



ORIENTAL TECHNOLOGIES INVESTMENT LIMITED

ABN 13 060 266 248

ANNUAL REPORT

31 DECEMBER 2014

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CHAIRMAN'S REPORT

Financial Results

Shareholders will see from the 2014 Annual Report that profit after tax attributable to the members of OTI for the year ended 31 December 2014 totalled \$5,021,000 (2013 \$1,631,000 loss).

Review

Protracted negotiations for the sale of OTI Group's Apollo battery business to the Camel Group (announced to the market on 23 July 2013) took much of OTI management's time during 2014. The Equity Transfer Agreement was eventually signed, and announced on 14 April 2014. It provided for the payment of the sale price in various tranches.

The first tranche of \$ 15,718,682 was received in October 2014 and the Company paid an un-franked special dividend of \$0.019 per share (\$2,400,861).

On 19 December 2014, members approved a return of capital of up to \$0.095 per share and up to \$0.031 per share.

As a result, an un-franked return of capital of \$0.095 per share (\$12,004,303) was remitted on 7 January 2015 to shareholders (record date 30 December 2014).

The Company expects to receive a second and final payment of the sale price during 2015.

As the final payment of the sale price is still to be received, the Company is not in a position to determine the exact amount of the second capital return at this time, but will only be able to do so subsequent to release of the relevant bank guarantee and final completion of the Sale Agreement.



Gerard McMahon
Chairman
4 May 2015

DIRECTORS' REPORT

The Directors of Oriental Technologies Investment Limited present their report on the Company for the financial year ended 31 December 2014.

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 23 April 2013), a company listed on the Australian Securities Exchange. Mr McMahon is also a non-executive director of Guangnan (Holdings) Limited (appointed 22 June 2000), a company listed on the Hong Kong Stock Exchange; and Indonesian Investment Fund Limited (appointed 10 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.

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Directors' Report (continued)

Mr Xin is a director of Central China Real Estate Limited (Hong Kong Stock Exchange) - appointed 1 March 2010; Sinolink Worldwide Holdings Limited (Hong Kong Stock Exchange) - appointed 7 June 2002; Enerchina Holdings Limited (Hong Kong Stock Exchange) - appointed 24 April 2001; Mori Denki Mfg. Co., Ltd (Tokyo Stock Exchange) - appointed 28 June 2007; and ASR Logistics Holdings Limited – appointed 23 April 2015.

He was a director of Sino - Tech International Ltd (Hong Kong Stock Exchange) appointed 26 August 2010 and ceased 8 June 2012.

Dr Xinsheng Wang

Managing Director

Dr Wang became Managing Director of the Company on 31 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 became an executive director of CACT in 1999, then Vice –President in 2003. Under his leadership, the battery division of CACT developed as one of top three battery players in the Australian market. He resigned the position in 2006 and became a senior consultant to CACT. Dr Wang was appointed 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 between 2006 and 2014.

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. He is a director of YPB Group Limited (ASX: YPB) - appointed 31 July 2014.

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

Company Secretary

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

Qualifications

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

Directors' Report (continued)

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 Related Party Disclosures*.

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 to consider directors and executive remuneration, as required.

The Board is responsible for all elements of the remuneration of the executive Directors of Oriental Technologies Investment Limited:

- 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;
- 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

Directors' Report (continued)

Remuneration Report (Audited) (continued)

- 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 Board shall have regard in the performance of duties and 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.

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

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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	Termination benefits	Share-based payments	Total	Proportion of remuneration performance related	Value of options as proportion of remuneration
		Salary & fees	Cash bonus	Non-monetary benefits	Total	Superannuation benefits			Options and rights			
		\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Directors												
Gerard McMahon	2014	122,524	-	-	122,524	11,334	-	-	-	133,858	-	-
	2013	49,297	-	-	49,297	4,498	-	-	-	53,795	-	-
Lawrence Luo-Lin Xin ¹	2014	-	-	-	-	-	-	-	-	-	-	-
	2013	-	-	-	-	-	-	-	-	-	-	-
George Su Su	2014	61,957	-	-	61,957	5,731	-	-	-	67,688	-	-
	2013	25,350	-	-	25,350	2,313	-	-	-	27,663	-	-
Executive												
Xinsheng Wang (Managing Director)	2014	151,946	-	-	151,946	9,620	-	-	-	161,566	-	-
	2013	196,001	-	-	196,001	9,490	-	-	-	205,491	-	-
Ian Morgan (Company Secretary) ²	2014	-	-	-	-	-	-	-	-	-	-	-
	2013	-	-	-	-	-	-	-	-	-	-	-
Total Compensation of Key Management Personnel	2014	336,427	-	-	336,427	26,685	-	-	-	363,112	-	-
	2013	270,648	-	-	270,648	16,301	-	-	-	286,949	-	-

End of Audited Section of Directors' Report

¹ For the year ended 31 December 2014, the Company paid or incurred fees totaling \$195,000 excluding GST (2013 \$195,000) to an entity related to Mr. Lawrence Xin. Refer to Note 26 of the attached accounts for more details.

² For the year ended 31 December 2014, the Company incurred or paid a total of \$75,382 excluding GST (2013 \$45,382) to an entity related to Mr. Ian Morgan for the provision of company secretarial services.

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Directors' Report (continued)

Share Options

There are no unissued ordinary shares for which options are outstanding at the date of this report (2013 Nil).

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

Director	Number of ordinary shares		
	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	-	-	-

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	6	6	2	2
Lawrence Luo-Lin Xin	6	5	2	2
Xinsheng Wang	6	6	-	-
George Su Su	6	5	2	2

Principal Activities

During the period 1 January 2014 to 15 May 2014, when it discontinued, the principal activities of the Group were undertaken in the People's Republic of China and included manufacturing, exporting, marketing and selling lead acid batteries.

The Group's exposure to Yangzhou Apollo Battery Company Limited (**Apollo**) returns ceased on 15 May 2014, and the Group de-consolidated Apollo effective 15 May 2014, and accounted for its Apollo investment as an asset held for sale, notwithstanding as at 30 June 2014 the Company owned 55.57% of Apollo's equity.

On or about 23 July 2014, under the terms of the Equity Transfer Agreement, the Company(55.57%) and non-controlling shareholder Indeveno Industries Pty Ltd (**Indeveno**) (44.43%) agreed to transfer 100% of Apollo's equity to Camel.

During the half-year ended 31 December 2014, upon the sale of Apollo and receipt of the first part of the consideration, the Group accounted for profit arising from the discontinued operation. Refer to Note 13 for more details.

Non Audit Services

Details of amounts paid to the Auditor for non-audit services provided during the year are set out in Note 9 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 (Clth)* because:

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Directors' Report (continued)

- 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 profit attributable to members of Oriental Technologies Investment Limited for the financial year was \$5,021,000 (2013 \$1,631,000 loss).

Dividends

On 20 October 2014 (record date 13 October 2014) the Company paid an un-franked and all conduit foreign income special dividend of \$0.019 per share (\$2,400,861).

An un-franked and all conduit foreign income return of capital of \$0.095 per share (\$12,004,303) was remitted on 7 January 2015 to shareholders (record date 30 December 2014).

There was no dividend or return of capital paid during the year ended 31 December 2013.

At the date of this report, Directors do not recommend the payment of a final dividend (2013 \$Nil).

Review of Operations and Outlook

Sale of Apollo

With the sale of Apollo, the Company's operations in China ceased with effect from 15 May 2014.

Outlook

On completion of the Camel transaction, the Company will have disposed of its main undertaking.

The Board would then consider the future of the Company, including whether to identify new business opportunities, or de-list the Company and distribute any remaining funds to its shareholders.

The Board will update its shareholders accordingly in due course.

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.

Directors' Report (continued)

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.

The Company paid a premium of \$19,322 (2013 \$19,668) to insure Directors, Secretary 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 28 and forms part of the directors' report for the financial year ended 31 December 2014.

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



Gerard McMahon
Chairman
4 May 2015

CORPORATE GOVERNANCE

Unless disclosed below, all the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 31 December 2014. 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	<p>The Board has adopted a Corporate Governance Policy, which defines functions reserved for the Board and those delegated to Management.</p> <p>The Board is accountable to shareholders for the performance of the Company and has overall responsibility for its operations.</p> <p>The Board's primary objective is to protect and enhance shareholder value within a defined, informed structure that 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.</p> <p>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.</p>	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

Corporate Governance (continued)

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	<p>The Corporate Governance Policy defines the criteria for Board structure and independence. At present, the Board of four Directors comprises:</p> <p>Two non-executive independent Directors, including the Chairman; Vice Chairman; and Executive Managing Director.</p> <p>There is not a majority of independent directors.</p>	<p>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.</p> <p>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.</p>
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
<p>Recommendation 2.4: The board should establish a nomination committee.</p>	<p>Does not comply</p>		<p>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.</p> <p>The size of the Company does not warrant the formation of a Nomination or Remuneration Committee at this time. Appointments would be considered by the full Board.</p>

Corporate Governance (continued)

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

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.			
<p>Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to:</p> <ul style="list-style-type: none"> • 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	<p>The Board has adopted a Corporate Governance Policy, which establishes a code of conduct.</p> <p>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.</p> <p>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.</p> <p>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.</p>	Not Applicable

Corporate Governance (continued)

ASX Principles/Recommendations	Compliance	Details	Disclosure Requirement for Non-Compliance
<p>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.</p>	<p>Comply</p>	<p>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.</p>	<p>Not applicable</p>
<p>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.</p>	<p>Does not comply</p>		<p>The Company's gender diversity is considered to be commercial and cost effective, and appropriate to the Company's size and structure.</p>
<p>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.</p>	<p>Comply</p>	<p>As at 31 December 2014, there were no women employees, no women in senior executive positions, and no women on the board.</p>	<p>Not Applicable</p>
<p>Recommendation 3.5: Companies should provide the information indicated in the Guide to reporting on Principle 3.</p>	<p>Comply</p>		<p>Not Applicable</p>

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: <ul style="list-style-type: none"> • 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	<p>The Company's Audit Committee comprises three directors and the majority are independent:</p> <ol style="list-style-type: none"> 1. Non-executive independent Chairman (Mr Gerard McMahon); 2. Vice Chairman (Mr Lawrence Xin); and 3. Non-executive Director (Mr George Su). <p>The Chairman of the Audit Committee is also the Chairman of the Board.</p> <p>Details of the Audit Committee Member's qualifications, experience, and special responsibilities are in the Directors Report included in this Annual Report.</p> <p>The Audit Committee meets at least twice a year. The attendees are the Audit Committee Members, Managing Director, External Auditor, and Company Secretary.</p>	This Audit Committee structure is considered to be commercial and cost effective, appropriate to the Company's size and structure.

Corporate Governance (continued)

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

Corporate Governance (continued)

ASX Principles/Recommendations	Compliance	Details	Disclosure Requirement for Non-Compliance
Principle 5			
<p>Principle 5 – Make timely and balanced disclosure. Companies should promote timely and balanced disclosure of all material matters concerning the company.</p>			
<p>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</p>	Comply	<p>Company policy about continuous disclosure requirements of the ASX Listing Rules is included in the Company's Corporate Governance Policy.</p> <p>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 <i>Corporations Act 2001 (Clth)</i>.</p>	Not Applicable
<p>Recommendation 5.2: Companies should provide the information indicated in the Guide to reporting on Principle 5.</p>	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.			
<p>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.</p>	Comply	<p>The Company aims to convey to its shareholders pertinent information in a detailed, regular, factual and timely manner.</p> <p>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 <i>Corporations Act 2001 (Clth)</i>.</p> <p>Information is communicated to shareholders by the Company through:</p> <ol style="list-style-type: none"> 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

Corporate Governance (continued)

ASX Principles/Recommendations	Compliance	Details	Disclosure Requirement for Non-Compliance
		<p>4. Notices and explanatory memoranda of annual general meetings; and</p> <p>5. All Shareholders are invited to attend and raise questions at the Annual General Meeting.</p> <p>All shareholders are welcome to communicate directly with the Company.</p> <p>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.</p>	
<p>Recommendation 6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6.</p>	<p>Comply</p>		<p>Not Applicable</p>

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	<p>The Audit Committee has the responsibility to establish policies on the system of internal control and management of financial and business risks.</p> <p>Risk matters are raised with the Audit Committee, which in turn manages these matters raised and reports to the full Board.</p>	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	<p>The Managing Director manages the Company's material business risks and reports to the Audit Committee.</p> <p>Materiality thresholds</p> <p>The Corporate Governance Policy requires the Company to regularly review procedures, and ensure timely identification of disclosure material and materiality thresholds.</p> <p>Materiality judgments can only be made on a case by case basis, when all the facts are available.</p>	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

Corporate Governance (continued)

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: <ul style="list-style-type: none"> • 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 commercial and cost effective, and appropriate to the Company's size and structure.

Corporate Governance (continued)

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

Corporate Governance (continued)

ASX Principles/Recommendations	Compliance	Details	Disclosure Requirement for Non-Compliance
		<p>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.</p> <p>This Remuneration Committee structure would be considered to be commercial and cost effective, and appropriate to the Company's size and structure.</p> <p>Details of the proposed Remuneration Committee Member's qualifications, experience, and special responsibilities are in the Directors Report included in this Annual Report.</p> <p>There are no schemes for retirement benefits, other than statutory superannuation, for non-executive directors.</p>	
<p>• Recommendation 8.4: Companies should provide the information indicated in the Guide to reporting on Principle 8.</p>	<p>Comply</p>		<p>Not Applicable</p>

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 2014, 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 PARTNERS



W E Beauman
Partner

Sydney NSW
Dated: 4 May 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 \$'000	2013 \$'000
Continuing Operations			
Revenue	5	18	12
Employee benefits expense		(315)	(195)
Other expenses	6	(760)	(463)
Loss before income tax		(1,057)	(646)
Income tax (expense) / benefit	7	-	-
Loss from continuing operations, net of tax		(1,057)	(646)
Discontinued Operation			
Profit / (Loss) from discontinued operation, net of tax	13	4,514	(1,663)
Profit / (Loss) for the year		3,457	(2,309)
Other comprehensive income:			
Foreign currency translation (loss) / gain, net of tax		(336)	3,926
Total other comprehensive income for the year		(336)	3,926
Total comprehensive income for the year		3,121	1,617
Profit / (Loss) attributable to:			
Members of the parent		5,021	(1,631)
Non-controlling interest		(1,564)	(678)
		3,457	(2,309)
Total comprehensive income attributable to:			
Members of the parent		4,685	551
Non-controlling interest		(1,564)	1,066
		3,121	1,617
		Cents per Share	Cents per Share
Basic and diluted earnings / (losses) per share from continuing and discontinued operations			
Continuing		(0.8)	(0.5)
Discontinued		3.5	(1.3)
	8	2.7	(1.8)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Note	2014 \$'000	2013 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	10	14,107	5,346
Term Deposit		-	500
Trade and other receivables	12	42	13,173
Inventories	14	-	13,813
Total current assets		14,149	32,832
Non-current assets			
Property, plant and equipment	17	-	18,177
Security deposit		-	93
Total non-current assets		-	18,270
Total assets		14,149	51,102
LIABILITIES			
Current liabilities			
Trade payables	18	185	7,648
Other payables	19	12,004	-
Short-term borrowings	20	-	21,765
Total current liabilities		12,189	29,413
Non-current liabilities			
		-	-
Total liabilities		12,189	29,413
NET ASSETS		1,960	21,689
EQUITY			
Issued capital	21	16,552	28,556
Reserves	22 (i)	424	2,921
Accumulated Losses	22 (ii)	(15,016)	(19,797)
Parent interest		1,960	11,680
Non-controlling interest	23	-	10,009
Total equity		1,960	21,689
		Cents	Cents
Net tangible assets per share		1.6	17.2

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 \$'000	2013 \$'000
Cash flows from operating activities			
Cash receipts from customers		20,175	56,072
Cash paid to suppliers and employees		(20,176)	(61,409)
Interest received		29	53
Finance costs		(507)	(1,275)
Income taxes paid		(1,022)	(202)
Net cash outflow from operating activities	25	(1,501)	(6,761)
Cash flows from investing activities			
Disposal of discontinued operation, net of cash disposed of	13	12,542	-
Purchase of property, plant and equipment		(256)	(822)
Refund for security deposit		-	21
Payment for term deposit		500	(500)
Proceeds from sale of property, plant and equipment		-	5
Proceeds from deposit received		-	983
Net cash inflow / (outflow) from investing activities		12,786	(313)
Cash flows from financing activities			
Proceeds from borrowings		-	5,405
Dividend paid to non-controlling interest		-	(820)
Dividend paid to Shareholders		(2,401)	-
Net cash inflow / (outflow) from financing activities		(2,401)	4,585
Net increase / (decrease) in cash and cash equivalents		8,884	(2,489)
Net foreign exchange differences		(123)	207
Cash and cash equivalents at beginning of year		5,346	7,628
Cash at the end of the financial year	10	14,107	5,346

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Issued Capital	Accumulated Losses	Other Reserves	Total	Non- controlling Interest	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2013	28,556	(18,155)	728	11,129	9,013	20,142
Profit / (Loss) for the year	-	(1,631)	-	(1,631)	(678)	(2,309)
Other comprehensive income:						
Foreign currency translation Gain / (Loss)	-	-	2,182	2,182	1,744	3,926
Transactions with owners, as owners in the capacity as owners:						
De-recognition of non-controlling interest on disposal of subsidiary, net of tax	-	-	-	-	-	-
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)
Dividend paid by the Company	-	-	-	-	-	-
Capital return by the Company	-	-	-	-	-	-
At 31 December 2013	28,556	(19,797)	2,921	11,680	10,009	21,689
At 1 January 2014	28,556	(19,797)	2,921	11,680	10,009	21,689
Profit / (Loss) for the year	-	5,021	-	5,021	(1,564)	3,457
Other comprehensive income:						
Foreign currency translation Gain / (Loss)	-	-	(336)	(336)	-	(336)
Transactions with owners, as owners in the capacity as owners:						
De-recognition of non-controlling interest on disposal of subsidiary, net of tax	-	-	-	-	(8,445)	(8,445)
Foreign currency translation Loss	-	-	-	-	-	-
Transfer between reserves	-	2,161	(2,161)	-	-	-
Shareholder contribution to the Company's subsidiary	-	-	-	-	-	-
Dividend paid by the Company's subsidiary	-	-	-	-	-	-
Dividend paid by the Company	-	(2,401)	-	(2,401)	-	(2,401)
Capital return by the Company	(12,004)	-	-	(12,004)	-	(12,004)
At 31 December 2014	16,552	(15,016)	424	1,960	-	1,960

The accompanying notes form part of these financial statements.

PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 31 December 2014 the parent company of the Group was Oriental Technologies Investment Limited.

	Note	The Company	
		2014	2013
		\$'000	\$'000
Results of the parent entity			
Profit for the period		6,319	242
Other comprehensive income		-	-
Total comprehensive income for the period		<u>6,319</u>	<u>242</u>
Financial position of parent entity at year end			
Current assets		14,149	879
Non-current assets	15	-	10,183
Total assets		<u>14,149</u>	<u>11,062</u>
Current liabilities		<u>12,189</u>	<u>1,016</u>
Total liabilities		<u>12,189</u>	<u>1,016</u>
Net Assets		<u>1,960</u>	<u>10,046</u>
Total equity of the parent entity comprising of:			
Share capital	21	16,552	28,556
Reserves	22	424	424
Accumulated losses		<u>(15,016)</u>	<u>(18,934)</u>
Total Equity		<u>1,960</u>	<u>10,046</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1. CORPORATE INFORMATION

The financial report of Oriental Technologies Investment Limited for the year ended 31 December 2014 was authorised for issue in accordance with a resolution of the directors on 4 May 2015 and comprises 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 (Clth)*. As permitted by the *Corporations Act 2001 (Clth)*, 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 (ASX: OTI).

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 26 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 (Clth)*. 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 31 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 de-recognises 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] and AASB 10 *Consolidated Financial Statements* [For-Profit (FP) Entities] 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 assess 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	Electronic equipment	5 years
Machinery	10 years	Other equipment	5 years
Motor vehicles	5 years	Moulds	5 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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
- 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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] and AASB 10 *Consolidated Financial Statements* [For-Profit (FP) Entities].

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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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*. 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]. 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 2015, 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 28 of these financial statements.

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

(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 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. The main purpose of this financial instrument is to raise and maintain finance for the Group's operations. The Group has various other financial instruments such as receivables and payables, which arise directly from its business activities.

The main risks arising from the Group's financial instrument 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.

Notes to and forming part of the financial statements for the year ended 31 December 2014

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 cash at bank. Interest rates and terms of repayment have been disclosed in Note 10 to the financial statements.

Management does not expect any significant interest rate risk as at the end of the reporting period.

This analysis was performed on the same basis as for the year ending 31 December 2013.

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 AUD 97,000, 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 31 December 2014 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 31 December 2014.

Foreign currency risk

The functional currency of its discontinued operation 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 31 December 2014, this re-statement resulted in a loss of \$439,000 (2013 \$3,926,000 profit) recognised as a separate component of equity (foreign currency translation reserve).

The Group's foreign currency exposures for its discontinued operation arose mainly from the exchange rate movements of US dollars, Euros and Chinese Renminbi. There were Group foreign currency losses for the year ended 31 December 2014 totalling \$1,724,000 (2013 \$207,000).

Notes to and forming part of the financial statements for the year ended 31 December 2014

3. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

Details of the Group's financial assets and financial liabilities denominated in foreign currencies as at 31 December 2014 were as follows:

	Group	
	2014	2013
	\$'000	\$'000
Bank		
US dollars	-	1,331
Renminbi	682	3,666
	<u>682</u>	<u>4,997</u>
Trade & other receivables		
US dollars	-	5,693
Euros	-	387
Renminbi	-	7,063
	<u>-</u>	<u>13,143</u>
Trade & other payables		
US dollars	-	(77)
Euros	-	(41)
GB pounds	-	(3)
Renminbi	-	(6,511)
	<u>-</u>	<u>(6,632)</u>
Net foreign exchange exposure		
US dollars	-	6,947
Euros	-	346
GB pounds	-	(3)
Renminbi	682	4,218
	<u>-</u>	<u>11,508</u>

Sensitivity analysis

At the end of the reporting period, if Renminbi had weakened/strengthened by 2% (2013: 2%) against the US dollar with all the other variables held constant, the Group's net loss for the year ended 31 December 2014 would have been higher / lower by RMB Nil, which is equivalent to AUD Nil (2013 RMB 753,000 equivalent to AUD 126,000).

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% (2013: 2%) against the Euro with all other variables held constant, the Group's net loss for the year ended 31 December 2014 would have been higher / lower by RMB Nil, which is equivalent to AUD Nil (2013 RMB 38,000 equivalent to AUD 6,000).

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.

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,

Notes to and forming part of the financial statements for the year ended 31 December 2014

3. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

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% (2013: 2%) against the Australian dollar with all the other variables held constant, the Group's net loss for the year ended 31 December 2014 would have been higher / lower by RMB 14,000 , which is equivalent to AUD 3,000 (2013 AUD 43,000).

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

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.

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
2014					
Interest bearing borrowings	-	-	-	-	-
Trade and other payables	-	-	-	-	-
	-	-	-	-	-
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

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.

Notes to and forming part of the financial statements for the year ended 31 December 2014

3. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

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 Nil, which is equivalent to AUD Nil (2013 RMB 29,804,000- equivalent to AUD 5,498,000), which are past due at 31 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 31 December 2014, these trade receivables were aged as follows:

	Note	2014 RMB'000	2014 \$'000	2013 RMB'000	2013 \$'000
Current		-	-	35,971	6,634
Less than 1 month overdue		-	-	10,111	1,865
1 to 2 months overdue		-	-	6,065	1,119
2 to 3 months overdue		-	-	5,219	963
Over 3 months overdue		-	-	8,698	1,604
		-	-	30,093	5,551
	12	-	-	66,064	12,185

At 31 December 2014, the Group had a concentration of credit risks of Nil% (2013: 23%) and Nil% (2013: 51%) 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.

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 31 December 2014 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.

Notes to and forming part of the financial statements for the year ended 31 December 2014

3. FINANCIAL RISK MANAGEMENT POLICIES AND OBJECTIVES (continued)

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.

The Group monitors capital on the basis of debt to equity, which is net debt divided by equity. The debt to equity ratios at 31 December 2014 were as follows:

Group	2014 \$'000	2013 \$'000
Borrowings	-	21,765
Trade and other payables	12,189	7,648
Total liabilities	12,189	29,413
Less: Cash at bank	14,107	5,346
Net (cash) / debt	(1,918)	24,067
Equity	1,960	21,689
Net (cash) debt / Equity	(98%)	111%

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.

4. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Income Tax

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

Critical accounting estimates and assumptions

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. REVENUE

	Group	
	2014	2013
	\$'000	\$'000
Interest income	16	12
Other income	2	-
	<u>18</u>	<u>12</u>

6. OTHER EXPENSES

Technical and advisory fees	270	240
General and administrative costs	490	223
	<u>760</u>	<u>463</u>

7. INCOME TAX BENEFIT / (EXPENSE)

Current tax (expense) / benefit	-	-
Deferred tax expense	-	-
Total income tax (expense) / benefit	<u>-</u>	<u>-</u>

Deferred tax assets not recognised because it is not considered probable that there would be sufficient future taxable income to utilise these benefits:

	<u>1,990</u>	<u>1,984</u>
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Reconciliation of the effective tax rate

Loss before income tax	<u>(1,057)</u>	<u>(646)</u>
Prima facie tax benefit / (expense) at the Australian tax rate of 30% per annum (2013: 30% per annum)	317	194
Unrecognised temporary differences	<u>(317)</u>	<u>(194)</u>
Income tax (expense) / benefit from continuing operations. Effective tax rate Nil% (2013: Nil%)	<u>-</u>	<u>-</u>

Tax expense from continuing operations excludes Chinese tax paid and arising from sale of Apollo of \$1,022,000 (2013 \$Nil).

Refer to Note 13 for more detail.

8. (LOSSES) / EARNINGS PER SHARE

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

	Group 2014 \$'000	2013 \$'000
Basic and diluted earnings / (losses) per share from continuing and discontinued operations		
Continuing	(1,057)	(646)
Discontinued	4,514	(1,663)
	<u>3,457</u>	<u>(2,309)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic and diluted profit per share (continuing and discontinued operations)	<u>126,361,087</u>	<u>126,361,087</u>

9. AUDITOR'S REMUNERATION

	\$	\$
Assurance Services		
<i>Audit services</i>		
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	72,028	66,000
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	99,526	79,644
Total remuneration for assurance services	<u>171,554</u>	<u>145,644</u>
Non-assurance Services		
Amounts paid/payable to RSM Bird Cameron for non-audit services performed for the entity or any entity in the Group:	3,600	-
Total remuneration for taxation services	<u>3,600</u>	<u>-</u>
Total remuneration	<u>175,154</u>	<u>145,644</u>

10. CASH AND CASH EQUIVALENTS

	\$'000	\$'000
Cash at bank and in hand - unrestricted	<u>14,107</u>	<u>5,346</u>
	% per annum	% per annum
Interest rates for cash at bank and in hand	<u>0.2</u>	<u>0.8</u>

11. CONTINGENT ASSET

	Group	
	2014	2013
	\$'000	\$'000
Cash at bank - restricted under bank guarantee	<u>2,512</u>	-

At 31 December 2014, RMB 15,994,446 (AUD 3,194,608) consideration for the Company's sale of Apollo remains held in the Company's Chinese bank account.

12. TRADE AND OTHER RECEIVABLES (CURRENT)

	Group	
	2014	2013
	\$'000	\$'000
Trade receivables	-	12,185
Provision for doubtful debts	-	(53)
	<u>-</u>	<u>12,132</u>
Other debtors	42	1,041
	<u>42</u>	<u>13,173</u>

Included in the Group's trade receivable balances are debtors with a carrying amount of \$Nil (2013 \$\$5,498,000) which are past due at 31 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:

US dollar	-	5,693
Euro	-	387
Renminbi	-	7,063
	<u>-</u>	<u>13,143</u>
Australian dollar	-	30
	<u>-</u>	<u>13,173</u>

12. TRADE AND OTHER RECEIVABLES (CURRENT) (continued)

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	< 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
2014									
Trade receivables	-	-	-	-	-	-	-	-	-
Other receivables	-	-	-	-	-	-	-	42	42
	-	-	-	-	-	-	-	42	42
Weighted average interest rate	-	-	-	-	-	-	-	-	-
2013									
Trade receivables	-	-	-	-	-	-	-	12,132	12,132
Other receivables	-	-	-	-	-	-	-	1,041	1,041
	-	-	-	-	-	-	-	13,173	13,173
Weighted average interest rate	-	-	-	-	-	-	-	-	-

13. DISCONTINUED OPERATION

	Company	
	2014	2013
	\$'000	\$'000
Investment in Apollo	-	12,152

Set out below is the Oriental Technologies Investment Limited (**Company**) investment in Yangzhou Apollo Battery Company Limited (**Apollo**) as at 31 December 2014.

Apollo is a Sino-foreign joint venture enterprise established under the laws of the People's Republic of China since its incorporation. In July 2007, Apollo changed its registration from Sino-foreign joint venture enterprise to wholly foreign-owned enterprise under the laws of the People's Republic of China and continues its operation in Yangzhou City. Apollo's registered office is located at 18 Yangziji Road South, Yangzhou, China.

Subject to the laws of the People's Republic of China, Apollo's capital was held directly by the Company and the proportion of ownership interests held equalled the voting rights held by the Company. Apollo's country of incorporation or registration is also its principal place of business.

Name of Subsidiary	Principal Place of Business	Ownership Interest Held by the Company		Proportion of Non-controlling Interests	
		2014	2013	2014	2013
Yangzhou Apollo Battery Co. Ltd.	Yangzhou City, China	-	55.57%	-	44.43%

Notes to and forming part of the financial statements for the year ended 31 December 2014

13. DISCONTINUED OPERATION (continued)

Apollo's financial statements used in the preparation of these consolidated financial statements were prepared for the period 1 January 2014 to 15 May 2014, the date Apollo was de-consolidated from the Group's accounts.

AASB 10 Consolidated Financial Statements only permits consolidation of a subsidiary where the investor controls an investee if and only if the investor has all the following:

- (i) power over the investee; and
- (ii) exposure, or rights, to variable returns from its involvement with the investee; and
- (iii) the ability to use its power over the investee to affect the amount of the investor's returns.

As its exposure to Apollo's returns ceased on 15 May 2014, the Group de-consolidated Apollo effective 15 May 2014, and accounted for its Apollo investment as an asset held for sale notwithstanding as at 30 June 2014 the Company owned 55.57% of Apollo.

At its annual general meeting held on 22 May 2014, the Company obtained its shareholders' approval for the sale of its 55.57% equity interest in Apollo, which would result in a disposal of the Company's main undertaking.

On or about 23 July 2014, under the terms of the Equity Transfer Agreement, the Company and non-controlling shareholder Indeveno Industries Pty Ltd (**Indeveno**) agreed to transfer 100% of Apollo's equity to Camel.

Effect of disposal on the financial position of the Group

	2014 \$'000	2013 \$'000
Current Assets	27,986	31,952
Non-current Assets	16,003	18,313
Current Liabilities	(26,902)	(28,397)
Non-current Liabilities	(44)	-
Net Assets	<u>17,043</u>	<u>21,868</u>
Net assets attributable to members of the parent	9,471	12,152
Consideration received, satisfied in cash	17,058	-
Cash and cash equivalents disposed of	(4,387)	-
Net foreign exchange differences	(129)	-
Net cash inflow	<u>12,542</u>	-

Notes to and forming part of the financial statements for the year ended 31 December 2014

13. DISCONTINUED OPERATION (continued)

Results of discontinued operation

	1 January 2014 to 15 May 2014 \$'000	Year ended 31 December 2013 \$'000
Revenue	20,135	59,769
Expenses	(23,700)	(61,571)
Results from operating activities	(3,565)	(1,802)
Income tax (expense) / benefit	-	139
Results from operating activities, net of tax	(3,565)	(1,663)
Gain on sale of discontinued operation	9,101	-
Chinese tax on sale of discontinued operation	(1,022)	-
Profit / (Loss) from discontinued operation, net of tax	<u>4,514</u>	<u>(1,663)</u>
	Cents per Share	Cents per Share
Basic and diluted earnings / (losses)	<u>3.5</u>	<u>(1.3)</u>

Cash flows from (used in) discontinued operation

	1 January 2014 to 15 May 2014 \$'000	Year ended 31 December 2013 \$'000
Net cash outflow from operating activities	<u>(231)</u>	<u>(6,014)</u>
Purchase of property, plant and equipment	(256)	(822)
Proceeds from sale of property, plant and equipment	-	4
Security deposit refund	-	21
Net cash outflow from investing activities	<u>(256)</u>	<u>(797)</u>
Proceeds from borrowings	-	6,387
Dividend paid	-	(1,763)
Net cash inflow from financing activities	<u>-</u>	<u>4,624</u>
Net decrease in cash and cash equivalents	(487)	(2,187)
Net foreign exchange differences	(123)	206
Cash and cash equivalents at the beginning of the period	4,997	6,978
Net cash at the end of the period	<u>4,387</u>	<u>4,997</u>

14. INVENTORIES (CURRENT)

At cost	Group	
	2014 \$'000	2013 \$'000
Raw materials	-	2,934
Work in progress	-	2,007
Finished goods	-	8,872
	<u>-</u>	<u>13,813</u>

15. OTHER FINANCIAL ASSETS (NON-CURRENT)

	Parent Entity	
	2014	2013
	\$'000	\$'000
Investment in controlled entity (refer Note 16 of these financial statements)	-	10,183
	<u>-</u>	<u>10,183</u>

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 ³		Parent Entity	
			2014	2013	2014	2013
			%	%	\$'000	\$'000
Yangzhou Apollo Battery Co Limited	China	Ordinary	-	55.57	-	<u>10,183</u>

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.

³ The proportion of ownership interest is equal to the proportion of voting power held.

17. PROPERTY, PLANT AND EQUIPMENT

	Group	
	2014	2013
	\$'000	\$'000
<i>Land usage rights</i>		
At cost	-	1,276
Accumulated depreciation	-	(283)
	<u>-</u>	<u>993</u>
<i>Buildings - Leasehold</i>		
At cost	-	7,356
Accumulated depreciation	-	(2,722)
	<u>-</u>	<u>4,634</u>
Total land and buildings	<u>-</u>	<u>5,627</u>
<i>Plant and equipment</i>		
At cost	-	30,464
Accumulated depreciation & impairment	-	(18,028)
	<u>-</u>	<u>12,436</u>
Plant and equipment under construction	-	114
Total plant and equipment	<u>-</u>	<u>12,550</u>
Total non-current property, plant and equipment	<u>-</u>	<u>18,177</u>
<i>Total land Usage Rights</i>		
Carrying amount at beginning of financial year	993	839
Depreciation	(10)	(24)
Effect of movement in foreign exchange	(65)	178
Deconsolidation	(918)	-
Carrying amount at end of financial year	<u>-</u>	<u>993</u>
<i>Total Buildings - Leasehold</i>		
Carrying amount at beginning of financial year	4,634	4,124
Depreciation	(122)	(305)
Effect of movement in foreign exchange	(288)	815
Deconsolidation	(4,224)	-
Carrying amount at end of financial year	<u>-</u>	<u>4,634</u>
<i>Total Plant & Equipment</i>		
Carrying amount at beginning of financial year	12,436	12,039
Additions	263	719
Disposals	-	(4)
Depreciation	(964)	(2,774)
Impairment (expense) / benefit	(245)	55
Effect of movement in foreign exchange	(753)	2,280
Reclassification from construction in progress	20	121
Deconsolidation	(10,757)	-
Carrying amount at end of financial year	<u>-</u>	<u>12,436</u>
<i>Total Construction in Progress</i>		
Carrying amount at beginning of financial year	114	111
Additions	20	102
Impairment expense	(110)	-
Effect of movement in foreign exchange	(4)	22
Reclassification to plant & equipment	(20)	(121)
Carrying amount at end of financial year	<u>-</u>	<u>114</u>

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 31 December 2013 is approximately RMB 40 million or AUD 7 million.

18. TRADE PAYABLES (CURRENT)

	Group 2014 \$'000	2013 \$'000
Unsecured liabilities		
Trade payables	185	6,665
Deposit payable	-	983
	<u>185</u>	<u>7,648</u>

19. OTHER PAYABLES (CURRENT)

Capital return	12,004	-
	<u>12,004</u>	<u>-</u>

20. BORROWINGS (CURRENT)

Bank loans - secured	-	11,989
Bank loans - unsecured	-	9,776
	<u>-</u>	<u>21,765</u>

Bank loans are with maturity periods not exceeding one year. As at 31 December 2013, interest was charged on all outstanding balances at the fixed interest rates ranging from 6% per annum to 6.9% per annum.

20. BORROWINGS (CURRENT) (continued)

(i) Loans

Expiry Date	Effective Interest Rate % pa	Group	
		RMB'000	\$'000
2014		-	-
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
2013		118,000	21,765

(ii) Assets pledged as security

	Group	
	2014 \$'000	2013 \$'000
Secured by land usage rights	-	993
Secured by building leasehold	-	4,452
	-	5,445

(iii) Financing arrangements

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

	Group	
	2014 \$'000	2013 \$'000
Total facilities:		
Used at reporting date	-	21,765
Unused at reporting date	-	-
	-	21,765

20. BORROWINGS (CURRENT) (continued)

(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:

2014

	Floating rates		Fixed rates					Non-interest bearing	Total
	< 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	> 5 years			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
Bank loans	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
Weighted average interest rate per annum	-	-	-	-	-	-	-	-	-

2013

	Floating rates		Fixed rates					Non-interest bearing	Total
	< 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	> 5 years			
	\$'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%

(v) Fair value

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

	Group 2014	2013
	\$'000	\$'000
Interest bearing borrowings	-	21,765
	-	21,765

21. ISSUED CAPITAL

	2014		2013	
	Number of Shares	\$'000	Number of Shares	\$'000
Ordinary shares – no par value fully paid and authorised	<u>126,361,087</u>	<u>16,552</u>	126,361,087	28,556
	<u>126,361,087</u>	<u>16,552</u>	126,361,087	28,556

Movements in ordinary share capital

Date	Details	Number of shares	\$'000
1 Jan 2013	Opening balance	126,361,087	28,556
31 Dec 2013	Closing balance	<u>126,361,087</u>	<u>28,556</u>
1 Jan 2014	Opening balance	126,361,087	28,556
30 Dec 2014	Capital return (9.5 cents per share)	-	(12,004)
31 Dec 2014	Closing balance	<u>126,361,087</u>	<u>16,552</u>

On 19 December 2014, members approved a return of capital of up to 9.5 cents per share. 9.5 cents per share (\$12,004,303) un-franked return of capital was remitted on 7 January 2015 (record date 30 December 2014).

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	
		2014	2013
		\$'000	\$'000
(i) Other reserves			
General reserve	22 (i) a)	-	930
Foreign currency translation reserve	22 (i) b)	-	1,567
Share option reserve	22 (i) c)	424	424
		<u>424</u>	<u>2,921</u>
a) General reserve			
Balance at start of year		930	917
Transfer (to) / from accumulated losses		(930)	20
Transfer to non-controlling interests		-	(9)
Rounding		-	2
Balance at end of year		<u>-</u>	<u>930</u>
b) Foreign currency translation reserve			
Balance at start of year		1,567	(613)
Transfer to accumulated losses		(1,231)	-
Currency translation differences		(336)	3,926
Transfer to non-controlling interests		-	(1,744)
Rounding		-	(2)
Balance at end of year		<u>-</u>	<u>1,567</u>
c) Share option reserve			
Balance at start of year		424	424
Balance at end of year		<u>424</u>	<u>424</u>
(ii) Accumulated losses			
Balance at start of year		(19,797)	(18,155)
Transfer between reserves		2,161	(20)
Dividend paid		(2,401)	-
Transfer from non-controlling interests		-	9
Profit / (Loss) attributable to members of the parent		5,021	(1,631)
Balance at end of year		<u>(15,016)</u>	<u>(19,797)</u>

a) General reserve

The general reserve related entirely to YABC.

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) determined on an annual basis the amount of these annual appropriations to statutory reserves.

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

The amount transferred during the year ended 31 December 2014 arose from the deconsolidation of YABC.

22. RESERVES AND ACCUMULATED LOSSES (continued)

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 2014 \$'000	2013 \$'000
Share capital	-	8,021
General reserve	-	600
Foreign currency translation reserve	-	1,671
Accumulated losses	-	(283)
	-	<u>10,009</u>

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.

Notes to and forming part of the financial statements for the year ended 31 December 2014

24. FINANCIAL INSTRUMENTS (continued)

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

	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
2014						
<i>Fixed rate</i>						
Interest bearing borrowings	-	-	-	-	-	-
Cash at bank and on hand	14,107	-	-	14,107	14,107	0.2
2013						
<i>Fixed rate</i>						
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

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 profit / (loss) to net cash flow from operating activities	Group	
	2014	2013
	\$'000	\$'000
Profit / (Loss) for the year	3,457	(2,309)
Non-cash flows in (loss) / profit		
Depreciation expense	1,096	3,103
Property, plant and equipment impairment benefit	355	(55)
Receivables impairment benefit		(89)
Gain on sale of property, plant and equipment		(1)
Gain on financial instruments	(94)	(16)
Gain on sale of net assets on de-consolidation	(8,509)	-
Gain on deconsolidation	1,023	-
Net foreign exchange differences		
On deconsolidation	(1,728)	-
Other	(1,279)	(515)
Changes in assets and liabilities		
Decrease / (Increase) in receivables	2,001	(3,688)
Decrease / (Increase) in inventories	2,100	(4,303)
Increase in trade & other payables	77	1,453
Decrease in tax payable	-	(357)
Increase in provisions	-	16
Net cash outflow from operating activities	(1,501)	(6,761)

26. RELATED PARTY TRANSACTIONS

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

Oriental Technologies Investment Limited, the parent entity, operated 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 31 December 2014 owned Nil% (2013 55.57%) of Yangzhou Apollo Battery Co Limited in China.

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

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 quarterly payment was made to Red Investment & Development Limited (**RIDL**) in respect of management advisory fees.

Total fees paid and payable to RIDL during the year ended 31 December 2014 amounted to \$195,000 (2013 \$195,000).

(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 31 December 2014 was 55,998,301 (2013: 55,998,301).

26. 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	Number Held at 31 December
2014			
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
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

As at 31 December 2013, a company related to Dr Xinsheng Wang, Indeveno Industries Pty Ltd (**Indeveno**), was a minority shareholder of Yangzhou Apollo Battery Company Limited (**YABC**). Indeveno controlled 44.43% of YABC's total paid-up capital. As at 31 December 2014, Indeveno had sold its interest in YABC's equity.

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.

27. CAPITAL AND LEASING COMMITMENTS

	Group 2014 \$'000	2013 \$'000
Machinery costs contracted but not provided net of deposit paid in financial statements:		
Within one year	-	29
Later than one year but not later than 5 years	-	-
Later than 5 years	-	-
	<u>-</u>	<u>29</u>

28. 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 on or after 1 January 2015, 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.

New or amended standards	Summary of requirements	Possible impact on consolidated financial statements
AASB 9 Financial Instruments	AASB 9, published in July 2014, replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment of financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from AASB 139. AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The application of AASB 9 is not expected to have a significant impact on the Group's consolidated financial statements.
AASB 15 Revenue from Contracts with Customers	AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and AASB Interpretation 13 Customer Loyalty Programmes. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.	The application of AASB15 is not expected to have a significant impact on the Group's consolidated financial statements.
Agriculture: Bearer Plants (Amendments to AASB 116 and AASB 141)	These amendments require a bearer plant, defined as a living plant, to be accounted for as property, plant and equipment and included in the scope of AASB 116 Property, Plant and Equipment, instead of AASB 141 Agriculture. The amendments are effective for annual reporting periods on or after 1 January 2016, with early adoption permitted.	None. The Group does not have any bearer plants.

Notes to and forming part of the financial statements for the year ended 31 December 2014

28 NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

For annual periods beginning on or after	New Standards or Amendments
1 July 2014	<i>Defined Benefit Plans: Employee Contributions</i> (Amendments to AASB 119)
1 July 2014	Annual Improvements to AASBs 2010-2012 Cycle
1 July 2014	Annual Improvements to AASBs 2011-2013 Cycle
1 January 2016	AASB 14 Regulatory Deferral Accounts
1 January 2016	Accounting for Acquisitions of Interests in Joint Operations (Amendments to AASB 11)
1 January 2016	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> (Amendments to AASB 116 and AASB 138)
1 January 2016	Agriculture: Bearer Plants (Amendments to AASB 116 and AASB 141)
1 January 2017	AASB 15 Revenue from Contracts with Customers
1 January 2018	AASB 9 Financial Instruments

29. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	Group 2014 \$	2013 \$
Short-term employee benefits	226,593	270,648
Post-employment benefits	16,525	16,301
	<u>243,118</u>	<u>286,949</u>

30. SUBSEQUENT EVENT

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, excepting:

- (i) On 19 December 2014, members approved 9.5 cents per share return of capital for the year ended 31 December 2014; and
- (ii) 9.5 cents per share (\$12,004,303) un-franked return of capital was remitted on 7 January 2015 (record date 30 December 2014).

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 5 to 7, are in accordance with the *Corporations Act 2001 (Clth)* and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 31 December 2014 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
4 May 2015

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 2014, 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 2014 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 5 to 7 of the directors' report for the year ended 31 December 2014. 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 2014 complies with section 300A of the *Corporations Act 2001*.



RSM BIRD CAMERON PARTNERS



W E Beauman
Partner

Sydney NSW

Dated: 4 May 2015

SHAREHOLDERS' INFORMATION

At 31 March 2015 issued capital was 126,361,087 ordinary shares held by 472 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 31 March 2015

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	4,913,346	3.9%
7.	RED LION RESOURCES LIMITED	4,498,455	3.6%
8.	MR ADRIAN ROBERT NIJMAN + MRS JENNY ANN NIJMAN	2,838,500	2.2%
9.	INVIA CUSTODIAN PTY LIMITED <SE & RD SUPER FUND A/C>	1,405,977	1.1%
10.	MR MAKRAM HANNA + MRS RITA HANNA <HANNA & CO P/L SUPER A/C>	1,367,000	1.1%
11.	BERNARD MARIE FRANCOIS LE CLEZIO <BMF LECLEZIO SUPER FUND A/C>	1,300,000	1.0%
12.	AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>	1,128,558	0.9%
13.	MR KEVIN JOHN HOLMAN	700,000	0.6%
14.	MR JOHN O WIRTZ	600,000	0.5%
15.	MR GERARD JOSEPH MCMAHON	498,301	0.4%
16.	CAPRICORN SOCIETY LTD	450,000	0.4%
17.	LADY PENELOPE PATRICIA STREET	437,500	0.3%
18.	SASSEY PTY LTD <AVAGO SUPER FUND A/C>	437,000	0.3%
19.	MR MARIO LEO VOLPE	370,233	0.3%
20.	MR PAUL ROY <NO 1 ACCOUNT>	340,000	0.3%
Total		115,052,497	91.0%

Distribution of Holders and Holdings at 31 March 2015

Range	Total holders	Number of Shares	% of Total Shares
1 - 1,000	56	42,519	0.03
1,001 - 5,000	179	538,883	0.43
5,001 - 10,000	55	480,510	0.38
10,001 - 100,000	136	5,195,609	4.11
100,001 - 9,999,999,999	46	120,103,566	95.05
Rounding			0.00
Total	472	126,361,087	100.00

Unmarketable Parcels at 31 March 2015

Minimum Parcel Size	Number of Holders	Number of Shares
Minimum \$ 500.00 parcel at \$ 0.03 per share	16,667	316
		1,404,267

SHAREHOLDER INFORMATION (continued)

Substantial shareholders at 31 March 2015

Substantial Shareholder	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

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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.