ORIENTAL TECHNOLOGIES INVESTMENT LIMITED

ABN 13 060 266 248

ANNUAL REPORT

31st DECEMBER 2013

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CHAIRMAN'S REPORT

Financial Results

Shareholders will see from the 2013 Annual Report that losses after tax, attributable to the members of OTI for the year ended 31st December 2013, totalled $1,631,000 (2012 $808,000 profit).

Review

Whilst 2012 was profitable, 2013 was a difficult year for the OTI Group - resulting in a net loss.

This loss is mainly due to a slowdown of the Chinese economy and increased local competition caused by an over-supply of batteries from additional production capacity.

Protracted negotiations for the proposed sale of OTI Group's Apollo battery business to the Camel Group (announced on 23rd July 2013 to the market) also took much of management's time.

Outlook

Whilst anticipated that the business will meet its budgeted forecast during the current 2014 financial year, we are expecting increased competition.

Further details are in the Managing Director's report following this report.

Gerard McMahon

Chairman

28th March 2014

REVIEW OF OPERATIONS AND OUTLOOK

2013 Results

The Company is pleased to report its results for the 2013 year.

Consolidated net loss for the year ended 31st December 2013 attributable to the members of OTI was $1,631,000 (2012 $808,000 profit).

Consolidated revenue for 2013 totalled $59.8 million, a decrease of 14% from the previous year (2012 $69.9 million).

Review

The 2013 year was very difficult for Apollo's[1] business. The major factors contributing to the net loss are:

1. A slowdown of the Chinese economy during the second half of the year resulted in low prices for all non-ferrous metals, including lead. This had significant impact by lowering unit selling prices of batteries, furthermore total sales volume reduced.

2. Competitors' over-supply of batteries in 2013 was also significant because of new production capacities released by a few larger players.

   Throughout the year, the selling prices of batteries were depressed and margins were under expectations.

3. Abnormally high quality compensation to some exporting markets due to dry battery failure was also an important factor, causing lower margins.

   Apollo's accumulated losses for quality compensation totalled around RMB 5 million (AUD 836,000).

4. Protracted negotiations with Camel[2] have taken up management's time and caused a very negative impact on Apollo's sales.

Apollo's management worked hard through the year to maintain production and technically renovate production, to meet the market's demands.

Outlook

During 2014, Apollo's competition will increase because:

1. The very large international battery producer Johnson Control's new plant in China has started production and an extra 6 million batteries are expected to be released in to the market; and

2. A few existing plants also completed their expansion projects and have new capacity available.

The oversupply in automotive batteries is a big challenge for the whole industry.

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[1] Yangzhou Apollo Battery Co Limited, controlled by Oriental Technologies Investment Limited.

[2] As announced on 23rd July 2013, the Company entered into a preliminary agreement under the laws of the People's Republic of China (China) to assign 100% of Apollo's equity to Camel Group Co., Ltd, a company incorporated in China. Completion of the preliminary agreement is subject to Camel's due diligence on Apollo and approval by the Company's members.

The economic forecast for 2014 is not encouraging. Metal prices should remain at lower levels, including lead prices.

To overcome the difficulties faced by Apollo's business, management is focusing on these issues to deliver profit for all shareholders:

1. Technical renovation in battery design to improve quality;

2. Renovation of gravity casting production to boost truck battery production and meet domestic market demands;

3. Developing OEM (original equipment manufacturer) markets to increase sales volumes;

4. Developing a new export market; and

5. Increasing production efficiencies by automating and reducing labour costs.

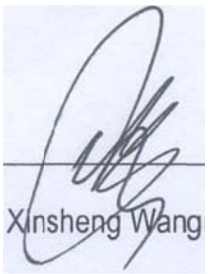
Although the difficulties expected in 2014 are obvious, management has the capability to turn these around and deliver profit - if all the efforts mentioned above take effect.

The primary targets for Apollo in 2014 are to:

1. Produce approximately 2.5 million batteries above 2013 production levels;

2. Achieve approximately the same sales turnover as in 2011; and

3. Achieve a reasonable profit.



Managing Director

28th March 2014

DIRECTORS' REPORT

The Directors of Oriental Technologies Investment Limited present their report on the Company for the financial year ended 31st December 2013.

Directors

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

Gerard McMahon	Non-Executive Chairman
Lawrence Luo-Lin Xin	Vice Chairman
Xinsheng Wang	Managing Director
George Su Su	Non-Executive Director

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 over 35 years and is currently Non-executive Director of three publicly listed companies. He is also a consultant to 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 Chairman of Tanami Gold NL (appointed director on 23rd April 2013), a company listed on the Australian Securities Exchange.

Mr McMahon is also a non-executive director of Guangnan (Holdings) Limited (appointed 22nd June 2000), a company listed on the Hong Kong Stock Exchange; and Indonesian Investment Fund Limited (appointed 10th December 2001), which is listed on the Irish Stock Exchange.

Lawrence Luo-Lin Xin

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.

Mr Xin is a director of Central China Real Estate Limited (Hong Kong Stock Exchange), appointed 1st March 2010;
Sinolink Worldwide Holdings Limited (Hong Kong Stock Exchange), appointed 7th June 2002;
Enerchina Holdings Limited (Hong Kong Stock Exchange), appointed 24th April 2001; Mori Denki Mfg. Co., Ltd (Tokyo Stock Exchange), appointed 28th June 2007; and Sino - Tech International Ltd (Hong Kong Stock Exchange) appointed 26th August 2010 and ceased 8th June 2012.

Dr Xinsheng Wang

Managing Director

Dr Wang became Managing Director of the Company on 31st August 2007 and has substantial experience in marketing and business management. He joined CITIC Australia Commodity Trading Pty Ltd (CACT) in 1995 as a senior manager and become an executive director of CACT in 1999, then Vice –President in 2003. Under his leadership, the battery division of CACT has been developed as one of top three battery players in the Australian market. He resigned the position in 2006 and become a senior consultant to CACT. Dr Wang was appointed as managing director of Yangzhou Apollo Battery Co Ltd in June 2006. He holds a PhD degree in Food Science and Technology from the University of NSW.

George Su Su

Non-Executive Director

Member of Audit Committee

Mr Su was in charge of CITIC Securities Australian operation between 2009 and 2013 and continues to work with CITIC Securities in China as its Australian partner after CITIC Securities discontinued its plan to establish a local subsidiary having acquired CLSA in 2013. The main focus of Mr Su's cooperation with CITIC Securities remains corporate advisory business in cross border transactions between Australia and China.

He also serves on the board of Macquarie Bank's China property fund.

Mr Su became non-executive director of the Company in September 2007 after serving as managing director since 1998. He was instrumental in the strategic transfer of the Company's manufacturing operation to China.

Mr Su held senior positions in a Chinese government controlled investment company before joining the Company. Currently based in Sydney, he has more than 26 years business experience in China and the Asia Pacific region having previously worked in Beijing, Hong Kong, Singapore and Shanghai.

Born and growing up in Beijing, Mr Su was educated in China and USA.

Company Secretary

Mr Ian Morgan was appointed Company Secretary on 31st December 2003.

Qualifications

BBus (NSW Institute of Technology), MComLaw (Macquarie University), Grad Dip App Fin (Securities Institute of Australia), CA, ACIS, CSA, MAICD, FFin.

Experience:

Mr Morgan is a Chartered Accountant and Company Secretary with over 30 years of experience in accounting and corporate administration. He provides secretarial and advisory services to a range of companies, and is company secretary of other publicly listed companies.

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

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 Group 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.

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.

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; and

    - 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; and
- 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)

Remuneration Report (Audited) (continued)

Details of the nature and amount of each major element of remuneration of each key management person of the Company and Group are:

		Short-term				Post-employment	Other long term		Share-based payments			
		Salary & fees	Cash bonus	Non-monetary benefits	Total	Superannuation benefits		Termination benefits	Options and rights	Total	Proportion of remuneration performance related	Value of options as proportion of remuneration
		$	$	$	$	$	$	$	$	$	%	%
Directors												
Gerard McMahon	2013	49,297	-	-	49,297	4,498	-	-	-	53,795	-	-
	2012	35,004	-	-	35,004	3,150	-	-	-	38,154	-	-
Lawrence Luo-Lin Xin[3]	2013	-	-	-	-	-	-	-	-	-	-	-
	2012	-	-	-	-	-	-	-	-	-	-	-
George Su Su	2013	25,350	-	-	25,350	2,313	-	-	-	27,663	-	-
	2012	18,000	-	-	18,000	1,620	-	-	-	19,620	-	-
Executive												
Xinsheng Wang	2013	196,001	-	-	196,001	9,490	-	-	-	205,491	-	-
(Managing Director)	2012	172,322	-	-	172,322	7,200	-	-	-	179,522	-	-
Ian Morgan	2013	-	-	-	-	-	-	-	-	-	-	-
(Company Secretary)[4]	2012	-	-	-	-	-	-	-	-	-	-	-
Total Compensation of Key Management Personnel	2013	270,648	-	-	270,648	16,301	-	-	-	286,949	-	-
	2012	225,326	-	-	225,326	11,970	-	-	-	237,296	-	-

End of Audited Section of Directors' Report

[3] For the year ended 31st December 2013, the Company paid or incurred fees totaling $195,000 excluding GST (2012 $162,500) to an entity related to Mr. Lawrence Xin. Refer to Note 27 of the attached accounts for more details.
[4] For the year ended 31st December 2013, the Company paid a total of $45,382 excluding GST (2012 $34,909) to an entity related to Mr. Ian Morgan for the provision of company secretarial services.

Share Options

There are no unissued ordinary shares for which options are outstanding at the date of this report (2012 Nil).

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

	Number of ordinary shares		
Director	Beneficial	Non-Beneficial	Total
Gerard McMahon	498,301	-	498,301
Lawrence Luo-Lin Xin	-	44,400,000	44,400,000
Xinsheng Wang	-	11,100,000	11,100,000
George Su Su	-	-	-

An entity related to Dr Xinsheng Wang is a minority shareholder of Yangzhou Apollo Battery Company Limited (a company registered in the People's Republic of China), with 44.43% of the total paid-up capital. Yangzhou Apollo Battery Company Limited is a subsidiary of Oriental Technologies Investment Limited.

Directors' Meetings

During the financial year, five Directors' meetings and three 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	5	5	2	2
Lawrence Luo-Lin Xin	5	5	2	2
Xinsheng Wang	5	5	-	-
George Su Su	5	4	2	1

Principal Activities

The principal activities of the Group during the financial year were undertaken in the People's Republic of China and included 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 of these 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 APES 110 Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board, 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.

Operating Results

Net loss attributable to members of Oriental Technologies Investment Limited for the financial year was $1,631,000 (2012 $808,000 profit).

Dividends

There was no dividend paid during the year ended 31st December 2013. An interim dividend of $0.005 per ordinary fully paid share totalling $632,000 un-franked and all conduit foreign income was paid on 7th December 2012.

The Directors do not recommend the payment of a final dividend (2012 $Nil).

Review of Operations

A review of the Group'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 Group does not fully comply.

Subsequent Events

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 Group's operations, the results of these operations or the Group's state of affairs in future financial years.

Future Developments

Likely developments in the Group'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 Group.

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.

Directors' Report (continued)

The Company has paid a premium of $19,668 (2012 $19,311) 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 30 and forms part of the directors' report for the financial year ended 31st December 2013.

Rounding Off 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

G McMahon

Gerard McMahon

Chairman

28th March 2014

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 31st December 2013. The Company is a small company with limited operations. Accordingly the Board considers that many of the corporate governance guidelines intended to apply to larger companies are not practical for the Company.

ASX Principles/Recommendations	Compliance	Details	Disclosure Requirement for Non-Compliance
Principle 1			
Principle 1 – Lay solid foundations for management and oversight. Companies should establish and disclose the respective roles and responsibilities of board and management.			
Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Comply	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.	Not Applicable

Corporate Governance (continued)

ASX Principles/Recommendations	Compliance	Details	Disclosure Requirement for Non-Compliance
Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.	Comply	The Managing Director reviews the performance of senior executives.	Not Applicable
Recommendation 1.3: Companies should provide the information indicated in the Guide to reporting on Principle 1.	Comply		Not Applicable

ASX Principles/Recommendations	Compliance	Details	Disclosure Requirement for Non-Compliance
Principle 2			
Principle 2 – Structure the board to add value. Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.			
Recommendation 2.1: A majority of the board should be independent directors.	Does not comply	The Corporate Governance Policy defines the criteria for Board structure and independence. At present, the Board of four Directors comprises: Two non-executive independent Directors, including the Chairman; Vice Chairman; and Executive Managing Director. There is not a majority of independent directors.	The Board considers that the Board's structure is still appropriate to the Company's size; and each Director- independent or not- brings an independent judgement to bear on Board decisions. 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.
Recommendation 2.2: The chair should be an independent director.	Comply	The Chairman is a non-executive independent Director.	Not Applicable
Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual.	Comply	The Chairman and Managing Director are different individuals.	Not Applicable

Corporate Governance (continued)

ASX Principles/Recommendations	Compliance	Details	Disclosure Requirement for Non-Compliance
Recommendation 2.4: The board should establish a nomination committee.	Does not comply		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 are considered by the full Board.

Corporate Governance (continued)

ASX Principles/Recommendations	Compliance	Details	Disclosure Requirement for Non-Compliance
Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Comply	The non-executive Chairman reviews the performance of the Managing Director. Details of Directors' qualifications, experience, term of office and special responsibilities are in the Directors Report included in this Annual Report. Potential nominations to the Board are assessed by the full Board. The Board may appoint a nominations or remuneration committee. 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.	Not Applicable
Recommendation 2.6: Companies should provide the information indicated in the Guide to reporting on Principle 2.	Comply		Not Applicable

Corporate Governance (continued)

ASX Principles/Recommendations	Compliance	Details	Disclosure Requirement for Non-Compliance
Principle 3			
Principle 3 – Promote ethical and responsible decision-making. Companies should actively promote ethical and responsible decision-making.			
Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Comply	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.	Not Applicable

Corporate Governance (continued)

ASX Principles/Recommendations	Compliance	Details	Disclosure Requirement for Non-Compliance
Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	Comply	The Company's diversity policy is included in the Company's Corporate Governance Statement: The Company intends to make each staff appointment after consideration of each candidate's qualifications, experience and proven competence, whilst conscientiously avoiding any discrimination on the basis of, but not limited to, race, creed, colour, gender, age, marital status, religion or physical impairment.	Not applicable
Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	Does not comply		The Company's gender diversity is considered to be commercially cost effective, and appropriate to the Company's size and structure.
Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Comply	There are 25% women employees in the whole organisation, no women in senior executive positions and no women on the board.	Not Applicable
Recommendation 3.5: Companies should provide the information indicated in the Guide to reporting on Principle 3.	Comply		Not Applicable

Corporate Governance (continued)

ASX Principles/Recommendations	Compliance	Details	Disclosure Requirement for Non-Compliance
Principle 4			
Principle 4 – Safeguard integrity in financial reporting. Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.			
Recommendation 4.1: The board should establish an audit committee.	Comply		Not Applicable
Recommendation 4.2: The audit committee should be structured so that it: • consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent chair, who is not chair of the board • has at least three members.	Does not comply	The Company's Audit Committee comprises three directors and the majority are independent: 1. Non-executive independent Chairman (Mr Gerard McMahon); 2. Vice Chairman (Mr Lawrence Xin); and 3. Non-executive Director (Mr George Su). The Chairman of the Audit Committee is also the Chairman of the Board. 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.	This Audit Committee structure is considered to be commercially cost effective, and appropriate to the Company's size and structure.

Corporate Governance (continued)

ASX Principles/Recommendations	Compliance	Details	Disclosure Requirement for Non-Compliance
Recommendation 4.3: The audit committee should have a formal charter.	Comply	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.	Not Applicable
Recommendation 4.4: Companies should provide the information indicated in the Guide to reporting on Principle 4.	Comply		Not Applicable

Corporate Governance (continued)

ASX Principles/Recommendations	Compliance	Details	Disclosure Requirement for Non-Compliance
Principle 5			
Principle 5 – Make timely and balanced disclosure. Companies should promote timely and balanced disclosure of all material matters concerning the company.			
Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies. Box 5.1: Continuous disclosure policies	Comply	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 ASX Limited Listing Rules, and the *Corporations Act 2001*.	Not Applicable
Recommendation 5.2: Companies should provide the information indicated in the Guide to reporting on Principle 5.	Comply		Not Applicable

Corporate Governance (continued)

ASX Principles/Recommendations	Compliance	Details	Disclosure Requirement for Non-Compliance
Principle 6			
Principle 6 – Respect the rights of shareholders. Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.			
Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Comply	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: 1. Placement of market announcements on the Company's web-site http://www.orientech.com.au/; 2. The annual and interim financial reports (for those shareholders who have requested a copy); 3. Disclosures to the Australia Securities Exchange and the Australian Securities & Investments Commission;	Not Applicable

ASX Principles/Recommendations	Compliance	Details	Disclosure Requirement for Non-Compliance
		4. Notices and explanatory memoranda of annual general meetings; and 5. 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: Companies should provide the information indicated in the Guide to reporting on Principle 6.	Comply		Not Applicable

Corporate Governance (continued)

ASX Principles/Recommendations	Compliance	Details	Disclosure Requirement for Non-Compliance
Principle 7			
Principle 7 – Recognise and manage risk Companies should establish a sound system of risk oversight and management and internal control.			
Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Comply	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.	Not Applicable
Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Comply	The Managing Director manages the Company's material business risks and reports to the Audit Committee. 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.	Not Applicable
Recommendation 7.3: The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Comply	The Company's Corporate Governance Policy requires that these statements are certified by the Managing Director and Chief Financial Officer.	Not Applicable

ASX Principles/Recommendations	Compliance	Details	Disclosure Requirement for Non-Compliance
Recommendation 7.4: Companies should provide the information indicated in the Guide to reporting on Principle 7.	Comply		Not Applicable

Corporate Governance (continued)

ASX Principles/Recommendations	Compliance	Details	Disclosure Requirement for Non-Compliance
Principle 8			
Principle 8 – Remunerate fairly and responsibly. Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.			
• Recommendation 8.1: The board should establish a remuneration committee.	Does not comply		The Board would establish a Remuneration Committee, as required.
Recommendation 8.2: The remuneration committee should be structured so that it: • consists of a majority of independent directors • is chaired by an independent chair • has at least three members.	Does not comply		The Board would operate as a remuneration committee, as required. This structure is considered to be commercially cost effective, and appropriate to the Company's size and structure.

Corporate Governance (continued)

ASX Principles/Recommendations	Compliance	Details	Disclosure Requirement for Non-Compliance
• Recommendation 8.3: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Comply	Non-executive Directors' fees are determined by the Board within the aggregate amount approved by shareholders. Any structure for equity based executive remuneration must be commercially cost effective, and appropriate to the Company's size and structure. 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.	Not Applicable

Corporate Governance (continued)

ASX Principles/Recommendations	Compliance	Details	Disclosure Requirement for Non-Compliance
		When constituted, the Company's Remuneration Committee would comprise two non-executive independent Directors. 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.	
• Recommendation 8.4: Companies should provide the information indicated in the Guide to reporting on Principle 8.	Comply		Not Applicable

RSM Bird Cameron Partners
Level 12, 60 Castlereagh Street Sydney NSW 2000
GPO Box 5138 Sydney NSW 2001
T +61 2 8226 4500 **F** +61 2 8226 4501

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Oriental Technologies Investment Limited for the year ended 31 December 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron

RSM BIRD CAMERON PARTNERS

W E Beauman
Partner

Sydney NSW
Dated: 28 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31st DECEMBER 2013

	Note	2013 $'000	2012 $'000
Revenue	6	59,650	69,359
Other income	7	130	549
		59,780	69,908
Changes in inventories of finished goods and work in progress		4,303	1,785
Raw materials and consumables used		(55,711)	(58,837)
Employee benefits expense	8	(5,064)	(4,434)
Amortisation, depreciation and impairment expense	8	(3,048)	(2,669)
Borrowing costs	8	(1,275)	(1,225)
Other expenses	8	(1,433)	(1,201)
(Loss) / Profit before income tax		(2,448)	3,327
Income tax benefit / (expense)	9	139	(1,303)
(Loss) / Profit from continuing operations		(2,309)	2,024
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation gain / (loss), net of tax		3,926	(159)
Total comprehensive income for the year		1,617	1,865
(Loss) / Profit from continuing operations attributable to:			
Members of the parent		(1,631)	808
Non-controlling interest		(678)	1,216
		(2,309)	2,024
Total comprehensive income attributable to:			
Members of the parent		551	745
Non-controlling interest		1,066	1,120
		1,617	1,865
		Cents	Cents
(Losses) / Earnings per share from continuing operations attributable to members of the parent			
Basic (losses) / earnings per share	10	(1.3)	0.6
Diluted (losses) / earnings per share	10	(1.3)	0.6

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31st DECEMBER 2013

	Note	2013 $'000	2012 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	12	5,346	7,628
Term deposit		500	-
Trade and other receivables	13	13,173	9,413
Inventories	14	13,813	9,510
Total current assets		32,832	26,551
Non-current assets			
Property, plant and equipment	17	18,177	17,113
Security deposit		93	120
Total non-current assets		18,270	17,233
Total assets		51,102	43,784
LIABILITIES			
Current liabilities			
Trade and other payables	18	7,648	5,228
Short-term borrowings	20	21,765	18,057
Current tax liability	19	-	357
Total current liabilities		29,413	23,642
Non-current liabilities		-	-
Total liabilities		29,413	23,642
Net assets		21,689	20,142
EQUITY			
Issued capital	21	28,556	28,556
Reserves	22	2,921	728
Accumulated losses	22	(19,797)	(18,155)
Parent interest		11,680	11,129
Non-controlling interest	23	10,009	9,013
Total equity		21,689	20,142

		Cents	Cents
Net tangible assets per share		17.2	15.9

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31st DECEMBER 2013

	Note	2013 $'000	2012 $'000
Cash flows from operating activities			
Cash receipts from customers		56,072	71,251
Cash paid to suppliers and employees		(61,409)	(64,822)
Interest received		53	97
Finance costs		(1,275)	(1,225)
Income taxes paid		(202)	(1,434)
Net cash (outflow) / inflow from operating activities	25	(6,761)	3,867
Cash flows from investing activities			
Purchase of property, plant and equipment		(822)	(1,813)
Refund from /(payment for) security deposit		21	(120)
Payment for term deposit		(500)	-
Proceeds from sale of property, plant and equipment		5	13
Proceeds from deposit received		983	-
Net cash outflow from investing activities		(313)	(1,920)
Cash flows from financing activities			
Proceeds from borrowings		5,405	-
Repayment of borrowings		-	(1,836)
Dividend paid to non-controlling interest		(820)	(1,439)
Net cash inflow / (outflow) from financing activities		4,585	(3,275)
Net decrease in cash and cash equivalents		(2,489)	(1,328)
Net foreign exchange differences		207	(46)
Cash and cash equivalents at beginning of year		7,628	9,002
Cash at the end of the financial year	12	5,346	7,628

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31st DECEMBER 2013

	Issued Capital	Accumulated Losses (Note 22)	Other Reserves (Note 22)	Total	Non-controlling interest (Note 23)	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
At 1st January 2012	28,556	(18,178)	640	11,018	8,706	19,724
Profit for the year ended 31st December 2012	-	808	-	808	1,216	2,024
Other comprehensive income	-	-	(65)	(65)	(94)	(159)
Foreign currency translation loss	-	-	-	-	(8)	(8)
Transfer between reserves	-	(153)	153	-	-	-
Dividend paid by the Company	-	(632)	-	(632)	(807)	(1,439)
At 31st December 2012	28,556	(18,155)	728	11,129	9,013	20,142
At 1st January 2013	28,556	(18,155)	728	11,129	9,013	20,142
Loss for the year ended 31st December 2013	-	(1,631)	-	(1,631)	(678)	(2,309)
Other comprehensive income	-	-	2,182	2,182	1,744	3,926
Foreign currency translation loss	-	-	-	-	(70)	(70)
Transfer between reserves	-	(11)	11	-	-	-
Shareholder contribution to the Company's subsidiary	-	-	-	-	820	820
Dividend paid by the Company's subsidiary	-	-	-	-	(820)	(820)
At 31st December 2013	28,556	(19,797)	2,921	11,680	10,009	21,689

The accompanying notes form part of these financial statements.

PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 31st December 2013 the parent company of the Group was Oriental Technologies Investment Limited.

	Note	The Company 2013 $'000	2012 $'000
Results of the parent entity			
Profit for the period		242	352
Other comprehensive income		-	-
Total comprehensive income for the period		242	352
Financial position of parent entity at year end			
Current assets		879	679
Non-current assets	15	10,183	9,161
Total assets		11,062	9,840
Current liabilities		1,016	36
Total liabilities		1,016	36
Net Assets		10,046	9,804
Total equity of the parent entity comprising of:			
Share capital		28,556	28,556
Reserves		424	424
Accumulated losses		(18,934)	(19,176)
Total Equity		10,046	9,804

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31st DECEMBER 2013

1 CORPORATE INFORMATION

The financial report of Oriental Technologies Investment Limited for the year ended 31st December 2013 was authorised for issue in accordance with a resolution of the directors on 28th March 2014 and comprise the consolidated entity consisting of Oriental Technologies Investment Limited and its subsidiary (together referred to as the 'Group' or 'Consolidated Group') as required by the *Corporations Act 2001*. As permitted by the *Corporations Act 2001*, the separate financial statements of the parent entity, Oriental Technologies Investment Limited, have not been presented within the financial report.

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 Securities 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 to Note 27 of these financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB)

The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Except for cash flow information, the financial report has been prepared on an accruals basis and is based on historical costs, including the measurement of land and buildings, except for financial assets and financial liabilities at fair value through profit or loss, which are measured at fair value as explained in the accounting policies.

The financial report of the Group complies with all International Financial Reporting Standards (IFRS) in their entirety.

The accounting policies set out below have been consistently applied to all years presented.

(b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of Oriental Technologies Investment Limited and its controlled entities at 31st December each year (Group). Subsidiaries are entities controlled by the Group. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Details of the controlled entity are contained in Note 16 of these financial statements. The controlled entity has 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.

Non-controlling interests in the results and equity of the subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position 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 Group during the year, their operating results have been respectively included or excluded from the date control was obtained or until the date control ceased.

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(c) Business Combinations

The Group has adopted AASB 3 *Business Combinations* [For-Profit (FP) Entities] (Calendar 2013) and AASB 10 *Consolidated Financial Statements* [For-Profit (FP) Entities] (Calendar 2013) for acquisitions of non-controlling interests.

Business combinations are accounted for using the acquisition method as at the acquisition date - i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

(d) Foreign Currency Translation

The functional currency of Oriental Technologies Investment Limited is Australian Dollars and that of its Chinese subsidiary 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 re-translated at the rate of exchange ruling at the reporting 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 profit or loss.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

At the reporting date, the assets and liabilities of the overseas subsidiary are translated into the presentation currency of Oriental Technologies Investment Limited at the closing rate at reporting 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 statement of profit or loss and other comprehensive income.

(e) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following bases:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Sale of Goods and Scrap Raw Material

Revenue from sales of goods and scrap raw material are recognised on transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered and title is passed to customers.

Interest

Interest income from financial assets is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividends

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

(f) Taxation

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in China, where the Company's subsidiary operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss

- temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future

- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(g) Impairment of Non-Financial Assets

At each reporting date, the Group reviews internal and external sources of information to access whether there is any indication that its property, plant and equipment and land use rights may be impaired or impairment loss previously recognised no longer exists or may be reduced.

If any indication of impairment loss exists, the recoverable amount of the asset is estimated based on the higher of its fair value less cost to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest Group of assets that independently generates cash flows, a cash-generating unit.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. Any impairment losses are immediately recognised as an expense.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of any impairment loss is immediately recognised as income.

(h) 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.

(i) Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the reporting period are classified as current assets notwithstanding that the majority of sales are due upon presentation of an invoice.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The remaining sales are with credit terms ranging from 30 to 90 days, as well as on letter of credit. Collection of trade receivables is assessed on an on-going 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.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase and, where applicable, other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period of the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Property, Plant and Equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the year in which they are incurred.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

The gain or loss arising from the retirement or disposal of property, plant and equipment is determined as the difference between the estimated net sales proceeds and the carrying amount of the assets and is recognised as an income or expense in the statement of profit or loss and other comprehensive income.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment over their estimated useful lives as set out below from the date on which they are available for use and after taking into account of their estimated residual values of 10%, using the straight-line method.

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on reasonable basis and depreciated separately:

Buildings and plant	20 years
Machinery	10 years
Motor vehicles	5 years

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Electronic equipment	5 years
Other equipment	5 years
Moulds	5 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year in which the item is derecognised.

Construction in progress

Construction in progress is stated at cost less accumulated impairment losses. Cost includes all construction expenditure and other direct costs, including interest costs, attributable to such projects. Costs on completed construction works are transferred to the appropriate asset category.

No depreciation is provided in respect of construction in progress until it is completed and available for use.

Land usage right

Land usage right represents an amount paid for the acquisition of the right to use for a period of 50 years, land located in the People's Republic of China. Land usage right is carried at cost and amortised over the lease term.

(l) 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 statement of profit or loss and other comprehensive income 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 statement of profit or loss and other comprehensive income in the periods in which they are incurred.

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- the arrangement contains a right to use the asset(s).

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

(m) Goodwill

The Group has adopted AASB 3 *Business Combinations* [For-Profit (FP) Entities] (Calendar 2013) and AASB 10 *Consolidated Financial Statements* [For-Profit (FP) Entities] (Calendar 2013).

Acquisitions of non-controlling interests

Goodwill that arises upon the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, see Note 2(c).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee as a whole.

(n) Trade and Other Payables

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

(o) 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 statement of profit or loss and other comprehensive income 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 reporting date.

(p) Other Liabilities

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

(q) Borrowing Costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

(r) Financial Instruments

Recognition and de-recognition

Financial assets and financial liabilities are recognised when a Group company becomes a party to the contractual provisions of the instruments and on a trade date basis.

A financial asset is derecognised when and only when:

(i) the Group's contractual rights to future cash flows from the financial asset expire or

(ii) the Group transfers the financial asset and either:

(a) the Group transfers substantially all the risks and rewards of ownership of the financial asset, or

(b) the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but it does not retain control of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises the financial asset to the extent of its continuing involvement and an associated liability for amounts it may have to pay.

A financial liability is derecognised when and only when the liability is extinguished, that is when the obligation specified in the relevant contract is discharged, cancelled or expires.

Classification and measurement

Financial assets or financial liabilities are initially recognised at their fair value plus, in the case of financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are direct attributable to the acquisition or issue of the financial assets or financial liabilities.

Financial assets or financial liabilities at fair value through profit or loss

Financial assets or financial liabilities at fair value through profit or loss include financial assets or financial liabilities held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. They are carried at fair value, with any resultant gain and loss recognised in profit or loss.

Financial assets or financial liabilities are classified as held for trading if they are:

(i) acquired principally for the purpose of selling in the near future;

(ii) part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) derivatives that are not financial guarantee contracts or not designated and effective hedging instruments.

Financial assets or financial liabilities are designated at initial recognition as at fair value through profit or loss if:

(i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or

(ii) they are part of a group of financial assets and / or financial liabilities that are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or

(iii) they contain embedded derivatives that would need to be separately recorded.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Loans and receivables

Loans and receivables including trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading. They are measured at amortised cost using the effective interest method, except where receivables are interest-free loans and without any fixed repayment term or the effect of discounting would be insignificant. In such case, the receivables are stated at cost less impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition over the year to maturity. Gains and losses arising from de-recognition, impairment or through the amortisation process are recognised in profit or loss.

Financial Liabilities

The Group's financial liabilities include trade and other payables and bank borrowings. All financial liabilities, except for any derivatives, are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

Impairment of Financial Assets

At each reporting date, the Group assesses whether there is objective evidence that financial assets, other than those at fair value through profit and loss, are impaired. Any impairment loss of financial assets carried at amortised cost is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flow discounted at the financial asset's original effective interest rate. Such impairment loss is reversed in subsequent periods through profit or loss when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) 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.

(t) Employee Benefits

Provision is made for the Group's liabilities for employee benefits arising from services rendered by employees to the reporting 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.

Short term employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Retirement benefits scheme

Payments by Yangzhou Apollo Battery Co Limited (YABC) made to state-managed retirement benefit schemes are dealt in the same manner as payments to defined contribution plans, as the Group's obligations under the schemes are similar to those arising in a defined contribution retirement benefit plan, and are charged as expenses as they fall due.

(u) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable. 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 statement of financial position 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.

(v) 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.

(w) Share Based Payments

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to payment. The liability is re-measured at each reporting date and at settlement date based on the fair value of the share appreciation rights. Any changes in the liability are recognised as employee benefit expenses in profit or loss.

(x) Earnings or Losses Per Share

Basic earnings or losses 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 or losses 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.

(y) Segment Reporting

The Group determines and presents operating segments based on the information that internally is provided to the Managing Director, who is the Group's chief operating decision maker. This is due to the adoption of AASB 8 *Operating Segments* (Calendar 2013). The accounting policy in respect of segment operating disclosures is presented as follows.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(z) Presentation of Financial Statements

The Group applies AASB 101 *Presentation of Financial Statements* [For-Profit (FP) Entities] (Calendar 2013). As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of profit or loss and other comprehensive income.

(aa) Accounting Standards Issued But Not Yet Effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2014, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt this standard early. For more detail refer to Note 29 of these financial statements.

AASB 9 *Financial Instruments* (2010), AASB 9 *Financial Instruments* (2009)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting. AASB 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of AASB 9 (2010) is expected to have an impact on the Group's financial assets, but no impact on the Group's financial liabilities.

(bb) 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.

3 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES

Activities undertaken by Oriental Technologies Investment Limited and its subsidiary 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.

The Group's principal financial instruments comprise cash at bank and bank borrowings. The main purpose of these financial instruments is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as trade and other receivables and trade and other payables, which arise directly from its business activities.

The main risks arising from the Group's financial instruments are market risk (including interest rate risk and foreign currency risk), liquidity risk and credit risk. The Group does not have any written risk management policies and guidelines. However, management generally adopts conservative strategies on its risk management and limits the Group's exposure to these risks to a minimum. Management reviews and agrees policies for managing each of these risks and they are summarised below. The Group also monitors the market price risk arising from all financial instruments.

3 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's short-term bank borrowings. Interest rates and terms of repayment have been disclosed in Note 20 to the financial statements.

Management does not expect any significant interest rate risk as at the end of the reporting period, as the Group's short-term borrowings as at 31st December 2013 were at fixed interest rates.

This analysis was performed on the same basis as for the year ending 31st December 2012.

At the end of the previous reporting period, if interest rates had been 100 basis point higher / lower and all other variables were held constant, the Group's net profit would decrease / increase by RMB 50,000, which is equivalent to AUD 8,000, but there would be no impact on the other equity reserves.

This sensitivity analysis has been determined assuming that the change in interest rates occurred at 31st December 2013 and applies to exposure to interest rate risk of all the Group's financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the year ending 31st December 2013.

Foreign currency risk

The functional currency of Yangzhou Apollo Battery Co Limited (YABC) is Chinese Renminbi (RMB), which is re-stated to Australian Dollars (AUD). Refer Note 2(d). For the year ended 31st December 2013, this re-statement resulted in a profit of $3,927,000 (2012 $159,000 loss) recognised as a separate component of equity (foreign currency translation reserve).

The Group's trading foreign currency exposures arise mainly from the exchange rate movements of US dollars, Euros and Chinese Renminbi. There were Group trading foreign currency losses for the year ended 31st December 2013 totalling $207,000 (2012 $76,000). Refer to Note 8 for more details.

By hedging foreign currency exposure using forward foreign currency contracts, YABC generated a foreign currency gain for the year ended 31st December 2013 totalling $Nil (2012 $535,000).

3 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

Details of the Group's financial assets and financial liabilities denominated in foreign currencies as at 31st December were as follows:

	Group	
	2013	2012
	$'000	$'000
Bank		
US dollars	1,331	1,802
Euros	-	587
Renminbi	3,666	4,588
	4,997	6,977
Trade & other receivables		
US dollars	5,693	5,091
Euros	387	753
Renminbi	7,063	3,541
	13,143	9,385
Trade & other payables		
US dollars	(77)	(92)
Euros	(41)	(1)
GB pounds	(3)	(3)
Renminbi	(6,511)	(5,095)
	(6,632)	(5,191)
Net foreign exchange exposure		
US dollars	6,947	6,801
Euros	346	1,339
GB pounds	(3)	(3)
Renminbi	4,218	3,034
	11,508	11,171

Sensitivity analysis

At the end of the reporting period, if Renminbi had weakened/strengthened by 2% (2012 2%) against the US dollar with all the other variables held constant, the Group's net loss for the year ended 31st December 2013 would have been higher / lower by RMB 753,000, which is equivalent to AUD 126,000 (2012 RMB 890,000 equivalent to AUD 137,000).

This would have been because of foreign exchange gains/losses on translation of US dollar denominated bank balances and cash, trade and other receivables and trade and other payables, but there would be no impact on other equity reserves.

At the end of the reporting period, if Renminbi had weakened/strengthened by 2% (2012: 2%) against the Euro with all other variables held constant, the Group's net loss for the year ended 31st December 2013 would have been higher / lower by RMB38,000, which is equivalent to AUD 6,000 (2012 RMB 175,000 equivalent to AUD 27,000).

This would have been because of foreign exchange gains/losses on translation of Euro-denominated, bank balances and cash and trade and other receivables, but there would be no impact on the other equity reserves.

3 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to Group's exposure to currency risk for all financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual consolidated statement of financial position.

If Renminbi had weakened/strengthened by 2% (2012 2%) against the Australian dollar with all the other variables held constant, the Group's net loss for the year ended 31st December 2013 would have been higher / lower by RMB 257,000 , which is equivalent to AUD 43,000 (2012 AUD 234,000).

This would have been because of foreign exchange gains/losses on translation of Renminbi denominated bank and cash balances, trade and other receivables, and trade and other payables, but there would be no impact on other equity reserves.

In addition, the Group is exposed to foreign currency risk primarily through maintaining certain USD bank deposits.

At 31st December, the Group had entered into forward foreign exchange contracts to sell USD and EUR, with their notional amount analysed by maturity as follows:

Short Position with maturity	2013 USD000	2013 EUR000	2013 AUD000	2012 USD000	2012 EUR000	2012 AUD000
Within 3 months	-	-	-	-	900	1,134
Over 3 months but within 6 months	-	-	-	1,700	-	1,631
	-	-	-	1,700	900	2,765

As at 31st December 2013, YABC had an embedded derivative liability totalling RMB Nil (2012 RMB 100,000), which is equivalent to AUD Nil (2012 AUD 15,000), for financial assets at fair value through profit or loss.

Liquidity risk

Liquidity risk refers to the risk in which the Group is unable to meet its short-term obligations. Liquidity risk is managed by matching the payment and receipt cycles. The Group's operations are financed mainly through operating cash flows, equity and bank borrowings.

3 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

In addition, the Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. The maturity profile of the Group's liabilities at the reporting date based on contractual undiscounted payments is summarised below:

	Less than 3 months $'000	3 to 12 months $'000	Over 12 months $'000	Contractual cash flows $'000	Carrying amount $'000
2013					
Interest bearing borrowings	-	22,413	-	22,413	21,765
Trade and other payables	7,648	-	-	7,648	7,648
	7,648	22,413	-	30,061	29,413
2012					
Interest bearing borrowings	767	17,871	-	18,638	18,057
Trade and other payables	5,228	-	-	5,228	5,228
	5,995	17,871	-	23,866	23,285

Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay the amounts due to YABC, resulting in a loss to the Group. YABC's credit risk is primarily attributable to trade receivables and bank balances.

The majority of the Group's sales are due upon the presentation of an invoice. The remaining sales are with credit terms ranging from 30 days to 90 days as well as on letter of credit. Included in the Group's trade receivable balance are debtors with a carrying amount of RMB 29,804,000, which is equivalent to AUD 5,498,000 (2012 RMB 29,321,000- equivalent to AUD 4,487,000), which are past due at 31st December. These relate to major customers for whom there is no recent history of default. The Company does not hold any collateral over these balances. At 31st December 2013, these trade receivables were aged as follows:

	Note	2013 RMB'000	2013 $'000	2012 RMB'000	2012 $'000
Current		35,971	6,634	28,949	4,430
Less than 1 month overdue		10,111	1,865	19,630	3,004
1 to 2 months overdue		6,065	1,119	6,243	955
2 to 3 months overdue		5,219	963	2,411	369
Over 3 months overdue		8,698	1,604	1,037	159
		30,093	5,551	29,321	4,487
	13	66,064	12,185	58,270	8,917

At 31 December 2013, the Group had a concentration of credit risks of 23% (2012 19%) and 51% (2012 54%) of total trade receivables, respectively made up of the Group's largest customer and five largest customers. Credit evaluations and monitoring on settlement are performed on these customers.

Receivables that were neither past due nor impaired related to a wide range of customers from whom there was no history of default.

3 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

Fair value

The fair value of forward foreign exchange contracts is calculated as the present value of expected future cash flows relating to the difference between the contract rates and the market forward rates at the record date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The following presents the carrying value of financial instruments measured at fair value at 31st December 2013 across the three levels of the fair value hierarchy defined in *AASB 7, Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments;
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data;
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

The following presents the carrying value of financial instruments measured at fair value at 31st December 2013:

Level 3	2013		2012	
	RMB'000	$'000	RMB'000	$'000
Liabilities measured at fair value				
Financial assets at fair value through profit or loss - Embedded derivative	-	-	100	15

Capital management

The objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to provide returns for shareholders. The Group manages its capital structure, including any payment of dividend, return of capital to shareholders, raising additional capital, or selling assets to reduce debt.

3 FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

The Group monitors capital on the basis of debt to equity, which is net debt divided by equity. The debt to equity ratios at 31st December 2013 were as follows:

Group	2013 $'000	2012 $'000
Borrowings	21,765	18,057
Trade and other payables	7,648	5,228
Less: Cash at bank	(5,346)	(7,628)
Net debt	24,067	15,657
Equity	21,689	20,142
Net Debt / Equity	111%	78%

4 ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical judgements

Estimates and assumptions concerning the future and judgements are made by the management in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

Allowance for inventories

At each reporting date, the Group's management reviews the condition of inventories as stated in Note 14 to these financial statements, and make allowance for inventories that are identified as obsolete, slow-moving or no longer recoverable or suitable for use in production. The Group carries out an inventory review on a product-by-product basis and makes allowances by reference to the latest market price and current market conditions.

Allowance for bad and doubtful debts

The provisioning policy for bad and doubtful debts of the Group is based on the evaluation by management of collectability of the accounts receivable. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including assessing the current creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance would be required.

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.

4 ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Critical accounting estimates and assumptions

There are no critical accounting estimates and assumptions about the future made by management at the reporting date other than as disclosed elsewhere in these Financial Statements.

5 SEGMENT REPORTING

Description of segments

The Group's reporting format is geographical segments.

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

China – a People's Republic of China entity controlled by Oriental Technologies Investment Limited operates a lead acid battery manufacturing plant in China and makes local sales.

Middle East, Europe and Australia - a People's Republic of China entity controlled by Oriental Technologies Investment Limited exports a broad range of its products to the Middle East, Europe and Australia.

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 17 to these financial statements is the following information relating to assets:

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

   b) The depreciation expenses for the assets; and

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

Chief Operating Decision Maker (CODM)

The CODM is Dr Xinsheng Wang, Managing Director.

Assets and Liabilities by Country

	China		Australia		Europe		Middle East		Group	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets	50,223	43,105	879	679	-	-	-	-	51,102	43,784
Liabilities	(28,397)	(23,606)	(1,016)	(36)	-	-	-	-	(29,413)	(23,642)
Net Assets	21,826	19,499	(137)	643	-	-	-	-	21,689	20,142

5 SEGMENT REPORTING (continued)

Other Disclosures

Segment accounting policies

Segment information is prepared in conformity with the accounting policies used as disclosed in Note 2 to these financial statements and accounting standard AASB 8 *Operating Segments*. 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.

Geographical segments

	Europe $'000	Australia $'000	China $'000	Middle East $'000	Other $'000	Total continuing operations $'000	Inter-segment elimination/ Unallocated $'000	Group $'000
2013								
Revenue								
Sales to external customers	6,506	7,419	32,939	9,340	3,029	59,233	364	59,597
Total sales revenue	6,506	7,419	32,939	9,340	3,029	59,233	364	59,597
Other revenue/income	-	-	-	-	-	-	183	183
Total segment revenue/income	6,506	7,419	32,939	9,340	3,029	59,233	547	59,780
Result								
Segment result								
Loss before income tax	(16)	(18)	(82)	(23)	(7)	(146)	(2,302)	(2,448)
Income tax benefit								139
Net loss for the year								(2,309)
2012								
Revenue								
Sales to external customers	10,852	5,989	43,457	5,092	3,631	69,021	239	69,260
Total sales revenue	10,852	5,989	43,457	5,092	3,631	69,021	239	69,260
Other revenue/income	-	-	-	-	-	-	648	648
Total segment revenue/income	10,852	5,989	43,457	5,092	3,631	69,021	887	69,908
Result								
Segment result								
Profit before income tax	787	434	3,151	369	263	5,004	(1,677)	3,327
Income tax expense								(1,303)
Net profit for the year								2,024

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

6 REVENUE

	Group	
	2013	2012
	$'000	$'000
From continuing operations		
Sale of goods	59,233	69,021
Sale of scrap	364	238
Other sales	-	1
Interest income	53	99
	59,650	69,359

7 OTHER INCOME

Foreign currency gain	104	535
Gain on disposal of property, plant and equipment	1	6
Other	25	8
	130	549

8 EXPENSES

(Loss) / Profit before income tax includes the following specific expenses:

Amortisation, depreciation and Impairment expense		
Land usage right amortisation	24	22
Buildings depreciation	305	280
Plant and equipment depreciation	2,774	2,374
	3,103	2,676
Property, plant and equipment impairment benefit	(55)	(7)
	3,048	2,669
Employee benefits expense (including defined contribution superannuation expense)	5,064	4,434
Defined contribution superannuation expense	16	12
Finance Costs		
Interest paid/payable	1,275	1,225
Other Expenses		
Technical and advisory fees	194	163
Consultancy fees	229	70
General & administrative costs	932	864
Foreign currency loss	207	76
Bad debt (benefit) / expense including impairment	(129)	28
	1,433	1,201

9 INCOME TAX BENEFIT / (EXPENSE)

Yangzhou, Yangzhou Apollo Battery Co Limited (YABC) income tax is determined pursuant to the relevant income tax laws of the People's Republic of China (PRC) applicable to wholly Foreign-owned Enterprise and Sino-foreign joint ventures enterprise in the PRC engaging in production in YABC.

YABC is subject to the unified PRC enterprise income tax (EIT) rate of 25% per annum.

EIT has not been provided for the year ended 31st December 2013, as YABC incurred a loss for PRC taxation purposes.

EIT is provided at the rate of 25% per annum on the YABC's estimated assessable profits for the year ended 31st December 2013 (2012 25%).

	Group	
	2013	2012
	$'000	$'000
Current tax benefit / (expense)	650	(1,267)
Deferred tax expense	(511)	(36)
Total income tax benefit / (expense)	139	(1,303)
Deferred tax assets not recognised because it is not considered probable that there would be sufficient future taxable income to utilise these benefits:[5]		
YABC deductible temporary differences	98	77
Income tax losses:		
Company	1,984	2,052
YABC	1,340	-
	3,422	2,129

Reconciliation of the effective tax rate

	2013	2012
(Loss) / Profit before income tax	(2,448)	3,327
Prima facie tax benefit / (expense) at the Australian tax rate of 30% per annum (2012: 30% per annum)	734	(998)
Unrecognised temporary differences	(200)	(39)
Non-deductible expenses	(135)	(379)
Tax loss not allowed	(307)	-
Prior year over / (under)-provision	233	(88)
Withholding tax	(94)	-
Recognition of previously unrecognised temporary difference	(4)	-
Other	-	4
	227	(1,500)
Adjustment to reflect income tax payable at 25% per annum (2012: 25% per annum) for YABC subsidiary in China.	(88)	197
Income tax Benefit / (expense) at effective tax rate of 6% per annum (2012: 39% per annum)	139	(1,303)

[5] Under current PRC tax legislation, YABC's deductible temporary differences do not expire and tax losses will expire in 2018. The Group has not recognised a deferred tax asset in respect of temporary differences and tax losses because it is not probable that future taxable profit would be sufficient against which the Group can utilize a benefit.

10 (LOSSES) / EARNINGS PER SHARE

Reconciliation of (losses) / earnings used in calculating (losses) / earnings per share:

	Group 2013 $'000	2012 $'000
(Losses) / Earnings per share		
(Loss) / Profit from continuing operations attributable to ordinary equity holders of Oriental Technologies Investment Limited used to calculate basic and diluted profit per share	(1,631)	808
	Number	Number
Weighted average number of ordinary shares used in calculating basic profit per share	126,361,087	126,361,087
Weighted average number of ordinary shares used in calculating diluted loss per share	126,361,087	126,361,087

11 AUDITOR'S REMUNERATION

	$	$
Assurance Services		
Audit services		
Amounts paid/payable to RSM Bird Cameron Partners for audit or review of the financial report for the entity or any entity in the Group	66,000	64,029
Amounts paid/payable to subsidiary auditors who are un-related to RSM Bird Cameron Partners for audit or review of the financial report for the entity or any entity in the Group	79,644	76,438
Total remuneration for assurance services	145,644	140,467
Taxation Services		
Amounts paid/payable to RSM Bird Cameron for non-audit taxation services performed for the entity or any entity in the Group:	-	5,500
Total remuneration for taxation services	-	5,500
Total remuneration	145,644	145,967

12 CASH AND CASH EQUIVALENTS

	$'000	$'000
Cash at bank and in hand		
Unrestricted	5,346	7,523
Restricted	-	105
Total	5,346	7,628
	% per annum	% per annum
Interest rates for cash at bank and in hand	0.8	1.2

13 TRADE AND OTHER RECEIVABLES (CURRENT)

	Group 2013 $'000	2012 $'000
Trade receivables	12,185	8,917
Provision for doubtful debts	(53)	(37)
	12,132	8,880
Other debtors	1,041	533
	13,173	9,413

Included in the Group's trade receivable balances are debtors with a carrying amount of $5,498,000 (2012 $4,487,000) which are past due at 31st December but not considered impaired. Refer to Note 3 of these financial statements for more details.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	2013	2012
US dollar	5,693	5,091
Euro	387	753
Renminbi	7,063	3,541
	13,143	9,385
Australian dollar	30	28
	13,173	9,413

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:

	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
2013									
Trade receivables	-	-	-	-	-	-	-	12,132	12,132
Other receivables	-	-	-	-	-	-	-	1,041	1,041
	-	-	-	-	-	-	-	13,173	13,173
Weighted average interest rate	-	-	-	-	-	-	-	-	-
2012									
Trade receivables	-	-	-	-	-	-	-	8,880	8,880
Other receivables	-	-	-	-	-	-	-	533	533
	-	-	-	-	-	-	-	9,413	9,413
Weighted average interest rate	-	-	-	-	-	-	-	-	-

14 INVENTORIES (CURRENT)

At cost	Group 2013 $'000	Group 2012 $'000
Raw materials	2,934	2,830
Work in progress	2,007	1,821
Finished goods	8,872	4,859
	13,813	9,510

15 OTHER FINANCIAL ASSETS (NON-CURRENT)

	Parent Entity 2013 $'000	Parent Entity 2012 $'000
Investment in subsidiary (refer Note 16 of these financial statements)	10,183	9,161
	10,183	9,161

16 CONTROLLED ENTITY

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

Name of entity	Country of incorporation	Class of shares	Equity holding[6] 2013 %	Equity holding[6] 2012 %	Parent Entity 2013 $'000	Parent Entity 2012 $'000
Yangzhou Apollo Battery Co Limited	China	Ordinary	55.57	55.57	10,183	9,161

Yangzhou Apollo Battery Co Limited is incorporated and operates within the People's Republic of China (PRC) and is 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 Yangzhou Apollo Battery Co Limited to transfer cash dividends to its Australian holding company, Oriental Technologies Investment Limited.

[6] The proportion of ownership interest is equal to the proportion of voting power held.

17 PROPERTY, PLANT AND EQUIPMENT

	Group	
	2013	2012
	$'000	$'000
Land usage rights		
At cost	1,276	1,059
Accumulated depreciation	(283)	(220)
	993	839
Buildings - Leasehold		
At cost	7,356	6,103
Accumulated depreciation	(2,722)	(1,979)
	4,634	4,124
Total land and buildings	5,627	4,963
Plant and equipment		
At cost	30,464	24,430
Accumulated depreciation & impairment	(18,028)	(12,391)
	12,436	12,039
Plant and equipment under construction	114	111
Total plant and equipment	12,550	12,150
Total non-current property, plant and equipment	18,177	17,113
Total land Usage Rights		
Carrying amount at beginning of financial year	839	871
Depreciation	(24)	(22)
Effect of movement in foreign exchange	178	(10)
Carrying amount at end of financial year	993	839
Total Buildings - Leasehold		
Carrying amount at beginning of financial year	4,124	4,391
Depreciation	(305)	(280)
Effect of movement in foreign exchange	815	(46)
Reclassification from construction in progress	-	59
Carrying amount at end of financial year	4,634	4,124
Total Plant & Equipment		
Carrying amount at beginning of financial year	12,039	12,652
Additions	719	1,649
Disposals	(4)	(6)
Depreciation	(2,774)	(2,374)
Impairment benefit	55	7
Effect of movement in foreign exchange	2,280	(134)
Reclassification from construction in progress	121	245
Carrying amount at end of financial year	12,436	12,039
Total Construction in Progress		
Carrying amount at beginning of financial year	111	255
Additions	102	163
Effect of movement in foreign exchange	22	(3)
Reclassification to plant & equipment	(121)	(304)
Carrying amount at end of financial year	114	111

17 PROPERTY, PLANT AND EQUIPMENT (continued)

Land and Buildings

In the opinion of Directors and based upon a bank valuation for lending purposes, the market value of land usage rights and buildings at 31st December 2013 is approximately RMB 40 million or AUD 7 million (2012 approximately RMB 40 million or AUD 6 million).

18 TRADE AND OTHER PAYABLES (CURRENT)

	Group 2013 $'000	2012 $'000
CURRENT		
Unsecured liabilities		
Trade and sundry payables	6,665	5,228
Deposit payable	983	-
	7,648	5,228

19 CURRENT TAX LIABILITY

Provision for income tax	-	357
	-	357

20 BORROWINGS (CURRENT)

Bank loans - secured	11,989	9,947
Bank loans - unsecured	9,776	8,110
	21,765	18,057

Bank loans are with maturity periods not exceeding one year.

As at 31st December 2013, interest was charged on all outstanding balances at the fixed interest rates ranging from 6% per annum to 6.9% per annum.

As at 31st December 2012, interest was charged on:

1. Outstanding balances totalling RMB 113,000,000 (AUD 17,292,000) at fixed interest rates from 6% per annum to 6.9% per annum; and
2. Remaining outstanding balances totalling RMB 5,000,000 (AUD 765,000), at an interest rate ranging from 101% per annum to 105% per annum of the base lending rate published by the People's Bank of China.

In November 2011, YABC entered into a loan agreement with an independent individual third party, for which a loan facility of RMB 25,000,000 (AUD 3,826,000) was granted to YABC as YABC's working capital for a period of six months at interest rate of 8% per annum. During 2012, YABC drew down RMB 13,000,000, which is the equivalent of AUD 1,989,000. Total RMB 25,000,000 drawn down was repaid during the year ended 31st December 2012.

20 BORROWINGS (CURRENT) (continued)

(i) Loans

2013	Effective	Group	
	Interest Rate		
Expiry Date	% pa	RMB'000	$'000
04-April-2014	6.30%	9,000	**1,660**
23-April-2014	6.96%	10,000	**1,844**
03-May-2014	6.00%	5,000	**922**
09-May-2014	6.00%	9,000	**1,660**
17-May-2014	6.00%	6,000	**1,107**
22-May-2014	6.00%	5,000	**922**
03-June-2014	6.96%	8,000	**1,476**
04-June-2014	6.96%	5,000	**922**
13-June-2014	6.96%	5,000	**922**
17-June-2014	6.00%	8,000	**1,476**
02-July-2014	6.00%	9,000	**1,660**
08-July-2014	6.96%	10,000	**1,844**
04-August-2014	6.60%	6,500	**1,199**
04-August-2014	6.60%	5,000	**922**
04-August-2014	6.60%	3,500	**647**
10-September-2014	6.30%	9,000	**1,660**
08-October-2014	6.30%	5,000	**922**
		118,000	21,765

2012			
Expiry Date			
13-January-2013	6.56%	5,000	765
20-April-2013	6.72%	10,000	1,531
27-May-2013	6.00%	5,000	765
27-May-2013	6.00%	5,000	765
27-May-2013	6.00%	6,000	918
27-May-2013	6.00%	9,000	1,377
08-June-2013	6.72%	8,000	1,224
08-June-2013	6.72%	5,000	765
07-July-2013	6.72%	5,000	765
09-July-2013	6.00%	8,000	1,224
09-July-2013	6.00%	9,000	1,377
18-July-2013	6.96%	10,000	1,531
12-August-2013	6.30%	5,000	765
11-September-2013	6.90%	6,500	995
11-September-2013	6.60%	3,500	535
19-October-2013	6.30%	10,000	1,531
02-November-2013	6.30%	8,000	1,224
		118,000	18,057

20 BORROWINGS (CURRENT) (continued)

(ii) Assets pledged as security

	Group 2013 $'000	2012 $'000
Secured by land usage rights	993	839
Secured by building leasehold	4,452	3,826
	5,445	4,665

Since 31st December 2013 and to the date of this report:

1. All loans expiring during the period have been repaid or rolled over; and
2. Assets pledged by the Group as security remain land usage rights and building leasehold.

(iii) Financing arrangements

The following credit stand-by loan arrangements were available at the reporting date.

	Group 2013 $'000	2012 $'000
Total facilities:		
Used at reporting date	21,765	18,057
Unused at reporting date	-	-
	21,765	18,057

(iv) 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:

2013

	Floating rates	Fixed 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
Bank loans	-	21,765	-	-	-	-	-	-	21,765
	-	21,765	-	-	-	-	-	-	21,765
Weighted average interest rate per annum		6.2%	-	-	-	-	-	-	6.2%

20 BORROWINGS (CURRENT) (continued)

2012

	Floating rates	Fixed 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
Bank loans	-	18,057	-	-	-	-	-	-	18,057
	-	18,057	-	-	-	-	-	-	18,057
Weighted average interest rate per annum		6.4%	-	-	-	-	-	-	6.4%

(v) Fair value

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

	Group 2013 $'000	2012 $'000
Interest bearing borrowings	21,765	18,057
	21,765	18,057

21 ISSUED CAPITAL

	2013 Number of Shares	$'000	2012 Number of Shares	$'000
Share capital				
Ordinary shares – no par value				
Fully paid and authorised	126,361,087	28,556	126,361,087	28,556
	126,361,087	28,556	126,361,087	28,556

Movements in ordinary share capital

Date	Details	Number of shares	$'000
1-Jan-12	Opening balance	126,361,087	28,556
31-Dec-12	Closing balance	126,361,087	28,556
1-Jan-13	Opening balance	126,361,087	28,556
31 Dec -13	Closing balance	126,361,087	28,556

21 ISSUED CAPITAL (continued)

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 26 of these financial statements.

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.

22 RESERVES AND ACCUMULATED LOSSES

	Note	Group 2013 $'000	Group 2012 $'000
(i) Other reserves			
General reserve	22 (i) a)	930	917
Foreign currency translation reserve	22 (i) b)	1,567	(613)
Share option reserve	22 (i) c)	424	424
		2,921	728
a) General reserve			
Balance at start of year		917	766
Transfer from accumulated losses		20	273
Transfer to non-controlling interests		(9)	(122)
Rounding		2	-
Balance at end of year		930	917
b) Foreign currency translation reserve			
Balance at start of year		(613)	(550)
Currency translation differences		3,926	(159)
Transfer to non-controlling interests		(1,744)	96
Rounding		(2)	-
Balance at end of year		1,567	(613)
c) Share option reserve			
Balance at start of year		424	424
Balance at end of year		424	424
(ii) Accumulated losses			
Balance at start of year		(18,155)	(18,178)
Dividend paid		-	(632)
Transfer to general reserve		(20)	(273)
Transfer from non-controlling interests		9	121
(Loss) / Profit from continuing operations attributable to members of the parent		(1,631)	808
Other - rounding		-	(1)
Balance at end of year		(19,797)	(18,155)

22 RESERVES AND ACCUMULATED LOSSES (continued)

a) General reserve

In accordance with the relevant laws and regulations of the People's Republic of China (PRC), wholly foreign owned enterprises established in the PRC must maintain statutory reserves for specific purposes. The Board of Directors of Yangzhou Apollo Battery Co Ltd (YABC) determines on an annual basis the amount of these annual appropriations to statutory reserves.

As YABC incurred a loss during the year ended 31st December 2013, nothing was appropriated to the general reserve.

The amount transferred during the year ended 31st December 2013 represents late adjustments made to YABC's local PRC financial statements for the year ended 31st December 2011, prepared under the statutory financial statements required by the laws and regulations of the PRC.

During the year ended 31st December 2012, a total 10% of YABC's profit reported under PRC requirements was appropriated to YABC's reserves.

At 31st December 2013 and 31st December 2012 this general reserve related entirely to YABC.

b) Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences on translation of foreign controlled subsidiary. The reserve is recognised in the statement of profit or loss and other comprehensive income when the investment is disposed.

c) Share option reserve

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

23 NON-CONTROLLING INTERESTS

Non-controlling interests in:	Group	
	2013	2012
	$'000	$'000
Share capital	8,021	7,201
General reserve	600	591
Foreign currency translation reserve	1,671	(73)
Accumulated (losses) / profits	(283)	1,294
	10,009	9,013

24 FINANCIAL INSTRUMENTS

Risk Management Policies

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business. Derivative financial instruments are used. Refer to Note 3 of these financial statements for more details.

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 Group does not require collateral in respect of financial assets.

Refer to Note 3 of these financial statements for more detail about concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Interest rate risk

The Group adopts a policy of ensuring that some part of its exposure to changes in interest rates on borrowings is on a fixed rate basis. Refer to Note 20 of these financial statements for more details

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

2013	Less than 3 months	3 to 12 months	Over 12 months	Undiscounted contractual cash flows	Carrying amount	Effective Interest Rate
	$'000	$'000	$'000	$'000	$'000	% per annum
Fixed rate						
Interest bearing borrowings	-	(22,413)	-	(22,413)	(21,765)	6.2
Cash at bank and on hand	5,346	-	-	5,346	5,346	0.8

2012	Less than 3 months	3 to 12 months	Over 12 months	Undiscounted contractual cash flows	Carrying amount	Effective Interest Rate
	$'000	$'000	$'000	$'000	$'000	% per annum
Fixed rate						
Interest bearing borrowings	(767)	(17,871)	-	(18,638)	(18,057)	6.4
Cash at bank and on hand	7,628	-	-	7,628	7,628	1.2

Refer to Note 3 of these financial statements for further information about financial instrument policies and objectives.

Refer Note 20 of these financial statements for a summary of used and unused interest bearing loan facilities; details of loan fair values; and floating interest rates.

25 CASH FLOW INFORMATION

Reconciliation of (loss) / profit from continuing operations to net cash flow from operating activities	Group	
	2013 $'000	2012 $'000
(Loss) / Profit from continuing operations for the year	(2,309)	2,024
Non-cash flows in (loss) / profit		
Depreciation expense	3,103	2,676
Property, plant and equipment impairment benefit	(55)	(7)
Receivables impairment benefit	(89)	-
Gain on sale of property, plant and equipment	(1)	(6)
Gain on financial instruments	(16)	-
Net foreign exchange differences	(515)	(147)
Changes in assets and liabilities		
(Increase) / Decrease in receivables	(3,688)	2,035
Increase in inventories	(4,303)	(1,785)
Increase / (Decrease) in trade & other payables	1,453	(787)
Decrease in tax payable	(357)	-
Increase / (Decrease) in provisions	17	(136)
Net cash (outflow) / inflow from operating activities	(6,760)	3,867

26 SHARE-BASED PAYMENTS

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

Series 3 Options[7]	Weighted average exercise price 2013 Cents per Share	2012 Cents per Share	2013 Number	2012 Number
Balance at 1st January	-	7.0	-	10,500,000
Expired during year	-	(7.0)	-	(10,500,000)
Balance at 31st December	-	-	-	-
Exercisable at 31st December	-	-	-	-

Fair value of Series 3 options granted

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

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

Series 3 options were granted for no consideration; have a 5 year life; and are exercisable commencing the grant date. Expected volatility was determined based on the historic volatility (based on the remaining life of the option), adjusted for any expected changes to future volatility based on publicly available information.

[7] Grant date 16th November 2007. Exercise period 5 years ended 15th November 2012. Exercise price 7.0 cents per ordinary fully paid share.

27 RELATED PARTY TRANSACTIONS

The Group consists of Oriental Technologies Investment Limited and its subsidiary Yangzhou Apollo Battery Co Limited. The ownership interest in this subsidiary is set out in Note 16 of these financial statements.

Oriental Technologies Investment Limited, the parent entity, operates as a funding and management company for its subsidiary Yangzhou Apollo Battery Co Limited. Transactions between entities within the Group are on normal commercial terms and conditions.

Parent entity

The ultimate Australian parent entity and ultimate parent entity is Oriental Technologies Investment Limited, which at 31st December 2013 owned 55.57% of Yangzhou Apollo Battery Co Limited in China (2012 55.57%).

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	Xinsheng Wang
Lawrence Luo-Lin Xin	George Su Su

Related party transactions with Directors

(i). Remuneration, retirement benefits and service agreements

During the year ended 31st December 2013, an annual technical assistance fee relating to the operation in the Yangzhou Apollo Battery Co Limited (YABC) was payable to Red Investment & Development Limited, a company of which Mr. Lawrence Xin is a director.

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 ended 31st December 2013 amounted to $195,000 (2012 $162,500).

(ii). 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 31st December 2013 was 55,998,301 (2012: 55,998,301).

27 RELATED PARTY TRANSACTIONS (continued)

The movement during the reporting period in the number of securities of Oriental Technologies Investment Limited held, directly, indirectly or beneficially, by each specified director and specified executive, including their personally-related entities is as follows:

	Securities	Number Held at 1 January	Expired	Number Held at 31 December
2013				
Directors				
Gerard McMahon	Ordinary fully paid shares	498,301	-	498,301
Lawrence Luo-Lin Xin	Ordinary fully paid shares	44,400,000		44,400,000
Xinsheng Wang	Ordinary fully paid shares	11,100,000	-	11,100,000
2012				
Directors				
Gerard McMahon	Series 3 unquoted options	3,000,000	(3,000,000)	-
	Ordinary fully paid shares	498,301	-	498,301
Lawrence Luo-Lin Xin	Ordinary fully paid shares	44,400,000		44,400,000
	Series 3 unquoted options	3,000,000	(3,000,000)	-
Xinsheng Wang	Ordinary fully paid shares	11,100,000	-	11,100,000
	Series 3 unquoted options	3,000,000	(3,000,000)	-
George Su Su	Series 3 unquoted options	1,000,000	(1,000,000)	-
Company Secretary				
Ian Morgan	Series 3 unquoted options	500,000	(500,000)	-

The terms and conditions of the grant of series 3 options are outlined in Note 26 of these financial statements.

A company related to Dr Xinsheng Wang, Indeveno Industries Pty Ltd, is a minority shareholder of Yangzhou Apollo Battery Company Limited (YABC). Indeveno Industries Pty Ltd controls 44.43% of YABC's total paid-up capital.

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, interest free, and repayable at call.

28 CAPITAL AND LEASING COMMITMENTS

	Group 2013 $'000	2012 $'000
Machinery costs contracted but not provided net of deposit paid in financial statements:		
Within one year	29	3
Later than one year but not later than 5 years	-	-
Later than 5 years	-	-
	29	3

29 NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1st January 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

30 KEY MANAGEMENT PERSONNEL COMPENSATION

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

	Group 2013 $	2012 $
Short-term employee benefits	270,648	225,326
Post-employment benefits	16,301	11,970
	286,949	237,296

31 SUBSEQUENT EVENTS

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 Group's operations, the results of these operations or the Group's state of affairs in future financial years.

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and accompanying notes, and the Remuneration report in the Directors' Report, set out on pages 7 to 9, 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 31st December 2013 and of the performance for the year ended on that date of the Consolidated Group.

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

28th March 2014

RSM Bird Cameron Partners
Level 12, 60 Castlereagh Street Sydney NSW 2000
GPO Box 5138 Sydney NSW 2001
T +61 2 8226 4500 **F** +61 2 8226 4501

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

ORIENTAL TECHNOLOGIES INVESTMENT LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Oriental Technologies Investment Limited, which comprises the consolidated statement of financial position as at 31 December 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2a, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement 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.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Oriental Technologies Investment Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Oriental Technologies Investment Limited is in accordance with the *Corporations Act 2001*, including:

    (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 9 of the directors' report for the year ended 31 December 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Oriental Technologies Investment Limited for the year ended 31 December 2013 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron

RSM BIRD CAMERON PARTNERS

W E BEAUMAN
Partner

Sydney NSW
Dated: 31 March 2014

SHAREHOLDERS' INFORMATION

At 28th February 2014 issued capital was 126,361,087 ordinary shares held by 493 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 28th February 2014

Rank	Name	Number of Shares	% of Total Shares
1.	RED INVESTMENT & DEVELOPMENT LTD	44,400,000	35.1%
2.	DYNAMIC FORD LIMITED	23,280,000	18.4%
3.	MS HONG YANG	11,100,000	8.8%
4.	WIRTZ FAMILY INVESTMENT COMPANY	10,009,000	7.9%
5.	CHINA VENTURETECHNO INTERNATIONAL CO LIMITED	4,978,627	3.9%
6.	H F STEVENSON (AUST) P/L	4,526,346	3.6%
7.	RED LION RESOURCES LIMITED	4,498,455	3.6%
8.	MR ADRIAN ROBERT NIJMAN + MRS JENNY ANN NIJMAN	2,939,114	2.3%
9.	BERNARD MARIE FRANCOIS LE CLEZIO <BMF LECLEZIO SUPER FUND A/C>	1,600,000	1.3%
10.	MR MAKRAM HANNA + MRS RITA HANNA <HANNA & CO P/L SUPER A/C>	1,407,000	1.1%
11.	INVIA CUSTODIAN PTY LIMITED <SE & RD SUPER FUND A/C>	1,405,977	1.1%
12.	MR KEVIN JOHN HOLMAN	660,000	0.5%
13.	MR JOHN O WIRTZ	600,000	0.5%
14.	MR GERARD JOSEPH MCMAHON	498,301	0.4%
15.	AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>	458,630	0.4%
16.	CAPRICORN SOCIETY LTD	450,000	0.4%
17.	LADY PENELOPE PATRICIA STREET	437,500	0.3%
18.	SASSEY PTY LTD <AVAGO SUPERANNUATION A/C>	398,000	0.3%
19.	MR MARIO LEO VOLPE	370,233	0.3%
20.	ELCOTT PTY LTD	350,000	0.3%
	Total	114,367,183	90.5%

Distribution of Holders and Holdings at 28th February 2014

Range	Total holders	Number of Shares	% of Total Shares
1 - 1,000	57	43,519	0.03
1,001 - 5,000	183	551,383	0.44
5,001 - 10,000	60	525,600	0.42
10,001 - 100,000	146	5,659,338	4.48
100,001 - 9,999,999,999	47	119,581,247	94.63
Rounding			0.00
Total	493	126,361,087	100.00

Unmarketable Parcels

	Minimum Parcel Size	Holders	Units
Minimum $ 500.00 parcel at $ 0.06 per unit	8,334	260	729,802

Shareholder Information (continued)

Substantial shareholders at 28th February 2014:

SUBSTANTIAL SHAREHOLDERS	NUMBER OF SHARES	PROPORTION OF ISSUED SHARES
Red Investment & Development Limited	44,400,000	35.1%
Dynamic Ford Limited	23,280,000	18.4%
Ms Hong Yang	11,100,000	8.78%
Wirtz Family Investment Company LLC	10,009,000	7.9%
Cheng Kam Biu, Wilson	9,477,082	7.5%

SECURITIES EXCHANGE LISTING

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

SHARE REGISTRAR

Computershare Investor Services Pty Ltd
GPO Box 2975EE
Melbourne VIC 3000

Investor enquiries: (within Australia) 1300 850 505
(outside Australia) +61(0) 3 9415 4000
Facsimile: +61(0) 3 9473 2500

REGISTERED OFFICE

Level 12, 32 Martin Place
Sydney NSW 2000

Telephone: +61(0) 2 9238 3988
Facsimile: +61(0) 2 9231 3911
E-mail: mailto:orientech@orientech.com.au

AUDITORS

RSM Bird Cameron Partners
Level 12
60 Castlereagh Street
Sydney NSW 2000
Telephone: +61(0) 2 9233 8933
Facsimile: +61(0) 2 9233 8521

COMPANY SECRETARY

Ian Morgan BBus (NSW Institute of Technology), MComLaw (Macquarie University), Grad Dip App Fin (Securities Institute of Australia), CA, ACIS, CSA, MAICD, FFin.