	(3)
Disposals	----	----	(6)	----
	----	----	----	7
Carrying amount at the end of period	----	----	----	7

**Oriental Technologies Investment Limited**  
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**Notes to and forming part of the Financial Statements for the year ended 31 December 2003**

	Consolidated Entity		Parent Entity	
	31 /12/03	31 /12/02	31 /12/03	31 /12/02
	\$'000	\$'000	\$'000	\$'000
<b>10. NON-CURRENT ASSETS - Intangibles</b>				
Goodwill	669	669	----	----
Less accumulated amortisation	(175)	(141)	----	----
	<u>494</u>	<u>528</u>	<u>----</u>	<u>----</u>
<b>11. NON-CURRENT ASSETS - Other</b>				
Security deposits	8	8	8	8
	<u>8</u>	<u>8</u>	<u>8</u>	<u>8</u>
<b>12. CURRENT LIABILITIES - Payables</b>				
<b>Unsecured Liabilities</b>				
Trade creditors	1,732	3,496	72	284
	<u>1,732</u>	<u>3,496</u>	<u>72</u>	<u>284</u>
<b>13. CURRENT LIABILITIES – Interest-Bearing Liabilities</b>				
<b>Secured</b>				
Bank Loans (a)	6,762	3,419	----	----
	<u>6,762</u>	<u>3,419</u>	<u>----</u>	<u>----</u>
Bank Loan facility with Bank of China				
Facility limit	6,762	6,407	----	----
Amount utilised	(6,762)	(3,419)	----	----
Unused credit facility	----	2,988	----	----
	<u>----</u>	<u>2,988</u>	<u>----</u>	<u>----</u>
<b>14. CURRENT LIABILITIES – Tax</b>				
Income tax payable	298	345	----	----
	<u>298</u>	<u>345</u>	<u>----</u>	<u>----</u>
<b>15. CURRENT LIABILITIES - Provisions</b>				
Employee benefits (note 24)	16	12	16	12
Provision for profit share payment	1,041	511	1,041	511
	<u>1,057</u>	<u>523</u>	<u>1,057</u>	<u>523</u>

**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. 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.

The company has made a provision of \$530,000 in respect of its cash liability for the PSP payable on the profit for the twelve months ended 31 December 2003 (2002 \$289,000), bringing the total provision for the PSP payable to \$1,041,000 (2002 \$511,000).

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**Notes to and forming part of the Financial Statements for the year ended 31 December 2003**

16. CONTRIBUTED EQUITY	Consolidated Entity		Parent Entity	
	31/12/03	31/12/02	31/12/03	31/12/02
	\$'000	\$'000	\$'000	\$'000
116,484,005 (2001: 116,484,005) fully paid ordinary shares	27,870	27,870	27,870	27,870

**Share Options**

Oriental Technologies Investment Limited issued five million options on unissued shares under the Orientech Share Option Plan on 24 November 2000. Details of the options granted are:

Exercise Period:	Within the five-year period ending on 23 November 2005.
Exercise Price:	5.7 cents per share.
Exercise of Option:	An option may be exercised within the exercise period or if there is earlier termination of the option. An option cannot be exercised unless the option holder has provided not less than 24 months service to the Company (unless the directors determined otherwise).

Options were issued to, and are held at the date of this report by:

Option Holder	Date of Grant of Options	Number of Options	Number of Ordinary Shares Over Which Options Granted
Yong Bao	24-Nov-2000	500,000	500,000
Christopher Corrigan	24-Nov-2000	200,000	200,000
Oliver Kwok	24-Nov-2000	200,000	200,000
Patrick Ting Keung Ma	24-Nov-2000	200,000	200,000
Gerard McMahon	24-Nov-2000	300,000	300,000
Rodney Piggott	24-Nov-2000	200,000	200,000
Chunyang Qiu	24-Nov-2000	200,000	200,000
George Su Su	24-Nov-2000	500,000	500,000
Rodney Wilson *	24-Nov-2000	100,000	100,000
Lawrence Luo-lin Xin	24-Nov-2000	2,400,000	2,400,000
Steve Shulin Xin	24-Nov-2000	<u>200,000</u>	<u>200,000</u>
		<u>5,000,000</u>	<u>5,000,000</u>

\*Former Company Secretary, retired on 31 December 2003.

No shares have been issued as a result of the exercise of an option during the financial year or to the date of this report. There are five million unissued ordinary shares for which options are outstanding at the date of this report.

17. RESERVES	Consolidated Entity		Parent Entity	
	31/12/03	31/12/02	31/12/03	31/12/02
	\$'000	\$'000	\$'000	\$'000
<b>General reserve</b>				
Opening balance	458	339	----	----
Transferred from accumulated losses	259	119	----	----
Closing balance	<u>717</u>	<u>458</u>	----	----

A general reserve is held as a result of Chinese legislative requirements to maintain a level of profits in a presently non-distributable reserve.

**Foreign currency translation reserve**

Opening balance	151	1,017	----	----
Adjustments arising from the translation of foreign controlled entity's financial statements	(2,849)	(866)	----	----
Closing balance	<u>(2,698)</u>	<u>151</u>	----	----
Total reserves	<u>(1,981)</u>	<u>609</u>	----	----

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled entity's financial statements.

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**Notes to and forming part of the Financial Statements for the year ended 31 December 2003**

	Consolidated Entity		Parent Entity	
	31 /12/03	31 /12/02	31 /12/03	31 /12/02
	\$'000	\$'000	\$'000	\$'000
<b>18. ACCUMULATED LOSSES</b>				
Opening balance	(17,472)	(18,508)	(19,584)	(19,506)
Net profit attributable to the members of the parent entity	2,654	1,444	1,103	211
Provision for profit share payment	(531)	(289)	(531)	(289)
Transfer to general reserve	(259)	(119)	----	----
Closing balance	<u>(15,608)</u>	<u>(17,472)</u>	<u>(19,012)</u>	<u>(19,584)</u>
<b>19. OUTSIDE EQUITY INTERESTS IN CONTROLLED ENTITIES</b>				
Outside equity interest comprises				
Share Capital	1,738	1,773	----	----
Reserves	114	91	----	----
Accumulated losses	704	539	----	----
	<u>2,556</u>	<u>2,403</u>	<u>----</u>	<u>----</u>
<b>20. REMUNERATION OF DIRECTORS</b>				
	\$	\$	\$	\$
Income paid or payable to all Directors of each entity in the consolidated entity from all entities in the consolidated entity and any related parties	129,887	117,828		
Income paid or payable to all Directors of the parent entity, from the parent entity and any related parties			129,887	117,828
The number of parent entity Directors whose income from the parent entity and any related parties was within the following bands:			<b>31/12/03</b>	<b>31/12/02</b>
			<b>No.</b>	<b>No.</b>
\$0 - \$9,999			3	4
\$10,000 - \$19,999			2	1
\$20,000 - \$29,999			2	2
\$50,000 - \$59,999			1	1
<b>21. REMUNERATION OF AUDITORS</b>				
Amounts received, or due and receivable, by the auditors for:	<b>31/12/03</b>	<b>31/12/02</b>	<b>31/12/03</b>	<b>31/12/02</b>
	\$	\$	\$	\$
Auditing or reviewing the accounts				
BDO	36,975	33,090	36,975	33,090
BDO Shanghai (Chinese Subsidiary Auditors)	10,000	10,679	10,000	10,679
Other services				
BDO	<u>53,759</u>	<u>44,485</u>	<u>53,759</u>	<u>44,485</u>
<b>22. COMMITMENTS</b>	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Operating lease commitments</b>				
Payable within one year	70	130	----	40
	<u>70</u>	<u>130</u>	<u>----</u>	<u>40</u>
<b>(b) Capital expenditure commitments</b>				
Capital expenditure commitments contracted for:				
Building Construction Contract	1,392	----	----	----
	<u>1,392</u>	<u>----</u>	<u>----</u>	<u>----</u>
Payable				
- Not later than one year	1,392	----	----	----
	<u>1,392</u>	<u>----</u>	<u>----</u>	<u>----</u>



**Oriental Technologies Investment Limited**  
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**Notes to and forming part of the Financial Statements for the year ended 31 December 2003**

**23. SUPERANNUATION COMMITMENTS**

As at 31 December 2003, the consolidated entity participated in several employer sponsored funds. Benefits provided under the funds are based on contributions for each employee. The employees can contribute to the plan at various percentages of their salaries and wages, and the consolidated entity also contributes to the plan at varying levels and satisfied all its legal obligations in the twelve months ended 31 December 2003.

24. <b>EMPLOYEE BENEFITS</b>	<b>Consolidated Entity</b>		<b>Parent Entity</b>	
	31/12/03	31/12/02	31/12/03	31/12/02
	\$'000	\$'000	\$'000	\$'000
The employee benefits liability includes amounts for annual leave	16	12	16	12
Number of employees at year end	404	424	1	2

**25. RELATED PARTIES TRANSACTIONS**

**a) Oriental Technologies Investment Limited group**

The group consists of Oriental Technologies Investment Limited and its controlled entities Orientech Pty Limited, Yangzhou Hua Yang Battery Co. Limited and Yangzhou Apollo Battery Co Limited. The ownership interests in these controlled entities are set out in note 26.

The following transactions between entities within the group took place on normal commercial terms and conditions.

Oriental Technologies Investment Limited, the parent entity, operates as a funding and management company for its subsidiaries Yangzhou Hua Yang Battery Co. Limited, Yangzhou Apollo Battery Co Limited and Orientech Pty Limited.

**b) Directors**

The names of the persons who were Directors of Oriental Technologies Investment Limited at any time during the year are as follows:

Gerard McMahon	Patrick Ting Keung Ma
Lawrence Luo-lin Xin	Steve Shulin Xin
George Su Su	Christopher Corrigan
Chunyang Qiu	Yong Bao

**c) Remuneration, retirement benefits and service agreements**

Information on remuneration of Directors, amounts paid in connection with the retirement of Directors and service agreements with Directors is disclosed in note 20.

An annual technical assistance fee of \$100,000 relating to the operation in the Yangzhou Hua Yang Battery Co Limited was paid to Red Investment & Development Limited during the year, a company of which Mr Lawrence Xin, Mr Patrick Ma and Mr Steve Xin are directors.

A monthly payment of \$20,000 was made to Red Investment & Development Limited (RIDL) in respect of review and sourcing new business for the Company's operations in China.

Total fees paid to RIDL during the year amounted to \$340,000 (31/12/02: \$340,000).

**d) Transactions of Directors and director-related entities concerning shares**

The aggregate number of ordinary shares held directly or indirectly by Directors or their director-related entities at 31 December 2003 was 55,500,000 (31/12/02: 55,500,000).

The aggregate number of unissued ordinary shares held directly or indirectly by Directors or their director-related entities under options at 31 December 2003 was 4,500,000 (31/12/02: 4,500,000).

No ordinary shares or options were acquired or disposed of by directors or their director related entities during the financial year (2002 Nil).

**Oriental Technologies Investment Limited**  
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**Notes to and forming part of the Financial Statements for the year ended 31 December 2003**

**26. INVESTMENT IN CONTROLLED ENTITIES**

Name of Entity	Country of Incorporation	% of Ownership		Cost of Parent Entity's Investment (\$'000)	
		2003	2002	2003	2002
Parent entity:					
Oriental Technologies Investment Limited	Australia				
Controlled entities of Oriental Technologies Investment Limited:					
Orientech Pty Limited	Australia	100%	100%	873	873
Yangzhou Hua Yang Battery Co Limited	China	80%	80%	7,468	7,468
Yangzhou Apollo Battery Co Limited	China	80%	---	1,863	---
				10,204	8,341

Controlled Entities Acquired

On 28 June 2003 the parent entity acquired 80% of Yangzhou Apollo Battery Co Ltd for a consideration of \$1,863,000.

**27. SEGMENT INFORMATION**

The consolidated entity operates in China as a manufacturer, exporter and marketer in the lead acid battery industry.

The costs of the holding company are in respect of the business in China and costs incurred in respect of that business.

**28. EARNINGS PER SHARE**

	Consolidated Entity	
	31/12/03	31/12/02
	\$	\$
Earnings used in calculation of basic EPS and Diluted EPS	2,653,961	1,445,447
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in the calculation of Basic EPS	116,484,005	116,484,005
Potential ordinary shares assumed to have been issued for no consideration	1,968,085	---
Weighted average number of ordinary shares used in the calculation of Diluted EPS	118,452,090	116,484,005

**29. CASH FLOW SUPPLEMENTARY INFORMATION**

(a) For the purpose of the statements of cash flows, cash includes cash on hand and in at call deposits with banks, net of bank overdrafts. Cash at the end of the year as shown in the statements of cash flows is reconciled to items in the statements of financial position as follows:

	Consolidated Entity		Parent Entity	
	31/12/03	31/12/02	31/12/03	31/12/02
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand (note 5)	7,012	4,731	344	1,578
	7,012	4,731	344	1,578

**Oriental Technologies Investment Limited**  
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**Notes to and forming part of the Financial Statements for the year ended 31 December 2003**

29. CASH FLOW SUPPLEMENTARY INFORMATION (CONT'D)	Consolidated Entity		Parent Entity	
	31/12/03 \$'000	31/12/02 \$'000	31/12/03 \$'000	31/12/02 \$'000
(b) Reconciliation of cash inflow from operations with profit from ordinary activities after income tax:				
Profit from ordinary activities after income tax	3,516	2,035	1,103	211
Depreciation and amortisation	1,107	1,240	1	3
Provision for doubtful debts (decrease)/increase	(175)	57	---	(57)
Net loss on sale of non-current assets	46	49	6	---
Movement in income taxes payable	(47)	156	---	---
Effect of exchange rates on assets and liabilities in foreign currencies other than cash holdings	(411)	15	---	---
Changes in assets and liabilities net of the effect of purchases and disposals of subsidiaries				
Decrease/(increase) in trade debtors	1,180	(947)	---	57
Decrease/(increase) in other debtors	258	104	(272)	86
Increase/(decrease) in deferred expenditure	73	(74)	---	---
Decrease in inventories	55	141	---	---
(Decrease)/increase in trade creditors	(1,764)	(538)	(212)	241
Increase in employee benefits	4	4	4	4
Net cash inflow from operating activities	3,842	2,242	630	545

**30. FINANCIAL INSTRUMENTS**

(a) Credit Risk Exposures

The credit risk exposure of the Company and the consolidated entity to financial assets which have been recognised on the statement of financial position is generally the carrying amount, net of any provisions for doubtful debts.

(b) Net Fair Values of Financial Assets and Liabilities

The carrying amounts of cash, cash equivalents and non-interest bearing monetary financial assets and liabilities (e.g. accounts receivable and payable) approximate net fair value.

(c) Interest Rate Risk

The consolidated entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Note	Weighted Ave. Effective Interest Rate		Floating Interest Rate \$'000		Non-interest Bearing \$'000		Total \$'000	
		31/12/03	31/12/02	31/12/03	31/12/02	31/12/03	31/12/02	31/12/03	31/12/02
<b>Financial Assets</b>									
Cash	5	5.00%	4.20%	6,696	1,544	316	3,187	7,012	4,731
Receivables	6			---	---	2,015	3,020	2,015	3,020
Other Debtors	6			---	---	866	1,124	866	1,124
Security Deposits	11	4.30%	4.30%	8	8	---	---	8	8
<b>Total financial Assets</b>				<b>6,704</b>	<b>1,552</b>	<b>3,197</b>	<b>7,331</b>	<b>9,901</b>	<b>8,883</b>
<b>Financial Liabilities</b>									
Trade and sundry creditors	12			---	---	1,732	3,496	1,732	3,496
Loan Bank of China	13	4.30%	4.42%	6,762	3,419	---	---	6,762	3,419
<b>Total Financial Liabilities</b>				<b>6,762</b>	<b>3,419</b>	<b>1,732</b>	<b>3,496</b>	<b>8,494</b>	<b>6,915</b>
<b>Net Financial Assets</b>				<b>(58)</b>	<b>(1,867)</b>	<b>1,465</b>	<b>3,835</b>	<b>1,407</b>	<b>1,968</b>

**Oriental Technologies Investment Limited**  
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**Notes to and forming part of the Financial Statements for the year ended 31 December 2003**

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**30. FINANCIAL INSTRUMENTS (CONT'D)**

<b>Reconciliation of Net Financial Liabilities to Total Equity</b>	Note	<b>31/12/03</b>	<b>31/12/02</b>
		<b>\$'000</b>	<b>\$'000</b>
Net financial assets (as above)		1,407	1,968
Non financial assets and liabilities			
Inventories	7	1,488	1,543
Plant and equipment	9	10,803	10,239
Intangibles	10	494	528
Provisions	14,15	(1,355)	(868)
Total Equity		<u>12,837</u>	<u>13,410</u>

**31. EVENTS SUBSEQUENT TO REPORTING DATE**

The Directors are not aware of any matter or circumstance that has arisen since the end of the financial year that has significantly affected or may significantly affect the Consolidated Entity's operations, the results of these operations or the Consolidated Entity's state of affairs in future financial years.

**Oriental Technologies Investment Limited**  
**ABN 13 060 266 248**

**Directors' Declaration**

The directors of the company declare that:

1. The financial statements and notes comprising the Statements of Financial Performance, Position and Cash Flows, and accompanying notes are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 31 December 2003 and of the performance for the year ended on that date of the company and consolidated entity;
2. In the directors' opinion, 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 is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Sydney, 9 March 2004



Gerard McMahon  
Chairman of the Board



**Chartered Accountants  
& Advisers**

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## **INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ORIENTAL TECHNOLOGIES INVESTMENT LIMITED**

### **Scope**

#### *The Financial Report and Directors' Responsibility*

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Oriental Technologies Investment Limited (the company) and the consolidated entity, for the year ended 31 December 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

#### *Audit Approach*

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

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

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

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

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





## **Independence**

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

## **Audit Opinion**

In our opinion, the financial report of Oriental Technologies Investment Limited is in accordance with:

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

BDO

**BDO**

Chartered Accountants

A handwritten signature in black ink, appearing to read 'K R REID'. The signature is written in a cursive style with a long horizontal stroke at the end.

**K R REID**

Partner

Dated Sydney, this 9<sup>th</sup> day of March 2004

**Oriental Technologies Investment Limited**  
**ABN 13 060 266 248**

**Shareholder Information**

At 27 February 2004 issued capital was 116,484,005 ordinary shares held by 630 holders.

At a general meeting every shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and one vote for each share held on a poll.

**20 Largest Holders of Ordinary Shares and their Holdings at 27 February 2004.**

		<b>ORDINARY SHARES</b>	
		<b>NUMBER</b>	<b>% OF TOTAL</b>
1	Red Investment & Development Limited	55,500,000	47.65
2	Dynamic Ford Limited	23,280,000	19.99
3	Wirtz International Operations Inc	10,009,000	8.59
4	Invia Custodian Pty Limited (Loftus A/c)	4,107,685	3.53
5	Brencorp No 11 Pty Ltd	1,634,000	1.40
6	Mr Rodney Desmond Nyman & Mrs Susan Emilie Nyman <SE & RD Superannuation A/c>	1,102,172	0.95
7	Permanent Trustee Australia Limited <KAP001 A/c>	1,062,900	0.91
8	Bernard Marie Francois Le Clezio <BMF Leclezio Super Fund A/c>	608,559	0.52
9	Mr John O Wirtz	600,000	0.52
10	Mr Kevin John Holman	559,000	0.48
11	Permanent Trustee Australia Limited <KAP003 A/c>	500,000	0.43
12	Mr Leo Woodward & Mrs Joan Woodward	483,499	0.42
13	Blackmort Nominees Pty Ltd <20757 Account>	450,000	0.39
14	Capricorn Society Limited	450,000	0.39
15	Lady Penelope Patricia Street	437,500	0.38
16	HBK Management Pty Ltd	369,200	0.32
17	Elcott Pty Ltd	350,000	0.30
18	Mr Paul Roy <No 1 A/c>	340,000	0.29
19	Mrs Rita Hanna	325,000	0.28
20	Mr Steven Philip Judd	269,800	0.23
Total top 20 Ordinary Shareholders at 27 February 2004		102,438,315	87.97

**Distribution of Holders and Holdings at 27 February 2004.**

	<b>ORDINARY SHARES</b>	
	<b>NUMBER OF HOLDERS</b>	<b>SHARES HELD</b>
1 - 1,000	58	44,791
1,001 - 5,000	225	673,055
5,001 - 10,000	87	755,550
10,001 - 100,000	215	8,765,552
100,001 and over	45	106,245,057
<b>Total</b>	<b>630</b>	<b>116,484,005</b>
Holders of less than a marketable parcel:	212	389,646



**Oriental Technologies Investment Limited**  
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**Shareholder Information (continued)**

Substantial shareholders at 27 February 2004 as disclosed in Substantial Shareholder Notices given to the Company

<b>SUBSTANTIAL SHAREHOLDERS</b>	<b>NUMBER OF SHARES</b>	<b>PROPORTION OF ISSUED SHARES</b>
Red Investment & Development Limited	55,500,000	47.65%
Dynamic Ford Limited	23,280,000	19.98%
Wirtz International Operations Inc.	10,884,000	9.34%

**STOCK EXCHANGE LISTING**

The Company's ordinary shares are listed on the Australian Stock Exchange.

**SHARE REGISTRAR**

Computershare Investor Services Pty Ltd  
Level 3  
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SYDNEY NSW 1115

GPO Box 7045  
SYDNEY NSW 1115

Telephone:

(02) 8234 5400

Investor enquiries: (within Australia)  
(outside Australia)

1300 855 080

61 3 9615 5970

Facsimile:

(02) 8234 5050

<b><u>REGISTERED OFFICE</u></b>	<b><u>AUDITORS</u></b>
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Telephone: (02) 9299 5210	Telephone: (02) 9286 5555
Facsimile: (02) 9299 5310	Facsimile: (02) 9286 5599
E-mail: <a href="mailto:orientech@orientech.com.au">orientech@orientech.com.au</a>	

**SECRETARIES**

IH Morgan B Bus CA ACIS ASIA MAICD  
RJ Piggott CA