

**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 2007*

*Half-year ended 30 June 2006*

**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	6.1	%	to	\$000	23,933
Loss from ordinary activities after income tax attributable to members	up/down	<i>Not applicable</i>	%	to	\$000	(421)
Net loss for the period attributable to members	up/down	<i>Not applicable</i>	%	to	\$000	(421)

	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 2007*

### Explanations

*Refer Review of Operations attached*

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

Current Period	Previous corresponding period
<i>13.8 cents</i>	<i>14.7 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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\$
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\$
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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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\$
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\$
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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	
	Current Period %	Previous Corresponding Period %	Current Period A\$ '000	Previous Corresponding Period A\$ '000

**4.2 Aggregate Share of Profits (Losses) of Associates and Joint Venture Entities**

Groups' Share of Associates' and Joint Venture Entities':	Current Period A\$ '000	Previous Corresponding Period A\$ '000
Profit(Loss) from ordinary activities before tax		
Income tax on ordinary activities		
<b>Profit(Loss) from ordinary activities after tax</b>		
Extraordinary items net of tax		
<b>Net profit(loss)</b>		
Adjustments		
<b>Share of net profit(loss) of associates and joint venture entities</b>		

**5. DIVIDENDS**

**5.1 Dividends per Share**

Final  
- current  
period  
- previous  
corresponding  
period

Interim  
- 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

<b>5.2 Total Dividends</b>	<b>Current Period A\$ '000</b>	<b>Previous Corresponding Period A\$ '000</b>
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 2007**

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# Oriental Technologies Investment Limited – Half-Year Report 2007

## Directors' Report

The Directors of Oriental Technologies Investment Limited present their report on the Company for the financial half-year ended 30 June 2007.

### 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
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 2007.

The net loss for the half-year ended 30 June 2007 was \$421,000, compared to \$1,195,000 profit for the previous corresponding period. Revenue for the period was \$23,933,000, a decrease of 6% over the previous half-year (2006: \$25,486,000).

The lower revenue was mainly due to foreign exchange translation. The revenue in local Chinese currency was actually slightly greater for the half-year ended 30 June 2007 than the previous corresponding period. Throughout the period, our China factory operated at similar capacity levels as during the previous corresponding period, as the Company focused on margin improvement instead of market share.

This half year was one of the most challenging for the Company in recent years. The price of lead, the main raw material for battery making, has increased by 68% in the domestic market in China since January 2007. Ironically, the main challenge did not come from our competitors, as the whole lead-acid battery industry faced the same problem of cost blowout. Battery manufacturers are competing with other participants in the battery making value chain to protect their margins.

The gradual strengthening of the Chinese currency also had an adverse effect on the Company's profitability, since the Company still generates the majority of its income by exporting outside China.

#### Adaptive Changes

The following measures were taken at the factory to tackle these problems.

- Increased selling prices to restore profit margins and linking the Company's selling prices to domestic lead purchase metal prices.
- Intensifying the effort to establish the Company's presence in China's domestic market.
- Further reduction in energy consumption and manufacturing scrap rate.

The trading result for August 2007 indicates the new pricing arrangement is working well. August 2007 sales will be close to double the monthly average and produce a profit for the month.

The Company's efforts in establishing a sales and distribution network in China are also producing pleasing results. We now expect domestic sales in China are likely to represent more than 20% of the Company's total revenue by the 2007 year end. Our product quality enables us to compete at the top

## **Oriental Technologies Investment Limited – Half-Year Report 2007**

### **Directors' Report (continued)**

end of the market, which gives us better export margins. There are fewer collection problems than Management initially feared.

As China continues to witness double-digit growth rate in its motor vehicle population, the market potential for our China strategy is very encouraging.

Our factory has recently successfully entered into a trial supply agreement with one of the major domestic Chinese car makers for OEM supply. The first delivery was made in August 2007.

#### **New Management**

Following the US\$4m capital injection by Indeveno Industries Pty Ltd., Dr Xinsheng Wang was appointed the CEO of our China operation during June 2006. Dr. Wang's deeply understands the battery industry and has extensive international sales and marketing experience. This makes him an invaluable addition to the Company's management at a very challenging time.

To streamline the Company's management, it was proposed that Dr Wang would become Managing Director of the Company. When approved by the Company's members, Dr. Wang would immediately replace the long serving Managing Director Mr. George Su, who will remain as a non-executive Director of the Company.

It is also proposed that Messrs Messrs Patrick Ma, Steve Xin and Chunyang Qiu would retire as Directors of the Company, at the same time Dr. Wang is appointed Managing Director.

The Board wishes to record its appreciation for the efforts of Mr. Su over the years. Whilst welcoming Dr Wang, the Board also thanks the retiring directors Messrs. Patrick Ma, Steve Xin and Chunyang Qiu for their long period of service to the Company.

#### **The Outlook**

At its current levels, the high lead price will continue to create pressure on the Company's margins.

However, the newly implemented lead cost linked pricing structure has returned the Company to profitability and the Board expects that this trend will continue for the rest of the year.

The Board also wishes to take this opportunity to thank the Company's staff, for the hard work they have done, and thank Shareholders for their support.

#### **China Venturetechno International Co Limited**

There has not been a change to the 20% profit share situation after the approach made by the new holder of these profit share rights reported previously.

In December 2005, the liquidators of China Venturetechno International Co Limited (CVIC, holder of the 20% profit share right) sold CVIC together with the profit share right to a company in Hong Kong. Since then a dialogue has been developed between the Company and the new owner of CVIC in relation to the profit share. This dialogue has continued subsequent to the reporting date. It is the Board's opinion that this 20% profit share right is only payable out of any dividends declared by Oriental Technologies Investment Limited;

#### **Going Concern**

Notwithstanding the net deficiency of working capital (current assets less current liabilities) 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.

## **Oriental Technologies Investment Limited – Half-Year Report 2007**

### **Directors' Report (continued)**

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.

### **Auditor's Independence Declaration**

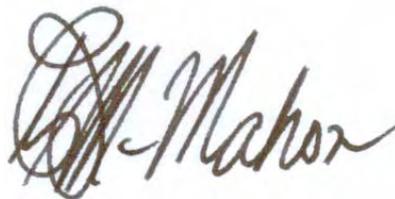
A copy of the independence declaration by the lead auditor under section 307C is included on page 18 to this half-year financial report.

### **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, 31 August 2007

Signed in accordance with a resolution of the Directors

A handwritten signature in dark ink, appearing to read "G. McMahon". The signature is written in a cursive, flowing style.

Gerard McMahon  
Chairman

## Oriental Technologies Investment Limited – Half-Year Report 2007

### Condensed Income Statement for the Half-Year Ended 30 June 2007

	Consolidated Entity	
	2007	2006
	\$'000	\$'000
Revenue	23,776	25,413
Other Income	157	73
	23,933	25,486
Changes in inventories of finished goods and work in progress	1,143	(672)
Raw materials and consumables used	(23,208)	(18,594)
Employee benefits expense	(844)	(728)
Depreciation and amortisation expense	(909)	(3,037)
Borrowing costs expense	(372)	(423)
Other expenses	(314)	(470)
	(571)	1,562
(Loss) / Profit before income tax expense		
Income tax expense	-	(29)
	(571)	1,533
(Loss) / Profit after tax from continuing operations		
(Loss) / Profit for the half-year	(571)	1,533
Loss / (Profit) attributable to minority interest	150	(338)
	(421)	1,195
Net (loss) / profit attributable to members of the parent		
	<b>Cents</b>	Cents
Basic (loss) / earnings per share	(0.36)	1.02
Diluted (loss) / earnings per share	(0.36)	1.02

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

## Oriental Technologies Investment Limited – Half-Year Report 2007

### Condensed Balance Sheet as at 30 June 2007

	Note	Consolidated Entity	
		2007	31 December 2006
		\$'000	\$'000
<b>Current Assets</b>			
Cash and cash equivalents		4,381	4,101
Receivables		5,994	5,098
Inventories		5,976	5,629
<b>Total Current Assets</b>		<b>16,351</b>	14,828
<b>Non-current Assets</b>			
Property, plant and equipment		16,656	16,830
<b>Total Non-current Assets</b>		<b>16,656</b>	16,830
<b>Total Assets</b>		<b>33,007</b>	31,658
<b>Current Liabilities</b>			
Payables		4,204	4,176
Interest-bearing liabilities		12,361	10,291
Provisions	4	275	15
<b>Total Current Liabilities</b>		<b>16,840</b>	14,482
<b>Total Liabilities</b>		<b>16,840</b>	14,482
<b>Net Assets</b>		<b>16,167</b>	17,176
<b>Equity</b>			
Contributed equity		27,892	27,892
Reserves		(335)	(310)
Accumulated losses		(18,852)	(18,014)
<b>Parent entity interest</b>		<b>8,705</b>	9,568
<b>Minority interest</b>		<b>7,462</b>	7,608
<b>Total Equity</b>		<b>16,167</b>	17,176

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

## Oriental Technologies Investment Limited – Half-Year Report 2007

### Condensed Cash Flow Statement for the Half-Year Ended 30 June 2007

	<b>Consolidated Entity</b>	
	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
<b>Cash flows from operating activities</b>		
Receipts from customers	22,134	22,177
Payments to suppliers and employees	(23,042)	(21,664)
Interest received	31	18
Interest and other costs of finance paid	(372)	(423)
Income taxes paid	-	(851)
<b>Net cash outflow from operating activities</b>	<b>(1,249)</b>	<b>(743)</b>
<b>Cash flows from investing activities</b>		
Payment for property, plant and equipment	(908)	(1,348)
Proceeds from sale of equipment	131	1,845
<b>Net cash (outflow)/inflow from investing activities</b>	<b>(777)</b>	<b>497</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	2,549	-
Repayment of borrowings	-	(2,655)
Dividend paid to minority shareholders	(127)	-
Proceeds from investment in subsidiary	-	5,164
<b>Net cash inflow from financing activities</b>	<b>2,422</b>	<b>2,509</b>
Net increase in cash held	396	2,263
Net cash at beginning of period	4,101	2,162
Effects of exchange rate changes on the balances of cash held in foreign currencies at the beginning of the period	(116)	25
Net cash at the end of the period	<b>4,381</b>	<b>4,450</b>

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

## Oriental Technologies Investment Limited – Half-Year Report 2007

### Condensed Statement of Changes in Equity for the Half-Year ended 30 June 2007

	Issued capital \$'000	Accumulated Losses \$'000	Other Reserves \$'000	Total \$'000	Minority Interest \$'000	Total Equity \$'000
Balance 31 December 2005	27,892	(19,382)	1,231	9,741	2,301	<b>12,042</b>
Profit for the period	-	1,195	-	1,195	338	<b>1,533</b>
Share issue to minority shareholder	-	-	-	-	5,162	<b>5,162</b>
Exchange Differences on translating foreign currency	-	-	121	121	3	<b>124</b>
Other	-	1	-	1	-	<b>1</b>
Balance 30 June 2006	27,892	(18,186)	1,352	11,058	7,804	<b>18,862</b>
Profit for period	-	150	-	150	374	<b>524</b>
Transfer to minority interest	-	23	-	23	(23)	-
Exchange Differences on translating foreign currency	-	-	97	97	(148)	<b>(51)</b>
Transfer to loss on liquidation of foreign subsidiary	-	-	(1,762)	(1,762)	-	<b>(1,762)</b>
Capital issue to minority shareholder	-	-	-	-	(396)	<b>(396)</b>
Other	-	(1)	3	2	(3)	<b>(1)</b>
Balance 31 December 2006	27,892	(18,014)	(310)	9,568	7,608	<b>17,176</b>
Loss for the period	-	(421)	-	(421)	(146)	<b>(567)</b>
Transfer to general reserve	-	(31)	31	-	-	-
Dividend paid and payable to minority shareholders of subsidiary	-	(387)	-	(387)	-	<b>(387)</b>
Exchange Differences on translating foreign currency	-	-	(56)	(56)	-	<b>(56)</b>
Other	-	1	-	1	-	<b>1</b>
Balance 30 June 2007	27,892	(18,852)	(335)	8,705	7,462	<b>16,167</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 2007

## 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 2007 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 have 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 2006 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.

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. 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 working capital (current assets less current liabilities) 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.

Reference should also be made to note 7, which refers to a significant uncertainty in relation to the continued going concern of the Company's main operating subsidiary Yangzhou Apollo Battery Company Limited.

#### (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.
- (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:

## Oriental Technologies Investment Limited – Half-Year Report 2007

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

Class of Fixed Asset	Depreciation/ Amortisation Rate
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.

- (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.

#### (d) Impairment

In the previous published financial report, the carrying amount of property, plant and equipment 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). Property, plant and equipment are tested for impairment annually.

#### (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.

Borrowing costs include interest on short term borrowings.

## Oriental Technologies Investment Limited – Half-Year Report 2007

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

(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.

(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.

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.

## Oriental Technologies Investment Limited – Half-Year Report 2007

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

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

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

- the Orientech Employee Share Option Plan (ESOP) which provides benefits to employees.

#### *Share Options Granted Before 7 November 2002 and/or Vested Before 1 January 2005*

No expense has been recognised in respect of options granted before 7 November 2002. Shares are recognised when options are exercised and the proceeds received are allocated to share capital.

#### *Share Options Granted on or After 7 November 2002 and Vested After 1 January 2005*

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

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

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

#### (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;

#### (m) **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.

## Oriental Technologies Investment Limited – Half-Year Report 2007

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

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 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.

(n) ***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..

(o) ***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.

(p) ***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.

(q) ***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 AIFRS.

(r) ***Rounding of amounts***

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the Financial Report and Directors' Report have been rounded off to the nearest \$1,000. Unless otherwise stated, the accounting policies adopted are consistent with those applied in the 31 December 2006 annual report.

# Oriental Technologies Investment Limited – Half-Year Report 2007

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

**Consolidated Entity**  
**2007**                      2006  
**\$'000**                      \$'000

### 2. SEGMENT INFORMATION

Primary reporting - geographical segment by location of customers

#### Segment Revenues from External Customers

Europe	<b>11,914</b>	15,687
Australia	<b>7,436</b>	6,645
China	<b>1,941</b>	1,399
Other Countries	<b>2,485</b>	1,682
	<b>23,776</b>	25,413
Unallocated revenue	<b>157</b>	73
Revenue from ordinary activities	<b>23,933</b>	25,486

#### Segment Result

Europe	<b>858</b>	2,665
Australia	<b>535</b>	1,176
China	<b>140</b>	99
Other Countries	<b>179</b>	293
Unallocated expenses net of unallocated revenue	<b>(2,283)</b>	(2,671)
(Loss) / Profit before income tax before minority interest	<b>(571)</b>	1,562

### 3. PRIOR PERIOD ADJUSTMENT

The calculation of the foreign exchange reserve recognised as part of the loss on liquidation of a Yangzhou Huayang Battery Company Limited, in the previous financial year, was overstated by \$1,045,000. This has been adjusted by correcting the respective comparative balances for the half year ended 31 December 2006 in accordance with AASB 134. This resulted in a decrease in the foreign exchange reserve of \$1,045,000 and a reciprocal increase in profit attributable to members of the parent entity.

**2007**    31 December 2006  
**\$'000**                      \$'000

### 4. PROVISIONS

Employee Benefits	<b>15</b>	15
Dividend payable to minority shareholders of subsidiary	<b>260</b>	-
	<b>275</b>	15

**2007**                      2006  
**\$'000**                      \$'000

#### Movements in provisions

Balance 1 January	<b>15</b>	1,111
Dividend payable to minority shareholders of subsidiary	<b>260</b>	-
Reversal provision for profit share payment	<b>-</b>	(1,096)
Balance 30 June	<b>275</b>	15

## Oriental Technologies Investment Limited – Half-Year Report 2007

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

#### 4. PROVISIONS (continued)

##### Debt Restructure Arrangement

Under an arrangement entered into with China Venturetechno International Co. Limited (“CVIC”) and Red Lion Resources Limited (“RLRL”) in accordance with shareholders approval on 26 July 2000, the total indebtedness of \$20,834,841 by the Company and its controlled entities to CVIC/RLRL was extinguished in return for the payment by the Company out of and limited to the Company’s net profit after tax (“NPAT”) (if any) in each year, of a profit share payment (“PSP”) equal to 20% of each NPAT.

The PSP will cease once the cumulative implied payment amount (“CIPA”) reaches \$20,834,841 or the expiration of 50 years, whichever is the sooner. The CIPA shall be equal to the sum of the Implied Payment Amount (“IPA”) in each year.

The IPA in each year shall be equal to the actual amount paid to Red Lion and CVIC / (1 + (discount) or (premium)). The discount or premium is the discount or premium that the current year’s NPAT represents relative to the pre-agreed breakeven NPAT of \$4.0 million.

##### De recognition of provision

During the half year ended 30 June 2006, the Company de recognised the previous provision in respect of its cash liability for the PSP payable on the loss for the half year ended 30 June 2006, bringing the total provision for the PSP payable to \$Nil.

If this provision had been included in the Company’s results, net loss attributable to members of the parent company for the half year ended 30 June 2007 would not change (Net profit for the half year ended 30 June 2006 would decrease by \$239,000 to \$956,000); and the total provision at 30 June 2007 would not change (31 December 2006 provision would have increased by \$1,365,000 to \$1,365,000).

In December 2005, the liquidators of China Venturetechno International Co Limited (CVIC, holder of the 20% profit share right) sold CVIC together with the profit share right to a company in Hong Kong.

It is the Board’s opinion, based upon a legal opinion received, that this 20% profit share right is only payable out of any dividends declared by Oriental Technologies Investment Limited. As no dividend has been declared by the Company since the commencement of this debt restructure, this provision for profit share payment was de recognised at 30 June 2006.

Extracts from this legal opinion dated 14 March 2007 are as follows:

‘I have been asked to advise you, as the Company’s Auditors, for the purpose of the Company’s half-yearly review for the period ended 30 June, 2006 and for the full year audit for the period ended 31 December, 2006 as to whether the Company has an unconditional obligation, under the terms of the Notes, to pay the Beneficiaries of the Notes the amount of 20% of the Company’s net profits after tax (“the PSP”) for the year ended 31<sup>st</sup> December, 2006.

The Notes in question are:

1. A Note in favour of China Venturetechno International Co Limited in the amount of A\$10,957,614.00.
2. A Note in favour of Red Lion Resources Limited in the amount of A\$9,877,227.00.

It is my view that the terms of the Notes, in this respect, are necessarily referable to the terms of a Share Sale Agreement dated 25th October, 1999... The Agreement envisaged the creation of Redeemable Preference Shares by the Company in favour of the Beneficiaries. That proposal was rejected by the Australian Stock Exchange which, instead, subsequently agreed to the creation of the Notes. I believe that, for the reasons I set out below, there is no such unconditional obligation.

The provisions of Clause 7.4 of the Share Sale Agreement are relevant and, specifically, the definition of the term “*Distributable Profits*”.

# Oriental Technologies Investment Limited – Half-Year Report 2007

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

### 4. PROVISIONS (continued)

#### De recognition of provision (continued)

According to the well established legal rule of interpretation regarding contracts, the definition must be read as a whole.

I am of the opinion that the words “... otherwise be available to Apollo for payment of a dividend.....” mean that the mere existence of net profit after tax would not, of itself, create a liability to pay the PSP. It is my view that it is for the Directors to decide whether, in the circumstances, it is appropriate for those profits to be available for payment of a dividend and that the PSP may only be paid by way of a dividend. In making that decision, the Directors may take into account all of the matters which Directors normally take into account in deciding to recommend to shareholders whether a dividend should be paid. Such matters would include the availability of cash at the time the decision is made and any contingent or other liabilities which may exist at the time.

Pursuant to the definition, the Company’s Auditor will have a role to play where there is a dispute between the parties to the Share Sale Agreement as to the amount of Distributable Profits but that role, in my opinion, is limited to a determination of quantum. On a proper interpretation of the definition as a whole, and for that matter the Agreement as a whole, the Auditor would have no role in the Directors’ decision as to whether to make a distribution.

I take comfort in the fact that my view, as expressed above, regarding the true interpretation of the documents in question, independently accords with the manner in which the Share Sale Agreement was subsequently re-negotiated to arrive at the present situation...’

### 5. 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 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

	Consolidated Entity	
	2007	2006
	Number	Number
<b>Ordinary Shares</b>		
Balance 1 January	<b>116,884,005</b>	116,884,005
Balance 30 June	<b>116,884,005</b>	116,884,005
<b>Tranche 2 Options</b>		
Balance 1 January	<b>200,000</b>	200,000
Balance 30 June	<b>200,000</b>	200,000
Total options and unissued ordinary shares subject to options 30 June	<b>200,000</b>	200,000

### 6. SEASONALITY AND IRREGULAR TRENDS

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

## Oriental Technologies Investment Limited – Half-Year Report 2007

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

#### 7. COMMITMENTS

Contract not provided for mould costs; construction costs for sewerage disposal and electricity works	-	168
Contract not provided for production line construction	<b>868</b>	-
	<b>868</b>	<b>168</b>

#### 8. YANGZHOU APOLLO BATTERY CO LTD PAID-UP CAPITAL

On 20 January 2006, one of the shareholders of Yangzhou Apollo Battery Co Ltd (“YABC”) injected capital of USD 4.0 million into YABC. Upon completion of this capital injection, the paid-up capital of YABC increased from USD 4.1 million to USD 8.1 million.

On 23 June 2006 and 20 September 2006, certain equity holders of YABC directly injected part of their share of distributions from fellow subsidiary Yangzhou Huayang Battery Co Ltd (“YHBC”) totaling USD 5.0 million to YABC as their capital contribution. The distributions were determined in accordance with YHBC’s statutory financial statements, which are prepared under the generally accepted accounting principles in the People’s Republic of China (“PRC GAAP”). After re-stating YHBC’s financial statements under International Financial Reporting Standards, the capital injection to YABC by means of re-investment of YHBC’s distributions amounted to USD 3.9 million. Upon completion of the capital injections, the paid-up capital of YABC increased to USD 12.0 million.

According to YABC’s statutory financial statements prepared under PRC GAAP, only USD 13.1 million registered capital has been paid. According to the relevant Company Laws and Regulations of the People’s Republic of China, YABC’s registered capital of USD 20.0 million must be fully paid up within three years from the date of issuance of the operating licence. Since the registered capital has not been paid up on time, the People’s Republic of China local government authority has issued a warning notice to YABC to take remedial action, otherwise YABC’s operating licence may be withdrawn.

On 20 October 2006, YABC’s directors resolved to reduce the registered capital of YABC from USD 20.0 million to USD 13.1 million. Up to the date of this report, the reduction of registered capital has not been approved by the People’s Republic of China local government authority.

#### 9. 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.

#### 10. 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.

## Oriental Technologies Investment Limited – Half-Year Report 2007

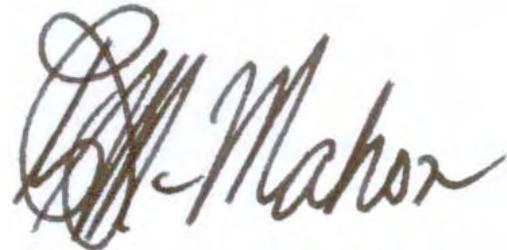
### Declaration by Directors

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 2007 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, 31 August 2007

A handwritten signature in dark ink, appearing to read "G. McMahon", written in a cursive style.

Gerard McMahon  
Chairman of the Board

# RSM Bird Cameron Partners

Chartered Accountants

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## Auditor's Independence Declaration Under Section 307C of the Corporations Act 2001 to the Directors of Oriental Technologies Investment Limited

**To: the directors of Oriental Technologies Investment Limited**

I declare that, to the best of my knowledge and belief, in relation to the review for half year ended 30 June 2007 there has been:

- (a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

*RSM Bird Cameron*

**RSM Bird Cameron Partners**



**W E Beauman  
Partner**

Dated at Sydney this 31st day of August 2007

# RSM Bird Cameron Partners

Chartered Accountants

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## Independent Auditor's Review Report to the Members of Oriental Technologies Investment Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Oriental Technologies Investment Limited and Controlled entities ('the consolidated entity') which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, accompanying notes to the financial statements and the directors' declaration.

### Directors' Responsibility for the Half-Year Financial Report

The directors of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Oriental Technologies Investment Limited and Controlled Entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, we have followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Technologies Investment Limited on 31<sup>st</sup> August 2007, would be in the same terms if provided to the directors as at the date of this auditor's review report.

*Conclusion*

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 and Controlled Entities is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

*RSM Bird Cameron*

**RSM Bird Cameron Partners**



**W. E. Beauman**  
**Partner**

Dated at Sydney

31 August 2007