APPENDIX 4E

PRELIMINARY FINAL REPORT GIVEN TO THE ASX UNDER LISTING RULE 4.3A and 2006 ANNUAL REPORT

Oriental Technologies Investment Limited ABN 13 060 266 248

Reporting Period: Year ended 31 December 2006
Previous Reporting Period: Year ended 31 December 2005

Results for announcement to the market

Revenue from ordinary activities	up	43	%	to	$50,108,000
Profit(Loss) from ordinary activities after income tax attributable to members	up	n/a	%	to	$300,000
Net profit (loss) for the period attributable to members	up	n/a	%	to	$300,000

Dividends per Share	Amount per share	Franked amount per share at 30% tax
Final	Nil cents	Nil cents
Interim	Nil cents	Nil cents

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, page 2 of the 2006 Annual Report following this Appendix 4E.

Income statement and notes

Refer page 24 of the 2006 Annual Report following this Appendix 4E.

Balance sheet and notes

Refer page 25 of the 2006 Annual Report following this Appendix 4E.

APPENDIX 4E

PRELIMINARY FINAL REPORT GIVEN TO THE ASX UNDER LISTING RULE 4.3A and 2006 ANNUAL REPORT

Oriental Technologies Investment Limited ABN 13 060 266 248

Reporting Period: Year ended 31 December 2006
Previous Reporting Period: Year ended 31 December 2005

Statement of Cash flows and notes

Refer page 26 of the 2006 Annual Report following this Appendix 4E.

Details of dividend or distribution reinvestment plans in operation

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

Statement of accumulated losses

Refer to Statement of changes in equity on page 27 of the 2006 Annual Report following this Appendix 4E.

Other significant information
Refer to the 2006 Annual Report following this report.

A commentary on results for the period

Refer to the Review of Operations, page 2 of the 2006 Annual Report following this Appendix 4E.

	Current Period (¢)	Previous corresponding period (¢)
NET TANGIBLE ASSETS PER ORDINARY SHARE (NTA backing)	**14.7**	9.8

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

There are no associates or joint venture entities

The information contained in this Appendix 4E is based on the Annual report for the year ended 31 December 2006, which has been audited and is attached.

ORIENTAL TECHNOLOGIES INVESTMENT LIMITED

ABN 13 060 266 248

ANNUAL REPORT

31 DECEMBER 2006

ORIENTAL TECHNOLOGIES INVESTMENT LIMITED

ANNUAL REPORT 2006

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Review of Operations

The Company is pleased to report its results for the year ended 31 December 2006.

Net profit attributable to the members of Oriental Technologies Investment Limited for the year ended 31 December 2006 was $300,000 (2005: $2,395,000 loss). Revenue for 2006 was $50.1M, an increase of 43% over the previous period (2005: $35.0M).

The consolidation of the two factories in Yangzhou, a process started in 2005, was finally completed in Oct 2006. The company now has only one subsidiary in China, Yangzhou Apollo Battery Co Ltd ("YABC"). Yangzhou Hua Yang Battery Co Ltd, the entity that held the old factory was liquidated and its assets transferred to YABC.

China Operation

For the year ended on 31 December 2006 the Company's operation in China endured a year full of challenges. The main factors that negatively impacted on YABC's results are continued escalation in raw material costs and strengthening Chinese local currency.

The metal lead is the main raw material for batteries. The price of lead in China was at historical high levels for the most part of first half 2006. Between July and December 2006, the market has seen a relentless increase of 40% in lead price.

In the meantime, Chinese local currency Rmb has strengthened by more than 3% in 2006.

YABC increased battery selling prices in its attempts to pass-on the jump in raw material costs, but it's facing increasingly greater resistance from the market.

Due to the difficult operating environment, the focus of our China operation has not been on volume increase but on market share maintenance and margin improvement.

YABC managed to maintain similar volume of sales comparing to 2005. The 43% increase in revenue predominantly reflects the effect of higher average selling prices.

Other measures to improve the financial performance include cost reduction in manufacturing and overheads, intensification of the efforts to establish a market presence in China's domestic market.

Good progress has been reported in the domestic China market penetration. A network of distributors and re-sellers has been established in the Yangtze Delta region and Shandong Province on the eastern seaboard. The network coverage is progressively widening. Better than export gross margins have been achieved as the total China sales grew to more than 5% of the company's total business.

In December 2006, the Chinese government removed export tax incentives for the lead acid battery industry. As a result, our export oriented business model requires major adjustment.

From the start of 2007, lead price in China continued to climb and has so far increased by another 30% on top of the over 40% increase since July last year making the company's China operation at a loss so far this year.

Capital Injection by a Minority shareholder in YABC

On 20 January 2006, one of the shareholders of Yungzhou 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, equity holders of YABC directly injected part of their share of distributions from fellow subsidiary Yungzhou Huayang Battery Co Ltd ("YHBC") totaling USD 5.0 million to YABC as their capital contribution. The distributions are 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 was 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 approved by the People's Republic of China local government authority.

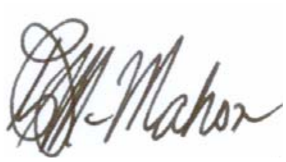
Profit Share Re-negotiation

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. Since then a dialogue has been developed between the Company and the new owner of CVIC in relation to the profit share.

The year of 2007 has been and will likely remain the most challenging year in the company's operating history. The extraordinarily high lead price remains unpredictable and will likely to continue to challenge the company's profitability for the rest of the year.

On behalf of the board, I thank all the staff of the Company for their dedication and effort, and our shareholders for their support.

Sydney, 25 July 2007



Gerard McMahon
Chairman of the Board

Directors' Report

The Directors of Oriental Technologies Investment Limited present their report on the Company for the financial year ended 31 December 2006.

Directors

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

		Date Appointed
Gerard McMahon	Chairman	7 April 2000
Lawrence Luo-lin Xin	Non Executive Vice-Chairman	24 December 1999
George Su Su	Managing Director	17 February 1995
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, unless otherwise indicated.

Directors' Qualifications, Experience and Special Responsibilities

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

Gerard McMahon

Non Executive Chairman of Directors
Chairman of the Audit Committee

Originally from Australia, Mr McMahon has been living and working in Hong Kong for 28 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.

Mr McMahon is a director of the following companies listed on the Hong Kong Stock Exchange:

- Guangnan (Holdings) Limited (appointed June 1999); and
- The Quaypoint Corporation Limited (formerly Techwayson Holdings Limited) (appointed 10 May 2006).

Mr McMahon is also a director of Indonesian Investment Fund Limited (appointed 10 December 2001), which is listed on the Irish Stock Exchange.

Mr McMahon was a director of RNA Holdings Limited (listed Hong Kong Stock Exchange) for the period 9 December 2004 to 8 January 2005.

Lawrence Luo-lin Xin

Non 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.

George S Su

Managing Director

Mr Su 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 the direct investments and international operations of China Venturetechno International Co Limited ("CVIC" a Chinese government controlled investment company) 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.

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.

Chunyang Qiu

Non-executive Director

Mr Qiu joined the Company in August 1995 and was 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.

Directors' Report (continued)

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, RBI Holdings Limited and 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.

Company Secretary

Mr. Ian Morgan was appointed to the position of company secretary of the Company on 31 December 2003. Mr Morgan is an experienced company secretary and is company secretary for other Australian listed public companies. He is also a member of Chartered Secretaries Australia.

Officers who were previously partners of the audit firm

No person was an officer of the Company during the financial year and previously a partner of the current audit firm, RSM Bird Cameron Partners.

Remuneration Report –AUDITED BY RSM BIRD CAMERON PARTNERS

Principles of compensation

Remuneration of directors and executives is referred to as compensation as defined in AASB 124.

Compensation levels for key management personnel and secretaries of the entity, and relevant key management personnel of the consolidated entity are competitively set to attract and retain appropriately qualified and experienced directors and executives.

The entity does not establish any relationship between remuneration and the entity's performance. No director or executive has an entitlement to a termination payment, other than any statutory payment made in lieu of notice at the existing rate of pay.

Key management personnel, as defined by AASB 124, were not issued with any equity instruments as compensation during the financial year ended 31 December 2006 (2005 Nil).

Remuneration of directors and specified executives

The remuneration structure for key management personnel, including executive Directors, seeks to remunerate with due regard to performance and other factors.

The Corporate Governance Policy provides the framework for a Remuneration Committee to consider directors and executive remuneration, as required.

Directors' Report (continued)

Remuneration Report (AUDITED) (continued)

The Remuneration Committee shall be responsible for all elements of the remuneration of the executive Directors of Oriental Technologies Investment Limited and shall make recommendations to the Board on:

- The basic salary paid to the executive Directors and any recommendations made by the Managing Director of Oriental Technologies Investment Limited for changes to that basic salary;

- The remuneration and terms of employment of prospective executive Directors of Oriental Technologies Investment Limited;

- Any bonuses to be paid to the executive Directors and, in respect of any element of remuneration of an executive Director which is performance-related, to formulate suitable performance-related criteria and monitor their operation; and to consider any recommendations of the Managing Director of Oriental Technologies Investment Limited regarding bonuses or performance-related remuneration;

- All performance-related formulae relevant to the remuneration of the Directors of Oriental Technologies Investment Limited, including the terms of their service contracts and changes to those contracts, and to consider the eligibility of Directors for any executive share option scheme operated by or to be established by Oriental Technologies Investment Limited including but not limited to (subject always to the rules of that scheme and any applicable legal and ASX requirements):-

    - the selection of those eligible Directors of Oriental Technologies Investment Limited and its related entities to whom options should be granted;

    - the timing of any grant;

    - the numbers of shares over which options are to be granted;

    - the exercise price at which options are to be granted;

    - the imposition of any objective condition which must be complied with before any option may be exercised;

    - disclosure of details of remuneration packages and structures in addition to those required by law or by the ASX;

    - other benefits granted to the executive Directors and any recommendations of the Managing Director of Oriental Technologies Investment Limited for changes in those benefits.

The Remuneration Committee shall have regard in the performance of the duties set out herein to any published guidelines or recommendations regarding the remuneration of directors of listed companies and formation and operation of share option schemes which the Remuneration Committee considers relevant or appropriate.

Oriental Technologies Investment Limited does not formalise remuneration and other terms of employment into service or employment agreements.

Directors' Report (continued)

<u>Remuneration Report (AUDITED) (continued)</u>

Details of the nature and amount of each major element of remuneration of each director of the Company and each of the four named Company executives and relevant group executives who receive the highest remuneration are:

		Short-term				Post-employment	Other long term	Termination benefits	Share-based payments		Proportion of remuneration performance related %	Value of options as proportion of remuneration %
		Salary & fees $	Cash bonus $	Non-monetary benefits $	Total	Super-annuation benefits $	$		Options and rights) $	Total $		
Directors												
Non-executive Directors												
Gerard McMahon (Chairperson)	2006	24,000	-	-	24,000	2,160	-	-	-	2,160	-	-
	2005	24,000	-	-	24,000	2,160	-	-	-	2,160	-	-
Lawrence L Xin	2006	-	-	-	-	-	-	-	-	-	-	-
	2005	-	-	-	-	-	-	-	-	-	-	-
Steve S Xin	2006	-	-	-	-	-	-	-	-	-	-	-
	2005	-	-	-	-	-	-	-	-	-	-	-
Patrick TK Ma	2006	-	-	-	-	-	-	-	-	-	-	-
	2005	-	-	-	-	-	-	-	-	-	-	-
Chunyang Qiu	2006	-	-	-	-	-	-	-	-	-	-	-
	2005	-	-	-	-	-	-	-	-	-	-	-
Christopher Corrigan (resigned 31	2006	-		-	-	-	-	-	-	-	-	-
December 2005)	2005	24,000	-	-	24,000	2,160	-	-	-	2,160	-	-
Executive Directors												
George Su Su, Managing Director	2006	48,000	-	-	48,000	4,320	-	-	-	4,320	-	-
	2005	48,000	-	-	48,000	4,320	-	-	-	4,320	-	-
Yong Bao General Manager (resigned	2006	-	-	-	-	-	-	-	-	-	-	-
as a Director 22 December 2005)	2005	37,221	-	-	37,221	-	-	-	-	-	-	-
Executives												
Xing Wang Acting Chief Executive	2006	-	-	-	-	-	-	-	-	-	-	-
Officer (appointed May 2006)	2005	-	-	-	-	-	-	-	-	-	-	-

Directors' Report (continued)

Remuneration Report (AUDITED) (continued)

		Short-term				Post-employment	Other long term	Termination benefits	Share-based payments	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
		Salary & fees $	Cash bonus $	Non-monetary benefits $	Total	Super-annuation benefits $	$		Options and rights $			
Ian Morgan (Company Secretary) (Note 1)	2006	-	-	-	-	-	-	-	-	-	-	-
	2005	-	-	-	-	-	-	-	-	-	-	-
Total compensation: key management personnel (consolidated)	2006	72,000	-	-	72,000	6,480	-	-	-	78,480	-	-
	2005	133,221	-	-	133,221	8,640	-	-	-	141,861	-	-
Total compensation: key management personnel (company)	2006	72,000	-	-	72,000	6,480	-	-	-	78,480	-	-
	2005	96,000	-	-	96,000	8,640	-	-	-	104,640	-	-

Note 1: For the year ended 31 December 2006, the Company paid $35,131 excluding GST (2005 $28,864) to an entity related to Mr Ian Morgan for the provision of company secretarial services.

End of Audited Section of Directors' Report

Directors' Report (continued)

Share Options

The Orientech Employee Share Option Plan was approved by shareholders on 6th January 1998.

Each employee share option is convertible into one share.

The exercise price for each employee share option shall not be less than the greater of:

(a) Five cents ($0.05) for each share; and
(b) The share market price as at the option issue date less a discount of up to but not exceeding 5% of the market price. The discount shall be determined by the Directors.

The share market price on a particular day is the weighted average sale price of shares for the five most recent transaction days preceding this particular day.

An employee share option will terminate and cannot be exercised after the date the holder ceases to be an employee or director, unless otherwise determined by Directors.

Employee share options may not be sold transferred or assigned; except to a legal personal representative of the option holder.

All shares allotted to option holders on the exercise of employee share options will be adjusted to be consistent with changes to the share structure and rank pari-passu with all other shares on issue at the date of allotment.

Options were issued to, and are held by:

	Number of Options Held 1 January 2006	Exercised	Granted	Expired	Number of Options Held 31 December 2006
Series 2 options	200,000	-	-	-	200,000

There are two hundred thousand unissued ordinary shares for which options are outstanding at the date of this report.

Series 2 options

Oriental Technologies Investment Limited issued a further 200,000 options over un-issued shares under the Orientech Employee Share Option Plan on 18 May 2005. Details of the options granted are:

Exercise Period:	Within the five-year period ending on 17 May 2010.
Exercise Price:	9.9 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).

Directors' Report (continued)

Directors' Relevant Interests in Securities at the date of this report

	Number of ordinary shares		
Director	**Beneficial**	**Non-Beneficial**	**Total**
Gerard McMahon	-	-	-
Lawrence L Xin	-	55,500,000	55,500,000
George Su Su	-	-	-
Patrick T K Ma	-	55,500,000	55,500,000
Chunyang Qiu	-	-	-
Steve S Xin	-	55,500,000	55,500,000

Directors' Meetings

During the financial year, 9 Directors' meetings and 2 Audit Committee meetings were held. Meetings attended by each Director are as follows:

Director	**Board of Directors**		**Audit Committee**	
	Eligible to attend	**Attended**	**Eligible to attend**	**Attended**
Gerard McMahon	9	9	2	2
Lawrence L Xin	9	9	2	-
George Su Su	9	9	-	-
Patrick T K Ma	9	-	-	-
Chunyang Qiu	9	-	-	-
Steve S Xin	9	-	-	-

Principal Activities

The principal activities of the Consolidated Entity during the financial year were manufacturing, exporting, marketing and selling lead acid batteries. No significant change in the nature of these activities occurred during the year.

Non Audit Services

Details of amounts paid to the Auditor for non Audit services provided during the year are set out in Note 11 to the financial statements. The Directors are satisfied that the provision of these non Audit services is compatible with the general standard of independence for the auditors imposed by the Corporations Act 2001 because:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in Professional Statement F1*Professional independence*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Directors' Report (continued)

Operating Results

Net profit attributable to members of Oriental Technologies Investment Limited for the financial year was $300,000 (2005 $2,395,000 loss).

Dividends

The Directors do not recommend the payment of a dividend (2005 $Nil). No dividends have been paid or declared since the start of the financial year.

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.

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.

Subsequent Events

Except as stated in Note 31 to the Financial Statements, 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.

Directors' Report (continued)

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.

Indemnification of Officers and Auditors

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

The Company has paid a premium of $28,903 (2005 $22,472) 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 as Director, Secretary or Executive Officer of the Company other than conduct involving a wilful breach of duty in relation to the Company.

Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 23 and forms part of the directors' report for the financial year ended 31 December 2006.

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.

Signed in accordance with a resolution of the Directors

Gerard McMahon
Chairman of the Board

Sydney, 25 July 2007

Corporate Governance

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 31 December 2006

Principle 1: Lay Solid Foundations for Management and Oversight

Recommendation 1.1: Formalise and disclose the functions reserved to the board and those delegated to management.

The Board has adopted a Corporate Governance Policy, which defines functions reserved for the Board and those delegated to Management.

The Board is accountable to shareholders for the performance of the Company and has overall responsibility for its operations.

The Board's primary objective is to protect and enhance shareholder value within a defined, informed structure which protects the rights and interests of shareholders and other stakeholders by ensuring that the Company and its controlled entities are properly managed. The Board, together with senior management, is responsible to shareholders and other stakeholders for the Company's total business performance.

Management of the business of the Company is conducted by the Managing Director as designated by the Board and by officers and employees to whom the management function is delegated by the Managing Director.

Principle 2: Structure the Board to Add Value

Recommendation 2.1: A majority of the board should be independent directors.

The Corporate Governance Policy defines the criteria for Board structure and independence. At present, the Board of six Directors comprises five non-executive independent Directors, including the Chairman; and one executive Managing Director.

The Board notes that Messrs Lawrence Luo-lin Xin, Patrick Ting Keung Ma and Steve Shulin Xin are each a non-executive Director of the Company and have the following related party interests:

- Red Investment & Development Limited ("RIDL"), a company of which Messrs L Xin, Ma and S Xin are Directors, owns 47.5% of the Company's issued ordinary shares; and
- RIDL receives fees from the Company to provide the Company with technical assistance and to review and source new business for the Company's operations in China.

The Board considers Messrs L Xin, Ma, S Xin and Qiu to be independent Directors because:

- Each has wide China related experience in merchant banking, investment banking and financial markets;
- Each are independent of management and likely to exercise unfettered and independent judgement;
- Each has experience, background and skills required by the Board, including experience in manufacturing, finance, mergers and acquisitions and banking;

Corporate Governance (continued)

- Their skills are complementary to the skills of other Company Directors;
- They offer personal qualities which will promote a critical and objective review of the Company's performance;
- The Company is considered to be a medium sized business, without the capacity to appoint additional independent Directors; and
- They will offer diverse opinions, but with balanced participation and commitment.

Recommendation 2.2: The chairperson should be an independent director.

The Chairman is a non-executive independent Director.

Recommendation 2.3: The roles of chairperson and chief executive officer should not be exercised by the same individual.

The Chairman and Managing Director are different individuals.

Recommendation 2.4: The board should establish a nomination committee.

The Corporate Governance Policy defines a policy for a Remuneration Committee, which is required to meet as required. This Remuneration Committee has not formed or met to the date of this report.

The size of the Company does not warrant the formation of a Nomination or Remuneration Committee at this time. Appointments have been considered by the full Board.

Recommendation 2.5: Other information for reporting on Principle 2.

Directors' Skills, Experience and Expertise

Details of Directors' qualifications, experience, term of office and special responsibilities are in the Directors Report included in this Annual Report.

Materiality thresholds

The Corporate Governance Policy requires the Company to regularly review procedures, and ensure timely identification of disclosure material and materiality thresholds.

Materiality judgments can only be made on a case by case basis, when all the facts are available. The Board would consider an amount which is:

- Equal to or greater than 10 per cent of the appropriate base amount as material, unless there is evidence or convincing argument to the contrary; and
- Equal to or less than 5 per cent of the appropriate base amount not to be material unless there is evidence, or convincing argument, to the contrary.

Directors may obtain independent professional advice at the Company's expense, subject to prior agreement and direction by the Board, on matters arising in the course of Company business. Directors also have access to senior Company managers and Company documents at all times.

The Board comprises five non-executive independent Directors (Messrs Gerard McMcMahon appointed 7 April 2000, Lawrence Luo-lin Xin appointed 24 December 1999, Patrick Ting Keung Ma appointed 24 December 1999, Steve Shulin Xin appointed 24 December 1999 and Chunyang Qiu appointed 14 July 1998) and one executive Director (Mr George Su appointed 17 February 1995).

Nominations Committee

Potential nominations to the Board are assessed by the full Board. The Board may appoint a nominations or remuneration committee.

Principle 3: Promote Ethical and Responsible Decision Making

Recommendation 3.1: Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:

3.1.1 The practices necessary to maintain confidence in the company's integrity.

3.1.2 The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Board has adopted a Corporate Governance Policy, which establishes a code of conduct.

The Company's Code of Conduct applies to all Directors, employees, contractors and professionals who have a business association with the Company. It provides guidance on what are acceptable standards of behaviour.

The Company expects persistently high standards of behaviour, which are essential to maintaining the trust and confidence of our stakeholders and the general public. The Directors, management and employees are expected to comply with the standards of integrity and ethical behaviour included in this policy. The Company expects everyone to abide by the spirit as well as the letter of the code.

The Code of Conduct is about developing a consistent understanding of desired behaviours, towards each other and with our business partners. Where appropriate, the expected conduct is elaborated upon in policy and procedure guidelines for specific job descriptions within each related entity.

Recommendation 3.2: Disclose the policy concerning trading in company securities by directors, officers and employees.

The Board has adopted a Corporate Governance Policy, which establishes a policy concerning trading in Company securities by Designated Officers.

Corporate Governance (continued)

Designated Officer means "any director and any other person engaged in the management of the Company or a company within the Company's group of companies, whether as an employee or consultant, who is notified in writing by the Managing Director that they are designated officers for the purposes of this policy from time to time";

Designated Officers may not deal:

- Until at least 1 business day after the relevant release of information to the ASX or after a share holder meeting; and
- Within the period of 30 days prior to the release to the ASX of the Company's annual results or half yearly results. ("Black-Out Periods")

Subject to not dealing in securities of the Company in the Black-Out Periods, a Designated Officer may deal in securities of the Company if:

- They have satisfied themselves that they are not in possession of any price sensitive information that is not generally available to the public;
- They have advised the Chairman (in the case of Directors) or the Managing Director (in the case of all other Designated Officers) of their intention to do so;
- The Chairman or Managing Director (as the case may be) has made appropriate enquiries with the Board and if the Board is undecided then sought independent legal advice; and
- The Chairman or Managing Director has indicated in writing that there is no impediment to them doing so.

Designated Officers must not communicate price sensitive information to a person who may deal in securities of the Company.

In addition, a Designated Officer must not recommend or otherwise suggest to any person (including a spouse; relative; friend; trustee of a family trust; or directors of a family company) that they buy or sell securities in the Company.

In exceptional circumstances, where it is the only reasonable course of action available to a Designated Officer, clearance may be given by the Chairman and at least one other non-executive director for the Designated Officer to sell (but not to purchase) securities when he or she otherwise would not be permitted to do so by this policy.

An example of the type of circumstances which may be considered exceptional for these purposes would be a pressing financial commitment on the part of the Designated Officer that cannot otherwise be satisfied.

The determination of whether the circumstances are exceptional for this purpose must be made by the Chairman and at least one other non-executive director.

This exception shall only apply if dealing in the Company's securities occurs outside the Black-Out Periods.

Corporate Governance (continued)

If an employee, who is not a Designated Officer, who is in possession of information that he or she knows or ought reasonably to know is price sensitive Information not generally available to the public in relation to the Company's securities then he or she may not deal in those securities.

Recommendation 3.3: Other information for reporting on Principle 3

This other information is disclosed above, under recommendations 3.1 and 3.2.

Principle 4: Safeguard integrity in financial reporting

Recommendation 4.1: Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.

The Corporate Governance Policy requires that the Managing Director and Chief Financial Officer certify the accuracy and completeness of financial information and, where relevant, its preparation in accordance with relevant accounting standards, the requirements of the ASX and other laws and regulations.

As required by section 307C of the Corporations Act 2001, the Company's Auditor provides the Company with a declaration of the auditor's independence from the Company.

Recommendation 4.2: The board should establish an audit committee.

The Company has an established audit committee.

Recommendation 4.3: Structure the audit committee so that it consists of:

- *only non-executive directors*
- *a majority of independent directors*
- *an independent chairperson, who is not chairperson of the board*
- *at least three members.*

The Company's Audit Committee comprises two non-executive independent Directors (Messrs Gerard McMahon and Lawrence Luo-lin Xin). The Chairman of the Audit Committee is also the Chairman of the Board.

This Audit Committee structure is considered to be commercially cost effective, and appropriate to the Company's size and structure.

Details of the Audit Committee Member's qualifications, experience, and special responsibilities are in the Directors Report included in this Annual Report.

The Audit Committee meets at least twice a year. The attendees are the Audit Committee Members; Managing Director; External Auditor and Company Secretary.

Corporate Governance (continued)

Recommendation 4.4: The audit committee should have a formal charter.

The Corporate Governance Policy includes a formal Audit Committee charter.

The primary role of the Audit Committee is to assist the board in fulfilling its oversight responsibilities by monitoring and reviewing, on behalf of the Board, the effectiveness of the Company's control environment in the areas of operational risk, legal compliance, regulatory compliance and financial reporting.

Recommendation 4.5: Other information for reporting on Principle 4

The Audit Committee comprises two members; each member is an independent non-executive director (Messrs Gerard McMahon and Lawrence Luo-lin Xin). The Chairman of the Audit Committee is also the Chairman of the Board (Mr Gerard McMahon).

Directors' qualifications, experience, special responsibilities and the number of Audit Committee meetings attended by each Audit Committee member are in the Directors' Report included in this Annual Report.

The size of the Company does not warrant the appointment of an independent Audit Committee Chairperson; or a membership of more than two independent non-executive directors.

Principle 5: Making timely and balanced disclosure

Recommendation 5.1: Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.

Each year, the Company Secretary prepares a timetable of ASX periodic reporting deadlines. This timetable is reviewed by the Board.

Company policy about continuous disclosure requirements of the ASX Listing Rules is included in the Company's Corporate Governance Policy.

The Board's policy is that shareholders are informed of all material developments that impact on the Company. Detailed continuous disclosure policy is intended to maintain the market integrity and market efficiency of the Company's shares listed on the ASX. This policy sets out the requirements of management to report to the Managing Director, any matter that may require disclosure under the Company's continuous disclosure obligations. Management is also required to report at each Board meeting on this issue. The continuous disclosure process ensures compliance with the Company's continuous disclosure and reporting obligations, consistent with the Australian Stock Exchange Limited Listing Rules, and the Corporations Act 2001.

Recommendation 5.2: Other information for reporting on Principle 5

This other information is disclosed above, under recommendation 5.1.

Principle 6: Respect the Rights of Shareholders

Recommendation 6.1: Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.

The Company aims to convey to its shareholders pertinent information in a detailed, regular, factual and timely manner.

The Board ensures that the annual report includes relevant information about the operations of the Company during the year, and changes in the state of affairs of the Company, in addition to the other disclosures required by the Corporations Act 2001.

Information is communicated to shareholders by the Company through:

- The annual and interim financial reports (for those shareholders who have requested a copy);
- Disclosures to the Australia Stock Exchange and the Australian Securities & Investments Commission;
- Notices and explanatory memoranda of annual general meetings; and
- All Shareholders are invited to attend and raise questions at the Annual General Meeting.

All shareholders are welcome to communicate directly with the Company.

All queries will be answered to the maximum extent possible (with consideration given to commercially sensitive information, privacy requirements and the Company's disclosure obligations) and in a timely fashion.

Recommendation 6.2: Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Statutory Auditor is required to attend the Annual General Meeting and be prepared to answer questions concerning the conduct of the audit and the preparation and content of the Auditor's Report.

Principle 7: Recognise and Manage Risk

Recommendation 7.1: The board or appropriate board committee should establish policies on risk oversight and management.

The Audit Committee has the responsibility to establish policies on the system of internal control and management of financial and business risks.

Risk matters are raised with the Audit Committee, which in turn manages these matters raised and reports to the full Board.

Corporate Governance (continued)

Recommendation 7.2: The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the board in writing that:

7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.

7.2.2 the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The Company's Corporate Governance Policy requires that these statements are certified by the Managing Director and Chief Financial Officer.

Recommendation 7.3: Other information for reporting on Principle 7

This other information is disclosed above, under recommendations 7.1 and 7.2.

Principle 8: Encourage Enhanced Performance

Recommendation 8.1: Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.

The Board undertakes self assessment of its collective performance. Individual performance is evaluated by the full Board.

The Company's Corporate Governance Policy discloses the charter, including the process of performance evaluation of executive Directors and senior management by a Remuneration Committee, if required.

Principle 9: Remunerate Fairly and Responsibly

Recommendation 9.1: Provide disclosure in relation to the company's remuneration policies to enable investors to understand:

(i) the costs and benefits of those policies; and
(ii) the link between remuneration paid to directors and key executives and corporate performance.

The Board has regard in the performance of the duties set out herein to any published guidelines or recommendations regarding the remuneration of directors of listed companies and formation and operation of share option schemes which the Board considers relevant or appropriate.

Fees for non-executive directors reflect the demands on and responsibilities of our Directors. Non-executive Directors are remunerated by way of base fees and statutory superannuation contributions and do not participate in schemes designed for the remuneration of executives. Non-executive directors do not receive any bonus payments nor are they provided with retirement benefits other than statutory superannuation.

Recommendation 9.2: The board should establish a remuneration committee.

The Board will establish a Remuneration Committee, as required.

Recommendation 9.3: Clearly distinguish the structure of non-executive directors' remuneration from that of executives.

Non-executive Directors' fees are determined by the Board within the aggregate amount approved by shareholders.

Recommendation 9.4: Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.

Any structure for equity based executive remuneration must be commercially cost effective, and appropriate to the Company's size and structure.

Recommendation 9.5: Other information for reporting on Principle 9.

When constituted, the Company's Remuneration Committee would comprise two non-executive independent Directors (Messrs Gerard McMahon and Lawrence Luo-lin Xin). The Chairman of the Remuneration Committee would also be the Chairman of the Board.

This Remuneration Committee structure would be considered to be commercially cost effective, and appropriate to the Company's size and structure.

Details of the proposed Remuneration Committee Member's qualifications, experience, and special responsibilities are in the Directors Report included in this Annual Report.

There are no schemes for retirement benefits, other than statutory superannuation, for non-executive directors.

Principle 10: Recognise the Legitimate Interests of Stakeholders

Recommendation 10.1: Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.

The Company's Corporate Governance Policy includes a Code of Conduct which includes a guide for legal and other obligations to legitimate stakeholders.

RSM! Bird Cameron Partners
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Auditor's Independence Declaration
Under Section 307C of the Corporations Act 2001 to the
Directors of Oriental Technologies Investment Limited and Controlled Entities

To: the directors of Oriental Technologies Investment Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2006 there has been:

(a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron

RSM Bird Cameron Partners

Wayne E Beauman
Partner

Dated at Sydney this 25th day of July 2007

Income Statements for the Year Ended 31 December 2006

	Notes	Consolidated Entity 2006 $'000	Consolidated Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Revenue	6	**50,108**	35,035	**538**	12
Other income	7	**133**	176	**40**	-
Changes in inventories of finished goods and work in progress		**3,422**	(296)	**-**	-
Raw materials and consumables used		**(45,838)**	(31,097)	**-**	-
Employee benefits expense	8.1	**(2,432)**	(1,036)	**(78)**	(171)
Depreciation expense	8.1	**(2,127)**	(2,112)	**-**	(3)
Impairment of property, plant and equipment	8.1	**-**	(2,047)	**-**	-
Impairment of investment in subsidiaries	8.1	**-**	-	**-**	(851)
Other expenses	8.2	**(1,471)**	(698)	**(2,624)**	(481)
Finance costs	8.1	**(681)**	(655)	**(3)**	-
Profit/(Loss) before income tax		**1,114**	(2,730)	**(2,127)**	(1,494)
Income tax expense	9	**(102)**	(121)	**-**	-
Profit/(Loss) for the year		**1,012**	(2,851)	**(2,127)**	(1,494)
(Profit)/Loss attributable to minority equity interest		**(712)**	456	**-**	-
Profit/(Loss) attributable to members of the parent entity	24	**300**	(2,395)	**(2,127)**	(1,494)

	Notes	Cents	Cents
Basic Earnings/(Loss) per share			
Profit/(Loss) from continuing operations attributable to the ordinary equity holders of the Company	10	**0.26**	(2.05)
Profit from discontinued operations		**-**	-
Profit/(Loss) attributable to the ordinary equity holders of the Company		**0.26**	(2.05)
Diluted Earnings/(Loss) per share			
Profit/(Loss) from continuing operations attributable to the ordinary equity holders of the Company	10	**0.26**	(2.05)
Profit from discontinued operations		**-**	-
Profit/(Loss) attributable to the ordinary equity holders of the Company		**0.26**	(2.05)

The accompanying notes form part of these financial statements.

Balance Sheets as at 31 December 2006

	Note	Consolidated Entity 2006 $'000	Consolidated Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
ASSETS					
Current Assets					
Cash and cash equivalents	12	**4,101**	2,162	**199**	157
Trade and other receivables	13	**5,098**	2,690	**39**	21
Inventories	14	**5,629**	2,207	**-**	-
Total current assets		**14,828**	7,059	**238**	178
Non-current assets					
Other financial assets	15	**-**	-	**9,667**	11,851
Deferred tax assets	17	**-**	73	-	-
Property, plant and equipment	18	**16,830**	19,539	**-**	31
Intangible assets	19	**-**	494	**-**	-
Total non-current assets		**16,830**	20,106	**9,667**	11,882
Total assets		**31,658**	27,165	**9,905**	12,060
LIABILITIES					
Current liabilities					
Trade and other payables	20	**4,176**	3,221	**676**	704
Short-term borrowings	21	**10,291**	11,794	**-**	-
Current tax liabilities		**-**	93	**-**	-
Short term provisions	22	**15**	15	**15**	15
Total current liabilities		**14,482**	15,123	**691**	719
Total liabilities		**14,482**	15,123	**691**	719
Net assets		**17,176**	12,042	**9,214**	11,341
EQUITY					
Issued capital	23	**27,892**	27,892	**27,892**	27,892
Reserves	24	**735**	1,231	**4**	4
Accumulated Losses	24	**(19,059)**	(19,382)	**(18,682)**	(16,555)
Parent entity interest		**9,568**	9,741	**9,214**	11,341
Minority equity interest	25	**7,608**	2,301	**-**	-
Total equity		**17,176**	12,042	**9,214**	11,341
Net tangible assets per share (cents)		**14.7**	9.8	**7.9**	9.7

The accompanying notes form part of these financial statements.

Cash Flow Statements for the Year Ended 31 December 2006

	Note	Consolidated Entity 2006 $'000	Consolidated Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Cash flows from operating activities					
Cash receipts from customers		**47,827**	36,499	**-**	-
Cash paid to suppliers and employees		**(48,710)**	(35,010)	**(483)**	(596)
Interest received		**32**	25	**7**	12
Legal claim received		**-**	697	**-**	191
Dividend received		**-**	-	**531**	-
Finance costs		**(681)**	(655)	**(3)**	-
Income taxes paid		**(117)**	(101)	**-**	-
Net cash (outflow)/inflow from operating activities	27	**(1,649)**	1,455	**52**	(393)
Cash flows from investing activities					
Purchase of property, plant and equipment		**(4,963)**	(1,737)	**-**	-
Proceeds from sale of property, plant and equipment		**4,751**	120	**-**	-
Net cash inflow/(outflow) from investing activities		**(212)**	(1,617)	**-**	-
Cash flows from financing activities					
Proceeds from issue of shares		**5,233**	23	**-**	23
Repayment of borrowings		**(976)**	(64)	**-**	-
Proceeds from borrowings		**-**	-	**-**	500
Net cash inflow/(outflow) from financing activities		**4,257**	(41)	**-**	523
Net increase/(decrease) in cash and cash equivalents		**2,396**	(203)	**52**	130
Net foreign exchange differences		**(457)**	171	**(10)**	-
Cash and cash equivalents at beginning of year		**2,162**	2,194	**157**	27
Cash at the end of the financial year	12	**4,101**	2,162	**199**	157

The accompanying notes form part of these financial statements.

Statements of Changes in Equity for the Year Ended 31 December 2006

	Issued capital $'000	Accumulated Losses $'000	Other reserves $'000	Total $'000	Minority interest (note 25) $'000	Total equity $'000
CONSOLIDATED ENTITY						
At 1 January 2005	27,870	(18,084)	319	10,105	2,535	12,640
Reversal of provision for profit share payment	-	1,096	-	1,096	-	1,096
	27,870	(16,988)	319	11,201	2,535	13,736
Loss for the year ended 31 December 2005	-	(2,395)	-	(2,395)	(456)	(2,851)
Foreign currency translation differences	-	-	908	908	223	1,131
Exercising of executive share options	22	-	-	22	-	22
Share based payments	-	-	4	4	-	4
Other	-	1	-	1	(1)	-
Total income and expense for the year recognised directly in equity	22	1	912	935	222	1,157
At 31 December 2005	**27,892**	**(19,382)**	**1,231**	**9,741**	**2,301**	**12,042**
Profit for the year ended 31 December 2006	-	300	-	300	712	1,012
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 loss on liquidation of foreign subsidiary	-	-	(717)	(717)	-	(717)
Other	-	-	3	3	(3)	-
Total income and expense for the year recognised directly in equity	-	23	(496)	(473)	4,595	4,122
At 31 December 2006	**27,892**	**(19,059)**	**735**	**9,568**	**7,608**	**17,176**
PARENT						
At 1 January 2005	27,870	(16,663)	-	11,207	-	11,207
Prior year adjustment to impairment of investment in subsidiary (Note 15)	-	506	-	506	-	506
Reversal of provision for profit share payment (Note 22)	-	1,096	-	1,096	-	1,096
	27,870	(15,061)	-	12,809	-	12,809
Loss for the year ended 31 December 2005	-	(1,494)	-	(1,494)	-	(1,494)
Exercising of executive share options	22	-	-	22	-	22
Share based payments	-	-	4	4	-	4
Total income and expense for the year recognised directly in equity	22	-	4	26	-	26
At 31 December 2005	**27,892**	**(16,555)**	**4**	**11,341**	**-**	**11,341**
Loss for the year ended 31 December 2006	-	(2,127)	-	(2,127)	-	(2,127)
At 31 December 2006	**27,892**	**(18,682)**	**4**	**9,214**	**-**	**9,214**

The accompanying notes form part of these financial statements.

Notes to and forming part of the financial statements for the year ended 31 December 2006

NOTE 1 CORPORATE INFORMATION

The financial report of Oriental Technologies Investment Limited for the year ended 31 December 2006 was authorised for issue in accordance with a resolution of the directors on 25 July 2007 and covers Oriental Technologies Investment Limited as an individual entity as well as the consolidated entity consisting of Oriental Technologies Investment Limited and its subsidiaries as required by the Corporations Act 2001.

The financial report is presented in Australian currency.

Oriental Technologies Investment Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange.

The address of the registered office and principal place of business is Level 12, 32 Martin Place, Sydney, NSW 2000.

For the name of the parent and the ultimate parent of the group, refer Note 29 Related Party Transactions.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board and Interpretations and the Corporations Act 2001.

The financial report has been prepared on an accruals basis and is based on historical costs, including the measurement of land and buildings.

Compliance with Australian equivalents to International Financial Reporting Standards (AIFRS) ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(b) Going Concern

Notwithstanding the deficiency of net current assets the financial report has been prepared on a going concern basis, which contemplates continuity of normal trading activities and the realisation of assets and settlement of liabilities in the normal course of business.

The on –going viability of the consolidated entity is dependent on its ability to generate profits from future operations, the continued availability of bank facilities and the ability of the consolidated entity to raise additional equity.

Directors believe that present funding facilities will be retained; and the Company will have access to additional funding, if required.

Disposal of Subsidiary

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Going Concern (continued)

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 approved by the People's Republic of China local government authority.

No provision, if any, for any liability which may result from any reduction in the registered capital has been recognized in these financial statements.

(c) Basis of Consolidation

Subsidiaries
The consolidated financial statements comprise of the financial statements of Oriental Technologies Investment Limited and its subsidiaries at 31 December each year ("the Group"). Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. Potential voting rights that are currently exercisable or convertible are considered when assessing control. Consolidated financial statements include all subsidiaries from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies.

A list of controlled entities is contained in Note 16 to the financial statements. All controlled entities have a December financial year end.

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

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Subsidiaries are accounted for in the parent entity financial statements at cost, less impairment write downs.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Business Combinations

The purchase method of accounting is used to account for all business combinations. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued, the value of the equity instruments is their published market price as at the date of exchange unless, in rare circumstances it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired, liabilities and contingent liabilities assumed in business combinations are initially measured at their fair values at acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of identifiable net assets acquired is recorded as goodwill (refer Note 2(n)). If the cost of acquisition is less than the Group's share of the fair value of the net assets acquired, the difference is recognised in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the cash consideration is deferred, the amounts payable in future are discounted to present value at the date of exchange using the entity's incremental borrowing rate as the discount rate.

(e) Foreign Currency Translation

The functional currency of Oriental Technologies Investment Limited is Australian Dollars and that of its Chinese subsidiaries is Chinese Renminbi (RMB). The presentation currency is Australian Dollars (AUD).

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in the income statement.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

The functional currency of the overseas subsidiaries is RMB. At reporting date, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Oriental Technologies Investment Limited at the closing rate at balance sheet date and income and expenses are translated at the average exchange rates for the year. All resulting exchange differences are recognised as a separate component of equity (foreign currency translation reserve). On disposal of a foreign entity, the cumulative exchange difference recognised in the foreign currency translation reserve relating to that particular foreign operation is recognised in the income statement.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(f) Revenue Recognition

Revenue is recognised at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. All

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue Recognition (continued)

revenue is stated net of goods and services tax (GST). The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods
Revenue from sale of lead acid batteries is recognised when the significant risks and rewards of ownership have passed to the buyer and can be reliably measured. Risks and rewards are considered passed to the buyer when goods have been delivered to the customer.

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

Dividends
Dividends are recognised when the Group's right to receive payment is established.

(g) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is possible that future tax profits will be available against which deductible temporary differences can be utilised.

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 taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Oriental Technologies Investment Limited and its Australian wholly-owned subsidiary have implemented the tax consolidation legislation for the whole of the financial year. Oriental Technologies Investment Limited is the head entity in the tax consolidated group. The stand-alone taxpayer approach has been used to allocate current income tax expense and deferred tax balances to wholly-owned subsidiaries that form part of the tax consolidated group. Oriental Technologies Investment Limited has assumed all the current tax liabilities and the deferred tax assets arising from unused tax losses for the tax consolidated group via intercompany receivables and payables because a tax funding arrangement has been in place for the whole financial year.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment of Assets

At each reporting date the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in the income statement where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives

Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash-generating unit to which the asset belongs.

(i) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments with maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

(j) Trade Receivables

Trade receivables are recognised at original invoice amounts less an allowance for uncollectible amounts. They have repayment terms between 30 and 60 days. Collectibility of trade receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance is made for doubtful debts where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms.

(k) Inventories

Raw Materials, Work in Progress and Finished Goods
Inventories are stated at the lower of cost and net realisable value. Cost comprises of all direct materials, direct labour and an appropriate portion of variable and fixed overheads. Fixed overheads are allocated on the basis of normal operating capacity. Costs are assigned to inventories using the weighted average cost basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling cost of completion and selling expenses.

(l) Property, Plant and Equipment

All land useage rights, buildings, plant and equipment are stated at historical cost. This includes costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less depreciation and any impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Land usage rights	2% per annum
- Leasehold buildings	4.5% per annum
- Plant & equipment	3% - 27% per annum

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Property, Plant and Equipment (continued)

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Construction in progress is stated at cost. Interest costs incurred in relation to construction are capitalised as part of the cost of each asset. Construction in progress is transferred to fixed assets when completed and ready to use.

Gains and losses on disposals are calculated as the difference between the net disposal proceeds and the asset's carrying amount and are included in the income statement in the period that the item is derecognised.

(m) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases and capitalised at inception of the lease at the fair value of the leased property, or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and rewards of ownership of the net asset are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to the income statement in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term

(n) Intangible Assets

Goodwill
Goodwill represents the excess of the cost of the business combination over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities. Goodwill is not amortised but is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Impairment losses on goodwill cannot be reversed.

(o) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and payment terms are between 30 and 60 days.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

All borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(q) Other Liabilities

Other liabilities comprise current amounts due to related parties that do not bear interest and are repayable at call.

(r) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset will be capitalised as part of the cost of that asset. The capitalisation of borrowing costs as part of the cost of a qualifying asset should commence when:

- Expenditures for the assets are being incurred;
- Borrowing costs are being incurred; and
- Activities that are necessary to prepare the asset for its intended use are in progress.

Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is Nil% (2005 1.0%).

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

(s) Financial Instruments

Where financial instruments issued by the Company, give rise to a contractual obligation to deliver cash to the holder, they are classified as liabilities to the extent of the obligation

Where financial instruments are redeemable at the option of the holder, redeemable at a fixed date or perpetual instruments with cumulative interest obligations, the proceeds received are classified as a liability and related distributions as interest expense.

Where financial instruments are redeemable but either the holder or the Company has an option to convert them into ordinary shares of the Company, they are classified as compound instruments. The liability component is measured as the present value of the principal and interest obligations, discounted at the prevailing market rate for a similar liability that does not have an equity component. The residual of the net proceeds received on issuing the instrument is classified as equity.

Interest expense on compound instruments is determined based on the liability component and includes the actual interest paid to holders. The liability accretes over the life of the instruments to the original face value if they are not previously converted. There are no dividends associated with the equity component.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Financial Instruments (continued)

Where financial instruments have no fixed maturity, are redeemable at the option of the Company and have no cumulative interest obligations, the proceeds received are classified as equity and the related distributions as dividends.

(t) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(u) Employee Benefit Provisions

Provision is made for the Group's liabilities for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within 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.

(v) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows

(w) Contributed Equity

Ordinary shares are classified as equity.

Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.

(x) Share-Based Payments

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for options over shares ("equity-settled transactions"). The following plan is currently in place to provide these benefits:
- the Orientech Employee Share Option Plan (ESOP) which provides benefits to employees.

Share Options Granted Before 7 November 2002 and/or Vested Before 1 January 2005
No expense has been recognised in respect of options granted before 7 November 2002. Shares are recognised when options are exercised and the proceeds received are allocated to share capital.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Share-Based Payments (continued)

Share Options Granted on or After 7 November 2002 and Vested After 1 January 2005
The fair value of options granted under the Orientech Employee Share Option Plan are recognised as an employee benefit expense with a corresponding increase in equity (share option reserve). The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options. Fair value is determined using a Black-Scholes option pricing model. In determining fair value, no account is taken of any performance conditions other than those related to the share price of Oriental Technologies Investment Limited ("market conditions"). This expense is recognised at grant date, when these options also vest.

Where the terms of options are modified, a further expense is recognised for any increase in fair value of the transaction.

If new options are substituted for the cancelled options and designated as a replacement on grant date, the combined impact of the cancellation and replacement options are treated as if they were a modification.

(y) Earnings Per Share

Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of Oriental Technologies Investment Limited (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the financial year.

For the purpose of calculating diluted earnings per share, profit or loss attributable to ordinary equity holders of Oriental Technologies Investment Limited and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

Profit or loss attributable to ordinary equity holders of Oriental Technologies Investment Limited is adjusted, by the after-tax effect of:

(i) any dividends or other items related to dilutive potential ordinary shares deducted in arriving at profit or loss attributable to ordinary equity holders of Oriental Technologies Investment Limited;

(ii) any interest recognised in the period related to dilutive potential ordinary shares ; and

(iii) any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares.

The 200,000 options granted on 18 May 2005 are not included in the calculation of diluted earnings per share because they are anti-dilutive. These options could potentially dilute basic earnings per share in the future.

(z) Accounting Standards Issued But Not Yet Effective

There are no Australian Accounting Standards issued but not yet effective that would materially impact upon the financial statements.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(aa) Rounding of Amounts

The company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission relating to rounding of amounts in the financial report. Amounts have been rounded to the nearest thousand dollars ($'000) unless otherwise stated.

NOTE 3 RISK MANAGEMENT POLICIES AND OBJECTIVES

Activities undertaken by Oriental Technologies Investment Limited and its subsidiaries may expose the Group to market risk, credit risk, liquidity risk and fair value and cash flow interest rate risk. The Group's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Group where such impacts may be material.

Market risk

Market risk essentially comprises the following:

Lead price risk

The Group has exposure to movements in the US dollar and Chinese renminbi. Lead is the major raw material used to manufacture lead acid batteries. Lead is priced in US dollars. The Group's subsidiaries operating in The People's Republic of China ("PRC") use Chinese renimnbi.

From 1994 until July 2005, the Chinese policy on currency has been to peg informally the value of the renminbi against the value of the US dollar.

The People's Bank of China announced that, from July 2005, the renminbi would be pegged to a basket of foreign currencies, rather than being strictly tied to the US dollar, and would trade within a narrow 0.3 percent band against this basket of currencies.

The PRC has stated that this basket is dominated by the U.S. dollar, euro, Japanese yen and South Korean won, with a smaller proportion made up of the British pound, Thai baht, Russian ruble, Australian dollar, Canadian dollar and Singaporean dollar.

The law of the PRC prohibits the Group from hedging against foreign currency exposures in China. However, the Group consistently seeks to pass on any US dollar lead price increases to customers.

Credit risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Group incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Group.

There is no concentration of credit risk with respect to current and non-current receivables as the Group has a large number of customers, dispersed internationally. Group policy is that sales are only made to customers that are assessed as credit worthy.

Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g borrowing repayments. It is the policy of the Board of Directors that the Group maintain adequate committed credit facilities.

NOTE 3 RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

Fair value and cash flow interest rate risk

The Group's cash flow interest rate risk arises from long-term borrowings with variable interest rates, the Group's fair value interest rate risk arises from long-term borrowings with fixed interest rates.

At balance date all borrowings were current liabilities and therefore management believes that there was no major risk in respect of fair value and cash flow interest rate risk.

NOTE 4 ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical judgements

In the application of AIFRS management is required to make judgments, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision effects both current and future periods.

Judgments made by management in the application of AIFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Income Tax
The Group is subject to income taxes in Australia and China. Significant judgement is required in determining the provisioning for income taxes. The Group recognises liabilities for anticipated tax based upon estimates of whether taxes will be due. Where the final tax outcome of these matters is different from the amount initially recorded, such differences will impact the current and deferred income tax provisions in the period in which the determination is made.

Critical accounting estimates and assumptions

Details of critical accounting estimates and assumptions about the future made by management at the reporting date are set out below:

Goodwill
Note 19 includes details about specific estimates made to determine whether there has been any impairment to goodwill.

NOTE 5 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

2006

	Europe	Australia	China	Other	Total continuing operations	Inter-segment eliminations/ 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	-	-	-	-	-	32	32
Total segment revenue/income	32,201	11,845	1,981	4,049	50,076	32	50,108
Result							
Segment result	4,975	1,863	188	634	7,660	(6,546)	1,114
Profit before income tax							1,114
Income tax expense							(102)
Net profit for the year							1,012

2005

	Europe $'000	Australia $'000	China $'000	Other $'000	Total continuing operations $'000	Inter-segment eliminations/ Unallocated $'000	Consolidated $'000
Revenue							
Sales to external customers	19,801	9,629	734	4,846	35,010	-	35,010
Total sales revenue	19,801	9,629	734	4,846	35,010	-	35,010
Other revenue/income	-	-	-	-	-	201	201
Total segment revenue/income	19,801	9,629	734	4,846	35,010	201	35,211
Result							
Segment result	828	403	31	202	1,464	(4,194)	(2,730)
Loss before income tax							(2,730)
Income tax expense							(121)
Net loss for the year							(2,851)

NOTE 5 SEGMENT REPORTING (continued)

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 18 to these accounts 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 5 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.

NOTE 6 REVENUE

	Consolidated Entity		Parent Entity	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
From continuing operations				
Sale of goods	**50,076**	35,010	**-**	-
Interest	**32**	25	**7**	12
Dividend from subsidiary	**-**	-	**531**	-
	50,108	35,035	**538**	12

NOTE 7 OTHER INCOME

	Consolidated Entity 2006	Consolidated Entity 2005	Parent Entity 2006	Parent Entity 2005
Foreign currency gain	**13**	148	**40**	**-**
Other	**120**	28	**-**	**-**
	133	176	**40**	**-**

NOTE 8.1 EXPENSES

	Consolidated Entity		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Profit/(Loss) before income tax includes the following specific expenses:				
Depreciation expense				
Land use rights	**24**	23	**-**	-
Buildings	**259**	258	**-**	-
Plant and equipment	**1,844**	1,831	**-**	3
	2,127	2,112	**-**	3
Impairment				
Property plant and equipment (impairment reversal)/impairment	**-**	2,047	**-**	-
Investment in subsidiary	**-**	-	**-**	851
	-	2,047	**-**	851
Employee benefits	**2,432**	1,036	**78**	171
Finance Costs				
Interest paid/payable	**681**	692	**3**	-
	681	692	**3**	-
Less Amount capitalised	**-**	(37)	**-**	-
	681	655	**3**	-
Defined contribution superannuation expense	**6**	9	**6**	9

NOTE 8.2 EXPENSES

	Consolidated Entity		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Profit/(Loss) before income tax includes the following specific expenses:				
Loss on liquidation of foreign subsidiary	**200**	-	**2,184**	-
Technical and advisory fees	**222**	219	**154**	219
General & administrative costs	**558**	400	**205**	262
Bad and doubtful debts	**12**	-	**-**	-
Bank Charges	**41**	18	**-**	-
Loss on sale of fixed assets	**31**	-	**31**	-
Foreign currency loss	**398**	-	**50**	-
Operating lease rental	**-**	58	**-**	-
Other expenses	**9**	3	**-**	-
	1,471	698	**2,624**	481

NOTE 9 INCOME TAX EXPENSE

	Consolidated Entity		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Current tax expense				
Current tax expense	**(29)**	(194)	**-**	-
Total current income tax expense	**(29)**	(194)	**-**	-
Deferred tax (expense)/benefit				
Origination and reversal of temporary differences	**(73)**	73	**-**	-
Total income tax (expense)/ benefit in income statement	**(102)**	(121)	**-**	-

Oriental Technologies Investment Limited is entitled to a Chinese tax refund if any dividend receivable from its Chinese subsidiaries is not remitted overseas; but re-invested in China. The deferred tax expense has been measured using the tax rates applicable to undistributed profit. If all the undistributed profits in these subsidiaries were remitted overseas as dividends, there is no potential income tax consequence different to that disclosed. The Group has applied the Chinese tax rate (12% and 24% for YHBC and YABC respectively) assuming that any dividend is remitted overseas to Oriental Technologies Investment Limited and no Chinese tax would be refunded. It is not practicable to determine the potential income tax consequence of any dividend re-investment in China.

	Consolidated Entity		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Reconciliation of the effective tax rate				
Profit/(Loss)from continuing operations before income tax expense	**1,114**	(2,730)	**(2,127)**	(1,494)
Prima facie (expense)/tax benefit at the Australian tax rate of 30% (2005: 30%)	**(334)**	819	**638**	448
Tax concession – China	**92**	(199)	**-**	-
Non deductible expenses	**(15)**	-	**(15)**	-
Loss on liquidation of foreign subsidiary not deductible	**(60)**	-	**(655)**	-
Dividend exempt income	**159**	-	**159**	-
Investment in subsidiary written off	**-**	-	**-**	(255)
Reversal of impairment of property, plant and equipment not assessable/(deductible)	**-**	(614)	**-**	-
Non deductible losses and tax offset not recognised as a deferred tax asset	**(127)**	(193)	**(127)**	(193)
	(285)	(187)	**-**	-
Adjustment to reflect income tax payable at 12% and 24% for YHBC and YABC subsidiaries in China, respectively.	**183**	66	**-**	-
Income tax expense at effective tax rate of 9.2% (2005: 4.4%)	**(102)**	(121)	**-**	-

NOTE 10 EARNINGS/(LOSS) PER SHARE

Reconciliation of (loss)/earnings used in calculating (loss)/earnings per share

	Consolidated	
	2006	2005
	$'000	$'000
Basic loss per share		
Profit/(Loss)from continuing operations	**1,012**	(2,851)
(Profit)/Loss from continuing operations attributable to minority interests	**(712)**	456
Loss from continuing operations attributable to ordinary equity holders of Oriental Technologies Investment Limited used to calculate basic loss per share	**300**	(2,395)
Diluted loss per share		
Profit/(Loss) from continuing operations attributable to ordinary equity holders of Oriental Technologies Investment Limited used to calculate basic loss per share	**300**	(2,395)
Profit/(Loss) from continuing operations attributable to ordinary equity holders of Oriental Technologies Investment Limited used to calculate diluted loss per share	**300**	(2,395)

	Consolidated	
	2006	2005
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings/(loss) per share	**116,884,005**	116,767,293
Adjustments for calculation of diluted earnings/(loss) per share:		
- options	**-**	-
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings/(loss) per share	**116,884,005**	116,767,293

The 2005 weighted average number of ordinary shares used in calculating diluted earnings / (loss) per share includes 4,600,000 options that lapsed on 23 November 2005**.**

NOTE 11 AUDITORS' REMUNERATION

	Consolidated Entity		Parent Entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
Assurance Services				
Audit services				
Amounts paid/payable to BDO for audit or review of the financial report for the entity or any entity in the Group:	**118,112**	94,824	**118,112**	94,824
Amounts paid/payable to a related practice of BDO for audit or review of the financial report for the entity or any entity in the Group:	**9,029**	26,020	**9,029**	26,020
Amounts paid/payable to RSM Bird Cameron for audit or review of the financial report for the entity or any entity in the Group:	**7,100**	-	**7,100**	-
Amounts paid/payable to a related practice of RSM Bird Cameron for audit or review of the financial report for the entity or any entity in the Group:	**43,854**	-	**43,854**	-
Total remuneration for assurance services	**178,095**	120,844	**178,095**	120,844
Taxation services				
Amounts paid/payable to BDO for non-audit taxation services performed for the entity or any entity in the group:				
- Preparation and lodgement of income tax return	**3,000**	3,000	**3,000**	3,000
	3,000	3,000	**3,000**	3,000

NOTE 12 CASH AND CASH EQUIVALENTS

	Consolidated Entity		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	**4,101**	1,844	**199**	157
Notes Receivable	**-**	318	**-**	-
	4,101	2,162	**199**	157

Cash at bank and in hand is non-interest bearing. During 2005, notes receivable at call beared floating interest rates of 5% and 7%. These deposits had an average maturity of 20 days.

NOTE 13 TRADE AND OTHER RECEIVABLES (CURRENT)

	Consolidated Entity		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Trade receivables	**3,967**	2,161	**-**	-
Impairment of receivables	**-**	(1)	**-**	-
	3,967	2,160	**-**	-
Other debtors	**1,131**	539	**39**	21
Impairment of other debtors	**-**	(9)	**-**	-
	5,098	2,690	**39**	21

Interest rate risk

The Groups' exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the tables below:

2006	**Floating rates**	**< 1 year**	**1 - 2 years**	**2 - 3 years**	**3 - 4 years**	**4 - 5 years**	**> 5 years**	**Non-interest bearing**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Trade receivables	-	-	-	-	-	-	-	3,967	**3,967**
Other receivables	-	-	-	-	-	-	-	1,131	**1,131**
	-	-	-	-	-	-	-	5,098	**5,098**
Weighted average interest rate	-	-	-	-	-	-	-	-	-

2005	**Floating rates**	**< 1 year**	**1 - 2 years**	**2 - 3 years**	**3 - 4 years**	**4 - 5 years**	**> 5 years**	**Non-interest bearing**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Trade receivables	-	-	-	-	-	-	-	2,160	**2,160**
Other receivables	-	-	-	-	-	-	-	530	**530**
	-	-	-	-	-	-	-	2,690	**2,690**
Weighted average interest rate	-	-	-	-	-	-	-	-	-

NOTE 14 INVENTORIES (CURRENT)

At cost	Consolidated Entity 2006 $'000	Consolidated Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Raw Materials	**2,712**	118	**-**	-
Work in progress	**1,697**	1,061	**-**	-
Finished goods	**1,220**	1,028	**-**	-
	5,629	2,207	**-**	-

The cost of inventories recognised as an expense amounted to $42,415,000 (2005: $31,393,000).

NOTE 15 OTHER FINANCIAL ASSETS (NON-CURRENT)

	Consolidated Entity 2006 $'000	Consolidated Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Shares in subsidiaries (refer note 16)	-	-	**10,034**	13,069
Write down to recoverable amount	-	-	**(367)**	(1,218)
	-	-	**9,667**	11,851

These financial assets are carried at the lower of cost and net asset value.

Transition to AASB 132 and AASB 139

The Group has applied the exemption available in AASB 1 to apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 January 2005. As these investments were carried at cost under previous GAAP and are also carried at cost under current GAAP, there is no adjustment at the date of transition to AASB 132 and AASB 139 on 1 January 2005 for the parent entity.

Impairment of investment in subsidiary
During the year ended 31 December 2006, the parent company transferred $851,000 being the impairment provision previously recognised against its investment in Yangzhou Hua Yang Battery Co Limited to the loss on liquidation of foreign subsidiary.

Correction to Prior Period Write Down to Recoverable Amount
A provision for write down amounting to $506,000 previously recognised in error against the Parent entity's investment in Orientech Pty Limited has been adjusted directly against retained earnings in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

NOTE 16 CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 2.

Name of entity	Country of incorporation	Class of shares	Equity holding **		Equity holding **	
			2006	**2005**	**2006**	**2005**
			%	**%**	**$'000**	**$'000**
Orientech Pty Limited	Australia	Ordinary	100.00	100.00	**873**	873
Yangzhou Hua Yang Battery Co Limited *	China	Ordinary	-	80.00	**-**	7,468
Yangzhou Apollo Battery Co Limited *	China	Ordinary	55.57	80.00	**9,161**	4,728
					10,034	13,069

* These subsidiaries are incorporated and operate within the Peoples Republic of China ("PRC") and are required to comply with the laws and regulations of the PRC. These PRC laws and regulations may, from time to time, restrict the ability of each subsidiary to transfer cash dividends to its Australian holding company, Oriental Technologies Investment Limited.

** The proportion of ownership interest is equal to the proportion of voting power held.

NOTE 17 DEFERRED TAX ASSETS

	Consolidated Entity		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Deferred tax assets comprise temporary differences attributable to:				
Amounts recognised in profit and loss				
Depreciation	**-**	73	**-**	-
Total deferred tax assets	**-**	73	**-**	-

Deferred tax assets recognised do not exceed taxable amounts arising from the reversal of existing assessable temporary differences.

NOTE 18 PROPERTY, PLANT AND EQUIPMENT

	Consolidated Entity		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Land usage rights				
At cost	**1,121**	1,174	**-**	-
Accumulated depreciation	**(89)**	(66)	**-**	-
	1,032	1,108	**-**	-
Buildings - Leasehold				
At cost	**4,996**	6,124	**-**	-
Accumulated depreciation	**(422)**	(631)	**-**	-
	4,574	5,493	**-**	-
Total land and buildings	**5,606**	6,601	**-**	-
Plant and equipment				
At cost	**12,255**	21,807	-	36
Accumulated depreciation & impairment	**(1,396)**	(9,135)	-	(5)
	10,859	12,672	-	31
Plant and equipment under construction	**365**	266	**-**	-
Total plant and equipment	**11,224**	12,938	**-**	31
Total non-current property, plant and equipment	**16,830**	19,539	**-**	31
Total land Usage Rights				
Carrying amount at beginning of financial year	**1,108**	1,027	**-**	-
Additions	**-**	-	**-**	-
Depreciation	**(24)**	(23)	**-**	-
Effect of movement in foreign exchange	**(52)**	104	**-**	-
Carrying amount at end of financial year	**1,032**	1,108	**-**	-
Total Buildings - Leasehold				
Carrying amount at beginning of financial year	**5,493**	2,634	**-**	-
Additions	**405**	15	**-**	-
Disposals	**(1,317)**	(193)	**-**	-
Depreciation	**(259)**	(258)	**-**	-
Impairment loss reversal/(Impairment loss)	**113**	(108)	**-**	-
Effect of movement in foreign exchange	**(241)**	178	**-**	-
Reclassification from construction in progress	**380**	3,225	**-**	-
Carrying amount at end of financial year	**4,574**	5,493	**-**	-
Total Plant & Equipment				
Carrying amount at beginning of financial year	**12,672**	6,625	**31**	34
Additions	**3,429**	36	-	-
Disposals	**(5,482)**	(2)	**(31)**	-
Depreciation	**(1,843)**	(1,831)	-	(3)
Impairment loss reversal/(Impairment loss)	**2,032**	(1,939)	-	-
Effect of movement in foreign exchange	**(585)**	1,219	-	-
Reclassification from construction in progress	**636**	8,564	-	-
Carrying amount at end of financial year	**10,859**	12,672	**-**	31
Total Construction in Progress				
Carrying amount at beginning of financial year	**266**	9,758	**-**	-
Additions	**1,129**	1,854	**-**	-
Effect of movement in foreign exchange	**(14)**	443	**-**	-
Reclassification to buildings leasehold	**(380)**	(3,225)	**-**	-
Reclassification to plant & equipment	**(636)**	(8,564)	**-**	-
Carrying amount at end of financial year	**365**	266	**-**	-

NOTE 18 PROPERTY, PLANT AND EQUIPMENT

	Consolidated Entity		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Impairment recognised during the year	**-**	(2,047)	**-**	-

Impairment losses are reported in the line "Impairment of property, plant and equipment" in the income statement. The impairment losses recognised during 2005 relate to various items of buildings, plant and equipment that are redundant or obsolete. These items were identified as a result of the restructure of Yangzhou Huayang Battery Co Ltd (“YHBC”, the old factory) and the transfer of the assets owned by YHBC to Yangzhou Apollo Battery Co Limited (“YABC”, the new factory).

Land Usage Rights

In the opinion of Directors and based upon a bank valuation for lending purposes, the market value of land usage rights at 31 December 2006 is approximately RMB 60 million or AUD 10 million (2005 approximately RMB 60 million or AUD 10 million).

NOTE 19 INTANGIBLE ASSETS

Goodwill	Consolidated Entity 2006 $'000	2005 $'000	Parent Entity 2006 $'000	2005 $'000
At deemed cost	**-**	494	**-**	-
Less Accumulated impairment losses	**-**	-	**-**	-
	-	494	**-**	-
Goodwill reconciliation				
Balance at start of year	**494**	494	**-**	-
Transferred to loss on liquidation of foreign subsidiary	**(494)**	-	**-**	-
Balance at end of year	**-**	494	**-**	-

For the year ended 31 December 2005, the Group conducted a goodwill impairment test. In conducting the goodwill impairment test of the cash-generating unit ("CGU"), the whole factory was considered to be one inseparable unit. No subdivision or operating unit of the Group was independently capable of producing a directly saleable product to generate cash flow.

The recoverable amount of the cash-generating unit was based on value-in-use calculations which used cash flow projections based on budgets approved by management covering a 5 year period. The growth rate used in these budgets did not exceed the long-term average growth rate for the business in which the cash-generating unit operated. Key assumptions used for value-in-use calculations were as follows:

1. No further capital investment would be made to improve the current manufacturing facility
2. Cost structure in the CGU reflected the historical average and this cost structure would remain throughout the 5 year forecast period
3. Lead is a raw material contributing to a significant part of the overall cost of a battery and was considered to be the most sensitive cost element. Sensitivity tests were carried out. The lead price quoted on the London Metals Exchange ("LME") was assumed to fluctuate with US$ 1,000/tonne being the most likely scenario.
4. The prices in the Chinese domestic market were assumed to be 33% and 30% respectively greater than the LME prices for the first 2 forecast years and 20% for the remainder of the forecast period.
5. Plastic is a major component cost and is linked to the oil price. A US$75/barrel oil price was assumed, with an annual price growth rate of 5%.
6. Rmb to US$ exchange rate was assumed to continue its current gradual appreciating trend, averaging an increase of 1.2% per annum
7. A discount rate of 6.2% was used to determine a present value for cash flows over the 5 year forecast period

NOTE 20 TRADE AND OTHER PAYABLES (CURRENT)

Unsecured liabilities	Consolidated Entity 2006 $'000	2005 $'000	Parent Entity 2006 $'000	2005 $'000
Trade payables	**3,536**	2,710	**-**	-
Sundry payables	**640**	511	**170**	203
Amount payable to wholly owned subsidiary	**-**	-	**506**	501
	4,176	3,221	**676**	704

NOTE 21 BORROWINGS

CURRENT	Consolidated Entity		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Secured				
Bank loans	10,291	11,794	-	-
Total secured current interest-bearing liabilities	10,291	11,794	-	-
Total current interest-bearing liabilities	10,291	11,794	-	-

(i). *Bank loans*

	Consolidated Entity 2006			Consolidated Entity 2005		
	RMB '000	**Interest pa**	**Expiry**	**RMB '000**	**Interest pa**	**Expiry**
	1,500	5.496%	05/01/07	3,800	6.140%	20/04/06
	10,000	5.580%	24/05/07	5,000	6.140%	28/04/06
	5,000	5.580%	07/06/07	5,000	6.140%	26/04/06
	10,000	5.850%	08/06/07	5,000	6.140%	30/04/06
	10,000	4.875%	15/06/07	5,000	6.140%	20/04/06
	10,000	5.850%	20/06/07	5,000	6.140%	20/05/06
	17,000	6.120%	19/08/07	22,050	5.580%	20/06/06
	-	-	-	1,670	5.580%	20/06/06
	-	-	-	17,000	5.859%	29/08/06
	63,500			69,520		
$'000	10,291			11,794		

(ii). *Assets pledged as security*

	Consolidated Entity		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Corporate guarantee by Yangzhou Apollo Battery Co Limited	-	4,593	-	-
Collateralized by buildings leasehold	4,574	-	-	-
Collateralized by land use rights	1,032	1,108	-	-
	5,606	5,701	-	-

(iii). *Subsequent to 31 December 2006 and at the date of this report, bank loans payable were as follows:*

	2006			2005		
	RMB '000	**Interest pa**	**Expiry**	**RMB '000**	**Interest pa**	**Expiry**
	17,000	5.1000	19/08/07	17,000	5.859%	29/08/2006
	5,000	4.7150	12/09/07	11,500	5.496%	05/01/2007
	10,000	4.8750	13/09/07	10,000	4.875%	08/06/2007
	10,000	5.3550	04/01/08	10,000	4.875%	15/06/2007
	8,000	5.3550	15/02/08	10,000	5.850%	20/06/2007
	10,000	5.4750	06/06/08	5,000	5.496%	15/12/2006
	10,000	5.4750	12/06/08	-	-	-
	10,000	5.4750	18/06/08	-	-	-
	80,000			63,500		
$'000	12,965			10,773		

Assets pledged by the consolidated entity as security have not changed since 31 December 2006.

NOTE 21 BORROWINGS (continued)

(iv). *Financing arrangements*

The following financing facilities were available at balance date.

	Consolidated Entity 2006 $'000	Consolidated Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Credit stand-by arrangements				
Bank loans				
Total facilities:				
Used at balance date	**10,291**	11,794	**-**	-
Unused at balance date	**-**	-	**-**	-
	10,291	11,794	**-**	-

(v). *Interest rate risk exposures*

The Groups' exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the tables below:

2006

	Floating rates $'000	< 1 year $'000	1 - 2 years $'000	2 - 3 years $'000	3 - 4 years $'000	4 - 5 years $'000	> 5 years $'000	Non-interest bearing $'000	Total $'000
Bank loans	-	10,291	-	-	-	-	-	-	10,291
	-	10,291	-	-	-	-	-	-	10,291
Weighted average interest rate		5.7%	-	-	-	-	-	-	5.7%

2005

	Floating rates $'000	< 1 year $'000	1 - 2 years $'000	2 - 3 years $'000	3 - 4 years $'000	4 - 5 years $'000	> 5 years $'000	Non-interest bearing $'000	Total $'000
Bank loans	-	11,794	-	-	-	-	-	-	11,794
	-	11,794	-	-	-	-	-	-	11,794
Weighted average interest rate		5.8%	-	-	-	-	-	-	5.8%

(vi). *Fair value*

The carrying amounts and fair values of interest-bearing liabilities at balance date are:

	Consolidated Entity 2006 $'000	Consolidated Entity 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
On-balance sheet				
Bank loans	**10,291**	11,794	**-**	-
	10,291	11,794	**-**	-

NOTE 22 PROVISIONS

	Consolidated Entity		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
CURRENT				
Employee benefits	**15**	15	**15**	15

	Profit share $'000
Provision balance for profit share payment previously recognised and disclosed in the 2005 financial report	1,096
Provision de-recognised adjusted against 2005 opening retained earnings	(1,096)
Adjusted Balance at beginning of 2005 year	-

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 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 2006 would have decreased by $60,000 to $240,000 (2005: no change); and the total provision at 31 December 2006 would be $1,156,000 (31 December 2005 $1,096,000).

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.

NOTE 22 PROVISIONS (continued)

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>.

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…'

NOTE 23 ISSUED CAPITAL

	2006 Shares	2006 $'000	2005 Shares	2005 $'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	Issue price (cents)	$'000
01-Jan-05	Opening balance	116,484,005	20.0	27,870
14-Mar-05	Exercise of options expiring 23 November 2005	200,000	5.7	11
20-May-05	Exercise of options expiring 23 November 2005	200,000	5.7	11
31-Dec-05	Closing balance	116,884,005		27,892
31-Dec-06	Closing balance	116,884,005		27,892

Employee option plan

Details of the employee option plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year are set out in Note 28.

Ordinary Shares

A dividend may be declared and would be paid on all ordinary shares in proportion to the number of ordinary shares and the amounts paid up, or deemed to be paid up, on these shares.

Any proceeds on winding up, where assets are insufficient, would be distributed to the members in proportion to the number of ordinary shares and the amounts paid up on these shares.

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.

NOTE 24 RESERVES AND ACCUMULATED LOSSES

	Consolidated Entity		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Other Reserves				
General reserve	**208**	775	**-**	-
Foreign currency translation reserve	**523**	452	**-**	-
Share option reserve	**4**	4	**4**	4
	735	1,231	**4**	4
General reserve				
Balance at start of year	**775**	707	**-**	-
Transfer to loss on liquidation of foreign subsidiary	**(717)**			
Transfer to foreign currency translation reserve	**(3)**	-	**-**	-
Currency translation differences	**153**	68	**-**	-
Balance at end of year	**208**	775	**-**	-

It is a requirement in the People's Republic of China that part of accumulated profits be transferred to a general reserve. At 31 December 2006, this general reserve relates entirely to Yangzhou Apollo Battery Co Ltd ("YABC"). During the year ended 31 December 2006, that part of the general reserve relating to Yangzhou Huayang Battery Co Limited ("YHBC") was transferred to the loss on liquidation of a foreign subsidiary.

Foreign currency translation reserve				
Balance at start of year	**452**	(388)	**-**	-
Transfer from general reserve	**3**	-	**-**	-
Currency translation differences	**68**	840	**-**	-
Balance at end of year	**523**	452	**-**	-

The foreign currency translation reserve is used to record exchange differences on translation of foreign controlled subsidiaries. The reserve is recognised in the income statement when the investment is disposed of.

Share Option Reserve				
Balance at start of year	**4**	-	**4**	-
Share based payment	**-**	4	**-**	4
Balance at end of year	**4**	4	**4**	4

The share option reserve is used to recognise the affair value of options issued to employees but not exercised.

Accumulated Losses				
Balance at start of year	**(19,382)**	(16,988)	**(16,555)**	(15,061)
Net profit/(loss) for the year	**300**	(2,395)	**(2,127)**	(1,494)
Transfer to minority interests	**23**	-	**-**	-
Other	**-**	1	**-**	-
Balance at end of year	**(19,059)**	(19,382)	**(18,682)**	(16,555)

NOTE 25 MINORITY INTERESTS

Minority interests in:	Consolidated Entity 2006 $'000	2005 $'000	Parent Entity 2006 $'000	2005 $'000
Share capital	**7,323**	2,557	**-**	-
Reserves	**24**	194	**-**	-
Accumulated Losses	**261**	(450)	**-**	-
	7,608	2,301	**-**	-

NOTE 26 FINANCIAL INSTRUMENTS

Risk Management Policies
Exposure to credit, interest rate and currency risks arises in the normal course of the consolidated entity's business. Derivative financial instruments are not used.

Credit risk
Management has a credit policy in place and this exposure to credit risk is monitored on an ongoing basis. Export shipments to customers are made by letter of credit. The consolidated entity does not require collateral in respect of financial assets.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Interest rate risk
The consolidated entity adopts a policy of ensuring that its exposure to changes in interest rates on borrowings is on a fixed rate basis.

The following is the carrying amount of the financial instruments, assets/ (liabilities) that are exposed to interest rate risk:

2006	**6 months or less $'000**	**6-12 months $'000**	**1-2 years $'000**	**2-5 years $'000**	**More than 5 years $'000**	**Total $'000**	**Effective Interest Rate**
Fixed rate							
Interest-bearing loans and borrowings	(7,536)	(2,755)	-	-	-	(10,291)	5.7%
Cash at bank and on hand	4,101	-	-	-	-	4,101	
Floating rate							
Notes Receivable	-	-	-	-	-	-	-

2005	**6 months or less $'000**	**6-12 months $'000**	**1-2 years $'000**	**2-5 years $'000**	**More than 5 years $'000**	**Total $'000**	**Effective Interest Rate**
Fixed rate							
Interest-bearing loans and borrowings	(8,910)	(2,884)	-	-	-	(11,794)	5.8%
Cash at bank and on hand	1,844	-	-	-	-	1,844	-
Floating rate							
Notes Receivable	318	-	-	-	-	318	5% to 7%

Refer note 21 for a summary of used and unused interest bearing loan facilities; and details of loan fair values.

NOTE 27 CASH FLOW INFORMATION

	Consolidated Entity		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Reconciliation of profit/(loss) after income tax to net cash flow from operating activities				
Profit/(Loss) after income tax for the year	**1,012**	(2,851)	**(2,127)**	(1,494)
Non-cash flows in profit				
Depreciation	**2,127**	2,112	**-**	3
Property, plant and equipment impairment (gain)/loss recognised in profit/(loss) during the year	**-**	2,047	**-**	851
Loss on liquidation of foreign subsidiary	**200**	-	**-**	-
Share option expenses	**-**	4	**-**	4
Net exchange differences	**(95)**	(27)	**10**	-
Loss on sale of fixed assets	**-**	-	**31**	-
Changes in assets and liabilities				
(Increase)/Decrease in trade debtors	**(1,807)**	314	**-**	-
(Increase)/Decrease in other debtors	**(592)**	419	**(18)**	222
(Decrease)/Increase in receivables provision	**(10)**	-	**-**	-
(Increase)/Decrease in inventories	**(3,422)**	8	**-**	-
(Increase)/Decrease in investments	**-**	-	**2,184**	-
Increase/(Decrease) in trade & other payables	**958**	(591)	**(28)**	21
(Decrease)/Increase in current tax liability	**(93)**	93	**-**	-
(Increase) in deferred tax asset/(Decrease) in deferred tax liability	**73**	(73)	**-**	-
Net cash (outflow)/inflow from operating activities	**(1,649)**	1,455	**52**	(393)

NOTE 28 SHARE-BASED PAYMENTS

Remuneration Report

	Consolidated Entity		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Share-based payment expense recognised during the financial year				
Options issued under employee option plan	**-**	4	**-**	4
	-	4	**-**	4

Employee option plan

The Orientech Employee Share Option Plan was approved by shareholders on 6th January 1998.

Each employee share option is convertible into one ordinary fully paid share.

Each ordinary fully paid share issued as a result of an employee converting an employee share option will rank pari passu with all existing ordinary fully paid shares.

The exercise price for each employee share option shall not be less than the greater of:

(a) Five cents ($0.05) for each share; and
(b) The share market price as at the option issue date less a discount of up to but not exceeding 5% of the market price, where the discount shall be determined by the Directors.

The share market price on a particular day is the weighted average sale price of shares for the five most recent transaction days preceding that particular day.

An employee share option will terminate and cannot be exercised after the date the holder ceases to be an employee or director, unless otherwise determined by Directors.

Employee share options may not be sold transferred or assigned; except to a legal personal representative of the option holder.

All shares allotted to option holders on the exercise of employee share options will be adjusted to be consistent with changes to the share structure and rank pari-passu with all other shares on issue at the date of allotment.

NOTE 28 SHARE-BASED PAYMENTS (continued)

Details of options outstanding as part of the employee option plan during the financial year are as follows:

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
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

2005

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
24-Nov-00	5 years ending 23 November 2005	5.7 cents per share	5,000,000	-	-	(400,000)	(4,600,000)	-	-
18-May-05	5 years ending 17 May 2010	9.9 cents per share	-	200,000	-	-	-	200,000	200,000
Total			5,000,000	200,000	-	(400,000)	(4,600,000)	200,000	200,000
Weighted average exercise price			5.7 cents per share	9.9 cents per share		5.7 cents per share	5.7 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 9.9 cents for the year ended 31 December 2006 (2005: 8.5 cents).

The weighted average remaining contractual life of share options outstanding at 31 December 2006 was 3 years and 5 months (2005: 4 years 5 months).

Fair value of options granted

The weighted average fair value of options granted during the year date was 1.77 cents. The fair value 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 year ended 31 December 2005 were as follows:

- options are granted for no consideration, have a 5 year life and are exercisable at the grant date
- grant date: 18 May 2005
- share price at grant date: 6.4 cents
- exercise price: 9.9 cents
- expected volatility: 38.5%
- expected dividend yield: Nil%
- risk free rate: 5.3%

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.

NOTE 29 RELATED PARTY TRANSACTIONS

The Group consists of Oriental Technologies Investment Limited and its subsidiaries Orientech Pty Limited and Yangzhou Apollo Battery Co Limited. The ownership interests in these subsidiaries are set out in note 16.

Oriental Technologies Investment Limited, the parent entity, operates as a funding and management company for its subsidiaries Yangzhou Apollo Battery Co Limited and Orientech Pty Limited. Transactions between entities within the group took place on normal commercial terms and conditions.

Parent entity

The ultimate Australian parent entity and ultimate parent entity is Oriental Technologies Investment Limited, which at 31 December 2005 owned:

(i) 100% of the issued ordinary shares of Orientech Pty Ltd in Australia (2005 100%);
(ii) Nil% of Yangzhou Hua Yang Battery Co Limited in China (2005 80%); and
(iii) 55.57% of Yangzhou Apollo Battery Co Limited in China (2005 80%).

Key management personnel compensation

Refer to the Remuneration Report section of the Directors' Report, which has been identified as audited.

Specified Directors

The names of specified directors for the reporting period were as follows:
Gerard McMahon
Lawrence Lulin Xin
George Su Su
Patrick Ting Keung Ma
Chunyang Qiu
Steve Shulin Xin

Related party transactions with Directors

a) Remuneration, retirement benefits and service agreements

An annual technical assistance fee relating to the operation in the Yangzhou Apollo Battery Co Limited ("YABC") was payable 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 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 and payable to RIDL during the year amounted to $120,000 (2005 $220,000).

During the year, YABC also paid an entity related to Mr. Lawrence Xin Rmb 2,500,000 ($414,425) (2005 $Nil) for technical advice.

NOTE 29 RELATED PARTY TRANSACTIONS (continued)

b) 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 2006 was 55,500,000 (2005: 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 2006 was Nil (2005: Nil).

No ordinary shares or options were acquired or disposed of by Directors or their Director related entities during the financial year (2005 Nil).

Transactions with related parties

	Consolidated Entity		**Parent Entity**	
	2006	2005	**2006**	2005
	$	$	**$**	$
Dividend revenue				
Subsidiaries	-	-	531,364	-
Outstanding balances				
The following balances are outstanding at reporting date in relation to transactions with related parties:				
Non-current receivables (loans to related parties)				
Subsidiaries	-	-	-	5,501
Non-current payables (loans from related parties)				
Wholly owned subsidiary	-	-	506,183	506,665

Loans receivable from related parties are unsecured and are free of interest. They are repayable at call. No provisions for doubtful debts have been recognised on these outstanding balances, nor have any bad debt expenses been incurred.

The loan owing to the wholly owned subsidiary is unsecured and interest free. The loan is repayable at call.

NOTE 30 CAPITAL AND LEASING COMMITMENTS

Lease commitment operating

	Consolidated Entity		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Future minimum lease payments				
Within one year	-	58	-	-
Later than one year but not later than 5 years	-	-	-	-
Later than 5 years	-	-	-	-
	-	58	-	-

As at the end of 31 December 2005 Yangzhou Huayang Battery Co., Ltd had annual commitments under a lease as set out below:

Item: Plant
Leaseholder: Yangzhou Battery Factory
Period: No maturity date
Amount: $58,000 per annum

This commitment does not arise from a non-cancellable operating lease; but the plant and equipment was integrated into the group's production line at Yangzhou Huayang Battery Co, so that there is effectively a non-cancellable commitment.

Capital expenditure commitments

	Consolidated Entity		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Contracted but not provided net of deposit paid in financial statements				
Within one year	**168**	-	**-**	-
Later than one year but not later than 5 years	**-**	-	**-**	-
Later than 5 years	**-**	-	**-**	-
	168	-	**-**	-

Capital expenditure commitments mainly comprise mould costs; construction costs for sewerage disposal and electricity works.

NOTE 31 NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

At the date of this financial report the following standards and interpretations, which may impact the entity in the period of initial application, have been issued but are not yet effective:

Reference	Title	Summary	Application date (financial years beginning)	Expected Impact
AASB 7	*Financial Instruments: Disclosures*	New standard – replaces disclosure requirements of AASB 132	1 January 2007	Disclosures only
AASB 2005-10	*Amendments to Australian Accounting Standards arising from AASB 7*	Amends AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023, AASB 1038 as a result of issue of AASB 7	1 January 2007	Disclosures only
AASB 101	*Presentation of Financial Statements*	Revised standard	1 January 2007	Disclosures only
AASB 8	*Operating Segments*	New standard – replaces AASB 114	1 January 2009	Disclosures only
AASB 2007-3	*Amendments to Australian Accounting Standards arising from AASB 8*	Amends AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038 as a result of issue of AASB 8	1 January 2009	Disclosures only
AASB 2007-6	*Amendments to Australian Accounting Standards arising from AASB 123*	Amends AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12 as a result of issue of AASB 123	1 January 2009	Any impact is still to be determined
AASB 2007-4	*Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments*	Amends AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038	1 July 2007	Any impact is still to be determined
AASB 2007-7	*Amendments to Australian Accounting Standards*	Further amends AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128 as a result of issue of AASB 2007-4	1 July 2007	Disclosures only
AASB 2007-2	*Amendments to Australian Accounting Standards arising from AASB Interpretation 12*	Amends AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139 as a result of issue of AASB Interpretation 12	1 January 2008	Any impact is still to be determined

NOTE 32 KEY MANAGEMENT PERSONNEL COMPENSATION

The aggregate compensation made to key management personnel of the company and the Group is set out below:

	Consolidated Entity		**Parent Entity**	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Short-term employee benefits	72,000	133,221	72,000	96,000
Post-employment benefits	6,480	8,640	6,480	8,640-
Other long-term benefits	-	-	-	-
Termination benefits	-	-	-	-
Share-based payment	-	-	-	-
	78,480	141,861	78,480	104,640

Directors' Declaration

The directors of the company declare that:

1. The financial statements, comprising the income statements, balance sheets, cash flow statements, statements of changes in equity and accompanying notes, are in accordance with the Corporations Act 2001 and:

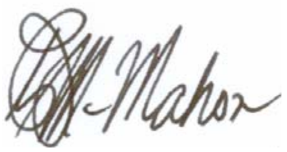
    (a) comply with Accounting Standards and the Corporations Regulations 2001; and

    (b) give a true and fair view of the financial position as at 31 December 2006 and of the performance for the year ended on that date of the company and the economic 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.

3. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

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:



Gerard McMahon
Chairman of the Board

Sydney, 25 July 2007

RSM! Bird Cameron Partners
Chartered Accountants

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Independent Auditor's Report
To The Members of
Oriental Technologies Investment Limited

Scope

The financial report and directors' responsibility

We have audited the accompanying financial report of Oriental Technologies Investment Limited ('the company'), and Oriental Technologies Investment Limited and Controlled Entities ('the consolidated entity') for the year ended 31 December 2006 as set out in pages 24 to 67 comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 Related Party Disclosures, under the heading "remuneration report" in pages 6 to 9 of the directors' report and not in the financial report.

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 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. And that the remuneration disclosures in the directors' report comply with Accounting Standard AASB 124.

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

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

Independence

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

Audit opinion

In our opinion, the financial report of Oriental Technologies Investment Limited and Oriental Technologies Investment Limited and Controlled Entities 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 2006 and of their performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

(c) the remuneration disclosures that are contained in pages 6 to 9 of the directors' report comply with Accounting Standard AASB 124

Emphasis of Matter

As set out in Note 22 the directors de recognised the provision amounting to $1,096,000 for the 'Profit Share Payment' ('PSP'), previously raised in connection with the redeemable floating notes, based on legal opinion obtained subsequent to the end of the reporting period. This opinion indicates that a current obligation to make the PSP only arises at the point in time that dividends are declared by directors. As this opinion has not been tested or confirmed there is an uncertainty whether a present unconditional liability exists or whether this is contingent upon a dividend amount being declared.

RSM Bird Cameron

RSM Bird Cameron Partners

Wayne E Beauman
Partner

Dated at Sydney this 25th day of July 2007

311206auditreport

Shareholders' Information

At 30 June 2007 issued capital was 116,884,005 ordinary shares held by 615 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 30 June 2007.

		Ordinary Shares	
		Number	**% of Total**
1	Red Investment & Development Ltd	55,500,000	47.5
2	Dynamic Ford Limited	23,280,000	19.9
3	Wirtz Family Investment Company LLC	9,984,000	8.5
4	HF Stevenson (Aust) P/L	2,749,713	2.4
5	Mr Makram Hanna & Mrs Rita Hanna	1,232,000	1.1
6	Invia Custodian Pty Limited	952,172	0.8
7	Mr Kevin John Holman	842,000	0.7
8	Bernard Marie Francois Le Clezio	800,000	0.7
9	Mr John O Wirtz	600,000	0.5
10	Mr Adrian Robert Nijman + Mrs Jenny Ann Nijman	560,000	0.5
11	Blackmort Nominees Pty Ltd	500,000	0.4
12	Capricorn Society Ltd	450,000	0.4
13	Lady Penelope Patricia Street	437,500	0.4
14	RD Nyman Corporation (NSW) Pty Ltd	402,835	0.3
15	Nomet Pty Ltd	400,000	0.3
16	Immune Investments Pty Ltd	385,508	0.3
17	Mr Mario Leo Volpe	370,233	0.3
18	Elcott Pty Ltd	350,000	0.3
19	Mr Raymond Francis Frew + Mrs Gillian Margaret Frew	343,000	0.3
20	Mr Paul Roy	340,000	0.3
	Total top 20 Ordinary Shareholders	100,478,961	85.9

Distribution of Holders and Holdings at 30 June 2007

	Ordinary Shares	
	Number of Holders	**Shares Held**
1 - 1,000	56	43,704
1,001 - 5,000	214	650,633
5,001 - 10,000	77	679,000
10,001 - 100,000	213	8,758,563
100,001 and over	55	106,752,105
Total	**615**	**116,884,005**
Holders of less than a marketable parcel:	348	1,383,338

Shareholder Information (continued)

Substantial shareholders at 30 June 2007 as disclosed in Substantial Shareholder Notices given to the Company

SUBSTANTIAL SHAREHOLDERS	NUMBER OF SHARES	PROPORTION OF ISSUED SHARES
Red Investment & Development Limited	55,500,000	47.5%
Dynamic Ford Limited	23,280,000	19.9%
Wirtz International Operations Inc.	10,884,000	9.3%

STOCK EXCHANGE LISTING

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

SHARE REGISTRAR

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Level 3
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SYDNEY NSW 1115

GPO Box 7045
SYDNEY NSW 1115

Telephone:	(02) 8234 5400
Investor enquiries: (within Australia)	1300 855 080
(outside Australia)	61 3 9615 5970
Facsimile:	(02) 8234 5050

REGISTERED OFFICE		AUDITORS
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Telephone:	612 9238 3988	Telephone: 612 9233 8933
Facsimile:	612 9231 3911	Facsimile: 612 9233 8521
E-mail:	orientech@orientech.com.au	

COMPANY SECRETARY

Ian Morgan B Bus CA ACIS F Fin MAICD