

Oriental Technologies Investment Limited – Half-Year Report 30 June 2010

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

ORIENTAL TECHNOLOGIES INVESTMENT LIMITED ABN 13 060 266 248

Reporting period

Half-year ended 30 June 2010

Previous corresponding period

Half-year ended 30 June 2009

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	91%	to	\$000	36,274
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(Loss) / Profit from ordinary activities after income tax attributable to members	up/ down	113%	to	\$000	122
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Net (loss) / profit for the period attributable to members	up/ down	113%	to	\$000	122
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Dividends per Share

	Amount per share		Franked amount per share at ...% tax	
Final	Nil	cents	Nil	cents
Interim	Nil	cents	Nil	cents

Record date for determining entitlements to dividends

N/A

Explanations

Refer Review of Operations attached

2. NET TANGIBLE ASSETS PER ORDINARY SHARE (NTA Backing)

Current Period	Previous corresponding period
15.0 cents	15.3 cents

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3. DETAILS OF CONTROLLED ENTITIES

3.1 Control Gained Over Entities During the Period

NONE

Name of entity

Date control acquired, i.e. date from 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 *since the date on which control was acquired*

\$

\$

\$

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 *to the date on which control was lost*

\$

\$

\$

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*

\$

\$

\$

Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control

\$

\$

\$

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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 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':

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	Amount per share	Franked amount per share at ...% tax	Amount per share of foreign source dividend
Final			
- current period	<i>Nil</i> cents	<i>Nil</i> cents	<i>Nil</i> cents
- previous corresponding period	<i>Nil</i> cents	<i>Nil</i> cents	<i>Nil</i> cents
Interim			
- current period	<i>Nil</i> cents	<i>Nil</i> cents	<i>Nil</i> cents
- previous corresponding period	<i>Nil</i> cents	<i>Nil</i> cents	<i>Nil</i> cents

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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.

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

N/A

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.

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Directors' Report

8. HALF-YEAR FINANCIAL STATEMENTS 30 JUNE 2010

8.1 DIRECTORS' REPORT

The Directors of Oriental Technologies Investment Limited (Company) present their report on the consolidated group for the financial half-year ended 30 June 2010.

Directors

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

Gerard McMahon	Non Executive Chairman
Lawrence Luo-lin Xin	Executive Deputy Chairman
Xinsheng Wang	Managing Director
George Su Su	Non Executive Director

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

Review of Operations

Overview

The Company is pleased to report its results for the half-year ended 30 June 2010.

The profit after tax from continuing operations for the half-year ended 30 June 2010 was \$465,000 (2009 \$1,400,000 loss), a 133% increase. Revenue for the period was \$36,274,000, a 91% increase over the previous half-year (2009 \$18,974,000).

Included in net profit for the half year ended 30 June 2010 is a stock obsolescence expense totaling \$501,000 (2009 \$Nil), to fully provide for batteries held in inventory and requiring re-processing. The Group expects to re-process these batteries and may, in the future, recover significant value from this re-processing.

Outlook

For the half year ended 30 June 2010, export and domestic sales by the Company's controlled entity Yangzhou Apollo Battery Co Limited (YABC) was stronger than for the same period in 2009, with significant growth when compared to the previous six months. Although YABC's traditional export markets like Europe and Australia have only experienced a slow recovery since the global financial crisis eased by July 2009, the new emerging market in the Middle East has made a significant contribution to YABC's sales growth.

YABC's domestic Renminbi sales for the half year ended 30 June 2010 was the almost the same as for the previous half year ended 31 December 2009, and over a 100% increase when compared to the half year ended 30 June 2009.

When compared to its results for the year ended 31 December 2009, YABC is targeting a 100% domestic Renminbi sales increase for the year ended 31 December 2010.

It appears that uncertainty in the market, particularly in Europe, still exists. To achieve YABC's 2010 budget, management will have to work harder during the second half of 2010.

Management will also aim to maintain the positive cash flow and complete the second phase of a production expansion project without raising additional external funds.

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Directors' Report

Auditor's Independence Declaration

A copy of the independence declaration by the lead auditor under section 307C is included on page 19 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 Securities and Investments 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, 31st August 2010

Signed in accordance with a resolution of the Board of Directors

A handwritten signature in dark ink, appearing to read 'Gerard McMahon', is written over a light yellow rectangular background.

Gerard McMahon
Chairman

Oriental Technologies Investment Limited – Half-Year Report 30 June 2010

8.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2010

	Consolidated Entity	
Note	2010 \$'000	2009 \$'000
Revenue	35,342	18,308
Other Income	932	666
8.7	<u>36,274</u>	<u>18,974</u>
Changes in inventories of finished goods and work in progress	113	285
Raw materials and consumables used	(31,544)	(16,352)
Employee benefits expense	(1,741)	(1,613)
Depreciation and amortisation expense	(1,317)	(1,464)
Borrowing costs expense	(470)	(485)
Other expenses	<u>(709)</u>	<u>(681)</u>
Profit / (Loss) before income tax expense from continuing operations	606	(1,336)
Income tax expense	<u>(141)</u>	<u>(64)</u>
Profit / (Loss) after tax from continuing operations	<u>465</u>	<u>(1,400)</u>
Profit / (Loss) for the half-year	<u><u>465</u></u>	<u><u>(1,400)</u></u>
Other comprehensive income		
Foreign currency translation income / (loss)	<u>781</u>	<u>(2,978)</u>
Total comprehensive income / (loss) for the half-year	<u><u>1,246</u></u>	<u><u>(4,378)</u></u>
Profit / (Loss) attributable to:		
Members of the parent	122	(912)
Non-controlling interest	<u>343</u>	<u>(488)</u>
	<u><u>465</u></u>	<u><u>(1,400)</u></u>
Total comprehensive income attributable to:		
Members of the parent	552	(2,586)
Non-controlling interest	<u>694</u>	<u>(1,792)</u>
	<u><u>1,246</u></u>	<u><u>(4,378)</u></u>
	Cents	Cents
Basic earnings / (loss) per share	0.10	(0.72)
Diluted earnings / (loss) per share	0.10	(0.72)

The accompanying notes form part of these financial statements.

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8.3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Consolidated Entity	
	2010	31 December 2009
	\$'000	\$'000
ASSETS		
Current Assets		
Cash and cash equivalents	6,974	4,615
Receivables	14,331	5,541
Inventories	9,615	9,502
Other investments	128	132
Total Current Assets	<u>31,048</u>	<u>19,790</u>
Non-current Assets		
Property, plant and equipment	<u>18,972</u>	<u>19,045</u>
Total Non-current Assets	<u>18,972</u>	<u>19,045</u>
Total Assets	<u>50,020</u>	<u>38,835</u>
LIABILITIES		
Current Liabilities		
Trade and other payables	12,565	4,025
Provisions	144	-
Short term borrowings	<u>18,305</u>	<u>16,934</u>
Total Current Liabilities	<u>31,014</u>	<u>20,959</u>
Non-current Liabilities		
Trade and other payables	-	117
Total non-current Liabilities	<u>-</u>	<u>117</u>
Total Liabilities	<u>31,014</u>	<u>21,076</u>
Net Assets	<u>19,006</u>	<u>17,759</u>
Equity		
Issued capital	28,556	28,556
Reserves	1,309	880
Accumulated losses	<u>(19,107)</u>	<u>(19,230)</u>
Parent entity interest	10,758	10,206
Non-controlling interest	<u>8,248</u>	<u>7,553</u>
Total Equity	<u>19,006</u>	<u>17,759</u>

The accompanying notes form part of these financial statements.

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8.4 CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF-YEAR ENDED 30 JUNE 2010

	Consolidated Entity	
	2010	2009
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	27,146	17,509
Payments to suppliers and employees	(24,713)	(17,833)
Interest received	17	48
Finance costs	(470)	(485)
Income tax received	3	135
Net cash inflow / (outflow) from operating activities	1,983	(626)
Cash flows from investing activities		
Purchase of property, plant and equipment	(373)	(1,151)
Proceeds from sale of property, plant and equipment	2	55
Net cash outflow from investing activities	(371)	(1,096)
Cash flows from financing activities		
Proceeds from borrowings	576	260
Net cash inflow from financing activities	576	260
Net increase / (decrease) in cash and cash equivalents	2,188	(1,462)
Net foreign exchange differences	171	(402)
Cash and cash equivalents at the beginning of the period	4,615	8,643
Net cash at the end of the period	6,974	6,779

The accompanying notes form part of these financial statements.

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8.5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2010

	Issued capital \$'000	Accumulated Losses \$'000	Other Reserves \$'000	Total \$'000	Minority Interest \$'000	Total Equity \$'000
Balance 31 December 2008	28,556	(18,458)	3,595	13,693	9,893	23,586
Loss for half year	-	(912)	-	(912)	(488)	(1,400)
Transfer between reserves	-	35	(53)	(18)	18	-
Other comprehensive loss for the half year	-	-	(1,674)	(1,674)	(1,304)	(2,978)
Balance 30 June 2009	28,556	(19,335)	1,868	11,089	8,119	19,208
Profit for half year	-	122	-	122	282	404
Other comprehensive loss for the half year	-	-	(1,024)	(1,024)	(830)	(1,854)
Transfer between reserves	-	(18)	36	18	(18)	-
Other	-	1	-	1	-	1
Balance 31 December 2009	28,556	(19,230)	880	10,206	7,553	17,759
Profit for half year	-	122	-	122	343	465
Other comprehensive income for the half year	-	-	430	430	351	781
Other	-	1	(1)	-	1	1
Balance 30 June 2010	28,556	(19,107)	1,309	10,758	8,248	19,006

The accompanying notes form part of these financial statements.

Notes to and forming part of the Financial Statements for the half year ended 30 June 2010
(continued)

8.6 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These general purpose financial statements for the interim half-year reporting period ended 30 June 2010 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including AASB 134: Interim Financial Reporting. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Oriental Technologies Investment Ltd and its controlled entity (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2009, together with any public announcements made during the half-year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

8.7 SEGMENT INFORMATION

Description of segments

The Group has identified its operating segments based on internal reports that are reviewed and used by the Chief Operating Decision Maker in assessing performance and determining the allocation of resources. The Group is managed primarily on the basis of geographic location. Operating segments are therefore determined on this basis.

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

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

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

Reporting format - Geographical segments

Chief Operating Decision Maker (CODM)

The CODM is Dr Xinsheng Wang, Managing Director.

Notes to and forming part of the Financial Statements for the half year ended 30 June 2010
(continued)

8.7 SEGMENT INFORMATION (continued)

Segment Performance

2010

	Europe	Middle East	Australia	China	Other	Total continuing operations	Inter-segment elimination/Unallocated	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue								
Sales to external customers	12,016	7,781	5,993	7,376	1,850	35,016	326	35,342
Total sales revenue	12,016	7,781	5,993	7,376	1,850	35,016	326	35,342
Other revenue/income	-	-	-	-	-	-	932	932
Total segment revenue/income	12,016	7,781	5,993	7,376	1,850	35,016	1,258	36,274
Result								
Segment result								
Profit before income tax	161	104	80	99	25	469	137	606
Income tax expense								(141)
Net profit for the half-year								465

2009

	Europe	Middle East	Australia	China	Other	Total continuing operations	Inter-segment elimination/Unallocated	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue								
Sales to external customers	6,604	-	6,326	3,919	1,459	18,308	-	18,308
Total sales revenue	6,604	-	6,326	3,919	1,459	18,308	-	18,308
Other revenue/income	-	-	-	-	-	-	666	666
Total segment revenue/income	6,604	-	6,326	3,919	1,459	18,308	666	18,974
Result								
Segment result								
Loss before income tax	(443)	-	(424)	(263)	(98)	(1,228)	(108)	(1,336)
Income tax expense								(64)
Net loss for the half-year								(1,400)

Notes to and forming part of the Financial Statements for the half year ended 30 June 2010
(continued)

8.7 SEGMENT INFORMATION (continued)

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

Oriental Technologies Investment Limited only manufactures lead acid batteries in China, so a split between segmental depreciation, assets and liabilities is not deemed necessary as all the risks and returns arising from the carrying amounts of assets and liabilities only apply to this one geographic segment, China.

Assets and Liabilities by Country

	China		Australia		Consolidated	
	2010	31 December 2009	2010	31 December 2009	2010	31 December 2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets	48,653	37,244	1,367	1,591	50,020	38,835
Liabilities	(30,885)	(21,029)	(129)	(47)	(31,014)	(21,076)
Net Assets	17,768	16,215	1,238	1,544	19,006	17,759

Revenues from major customers

	2010		Consolidated	
	\$'000	% of total revenue	\$'000	% of total revenue
Three major customers (2009 three):				
	4,318	11.9	5,403	28.5
	4,203	11.6	2,095	11.0
	3,649	10.1	1,985	10.5
	12,170	33.6	9,483	50.0

There have been no changes to the basis of segmentation or the measurement basis for the segment profit or loss since 31 December 2009.

Notes to and forming part of the Financial Statements for the half year ended 30 June 2010
(continued)

8.8 EQUITY SECURITIES ISSUED AND GRANTED

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:

Series 2 Options

Issue Date: 18 May 2005

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

Exercise Price: 9.9 cents per share.

Total number issued: on issue date 200,000

Series 3 Options

Issue Date: 16 November 2007

Exercise Period: Within the five-year period ending on 15 November 2012.

Exercise Price: 7.0 cents per share.

Total number issued: on issue date 10,500,000

	Note	Consolidated Entity	
		2010	2009
		Number	Number
Ordinary Shares			
Balance 1 January		126,361,087	126,361,087
Balance 30 June		126,361,087	126,361,087
Series 2 Options			
Balance 1 January		200,000	200,000
Expired 17 May 2010		(200,000)	-
Balance 30 June		-	200,000
Series 3 Options			
Balance 1 January		10,500,000	10,500,000
Balance 30 June		10,500,000	10,500,000
Total options and unissued ordinary shares subject to options 30 June		10,500,000	10,700,000

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Notes to and forming part of the Financial Statements for the half year ended 30 June 2010 (continued)

8.9 SEASONALITY AND IRREGULAR TRENDS

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

8.10 COMMITMENTS

	Consolidated Entity 2010 \$'000	31 December 2009 \$'000
Machinery costs contracted but not provided net of deposit paid in financial statements:		
Within one year	2,242	63
Later than one year but not later than 5 years	-	-
Later than 5 years	-	-
	<u>2,242</u>	<u>63</u>

8.11 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.

8.12 ROUNDING OF AMOUNTS

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

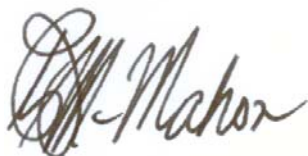
9. DECLARATION BY DIRECTORS

The Directors of the Company declare that:

1. The financial statements and notes comprising the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated Statement of Changes in Equity, and accompanying notes are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standard AASB 134 Interim Financial Reporting; and
 - (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2010 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.

Sydney 31st August 2010

Signed in accordance with a resolution of the Board of Directors

A handwritten signature in dark ink, appearing to read 'Gerard McMahon', with a stylized, cursive script.

Gerard McMahon
Chairman

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Oriental Technologies Investment Limited for the half year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.



RSM BIRD CAMERON PARTNERS
Chartered Accountants



W E Beauman
Partner

Sydney NSW
Dated: 31 August 2010

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 which comprises the condensed consolidated statement of financial position as at 30 June 2010, and the condensed consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Oriental Technologies Investment Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 a 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 2010 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, 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 complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

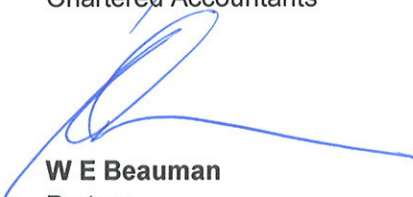
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Oriental Technologies Investment Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 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 PARTNERS

Chartered Accountants



W E Beauman

Partner

Sydney NSW

Dated: 31 August 2010