

**HALF-YEAR INFORMATION GIVEN TO THE ASX UNDER LISTING RULE 4.2A**

**ORIENTAL TECHNOLOGIES INVESTMENT LIMITED**

**ABN 13 060 266 248**

**Reporting period**

**Previous corresponding period**

*Half-year ended 30 June 2005*

*Half-year ended 30 June 2004*

**The information contained in this report should be read in conjunction with the most recent annual financial report.**

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## 1. RESULTS FOR ANNOUNCEMENT TO THE MARKET

Revenue from ordinary activities	up/down	2.4 %	to	\$000	15,937
Profit(Loss) from ordinary activities after income tax attributable to members	up/down	(652)	\$000	to	\$000 (652)
Net profit (loss) for the period attributable to members	up/down	(652)	\$000	to	\$000 (652)

	Amount per share	Franked amount per share at ...% tax
<b>Dividends per Share</b>		
Final	<i>Nil</i> cents	<i>Nil</i> cents
Interim	<i>Nil</i> cents	<i>Nil</i> cents

Record date for determining entitlements to dividends *N/A*

*The Directors do not recommend a payment of dividend for the half-year ended 30 June 2005*

### Explanations

*Refer Review of Operations attached*

## 2. NET TANGIBLE ASSETS PER ORDINARY SHARE (NTA backing)

Current Period	Previous corresponding period
<i>10.04 cents</i>	<i>10.43 cents</i>

**3. DETAILS OF CONTROLLED ENTITIES**

**3.1 Control Gained Over Entities During the Period**

*NONE*

Name of entity

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Date control acquired, i.e. date from which profit(loss) has been calculated

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Profit (loss) from ordinary activities after extraordinary items and income tax of the controlled entity (or group of entities) during the current period *since the date on which control was acquired*

\$	\$	\$
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Profit (loss) from ordinary activities after extraordinary items and income tax of the controlled entity (or group of entities) for the *whole of the previous corresponding period*

\$	\$	\$
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**3.2 Loss of Control of Entities During the Period**

*NONE*

Name of entity			
Date of loss of control, i.e. date until which profit(loss) has been calculated			
Profit (loss) from ordinary activities after extraordinary items and income tax of the controlled entity (or group of entities) during the current period <i>to the date on which control was lost</i>	\$	\$	\$
Profit (loss) from ordinary activities after extraordinary items and income tax of the controlled entity (or group of entities) for the <i>whole of the previous corresponding period</i>	\$	\$	\$
Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control	\$	\$	\$

**4. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES** *NONE*

**4.1 Equity Accounted Associates and Joint Venture Entities**                      **%Ownership Interest**                      **Contribution to Net Profit**

<b>Current Period %</b>	<b>Previous Corresponding Period %</b>	<b>Current Period A\$ '000</b>	<b>Previous Corresponding Period A\$ '000</b>
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**4.2 Aggregate Share of Profits (Losses) of Associates and Joint Venture Entities**

**Groups' Share of Associates' and Joint Venture Entities':**

Profit(Loss) from ordinary activities before tax

Income tax on ordinary activities

**Profit(Loss) from ordinary activities after tax**

Extraordinary items net of tax

**Net profit(loss)**

Adjustments

**Share of net profit(loss) of associates and joint venture entities**

Current Period A\$ '000	Previous Corresponding Period A\$ '000

**5. DIVIDENDS**

**5.1 Dividends per Share**

Final  
- current  
period  
- previous  
corresponding  
period

	<b>Amount per share</b>	<b>Franked amount per share at ...% tax</b>	<b>Amount per share of foreign source dividend</b>
	<i>Nil</i> cents	<i>Nil</i> cents	<i>Nil</i> cents
	<i>Nil</i> cents	<i>Nil</i> cents	<i>Nil</i> cents
	<i>Nil</i> cents	<i>Nil</i> cents	<i>Nil</i> cents
	<i>Nil</i> cents	<i>Nil</i> cents	<i>Nil</i> cents

Interim  
- current  
period  
- previous  
corresponding  
period

5.2 Total Dividends	Current Period A\$ '000	Previous Corresponding Period A\$ '000
Interim - paid/payable on	<i>Nil</i>	<i>Nil</i>
Final - paid/payable on	<i>Nil</i>	<i>Nil</i>

All dividends reflected as distributions above were paid during the period.

### 5.3 Dividend Reinvestment Plans

*There is not a dividend reinvestment plan.*

The last date for receipt of election notices for participation in any dividend reinvestment plans

<i>N/A</i>
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### 6. ACCOUNTING STANDARDS

*AASB 134 "Interim Financial Reporting"* has been used in compiling the information contained in this Appendix 4D.

### 7. AUDIT DISPUTES OR QUALIFICATIONS

*There is no audit dispute or qualification.*

**ORIENTAL TECHNOLOGIES INVESTMENT LIMITED**

**ABN 13 060 266 248**

**HALF-YEAR REPORT 2005**

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# Oriental Technologies Investment Limited – Half-Year Report 2005

## Directors' Report

The Directors of Oriental Technologies Investment Limited present their report on the Company for the financial half-year ended 30 June 2005.

### Directors

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

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

All the Directors named above held office during and since the end of the financial half-year.

### Review of Operations

#### Overview

The Company is pleased to report its results for the half-year ended 30 June 2005.

The net loss for the half-year ended 30 June 2005 was \$652,000, an increase of \$652,000 over the previous half-year (2004 \$-). Revenue for the half-year ended 30 June 2005 was \$15,937,000, a decrease of 2.4% over the previous half-year (2004: \$16,321,000).

This increased loss is predominantly due to an increased depreciation expense from when the new factory commenced operation. Cash flow from operations has been positive and strong during the half-year. The stronger Australian dollar has caused a decrease in revenue because of the effect of the foreign exchange translation from the Chinese local currency RMB to Australian dollars.

#### China Operation

For the half year ended 30 June 2005, the Company's operation in China had been gradually improving. The new factory is going through its initial trial production period.

The main focus at the factory has been employee training, productivity improvement and reduction of raw material wastage; whilst maintaining consistent product quality.

The Company also invested in tooling and moulds during this half-year as newly designed products were introduced. These new product designs achieved better performance of the product; whilst using fewer raw materials.

As the Company implemented price increases to recover margin eroded by the increased lead price, its customer base in Europe and Australia remained stable.

The Chinese Government's macro economic control measures to prevent the fast growing Chinese economy from overheating are impacting the Company's China operations.

## Oriental Technologies Investment Limited – Half-Year Report 2005

### Directors' Report (continued)

Bank credit for working capital has been extremely hard to obtain. The lack of adequate funding for working capital curtailed the Company's ability to reach full production potential for its new factory and fully satisfy customer demand.

In July 2005, after more than 15 years of a fixed local currency RMB exchange rate pegged to the US dollar, the Chinese Government adjusted its foreign exchange control policy. In an attempt to allow the market force to play a bigger role in the exchange rate setting process, the Chinese Government re-pegged the local currency RMB to a basket of foreign currencies. As a result, the RMB appreciated by more than 2%. General market consensus indicates that this may be the start of a gradual appreciation of the RMB.

To date, the Company exports most of its products and appreciation of the RMB will adversely affect the Company. We are exploring ways to minimize this negative impact, including possible importation of raw material into China from overseas suppliers. We will also continue our efforts to develop business within the Chinese domestic market.

During the half-year, the lead price in China stopped its staggering climb in 2004 and exhibited a degree of stability and an increasingly bigger premium over its international equivalent, the LME price. Coupled with a strengthening local currency, this characteristic of the local lead price in China may finally afford viability for importing lead into China.

For the remainder of the year, the Company will continue its efforts to improve productivity, lower raw material cost and wastage and develop a local market in China.

The Company is likely to continue to encounter working capital pressure until it is adequately capitalized.

Discussions with strategic partners continued, though at a slower pace than we hoped.

The Company's hope to negotiate a settlement on the profit share arrangement with CVIC's liquidators failed to materialize once again, with delays and inaction by the CVIC liquidators.

#### Auditor's Independence Declaration

A copy of the independence declaration by the lead auditor under section 307C is included on page 18 to this half-year financial report.

#### Rounding of Amounts to the Nearest Thousand Dollars

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

Sydney 16 September 2005

Signed in accordance with a resolution of the Directors



Gerard McMahon  
Chairman

## Oriental Technologies Investment Limited – Half-Year Report 2005

### Condensed Income Statement for the Half-Year Ended 30 June 2005

	Consolidated Entity	
	2005	2004
	\$'000	\$'000
Revenue	15,874	16,188
Other Income	63	133
	15,937	16,321
Changes in inventories of finished goods and work in progress	(38)	157
Raw materials and consumables used	(14,495)	(14,973)
Employee benefits expense	(409)	(611)
Depreciation and amortisation expense	(1,074)	(494)
Borrowing costs expense	(377)	(90)
Other expenses	(340)	(273)
	(796)	37
(Loss) / Profit before income tax expense		
Income tax expense	59	3
	(737)	40
Loss after tax from continuing operations		
Loss for the half-year	(737)	40
Loss / (Profit) attributable to minority interest	85	(40)
	(652)	-
Net loss attributable to members of the parent		
	<b>Cents</b>	Cents
Basic earnings per share	(0.56)	-
Diluted earnings per share	(0.55)	-

The above Condensed Income Statement should be read in conjunction with the accompanying notes.

## Oriental Technologies Investment Limited – Half-Year Report 2005

### Condensed Balance Sheet as at 30 June 2005

	<b>Consolidated Entity</b>	
	<b>2005</b>	<b>31 December 2004</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current Assets</b>		
Cash and cash equivalents	3,205	2,194
Receivables	2,529	3,424
Inventories	2,228	2,214
<b>Total Current Assets</b>	<b>7,962</b>	<b>7,832</b>
<b>Non-current Assets</b>		
Property, plant and equipment	20,700	20,045
Intangible asset	494	494
Deferred tax asset	71	-
<b>Total Non-current Assets</b>	<b>21,265</b>	<b>20,539</b>
<b>Total Assets</b>	<b>29,227</b>	<b>28,371</b>
<b>Current Liabilities</b>		
Payables	4,245	3,805
Interest-bearing liabilities	11,640	10,813
Provisions	1,112	1,112
<b>Total Current Liabilities</b>	<b>16,997</b>	<b>15,730</b>
<b>Total Liabilities</b>	<b>16,997</b>	<b>15,730</b>
<b>Net Assets</b>	<b>12,230</b>	<b>12,641</b>
<b>Equity</b>		
Contributed equity	27,892	27,870
Reserves	563	319
Accumulated losses	(18,733)	(18,082)
<b>Parent entity interest</b>	<b>9,722</b>	<b>10,107</b>
<b>Minority interest</b>	<b>2,508</b>	<b>2,534</b>
<b>Total Equity</b>	<b>12,230</b>	<b>12,641</b>

The above Condensed Balance Sheet should be read in conjunction with the accompanying notes.

## Oriental Technologies Investment Limited – Half-Year Report 2005

### Condensed Cash Flow Statement for the Half-Year Ended 30 June 2005

	Consolidated Entity	
	2005	2004
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Receipts from customers	15,858	15,633
Payments to suppliers and employees	(13,999)	(14,667)
Interest received	13	17
Interest and other costs of finance paid	(377)	(90)
Income taxes paid	-	(335)
<b>Net cash inflow from operating activities</b>	<b>1,495</b>	<b>558</b>
<b>Cash flows from investing activities</b>		
Payment for property, plant and equipment	(1,121)	(5,502)
Proceeds from sale of equipment	-	18
<b>Net cash outflow from investing activities</b>	<b>(1,121)</b>	<b>(5,484)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	11,116	4,890
Repayment of Borrowings	(10,551)	-
Proceeds from issue of shares	22	-
<b>Net cash inflow from financing activities</b>	<b>587</b>	<b>4,890</b>
Net increase / (decrease) in cash held	961	(36)
Net cash at beginning of period	2,194	7,012
Effects of exchange rate changes on the balances of cash held in foreign currencies at the beginning of the period	50	571
Net cash at the end of the period	<b>3,205</b>	<b>7,547</b>

The above Condensed Statement of Cash Flows should be read in conjunction with the accompanying notes.

## Oriental Technologies Investment Limited – Half-Year Report 2005

### Condensed Statement of Changes in Equity for the Half-Year ended 30 June 2005

	Issued capital \$'000	Accumulated Losses \$'000	Other Reserves \$'000	Total \$'000	Minority Interest \$'000	Total Equity \$'000
Balance 1 January 2004	27,870	(18,080)	454	10,244	2,564	12,808
Loss for the period	-	-	-	-	40	40
Transfers	-	(292)	292	-	-	-
Exchange Differences on translating foreign currency	-	-	890	890	222	1,112
Other	-	-	-	-	22	22
<b>Balance 30 June 2004</b>	<b>27,870</b>	<b>(18,372)</b>	<b>1,636</b>	<b>11,134</b>	<b>2,848</b>	<b>13,982</b>
Profit for the period	-	339	-	339	(21)	318
Provision for profit share payment	-	(55)	-	(55)	-	(55)
Share issue	-	-	-	-	37	37
Exchange Differences on translating foreign currency	-	-	(1,317)	(1,317)	(330)	(1,647)
Other	-	6	-	6	-	6
<b>Balance 31 December 2004</b>	<b>27,870</b>	<b>(18,082)</b>	<b>319</b>	<b>10,107</b>	<b>2,534</b>	<b>12,641</b>
Loss for the period	-	(652)	-	(652)	(85)	(737)
Share issue	22	-	-	22	-	22
Share based payments	-	-	6	6	-	6
Exchange Differences on translating foreign currency	-	-	238	238	59	297
Other	-	1	-	1	-	1
<b>Balance 30 June 2005</b>	<b>27,892</b>	<b>(18,733)</b>	<b>563</b>	<b>9,722</b>	<b>2,508</b>	<b>12,230</b>

The above Condensed Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# **Oriental Technologies Investment Limited – Half-Year Report 2005**

## **Notes to and forming part of the Financial Statements**

### **1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

This general purpose financial report for the interim half-year reporting period ended 30 June 2005 has been prepared in accordance with Australian Accounting Standard 134 "Interim Financial Reporting" and the Corporations Act 2001.

The historical cost basis has been used, including land and buildings which has been measured at deemed cost.

This interim report does not include all the notes of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. Accordingly, this interim financial report is to be read in conjunction with the annual report for the year ended 31 December 2004 and any public announcements made by Oriental Technologies Investment Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The half-year financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRSs"). Compliance with AIFRSs ensures that the half-year financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards.

This is the first half-year financial report which has been prepared using Australian equivalents to International Financial Reporting Standards ("AIFRSs") and comparatives have been restated accordingly. Reconciliations of equity, accumulated losses and profit/(loss) under the previous accounting standards and AIFRSs have been included at note 9 below.

The same accounting policies and methods of computation have generally been followed in this interim financial report as compared with the most recent annual financial report. AASB 134: Interim Financial Reporting generally only requires disclosure of accounting policies that have changed from those used in the prior annual reporting period. However, as this is the first published financial report prepared in compliance with AIFRSs, all applicable accounting policies have been noted below, with reference to where these have changed from the prior annual period.

#### **(a) *Going Concern***

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

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

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

#### **(b) *Basis of Consolidation***

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

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

- (i) Acquisition - Property, plant and equipment are brought to account at cost less, where applicable, any accumulated depreciation or amortisation. Under AIFRSs, property, plant & equipment is also subject to an impairment test. Refer Note 1 (e).

## Oriental Technologies Investment Limited – Half-Year Report 2005

### Notes to and forming part of the Financial Statements

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

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

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

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

Recoverable Amount -Under AIFRSs, property, plant & equipment is subject to an impairment test, when there is an indication that an impairment event has taken place. Refer Note 1 (e).

- (iv) Non-current assets constructed by the consolidated entity – Construction in progress is stated at cost. Interest costs incurred in relation to construction are capitalised as part of the cost of each asset. Construction in progress is transferred to fixed assets when completed and ready to use.
- (v) Land Usage Rights –land usage rights are carried at cost and amortised over the life of the right acquired. The life of land usage rights is 50 years. Under AIFRSs, land usage rights are also subject to an impairment test. Refer Note 1 (e).

#### **(d) Impairment**

In the previous published financial report, the carrying amount of property, plant and equipment and goodwill was reviewed at the reporting date by Directors to ensure it was not in excess of the recoverable amount from these assets. The recoverable amount was assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows were not discounted to their present values in determining recoverable amounts.

Under AIFRSs, the Group determined the recoverable amount as the higher of fair value less costs to sell and value in use (which is determined using discounted cash flows). Goodwill is tested for impairment annually, after assets are tested for impairment when there has been an indication that an impairment event has taken place.

#### **(e) Capitalisation of Borrowing Costs**

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

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

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

## Oriental Technologies Investment Limited – Half-Year Report 2005

### Notes to and forming part of the Financial Statements

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is 0.5% (2004 – 3.4%).

Borrowing costs include interest on short term borrowings.

#### (f) *Leases*

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

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

#### (g) *Inventories*

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

#### (h) *Foreign Currency Transactions and Balances*

Foreign currency transactions are initially translated into Australian currency at the rates of exchange ruling at the dates of the transactions. At balance date amounts payable and receivable in foreign currencies are translated into Australian currency at the rates of exchange at that date.

Realised and unrealised gains or losses arising from exchange rate fluctuations relating to monetary items are included in the result from ordinary activities in the financial period in which they arise.

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

Under AIFRSs, the Group has translated overseas controlled entities by adopting Chinese Renminbi as the functional currency and Australian dollars as the reporting currency. This accounting policy is the same as that adopted in the prior annual reporting period.

The Group used the exemption available under AASB 1 “First-time Adoption of Australian Equivalents to International Financial Reporting Standards” to reset balances of the foreign currency translation reserve to zero at 1 January 2004. This initial adjustment was processed via opening balances of retained earnings at that date.

#### (i) *Provisions*

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

#### (j) *Revenue*

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

## Oriental Technologies Investment Limited – Half-Year Report 2005

### Notes to and forming part of the Financial Statements

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

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

#### (k) *Share-Based Payments*

In the prior annual reporting period the Group did not recognise as an expense, any options issued to Directors and employees.

On the adoption of AIFRSs the Group recognised, as an expense, all share-based remuneration issued after 7 November 2002, including deferred shares and options, and amortises those expenses over the relevant vesting periods. (AASB 2 Share Based Payments).

AASB 1 (“First Time Adoption of Australian Equivalents to International Financial Reporting Standards”) prohibits adoption of AASB 2 when the equity instruments are granted on or prior to 7 November 2002 and the fair value of those equity instruments has not been publicly disclosed. Options issued on or prior to 7 November 2002 were not recognised as an expense.

#### (l) *Earnings per Share*

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

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

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

- (i) any dividends or other items related to dilutive potential ordinary shares deducted in arriving at profit or loss attributable to ordinary equity holders of Oriental Technologies Investment Limited;
- (ii) any interest recognised in the period related to dilutive potential ordinary shares ; and
- (iii) any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares;

#### (k) *Income Tax*

In the prior annual reporting period, the consolidated entity adopted the liability method of tax effect accounting whereby the income tax expense in the statement of financial performance was based on the accounting result (after allowing for permanent differences).

Under AIFRSs, a balance sheet approach was adopted to account for income taxes which is based on the general principle that the current and future tax consequences of transactions and other events recognised in the consolidated entity’s balance sheet give rise to current and deferred tax liabilities and assets.

Initial adjustments to calculate deferred tax assets and liability balances on transition using AIFRSs were made through opening balances of retained earnings at 1 January 2004.

Timing differences are brought to account as either a deferred tax liability or a deferred tax asset at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

The amount of benefits brought to account, or which may be realised in the future, is based on the assumption that no adverse change will occur in income tax legislation, and the anticipation it is

## Oriental Technologies Investment Limited – Half-Year Report 2005

### Notes to and forming part of the Financial Statements

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

(l) **Trade Debtors**

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

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

The recoverability of debts is assessed at each balance date and specific provision is made for any doubtful accounts..

(m) **Goodwill**

Goodwill on consolidation is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at the date of acquisition.

During the prior annual reporting period prepared under AGAAP:

Goodwill on consolidation was amortised on a straight line basis over the period of 20 years; and  
The balance was reviewed at each reporting date and any balance representing future benefits for which the realisation was considered to be no longer probable was written off.

Under AIFRSs, goodwill is no longer amortised and is subject to an annual impairment test. Refer Note 1 (e). The 2004 comparatives have been restated accordingly.

(n) **Trade Creditors**

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

(o) **Segment Reporting**

The Company manufactures lead acid batteries in China. Revenue arises from local sales in China and exports, mainly to Europe and Australia.

The Company's risks and returns are affected predominantly by differences in the geographical areas in which it operates, not differences in the products and services it provides.

(p) **Comparative figures**

Due to the adoption of AIFRSs, comparative figures have been adjusted to conform to changes in presentation for the current financial year and the application of AIFRSs.

(q) **Rounding of amounts**

The company satisfies the requirements of Class Order 98/0100 issued by the Australian Investments and Securities Commission relating to "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.

Unless otherwise stated, the accounting policies adopted are consistent with those applied in the 31 December 2004 annual report.

# Oriental Technologies Investment Limited – Half-Year Report 2005

## Notes to and forming part of the Financial Statements (continued)

**Consolidated Entity**  
**2005**                      2004  
**\$'000**                      \$'000

### 2. SEGMENT INFORMATION

Primary reporting - geographical segment by location of customers

#### Segment Revenues from External Customers

Europe	<b>9,205</b>	9,321
Australia	<b>4,209</b>	4,262
China	<b>413</b>	532
Other Countries	<b>2,047</b>	2,073
	<b>15,874</b>	16,188
Unallocated revenue	<b>63</b>	133
Revenue from ordinary activities	<b>15,937</b>	16,321

#### Segment Result

Europe	<b>773</b>	750
Australia	<b>353</b>	343
China	<b>44</b>	112
Other Countries	<b>172</b>	167
Unallocated expenses net of unallocated revenue	<b>(2,138)</b>	(1,335)
(Loss) / Profit before income tax	<b>(796)</b>	37

## Oriental Technologies Investment Limited – Half-Year Report 2005

### Notes to and forming part of the Financial Statements (continued)

#### 3. EQUITY SECURITIES ISSUED

Oriental Technologies Investment Limited has issued share options to employees in accordance with the Orientech Share Option Plan.

Each option is for one ordinary share and may be exercised within the exercise period or if there is earlier termination of the option. An option cannot be exercised unless the option holder has provided not less than 24 months service to the Company (unless the Directors determined otherwise).

Details of options granted are:

##### Tranche 1 Options

Issue Date: 24 November 2000

Exercise Period: Within the five-year period ending on 23 November 2005.

Exercise Price: 5.7 cents per share.

Total number issued: on issue date 5,000,000

##### Tranche 2 Options

Issue Date: 18 May 2005

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

Exercise Price: 9.9 cents per share.

Total number issued: on issue date 200,000

	<b>Consolidated Entity</b>	
	<b>2005</b>	<b>31 December 2004</b>
	<b>Number</b>	<b>Number</b>
<b>Ordinary Shares</b>		
Balance 1 January 2005	<b>116,484,005</b>	116,484,005
Exercise of Tranche 1 options	<b>400,000</b>	-
Balance 30 June 2005	<b>116,884,005</b>	116,484,005
<b>Tranche 1 Options</b>		
Balance 1 January 2005	<b>5,000,000</b>	5,000,000
Exercised during the period	<b>(400,000)</b>	-
Balance 30 June 2005	<b>4,600,000</b>	5,000,000
<b>Tranche 2 Options</b>		
Balance 1 January 2005	-	-
Issued during the period	<b>200,000</b>	-
Balance 30 June 2005	<b>200,000</b>	-
Total options and unissued ordinary shares subject to options	<b>4,800,000</b>	5,000,000

#### 4. SEASONALITY AND IRREGULAR TRENDS

Refer to the Review of Operations included in the Directors' Report.

# Oriental Technologies Investment Limited – Half-Year Report 2005

## Notes to and forming part of the Financial Statements (continued)

### 5. CONTINGENT LIABILITIES

There have been no changes in contingent liabilities or contingent assets since the last annual reporting date, 31 December 2004.

**Consolidated Entity**  
**2005**      31 December  
2004

### 6. COMMITMENTS

#### Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable:

Within one year	57	57
-----------------	----	----

### 7. EVENTS SUBSEQUENT TO REPORTING DATE

The Directors are not aware of any matter or circumstance that has arisen since the end of the financial half-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.

### 8. ROUNDING OF AMOUNTS

The company satisfies the requirements of Class Order 98/0100 issued by the Australian Investments and Securities Commission relating to "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.

### 9. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("AIFRSS")

#### 9.1 AASB 1 Transitional Exemptions

The group has elected to use the following transitional exemptions allowed by AASB 1: First-Time Adoption of Australian Equivalents to International Financial Reporting Standards:

##### **Deemed cost for property, plant and equipment**

The group has measured property, plant and equipment at deemed cost at transition date, 1 January 2004.

##### **Business combinations**

AASB 3: Business Combinations has not been applied retrospectively to business combinations that were effected prior to transition date.

##### **Share-based payments**

AASB 2: Share-Based Payments has only been applied to equity instruments granted after 7 November 2002 that had not vested by 1 January 2005

# Oriental Technologies Investment Limited – Half-Year Report 2005

## Notes to and forming part of the Financial Statements (continued)

### 9. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("AIFRSS") (continued)

#### Foreign currency translation differences

The group has elected to apply the exemption available in AASB 1 to reset balances on transition in the foreign currency translation reserve to zero. This will result in subsequent gains or losses on disposal of foreign operations excluding translation differences that arose prior to transition date, 1 January 2004.

	Note	Consolidated Entity		
		30 June 2005	31 December 2004	1 January 2004
		\$000	\$000	\$000
<b>9.2 Reconciliation of total equity presented under AGAAP to that under AIFRSs</b>				
The impact of adopting AIFRSs on the total equity as reported under Australian Accounting Standards applicable before 1 January 2005 ("AGAAP") is as follows:				
Total equity under AGAAP		12,109	12,608	12,838
Deferred tax asset / (liability)		71	-	(30)
Amortisation		50	33	-
Total equity under AIFRSs		<u>12,230</u>	<u>12,641</u>	<u>12,808</u>

#### 9.3 Reconciliation of accumulated losses presented under AGAAP to that under AIFRSs

The impact of adopting AIFRSs on the accumulated losses as reported under Australian Accounting Standards applicable before 1 January 2005 ("AGAAP") is as follows:

Total accumulated losses under AGAAP		(16,466)	(15,732)	(15,608)
Deferred tax asset / (liability)		71	-	(30)
Amortisation		50	33	-
Resetting foreign currency translation reserves to zero	(i)	(2,698)	(2,698)	(2,698)
Other		316	315	256
Share-based payment expense		(6)	-	-
Total accumulated losses under AIFRSs		<u>(18,733)</u>	<u>(18,082)</u>	<u>(18,080)</u>

Notes:

- (i) The group has elected to apply the exemption available in AASB 1 to reset balances on transition in the foreign currency translation reserve to zero. This has resulted in a negative adjustment to accumulated losses on transition at 1 July 2004 of \$2,698,000

# Oriental Technologies Investment Limited – Half-Year Report 2005

## Notes to and forming part of the Financial Statements (continued)

### 9. IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("AIFRSS") (continued)

Consolidated Entity	
Half Year ended 30 June 2005 \$000	Year ended 31 December 2004 \$000

#### 9.4 Reconciliation of profit after tax presented under AGAAP to that under AIFRSs

The impact of adopting AIFRSs on the (loss) / profit as reported under Australian Accounting Standards applicable before 1 January 2005 ("AGAAP") is as follows:

(Loss) / Profit after tax as previously reported	(819)	293
Deferred tax asset / (liability)	71	30
Amortisation	17	33
Share-based payment expense	(i) (6)	-
(Loss) / Profit after tax under AIFRSs	<u>(737)</u>	<u>356</u>

Notes:

- (i) Share-based payments must now be expensed under AIFRSs, AASB 2: Share-Based Payments. Options were granted to a consultant on 18 May 2005. These options vested at the grant date. The share-based payment expensed under AIFRSs (not expensed under AGAAP) results in an increase in losses for the half-year ended 30 June 2005 \$5,920, but no change in equity.

## Oriental Technologies Investment Limited – Half-Year Report 2005

### Declaration by Directors

The Directors of the Company declare that:

1. The financial statements and notes comprising the Income Statement, Balance Sheet, Statement of Cash Flows, Statement of Changes in Equity, and accompanying notes are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2005 and of its performance for the half-year ended on that date;
2. In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:

Sydney, 16 September 2005



Gerard McMahon  
Chairman of the Board



**Chartered Accountants  
& Advisers**

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**DECLARATION OF INDEPENDENCE BY D S MCLEAN TO THE DIRECTORS OF ORIENTAL TECHNOLOGIES LIMITED**

To the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act in relation to the review; and
- any applicable code of professional conduct in relation to the review.

**BDO**  
Chartered Accountants

**D S McLean**  
Partner

Dated in Sydney this 16<sup>th</sup> day of September, 2005.



Quality  
Endorsed  
Company

ISO 9001  
Lic 8142/03  
Standards  
Australia

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partnerships and entities*



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## **INDEPENDENT REVIEW REPORT**

To the members of Oriental Technologies Investment Limited

### **Scope**

We have reviewed the financial report comprising the Income Statement, Balance Sheet, Statement of Cash Flows, Statement of Changes in Equity, accompanying notes and Directors' Declaration of Oriental Technologies Investment Limited for the half-year ended 30 June 2005. The disclosing entity's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134: Interim Financial Reporting, other mandatory professional reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the disclosing entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities & Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of the disclosing entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

### **Statement**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Oriental Technologies Investment Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the disclosing entity's financial position as at 30 June 2005 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.



Liability is limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW)  
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### **Uncertainty Regarding Continuation as a Going Concern**

Without qualification to the statement expressed above, we noted that the financial report of Oriental Technologies Investment Limited has been prepared on the basis that the consolidated entity will continue as a going concern having regard to the group's trading results and the net deficiency of current assets – refer Note 1. We note that the ability of the consolidated entity to continue as a going concern is dependent upon the achievement of profitable trading, continuing availability of bank facilities and the ability of the consolidated entity to raise additional equity.

### **Independence**

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

The independence declaration given to the directors in accordance with section 307C would be in the same terms if it had been given at the date of this report.

A handwritten signature in black ink that reads 'BDO'.

**BDO**

Chartered Accountants

A handwritten signature in black ink, appearing to read 'D S McLean'.

**D S McLean**

Partner

Dated in Sydney this 16<sup>th</sup> day of September 2005.