

13. ACCOUNTANTS' REPORT

**OM Holdings Limited
and its subsidiaries**

Accountant's Report on the
Consolidated Financial Statements
for the financial years ended
31 December 2020, 2019, 2018 and 2017

13. ACCOUNTANTS' REPORT *(Cont'd)*

**OM Holdings Limited
and its subsidiaries**

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13. ACCOUNTANTS' REPORT (Cont'd)

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Reporting accountant's opinion on the consolidated financial statements contained in the accountant's report of OM Holdings Limited

The Board of Directors
OM Holdings Limited
10 Eunos Road 8
#09-03A Singapore Post Centre
Singapore 408600

Dear Sirs,

Opinion

We have audited the consolidated financial statements of OM Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statements of financial position as at 31 December 2020, 2019, 2018 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

These consolidated financial statements of the Group have been prepared for inclusion in the prospectus of OM Holdings Limited in connection with the secondary listing of the entire issued and paid-up share capital of the Company, by way of introduction, on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") and for no other purposes.

In our opinion, the accompanying consolidated financial statements of the Group give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, 2019, 2018 and 2017, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the years ended on these dates, in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Reporting Accountant's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Professional Conduct and Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

13. ACCOUNTANTS' REPORT (Cont'd)

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Reporting accountant's opinion on the consolidated financial statements contained in the accountant's report of OM Holdings Limited (Cont'd)

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The responsibilities of the Directors include overseeing the Group's financial reporting process.

Reporting Accountant's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

13. ACCOUNTANTS' REPORT (Cont'd)

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Reporting accountant's opinion on the consolidated financial statements contained in the accountant's report of OM Holdings Limited (Cont'd)

Reporting Accountant's Responsibilities for the Audit of the Financial Statements (Cont'd)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.


13. ACCOUNTANTS' REPORT (Cont'd)

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Reporting accountant's opinion on the consolidated financial statements contained in the accountant's report of OM Holdings Limited (Cont'd)

Restriction on Distribution and Use

This report has been prepared solely to comply with the Prospectus Guidelines – Equity issued by the Securities Commission Malaysia and for inclusion in the prospectus of OM Holdings Limited in connection with the secondary listing of the entire issued and paid-up share capital of the Company, by way of introduction, on the Main Market of Bursa Securities and should not be relied upon for any other purposes. We do not assume responsibility to any other person for the contents of this report.



Foo Kon Tan LLP
Firm Number: T10LL0002B
Public Accountants and
Chartered Accountants



Ho Teik Tiong
Member Number: 01593
Public Accountant, Singapore

Dated: 30 April 2021

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Consolidated statements of financial position as at 31 December 2020, 2019, 2018 and 2017

	Note	The Group			
		31 December 2020 A\$'000	31 December 2019 A\$'000	31 December 2018 A\$'000	31 December 2017 A\$'000
Assets					
Non-Current					
Property, plant and equipment	4	612,684	698,406	660,743	608,915
Land use rights	5	8,922	9,920	10,070	9,370
Exploration and evaluation costs	6	2,326	963	1,808	2,167
Mine development costs	7	16,726	23,363	23,988	32,026
Investment property	8	574	642	-	-
Right-of-use assets	9	1,992	7,131	-	-
Deferred tax assets	10	13,788	11,392	-	24,076
Interest in associates	12	126,832	116,358	126,339	116,544
Other investments	13	1,888	-	-	-
		785,732	868,175	822,948	793,098
Current					
Inventories	14	216,307	228,275	267,042	252,480
Trade and other receivables	15	62,992	37,809	90,570	91,025
Capitalised contract costs	16	1,856	1,015	2,759	-
Prepayments		3,528	3,754	3,035	6,076
Cash and bank balances	17	63,031	63,712	91,819	34,376
		347,714	334,565	455,225	383,957
Total assets		1,133,446	1,202,740	1,278,173	1,177,055
Equity					
Capital and Reserves					
Share capital	18	36,931	36,931	36,931	36,671
Treasury shares	19	(2,330)	(2,330)	(2,330)	(2,330)
Reserves	20	365,042	390,277	354,016	193,625
		399,643	424,878	388,617	227,966
Non-controlling interests		68,596	82,990	62,508	59,782
Total equity		468,239	507,868	451,125	287,748
Liabilities					
Non-Current					
Borrowings	21	288,279	385,549	436,120	468,859
Lease liabilities	22	415	1,102	-	-
Trade and other payables	23	54,791	60,230	112,879	139,725
Provisions	24	10,869	14,453	9,931	6,032
Deferred tax liabilities	10	1,229	1,237	3,301	1,677
Deferred capital grant	25	10,730	12,605	13,315	12,776
		366,313	475,176	575,546	629,069
Current					
Trade and other payables	23	155,760	113,168	164,288	213,600
Provisions	24	1,806	-	-	-
Contract liabilities	26	6,064	4,859	3,011	-
Borrowings	21	126,766	88,369	76,806	41,822
Lease liabilities	22	1,255	5,990	-	-
Deferred capital grant	25	736	809	803	726
Income tax payables		6,507	6,501	6,594	4,090
		298,894	219,696	251,502	260,238
Total liabilities		665,207	694,872	827,048	889,307
Total equity and liabilities		1,133,446	1,202,740	1,278,173	1,177,055

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Consolidated statements of comprehensive income

for the financial years ended 31 December 2020, 2019, 2018 and 2017

	Note	Year ended 31 December 2020 A\$'000	Year ended 31 December 2019 A\$'000	Year ended 31 December 2018 A\$'000	Year ended 31 December 2017 A\$'000
Revenue	3	784,633	1,026,454	1,510,416	988,182
Cost of sales		(688,371)	(874,001)	(1,157,128)	(778,597)
Gross profit		96,262	152,453	353,288	209,585
Other income	27	6,756	4,334	2,356	10,194
Distribution costs		(41,661)	(47,692)	(54,566)	(44,250)
Administrative expenses		(15,924)	(20,383)	(35,244)	(23,647)
Other operating expenses		(37,787)	(27,952)	(30,984)	(56,501)
Finance costs	28	(28,827)	(32,220)	(44,881)	(43,902)
(Loss)/profit from operations		(21,181)	28,540	189,969	51,479
Share of results of associates		16,525	30,381	46,958	21,138
(Loss)/profit before income tax	28	(4,656)	58,921	236,927	72,617
Income tax	29	1,718	(2,849)	(52,270)	18,757
(Loss)/profit for the year		(2,938)	56,072	184,657	91,374
Other comprehensive (loss)/income, net of tax:					
Items that may be reclassified subsequently to profit or loss					
Currency translation differences arising from foreign subsidiaries (attributable to owners of the Company)					
		(24,160)	412	19,693	(5,427)
Cash flow hedges	30	1,253	919	461	1,360
		(22,907)	1,331	20,154	(4,067)
Items that will not be reclassified subsequently to profit or loss					
Currency translation differences arising from foreign subsidiaries (attributable to non-controlling interests)					
		(6,417)	(427)	4,716	(2,032)
		(6,417)	(427)	4,716	(2,032)
Other comprehensive (loss)/income for the year, net of tax		(29,324)	904	24,870	(6,099)
Total comprehensive (loss)/income for the year		(32,262)	56,976	209,527	85,275
Profit/(loss) attributable to:					
Owners of the Company		5,352	56,641	161,722	92,656
Non-controlling interests		(8,290)	(569)	22,935	(1,282)
		(2,938)	56,072	184,657	91,374
Total comprehensive (loss)/income attributable to:					
Owners of the Company		(17,868)	57,742	181,761	88,249
Non-controlling interests		(14,394)	(766)	27,766	(2,974)
		(32,262)	56,976	209,527	85,275
Profit per share					
- Basic	31	0.73	7.69	22.05	12.67
- Diluted	31	0.73	7.69	21.79	12.06

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)

**OM Holdings Limited
 and its subsidiaries**

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Consolidated statements of changes in equity
 for the financial years ended 31 December 2020, 2019, 2018 and 2017

	Share capital A\$'000	Treasury shares A\$'000	Share premium A\$'000	Non-distributable reserve A\$'000	Capital reserve A\$'000	Hedging reserve A\$'000	Exchange fluctuation reserve A\$'000	Retained profits A\$'000	Total attributable to equity holders of the parent A\$'000	Non-controlling interests A\$'000	Total equity A\$'000
At 1 January 2020	36,931	(2,330)	178,363	8,868	16,064	(5,851)	30,181	162,652	424,878	82,990	507,868
Profit/(Loss) for the year	-	-	-	-	-	-	-	5,352	5,352	(8,290)	(2,938)
Other comprehensive income/(loss) for the year	-	-	-	-	-	940	(24,160)	-	(23,220)	(6,104)	(29,324)
Total comprehensive income/(loss) for the year	-	-	-	-	-	940	(24,160)	5,352	(17,868)	(14,394)	(32,252)
Dividends paid	-	-	-	-	-	-	-	(7,367)	(7,367)	-	(7,367)
Transactions with owners	-	-	-	-	-	-	-	(7,367)	(7,367)	-	(7,367)
At 31 December 2020	36,931	(2,330)	178,363	8,868	16,064	(4,911)	6,021	160,637	399,643	68,596	468,239

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)

**OM Holdings Limited
 and its subsidiaries**

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Consolidated statements of changes in equity (Cont'd)
 for the financial years ended 31 December 2020, 2019, 2018 and 2017

	Share capital A\$'000	Treasury shares A\$'000	Share premium A\$'000	Non- distributable reserve A\$'000	Capital reserve A\$'000	Hedging reserve A\$'000	Exchange fluctuation reserve A\$'000	Retained profits A\$'000	Total attributable to equity holders of the parent A\$'000	Non- controlling interests A\$'000	Total equity A\$'000
At 1 January 2019	36,931	(2,330)	178,363	8,868	15,444	(6,540)	29,769	128,112	388,617	62,508	451,125
Profit/(Loss) for the year	-	-	-	-	-	-	-	56,641	56,641	(569)	56,072
Other comprehensive income/(loss) for the year	-	-	-	-	-	689	412	-	1,101	(197)	904
Total comprehensive income/(loss) for the year	-	-	-	-	-	689	412	56,641	57,742	(766)	56,976
Dividends paid	-	-	-	-	-	-	-	(22,101)	(22,101)	(1,228)	(23,329)
Capital injection from non-controlling interest shareholder	-	-	-	-	-	-	-	-	-	22,476	22,476
Write off of warrants (Note 19 (iii))	-	-	-	-	620	-	-	-	620	-	620
Transactions with owners	-	-	-	-	620	-	-	(22,101)	(21,481)	21,248	(233)
At 31 December 2019	36,931	(2,330)	178,363	8,868	16,064	(5,851)	30,181	162,652	424,878	82,990	507,868

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

**OMI Holdings Limited
 and its subsidiaries**

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13. ACCOUNTANTS' REPORT (Cont'd)

Consolidated statements of changes in equity (Cont'd)
 for the financial years ended 31 December 2020, 2019, 2018 and 2017

	Share capital A\$'000	Treasury shares A\$'000	Share premium A\$'000	Non-distributable reserve A\$'000	Capital reserve A\$'000	Hedging reserve A\$'000	Exchange fluctuation reserve A\$'000	Retained profits A\$'000	Total attributable to equity holders of the parent A\$'000	Non-controlling interests A\$'000	Total equity A\$'000
At 1 January 2018	36,671	(2,330)	176,563	5,552	16,513	(6,886)	10,073	(8,190)	227,966	59,782	287,748
Profit for the year	-	-	-	-	-	-	-	161,722	161,722	22,935	184,657
Other comprehensive income for the year	-	-	-	-	-	346	19,693	-	20,039	4,831	24,870
Total comprehensive income for the year	-	-	-	-	-	346	19,693	161,722	181,761	27,766	209,527
Dividends paid	-	-	-	-	-	-	-	(22,101)	(22,101)	-	(22,101)
Issue of ordinary shares, net of issue costs	260	-	1,800	-	-	-	-	-	2,060	-	2,060
Acquisition of irredeemable convertible preference shares in subsidiary from non-controlling interest shareholder	-	-	-	-	(1,069)	-	-	-	(1,069)	(25,040)	(25,040)
Buy-back of warrants	-	-	-	3,316	-	-	3	(3,319)	-	-	(1,069)
Transfer (Note 19 (ii))	260	-	1,800	3,316	(1,069)	-	3	(25,420)	(21,110)	(25,040)	(46,150)
Transactions with owners	36,931	(2,330)	178,363	8,868	15,444	(6,540)	29,769	128,112	388,617	62,508	451,125
At 31 December 2018											

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)

**OM Holdings Limited
and its subsidiaries**

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Consolidated statements of changes in equity (Cont'd)
for the financial years ended 31 December 2020, 2019, 2018 and 2017

	Share Capital A\$'000	Share premium A\$'000	Treasury shares A\$'000	Non- distributable reserve A\$'000	Capital reserve A\$'000	Hedging reserve A\$'000	Exchange fluctuation reserve A\$'000	Retained profits A\$'000	Total attributable to equity holders of the parent A\$'000	Non- controlling interests A\$'000	Total equity A\$'000
Balance at 1 January 2017	36,671	176,563	(2,330)	5,534	16,513	(7,906)	15,493	(100,827)	139,711	62,748	202,459
Profit/(Loss) for the year	-	-	-	-	-	-	-	92,656	92,656	(1,282)	91,374
Other comprehensive income/(loss) for the year	-	-	-	-	-	1,020	(5,427)	-	(4,407)	(1,692)	(6,099)
Total comprehensive income/(loss) for the year	-	-	-	-	-	1,020	(5,427)	92,656	88,249	(2,974)	85,275
Dividend forfeited	-	-	-	-	-	-	-	14	14	-	14
Transfer (Note 19 (ii))	-	-	-	18	-	-	7	(33)	(8)	8	-
Balance at 31 December 2017	36,671	176,563	(2,330)	5,552	16,513	(6,886)	10,073	(8,190)	227,966	59,782	287,748

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Consolidated statements of cash flows

for the financial years ended 31 December 2020, 2019, 2018 and 2017

	Year ended 31 December 2020	Year ended 31 December 2019	Year ended 31 December 2018	Year ended 31 December 2017
Note	A\$'000	A\$'000	A\$'000	A\$'000
Cash Flows from Operating Activities				
(Loss)/profit before income tax	(4,656)	58,921	236,927	72,617
Adjustments for:				
Amortisation of land use rights	5, 28 206	204	193	186
Amortisation of deferred capital grant	25, 28 (817)	(814)	(760)	(737)
Amortisation of mine development costs	7, 28 6,505	5,147	9,052	11,143
Depreciation of property, plant and equipment	4, 28 43,285	42,369	36,751	32,985
Depreciation of right-of-use assets	9, 28 5,644	6,156	-	-
Depreciation of investment property	8, 28 11	11	-	-
Write off of exploration and evaluation costs	6, 28 -	2,706	932	211
Write off of goodwill from acquisition of subsidiary	11, 28 -	-	2,550	-
Write off of property, plant and equipment	28 36	121	116	586
Fair value gain on other investment	27 (1,388)	-	-	-
Write off of warrants	20, 28 -	620	-	-
Write back of inventories	-	-	-	(11)
Loss on deemed disposal and re-purchase	-	-	-	505
Loss/(Gain) on disposal of property, plant and equipment	27, 28 -	121	-	(53)
Lease modification	28 296	-	-	-
Gain on early debt settlement	27 -	-	-	(3,955)
Unwinding of discount on non-current trade payables	27, 28 268	1,128	2,464	(1,508)
Reclassification from hedging reserve to profit or loss	30 1,253	919	461	1,360
Write-down of inventories to net realisable value	14, 28 3,397	-	-	-
Impairment loss on trade and other receivables	15, 28 -	278	-	-
Interest expense	28 28,827	32,220	44,881	43,902
Interest income	27 (691)	(898)	(405)	(187)
Share of results of associates	(16,525)	(30,381)	(46,958)	(21,138)
Operating profit before working capital changes	65,651	118,828	286,204	135,906
Decrease/(Increase) in inventories	4,196	38,994	(13,163)	50,981
(Increase)/Decrease in trade receivables	(11,397)	44,860	1,034	(5,963)
(Increase)/Decrease in capitalised contract costs	(534)	1,754	(2,759)	-
(Increase)/Decrease in prepayments, deposits and other receivables	(631)	7,208	2,573	(9,647)
Increase in contract liabilities	765	1,859	3,301	-
Increase/(Decrease) in trade payables	28,605	(71,576)	(53,426)	(48,838)
(Decrease)/Increase in other payables	(2,049)	(17,548)	(38,184)	15,826
(Decrease)/Increase in provisions	(1,646)	4,522	3,899	(37)
Cash generated from operations	82,960	128,901	189,479	138,228
Income tax paid	(6,401)	(30,199)	(9,886)	(4,437)
Net cash generated from operating activities	76,559	98,702	179,593	133,791
Cash Flows from Investing Activities				
Payments for exploration and evaluation costs	6 (1,363)	(1,861)	(573)	(512)
Payments for mine development costs	7 -	(4,522)	(1,014)	-
Purchase of property, plant and equipment	4 (15,490)	(76,564)	(29,172)	(45,242)
Proceeds from disposal of property, plant and equipment	-	95	-	86
Acquisition of a subsidiary	11 -	-	(2,550)	375
Purchase of other investment	(500)	-	-	-
Loan repayment and dividend received from an associate	6,048	40,362	35,623	18,457
Interest received	27 691	898	405	187
Net cash (used in)/generated from investing activities	(10,614)	(41,592)	2,719	(26,649)

The annexed notes form an integral part of and should be read in conjunction with these financial statements

13. ACCOUNTANTS' REPORT (Cont'd)

**OM Holdings Limited
and its subsidiaries**

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Consolidated statements of cash flows (Cont'd)

for the financial years ended 31 December 2020, 2019, 2018 and 2017

	Year ended 31 December 2020 A\$'000	Year ended 31 December 2019 A\$'000	Year ended 31 December 2018 A\$'000	Year ended 31 December 2017 A\$'000
Cash Flows from Financing Activities				
Repayment of bank and other loans (Note A)	(33,185)	(67,594)	(41,960)	(74,973)
Proceeds from bank and other loans (Note A)	12,972	23,081	-	-
Principal repayment of lease liabilities (Note A)	(6,241)	(6,415)	-	-
Repayment to finance lease creditors (Note A)	-	-	(921)	(975)
Buy-back of warrants	-	-	(641)	-
Issue of ordinary shares, net of issue costs	-	-	2,060	-
Capital contribution by non-controlling interest shareholder	-	22,476	-	-
Acquisition of irredeemable convertible preference shares in subsidiary from non-controlling interest shareholder	-	-	(25,040)	-
(Increase)/Decrease in cash collateral	(2,268)	(2,039)	(8,310)	4,301
Dividend paid	(7,367)	(23,329)	(22,101)	-
Interest paid (Note A)	(30,013)	(33,664)	(38,252)	(24,487)
Net cash used in financing activities	(66,102)	(87,484)	(135,165)	(96,134)
Net (decrease)/increase in cash and cash equivalents	(157)	(30,374)	47,147	11,008
Cash and cash equivalents at beginning of the year	48,900	79,046	29,913	20,571
Exchange difference on translation of cash and cash equivalents at beginning of the year	(2,792)	228	1,986	(1,666)
Cash and cash equivalents at end of the year (Note 17)	45,951	48,900	79,046	29,913

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)

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Consolidated statements of cash flows (Cont'd)

for the financial years ended 31 December 2020, 2019, 2018 and 2017

Note A Reconciliation of liabilities arising from financing activities

The following is the disclosure of the reconciliation of items for which cash flows have been, or will be, classified as financing activities, excluding equity items:

	1 January 2020 A\$'000	Cash inflows A\$'000	Cash outflows A\$'000	Interest paid A\$'000	Non-cash items			31 December 2020 A\$'000
					Lease modification A\$'000	New leases A\$'000	Foreign exchange difference A\$'000	
Lease liabilities	7,092	-	(6,241)	(306)	(64)	960	306	1,670
Bank and other loans	473,918	12,972	(33,185)	-	-	-	2,234 ⁽¹⁾	415,045
Trade and other payables - Interest payables	7,112	-	-	(29,707)	-	-	26,287	3,692

⁽¹⁾ This is related to the amortisation of borrowing costs classified as "finance cost" in the Consolidated Statement of Comprehensive Income.

	1 January 2019 A\$'000	Cash inflows A\$'000	Cash outflows A\$'000	Interest paid A\$'000	Non-cash items			31 December 2019 A\$'000
					Adoption of IFRS 16 A\$'000	New leases A\$'000	Foreign exchange difference A\$'000	
Lease liabilities	-	-	(6,415)	(591)	6,495	6,964	591	7,092
Finance leases	1,092	-	-	-	(1,092)	-	-	-
Bank and other loans	511,834	23,081	(67,594)	-	-	-	-	473,918
Trade and other payables - Interest payables	8,556	-	-	(33,073)	-	-	31,629	7,112

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited
and its subsidiaries

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Consolidated statements of cash flows (Cont'd)

for the financial years ended 31 December 2020, 2019, 2018 and 2017

Note A Reconciliation of liabilities arising from financing activities (Cont'd)

	1 January 2018 A\$'000	Cash inflows A\$'000	Cash outflows A\$'000	Interest paid A\$'000	Non-cash items		31 December 2018 A\$'000
					Foreign exchange difference A\$'000	Interest expense A\$'000	
Finance leases	2,013	-	(921)	(98)	-	98	1,092
Bank and other loans	508,668	-	(41,960)	-	45,126	-	511,834
Trade and other payables - Interest payables	1,927	-	-	(38,154)	-	44,783	8,556

	1 January 2017 A\$'000	Cash inflows A\$'000	Cash outflows A\$'000	Foreign exchange difference A\$'000	Non-cash items		31 December 2017 A\$'000
					Accrual A\$'000	Impairment on loan A\$'000	
Finance leases	2,988	-	(975)	-	-	-	2,013
Borrowings	614,643	-	(74,973)	(34,456)	7,409	(3,955)	508,668

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)

**OM Holdings Limited
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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

1 General information

These consolidated financial statements of OM Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") have been prepared for inclusion in the prospectus of OM Holdings Limited in connection with the secondary listing of the entire issued and paid-up share capital of the Company, by way of introduction, on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") and for no other purposes.

The consolidated financial statements of the Group for the financial years ended 31 December 2020, 2019, 2018 and 2017 were authorised for issue in accordance with a resolution of the directors of the Company on 30 April 2021.

The Company is incorporated as a limited liability company listed on the Australian Securities Exchange and is domiciled in Bermuda.

The registered office is located at Clarendon House, 2 Church Street Hamilton, HM11 Bermuda.

2(a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRSs"), which collectively includes all applicable individual IFRSs and Interpretations approved by the International Accounting Standard Board ("IASB"), and all applicable individual International Accounting Standards ("IASs") and Interpretations as originated by the Board of the International Accounting Standards Committee and adopted by the IASB.

The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Australian Dollar which is the Company's functional currency. All financial information is presented in Australian Dollar, unless otherwise stated.

Impact of COVID-19 in the financial year ended 31 December 2020

The ongoing and evolving Coronavirus Disease ("COVID-19") pandemic has had a significant impact on the global economy and the economies of the countries in which the Group operates. There is significant uncertainty as to the duration of the pandemic and its impact on those economies. In regard to the Group, the consideration of COVID-19 has been in the following areas:

- Impairment of non-financial assets (Notes 4, 5, 6, 7 and 9)
- Recognition of deferred tax assets (Note 10)
- Allowance for expected credit losses of trade and other receivables (Note 15)

Significant accounting estimates and judgements

The preparation of the financial statements in conformity with IFRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

The critical accounting estimates and assumptions used and areas involving a high degree of judgement are described below.

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

2(a) Basis of preparation (Cont'd)

Significant accounting estimates and judgements (Cont'd)

Significant judgements in applying accounting policies

Income taxes (Note 29)

The Group has exposures to income taxes in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due.

Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such a determination is made.

Determination of functional currency

The Group measures foreign currency translation in the respective currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

Allowance for expected credit losses (ECL) of trade and other receivables (Note 15)

Allowance for ECL of trade and other receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the ECL calculation, based on the Group's past collection history, existing market conditions as well as forward looking estimates at each reporting date. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The Group adopt a simplified approach and uses a provision matrix to calculate ECL for receivables which are trade in nature. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and forecast economic conditions.

The Group apply the 3-stage general approach to determine ECL for receivables which are non-trade in nature. ECL is measured as an allowance equal to 12-month ECL for stage-1 assets, or lifetime ECL for stage-2 or stage-3 assets. An asset moves from stage-1 to stage-2 when its credit risk increases significantly and subsequently to stage-3 as it becomes credit-impaired. In assessing whether credit risk has significantly increased, the Group considers qualitative and quantitative reasonable and supportable forward looking information. Lifetime ECL represents ECL that will result from all possible default events over the expected life of a financial instrument whereas 12-month ECL represents the portion of lifetime ECL expected to result from default events possible within 12 months after the reporting date.

Allowance for impairment of trade and other receivables (Note 15) (before 1 January 2018)

Allowance for impairment of trade and other receivables are based on the assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of judgement and estimates. Where the expected outcome is different from the original estimate, such difference will impact the carrying value of trade receivables and impairment allowance in the period in which such estimate has been changed.

13. ACCOUNTANTS' REPORT (Cont'd)

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

2(a) Basis of preparation (Cont'd)

Significant accounting estimates and judgements (Cont'd)

Significant judgements in applying accounting policies (cont'd)

Deferred tax assets (Note 10)

The Group reviews the carrying amount of deferred tax assets at the end of each reporting period. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilised. This involves judgement regarding future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. Management has assessed that it is reasonable to recognise deferred tax assets based on probable future taxable income.

Determination of cash-generating units (CGU) for non-financial assets

A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. In determining appropriate CGU level, the Group has considered whether there are: active markets for intermediate products; external users of the processing assets; mining or smelting operations through the use of shared infrastructure; stand-alone mines or smelting plants operated on a portfolio basis. Significant judgement is required by management to determine whether multiple assets should be grouped to form a CGU. Management has identified the appropriate CGU level to be the mine or smelting plant together with their direct processing assets at the same location.

Critical assumptions used and accounting estimates in applying accounting policies

Impairment of non-financial assets

Non-financial assets comprise property, plant and equipment (Note 4), land use rights (Note 5), exploration and evaluation costs (Note 6), mine development costs (Note 7) and right-of-use assets (Note 9). Determining whether the carrying value is impaired requires an estimation of the value in use of the cash-generating units. This requires the Group to estimate the future cash flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of cash flows. Management has performed the impairment test and assessed that no impairment was required. The carrying amount is disclosed in the statement of financial position.

Net realisable value of inventories (Note 14)

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less the estimated cost necessary to make the sale. These estimates are based on the current market conditions and historical experiences of selling products of similar nature. It could change significantly as a result of competitor actions in response to changes in market conditions. Management reassesses the estimations at the end of each reporting date. The carrying amount of the inventories as at 31 December 2020 is A\$216,307,000 (2019 - A\$228,275,000; 2018 - A\$267,042,000; 2017 - A\$252,480,000).

13. ACCOUNTANTS' REPORT (Cont'd)

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**Notes to the consolidated financial statements for the financial years ended
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2(a) Basis of preparation (Cont'd)

Significant accounting estimates and judgements (Cont'd)

Critical assumptions used and accounting estimates in applying accounting policies (cont'd)

Estimation of the incremental borrowing rate ("IBR")

For the purpose of calculating the right-of-use asset and lease liability, an entity applies the interest rate implicit in the lease ("IRIIL") and, if the IRIIL is not readily determinable, the entity shall use its IBR applicable to the lease asset. The IBR is the rate of interest that the entity would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. For most of the leases whereby the Group is the lessee, the IRIIL is not readily determinable. Therefore, the Group estimates the IBR relevant to each lease asset by using observable inputs (such as market interest rate and asset yield) when available, and then making certain lessee specific adjustments (such as a group entity's credit rating). The carrying amounts of the Group's right-of-use assets and lease liabilities are disclosed in Note 9 and 22 respectively. An increase/decrease of 50 basis points in the estimated IBR will not significantly decrease/increase the Group's right-of-use assets and lease liabilities.

2(b) Interpretations and amendments to published standards

The Group has adopted all the new and revised IFRS, IFRS interpretations ("IFRS INT") and amendments to IFRS, effective for the financial years that are relevant to them.

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to IFRS 3	<i>Definition of a Business</i>	1 January 2020
Amendments to IAS 1 and IAS 8	<i>Definition of Material</i>	1 January 2020
Amendments to IFRS 9, IAS 39 and IFRS 7	<i>Interest Rate Benchmark Reform</i>	1 January 2020
Revised <i>Conceptual Framework for Financial Reporting</i>		1 January 2020
IFRS 16	<i>Leases</i>	1 January 2019
IFRIC 23	<i>Uncertainty over Income Tax Treatments</i>	1 January 2019
IFRS 15	<i>Revenue from Contracts with Customers</i>	1 January 2018
IFRS 9	<i>Financial Instruments</i>	1 January 2018
Amendments to IAS 7	<i>Statement of Cash Flows</i>	1 January 2017
Amendments to IAS 12	<i>Recognition of Deferred Tax Assets for Unrecognised Losses</i>	1 January 2017

The adoption of these new and revised IFRS pronouncements does not result in significant changes to the Group's accounting policies and has no material effect on the amounts or the disclosures reported for the current or prior reporting periods, except as discussed below.

13. ACCOUNTANTS' REPORT (Cont'd)

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

2(b) Interpretations and amendments to published standards (Cont'd)

IFRS 16 Leases

IFRS 16 *Leases* supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*, and pronounces new or amended requirements with respect to lease accounting. For lessee accounting, IFRS 16 introduces significant changes by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low-value assets when such recognition exemptions are adopted. For lessor accounting, the requirements have remained largely unchanged. The impact of the adoption of IFRS 16 on the Group's financial statements are discussed below.

The date of initial application of IFRS 16 for the Group was 1 January 2019. The Group has elected to transition to IFRS 16 using the cumulative catch-up (or modified retrospective) approach which requires the Group to recognise the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application, without restatement of comparatives under IAS 17.

(a) Definition of a lease

The new definition of a lease under IFRS 16 mainly relates to the concept of 'control' that determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration, which is in contrast to the concept of 'risks and rewards' under IAS 17.

The Group has elected to apply the practical expedient available on transition to IFRS 16 not to reassess whether a contract is, or contains, a lease. Accordingly, the superseded definition of a lease under IAS 17 continues to be applied to those leases entered into, or modified, before 1 January 2019, and the Group applies the new definition of a lease and related guidance set out in IFRS 16 only to those lease contracts entered into, or modified, on or after 1 January 2019. After the transition to IFRS 16, the Group shall reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

The new requirements for identifying a lease under IFRS 16 do not change significantly the scope of contracts that will meet the definition of a lease for the Group.

(b) Lessee accounting

(i) Former operating leases

Before the adoption of IFRS 16, the Group's non-cancellable operating lease payments in future reporting periods for leasehold buildings and office equipment, were not recognised as liabilities in the statement of financial position but were disclosed as commitments in the notes to the financial statements, and these lease payments were reported as rental expenses in the profit or loss over the lease term on a straight-line basis and presented under operating activities in the statement of cash flows. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities in the statement of financial position for these outstanding lease payments, reports depreciation of right-of-use assets and interest expense on lease liabilities in the profit or loss, and presents these lease payments as principal repayment and interest paid separately under financing activities in the statement of cash flows.

Under IFRS 16, lease incentives are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17, they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expenses on a straight-line basis.

The Group has elected, as a practical expedient of IFRS 16, not to separate non-lease components from lease components for all classes of underlying assets and instead account for each lease component and any associated non-lease components as a single lease component, except if the non-lease component is an embedded derivative according to IFRS 9.

13. ACCOUNTANTS' REPORT (Cont'd)

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**Notes to the consolidated financial statements for the financial years ended
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2(b) Interpretations and amendments to published standards (Cont'd)

IFRS 16 Leases (Cont'd)

(b) Lessee accounting (Cont'd)

(i) Former operating leases (cont'd)

For short-term leases and leases of low-value assets, the Group has elected for exemption under IFRS 16 from recognising their right-of-use assets and lease liabilities, and to report lease expenses in the profit or loss on a straight-line basis.

On 1 January 2019, the Group has applied the following IFRS 16 transition provisions under the cumulative catch-up approach for each lease, or each portfolio of leases with reasonably similar characteristics, formerly classified as operating lease under IAS 17:

- recognises a lease liability at the present value of the remaining lease payments using the lessee's incremental borrowing rate for the underlying lease asset;
- recognises a right-of-use asset, on a lease-by-lease basis, for leasehold buildings and office equipment, at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application;
- applies IAS 36 *Impairment of Assets* to perform an impairment review of the right-of-use asset; and
- adjusts any difference between the carrying amounts of the right-of-use asset and the lease liability to the opening balance of retained earnings.

The Group has adopted the following IFRS 16 practical expedients when applying the cumulative catch-up transition approach to leases formerly classified as operating lease under IAS 17:

- applies a single discount rate to a portfolio of leases with reasonably similar characteristics;
- adjusts the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* in the statement of financial position immediately before the date of initial application, as an alternative to performing an impairment review under IAS 36;
- elects not to recognise the right-of-use asset and lease liability for a lease with a lease term ending within twelve months of the date of initial application;
- excludes initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- uses hindsight for determining the lease term when the contract contains options to extend or terminate the lease.

(ii) Former finance leases

On 1 January 2019, with regards to the Group's leases of plant and machinery and motor vehicles that were formerly classified as finance leases under IAS 17, the carrying amounts of the leased assets (in property, plant and equipment) and obligations under finance leases immediately before the date of initial application become respectively the opening balance of the carrying amounts of right-of-use assets and lease liabilities under IFRS 16. Subsequently, the Group accounts for these right-of-use assets and lease liabilities in accordance with IFRS 16.

(iii) Land use rights

The Group had made prepayments for the usage of land in the People's Republic of China ("PRC") and Malaysia under formerly known operating leases, which were presented as land use rights in the statement of financial position. Under IFRS 16, these prepaid land use rights form part of the Group's right-of-use assets.

13. ACCOUNTANTS' REPORT (Cont'd)

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**Notes to the consolidated financial statements for the financial years ended
 31 December 2020, 2019, 2018 and 2017**

2(b) Interpretations and amendments to published standards (Cont'd)

IFRS 16 Leases (Cont'd)

(c) Lessor accounting

The Group contracts (as a lessor) with tenants to rent out office premises for which the Group has continued to classify as an operating lease using similar principles as in IAS 17. Therefore, IFRS 16 does not impact the operating leases where the Group is the lessor.

(d) Deferred tax effects on adoption of IFRS 16

In certain jurisdictions that the Group operates in, tax deductions are available only for the lease payments as they are paid, and no tax deduction is allowed for the leased assets depreciation or finance cost. On 1 January 2019, these tax circumstances gave rise to temporary differences on initial recognition of both the right-of-use asset and lease liability. However, these deferred tax effects are not significant and therefore not recognised.

(e) Financial impact of initial application of IFRS 16

The weighted average incremental borrowing rate applied to measure the Group's lease liabilities recognised in the statement of financial position on 1 January 2019 was 3.82%.

A reconciliation of the differences between the Group's operating lease commitments previously disclosed in the financial statements as at 31 December 2018 and the Group's lease liabilities recognised in the statement of financial position on 1 January 2019 was as follows:

	A\$'000
Operating lease commitments as at 31 December 2018	6,943
<i>(Less)/Add effects of:</i>	
Short-term leases exempted from recognition	(982)
Leases of low-value assets exempted from recognition	(55)
Discounting based on the weighted average incremental borrowing rate	(503)
Obligations under finance lease at 31 December 2018 reclassified to lease liabilities	1,092
Lease liabilities as at 1 January 2019	6,495

The effects of adoption of IFRS 16 on the Group's financial statements as at 1 January 2019 were as follows:

	Increase/ (Decrease) A\$'000
Assets:	
Property, plant and equipment	(848)
Right-of-use assets	6,251
	5,403
Liabilities:	
Borrowings – obligations under finance leases	(1,092)
Lease liabilities	6,495
	5,403
Equity:	
Reserves – Retained profits	-
Non-controlling interests	-
	-

13. ACCOUNTANTS' REPORT (Cont'd)

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**Notes to the consolidated financial statements for the financial years ended
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2(b) Interpretations and amendments to published standards (Cont'd)

IFRIC 23 Uncertainty of Income Tax Treatments

This Interpretation provides guidance on how to determine an entity's taxable profits (or tax losses), tax bases, unused tax losses, unused tax credits and tax rates where there is uncertainty over income tax to be accounted for under IAS 12. The Interpretation is effective for annual reporting periods beginning on or after 1 January 2019. Management has reassessed all deferred and current income tax assets and liabilities and there is no material impact on the consolidation financial statements of the Group

The Group has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings, as follows:
 - if yes, the Group should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings; or
 - if no, the Group should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

There is no material impact to the Group's financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive principle for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. The core principle of IFRS 15 is that an entity recognises revenue related to the transfer of promised goods or services when control of the goods or services passes to the customer. The amount of revenue recognised should reflect the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group has adopted IFRS 15 using the modified retrospective method.

The Group sells a significant proportion of its products on Cost and Freight (CFR) or Cost, Insurance & Freight (CIF) Incoterms, where the total sales price is allocated to the separate performance obligations; the first being the product and the second being the other costs, insurance and freight. The sales price allocated to the product is recognised at the point in time at which control of the goods passes to the customer at the loading port, which does not differ significantly from the current standard, IAS 18. The sales price for the costs, insurance and freight are required to be accounted for as separate performance obligations with revenue recognised over time as the service is rendered whereas under IAS 18, the Group recognises such shipping and other freight revenue and accrues the associated costs in full on loading.

The Group has not restated the comparative information as the impact to the Group is insignificant. The Group has quantified the amount to be A\$1,729,000 affecting the opening retained profits as at 1 January 2018.

13. ACCOUNTANTS' REPORT (Cont'd)

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**OM Holdings Limited
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**Notes to the consolidated financial statements for the financial years ended
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2(b) Interpretations and amendments to published standards (Cont'd)

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The Group has adopted IFRS 9 using the modified retrospective method.

Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminated the previous IAS 39 categories for held-to-maturity investments, loans and receivables and available-for-sale financial assets.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified and measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt instrument; FVOCI – equity instrument; or fair value through the profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A debt instrument is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

13. ACCOUNTANTS' REPORT (Cont'd)

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**Notes to the consolidated financial statements for the financial years ended
 31 December 2020, 2019, 2018 and 2017**

2(b) Interpretations and amendments to published standards (Cont'd)

IFRS 9 Financial Instruments (Cont'd)

The following accounting policies apply to the subsequent measurement of financial assets.

- financial assets at FVTPL - these assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the profit or loss.
- debt instrument at amortised cost - these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the profit or loss. Any gain or loss on derecognition is recognised in the profit or loss.
- debt instrument at FVOCI - these assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the profit or loss.
- equity instrument at FVOCI - these assets are subsequently measured at fair value. Dividends are recognised as income in the profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to the profit or loss.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 as at 1 January 2018 A\$'000	New carrying amount under IFRS 9 as at 1 January 2018 A\$'000
The Group				
Financial assets				
Trade and other receivables	Loans and receivables	Amortised cost	91,025	91,025
Cash and cash equivalents (including cash collateral)	Loans and receivables	Amortised cost	34,376	34,376
Total financial assets			125,401	125,401

The Group has adopted IFRS 9 and has concluded that the impacts to the Group's financial statements are insignificant.

13. ACCOUNTANTS' REPORT (Cont'd)

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**Notes to the consolidated financial statements for the financial years ended
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2(b) Interpretations and amendments to published standards (Cont'd)

Amendments to IAS 7 Statement of Cash Flows

The amendments to IAS 7 *Statement of Cash Flows* required entities to reconcile cash flows arising from financing activities as reported in the statement of cash flows – excluding contributed equity – to the corresponding liabilities in the opening and closing statements of financial position and to disclose on any restrictions over the decisions of an entity to use cash and cash equivalent balances, in particular way - e.g. any tax liabilities that would arise on repatriation of foreign cash and cash equivalent balances. These amendments are effective beginning on or after 1 January 2017. As this is a disclosure standard, it will have no impact to the financial position and performance of the Group when applied in.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrecognised Losses

The amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrecognised Losses* clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments to IAS 12 is effective for annual periods beginning on or after 1 January 2017. Management has reassessed all unrealised losses on debt instruments measured at fair value and there is no material impact.

2(c) New and revised standards not yet effective

The new or amended IFRS and Interpretations issued but not yet effective are not expected to have any material impact to the Group's financial statements:

Reference	Description	Effective date (Annual periods beginning on or after)
Amendments to IFRS 16	<i>COVID-19-Related Rent Concessions</i>	1 June 2020
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>	1 January 2021
Amendments to IAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use</i>	1 January 2022
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to IFRS 9	<i>Fees in the '10 per cent' Test for Derecognition of Financial Liabilities</i>	1 January 2022
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-Current</i>	1 January 2022
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>	1 January 2023

13. ACCOUNTANTS' REPORT (Cont'd)

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**Notes to the consolidated financial statements for the financial years ended
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2(c) New and revised standards not yet effective (Cont'd)

Amendments to IFRS 16 COVID-19 Related Rent Concessions

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16 if the change were not a lease modification. The amendments are applicable on a modified retrospective basis for annual reporting periods beginning on or after 1 June 2020. Early application is permitted.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

The amendments address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The changes relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting.

On modifications of financial assets, financial liabilities and lease liabilities, a practical expedient is available to allow for modifications required by the IBOR reform as a direct consequence and made on an economically equivalent basis to be accounted for by updating the effective interest rate prospectively. All other modifications are accounted for using current IFRS requirements. A similar practical expedient is provided for lessee accounting applying IFRS 16. IFRS 4 is also amended to require insurers that apply the temporary exemption from IFRS 9 to apply the amendments in accounting for modifications directly required by the reform.

On hedge accounting, certain amendments are made to generally permit hedge accounting continuation solely because of the IBOR reform provided that the amended hedging relationships meet all the qualifying criteria to apply hedge accounting including effectiveness requirements. The amendments enable entities to amend the formal designation and documentation of a hedging relationship to reflect changes required by the IBOR reform without discontinuing the hedging relationship or designating a new hedging relationship. Permitted changes include designating an alternative benchmark rate (contractually or non-contractually specified) as a hedged risk, amending the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged, or amending the description of the hedging instrument to refer to an alternative benchmark rate, and for those applying IAS 39, amending the description of how the entity shall assess hedge effectiveness.

Amendments to IFRS 7 outline disclosure requirements to allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBOR to alternative benchmark rates, and how the entity is managing this transition.

The amendments are effective for annual periods beginning on or after 1 January 2021 with early application permitted. The amendments apply retrospectively but provide relief from restating comparative information. An entity may restate prior period figures if, and only if, it is possible to do so without the use of hindsight.

13. ACCOUNTANTS' REPORT (Cont'd)

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**Notes to the consolidated financial statements for the financial years ended
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2(c) New and revised standards not yet effective (Cont'd)

Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. An entity shall recognise such sales proceeds and related costs in profit or loss and measure the cost of those items in accordance with IAS 2 *Inventories*.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly' and specify this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted. The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (e.g. direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (e.g. depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted. The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

Amendments to IFRS 9 Fees in the '10 per cent' Test for Derecognition of Financial Liabilities

The amendments clarify that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity shall include only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendments are applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendments. The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

13. ACCOUNTANTS' REPORT (Cont'd)

**OM Holdings Limited
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**Notes to the consolidated financial statements for the financial years ended
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2(c) New and revised standards not yet effective (Cont'd)

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

The amendments affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on the rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise the right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer of cash, equity instruments, other assets or services to the counterparty.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. Applying the amendments, an entity discloses its material accounting policies instead of its significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. However, accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. In addition, if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. In support of the amendments to IAS 1, amendments are also made to IFRS Practice Statement 2 to illustrate how an entity could judge whether information about an accounting policy is material to its financial statements.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and are applied prospectively. Earlier application is permitted. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

Amendments to IAS 8 Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Accordingly, an entity develops accounting estimates if the accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.

The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. Illustrative examples are also added to help entities understand and apply the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2023 and are applied prospectively to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

2(d) Summary of significant accounting policies

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intragroup transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control and continues to be consolidated until the date that such control ceases.

Losses and other comprehensive income are attributable to the non-controlling interest even if that results in a deficit balance.

Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Thus, the Group controls an investee if and only if the Group has all of the following:

- power over the investee;
- exposure, or rights to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Transactions with non-controlling interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

2(d) Summary of significant accounting policies (Cont'd)

Subsidiaries (Cont'd)

Changes in ownership interests in subsidiaries without change of control

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Changes in ownership interests in subsidiaries resulting in loss of control

When the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts as at that date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in the profit or loss; and
- re-classifies the Group's share of components previously recognised in other comprehensive income to the profit or loss or retained earnings, as appropriate.

When the Group loses control of a subsidiary, a gain or loss is recognised in the profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to the profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when the control is lost is regarded as the fair value on the initial recognition for subsequent accounting under IFRS 9, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Business combination is accounted for using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether it includes, as a minimum, an input and substantive process, and whether the acquired set has the ability to produce outputs.

From 1 January 2020, the Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional 'concentration test' is met, and the acquired set of activities and assets is not a business, if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

2(d) Summary of significant accounting policies (Cont'd)

Subsidiaries (Cont'd)

Business combinations (Cont'd)

The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the profit or loss as incurred.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in the profit or loss. The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another IFRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in the profit or loss on the acquisition date.

Associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

The Group accounts for its investments in associates using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the investments in associates are carried in the Group's statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of operations of the associates. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transaction between the Group and the associate are eliminated to the extent of the interest in the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

2(d) Summary of significant accounting policies (Cont'd)

Associates (Cont'd)

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss, on the Group's investment in the associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired.

If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the profit or loss.

The financial statements of the associates are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence or joint control over the associate, the Group measures any retained interest at fair value. Any difference between the fair value of the aggregate of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in the profit or loss.

The Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would have been required if that associate or joint venture had directly disposed of the related assets or liabilities.

When an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not re-measure the retained interest.

If the Group's ownership interest in an associate is reduced, but the Group continues to apply the equity method, the Group reclassifies to the profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to the profit or loss on the disposal of the related assets or liabilities.

Intangible assets

Intangible assets are accounted for using the cost model with the exception of goodwill. Capitalised costs are amortised on a straight-line basis over their estimated useful lives for those considered as finite useful lives. After initial recognition, they are carried at cost less accumulated amortisation and accumulated impairment losses, if any. In addition, they are subject to annual impairment testing. Indefinite life intangibles are not amortised but are subject to annual impairment testing.

Intangible assets are written off where, in the opinion of the Directors, no further future economic benefits are expected to arise.

Goodwill

Goodwill on the acquisition of subsidiaries on or after 1 January 2010 represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired.

Goodwill on acquisition of subsidiaries prior to 1 January 2010 and on acquisition of joint ventures and associated companies represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired.

Goodwill on subsidiaries and joint ventures is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on associated companies is included in the carrying amount of the investments.

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

2(d) Summary of significant accounting policies (Cont'd)

Intangible assets (Cont'd)

Goodwill (Cont'd)

Gains and losses on the disposal of subsidiaries, joint ventures and associated companies include the carrying amount of goodwill relating to the entity sold, except for goodwill arising from acquisition prior to 1 January 2001. Such goodwill was adjusted against retained profits in the year of acquisition and is not recognised in the profit or loss on disposal.

Exploration and evaluation costs

Exploration and evaluation costs relate to mineral rights acquired and exploration and evaluation expenditures capitalised in respect of projects that are at the exploration/pre-development stage.

Exploration and evaluation assets are initially recognised at cost. Subsequent to initial recognition, they are stated at cost less any accumulated impairment losses. These assets are reclassified as mine development costs upon the commencement of mine development, when technical feasibility and commercial viability of extracting mineral resources becomes demonstrable.

Exploration and evaluation expenditures in the relevant area of interest comprises costs which are directly attributable to acquisition, surveying, geological, geochemical and geophysical, exploratory drilling, land maintenance, sampling, and assessing technical feasibility and commercial viability.

Exploration and evaluation expenditures also include the costs incurred in acquiring mineral rights, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects. Capitalised costs, including general and administrative costs, are only allocated to the extent that these costs can be related directly to operational activities in the relevant area of interest, where the existence of a technically feasible and commercially viable mineral deposit has been established.

The carrying amount of the exploration and evaluation assets is reviewed annually and adjusted for impairment in accordance with IAS 36 *Impairment of Assets* whenever one of the following events or changes in facts and circumstances indicate that the carrying amount may not be recoverable (the list is not exhaustive):

- (a) the period for which the Group has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be recovered;
- (b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- (c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities in the specific area; or
- (d) sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

An impairment loss is recognised in the profit or loss whenever the carrying amount of an asset exceeds its recoverable amount.

Mine development costs

Costs arising from the development of the mine site (except for the expenditures incurred for building the mine site and the purchase of machinery and equipment for the mining operation which are included in property, plant and equipment) are accumulated in respect of each identifiable area of interest and are capitalised and carried forward as an asset to the extent that they are expected to be recouped through the successful mining of the areas of interest.

13. ACCOUNTANTS' REPORT (Cont'd)

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**Notes to the consolidated financial statements for the financial years ended
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2(d) Summary of significant accounting policies (Cont'd)

Intangible assets (Cont'd)

Mine development costs (Cont'd)

Accumulated costs in respect of an area of interest subsequently abandoned are written off to the profit or loss in the reporting period in which the Directors' decision to abandon is made.

Amortisation is not charged on the mine development costs carried forward in respect of areas of interest until production commences. Where mining of a mineral deposit has commenced, the related exploration and evaluation costs are transferred to mine development costs. When production commences, carried forward mine development costs are amortised on a unit of production basis. The unit of production basis results in an amortisation charge proportional to the depletion of the estimated economically recoverable mineral resources.

Pre-production operating expenses and revenues were accumulated and capitalised into the Bootu Creek mine development costs until 31 August 2006 as the mine was involved in the commissioning phase which commenced in November 2005. Subsequent to 31 August 2006, the Directors of the Company determined that the processing plant was in the condition necessary for it to be capable of operating in the manner intended so as to seek to achieve design capacity rates. These costs were carried forward to the extent that they are expected to be recouped through the successful mining of the area of interest.

The amortisation of capitalised mine development costs commenced from 1 September 2006 and continues to be amortised over the life of the mine according to the rate of depletion of the economically recoverable mineral resources.

Property, plant and equipment

Property, plant and equipment, other than "construction in progress" ("CIP"), are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is computed using the straight-line method to allocate the depreciable amount of these assets over their estimated useful lives as follows:

Buildings and infrastructure	3 to 20 years
Plant and machinery	3 to 20 years
Computer equipment, office equipment and furniture	1 to 10 years
Motor vehicles	5 to 10 years

Plant and equipment - Process facility, stated at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is computed using the unit of production method to allocate the depreciable amount of these assets over the estimated useful lives as follows:

Plant and equipment - Process facility	Life of mine
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CIP represents assets in the course of construction for production or for its own use purpose. CIP is stated at cost less any impairment loss and is not depreciated. Cost includes direct costs incurred during the periods of construction, installation and testing plus interest charges arising from borrowings used to finance these assets during the construction period. CIP is reclassified to the appropriate category of property, plant and equipment and depreciation commences when the construction work is completed and the asset is ready for use.

The cost of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

2(d) Summary of significant accounting policies (Cont'd)

Property, plant and equipment (Cont'd)

Subsequent expenditures relating to property, plant and equipment that have been recognised are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial period in which it is incurred.

For acquisitions and disposals during the financial year, depreciation is provided from the month of acquisition and to the month before disposal respectively. Fully depreciated property, plant and equipment are retained in the books of accounts until they are no longer in use.

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at the end of each reporting period. The effects of any revision are recognised in the profit or loss when the changes arise.

Investment property

Investment property comprises leasehold property that is held for long-term rental yields and for capital appreciation. Investment property is not occupied by the Group.

The Group applies the cost model. Investment property is initially recognised at cost and subsequently carried at cost less accumulated depreciation, less any impairment in value similar to that for property, plant and equipment. Such costs include cost of renovation or improvement of the existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Depreciation is computed using the straight-line method over the estimated useful lives of the investment property of 73 years.

Investment property is de-recognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. On disposal or retirement of an investment property, the difference between any disposal proceeds and the carrying amount is recognised in the profit or loss.

The carrying value of investment property is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets are written down to their recoverable amounts.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from the investment property when and only when, there is a change in use, evidenced by the commencement of owner-occupation or commencement of development with a view to sell.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs include all direct expenditure and production overheads based on the normal level of activity. The costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- (a) Raw materials at purchase cost on a weighted average basis; and
- (b) Finished goods and work in progress at cost of materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

2(d) Summary of significant accounting policies (Cont'd)

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognised when and only when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets (from 1 January 2018)

Classification

Financial assets are classified, at initial recognition, in the following measurement categories: amortised cost; fair value through other comprehensive income (FVOCI); and fair value through the profit or loss (FVTPL). The classification depends on the Group's business model for managing the financial assets and the contractual terms of their cash flows determining whether those cash flows represent 'solely payment of principal and interest' (SPPI).

For assets measured at fair value, gains and losses will either be recorded in the profit or loss or other comprehensive income (OCI). For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity instruments at FVOCI. The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of a third party, if the trade receivables do not contain a significant financing component at initial recognition.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- *Amortised cost:* Financial assets that are held for the collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the profit or loss when the assets are derecognised or impaired, and through the amortisation process. The Group's debt instruments at amortised cost include trade and other receivables, and cash and cash equivalents (including cash collateral).

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

2(d) Summary of significant accounting policies (Cont'd)

Financial assets (from 1 January 2018) (Cont'd)

Measurement (Cont'd)

Debt instruments (Cont'd)

- *FVOCI*: Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in the profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.
- *FVTPL*: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through the profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through the profit or loss and is not part of a hedging relationship is recognised in the profit or loss in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in the profit or loss when the Group's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

The Group assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost and FVOCI. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. ECL are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For receivables which are trade in nature, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. The Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

2(d) Summary of significant accounting policies (Cont'd)

Financial assets (from 1 January 2018) (Cont'd)

Impairment (Cont'd)

Significant increase in credit risk (Cont'd)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes, as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement of expected credit losses

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by the default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

2(d) Summary of significant accounting policies (Cont'd)

Financial assets (from 1 January 2018) (Cont'd)

Impairment (Cont'd)

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the profit or loss.

Financial assets (before 1 January 2018)

Financial assets, other than hedging instruments, can be divided into the following categories: financial assets at fair value through the profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the assets were acquired. The designation of financial assets is re-evaluated and classification may be changed at the reporting date with the exception that the designation of financial assets at fair value through the profit or loss is not revocable.

All financial assets are recognised on their trade date - the date on which the Group commit to purchase or sell the asset. Financial assets are initially recognised at fair value, plus directly attributable transaction costs except for financial assets at fair value through the profit or loss, which are recognised at fair value.

De-recognition of financial assets occurs when the rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. An assessment for impairment is undertaken at least at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired.

Non-compounding interest and other cash flows resulting from holding financial assets are recognised in the profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Loans and receivables include trade and other receivables. Loans and receivables are recognised initially at fair value, plus any directly attributable costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less provision for impairment. If there is objective evidence that the asset has been impaired, the financial asset is measured at the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. The impairment or write-back is recognised in the profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets unless management intends to dispose of the investments within 12 months of the end of reporting period.

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

2(d) Summary of significant accounting policies (Cont'd)

Financial assets (before 1 January 2018) (Cont'd)

Available-for-sale financial assets (Cont'd)

All financial assets within this category are subsequently measured at fair value with changes in value recognised in other comprehensive income, net of any effects arising from income taxes, until the financial assets are disposed of or is determined to be impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are included in the profit or loss for the period.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in other comprehensive income shall be removed from other comprehensive income and recognised in the profit or loss even though the financial asset has not been de-recognised.

The amount of the cumulative loss that is removed from other comprehensive income and recognised in the profit or loss shall be the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in the profit or loss.

Impairment losses recognised in the profit or loss for equity investments classified as available-for-sale are not subsequently reversed through the profit or loss.

Impairment losses recognised in a previous interim period in respect of available-for-sale equity investments are not reversed even if the impairment losses would have been reduced or avoided had the impairment assessment been made at a subsequent reporting period or end of reporting period.

Impairment

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty or probable bankruptcy of the investee;
- a breach of contract;
- structural changes in the industry in which the investee operates, such as changes in production technology or the number of competitors;
- changes in the political or legal environment affecting the investee's business;
- changes in the investee's financial condition evidenced by changes in factors such as liquidity, credit ratings, profitability, cash flows, debt/equity ratio and level of dividend payments; and
- whether there has been a significant or prolonged decline in the fair value below cost.

Determination of fair value of financial assets

The fair values of quoted financial assets are based on quoted market prices. If the market for a financial asset is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs. Where fair value of unquoted instruments cannot be measured reliably, fair value is determined by the transaction price.

Financial liabilities

The Group's financial liabilities include borrowings, lease liabilities, trade and bill payables, accruals and other payables.

All interest-related charges are recognised as an expense in "finance cost" in the profit or loss. Financial liabilities are de-recognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

2(d) Summary of significant accounting policies (Cont'd)

Financial liabilities (Cont'd)

Borrowings

Borrowings are recognised initially at the fair value of proceeds received less attributable transaction costs, if any. Borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the profit or loss over the period of the borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of the borrowings using the effective interest method.

Gains and losses are recognised in the profit or loss when the liabilities are de-recognised as well as through the amortisation process.

Borrowings which are due to be settled within 12 months after the end of the reporting period are included in current borrowings in the statements of financial position even though the original terms were for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the end of the reporting period. Borrowings to be settled within the Group's normal operating cycle are classified as current. Other borrowings due to be settled more than twelve months after the end of reporting period are included in non-current borrowings in the statements of financial position.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the related asset. Otherwise, borrowing costs are recognised as expenses when incurred. Borrowing costs consist of interest and other financing charges that the Group incur in connection with the borrowing of funds.

Capitalisation of borrowing costs commences when the activities to prepare the qualifying asset for its intended use are in progress and the expenditures for the qualifying asset and the borrowing costs have been incurred. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying assets are substantially completed for their intended use.

Foreign exchange differences arising from foreign currency borrowings are capitalised to the extent that they are regarded as an adjustment to interest costs.

Trade and bill payables/accruals and other payables

Trade and bill payables/accruals and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

5% Convertible Note

Convertible notes are initially recorded at fair value. The fair value of the liability portion is determined using a market interest rate for an equivalent non-convertible bond; this amount is then recorded as a non-current liability on an amortised cost basis until extinguished on conversion, redemption or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option, which is recognised and included as a current liability as the convertible note is issued in a currency that is not the functional currency of the issuer and hence, cannot be classified as equity. As the economic characteristics and risks of the redemption option are closely related to the host contract, the redemption option is not accounted for separately from the host contract.

Financial guarantees

The Group has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantee contracts as they require the Group to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

2(d) Summary of significant accounting policies (Cont'd)

Financial liabilities (Cont'd)

Financial guarantees (Cont'd)

Financial guarantee contracts are initially recognised at their fair value plus transaction costs in the statement of financial position. The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the ECL model under IFRS 9 and the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

There are 3 types of hedges as follows:

- (a) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- (b) hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- (c) hedges of a net investment in a foreign operation (net investment hedge).

However, the Group only designates certain derivatives as cash flow hedge.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Movements on the hedging reserve in other comprehensive income are shown in Note 20. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedges

For cash flow hedges, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss. For hedging instruments used to hedge bank borrowings that finance the construction of a subsidiary's ferrosilicon production facility, any ineffective portion is capitalised as part of the cost of the ferrosilicon production facility ("construction-in-progress").

13. ACCOUNTANTS' REPORT (Cont'd)

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

2(d) Summary of significant accounting policies (Cont'd)

Derivative financial instruments and hedging activities (Cont'd)

Cash flow hedges (Cont'd)

Amounts accumulated in equity are reclassified to the profit or loss in the periods when the hedged item affects the profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps which hedge variable rate borrowings is recognised in the profit or loss within 'finance income/cost'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory or in depreciation in the case of the fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit or loss.

Derivative financial instruments not designated as hedging instrument

Derivative financial instruments are not designated as hedging instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date of the derivative contract is entered into and subsequently re-measured at fair value. Such derivative financial instruments are accounted for as financial assets or financial liabilities at fair value through the profit or loss. Gains or losses arising from changes in fair value are recorded directly in the profit or loss for the year.

The changes in fair value of the derivative financial instruments not designated as hedges are capitalised as part of the cost of the ferrosilicon production facility ("construction-in-progress") if these derivatives are used to hedge the bank borrowings that finance the construction of the ferrosilicon production facility.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and balances on hand, demand deposits with banks and highly liquid investments with original maturities of 3 months or less which are readily convertible to cash and which are subject to an insignificant risk of changes in value.

Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid including any directly attributable incremental cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to the employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

2(d) Summary of significant accounting policies (Cont'd)

Share premium

Any excess of the proceeds received over the par value of the shares is recorded in share premium.

Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to the profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Provisions and contingent liabilities

Provisions are recognised when the Group have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Present obligations arising from onerous contracts are recognised as provisions.

The Directors review the provisions annually and where in their opinion, the provision is inadequate or excessive, due adjustment is made.

Where the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in provision due to the passage of time is recognised as finance costs.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are not recognised in the statements of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably measured. Contingent liabilities are recognised in the course of the allocation of the purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisation, if appropriate.

Leases (from 1 January 2019)

(i) The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

(a) *Lease liability*

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee. The incremental borrowing rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

2(d) Summary of significant accounting policies (Cont'd)

Leases (from 1 January 2019) (Cont'd)

(i) The Group as lessee (Cont'd)

(a) *Lease liability (cont'd)*

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in the profit or loss in the periods that trigger those lease payments.

For all contracts that contain both lease and non-lease components, the Group has elected to not separate lease and non-lease components and account these as one single lease component.

The lease liabilities are presented as a separate line item in the statement of financial position.

The lease liability is subsequently measured at amortised cost, by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (with a corresponding adjustment to the related right-of-use asset or to the profit or loss if the carrying amount of the right-of-use asset has already been reduced to nil) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

(b) *Right-of-use asset*

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

2(d) Summary of significant accounting policies (Cont'd)

Leases (from 1 January 2019) (Cont'd)

(i) The Group as lessee (Cont'd)

(b) Right-of-use asset (cont'd)

Depreciation on right-of-use assets is calculated using the straight-line method to allocate their depreciable amounts over the shorter period of lease term and useful life of the underlying asset, are as follows:

Leasehold buildings	: over lease term of 1 to 2 years
Plant and machinery	: 1 to 2 years
Office equipment	: 5 years
Motor vehicle	: 5 to 10 years

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Costs prepaid for the usage of land in the PRC and Malaysia under leasing agreements form part of the Group's right-of-use assets (from 1 January 2019) and are presented as land use rights in the statement of financial position. Amortisation of land use rights is calculated on a straight-line method over the term of use being 50 to 60 years.

The right-of-use assets, except for land use rights, are presented as a separate line item in the statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

(ii) The Group as lessor

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16, except for the classification of the sublease entered into that resulted in a finance lease classification.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received from investment property under operating leases as income on a straight-line basis over the lease term within "revenue" in profit or loss. Rental income from leased property is recognised within "other income" in the profit or loss.

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

2(d) Summary of significant accounting policies (Cont'd)

Leases (before 1 January 2019)

(i) The Group as lessee

(a) Operating lease

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in the profit or loss on a straight-line basis over the period of the lease. Contingent rents are recognised as an expense in the profit or loss when incurred.

(b) Finance lease

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the statement of financial position as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the interest expense and the reduction of the outstanding lease liability. The interest expense is recognised within "finance costs" in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(ii) The Group as lessor

(a) Operating lease

Leases where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in the profit or loss over the lease term on the same basis as the lease income. Contingent rents are recognised as income in the profit or loss when earned.

Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting or taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that a future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

2(d) Summary of significant accounting policies (Cont'd)

Income taxes (Cont'd)

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the end of reporting period, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in the profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised either in other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Current tax assets and current tax liabilities are presented net if, and only if,

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities net if, and only if,

- (a) the Group has a legally enforceable right to set off deferred tax assets against deferred tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Royalties and Special Mining Taxes

Other tax expense includes the cost of royalty and special mining taxes payable to governments that are calculated on a percentage of taxable profit whereby profit represents net income adjusted for certain items defined in applicable legislation.

Employee benefits

Defined contribution plan

Retirement benefits to employees are provided through defined contribution plans, as provided by the laws of the countries in which it has operations. The Singapore incorporated companies in the Group contribute to the Central Provident Fund ("CPF"). The Australian subsidiary in the Group is required to contribute to employee superannuation plans and such contributions are charged as an expense as the contributions are paid or become payable.

The Australian subsidiary contributes to individual employee accumulation superannuation plans at the statutory rate of the employees' wages and salaries, in accordance with statutory requirements, so as to provide benefits to employees on retirement, death or disability. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of its payroll costs to the central pension scheme.

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

2(d) Summary of significant accounting policies (Cont'd)

Employee benefits (Cont'd)

Defined contribution plan (Cont'd)

These contributions are charged to the profit or loss in the period to which the contributions relate. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. Accrual is made for the unconsumed leave as a result of services rendered by employees up to the end of the reporting period.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. Directors and certain general managers are considered key management personnel.

Related parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Company.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) both entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a) (i) has significant influence over the entity or (ii) is a member of the key management personnel of the entity (or of a parent of the entity); or
 - (viii) the entity, or any member of a group which is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets subject to impairment are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

If it is not possible to estimate the recoverable amount of the individual asset, then the recoverable amount of the cash-generating unit to which the assets belong will be identified.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the company at which management controls the related cash flows.

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

2(d) Summary of significant accounting policies (Cont'd)

Impairment of non-financial assets (Cont'd)

Individual assets or cash-generating units that include goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the assets or cash-generating units' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value-in-use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Any impairment loss is charged to the profit or loss unless it reverses a previous revaluation in which case it is charged to equity.

With the exception of goodwill,

- An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases.
- An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.
- A reversal of an impairment loss on a revalued asset is credited directly to equity under the heading revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the profit or loss, a reversal of that impairment loss is recognised as income in the profit or loss.

An impairment loss in respect of goodwill is not reversed, even if it relates to an impairment loss recognised in an interim period that would have been reduced or avoided had the impairment assessment been made at a subsequent reporting or the end of a reporting period.

Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied and the customer obtains control of the goods. Control of an asset refers to an entity's ability to direct the use of and obtain substantially all of the remaining benefits (that is, the potential cash inflows or savings in outflows) from the asset. The amount of revenue recognised is based on the estimated transaction price, which comprises the contractual price, net of the estimated volume discounts and adjusted for expected returns.

The Group supplies ores into the China market and international shipments. For the China market, transfer of goods and control is passed to the customers upon full payment and notification to take deliveries. For international shipments, as the Group does not have the right to re-direct shipments and the risk of shipments loss in transit and at destination ports is covered by the buyers' insurance, the transfer of goods and control is passed to the customers upon loading of the goods onto the relevant carrier at the port of shipment. The majority of customers are required to make full payment before the loading of goods at the port of shipment.

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

2(d) Summary of significant accounting policies (Cont'd)

Revenue recognition (Cont'd)

Transportation of goods sold on CFR or CIF Incoterms

Revenue from rendering service for transportation of goods sold is on Cost & Freight (CFR) or Cost, Insurance & Freight (CIF) Incoterms and is recognised over the period of transportation to the customer. A significant proportion of the Group's products are sold under CFR or CIF Incoterms, in which the Group is responsible for providing transportation of the goods after the date that the Group transfers control of the goods to the customers at the loading port.

The Group's provision of transportation service for contracts under CFR and CIF Incoterms is a distinct service and, therefore, a separate performance obligation. The total sales price or transaction price is allocated to the separate performance obligations comprising of: (a) the product sold; and (b) the transportation service including insurance and freight. Revenue earned from transportation of goods is recognised over time as the customer simultaneously receives the benefits provided as the Group performs the transportation service.

Interest income

Interest income is recognised on a time-apportioned basis using the effective interest rate method.

Dividend income

Dividend income is recognised when the right to receive the dividend has been established.

Contract liabilities

Contract liabilities relate to the Group's obligation to perform services for which the Group has received advances from customers. Contract liabilities are recognised as revenue as the Group performs the service under the contract.

Capitalised contract costs

Costs to fulfil a contract are capitalised if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract and are expected to be recovered. Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue. An impairment loss is recognised in the profit or loss to the extent that the carrying amount of the capitalised contract costs exceeds the remaining amount of consideration that the Group expects to receive in exchange for the services to which the contract costs relate, less the costs that relate directly to providing the services and that have not been recognised as expense.

Functional currencies

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements of the Company and the Group are presented in Australian Dollar, which is also the functional currency of the Company.

Conversion of foreign currencies

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the end of the reporting period are recognised in the profit or loss.

However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

2(d) Summary of significant accounting policies (Cont'd)

Conversion of foreign currencies (Cont'd)

Transactions and balances (Cont'd)

When a foreign operation is disposed of or any borrowings forming part of the net investment of the foreign operation are repaid, a proportionate share of the accumulated translation differences is reclassified to the profit or loss, as part of the gain or loss on disposal.

All other foreign exchange gains and losses impacting the profit or loss are presented in the consolidated statement of comprehensive income within "other operating expenses".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the transactions.

Group entities

The results and financial position of all the entities within the Group that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing exchange rates at the end of the reporting period;
- (ii) Income and expenses for each statement presenting the profit or loss and other comprehensive income (i.e. including comparatives) shall be translated at exchange rates at the dates of the transactions; and
- (iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are translated at the closing rates at the reporting date. For acquisitions prior to 1 January 2010, the goodwill and fair value adjustments are translated at the exchange rates at the dates of acquisition.

Operating segments

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive Directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive Directors are determined following a review of the Group's major products and services.

The Group has identified the following reportable segments:

Mining	Exploration and mining of manganese ore
Smelting	Production of manganese ferroalloys, ferrosilicon and manganese sinter ore
Marketing and trading	Trading of manganese ore, manganese ferroalloys, ferrosilicon, sinter ore, chrome ore and iron ore

Each of these operating segments is managed separately as they require different resources as well as operating approaches.

The reporting segment results exclude the change in fair value of derivative financial instruments, finance income and costs, share of results of associate, income tax and corporate income and expenses which are not directly attributable to the business activities of any operating segment, and are not included in arriving at the operating results of the operating segment.

13. ACCOUNTANTS' REPORT *(Cont'd)*

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and its subsidiaries**

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**Notes to the consolidated financial statements for the financial years ended
31 December 2020, 2019, 2018 and 2017**

2(d) Summary of significant accounting policies (Cont'd)

Operating segments (Cont'd)

Segment assets include property, plant and equipment, land use rights, mine development costs, inventories, receivables and operating cash and mainly exclude available-for-sale financial assets, deferred tax assets, interest in an associate, goodwill and corporate assets which are not directly attributable to the business activities of any operating segment, which primarily applies to the Group's headquarters.

Segment liabilities comprise operating liabilities and exclude corporate liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include income tax payables, deferred tax liabilities and corporate borrowings.

3 Principal activities and revenue

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are as stated in Note 11.

Revenue is turnover derived from activities related to the sales of ore and ferroalloy products and related services which represent the invoiced value of goods or services sold, net of discounts, goods and services tax and other sales taxes.

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

3 Principal activities and revenue (Cont'd)

Disaggregation of the Group's total revenue

Segments	Mining		Smelting		Marketing and Trading		Others		Total Revenue	
	2020 A\$'000	2019 A\$'000	2020 A\$'000	2019 A\$'000	2020 A\$'000	2019 A\$'000	2020 A\$'000	2019 A\$'000	2020 A\$'000	2019 A\$'000
Primary geographical markets										
Asia Pacific	1,042	2,651	194,728	315,973	539,122	964,538	591,637	-	675,954	857,746
Europe East	-	-	1,601	-	41,274	147,291	120,018	-	42,875	79,522
Africa	-	-	968	-	48,543	82,599	60,210	-	49,511	39,661
Others	-	-	-	-	13,073	47,591	39,266	-	3,220	1,911
	1,042	2,651	197,297	315,973	586,234	1,235,629	818,526	-	784,633	1,026,454
Major Product or service lines										
Ores	1,042	2,651	-	-	202,547	559,198	415,834	-	203,569	246,589
Alloys	-	-	192,952	309,760	360,877	613,638	402,892	-	553,829	745,347
Services	-	-	4,315	6,213	22,870	62,593	-	-	27,215	32,516
	1,042	2,651	197,297	315,973	586,234	1,235,629	818,526	-	784,633	1,026,454
Timing of transfer of goods or services										
At a point in time	1,042	2,651	192,952	309,760	563,424	1,173,036	818,526	-	757,418	993,936
Over time	-	-	4,345	6,213	22,870	62,593	-	-	27,215	32,516
	1,042	2,651	197,297	315,973	586,234	1,235,629	818,526	-	784,633	1,026,454

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

4 Property, plant and equipment

The Group	Construction -in-progress A\$'000	Buildings and infrastructure A\$'000	Plant and machinery A\$'000	Computer equipment, office equipment and furniture A\$'000	Motor vehicles A\$'000	Total A\$'000
<u>Cost</u>						
At 1 January 2017	17,484	22,862	743,744	3,483	2,217	789,790
Additions	1,663	462	42,128	578	411	45,242
Transfers	(17,231)	-	17,203	28	-	-
Disposal	-	-	-	(3)	(306)	(309)
Written off	-	(14)	(82,296)	(322)	-	(82,632)
Exchange realignment	273	(431)	(44,791)	(81)	(91)	(45,121)
At 31 December 2017	2,189	22,879	675,988	3,683	2,231	706,970
Additions	5,611	595	21,344	1,304	318	29,172
Written off	-	(180)	(120)	(32)	-	(332)
Exchange realignment	-	1,172	66,010	168	149	67,499
At 31 December 2018	7,800	24,466	763,222	5,123	2,698	803,309
Adoption of IFRS 16						
- Reclassification to right-of-use assets (Note 9)	-	-	(4,755)	-	(712)	(5,467)
At 1 January 2019, as adjusted	7,800	24,466	758,467	5,123	1,986	797,842
Additions	72,254	35	3,576	565	134	76,564
Transfers	(6,210)	82	6,109	68	(49)	-
Reclassification to investment property (Note 8)	-	(802)	-	-	-	(802)
Disposals	-	-	(4,758)	(69)	-	(4,827)
Written off	-	(36)	(114)	(19)	-	(169)
Exchange realignment	304	(151)	5,267	15	24	5,459
At 31 December 2019	74,148	23,594	768,547	5,683	2,095	874,067
Additions	14,164	67	549	708	2	15,490
Transfers	(65,847)	1,968	63,879	-	-	-
Written off	-	-	(42)	-	(5)	(47)
Exchange realignment	(1,425)	(897)	(70,337)	(368)	(121)	(73,148)
At 31 December 2020	21,040	24,732	762,596	6,023	1,971	816,362

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

4 Property, plant and equipment (Cont'd)

The Group	Construction -in-progress A\$'000	Buildings and infrastructure A\$'000	Plant and machinery A\$'000	Computer equipment, office equipment and furniture A\$'000	Motor vehicles A\$'000	Total A\$'000
<u>Accumulated depreciation and impairment loss</u>						
At 1 January 2017	344	8,748	136,281	2,906	1,686	149,965
Depreciation for the year (Note 28)	-	1,177	31,371	239	198	32,985
Disposal	-	-	-	(3)	(273)	(276)
Written off	-	(14)	(81,536)	(496)	-	(82,046)
Exchange realignment	-	(135)	(2,344)	(30)	(64)	(2,573)
At 31 December 2017	344	9,776	83,772	2,616	1,547	98,055
Depreciation for the year (Note 28)	-	1,336	34,741	432	242	36,751
Written off	-	(163)	(28)	(25)	-	(216)
Exchange realignment	-	518	7,265	87	106	7,976
At 31 December 2018	344	11,467	125,750	3,110	1,895	142,566
Adoption of IFRS 16						
- Reclassification to right-of- use assets (Note 9)	-	-	(4,381)	-	(238)	(4,619)
At 1 January 2019, as adjusted	344	11,467	121,369	3,110	1,657	137,947
Depreciation for the year (Note 28)	-	1,469	40,102	637	161	42,369
Transfers	-	(3)	19	-	(16)	-
Reclassification to investment property (Note 8)	-	(154)	-	-	-	(154)
Disposals	-	-	(4,547)	(64)	-	(4,611)
Written off	-	(20)	(14)	(14)	-	(48)
Exchange realignment	-	(97)	242	-	13	158
At 31 December 2019	344	12,662	157,171	3,669	1,815	175,661
Depreciation for the year (Note 28)	-	1,292	41,058	861	74	43,285
Transfers	(344)	-	344	-	-	-
Written off	-	-	(6)	-	(5)	(11)
Exchange realignment	-	(500)	(14,438)	(214)	(105)	(15,257)
At 31 December 2020	-	13,454	184,129	4,316	1,779	203,678
<u>Net book value</u>						
At 31 December 2020	21,040	11,278	578,467	1,707	192	612,684
At 31 December 2019	73,804	10,932	611,376	2,014	280	698,406
At 31 December 2018	7,456	12,999	637,472	2,013	803	660,743
At 31 December 2017	1,845	13,103	592,216	1,067	684	608,915

In 2018, the total carrying amount of plant and machinery and motor vehicles acquired under finance lease for the Group amounted to A\$772,000 and A\$579,000 (2017 – A\$2,191,000 and A\$428,000) respectively. From 1 January 2019, these leased assets are reclassified to right-of-use assets in the statement of financial position (Note 9).

Buildings are located in the PRC (2019 – the PRC; 2018 and 2017 - Singapore, Malaysia and the PRC).

As of 31 December 2020, property, plant and equipment with a total carrying amount of A\$576,099,000 (2019 - A\$645,000,000; 2018 - A\$612,000,000; 2017 - A\$567,725,000) had been pledged for banking facilities granted to a subsidiary (Note 21.1).

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

4 Property, plant and equipment (Cont'd)

The Group evaluates any indication of impairment in the property, plant and equipment at the end of each reporting period. Cash flow projections used in these calculations are based on financial budgets approved by management covering the useful life of property, plant and equipment. Cash flows beyond the useful life of the property, plant and equipment are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate of the industry in which the CGU operates.

These assumptions are used for the analysis of each CGU within the business segment. Management determines budgeted gross margins based on past performance and its expectations of market developments. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments. A further decrease in the budgeted gross margin by 1% (2019 - 1%; 2018 - 1%; 2017 - 1%) would not result in indication of impairment of the carrying amount of property, plant and equipment.

Key assumptions used for value-in-use calculations:

	2020			2019			2018			2017	
	People's Republic of China	Malaysia Smelting operations	Australia	People's Republic of China	Malaysia Smelting operations	Australia	People's Republic of China	Malaysia Smelting operations	Australia	People's Republic of China	Malaysia Smelting operations
Gross margin ¹	11%	21%	15%	8%	18%	34%	7%	15%	32%	6.7%	18.3%
Growth rate ²	0% before 2025, 0% after 2025	2%-5% before 2025, 0% after 2025	0% before 2025, 0% after 2025	2% before 2024, 0% after 2024	1.5% before 2024, 0% after 2024	0% before 2024, 0% after 2024	2.2% before 2023, 0% after 2023	2% before 2023, 0% after 2023	0% before 2023, 0% after 2023	2.5% before 2022, 0% after 2022	1.6% before 2022, 0% after 2022
Discount rate ³	5.9%	6.1%	12.3%	8.5%	7.6%	9%	6.5%	8.6%	8.3%	7.5%	8.4%

- ¹ Budgeted gross margin. The gross margin differs due to the different operating efficiencies of the various subsidiaries located in different geographical locations.
- ² Weighted average growth rate used to extrapolate cash flows beyond the budget period.
- ³ Pre-tax discount rates applied to the pre-tax cash flow projections. The discount rates vary due to the geographical locations of the businesses.

13. ACCOUNTANTS' REPORT (Cont'd)

**OM Holdings Limited
and its subsidiaries**

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**Notes to the consolidated financial statements for the financial years ended
31 December 2020, 2019, 2018 and 2017**

5 Land use rights

	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
The Group				
At beginning of the year	9,920	10,070	9,370	9,813
Amortisation for the year (Note 28)	(206)	(204)	(193)	(186)
Exchange realignment	(792)	54	893	(257)
At end of the year	8,922	9,920	10,070	9,370

The land use rights, that form part of the Group's right-of-use assets, are for leasehold land located in the PRC and Malaysia.

The land use rights for leasehold land located in Malaysia had a net carrying value of A\$7,608,000 (2019 - A\$8,527,000; 2018 - A\$8,627,000; 2017 - A\$7,953,000) and were pledged as security for borrowings referred to in Note 21.1(c).

Information about the Group's leasing activities are disclosed in Note 34.

6 Exploration and evaluation costs

	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
The Group				
At beginning of the year	963	1,808	2,167	1,866
Costs incurred during the year	1,363	1,861	573	512
Written off during the year (Note 28)	-	(2,706)	(932)	(211)
At end of the year	2,326	963	1,808	2,167

7 Mine development costs

	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
The Group				
At beginning of the year	23,363	23,988	32,026	43,169
Costs incurred during the year	-	4,522	1,014	-
Adjustments to rehabilitation provisions (Note 24)	(132)	-	-	-
Amortisation for the year (Note 28)	(6,505)	(5,147)	(9,052)	(11,143)
At end of the year	16,726	23,363	23,988	32,026

8 investment property

	2020 A\$'000	2019 A\$'000
The Group		
Cost		
Balance at beginning of year	808	-
Transfer from property, plant and equipment (Note 4)	-	802
Exchange realignment	(73)	6
Balance at end of year	735	808
Accumulated depreciation		
Balance at beginning of year	166	-
Transfer from property, plant and equipment (Note 4)	-	154
Depreciation for the year (Note 28)	(11)	11
Exchange realignment	(16)	1
Balance at end of year	161	166
Net book value	574	642

13. ACCOUNTANTS' REPORT (Cont'd)

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

8 Investment property (Cont'd)

	2020 A\$'000	2019 A\$'000
The Group		
Rental income	126	116
Direct operating expenses arising from investment property that generates rental income	(25)	(26)
Gross profit arising from investment property	101	90

In January 2019, a leasehold building in property, plant and equipment with a net carrying value of A\$648,000 was transferred to Investment Property as the Group rented out the office premises to a non-related tenant.

The following are details of the investment property of the Group:

Property Name	Location	Description	Total net lettable area (sq m)	Tenure
Parkway Parade	80 Marine Parade Road, #08-08 Parkway Parade, Singapore 449269	Office premises	148	73-year leasehold commenced from 31 August 2005

Fair value hierarchy – Recurring fair value measurements

	Fair value measurements using		
	Quoted prices in active markets for identical assets (Level 1) A\$'000	Significant other observable inputs (Level 2) A\$'000	Significant unobservable inputs (Level 3) A\$'000
2020	-	-	2,535
2019	-	-	2,593

Valuation techniques used to derive fair values

As of 31 December 2020, the fair value of investment property amounted to approximately A\$2,535,000 (2019 - A\$2,593,000) as determined by management with reference to recent market transactions of comparable properties in close proximity, adjusted for differences in key attributes such as property size, which is based on the property's highest and best use.

9 Right-of-use assets

The Group	Note	Leasehold buildings A\$'000	Plant and machinery A\$'000	Office equipment A\$'000	Motor vehicles A\$'000	Total A\$'000
Cost						
Adoption of IFRS 16						
- Initial recognition		5,366	-	37	-	5,403
- Reclassification from property, plant and equipment	4	-	4,755	-	712	5,467
At 1 January 2019		5,366	4,755	37	712	10,870
Exchange realignment		41	-	-	-	41
Reclassification		-	191	-	(191)	-
Additions		1,652	5,312	-	-	6,964
At 31 December 2019		7,059	10,258	37	521	17,875
Exchange realignment		(419)	(505)	(3)	(46)	(973)
Lease modification		(276)	(320)	-	-	(596)
Write-off		(1,120)	-	-	-	(1,120)
Additions		28	932	-	-	960
At 31 December 2020		5,272	10,365	34	475	16,146

13. ACCOUNTANTS' REPORT (Cont'd)

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

9 Right-of-use assets (Cont'd)

The Group	Note	Leasehold buildings A\$'000	Plant and machinery A\$'000	Office equipment A\$'000	Motor vehicles A\$'000	Total A\$'000
<u>Accumulated depreciation and impairment</u>						
Adoption of IFRS 16						
- Reclassification from property, plant and equipment	4	-	4,381	-	238	4,619
At 1 January 2019		-	4,381	-	238	4,619
Exchange realignment		(23)	(7)	-	(1)	(31)
Reclassification		-	68	-	(68)	-
Depreciation		3,742	2,358	9	47	6,156
At 31 December 2019		3,719	6,800	9	216	10,744
Exchange realignment		(411)	(440)	(2)	(25)	(878)
Lease modification		(214)	(22)	-	-	(236)
Write-off		(1,120)	-	-	-	(1,120)
Depreciation		2,828	2,750	9	57	5,644
At 31 December 2020		4,802	9,088	16	248	14,154
<u>Carrying Amount</u>						
At 31 December 2020		470	1,277	18	227	1,992
At 31 December 2019		3,340	3,458	28	305	7,131
At 1 January 2019		5,366	374	37	474	6,251

Leasehold buildings are located in Malaysia, Singapore and Australia.

Information about the Group's leasing activities are disclosed in Note 34.

10 Deferred taxation

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset deferred income tax assets against deferred income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting in similar tax legislations, are shown on the statement of financial position as follows:

The Group	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
Deferred tax assets				
At gross	89,785	85,519	-	36,054
Less: Set off of tax in similar legislations	(75,997)	(74,127)	-	(11,978)
At net	13,788	11,392	-	24,076
Deferred tax assets				
To be recovered within one year	-	1,976	-	-
To be recovered after one year	13,788	9,416	-	24,076
	13,788	11,392	-	24,076
Deferred tax liabilities				
At gross	(1,229)	(1,237)	(9,188)	(1,677)
Less: Set off of tax in similar legislations	-	-	5,887	-
At net	(1,229)	(1,237)	(3,301)	(1,677)
Deferred tax liabilities				
To be settled within one year	-	-	-	-
To be settled after one year	(1,229)	(1,237)	(3,301)	(1,677)
	(1,229)	(1,237)	(3,301)	(1,677)

13. ACCOUNTANTS' REPORT (Cont'd)

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

10 Deferred taxation (Cont'd)

Deferred tax assets (at gross) comprise tax on the following deductible temporary differences:

The Group	Fair value losses A\$'000	Provisions A\$'000	Tax losses A\$'000	Northern Territory Government Royalty Benefit A\$'000	Others A\$'000	Total A\$'000
At 1 January 2017	-	-	-	-	-	-
Charged to the profit or loss (Note 29)	3,139	2,228	28,930	1,651	106	36,054
At 31 December 2017	3,139	2,228	28,930	1,651	106	36,054
(Charged)/Credited to profit or loss (Note 29)	(3,139)	1,129	(27,182)	(1,651)	676	(30,167)
At 31 December 2018	-	3,357	1,748	-	782	5,887
Credited to profit or loss (Note 29)	-	2,740	76,952	-	474	80,166
Exchange difference on Translation	-	-	(534)	-	-	(534)
At 31 December 2019	-	6,097	78,166	-	1,256	85,519
Credited/(charged) to profit or loss (Note 29)	1,186	(448)	12,394	-	(1,030)	12,102
Exchange difference on translation	-	-	(7,836)	-	-	(7,836)
At 31 December 2020	1,186	5,649	82,724	-	226	89,785

Deferred tax liabilities (at gross) comprise tax on the following taxable temporary differences:

The Group	Excess of net book value over tax written down value of qualifying property, plant and equipment, and mine development costs A\$'000	Fair value gains A\$'000	Provisions A\$'000	Others A\$'000	Total A\$'000
At 1 January 2017	-	-	-	-	-
(Charged)/Credited to profit or loss (Note 29)	(967)	-	(11,548)	(1,165)	(13,680)
Exchange difference on Translation	-	-	25	-	25
At 31 December 2017	(967)	-	(11,523)	(1,165)	(13,655)
(Charged)/Credited to profit or loss (Note 29)	(5,368)	(452)	10,071	358	4,609
Exchange difference on Translation	-	-	(142)	-	(142)
At 31 December 2018	(6,335)	(452)	(1,594)	(807)	(9,188)
(Charged)/Credited to profit or loss (Note 29)	(65,691)	452	(1,356)	4	(66,591)
Exchange difference on Translation	424	-	-	(9)	415
At 31 December 2019	(71,602)	-	(2,950)	(812)	(75,364)
(Charged)/Credited to profit or loss (Note 29)	(11,050)	-	2,266	(246)	(9,030)
Exchange difference on translation	7,168	-	-	-	7,168
At 31 December 2020	(75,484)	-	(684)	(1,058)	(77,226)

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

10 Deferred taxation (Cont'd)

Unrecognised deferred tax assets

Deferred tax assets of A\$2,914,000 (2019 - A\$3,464,000; 2018 - A\$13,957,000; 2017 - A\$26,898,000) have not been recognised in respect of the following items:

The Group	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
Tax losses	12,032	14,229	57,493	111,412

The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate. The deductible temporary differences have an expiry term of 7 years. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable income will be available against which the Group can recognise the benefits.

11 Subsidiaries

Details of the Group's material subsidiaries at the end of the reporting period are set out below:

<u>Name</u>	<u>Place of incorporation/ operation</u>	<u>Proportion of ownership interest and voting rights held by the Group</u>				<u>Principal activities</u>
		2020 %	2019 %	2018 %	2017 %	
<u>Held by the Company</u>						
OM (Manganese) Ltd. ⁽¹⁾	Australia	100	100	100	100	Operation of manganese mine
<u>Held by OM Resources (HK) Limited</u>						
OM Materials (S) Pte. Ltd. ⁽²⁾	Singapore	100	100	100	100	Investment holding and trading of metals and ferroalloy products
<u>Held by OM Materials (S) Pte. Ltd.</u>						
OM Materials (Sarawak) Sdn. Bhd. ⁽³⁾	Malaysia	75	75	75	75	Sales and processing of ferroalloys and ores
OM Materials (Qinzhou) Co. Ltd. ⁽⁴⁾	PRC	100	100	100	100	Sales and processing of ferroalloys and ores
<u>Held by OM Materials Trade (S) Pte. Ltd.</u>						
OM Materials Trading (Qinzhou) Co. Ltd. ⁽⁴⁾	PRC	100	100	100	100	Sales and processing of ferroalloys and ores
OM Tshipi (S) Pte. Ltd. ⁽⁵⁾	Singapore	-	100	100	100	Sales and processing of ferroalloys and ores

Note:

(1) audited by Grant Thornton Audit Pty Ltd

(2) audited by Foo Kon Tan LLP

(3) audited by Ernst & Young, Malaysia

(4) audited by Guangxi JiaHai Accountant Affairs Office Co. Ltd. for statutory purposes and audited by Foo Kon Tan LLP for group consolidation

(5) struck off on 9 March 2020

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

11 Subsidiaries (Cont'd)

At the end of the reporting period, the Group has other subsidiaries that are not material to the Group. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Place of incorporation/ operation	Number of subsidiaries			
		2020	2019	2018	2017
Investment holding	The British Virgin Islands	1	1	1	2
Investment holding	Mauritius	1	1	1	1
Investment holding	Hong Kong	1	1	1	1
Investment holding	Singapore	1	1	1	1
Logistics and trading of metals and ferroalloy products	Malaysia	1	1	1	1
Trading of metals and ferroalloy products	Singapore	-	-	1	1
Trading of metals and ferroalloy products	PRC	1	1	1	1
Sales and processing of ferroalloys and ores	Malaysia	1	1	1	2
Exploration and mining of minerals	Malaysia	2	2	2	2
Engineering services	Malaysia	1	-	-	-
		10	9	10	12

Exercise of call option on Excess Irredeemable Convertible Preference Shares ("ICPS")

In 2018, pursuant to the Share Subscription Agreement with OM Materials (Sarawak) Sdn. Bhd. ("OM Sarawak"), OM Materials (S) Pte. Ltd. ("OM Singapore") exercised its option to call upon the non-controlling interest shareholder of OM Sarawak to sell 66,309,700 units of Excess ICPS in OM Sarawak to OM Singapore for a total consideration of A\$25,040,000.

Acquisition of subsidiary

On 31 May 2017, the Group acquired 66.67% of the issued share capital of OM Tshipi (S) Pte Ltd for cash consideration of A\$2,880,000. The fair value of the net assets acquired approximated its book value.

The following summarises the recognised amounts of assets acquired and liabilities assumed and the major classes of consideration transferred at the acquisition date:

	2017 A\$'000
The Group	
Trade receivables and other receivables	14,611
Cash and cash equivalents	1,628
Trade and other payables	(13,359)
<u>Net identifiable assets</u>	<u>2,880</u>
<u>Cash consideration transferred</u>	<u>2,880</u>

The effect on cash flows of the Group is as follows:

Consideration paid	2,880
Less: Cash and cash equivalents in subsidiary acquired	(3,255)
<u>Net cash inflow on acquisition</u>	<u>(375)</u>

In 2018, the Group paid additional cash consideration of A\$2,550,000 (US\$1,800,000), giving rise to goodwill of A\$2,550,000 (Note 27) which was charged to the profit or loss.

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

11 Subsidiaries (Cont'd)

The table below shows details of a non-wholly owned subsidiary of the Group that has material non-controlling interests:

Name	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests				(Loss)/Profit allocated to non-controlling interests				Accumulated non-controlling interests			
		2020 %	2019 %	2018 %	2017 %	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
OM Materials (Sarawak) Sdn. Bhd.	Malaysia	25	25	25	25	(8,139)	(273)	21,159	(1,382)	56,967	70,531	52,294	48,478

Summarised financial information in respect of the above subsidiary that has material non-controlling interests ("NCI"), not adjusted for the Group's percentage of equity interest, is set out below.

	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
OM Materials (Sarawak) Sdn. Bhd.				
Summarised Statement of Financial Position				
Current assets	228,907	250,295	357,107	295,400
Non-current assets	583,058	665,389	619,331	569,214
Current liabilities	(227,511)	(187,692)	(193,061)	(176,148)
Non-current liabilities	(352,327)	(441,610)	(584,717)	(590,456)
Equity attributable to owners of the Company	175,160	215,851	146,366	49,532
Non-controlling interests	56,967	70,531	52,294	48,478
Summarised Statement of Comprehensive Income				
Revenue	521,940	673,991	791,977	491,471
Expenses	(554,497)	(675,083)	(707,340)	(497,000)
(Loss)/Profit for the year	(32,557)	(1,092)	84,637	(5,529)
(Loss)/Profit attributable to owners of the Company	(24,418)	(819)	63,478	(4,147)
(Loss)/Profit attributable to NCI	(8,139)	(273)	21,159	(1,382)
(Loss)/Profit for the year	(32,557)	(1,092)	84,637	(5,529)
Other comprehensive income attributable to owners of the Company	768	719	704	(6,721)
Other comprehensive income attributable to NCI	256	240	234	(2,240)
Other comprehensive income for the year	1,024	959	938	(8,961)
Total comprehensive (loss)/income attributable to owners of the Company	(23,650)	(99)	64,182	(10,868)
Total comprehensive (loss)/income attributable to NCI	(7,883)	(33)	21,393	(3,622)
Total comprehensive (loss)/income for the year	(31,533)	(132)	85,575	(14,490)
Other summarised information				
Net cash inflow from operating activities	77,404	69,035	78,247	57,696
Net cash outflow from investing activities	(8,038)	(49,969)	(39,782)	(43,725)
Net cash outflow from financing activities	(61,585)	(40,973)	(17,866)	(17,206)
Net cash inflow/(outflow)	7,781	(21,907)	20,599	(3,235)

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

12 Interests in associates

	2020	2019	2018	2017
	A\$'000	A\$'000	A\$'000	A\$'000
The Group				
Cost of investment in associates ⁽¹⁾	77,672	77,672	77,613	84,832
Share of post-acquisition profits and reserves, net of dividends	49,160	38,686	48,726	31,712
	126,832	116,358	126,339	116,544

(1) Comprised unquoted equity shares at cost and advances to associates and net of repayments. The advances to associates represent extension of the investment in associates which are unsecured with indeterminate repayment terms.

Details of the Group's material associate at the end of the reporting period was as follows:

Name	Country of incorporation	Proportion of effective ownership interest and voting rights held by the Group				Principal activities
		2020	2019	2018	2017	
		%	%	%	%	
Ntsimbintle Mining Proprietary Limited ("NMPL") ⁽¹⁾ (previously known as Main Street 774 Proprietary Limited)	South Africa	26	26	26	26	Investment holding
<u>Held by NML</u> ⁽²⁾ Tshipi é Ntle Manganese Mining Proprietary Limited ("Tshipi Mining") ⁽¹⁾	South Africa	13	13	13	13	Exploration and exploitation of minerals

(1) audited by KPMG Inc.

(2) NMPL holds a 50.1% interest joint venture in Tshipi Mining whose results are equity-accounted in NMPL.

Shares in the Group's material associate are held by a wholly-owned subsidiary of the Group, OMH (Mauritius) Corp.

All of the Group's associates are accounted for using the equity method in these consolidated financial statements.

The financial year end date of Ntsimbintle Mining Proprietary Limited is 28 February. For the purposes of applying the equity method accounting, the management accounts of Ntsimbintle Mining Proprietary Limited for the year ended 31 December have been used and appropriate adjustments have been made as necessary.

Summarised financial information in respect of the Group's material associate, not adjusted for the Group's percentage of equity interest, is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRS.

	Ntsimbintle Mining Proprietary Limited			
	2020	2019	2018	2017
	A\$'000	A\$'000	A\$'000	A\$'000
The Group				
Current assets	3,556	1,990	14,114	2,945
Non-current assets ⁽¹⁾	193,787	178,358	198,053	198,141
Current liabilities	(11)	(14)	(34)	(14,607)
Non-current liabilities	(368,290)	-	-	-
Net assets	(170,958)	180,334	212,133	186,479
Income ⁽¹⁾	64,146	116,987	182,364	79,163
Profit for the year	63,649	116,773	180,649	78,327
Total comprehensive income for the year	63,649	116,773	180,649	78,327
Dividends received from associate	6,048	40,362	33,304	-

(1) Inclusive of equity-accounted results of Tshipi Mining

13. ACCOUNTANTS' REPORT (Cont'd)

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

12 Interests in associates (Cont'd)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	Ntsimbintle Mining Proprietary Limited				Total			
	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
Net (liabilities)/assets of the associate	(170,958)	180,334	212,133	186,479	(170,958)	180,334	212,133	186,479
Shareholder loans	368,290	-	-	-	368,290	-	-	-
	197,332	180,334	212,133	186,479	197,332	180,334	212,133	186,479
Proportion of the Group's ownership interest in the associate	51,306	46,887	55,155	48,485	51,306	46,887	55,155	48,485
Goodwill	59,842	59,842	59,842	59,842	58,842	59,842	59,842	59,842
Currency translation difference	15,655	9,573	11,306	8,174	15,655	9,573	11,306	8,174
Carrying value	126,803	116,302	126,303	116,501	126,803	116,302	126,303	116,501
Add:								
Carrying value of individually immaterial associates					29	56	36	43
Carrying value of Group's interest in associates					126,832	116,358	126,339	116,544

Aggregate information of associates that are not individually material

The summarised financial information of the immaterial associate not adjusted for the Group's share of equity interest is as follows:

	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
The Group				
- (Loss)/Profit for the year	(71)	60	(21)	24
- Total comprehensive (loss)/income for the year	(71)	60	(21)	24
The Group's share of profit/(loss)	(24)	20	(7)	8

13 Other investment

	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
The Group				
Non-current				
Equity investments at FVTPL				
- Quoted equity shares (held for trading)	1,888	-	-	-

The investment in quoted equity shares offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate.

Fair value hierarchy – Recurring fair value measurements

	Fair value measurements using		
	Quoted prices in active markets for identical assets (Level 1) A\$'000	Significant other observable inputs (Level 2) A\$'000	Significant unobservable inputs (Level 3) A\$'000
2020	1,888	-	-

13. ACCOUNTANTS' REPORT (Cont'd)

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

14 Inventories

	2020	2019	2018	2017
The Group	A\$'000	A\$'000	A\$'000	A\$'000
At cost				
Raw materials	147,354	157,745	215,809	194,875
Work-in-progress	15,561	1,467	1,748	873
Finished goods	45,937	69,063	49,485	56,732
	<u>208,852</u>	<u>228,275</u>	<u>267,042</u>	<u>252,480</u>
At net realisable value				
Work-in-progress	898	-	-	-
Finished goods	6,557	-	-	-
	<u>7,455</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>216,307</u>	<u>228,275</u>	<u>267,042</u>	<u>252,480</u>
Cost of inventories recognised as an expense and included in cost of sales (Note 28)	688,371	874,001	1,157,128	778,597
Write-down of inventories to net realisable value (Note 28)	3,397	-	-	-

15 Trade and other receivables

	2020	2019	2018	2017
The Group	A\$'000	A\$'000	A\$'000	A\$'000
Trade receivables	48,130	30,167	74,826	75,662
Bills receivable	-	-	707	813
Net trade receivables (i)	<u>48,130</u>	<u>30,167</u>	<u>75,533</u>	<u>76,475</u>
Other receivables:				
Deposits and other receivables:				
- third party	15,111	7,155	15,037	14,550
- associate	29	765	-	-
	<u>15,140</u>	<u>7,920</u>	<u>15,037</u>	<u>14,550</u>
Less: Allowance for impairment of other receivables:				
At beginning of the year	(278)	-	-	-
Impairment loss (Note 28)	-	(278)	-	-
At end of the year	<u>(278)</u>	<u>(278)</u>	<u>-</u>	<u>-</u>
Net other receivables (ii)	<u>14,862</u>	<u>7,642</u>	<u>15,037</u>	<u>14,550</u>
Total (i) + (ii)	<u>62,992</u>	<u>37,809</u>	<u>90,570</u>	<u>91,025</u>

Included in the Group's deposits and other receivables from third parties is tax recoverable of A\$6,763,000 (2019 – A\$764,000; 2018 – A\$Nil; 2017 – A\$Nil) from the Australian Taxation Office (“ATO”).

Trade and other receivables are denominated in the following currencies:

	2020	2019	2018	2017
The Group	A\$'000	A\$'000	A\$'000	A\$'000
Australian Dollar	9,171	2,015	1,877	2,140
Renminbi	5,277	2,930	7,990	4,209
United States Dollar	44,855	31,047	75,756	83,807
Malaysian Ringgit	425	228	355	358
Others	3,264	1,589	4,592	511
	<u>62,992</u>	<u>37,809</u>	<u>90,570</u>	<u>91,025</u>

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

15 Trade and other receivables (Cont'd)

The credit risk for trade and other receivables based on the information provided by key management is as follows:

	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
The Group				
<u>By geographical areas</u>				
Asia Pacific	52,682	27,280	81,166	76,727
Europe	4,187	1,155	4,031	5,875
Africa	29	835	-	6,803
Others	6,094	8,539	5,373	1,620
	<u>62,992</u>	<u>37,809</u>	<u>90,570</u>	<u>91,025</u>

Neither past due nor impaired

Trade and other receivables that were neither past due nor impaired amounting to A\$62,153,000 (2019 – A\$37,535,000; 2018 - A\$89,692,000; 2017 - A\$87,488,000) for the Group related to a wide range of customers for whom there was no recent history of default.

Past due but not impaired

The ageing analysis of trade and other receivables past due but not impaired is as follows:

	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
The Group				
Past due 0 to 3 months	643	213	878	2,719
Past due 3 to 6 months	-	61	-	19
Past due over 6 months	196	-	-	799
	<u>839</u>	<u>274</u>	<u>878</u>	<u>3,537</u>

Trade and other receivables that were past due but not impaired related to a number of customers that have a good track record with the Group. Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade and other receivables not past due or past due over 6 months. These receivables are mainly arising from customers that have a good credit record with the Group.

16 Capitalised contract costs

	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
The Group				
Costs to fulfil service rendered for transportation of goods sold under CFR and CIF Incoterms	1,856	1,015	2,759	-
Amortisation recognised as cost of sales during the year	1,015	2,759	-	-

The Group's capitalised contract costs relate to fulfilment costs of freight and insurance for the transportation of goods sold under CFR and CIF Incoterms. These costs are charged to the profit or loss on a basis consistent with the pattern of recognition of the associated revenue.

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

17 Cash and bank balances

The Group	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
Cash at bank and on hand	58,905	42,598	87,118	28,871
Short-term bank deposits	4,126	21,114	4,701	5,505
Total cash and bank balances	63,031	63,712	91,819	34,376
Less: Cash collateral	(17,080)	(14,812)	(12,773)	(4,463)
Cash and cash equivalents	45,951	48,900	79,046	29,913

Included in the cash collateral were amounts of A\$2,140,000 (2019 – A\$1,436,000; 2018 - A\$1,842,000; 2017 - A\$1,667,000) and A\$14,940,000 (2019 - A\$13,376,000; 2018 - A\$10,931,000; 2017 - A\$2,410,000) which were pledged to banks as security for banking facilities and the issuance of environmental bonds (Note 35.5) respectively.

Cash and bank balances are denominated in the following currencies:

The Group	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
Australian Dollar	17,639	13,680	17,030	4,159
Renminbi	15,381	12,776	9,181	9,301
United States Dollar	23,637	35,361	62,435	19,927
Malaysian Ringgit	6,195	1,757	2,868	875
Others	179	138	305	114
	63,031	63,712	91,819	34,376

The short term bank deposits have an average maturity of 3 months (2019 - 3 months; 2018 - 3 months; 2017 - 3 months) from the end of the financial year with the following weighted average effective interest rates:

The Group	2020	2019	2018	2017
United States Dollar	0.18% to 0.92%	1.10% to 2.70%	2.04%	1.14%
Renminbi	1.38%	2.30%	2.30%	2.30%
Malaysia Ringgit	1.15%	1.60% to 2.50%	-	-

18 Share capital

The Company and The Group	No. of ordinary shares				Amount			
	2020 '000	2019 '000	2018 '000	2017 '000	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
Authorised:								
Ordinary shares of A\$0.05 (2019 - A\$0.05; 2018 - A\$0.05; 2017 - A\$0.05) each	2,000,000	2,000,000	2,000,000	2,000,000	100,000	100,000	100,000	100,000
Issued and fully paid:								
Ordinary shares of A\$0.05 (2019 - A\$0.05; 2018 - A\$0.05; 2017 - A\$0.05) each								
At beginning of the year	738,623	738,623	733,423	733,423	36,931	36,931	36,671	36,671
Issue of ordinary shares	-	-	5,200	-	-	-	260	-
At end of the year	738,623	738,623	738,623	733,423	36,931	36,931	36,931	36,671

The holders of ordinary shares (excluding treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares (excluding treasury shares) rank equally with regard to the Company's residual assets.

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

19 Treasury shares

The Company and The Group	No. of ordinary shares		Amount					
	2020 '000	2019 '000	2018 '000	2017 '000	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
At beginning and end of year	1,933	1,933	1,933	1,933	2,330	2,330	2,330	2,330

Treasury shares relate to ordinary shares of the Company that are held by the Company. The Company acquired Nil shares (2019 - Nil shares; 2018 - Nil shares; 2017 - Nil shares) in the Company through on-market purchase on the Australia Securities Exchange.

20 Reserves

The Group	Note	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
Share premium	(i)	178,363	178,363	178,363	176,563
Non-distributable reserves	(ii)	8,868	8,868	8,868	5,552
Capital reserve	(iii)	16,064	16,064	15,444	16,513
Hedging reserve	(iv)	(4,911)	(5,851)	(6,540)	(6,886)
Exchange fluctuation reserve	(v)	6,021	30,181	29,769	10,073
Retained profits/ (Accumulated losses)	(vi)	160,637	162,652	128,112	(8,190)
		365,042	390,277	354,016	193,625
Share premium					
At 1 January		178,363	178,363	176,563	176,563
Issue of ordinary shares, net of issue costs		-	-	1,800	-
At 31 December		178,363	178,363	178,363	176,563
Non-distributable reserve					
At 1 January		8,868	8,868	5,552	5,534
Transfer-in		-	-	3,316	18
At 31 December		8,868	8,868	8,868	5,552
Capital reserve					
At 1 January		16,064	15,444	16,513	16,513
Buy-back of warrants		-	-	(1,069)	-
Write off of warrants (Note 28)		-	620	-	-
At 31 December		16,064	16,064	15,444	16,513
Hedging reserve					
At 1 January		(5,851)	(6,540)	(6,886)	(7,906)
Cash flow hedges		940	689	346	1,020
At 31 December		(4,911)	(5,851)	(6,540)	(6,886)
Exchange fluctuation reserve					
At 1 January		30,181	29,769	10,073	15,493
Currency translation differences		(24,160)	412	19,696	(5,420)
At 31 December		6,021	30,181	29,769	10,073
Retained profits/(Accumulated losses)					
At 1 January		162,652	128,112	(8,190)	(100,827)
Profit for the year		5,352	56,641	161,722	92,656
Transfer-out		-	-	(3,319)	(33)
Dividends paid	(vii)	(7,367)	(22,101)	(22,101)	-
Dividend forfeited		-	-	-	14
At 31 December		160,637	162,652	128,112	(8,190)

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

20 Reserves (Cont'd)

Notes:

- (i) The share premium comprises the value of shares that have been issued at a premium, meaning the price paid was in excess of the share's quotient value. The amount received in excess of the quotient value was transferred to the share premium reserve.
- (ii) In accordance with the accounting principles and financial regulations applicable to Sino-foreign joint venture enterprises, the subsidiaries in the PRC are required to transfer part of their profits after tax to the "Statutory Reserves Fund", the "Enterprise Expansion Fund" and the "Staff Bonus and Welfare Fund", which are non-distributable, before profit distributions to joint venture partners. The quantum of the transfers is subject to the approval of the board of directors of these subsidiaries.

The annual transfer to the Statutory Reserves Fund should not be less than 10% of profit after tax, until it aggregates to 50% of the registered capital. However, foreign enterprises may choose not to appropriate profits to the Enterprise Expansion Fund.

The Statutory Reserves Fund can be used to make good previous years' losses while the Enterprise Expansion Fund can be used for acquisition of property, plant and equipment and financing daily funds required. The Staff Bonus and Welfare Fund is utilised for employees collective welfare benefits and is included in other payables under current liabilities in the statements of financial position.

- (iii) The capital reserve arose from the capitalisation of various reserves and retained profits in one of the Sino-foreign joint ventures of the Group. The purpose of the capitalisation is to increase the registered capital of the joint venture.

In February 2018, the Group undertook a selective buy-back of 26,000,000 unlisted warrants for A\$641,000 (equivalent to US\$500,000) that would lapse subsequently on 25 March 2019.

The Group wrote off an amount of A\$620,000 (equivalent to US\$500,000) as a result of the expiry of the 26,000,000 unlisted warrants on 25 March 2019.

- (iv) The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge recognised in other comprehensive income and accumulated hedging reserves is reclassified to the profit or loss when the forecast transaction is ultimately recognised in the profit or loss.
- (v) The translation reserve comprises all foreign exchange differences arising on the translation of the financial statements of foreign subsidiaries and associates stated in a currency different from the Group's presentation currency.
- (vi) Retained earnings comprise the distributable reserves recognised in the preceding year less any dividend declared. The total of such profits brought forward and the profit derived during the period constitute the total distributable reserves, that is the maximum amount available for distribution to the shareholders.

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

20 Reserves (Cont'd)

Notes: (Cont'd)

(vii)	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
The Group				
Final tax-exempt (one-tier) dividend of 0.01 cents per share for 2019	7,367	-	-	-
Interim tax-exempt (one-tier) dividend of 0.01 cents per share for 2019	-	7,367	-	-
Final tax-exempt (one-tier) dividend of 0.02 cents per share for 2018	-	14,734	-	-
Interim tax-exempt (one-tier) dividend of 0.03 cents per share for 2018	-	-	22,101	-
	<u>7,367</u>	<u>22,101</u>	<u>22,101</u>	<u>-</u>

21 Borrowings

The Group	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
Non-current				
Obligations under finance leases (Note 21.1)	-	-	439	698
Bank loans, secured (Note 21.2)	275,360	357,049	400,562	427,438
5% Convertible Note (Note 21.3)	-	15,029	14,441	20,492
Other loans (Note 21.4)	13,893	15,199	23,510	28,270
	<u>289,253</u>	<u>387,277</u>	<u>438,952</u>	<u>476,898</u>
Structuring and arrangement fee	(974)	(1,728)	(2,832)	(8,039)
	<u>288,279</u>	<u>385,549</u>	<u>436,120</u>	<u>468,859</u>
Current				
Obligations under finance leases (Note 20.1)	-	-	653	1,315
Bank loans, secured (Note 21.2)	103,184	80,573	71,684	36,715
5% Convertible Note (Note 21.3)	14,003	-	5,999	5,499
Other loans (Note 21.4)	10,177	9,048	-	906
	<u>127,364</u>	<u>89,621</u>	<u>78,336</u>	<u>44,435</u>
Structuring and arrangement fee	(598)	(1,252)	(1,530)	(2,613)
	<u>126,766</u>	<u>88,369</u>	<u>76,806</u>	<u>41,822</u>
Total Borrowings	<u>415,045</u>	<u>473,918</u>	<u>512,926</u>	<u>510,681</u>
Less:				
Total obligations under finance leases	-	-	(1,092)	(2,013)
	<u>415,045</u>	<u>473,918</u>	<u>511,834</u>	<u>508,668</u>

21.1 Obligations under finance leases

The Group	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
Minimum lease payments payable:				
Due not later than one year	-	-	701	1,390
Due later than one year and not later than five years	-	-	472	727
	<u>-</u>	<u>-</u>	<u>1,173</u>	<u>2,117</u>
Less: Finance charges allocated to future periods	-	-	(81)	(104)
Present value of minimum lease payments	<u>-</u>	<u>-</u>	<u>1,092</u>	<u>2,013</u>
Present value of minimum lease payments:				
Due not later than one year	-	-	653	1,315
Due later than one year and not later than five years	-	-	439	698
	<u>-</u>	<u>-</u>	<u>1,092</u>	<u>2,013</u>

13. ACCOUNTANTS' REPORT (Cont'd)

OM Holdings Limited and its subsidiaries

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

21 Borrowings (Cont'd)

The Group leases motor vehicles and plant and equipment from non-related parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term. The finance lease obligations are secured by the underlying assets.

At 31 December 2018, the average interest rate per annum ranged from 5.01% to 7.07% (2017 - 4.87% to 7.07%).

Obligations under finance leases are reclassified to lease liabilities (Note 22) on 1 January 2019 arising from the adoption of IFRS 16. The impact of adoption is disclosed in Note 2(b).

21.2 Bank loans

	2020	2019	2018	2017
	A\$'000	A\$'000	A\$'000	A\$'000
The Group				
Bank loans, unsecured	3,796	-	-	-
Bank loans, secured [Note (a)]	6,764	2,044	-	7,048
Bank loans, secured [Note (b)]	366,362	435,578	472,246	415,464
Bank loans, secured [Note (c)]	1,622	-	-	41,641
	<u>378,544</u>	<u>437,622</u>	<u>472,246</u>	<u>464,153</u>
Amount repayable not later than one year	103,184	80,573	71,684	36,715
Amount repayable after one year:				
Later than one year and not later than five years	275,360	344,392	212,289	277,235
Later than five years	-	12,657	188,273	150,203
	<u>275,360</u>	<u>357,049</u>	<u>400,562</u>	<u>427,438</u>
	<u>378,544</u>	<u>437,622</u>	<u>472,246</u>	<u>464,153</u>

Notes:

(a) These loans are secured by charges over certain bank deposits as disclosed in Note 17.

(b) These loans are secured by:

- shares of OM Materials (Sarawak) Sdn Bhd, a company incorporated in Malaysia;
- a charge over certain bank accounts;
- a charge over land use rights;
- a debenture;
- a borrower assignment;
- an assignment of insurances;
- a shareholder assignment;
- an assignment of reinsurances; and
- a corporate guarantee from OM Holdings Limited and Chaya Mata Sarawak Berhad (holds 25% ownership interest in OM Materials (Sarawak) Sdn Bhd).

(c) These loans are secured by:

- charge over land and buildings and certain bank deposits as disclosed in Note 4 and Note 17; and
- certain subsidiaries and associated companies and corporate guarantees from the Company and a subsidiary.

13. ACCOUNTANTS' REPORT (Cont'd)

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 and its subsidiaries**

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**Notes to the consolidated financial statements for the financial years ended
 31 December 2020, 2019, 2018 and 2017**

21 Borrowings (Cont'd)

21.2 Bank loans (Cont'd)

The Company and a subsidiary signed a Restructuring Facilities Agreement on 23 October 2017, which amongst the salient terms, deferred the repayment period of the existing loans. The difference of the net present value of cash flow of the restructured loan is less than 10% from the discounted present value of the remaining cash flow of the original loans and hence, the loans were accounted for as modification of liabilities during the year. In 2018, the restructured loan balance was repaid in full.

21.3 5% Convertible Note

The Group	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
5% Convertible Note:				
Due not later than one year	14,003	-	5,999	5,499
Due later than one year and not later than five years	-	15,029	14,441	20,492
	<u>14,003</u>	<u>15,029</u>	<u>20,440</u>	<u>25,991</u>

On 7 March 2012, the Company issued to Hanwa Co. Ltd 25,000,000 convertible notes at an aggregate principal amount of A\$19,945,953 (US\$21,447,261) with a nominal interest of 5% per annum, due on 6 March 2016 and convertible in accordance with the terms and conditions of issue including an initial conversion price of A\$0.80 per share. On 4 March 2016, the Company executed an amendment and restatement agreement with Hanwa Co. Ltd to extend the Convertible Note terms for a further 4 years to 6 March 2020, which has been assessed and accounted for as a non-substantial modification of the original financial liability. The conversion option has not been recognised as a derivative financial instrument because the fair value was assessed to be insignificant.

In March 2018, the convertible notes on issue were reduced from 25,000,000 to 20,000,000 following the redemption of 20% of the convertible notes for US\$4,290,000 (equivalent to approximately A\$5,500,000).

In April 2018, the convertible notes on issue were reduced further from 20,000,000 to 17,435,500 following the redemption by the Company of a further 10.26% of the original convertible notes for US\$2,200,000 (equivalent to approximately A\$2,900,000).

In February 2019, the convertible notes on issue were reduced further from 17,435,500 to 12,500,000 following the redemption by the Company of 19.74% of the original convertible notes for US\$4,234,000 (equivalent to approximately A\$5,826,000).

In December 2019, the Company executed an amendment and restatement agreement with Hanwa Co. Ltd to extend the Convertible Note terms for a further 1 year to 6 March 2021, which has been assessed and accounted for as a non-substantial modification of the original financial liability. The conversion option has not been recognised as a derivative financial instrument because the fair value was assessed to be insignificant. The Convertible Note was settled after the financial year ended 31 December 2020 (Note 42).

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OM Holdings Limited and its subsidiaries

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

21 Borrowings (Cont'd)

21.4 Other loans

The Group	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
Shareholder loan, unsecured [Note (a)]	2,857	3,067	15,009	12,768
Shareholder loan, unsecured [Note (b)]	10,177	9,048	-	7,693
Third party loan, secured [Note (c)]	11,036	12,132	8,501	8,715
	<u>24,070</u>	<u>24,247</u>	<u>23,510</u>	<u>29,176</u>
Amount repayable not later than one year	10,177	9,048	-	906
Amount repayable after one year:				
Later than one year and not later than five years	11,036	12,132	8,501	15,502
Later than five years	2,857	3,067	15,009	12,768
	<u>13,893</u>	<u>15,199</u>	<u>23,510</u>	<u>28,270</u>
	<u>24,070</u>	<u>24,247</u>	<u>23,510</u>	<u>29,176</u>

Notes:

- (a) These loans are unsecured. None of the shareholders are entitled to demand or receive payment or any distribution in respect of any shareholders' loans from the Group. Repayment may be made subject to satisfaction of pre-agreed tests typical for a project financing of this nature.
- (b) The loan is unsecured and repayable on demand.
- (c) The loan is secured by a corporate guarantee from OM Holdings Limited. As at 31 December 2019, the loan was repayable on 4 January 2021. In December 2020, the repayment date was extended to 4 January 2022.

21.5 Currency risk

Total borrowings are denominated in the following currencies:

The Group	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
Australian Dollar	-	-	-	675
United States Dollar	337,745	382,591	414,529	419,400
Malaysian Ringgit	75,678	91,327	98,284	90,606
Others	1,622	-	113	-
	<u>415,045</u>	<u>473,918</u>	<u>512,926</u>	<u>510,681</u>

21.6 Effective interest rates

The weighted average effective interest rates of total borrowings at the end of the reporting period are as follows:

The Group	2020	2019	2018	2017
Obligations under finance leases (Note 21.1)	-	-	5.01% to 7.07%	4.87% to 7.07%
Bank loans (Note 21.2)	0.41% to 6.87%	2.67% to 7.19%	5.73% to 6.78%	3.38% to 6.91%
5% convertible note (Note 21.3)	9.00%	9.00%	9.00%	9.00%
Other loans (Note 21.4)	1.53% to 5.95%	3.20% to 5.95%	1.55% to 5.26%	1.55% to 6.5%

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

21 Borrowings (Cont'd)

21.7 Carrying amounts and fair values

The carrying amounts of current borrowings approximate their fair value. The carrying amounts and fair values of non-current borrowings were as follows:

The Group	Carrying amounts A\$'000	Fair values A\$'000
2020		
Obligations under finance leases	-	-
Bank loans, secured and unsecured	275,360	273,840
5% convertible note	-	-
Other loans	13,893	13,893
2019		
Obligations under finance leases	-	-
Bank loans, secured	357,049	334,608
5% convertible note	15,029	15,024
Other loans	15,199	15,199
2018		
Obligations under finance leases	439	439
Bank loans, secured	400,562	392,268
5% convertible note	14,441	14,437
Other loans	23,510	23,510
2017		
Obligations under finance leases	698	698
Bank loans, secured	427,438	406,449
5% convertible note	20,492	20,433
Other loans	28,270	27,981

The fair values above are determined from the discounted cash flow analysis, discounted at market borrowing rates (per annum) of an equivalent instrument at the end of the reporting period which the Directors expect to be available to the Group.

22 Lease liabilities

The Group	2020 A\$'000	2019 A\$'000
Undiscounted lease payments due:		
- Year 1	1,336	6,296
- Year 2	332	1,045
- Year 3	103	118
- Year 4 and onwards	-	2
	1,771	7,461
Less: Unearned interest cost	(101)	(369)
Lease liabilities	1,670	7,092
Presented as:		
- Non-current	415	1,102
- Current	1,255	5,990
	1,670	7,092

Interest expense on lease liabilities of A\$306,000 (2019 - A\$591,000) is recognised within "finance costs" in the profit or loss.

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22 Lease liabilities (Cont'd)

Rental expenses not capitalised in lease liabilities but recognised within "operating expenses" in the profit or loss are set out below:

	2020 A\$'000	2019 A\$'000
The Group		
Short-term leases	9,865	1,397
Leases of low value asset	454	60

Total cash outflows for all leases (including interest paid) in the year amount to A\$6,547,000 (2019 - A\$7,006,000).

As at 31 December 2019 and 2020, the Group's short-term lease commitments at the reporting date are not substantially dissimilar to those giving rise to the Group's short-term lease expense for the year.

The Group's lease liabilities are secured by the lessors' title to the leased assets.

Further information about the financial risk management are disclosed in Note 38.

Lease liabilities are denominated in the following currencies:

	2020 A\$'000	2019 A\$'000
The Group		
Australian Dollar	613	3,666
Malaysian Ringgit	730	2,593
Others	327	833
	1,670	7,092

23 Trade and other payables

	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
The Group				
Non-current				
Trade payables - third party	54,530	53,537	101,419	114,971
Other payables	232	3,617	11,439	24,623
Retention monies	29	3,076	21	131
	54,791	60,230	112,879	139,725
Current				
Trade payables				
- third party	114,433	65,954	94,033	133,256
- associate	-	3,964	-	-
	114,433	69,918	94,033	133,256
Accruals	9,417	6,808	12,798	23,409
Other payables	23,103	27,602	47,352	53,769
Retention monies	2,820	54	180	164
Welfare expense payable	2,295	1,674	1,369	1,075
Interest payables	3,692	7,112	8,556	1,927
	41,327	43,250	70,255	80,344
	155,760	113,168	164,288	213,600
Total	210,551	173,398	277,167	353,325

Non-current trade payables relate to payables to vendors which bear interest of 5.5% (2019 - 6%; 2018 - 6%; 2017 - 6%) per annum.

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23 Trade and other payables (Cont'd)

Trade and other payables are denominated in the following currencies:

The Group	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
Australian Dollar	14,340	7,009	25,492	11,007
Renminbi	11,440	8,851	3,740	9,312
United States Dollar	37,400	37,564	56,074	126,097
Malaysian Ringgit	145,121	119,759	190,907	206,836
Others	2,250	215	954	73
	<u>210,551</u>	<u>173,398</u>	<u>277,167</u>	<u>353,325</u>

All trade payables are generally on 30 to 120 (2019 - 30 to 120; 2018 - 30 to 120; 2017 - 30 to 120) days' credit terms.

The carrying amounts of current trade and other payables approximate their fair value. The carrying amounts and fair values of non-current trade and other payables are as follows:

The Group	Carrying amounts A\$'000	Fair values A\$'000
2020		
Trade payables - third party	54,530	54,530
Other payables	232	232
Retention monies	29	29
2019		
Trade payables - third party	53,537	53,537
Other payables	3,617	3,617
Retention monies	3,076	3,076
2018		
Trade payables - third party	101,419	101,419
Other payables	11,439	11,439
Retention monies	21	21
2017		
Trade payables - third party	114,971	114,971
Other payables	24,623	24,398
Retention monies	131	131

24 Provisions

The Group	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
<u>Rehabilitation</u>				
At beginning of the year	14,453	9,931	6,032	6,069
Addition	-	4,522	3,899	-
Adjustments from mine development costs (Note 7)	(132)	-	-	-
Provision utilised	(1,646)	-	-	(37)
At end of the year	<u>12,675</u>	<u>14,453</u>	<u>9,931</u>	<u>6,032</u>
Non-current	10,869	14,453	9,931	6,032
Current	1,806	-	-	-
	<u>12,675</u>	<u>14,453</u>	<u>9,931</u>	<u>6,032</u>

According to the Mine Management and Environmental Management Plans submitted to the Northern Territory Government in Australia, the Group is obligated for the rehabilitation and restoration of areas disturbed arising from mining activities conducted by a wholly-owned subsidiary, OM (Manganese) Ltd. Mine rehabilitation costs are provided for at the present value of future expected expenditure when the liability is incurred. Although the ultimate cost to be incurred is uncertain, the Group has estimated its costs based on the rates outlined by the Northern Territory Department of Primary Industry, Tourism and Trade using current restoration standards and techniques.

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25 Deferred capital grant

The Group	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
Government grant	11,466	13,414	14,118	13,502
Non-current	10,730	12,605	13,315	12,776
Current	736	809	803	726
	11,466	13,414	14,118	13,502

A government grant was awarded for the construction of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attached. The movement in the deferred capital grant is due to amortisation costs of A\$817,000 (2019 - A\$814,000; 2018 - A\$760,000; 2017 - A\$737,000) (Note 28) and foreign currency translation differences.

26 Contract liabilities

The Group	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
Transportation of goods sold under CFR and CIF Incoterms	6,064	4,859	3,011	-

The Group's contract liabilities relate to the Group's obligation to transport goods sold to customers under CFR and CIF Incoterms for which the Group has received advance payments from these customers.

Unsatisfied performance obligations in relation to contract liabilities at the end of the reporting period are:

The Group	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
Aggregate amount of transaction price allocated to contracts that are partially or fully unsatisfied at end of the year	6,064	4,859	3,011	-

The Group expects that 100% of the transaction price allocated to the unsatisfied performance obligations at the end of the current year may be recognised as revenue during the next reporting period.

27 Other income

The Group	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
Gain on disposal of property, plant and equipment	-	-	-	53
Interest income from banks	691	898	405	187
Commission income	2,189	2,395	676	909
Fair value gain on other investment (Note 13)	1,388	-	-	-
Government grant	735	-	-	-
Sundry income	1,753	1,041	1,275	3,582
Unwinding of discount on non-current trade payables	-	-	-	1,508
Gain on early debt settlement	-	-	-	3,955
	6,756	4,334	2,356	10,194

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28 Profit before income tax

The Group	Note	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
Profit before income tax has been arrived at after charging/(crediting):					
Amortisation of land use rights ⁽¹⁾	5	206	204	193	186
Amortisation of mine development costs ⁽¹⁾	7	6,505	5,147	9,052	11,143
Amortisation of deferred capital grant ⁽²⁾	25	(817)	(814)	(760)	(737)
Fair value gain on other investment	13, 27	(1,388)	-	-	-
Cost of inventories recognised as expenses and included in cost of sales	14	688,371	874,001	1,157,128	778,597
Write-down of inventories to net realisable value ⁽¹⁾	14	3,397	-	-	-
Depreciation of property, plant and equipment:					
- cost of sales		27,630	34,043	29,904	24,098
- other operating expenses		15,655	8,326	6,847	8,887
	4	43,285	42,369	36,751	32,985
Depreciation of right-of-use assets ⁽¹⁾	9	5,644	6,156	-	-
Depreciation of investment property ⁽¹⁾	8	11	11	-	-
Foreign exchange (gain)/loss – net ⁽¹⁾		(574)	3,809	5,249	32,725
Lease modification ⁽¹⁾		296	-	-	-
Write off of exploration and evaluation costs ⁽¹⁾	6	-	2,706	932	211
Write off of property, plant and equipment ⁽¹⁾		36	121	116	586
Write off of goodwill from acquisition of subsidiary ⁽¹⁾	11	-	-	2,550	-
Write off of warrants ⁽¹⁾	20	-	620	-	-
Loss/(gain) on disposal of property, plant and equipment ⁽¹⁾		-	121	-	(53)
Impairment loss on trade and other receivables ⁽¹⁾	15	-	278	-	-
Unwinding of discount on non-current trade payables ⁽¹⁾		268	1,128	2,464	(1,508)
Rental expenses:					
- short-term leases		9,865	1,398	-	-
- leases of low-value assets		454	60	-	-
Finance costs:					
- loans		27,309	28,832	43,508	39,153
- lease liabilities		306	591	-	-
- others		1,212	2,797	1,373	4,749
		28,827	32,220	44,881	43,902
Operating lease expense		-	-	5,587	2,333
Employee benefits expenses	32	70,238	81,850	80,552	43,057

(1) These are included under "Other operating expenses" in the Consolidated Statement of Comprehensive Income.

(2) This is included under "Cost of sales" in the Consolidated Statement of Comprehensive Income.

29 Income tax

A provision for enterprise income tax on the subsidiaries operating in the People's Republic of China ("PRC") has been made in accordance with the Income Tax Law of PRC concerning Foreign Investment Enterprises and Foreign Enterprises and various local income tax laws.

A Global Trader Programme is granted by the Singapore Ministry of Trade and Industry to a Singapore subsidiary, OM Materials (S) Pte. Ltd., for a concessionary rate of 10% valid up to December 2023, subject to the fulfilment of specific conditions.

In November 2017, OM Materials (Sarawak) Sdn. Bhd. ("OM Sarawak") was awarded Pioneer Status by the Malaysian Investment Development Authority ("MIDA"), which entitles OM Sarawak exemption from tax for a period of 5 years effective 1 December 2017 to 30 November 2021 on 100% of statutory income derived from the production of ferro-silicon, silicon manganese and high carbon ferromanganese. OM Sarawak is permitted to apply for an additional 5 years exemption on 70% of its statutory income on or before 31 December 2022 subject to the satisfaction of MIDA on pre-agreed criterion of this nature.

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29 Income tax (Cont'd)

Taxation has been provided at the appropriate tax rates prevailing in Australia, Singapore, Malaysia, Hong Kong and PRC in which the Group operates on the estimated assessable profits for the year. These rates generally range from 17% to 30% for the reporting period.

The Group	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
Current taxation:				
- Singapore income tax (concessionary tax rate of 10%)	3,292	2,594	2,972	2,786
- PRC tax (tax rate of 25%)	(127)	647	1,728	-
- Australia income tax (tax rate of 30%)	-	2,856	-	-
- others	384	364	42	19
Deferred taxation (Note 10) - net effect	(5,765)	(13,575)	25,558	(22,374)
	(2,216)	(7,114)	30,300	(19,569)
(Over)/Under provision in prior years:				
- current taxation	(2,599)	1,134	(260)	264
- deferred taxation	2,693	-	-	-
Income tax	(2,122)	(5,980)	30,040	(19,305)
Other taxation:				
- withholding tax	406	6,629	19,699	-
- profits-based royalty and special mining taxes	(2)	2,200	2,531	548
	(1,718)	2,849	52,270	(18,757)

A reconciliation of the income tax applicable to the accounting profit at the statutory income tax rates to the income tax expense for the reporting period was as follows:

The Group	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
(Loss)/Profit before income tax	(4,656)	58,921	236,927	72,617
Tax at applicable tax rates	(2,960)	9,410	63,538	18,217
Tax effect of non-taxable revenue	(317)	(118)	(1,358)	(1,760)
Tax effect of non-deductible expenses	3,490	2,312	8,362	3,673
Tax effect of allowances and concessions given by tax jurisdictions	(2,392)	(2,093)	(20,944)	(2,058)
Deferred tax assets on temporary difference not recognised	3,173	30	32	26,550
Utilisation of deferred tax assets on temporary difference not recognised in previous years	(714)	(12,088)	(12,275)	(60,837)
Effects of share of results of associates	(2,480)	(4,557)	(7,046)	(3,331)
Tax rebate	(16)	(10)	(9)	(23)
Under/(over) provision in prior years	94	1,134	(260)	264
	(2,122)	(5,980)	30,040	(19,305)

(1) Non-taxable revenue relates mainly to unrealised exchange gains.

(2) Non-deductible expenses relate mainly to write off of goodwill, unrealised exchange losses, depreciation and amortisation of non-qualifying assets, overseas accrued interest expenses and provision of expenses.

30 Cash flow hedges

The Group	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
Cash flow hedges:				
Gain arising during the year	1,253	919	461	1,360

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31 Profit per share

The Group

Basic profit per share is calculated based on the consolidated profit attributable to owners of the parent divided by the weighted average number of shares on issue of 736,690,000 (2019 - 736,690,000; 2018 - 733,590,000; 2017 - 731,490,000) shares during the financial year.

Fully diluted profit per share was calculated on the consolidated profit attributable to owners of the parent divided by 736,690,000 (2019 - 736,690,000; 2018 - 751,026,000; 2017 - 787,690,000) ordinary shares. The number of ordinary shares was calculated based on the weighted average number of shares on issue during the financial year adjusted for the effects of all dilutive convertible bonds and warrants. Dilutive potential ordinary shares are deemed to have been converted into ordinary shares at the beginning of the year or if later, the date of the issue of the potential ordinary shares.

For calculation of diluted earnings per share in 2019 and 2020, the convertible bonds are not included because they are anti-dilutive. These convertible bonds can potentially dilute basic earnings per share in the future.

The following table reflects profit or loss and share data used in the computation of basic and diluted profit per share from continuing operations for the years ended 31 December:

	2020 '000	2019 '000	2018 '000	2017 '000
The Group				
Weighted average number of ordinary shares for the purpose of basic profit per share	736,690	736,690	733,590	731,490
Effect of dilutive potential ordinary shares:				
Convertible bonds	-	-	17,436	25,000
Warrants	-	-	-	31,200
Weighted average number of ordinary shares for the purpose of diluted profit per share	736,690	736,690	751,026	787,690

Profit figures were calculated as follows:

	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
The Group				
Profit for the year attributable to owners of the Company	5,352	56,641	161,722	92,656
Effect of dilutive potential ordinary shares:				
Interest on convertible bonds	-	-	1,945	2,312
Profit for the purposes of diluted profit per share	5,352	56,641	163,667	94,968

32 Employee benefits expense

	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
The Group				
Directors' fees	693	610	610	440
Directors' remuneration other than fees:				
- Directors of the Company	1,540	2,547	4,695	3,451
- Directors of the subsidiaries	1,418	1,314	1,638	1,630
- Defined contributions plans	76	69	57	56
Key management personnel (other than Directors):				
- Salaries, wages and other related costs	4,087	4,857	4,540	3,939
- Defined contributions plans	376	350	278	274
	8,190	9,747	11,818	9,790
Other than key management personnel:				
- Salaries, wages and other related costs	57,145	66,897	64,431	31,385
- Defined contributions plans	4,903	5,206	4,303	1,911
	70,238	81,850	80,552	43,086
Capitalised in construction-in-progress	-	-	-	(29)
	70,238	81,850	80,552	43,057

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33 Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following amounts are transactions with related parties based upon commercial arm's length terms and conditions:

The Group	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
Consultancy fee charged by an associate	-	-	(235)	(439)
Commission charged to an associate	2,665	2,395	-	-
Commission charged by an associate	(400)	(576)	(215)	-
Sales of goods to an associate	1,691	147	79	21
Purchases of goods from an associate	(86,624)	(93,831)	-	-

34 Leases

(i) The Group as lessee

(a) *Properties*

The Group leases several buildings including a warehouse for operation and storage purposes (Note 9).

The Group makes prepayments for usage of land in the PRC and Malaysia under leasing agreements where the Group constructs buildings and infrastructure for office and operation use.

There are no externally imposed covenants on these property lease arrangements.

(b) *Plant and machinery, office equipment and motor vehicles*

The Group makes monthly lease payments to acquire plant and machinery and office equipment used for manufacturing and operation activities. The Group also acquires motor vehicles under hire purchase arrangements to render internal logistics support. These plant and machinery, office equipment and motor vehicles are recognised as the Group's right-of-use assets (Note 9). The lease agreements for plant and machinery, office equipment and motor vehicles prohibit the Group from subleasing them to third parties.

Information regarding the Group's right-of-use assets and lease liabilities are disclosed in Note 9 and 22 respectively.

(ii) The Group as lessor

Investment property

Operating leases, in which the Group as the lessor, relate to investment property (Note 8) owned by the Group with lease term of 13 months. The operating lease contract contains market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The Group's revenue from rental income received on the investment properties are disclosed in Note 8.

The future minimum rental receivable under non-cancellable operating leases contracted for the reporting date are as follows:

The Group	2020 A\$'000	2019 A\$'000
Undiscounted lease payments to be received:		
- Year 1	127	127
- Year 2 and onwards	11	10
	138	137

13. ACCOUNTANTS' REPORT (Cont'd)

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35 Commitments

35.1 Capital commitments

The following table summarises the Group's capital commitments:

	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
The Group				
Capital expenditure contracted but not provided for in the financial statements:				
- acquisition of property, plant and equipment	872	18,856	64,838	1,496

35.2 Operating lease commitments

(A) Where the Group is the lessee

The Group leases office premises, buildings, plant and machinery from non-related parties under non-cancellable operating lease agreements. These leases have varying terms, escalation clauses and renewal rights.

In 2018, the future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, were as follows:

	2018 A\$'000	2017 A\$'000
The Group		
Not later than one year	3,877	2,785
Later than one year and not later than five years	3,066	599
Later than five years	-	-
	6,943	3,384

As disclosed in Note 2(b), the Group has adopted IFRS 16 on 1 January 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the statement of financial position as at 1 January 2019, except for short-term and low-value leases.

(B) Where the Group is the lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum rental income receivable under non-cancellable operating leases of office premises with original term of more than one year:

	2018 A\$'000	2017 A\$'000
The Group		
Not later than one year	125	-
Later than one year and not later than five years	147	-
Later than five years	-	-
	272	-

The lease on the Group's office premise for which rental income is receivable will expire on 31 January 2022.

On 1 January 2019, the Group has adopted IFRS 16 and the undiscounted lease payments from the operating leases to be received after 31 December 2019 are disclosed in Note 34.

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35 Commitments (Cont'd)

35.3 Other operating commitments

Other contracted operating commitments represent the provision of processing services, catering, cleaning and village management, electrical power services, road haulage and rail haulage. These commitments are contracted for but not provided for in the financial statements.

	2020	2019	2018	2017
The Group	A\$'000	A\$'000	A\$'000	A\$'000
Not later than one year	3,807	14,386	12,113	15,065
Later than one year and not later than five years	-	1,883	13,819	2,475
Later than five years	-	-	-	-
	3,807	16,269	25,932	17,540

35.4 Mineral Tenements

In order to maintain the mineral tenements in which a subsidiary was involved, the subsidiary was committed to fulfil the minimum annual expenditures in accordance with the requirements of the Northern Territory Department of Industry, Tourism and Trade for the next financial year, as set out below:

	2020	2019	2018	2017
The Group	A\$'000	A\$'000	A\$'000	A\$'000
Mineral tenements annual expenditure commitments	101	210	197	95

35.5 Environmental bonds

A subsidiary had environmental bonds to the value of A\$14,553,000 (2019 – A\$13,927,000; 2018 - A\$10,545,000; 2017 - A\$9,861,000) lodged with the Northern Territory Government (Department of Industry, Tourism and Trade) to secure environmental rehabilitation commitments. The A\$14,553,000 (2019 - A\$13,927,000; 2018 - A\$10,545,000; 2017 - A\$9,861,000) of bonds are secured by A\$12,973,000 (2019 - A\$12,347,000; 2018 - A\$8,881,000; 2017 - A\$7,451,000) of bonds issued under financing facilities and certain cash backed as disclosed in Note 17.

36 Other matters

Sponsor Guarantee issued under the terms of the Power Purchase Agreement with Syarikat Sesco Berhad

Pursuant to the execution of the Amended Power Purchase Agreement (“PPA”) between a subsidiary, OM Material (Sarawak) Sdn. Bhd., and Syarikat Sesco Berhad (“SSB”), the Company issued sponsor guarantees to SSB for its 75% interest of the subsidiary’s obligations under the PPA.

The sponsor guarantees disclosed above do not fall into the category of financial guarantees as they do not relate to debt instruments. The purpose of these guarantees is essentially to enable SSB to provide the power supply to the subsidiary on the condition that these guarantees are provided by the Company in the event that there are any unpaid claims arising from the PPA owed to SSB. There are no bank loans involved in these guarantees. As such, there is no need for the guarantees to be fair valued.

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35 Other matters (Cont'd)

Project Support guarantee issued under the terms of the Facilities Agreement and the Project Support Agreement

OM Materials (Sarawak) Sdn Bhd, a subsidiary of the Company entered into a project finance Facilities Agreement ("FA") for a limited recourse senior project finance debt facility.

Concurrently, the Company also executed a Project Support Agreement ("PSA") with OM Materials (Sarawak) Sdn Bhd (as Borrower), and the ultimate shareholders of the Borrower (as Obligors). The PSA governs the rights and obligations of the Obligors. These obligations and liabilities of the Obligors are severally liable on the basis of its shareholding proportion in OM Materials (Sarawak) Sdn. Bhd.

The PSA will lapse upon the final payment of the project financing facilities.

37 Operating segments

For management purposes, the Group is organised into the following reportable operating segments as follows:

Mining	Exploration and mining of manganese ore
Smelting	Production of manganese ferroalloys, ferrosilicon and manganese sinter ore
Marketing and Trading	Trading of manganese ore, manganese ferroalloys, ferrosilicon and sinter ore, chrome ore and iron ore

Each of these operating segments is managed separately as they require different resources as well as operating approaches.

The reporting segment results exclude the finance income and costs, share of results of associate, income tax which are not directly attributable to the business activities of any operating segment, and are not included in arriving at the operating results of the operating segment.

Sales between operating segments are carried out at arm's length.

Segment performance is evaluated based on the operating profit or loss which in certain respects, as set out below, is measured differently from the operating profit or loss in the consolidated financial statements.

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37 Operating segments (Cont'd)

Reportable segment	2020		2019		2018		2017		2020		2019		2018		2017	
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
Reportable segment revenue	1,042	2,651	321	-	197,295	315,973	265,938	163,053	586,296	707,830	1,235,629	1,235,629	199,311	129,205	818,526	129,205
Sales to external customers	84,863	136,815	228,734	136,390	351,408	418,637	593,120	382,556	129,775	179,449	1,235,629	1,235,629	199,311	129,205	818,526	129,205
Inter-segment sales	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Elimination	85,905	139,466	229,055	136,390	548,703	734,810	859,058	545,609	716,071	887,279	1,434,940	1,434,940	947,731	947,731	947,731	947,731
Reportable segment (loss)/profit	(19,919)	20,770	94,934	38,863	(5,357)	23,462	134,300	25,385	32,833	20,782	24,909	24,909	23,960	23,960	23,960	23,960
Reportable segment assets	99,151	109,633	119,171	105,839	895,887	997,622	1,048,820	947,407	449,772	460,708	432,341	432,341	464,565	464,565	464,565	464,565
Elimination	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment in associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total assets	172,257	167,017	179,422	219,695	602,732	644,340	784,517	776,802	185,002	199,265	193,981	193,981	291,482	291,482	291,482	291,482
Reportable segment liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Elimination	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other segment information																
Purchase of property, plant and equipment	455	8,725	7,212	1,843	14,602	66,281	19,789	42,657	94	56	477	477	372	372	372	372
Depreciation of property, plant and equipment	8,832	7,444	5,927	5,642	33,489	34,201	30,515	27,219	191	190	162	162	113	113	113	113
Depreciation of right-of-use assets	2,813	2,565	-	-	2,184	3,122	-	-	456	451	-	-	-	-	-	-
Depreciation of investment property	-	-	-	-	-	-	-	-	11	11	-	-	-	-	-	-
Loss/(Gain) on disposal of property, plant and equipment	-	120	-	-	-	22	-	-	-	(21)	-	-	(53)	(53)	(53)	(53)
Lease modification	296	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write off of evaluation and exploration costs	-	724	337	211	-	-	-	-	-	-	-	-	-	-	-	-
Write off of property, plant and equipment	36	-	92	564	-	100	8	22	-	21	16	16	-	-	-	-
Fair value gain on other investment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-down of inventories to net realisable value	2,973	-	-	-	424	-	-	-	(1,388)	-	-	-	-	-	-	-
Impairment loss on trade and other receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortisation of deferred capital grant	-	-	-	-	(817)	(814)	(760)	(737)	-	-	-	-	-	-	-	-
Amortisation of land use rights	-	-	-	-	206	204	193	186	-	-	-	-	-	-	-	-
Addition of mine development costs	-	4,522	1,014	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortisation of mine development costs	6,505	5,147	9,052	11,143	-	-	-	-	-	-	-	-	-	-	-	-
Addition of evaluation and exploration costs	1,200	1,724	573	512	-	-	-	-	-	-	-	-	-	-	-	-

13. ACCOUNTANTS' REPORT (Cont'd)

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

37 Operating segments (Cont'd)

	Others					Total	
	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000	2020 A\$'000	2019 A\$'000	2017 A\$'000
Reportable segment revenue	-	-	8,528	6,603	784,633	1,026,454	1,510,416
Sales to external customers	-	-	5,263	-	580,052	739,421	1,026,428
Inter-segment sales	14,006	4,520	-	-	(580,052)	(739,421)	(648,151)
Elimination	14,006	4,520	13,791	6,603	784,633	1,026,454	1,510,416
Reportable segment (loss)/profit	(602)	(5,152)	(19,698)	6,986	6,955	59,862	234,445
Reportable segment assets	182,568	188,246	209,847	214,538	1,627,378	1,756,209	1,810,179
Elimination	-	-	-	-	(620,764)	(669,827)	(671,838)
Investment in associates	-	-	-	-	126,832	116,358	126,339
Total assets	182,568	188,246	209,847	214,538	1,133,446	1,202,740	1,278,773
Reportable segment liabilities	92,234	93,171	119,741	250,154	1,052,225	1,103,793	1,277,661
Elimination	-	-	-	-	(387,018)	(408,921)	(450,613)
Total liabilities	92,234	93,171	119,741	250,154	665,207	694,872	827,048
Other segment information							
Purchase of property, plant and equipment	339	1,502	1,694	370	15,490	76,564	29,172
Depreciation of property, plant and equipment	773	534	147	11	43,285	42,369	36,751
Depreciation of right-of-use assets	191	18	-	-	5,644	6,156	-
Depreciation of investment property	-	-	-	-	-	-	-
Loss/(Gain) on disposal of property, plant and equipment	-	-	-	-	11	11	-
Lease modification	-	-	-	-	-	121	(53)
Write off of evaluation and exploration costs	-	-	-	-	296	-	-
Write off of property, plant and equipment	-	1,982	595	-	-	2,706	932
Fair value gain on other investment	-	-	-	-	36	121	116
Write-down of inventories to net realisable value	-	-	-	-	(1,388)	-	-
Impairment loss on trade and other receivables	-	-	-	-	3,397	-	-
Amortisation of deferred capital grant	-	278	-	-	-	278	-
Amortisation of land use rights	-	-	-	-	(817)	(814)	(737)
Addition of mine development costs	-	-	-	-	206	193	186
Amortisation of mine development costs	-	-	-	-	4,522	1,014	-
Addition of evaluation and exploration costs	163	137	-	-	6,505	5,147	11,143
					1,363	1,861	573
							512

13. ACCOUNTANTS' REPORT (Cont'd)

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

37 Operating segments (Cont'd)

Reconciliation of the Group's reportable segment profit to the profit before income tax is as follows:

	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
The Group				
Reportable segment profit	6,955	59,862	234,445	95,194
Finance income	691	898	405	187
Share of results of associates	16,525	30,381	46,958	21,138
Finance costs	(28,827)	(32,220)	(44,881)	(43,902)
(Loss)/Profit before income tax	(4,656)	58,921	236,927	72,617

The Group's revenues from external customers and its non-current assets (other than deferred tax assets) are divided into the following geographical areas:

	Revenue from external customers				Non-current assets			
	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000	2020 A\$'000	2019 A\$'000	2018 A\$'000	2017 A\$'000
Asia Pacific	675,954	857,746	1,239,325	761,293	645,141	740,481	696,645	652,522
Europe	42,875	79,522	147,291	120,018	-	-	-	-
Middle East	49,511	39,681	82,599	60,210	-	-	-	-
Africa	3,220	1,911	1,414	7,375	126,803	116,302	126,303	116,500
Others	13,073	47,594	39,787	39,286	-	-	-	-
	784,633	1,026,454	1,510,416	988,182	771,944	856,783	822,948	769,022

The geographical location of customers is based on the locations at which the goods were delivered. The geographical location of non-current assets is based on the physical location of the assets.

38 Financial risk management objectives and policies

The Group are exposed to financial risks arising from its operations and use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

Risk management is carried out by the Finance Division under policies approved by the Board of Directors. The Finance Division identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investing excess liquidity.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

38 Financial risk management objectives and policies (Cont'd)

38.1 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the Group to incur a financial loss. The Group's exposure to credit risk arises primarily from trade receivables, cash and cash equivalents and other financial assets. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopt the policy of dealing only with high credit quality counterparties.

The Group's objective is to seek continual growth while minimising losses incurred due to increased credit risk exposure.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by management based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective management.

Exposure to credit risk

As the Group do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position.

The Group's major classes of financial assets are bank deposits and trade receivables. Cash is held with reputable financial institutions. Further details of credit risks on trade and other receivables are disclosed in Note 15.

Undrawn credit facilities

The Group has undrawn credit facilities of approximately A\$11,550,000 (2019 – A\$39,730,000; 2018 - A\$196,800,000; 2017 - A\$158,700,000) at the reporting date.

38.2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments that are settled by delivering cash or another financial asset. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

13. ACCOUNTANTS' REPORT (Cont'd)

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

38 Financial risk management objectives and policies (Cont'd)

38.2 Liquidity risk (Cont'd)

The table below analyses the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows:

	Less than 1 year A\$'000	Between 2 and 5 years A\$'000	Over 5 years A\$'000	Total A\$'000	Total carrying amount A\$'000
The Group					
As at 31 December 2020					
Trade and other payables	155,760	54,874	-	210,634	210,551
Borrowings	128,631	320,346	2,856	451,833	415,045
Lease liabilities	1,336	435	-	1,771	1,670
	<u>285,727</u>	<u>375,655</u>	<u>2,856</u>	<u>664,238</u>	<u>627,266</u>
As at 31 December 2019					
Trade and other payables	113,168	60,580	-	173,748	173,398
Borrowings	112,132	444,908	3,067	560,107	473,918
Lease liabilities	6,296	1,165	-	7,461	7,092
	<u>231,596</u>	<u>506,653</u>	<u>3,067</u>	<u>741,316</u>	<u>654,408</u>
As at 31 December 2018					
Trade and other payables	164,288	114,339	-	278,627	277,167
Borrowings	106,004	346,193	245,626	697,823	511,834
	<u>270,292</u>	<u>460,532</u>	<u>245,626</u>	<u>976,450</u>	<u>789,001</u>
As at 31 December 2017					
Trade and other payables	215,060	142,650	-	357,710	353,325
Borrowings	67,533	371,970	198,030	637,533	508,668
	<u>282,593</u>	<u>514,620</u>	<u>198,030</u>	<u>995,243</u>	<u>861,993</u>

The table analyses the derivative financial instruments of the Group for which contractual maturities are essential for an understanding of the timing of the cash flows into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

The Group has various lines of credit with major financial institutions for the purpose of drawing upon short term borrowings, through the pledging of bills receivables or inventories. Further, management closely monitors the Group's capital structure to ensure that there are adequate funds to meet all its obligations in a timely and cost effective manner.

The Group manages its liquidity risk by ensuring there are sufficient cash and current assets to meet all their normal operating commitments in a timely and cost-effective manner and having adequate amount of credit facilities. The Group has the ability to generate additional working capital through financing from financial institutions.

13. ACCOUNTANTS' REPORT (Cont'd)

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**Notes to the consolidated financial statements for the financial years ended
 31 December 2020, 2019, 2018 and 2017**

38 Financial risk management objectives and policies (Cont'd)

38.3 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk arises primarily from their bank borrowings, cash collaterals and fixed deposits.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if USD, RMB and MYR interest rates had been 75 (2018 – 75; 2017 – 75) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been higher/lower by the amounts shown below, arising mainly as a result of lower/higher interest expense on bank borrowings, cash collaterals and fixed deposits.

	2020 A\$'000	Profit/ (Loss)		
		2019 A\$'000	2018 A\$'000	2017 A\$'000
The Group				
United States Dollar				
- lower 75 basis points (2019/2018/2017 - 75 basis points)	1,822	2,006	2,051	2,385
- higher 75 basis points (2019/2018/2017 - 75 basis points)	(1,822)	(2,006)	(2,051)	(2,385)
Renminbi				
- lower 75 basis points (2019/2018/2017 - 75 basis points)	(57)	(72)	(52)	(52)
- higher 75 basis points (2019/2018/2017 - 75 basis points)	57	72	52	52
Malaysian Ringgit				
- lower 75 basis points (2019/2018/2017 - 75 basis points)	396	511	544	512
- higher 75 basis points (2019/2018/2017 - 75 basis points)	(396)	(511)	(544)	(512)

38.4 Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when transactions are denominated in foreign currencies.

The Group operates and sells its products in several countries and transacts in foreign currencies. As a result, the Group is exposed to movements in foreign currency exchange rates arising from normal trading transactions, primarily with respect to USD, RMB and MYR.

13. ACCOUNTANTS' REPORT (Cont'd)

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

38 Financial risk management objectives and policies (Cont'd)

38.4 Foreign currency risk (Cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD, RMB and MYR exchange rates against AUD, with all other variables held constant, of the Group's profit after income tax and equity.

The Group	2020		2019		2018		2017	
	Profit/ (Loss) A\$'000	(Decrease)/ Increase In Equity A\$'000	Profit/ (Loss) A\$'000	(Decrease)/ Increase Equity A\$'000	Profit/ (Loss) A\$'000	(Decrease)/ Increase Equity A\$'000	Profit/ (Loss) A\$'000	(Decrease)/ Increase Equity A\$'000
United States Dollar								
- strengthened 5% (2019/2018/2017 - 5%)	(15,333)	(13,131)	(17,687)	(17,525)	(16,621)	(17,865)	32,888	32,296
- weakened 5% (2019/2018/2017 - 5%)	15,333	13,131	17,687	17,525	16,621	17,865	(32,888)	(32,296)
Renminbi								
- strengthened 5% (2019/2018/2017 - 5%)	380	376	343	341	672	674	1,141	1,146
- weakened 5% (2019/2018/2017 - 5%)	(380)	(376)	(343)	(341)	(672)	(674)	(1,141)	(1,146)
Malaysian Ringgit								
- strengthened 5% (2019/2018/2017 - 5%)	(10,745)	(10,512)	(10,585)	(10,603)	(14,298)	(14,441)	14,507	14,674
- weakened 5% (2019/2018/2017 - 5%)	10,745	10,512	10,585	10,603	14,298	14,441	(14,507)	(14,674)

38.5 Market price risk

The Group does not hold any quoted or marketable financial instruments, hence, is not exposed to any movement in market prices.

39 Capital risk management

The Group's objectives when managing capital are:

- to safeguard the Group's abilities to continue as a going concern;
- to support the Group's stability and growth;
- to provide capital for the purpose of strengthening the Group's risk management capability; and
- to provide an adequate return to shareholders.

The Group actively and regularly review and manage its capital structure to ensure optimal capital structure and shareholders' returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently do not adopt any formal dividend policy.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Group, is reasonable.

The Group monitor capital using a gearing ratio, which is net debt divided by total equity:

	2020	2019	2018	2017
	A\$'000	A\$'000	A\$'000	A\$'000
The Group				
Borrowings	415,045	473,918	512,926	510,681
Less: Cash and bank balances	(63,031)	(63,712)	(91,819)	(34,376)
Net debt	352,014	410,206	421,107	476,305
Total equity	468,239	507,868	451,125	287,748
Gearing ratio	0.75	0.81	0.93	1.66

There were no changes in the Group's approach to capital management during the year.

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40 Financial instruments

Accounting classifications of financial assets and financial liabilities

31 December 2020	Note	Debt instruments (at amortised cost) A\$'000	Equity instruments (at FVTPL) A\$'000	Total A\$'000
The Group				
Financial assets				
Other investments	13	-	1,888	1,888
Trade and other receivables ⁽¹⁾	15	56,229	-	56,229
Cash and bank balances	17	63,031	-	63,031
		119,260	1,888	121,148

31 December 2020	Note	Other financial liabilities (at amortised cost) A\$'000	Total A\$'000
Financial liabilities			
Borrowings	21	415,045	415,045
Lease liabilities	22	1,670	1,670
Trade and other payables	23	210,551	210,551
		627,266	627,266

31 December 2019	Note	Debt instruments (at amortised cost) A\$'000	Total A\$'000
Financial assets			
Trade and other receivables ⁽¹⁾	15	37,045	37,045
Cash and bank balances	17	63,712	63,712
		100,757	100,757

31 December 2019	Note	Other financial liabilities (at amortised cost) A\$'000	Total A\$'000
Financial liabilities			
Borrowings	21	473,918	473,918
Lease liabilities	22	7,092	7,092
Trade and other payables	23	173,398	173,398
		654,408	654,408

31 December 2018	Note	Debt instruments (at amortised cost) A\$'000	Total A\$'000
Financial assets			
Trade and other receivables	15	90,570	90,570
Cash and bank balances	17	91,819	91,819
		182,389	182,389

31 December 2018	Note	Other financial liabilities (at amortised cost) A\$'000	Total A\$'000
Financial liabilities			
Borrowings (excluding finance lease liabilities)	21	511,834	511,834
Trade and other payables	23	277,167	277,167
		789,001	789,001

31 December 2017	Note	Loans and receivables (at amortised cost) A\$'000	Total A\$'000
Financial assets			
Trade and other receivables	15	91,025	91,025
Cash and bank balances	17	34,376	34,376
		125,401	125,401

(1) Excluded tax recoverable from the trade and other receivables of A\$6,763,000 (2019: A\$764,000).

13. ACCOUNTANTS' REPORT (Cont'd)

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Notes to the consolidated financial statements for the financial years ended 31 December 2020, 2019, 2018 and 2017

39 Financial instruments (Cont'd)

Accounting classifications of financial assets and financial liabilities (Cont'd)

The Group 31 December 2017	Note	Other financial liabilities (at amortised cost) A\$'000	Total A\$'000
Financial liabilities			
Borrowings (excluding finance lease liabilities)	21	508,668	508,668
Trade and other payables	23	353,325	353,325
		861,993	861,993

41 Fair value measurement

Definition of fair value

IFRSs define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the statements of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: unobservable inputs for the asset or liability.

Financial assets and liabilities that are not carried at fair value but which carrying amounts approximate that of fair value

The carrying amounts of trade and other receivables (Note 15), cash and bank balances (Note 17), trade and other payables (Note 23) and current borrowings (Note 21) are reasonable approximation of fair values due to their short term nature.

The carrying amounts of non-current trade and other payables (Note 23) and non-current borrowings (Note 21) are reasonable approximation of fair values as their interest rate approximate the market lending rate.

42 Events occurring after the reporting period

- (i) As of 31 December 2020, the Company had 12,500,000 convertible notes on issue with Hanwa Co. Ltd, due on 6 March 2021 (Note 21.2). In March 2021, the 12,500,000 convertible notes were fully redeemed by the Company for A\$13,900,000 (approximately equivalent to US\$10,700,000).
- (ii) The Group's subsidiary company, OM Materials (Sarawak) Sdn. Bhd., requested for additional capital contribution from its shareholders for the amount of A\$11,700,000 (approximately equivalent to US\$9,119,000). Accordingly, in March 2021, the Group has contributed its 75% proportionate share of this capital contribution.

14. ADDITIONAL INFORMATION

14.1 SHARE CAPITAL

- (i) No future offering of new securities will be allotted or issued on the basis of this Prospectus.
- (ii) As at the LPD, we have only one class of shares in our Company, namely ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.
- (iii) Save as disclosed in **Section 6.1.2** of this Prospectus, our Company has not issued or proposed to issue any shares, stocks or debentures as fully or partly paid-up in cash or otherwise, within the two years immediately preceding the date of this Prospectus.
- (iv) As at the date of this Prospectus, there is currently no scheme involving our employees and Directors in the share capital of our Company or any of our subsidiaries.
- (v) We have not agreed, conditionally or unconditionally, to put the share capital of our Company or any of our subsidiaries under any option that is currently outstanding.
- (vi) Save as disclosed in **Section 6.3.2** of this Prospectus, as at the date of this Prospectus, neither we nor our subsidiaries have any outstanding warrants, options, convertible securities or uncalled capital.
- (vii) Save as provided for under our Bye-laws, of which a summary of certain provisions are set out in **Section 14.2.2** below, and the BCA, there are no other restrictions upon the holding or voting or transfer of our Shares or the interests in any of our Company or our subsidiaries or upon the declaration or payment of any dividend or distribution thereon.

14.2 SUMMARY OF CERTAIN PROVISIONS OF OUR MEMORANDUM OF ASSOCIATION AND SELECTED BYE-LAWS

The following provides information about certain provisions of our Memorandum of Association and Bye-laws. The description below is only a summary and is qualified in its entirety by reference to our Memorandum of Association and Bye-laws and the BCA:-

14.2.1 Memorandum of Association

Our Memorandum of Association states, inter alia, that the liability of the members of our Company is limited to the amount (if any) for the time being unpaid on the shares respectively held by them and that our Company is to be an exempted company as defined by the BCA.

The Memorandum of Association of our Company provides that our Company shall, pursuant to section 42 of the BCA, have the power to issue preference shares which are, at the option of the holder, liable to be redeemed. The Memorandum of Association of our Company also provides that our Company shall, pursuant to Section 42A of the BCA, have the power to purchase its own shares. Pursuant to Bye-law 3(2) of our Bye-laws, subject to the BCA, our Memorandum of Association and, where applicable, the rules of any Designated Stock Exchange and/or Secondary Stock Exchange and/or any competent regulatory authority, any power of our Company to purchase its own shares for cancellation or otherwise acquire its own shares as treasury shares in accordance with the BCA, shall be exercisable by the Board of Directors upon such terms and subject to such conditions as it thinks fit.

14. ADDITIONAL INFORMATION (Cont'd)

14.2.2 Bye-laws

The words, terms and expressions appearing in the following provisions shall have the same meanings used in our Bye-laws unless they are otherwise defined herein or the context otherwise requires:-

Word	Meaning
"Act"	the Companies Act 1981 of Bermuda as amended from time to time
"Applicable Law"	means the Act, the Corporations Act (only as it relates to foreign incorporated companies), the listing rules of the Designated Stock Exchange and the ASX Settlement Operating Rules
"associate"	the meaning attributed to it in the Corporations Act
"ASX Settlement"	the ASX Settlement Pty Ltd (ACN 008 504 532)
"ASX Settlement Operating Rules"	the operating rules of ASX Settlement
"ASX Settlement Transfer"	a transfer of quoted securities or quoted rights effected in:- (a) accordance with the ASX Settlement Operating Rules; or (b) substantial accordance with the ASX Settlement Operating Rules and determined by ASX Settlement to be an effective transfer
"Board"	the board of directors of the Company appointed or elected pursuant to the Bye-laws and acting by resolution in accordance with the Act and the Bye-laws or the directors present at a meeting of directors at which there is a quorum
"Business Day"	has the meaning which it bears in the listing rules of the Designated Stock Exchange
"Bye-laws"	the Bye-laws in their present form or as supplemented or amended or substituted from time to time.
"capital"	the share capital from time to time of the Company
"Central Depositories Act"	means the Securities Industry (Central Depositories) Act 1991 of Malaysia and regulations made thereunder, as amended or re-enacted from time to time.
"CHESS Approved Securities"	securities of the Company for which CHESS System approval has been given in accordance with the ASX Settlement Operating Rules, or such amended definition as may be prescribed by the listing rules of the Designated Stock Exchange from time to time
"CHESS System"	the Clearing House Electronic Subregister System operated by ASX Settlement or such other securities clearing house as is approved pursuant to the Corporations Act from time to time and to which the listing rules of the Designated Stock Exchange apply
"clearing house"	a clearing house recognised by the laws of the jurisdiction in which the shares of the Company are listed or quoted on a stock exchange in such jurisdiction
"Company"	OM Holdings Limited (ARBN 081 028 337)
"Corporations Act"	means the Corporations Act 2001 (Cth) of Australia and associated regulations, as may be in force in Australia from time to time
"debenture" and "debenture holder"	include debenture stock and debenture stockholder respectively
"Deposited Security"	means shares in the Company standing to the credit of a Securities Account and includes securities in a Securities Account that is in suspense subject to the provisions of the Central Depositories Act.

14. ADDITIONAL INFORMATION (Cont'd)

Word	Meaning
"Depositor"	means a person being a holder of a Securities Account maintained with the Depository.
"Depository"	means Bursa Malaysia Depository Sdn Bhd. (Malaysia Company Registration No. 198701006854 (165570-W)) and its successors-in-title.
"Designated Stock Exchange"	The ASX Limited (ACN 008 624 691) or the Australian Securities Exchange, as the context requires, for so long as the Company is admitted to the official list of that exchange or such other stock exchange which is an appointed stock exchange for the purposes of the Act in respect of which the securities of the Company are listed or quoted and where such appointed stock exchange deems such listing or quotation to be the primary listing or quotation of the shares of the Company
"Director"	a director of the Company and shall include an alternate director
"electronic meeting"	a general meeting held and conducted wholly and exclusively by virtual attendance and participation by Members and/or proxies by means of electronic facilities
"Escrow Period"	has the meaning given in the listing rules of the Designated Stock Exchange
"hybrid meeting"	a general meeting convened for the (i) physical attendance by Members and/or proxies at the Principal Meeting Place and where applicable, one or more Meeting Locations and (ii) virtual attendance and participation by Members and/or proxies by means of electronic facilities
"Listing Requirements"	means Main Market Listing Requirements of Bursa Securities, including any amendment that may be made from time to time
"Meeting Location"	has the meaning given to it in Bye-law 61A
"Member" or "shareholder"	a duly registered holder from time to time of the shares in the capital of the Company
"MCA"	means the Companies Act 2016 of Malaysia, as amended, substituted or re-enacted from time to time
"month"	a calendar month
"Notice"	written notice unless otherwise specifically stated and as further defined in the Bye-laws
"Office"	the registered office of the Company for the time being
"physical meeting"	a general meeting held and conducted by physical attendance and participation by Members and/or proxies at the Principal Meeting Place and/or where applicable, one or more Meeting Locations
"Principal Meeting Place"	shall have the meaning given to it in Bye-law 60(2)
"Record of Depositors"	means a record provided by the Depository to the Company under Chapter 24.0 of the Rules
"Register"	the principal register and where applicable, any branch register of Members to be kept pursuant to the provision of the Act
"Registration Office"	in respect of any class of share capital such place as the Board may from time to time determine to keep a branch register of Members in respect of that class of share capital and where (except in cases where the Board otherwise directs) the transfers or other documents of title for such class of share capital are to be lodged for registration and are to be registered
"Representative"	any person authorised to act as a representative of a body corporate pursuant to the Corporations Act
"Restricted Securities"	has the meaning given in the listing rules of the Designated Stock Exchange

14. ADDITIONAL INFORMATION (Cont'd)

Word	Meaning
"Restriction Agreement"	means, in relation to a Restricted Security, the restriction agreement entered into by the Company under the listing rules of the Designated Stock Exchange in respect of that Restricted Security
"Rules"	means the Rules of the Depository, as may be amended from time to time
"Secondary Stock Exchange" or "Bursa Securities"	Bursa Malaysia Securities Berhad
"Secretary"	any person, firm or corporation appointed by the Board to perform any of the duties of secretary of the Company and includes any assistant, deputy, temporary or acting secretary
"Securities Account"	means the securities account maintained by a Depositor with the Depository
"year"	a calendar year

(i) Remuneration, voting and borrowing powers of our Directors

Certain provisions of our Bye-laws in relation to the remuneration, voting and borrowing powers of our Directors, including voting powers in relation to proposals, arrangements or contracts in which they are interested, are set out below:-

(a) Ability of interested directors to vote (Bye-laws 104 and 104A)

A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first considered, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters namely:-

- (A) any contract or arrangement for the giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (B) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

14. ADDITIONAL INFORMATION (Cont'd)

- (C) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (D) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (E) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a member or in which the Director and any of his associates are not in aggregate beneficially interested in five per cent or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or
- (F) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(b) Remuneration (Bye-laws 92, 97, 98, 99 and 100)

The ordinary remuneration of the non-executive Directors shall from time to time be determined by the Company in general meeting and shall (unless otherwise directed by the resolution by which it is voted) be divided amongst the Board in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any non-executive Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office. Such remuneration shall be deemed to accrue from day to day.

Each non-executive Director shall be entitled to be repaid or prepaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by him in attending meetings of the Board or committees of the Board or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of his duties as a non-executive Director.

Any non-executive Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a non-executive Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law.

14. ADDITIONAL INFORMATION *(Cont'd)*

Subject to the listing rules of the Designated Stock Exchange and where applicable the Secondary Stock Exchange, the Board shall obtain the approval of the Members in general meeting before making any payment to any Director or past Director of the Company by way of compensation for loss of office, or as consideration for or in connection with his retirement from office (not being payment to which the Director is contractually entitled).

Notwithstanding Bye-laws 97, 98, 99 and 100 as stated above, an executive director appointed to an office under Bye-law 91 shall receive such remuneration (whether by way of salary, commission, participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time determine, and either in addition to or in lieu of his remuneration as a Director.

(c) Borrowing powers (Bye-law 111)

The Board may exercise all the powers of the Company to raise or borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Act, to issue debentures, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(ii) Share rights and restrictions

(a) Dividends and distributions (Bye-laws 19(2), 55A and 138 to 147(1))

Where a share stands in the names of two or more persons, the person first named in the Register shall as regards service of Notices and, subject to the provisions of the Bye-laws, all or any other matters connected with the Company, except the transfer of the shares, be deemed the sole holder thereof, save that in respect of any Deposited Security which is jointly held by the Depository and a Depositor, the Depositor named in the Register as the joint holder of the Deposited Security shall as regards service of notices and, subject to the provisions of the Bye-laws, all or any other matters connected with the Company, be deemed to be the sole holder thereof.

The Board may, subject to the Bye-laws and in accordance with the Act and the listing rules of the Designated Stock Exchange and where applicable the Secondary Stock Exchange, declare a dividend in any currency to be paid to the Members and such dividend may be paid in cash or wholly or partly in specie in which case the Board may fix the value for distribution in specie of any assets. The Board may declare and make such other distributions (in cash or in specie) to the Members as may be lawfully made out of the assets of the Company. The Company in general meeting may also, subject to the Bye-laws and in accordance with the Act and the listing rules of the Designated Stock Exchange and where applicable the Secondary Stock Exchange, declare a dividend or such other distribution to be paid to the Members but no dividend or distribution shall be declared by the Company in general meeting in excess of the amount recommended by the Board.

14. ADDITIONAL INFORMATION *(Cont'd)*

No dividend shall be paid or distribution made if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than its liabilities.

Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide: (A) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for the purposes of Bye-law 140 as paid up on the share; and (B) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

The Board may from time to time pay to the Members such interim dividends as appear to the Board to be justified by the profits of the Company and in particular (but without prejudice to the generality of the foregoing) if at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend and provided that the Board acts bona fide the Board shall not incur any responsibility to the holders of shares conferring any preference for any damage that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferential rights and may also pay any fixed dividend which is payable on any shares of the Company half-yearly or on any other dates, whenever such profits, in the opinion of the Board, justifies such payment.

The Board may deduct from any dividend or other moneys payable to a Member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

No unpaid dividend or distribution or other moneys payable by the Company shall bear interest as against the Company.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address or, in the case of joint holders, addressed to the holder whose name stands first in the Register in respect of the shares at his address as appearing in the Register or addressed to such person and at such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the Register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

14. ADDITIONAL INFORMATION *(Cont'd)*

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. Any dividend or bonuses unclaimed after a period of six years from the date of declaration shall be forfeited and shall revert to the Company. The payment by the Board of any unclaimed dividend or other sums payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind and in particular of paid up shares, debentures or warrants to subscribe securities of the Company or any other company, or in any one or more of such ways, and where any difficulty arises in regard to the distribution the Board may settle the same as it thinks expedient, and in particular may issue certificates in respect of fractions of shares, disregard fractional entitlements or round the same up or down, and may fix the value for distribution of such specific assets, or any part thereof, and may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Board and may appoint any person to sign any requisite instruments of transfer and other documents on behalf of the persons entitled to the dividend, and such appointment shall be effective and binding on the Members. The Board may resolve that no such assets shall be made available to Members with registered addresses in any particular territory or territories where, in the absence of a registration statement or other special formalities, such distribution of assets would or might, in the opinion of the Board, be unlawful or impracticable and in such event the only entitlement of the Members aforesaid shall be to receive cash payments as aforesaid. Members affected as a result of the foregoing sentence shall not be or be deemed to be a separate class of Members for any purpose whatsoever.

Any resolution declaring a dividend on shares of any class, whether a resolution of the Company in general meeting or a resolution of the Board, may specify that the same shall be payable or distributable to the persons registered as the holders of such shares at the close of business on a particular date, notwithstanding that it may be a date prior to that on which the resolution is passed, and thereupon the dividend shall be payable or distributable to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such dividend of transferors and transferees of any such shares. The provisions of Bye-law 146A shall mutatis mutandis apply to bonuses, capitalisation issues, distributions of realised capital profits or offers or grants made by the Company to the Members.

14. ADDITIONAL INFORMATION (Cont'd)

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on any class of the share capital of the Company, the Board may further resolve either (A) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the Members entitled thereto will be entitled to elect to receive such dividend (or part thereof if the Board so determines) in cash in lieu of such allotment; or (B) that the Members entitled to such dividend shall be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Without prejudice to the rights of the Company under the paragraph below, the Company may cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered.

The Company shall have the power to sell, in such manner as the Board thinks fit, any shares of a Member who is untraceable, but no such sale shall be made unless:-

- (A) all cheques or warrants in respect of dividends of the shares in question, being not less than three in total number, for any sum payable in cash to the holder of such shares in respect of them sent during the relevant period in the manner authorised by the Bye-laws of the Company have remained uncashed;
- (B) so far as it is aware at the end of the relevant period, the Company has not at any time during the relevant period received any indication of the existence of the Member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operation of law; and
- (C) the Company, if so required by the rules governing the listing of shares on the Designated Stock Exchange and where applicable the Secondary Stock Exchange, has given Notice to, and caused advertisement in newspapers in accordance with the requirements of, the Designated Stock Exchange and where applicable the Secondary Stock Exchange to be made of its intention to sell such shares in the manner required by the Designated Stock Exchange and where applicable the Secondary Stock Exchange, and a period of three (3) months or such shorter period as may be allowed by the Designated Stock Exchange and where applicable the Secondary Stock Exchange has elapsed since the date of such advertisement.

For the purpose of the foregoing, the "relevant period" means the period commencing twelve years before the date of publication of the advertisement referred to in paragraph (C) and ending at the expiry of the period referred to in that paragraph.

14. ADDITIONAL INFORMATION *(Cont'd)*

To give effect to any such sale the Board may authorise some person to transfer the said shares and an instrument of transfer signed or otherwise executed by or on behalf of such person shall be as effective as if it had been executed by the registered holder or the person entitled by transmission to such shares, and the purchaser shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale. The net proceeds of the sale will belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former Member for an amount equal to such net proceeds. No trust shall be created in respect of such debt and no interest shall be payable in respect of it and the Company shall not be required to account for any money earned from the net proceeds which may be employed in the business of the Company or as it thinks fit.

Any sale under Bye-law 55A shall be valid and effective notwithstanding that the Member holding the shares sold is dead, bankrupt or otherwise under any legal disability or incapacity.

(b) Voting rights (Bye-laws 17B(1), 17B(2), 31, 47(2), 67, 75, 77 and 79)

Subject to the Listing Requirements (if applicable), for so long as the Company is listed on the Secondary Stock Exchange and the shares of the Company are deposited with the Depository, all Deposited Securities of a Depositor shall be held jointly by the Depository and the Depositor. The Depositor shall be named in the Register as the first holder and the Depository named as the second or junior holder (as the case may be) thereof.

Notwithstanding any provision in the Bye-laws to the contrary, a Depositor whose name appears in the Register shall be entitled to all rights (including voting and other rights), benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Deposited Security registered in the Depositor's name (whether conferred or imposed by the Act, the memorandum of association of the Company or the Bye-laws, or otherwise) as if such Depositor is the sole holder of such Deposited Security. Notwithstanding that the Depository is named in the Register as the joint holder of any Deposited Security, the Depository shall not be entitled to any rights (including voting and other rights), benefits, powers and privileges in respect of, or arising from, such Deposited Security and nor shall the Depository be subject to any liabilities, duties and obligations in respect of, or arising from, such Deposited Security.

No Member shall be entitled to receive any dividend or bonus or to be present and vote (save as proxy for another Member) at any general meeting either personally or by proxy, or be reckoned in a quorum, or exercise any other privilege as a Member until all calls or instalments due by him to the Company, whether alone or jointly with any other person, together with interest and expenses (if any) shall have been paid.

14. ADDITIONAL INFORMATION *(Cont'd)*

For so long as the Company is listed on the Secondary Stock Exchange and the shares of the Company are deposited with the Depository, in accordance with the Rules, the Company shall inform the Depository of the dates of general meetings of the Company and the Company shall request the Depository to issue a Record of Depositors to whom notices of general meetings shall be given by the Company. In addition, in respect of each general meeting, the Company shall request the Depository in accordance with the Rules, to issue a Record of Depositors as at the latest date which is reasonably practicable which shall in any event be not less than three (3) clear market days before that general meeting ("General Meeting Record of Depositors"). Subject to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 of Malaysia as amended from time to time, notwithstanding any other provision of the Bye-laws, a Depositor shall not be entitled to attend any general meeting and to speak and vote thereat unless his name appears in the relevant General Meeting Record of Depositors.

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Bye-laws, at any general meeting on a show of hands every Member present in person (or being a corporation, is present by a Representative duly authorised under Section 78 of the Act), or by proxy shall have one vote and on a poll every Member present in person or by proxy or, in the case of a Member being a corporation by its duly authorised Representative or by proxy shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. Notwithstanding anything contained in the Bye-laws, where more than one proxy is appointed by a Member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. Votes may be cast by such means, electronic or otherwise, as the Directors or the chairman of the meeting may determine. A resolution put to the vote of a physical meeting shall be decided on a show of hands unless voting by way of a poll is required by the listing rules of the Designated Stock Exchange or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:-

- (A) by the chairman of such meeting; or
- (B) by at least five Members present in person or in the case of a Member being a corporation by its duly authorised Representative or by proxy for the time being entitled to vote at the meeting; or
- (C) by a Member or Members present in person or in the case of a Member being a corporation by its duly authorised Representative or by proxy and representing not less than one-tenth of the total voting rights of all Members having the right to vote at the meeting; or
- (D) by a Member or Members present in person or in the case of a Member being a corporation by its duly authorised Representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

14. ADDITIONAL INFORMATION (Cont'd)

A demand by a person as proxy for a Member or in the case of a Member being a corporation by its duly authorised Representative shall be deemed to be the same as a demand by a Member.

Where there are joint holders of any share any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register in respect of the joint holding. Several executors or administrators of a deceased Member in whose name any share stands shall for the purposes of Bye-law 75 be deemed joint holders thereof.

No Member shall, unless the Board otherwise determines, be entitled to attend and vote and to be reckoned in a quorum at any general meeting unless he is duly registered and all calls or other sums presently payable by him in respect of shares in the Company have been paid. Where the Company has knowledge that any Member is, under the listing rules of the Designated Stock Exchange and where applicable the Secondary Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.

Any Member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his proxy to attend and vote instead of him. A Member who is the holder of two or more shares may appoint more than one proxy or attorney to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy or attorney need not be a Member. In addition, a proxy or proxies representing either a Member who is an individual or a Member which is a corporation shall be entitled to exercise the same powers on behalf of the Member which he or they represent as such Member could exercise.

(c) Variation of rights of existing shares or classes of shares (Bye-laws 9, 12 and 13)

Subject to any special rights conferred on the holders of any shares or class of shares, any share in the Company (whether forming part of the present capital or not) may be issued with or have attached thereto such rights or restrictions whether in regard to dividend, voting, return of capital or otherwise as the Company may by ordinary resolution determine or, if there has not been any such determination or so far as the same shall not make specific provision, as the Board may determine.

14. ADDITIONAL INFORMATION *(Cont'd)*

Subject to the Act and without prejudice to the paragraph stated above, all or any of the special rights for the time being attached to the shares or any class of shares may, unless otherwise provided by the terms of issue of the shares of that class, from time to time (whether or not the Company is being wound up) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting all the provisions of the Bye-laws relating to general meetings of the Company shall, mutatis mutandis, apply, but so that:-

- (A) the necessary quorum (other than at an adjourned meeting) shall be two persons (or in the case of a Member being a corporation, its duly authorised Representative) holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting of such holders, two holders present in person (or in the case of a Member being a corporation, its duly authorised Representative) or by proxy (whatever the number of shares held by them) shall be a quorum;
- (B) every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him; and
- (C) any holder of shares of the class present in person or by proxy may demand a poll.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied, modified or abrogated by the creation or issue of further shares ranking *pari passu* therewith.

(d) General meetings (Bye-laws 56, 57, 58, 59, 60(1), 60(2) and 61A(3))

An annual general meeting of the Company shall be held in each year other than the year in which its statutory meeting is convened at such time (within a period of not more than 15 months after the holding of the last preceding annual general meeting unless a longer period would not infringe the listing rules of the Designated Stock Exchange and where applicable the Secondary Stock Exchange) and place (if applicable) as may be determined by the Board.

Each general meeting, other than an annual general meeting, shall be called a special general meeting. Subject to the listing rules of the Designated Stock Exchange (if applicable), general meetings (including an annual general meeting, any adjourned meeting or postponed meeting) may be held as a physical meeting in any part of the world and at one or more locations as provided in Bye-law 61A, as a hybrid meeting or as an electronic meeting as may be determined by the Board in its absolute discretion. For so long as the shares of the Company are listed on the Secondary Stock Exchange, general meetings of the Company may be held at more than one venue using any technology that allows all Members a reasonable opportunity to participate in the meeting and at such time, day and place as may be determined by the Board.

14. ADDITIONAL INFORMATION *(Cont'd)*

The Board may whenever it thinks fit call special general meetings, and Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Act.

The Company shall notify the Designated Stock Exchange and where applicable the Secondary Stock Exchange of any meeting at which Directors are to be elected at least five Business Days before the closing day for receipt of nominations for Directors, and in any other case, on the Business Day that the Notice of general meeting is dispatched to Members.

As soon as is practicable the Company shall notify the Designated Stock Exchange and where applicable the Secondary Stock Exchange after any general meeting in the case of special business as to whether or not the resolutions were carried and in the case of ordinary business as to which of those resolutions were not carried or were amended or were withdrawn.

An annual general meeting and any special general meeting at which the passing of a special resolution is to be considered shall be called by not less than twenty-one (21) clear days' Notice. All other special general meetings may be called by not less than fourteen (14) clear days' Notice but a general meeting may be called by shorter notice if it is so agreed: (A) in the case of a meeting called as an annual general meeting, by all the Members entitled to attend and vote thereat; and (B) in the case of any other meeting, by a majority in number of the Members having the right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the issued shares giving that right.

The period of notice shall be exclusive of the day on which it is served or deemed to be served and exclusive of the day on which the meeting is to be held, and the Notice shall specify (a) the date and time of the meeting, (b) save for an electronic meeting, the place of the meeting and if there is more than one meeting location as determined by the Board pursuant to Bye-law 61A, the principal place of the meeting (the "Principal Meeting Place"), (c) if the general meeting is to be a hybrid meeting or an electronic meeting, the notice shall include a statement to that effect and with details of the electronic facilities for attendance and participation by electronic means at the meeting or where such details will be made available by the Company prior to the meeting, and (d) in the case of special business, the general nature of the business to be transacted at the meeting. Any Notice of a general meeting to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution on the Company in respect of such special business.

14. ADDITIONAL INFORMATION (Cont'd)

The Notice convening an annual general meeting shall specify the meeting as such. Notice of every general meeting shall be given to all Members other than to such Members as, under the provisions of the Bye-laws or the terms of issue of the shares they hold, are not entitled to receive such Notices from the Company, to all persons entitled to a share in consequence of the death or bankruptcy or winding-up of a Member and to each of the Directors and the Auditors and if the Company has issued and there are currently any listed securities, the home branch of the Designated Stock Exchange and where applicable the Secondary Stock Exchange. If the Company is included in the official list of the Designated Stock Exchange and where applicable the Secondary Stock Exchange the Notice must specify a place and fax number for the purpose of receipt of proxy appointments (and may specify an electronic address for such purposes) and comply with the listing rules of the Designated Stock Exchange and where applicable the Secondary Stock Exchange.

The Board may, at its absolute discretion, arrange for persons entitled to attend a general meeting to do so by simultaneous attendance and participation by means of electronic facilities at such location or locations ("Meeting Location(s)") determined by the Board at its absolute discretion. Any Member or any proxy attending and participating in such way or any Member participating in and/or logged-in to an electronic meeting or a hybrid meeting by means of electronic facilities is deemed to be present at and shall be counted in the quorum of the meeting.

(e) Changes in capital (Bye-laws 4 to 7)

The Company may from time to time by ordinary resolution in any manner permitted by law and (for so long as the shares of the Company are listed on the Designated Stock Exchange) the listing rules of the Designated Stock Exchange and in accordance with Section 45 of the Act:-

- (A) increase its capital by such sum, to be divided into shares of such amounts, as the resolution shall prescribe;
- (B) consolidate and divide all or any of its capital into shares of larger or smaller amount than its existing shares;
- (C) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions which in the absence of any such determination by the Company in general meeting, as the Directors may determine provided always that where the Company issues shares which do not carry voting rights, the words "non-voting" shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words "restricted voting" or "limited voting";

14. ADDITIONAL INFORMATION *(Cont'd)*

- (D) sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the memorandum of association (subject, nevertheless, to the Act), and may by such resolution determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred rights or be subject to any such restrictions as compared with the other or others as the Company has power to attach to unissued or new shares;
- (E) change the currency denomination of its share capital;
- (F) make provision for the issue and allotment of shares which do not carry any voting rights; and
- (G) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Board may settle as it considers expedient any difficulty which arises in relation to any consolidation and division under the Bye-law 4 and in particular but without prejudice to the generality of the foregoing may issue certificates in respect of fractions of shares or arrange for the sale of the shares representing fractions and the distribution of the net proceeds of sale (after deduction of the expenses of such sale) in due proportion amongst the Members who would have been entitled to the fractions, and for this purpose the Board may authorise some person to transfer the shares representing fractions to their purchaser or resolve that such net proceeds be paid to the Company for the Company's benefit. Such purchaser will not be bound to see to the application of the purchase money nor will his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.

The Company may from time to time by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or any share premium account or other undistributable reserve in any manner permitted by law.

Subject to the Act, the Memorandum of Association and the Bye-laws, the Company may: (A) reduce its share capital; and (B) repurchase its shares, on any terms and at any time.

The distribution made from any reduction or repurchase in respect of the share capital of the Company may include any or all of the payment of cash, the issue of shares or other securities, the grant of options and the transfer of assets. If the distribution of any reduction or repurchase in respect of the share capital of the Company includes an issue or transfer of shares in a body corporate, each Member: (A) agrees to become a member of that body corporate; and (B) in the case of a transfer, appoints the Company and each Director as its agent to execute an instrument of transfer or other document required to transfer the relevant shares to that Member.

14. ADDITIONAL INFORMATION *(Cont'd)*

Except so far as otherwise provided by the conditions of issue, or by the Bye-laws, any capital raised by the creation of new shares shall be treated as if it formed part of the original capital of the Company, and such shares shall be subject to the provisions contained in the Bye-laws with reference to the payment of calls and instalments, transfer and transmission, forfeiture, lien, cancellation, surrender, voting and otherwise.

(f) Transfer of shares (Bye-laws 48 to 52A)

Subject to the Bye-laws, any Member may transfer all or any of his shares by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange and where applicable the Secondary Stock Exchange or in any other form approved by the Board and may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time. Subject to the Applicable Law, the Board may do anything they consider necessary or desirable to facilitate participation by the Company in the CHES System or any other computerised or electronic share transfer registration or stock market settlement system introduced by, or acceptable to, the Designated Stock Exchange and where applicable the Secondary Stock Exchange in respect of transfers of, or dealings in, marketable securities.

The Company must comply with all obligations imposed on it under the Applicable Law in respect of an ASX Settlement Transfer or any other transfer of fully paid shares.

If permitted to do so by the listing rules of the Designated Stock Exchange or the ASX Settlement Operating Rules, the Directors may: (A) request ASX Settlement to apply a holding lock to prevent a transfer of CHES Approved Securities; or (B) decline to register a transfer of shares in the Company.

The Directors must: (A) request ASX Settlement to apply a holding lock to prevent a transfer of CHES Approved Securities; or (B) decline to register any transfer of other shares if: (aa) the listing rules of the Designated Stock Exchange and where applicable the Secondary Stock Exchange require the Company to do so; or (bb) the transfer is in breach of the listing rules of the Designated Stock Exchange and where applicable the Secondary Stock Exchange or a Restriction Agreement.

If in the exercise of their powers under Bye-laws 48A(2) or (3), the Directors request the application of a holding lock to prevent a transfer of CHES Approved Securities or refuse to register a transfer of a security, they must give written Notice to the holder of the security and the broker lodging the transfer, if any, of the refusal to transfer. Failure to give such Notice does not invalidate the decision of the Directors.

Subject to Bye-laws 48(A) to (4), the Company must not prevent, delay or interfere with the registration of an ASX Settlement Transfer or any other transfer of shares.

14. ADDITIONAL INFORMATION (Cont'd)

In addition to the provisions above, for so long as the shares of the Company are listed on the Secondary Stock Exchange, the Company shall at all times comply with the requirements of the Secondary Stock Exchange relating to the transfer of shares and transmission of shares as set out below:-

(A) The transfer of any Deposited Security or class of Deposited Security of the Company, shall be by way of book entry by the Depository in accordance with the Rules of the Depository, and, notwithstanding Sections 105, 106 or 110 of the MCA, but subject to Section 148(2) of the MCA and any exemption that may be made from compliance with Section 148(1) of the MCA, the Company shall be precluded from effecting any transfer of the Deposited Securities other than through the Depository in accordance with the Rules. Instruments of transfer of any Deposited Security may be in the form of electronic records of the Depository relating to such transfers. For so long as the Company is listed on the Secondary Stock Exchange and the shares of the Company are deposited with the Depository, the Company shall procure from the Depository a copy of the Record of Depositors as at the close of each market day and such Record of Depositors shall be entered in the Company's Register upon receipt of the same.

(B) Where:-

- (aa) for so long as the shares of the Company are listed on the Designated Stock Exchange; and
- (bb) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998 of Malaysia, as the case may be, under the Rules of the Depository in respect of such securities,

the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the share registrar of the Company in the jurisdiction of the Designated Stock Exchange, to the register of holders maintained by the share registrar of the Company in Malaysia and vice versa provided that there shall be no change in the ownership of such securities (save for the Depository being a joint holder of Deposited Securities).

The procedures for the transmission of the shares of the Company between the Secondary Stock Exchange and the Designated Stock Exchange shall be determined by the Directors from time to time subject to and in accordance with the relevant rules and regulations of the Designated Stock Exchange and the Secondary Stock Exchange.

14. ADDITIONAL INFORMATION *(Cont'd)*

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee in any case which it thinks fit in its discretion to do so. Without prejudice to Bye-law 48, the Board may also resolve, either generally or in any particular case, upon request by either the transferor or transferee, to accept mechanically executed transfers. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register in respect thereof. Nothing in the Bye-laws shall preclude the Board from recognising a renunciation of the allotment or provisional allotment of any share by the allottee in favour of some other person.

No transfer shall be made to an infant or to a person of unsound mind or under other legal disability. The Board may refuse to register a transfer of any share to more than four joint holders.

The Board in so far as permitted by any Applicable Law may, in its absolute discretion, at any time and from time to time transfer any share upon the Register to any branch register or any share on any branch register to the Register or any other branch register. In the event of any such transfer, the Member requesting such transfer shall bear the cost of effecting the transfer unless the Board otherwise determines.

Unless the Board otherwise agrees (which agreement may be on such terms and subject to such conditions as the Board in its absolute discretion may from time to time determine, and which agreement the Board shall, without giving any reason therefore, be entitled in its absolute discretion to give or withhold), no shares upon the Register shall be transferred to any branch register nor shall shares on any branch register be transferred to the Register or any other branch register and all transfers and other documents of title shall be lodged for registration, and registered, in the case of any shares on a branch register, at the relevant Registration Office, and, in the case of any shares on the Register, at the Office or such other place in Bermuda at which the Register is kept in accordance with the Act.

Without limiting the generality of the Bye-laws 48A, 48B, 49 and 50 as stated above, the Board may decline to recognise any instrument of transfer unless:-

- (A) a fee of such maximum sum as the Designated Stock Exchange and where applicable the Secondary Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof;
- (B) the instrument of transfer is in respect of only one class of share;
- (C) the instrument of transfer is lodged at the Office or such other place in Bermuda at which the Register is kept in accordance with the Act or the Registration Office (as the case may be) accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do); and

14. ADDITIONAL INFORMATION *(Cont'd)*

- (D) if applicable, the instrument of transfer is duly and properly stamped.

Notwithstanding any other provision of the Bye-laws, the Company must not prevent or interfere with the registration of a transfer of shares in a manner which is contrary to the listing rules of the Designated Stock Exchange or the ASX Settlement Operating Rules and where applicable the Secondary Stock Exchange.

If the Board refuses to register a transfer of any share, it shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and transferee Notice of the refusal.

The registration of transfers of shares or of any class of shares may, after Notice has been given by advertisement in an appointed newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange and the ASX Settlement Operating Rules and where applicable the Secondary Stock Exchange or by any means in such manner as may be accepted by the Designated Stock Exchange and where applicable the Secondary Stock Exchange to that effect be suspended at such times and for such periods (not exceeding in the whole 30 days in any year or any one period of more than five consecutive Business Days) as the Board may determine.

Except as permitted by the listing rules of the Designated Stock Exchange, and where applicable, the Secondary Stock Exchange:

- (A) the holder of a Restricted Security will not dispose of, or enter into any agreement to dispose of, such a Restricted Security during the Escrow Period; and
- (B) the Company will refuse to acknowledge an assignment or disposal (including registering a transfer) of Restricted Securities during the Escrow Period; and
- (C) the holder of a Restricted Security is not entitled to participate in any return of capital in respect of the Restricted Securities during the Escrow Period; and
- (D) during a breach of the listing rules of the Designated Stock Exchange and where applicable the Secondary Stock Exchange relating to Restricted Securities or a breach of any Restriction Agreement, the holder of the Restricted Securities is not entitled to any dividend or distribution, or voting rights, in respect of the Restricted Securities.

If a Restricted Security is in the same class as the Company's shares quoted on the Designated Stock Exchange, the Designated Stock Exchange will apply a holding lock to the Restricted Security for the duration of the Escrow Period.

14. ADDITIONAL INFORMATION (Cont'd)

(g) Liquidation (Bye-laws 165 and 166)

Subject to the Act and any rights or restrictions attached to a class of shares, the Board shall have power in the name and on behalf of the Company to present a petition to the court for the Company to be wound up. A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Act, divide among the Members in specie or kind the whole or any part of the assets of the Company and whether or not the assets shall consist of properties of one kind or shall consist of properties to be divided as aforesaid of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of the Members as the liquidator with the like authority shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

14.3 LIMITATION ON THE RIGHT TO HOLD SECURITIES AND/OR EXERCISE VOTING RIGHTS

(i) Quotation on the ASX

Our Shares listed on the ASX are presently held on the Australian register in uncertificated form. Our Company, through our Australian Share Registrar, Computershare Investor Services Pty Limited, operates an issuer sponsored sub-register. In addition, our Company participates in the Australian electronic security transfer and settlement system known as CHESS. Shareholders whose shares are held on the Australian register and who elect to have their shareholding managed by a broker will have their holding recorded on the CHESS sub-register. All other shareholders whose shares are held on the Australian register will have their holding recorded on the issuer sponsored sub-register.

(ii) Quotation on the Official List

As our Shares are proposed for quotation on the Official List of Bursa Securities, such Shares must be prescribed as shares required to be deposited with Bursa Depository. If holders whose Shares are trading on ASX wish to trade their Shares on Bursa Securities, they must submit a request for removal of their Shares from the Australian register to the Malaysian register, for deposit into Bursa Depository.

Dealing in Shares deposited with Bursa Depository may only be effected by a person having a securities account (i.e. CDS account) with Bursa Depository ("**Depositor**") by means of entries in the securities account of that Depositor.

Depositors (holding shares jointly with Bursa Depository) will be recognised as members of our Company by virtue of their names being contained in the Record of Depositors entered in the register of members of our Company at our registered office in Bermuda and in the branch register of members of our Company in Malaysia and will be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

14. ADDITIONAL INFORMATION *(Cont'd)*

Subject to the above, there is no limitation on the right to our Shares, including any limitation on the right of a resident or Malaysian shareholder to hold or exercise voting rights on our Shares, which is imposed by the Bermuda law or by our Memorandum of Association and Bye-laws.

14.4 REPATRIATION OF CAPITAL, REMITTANCE OF PROFIT AND TAXATION

The relevant government laws, decrees, regulations and/or other requirements which may affect the repatriation of capital and remittance of profit by or to our Company are set out below.

(i) **Australia**

The vast majority of the manganese ore sold by OMM, an Australian tax resident, is to OMS, a Singaporean tax resident. Both OMM and OMS are wholly owned by our Company, making them related parties for Australian tax purposes. Australia has strict transfer pricing laws that operate to ensure that cross border related party transactions are priced in a manner comparable to that of unrelated parties, with the intent of eliminating contrived profit shifting between countries. Tax assessments may be amended and penalties imposed where the transfer pricing rules are breached.

The Australian transfer pricing legislation is primarily contained in Subdivision 815-B of the Income Tax Assessment Act 1997 (Cth).

OMM has undertaken significant work to ensure that the pricing used by OMM for the sale of manganese ore to OMS is comparable to that of the pricing for unrelated parties under comparable circumstances. Importantly, OMM has sought for their pricing to be reviewed by independent transfer pricing specialists who have concluded that the pricing used by OMM is reasonable, as documented in OMM's formal Transfer Pricing Policy.

(ii) **Bermuda**

The BCA provides that a company shall not declare or pay a dividend or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realisable value of the company's assets would thereby be less than its liabilities. For this purpose, "contributed surplus" is defined in the BCA to include proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

Taxation

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, or any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, and there is no Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable to it or any of its operations until 31 March 2035, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

14. ADDITIONAL INFORMATION (Cont'd)

Exchange control

Exchange control is operated under the Exchange Control Act 1972 of Bermuda (and the regulations made thereunder) and is administered by the Bermuda Monetary Authority. Generally, any payment by a person resident in Bermuda to or for the credit of a person resident outside Bermuda will require prior approval from the Bermuda Monetary Authority.

Exempted companies are usually designated non-resident for Bermuda exchange control purposes and are able to conduct their day-to-day operations free of exchange control formalities. Such companies are able to pay dividends, distribute capital, open and maintain bank accounts in any foreign currency and to acquire assets and meet all liabilities without reference to the Bermuda Monetary Authority.

Issues and transfers of securities in exempted companies involving non-residents for exchange control purposes must receive prior approval from the Bermuda Monetary Authority. However, the Bermuda Monetary Authority has granted to all Bermuda companies with voting shares listed on an appointed stock exchange a general permission for the issue and subsequent transfer of any securities of such companies from and/or to a non-resident of Bermuda for so long as any voting shares of such companies remain so listed.

(iii) Malaysia

There are foreign exchange control policies in Malaysia which support the monitoring of capital flows into and out of the country in order to preserve its financial and economic stability. The foreign exchange control framework in Malaysia is governed by the Financial Services Act 2013, Islamic Financial Services Act 2013 and FE Notices. These regulations regulate both residents and non-residents of Malaysia. Under the current FE Notices issued by BNM, non-residents are free to repatriate capital, profits, dividends, rental, fees and interest arising from investments in Malaysia, provided that such repatriation is made in foreign currency except in the currency of Israel. The repatriation of funds is subject to the applicable reporting requirements and any withholding tax.

(iv) PRC

The foreign exchange system has been established and reformed gradually with the modernisation and marketisation of the PRC. The fundamental regulation relating to foreign currency exchange of PRC is the Regulations on the Foreign Exchange which became effective as of 5 August 2008. In general, RMB is convertible for current account transactions, whereas capital account transactions require the approval or registration from the State Administration of Foreign Exchange; all foreign debt is subject to planning and monitoring at the macroeconomic level. The foreign investor of the foreign-invested enterprises may remit abroad its dividend and other capital obtained by ways of reduction of registered capital, share transfer and liquidation.

Pursuant to the Circular on Reforming the Management Approach regarding the Foreign Exchange Capital Settlement of Foreign-invested Enterprise (“**SAFE Circular 19**”) promulgated by the State Administration of Foreign Exchange, foreign-invested enterprises are allowed to settle their foreign exchange capital at their discretion. The RMB converted from the foreign exchange capital will be kept in a designated account and if a foreign-invested enterprise needs to make further payment from such account, it still needs to provide supporting documents and proceed with the review process with the banks. Furthermore, SAFE Circular 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises.

14. ADDITIONAL INFORMATION *(Cont'd)*

(v) Singapore

As at the LPD, there are no exchange control restrictions in effect in Singapore which may affect the repatriation of capital and remittance of profits by or to our Company.

14.5 MATERIAL CONTRACTS

Our Group has not entered into any material contracts that are not in the ordinary course of our Group's business within the period covered by the historical financial information as disclosed in this Prospectus up to the date of this Prospectus.

14.6 MATERIAL LITIGATION

As at the LPD, we are not engaged in any governmental, legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings which may have or have had, material or significant effects on our financial position or profitability, in the 12 months immediately preceding the date of this Prospectus.

14.7 CONSENTS

The written consents of the Principal Adviser, the Legal Advisers, the Company Secretaries, the Assistant Company Secretary, the Australian Agent, the Malaysian Agent, the Australian Share Registrar and the Malaysian Share Registrar as listed in the Corporate Directory of this Prospectus for the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of Foo Kon Tan LLP for the inclusion of its name and the Accountants' Report, and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of AlloyConsult for the inclusion of its name, the Industry Overview and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

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14. ADDITIONAL INFORMATION *(Cont'd)*

14.8 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our Malaysian Agent's office at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia during office hours for a period of 6 months from the date of this Prospectus:-

- (i) our Memorandum of Association and Bye-laws;
- (ii) the service contract of our Chief Executive Officer, Low Ngee Tong, as referred to in **Section 9.2.6** of this Prospectus;
- (iii) our audited consolidated financial statements for the past 4 FYEs 31 December 2017, 31 December 2018, 31 December 2019 and 31 December 2020;
- (iv) the audited financial statements of each of our subsidiaries for the past 4 FYEs 31 December 2017, 31 December 2018, 31 December 2019 and 31 December 2020;
- (v) the Accountants' Report as included in **Section 13** of this Prospectus;
- (vi) the Industry Overview as included in **Section 8** of this Prospectus; and
- (vii) the letters of consent referred to in **Section 14.7** of this Prospectus.

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ANNEXURE A: SUMMARY OF RELEVANT BNM RULES ON INVESTMENT IN FOREIGN CURRENCY ASSETS

The removal of Shares from the Malaysian register to the Australian register is regarded as an investment in foreign currency assets that would require shareholders to comply with the FE Notices issued by BNM. Shareholders who wish to remove their Shares from the Malaysian register to the Australian register for trading on the ASX at any time after the Secondary Listing are reminded to comply with the FE Notices and thus may be required to seek the prior approval of BNM. There is no restriction for a **non-resident** of Malaysia to subscribe for or purchase securities in Malaysia.

The prevailing rules on investment in foreign currency assets (which include OMH Shares) applicable to a **resident** of Malaysia are as follows:

Sources of Funds	Investment in Foreign Currency Assets*
Investment funded through conversion of ringgit to foreign currency.	<ul style="list-style-type: none"> • A resident without domestic ringgit borrowing is free to invest any amount in foreign currency assets onshore and abroad. • A resident with domestic ringgit borrowing is free to invest: <ul style="list-style-type: none"> • Up to RM1 million equivalent in aggregate per calendar year for resident individuals; or • Up to RM50 million equivalent per calendar year in aggregate on corporate group basis for resident entities (include resident entities within the group with parent-subsidiary relationship), <p>sourced from conversion of ringgit into foreign currency, trade foreign currency account, a borrowing in foreign currency from a licensed onshore bank for purposes other than direct investment abroad and swapping of a ringgit-denominated financial asset in Malaysia for a financial asset outside Malaysia.</p>
Investment using foreign currency fund.	<p>Residents with or without domestic ringgit borrowing are allowed to invest in foreign currency assets up to any amount using (i) foreign currency funds sourced from abroad; (ii) approved borrowing from foreign currency*; and (iii) foreign currency funds sourced from a borrowing in foreign currency from a licenced onshore bank for direct investment abroad.</p> <p>Note: * A resident is allowed to borrow in foreign currency up to RM100 million equivalent in aggregate from a non-resident outside the resident entity's group.</p>

Notes:

* Subject to the requirements of the FE Notices where applicable also to resident individuals and resident entities.

** "Borrowing" includes credit facility or financing facility, redeemable preference share, Islamic redeemable preference share, corporate bond or sukuk and "domestic ringgit borrowing" includes borrowing in ringgit obtained by a resident from another resident.

ANNEXURE B: SUMMARY COMPARISON OF BERMUDA CORPORATION LAW AND MALAYSIAN CORPORATION LAW WITH RESPECT TO CORPORATE GOVERNANCE, SHAREHOLDERS AND MINORITY INTEREST PROTECTION AND REGULATION OF TAKE-OVERS AND MERGERS

The following table sets out a summary of certain differences between the provisions of the laws of Bermuda applicable to the Company (including the BCA and the Bye-laws (collectively, the "**Bermuda Corporation Law**")) and the laws applicable to Malaysian companies (the references to Malaysian company being to a company as defined by Section 2(1) of the MCA (collectively, the "**Malaysian Corporation Law**")) in relation to corporate governance, shareholders and minority protection, and regulation of take-overs and mergers.

The summaries below are not to be regarded as advice on Bermuda Corporation Law or the differences between it and the laws of any jurisdiction, including, without limitation, the Malaysian Corporation Law.

References to the comments on differences below do not purport to be complete and exhaustive and in any event are (unless expressly stated otherwise) based only on a general comparison on a non-exhaustive basis as to whether there are equivalent provisions in respect of the expressed provisions of the BCA relative to the MCA and comments on such differences do not take into account any common law or judicial interpretations affecting the BCA and the MCA, unless expressly stated otherwise. These differences have been segregated to procedural and substantive differences, where practicable to do so. Unless otherwise indicated to be procedural or mainly procedural differences, these differences are deemed to be substantive or mainly substantive in nature. The summaries below do not purport to be a comprehensive description of all of the rights and privileges of shareholders conferred by the Bermuda Corporation Law as compared to the Malaysian Corporation Law that may be relevant to prospective investors. The summaries below do not purport to be complete and are qualified in their entirety by reference to the Bermuda Corporation Law and the Malaysian Corporation Law.

In addition, it should also be noted that the laws applicable to Malaysian companies and Bermuda exempted companies may change, whether as a result of proposed legislative reforms to the MCA or the BCA, as the case may be, or otherwise.

Further, the summaries and references to the Listing Requirements below do not describe the regulations and requirements prescribed by the Listing Requirements. Prospective investors are advised to seek independent legal advice.

If you wish to have a detailed review of the relevant laws and regulations of Bermuda, or a detailed explanation on the comparability and/or discrepancy of the relevant laws and regulations between Bermuda and Malaysia or any other jurisdiction, you are recommended to seek independent legal advice.

Please note that definitions used in the MCA, the CMSA (as defined herein), the TOMCA Rules (as defined herein), the BCA and/or the Bye-laws shall, where applicable, have the meaning ascribed thereto under the MCA, the CMSA, the TOMCA Rules, the BCA and the Bye-laws, as the case may be.

ANNEXURE B: SUMMARY COMPARISON OF BERMUDA CORPORATION LAW AND MALAYSIAN CORPORATION LAW WITH RESPECT TO CORPORATE GOVERNANCE, SHAREHOLDERS AND MINORITY INTEREST PROTECTION AND REGULATION OF TAKE-OVERS AND MERGERS
 (Cont'd)

Malaysian Corporation Law	Bermuda Corporation Law	Comments on differences, if any
<p>1. DIRECTOR'S POWER TO VOTE ON A PROPOSAL, ARRANGEMENT OR CONTRACT IN WHICH HE IS INTERESTED, CONFLICTS OF INTEREST AND OTHER TRANSACTIONS WITH DIRECTORS</p> <p><i>Director's disclosure of interest in contracts with the company</i></p> <p>Section 221(1) of the MCA: Subject to this section, every director of a company who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the company shall, as soon as practicable after the relevant facts have come to the director's knowledge, declare the nature of his interest at a meeting of the board of directors.</p> <p>Section 221(2) of the MCA: The requirements of subsection (1) shall not apply in the case where the interest of the director being a member or creditor of a corporation interested in a contract or proposed contract with the first mentioned company if the interest of the director may be regarded as not being a material interest.</p> <p>Section 221(3) of the MCA: A director of a company shall not be deemed to be interested or to have been at any time interested in any contract or proposed contract by reason only:</p> <p>(a) in a case where the contract or proposed contract relates to any loan to the company that the director has guaranteed or joined in guaranteeing the repayment of the loan or any part of the loan; or</p>	<p>1. DIRECTOR'S POWER TO VOTE ON A PROPOSAL, ARRANGEMENT OR CONTRACT IN WHICH HE IS INTERESTED, CONFLICTS OF INTEREST AND OTHER TRANSACTIONS WITH DIRECTORS</p> <p><i>Director's disclosure of interest in contracts with the company</i></p> <p>The BCA has provisions in relation to the duty of care of officers and in connection therewith, the disclosure by a director of his interest in any material contract or proposed material contract with the company or any of its subsidiaries. The Company's Bye-laws also provides for disclosure of director's interest.</p> <p>Bye-law 102: Subject to the BCA, the Bye-laws and (for so long as the shares of the Company are listed on the Designated Stock Exchange) the listing rules of the Designated Stock Exchange, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the Members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established provided that such Director shall disclose the nature of his</p>	<p>1. DIRECTOR'S POWER TO VOTE ON A PROPOSAL, ARRANGEMENT OR CONTRACT IN WHICH HE IS INTERESTED, CONFLICTS OF INTEREST AND OTHER TRANSACTIONS WITH DIRECTORS</p> <p>The BCA, MCA and Bye-laws contain provisions relating to a similar requirement of disclosure by a director of his interest in a contract or proposed contract with the company. However, the MCA refers to 'Every director of a company', whereas the BCA refers to 'an officer of a company', and under the BCA, the term "officer" in relation to a body corporate includes director and secretary. The requirement to disclose interest in a material contract or proposed material contract with the company or any of its subsidiaries under the BCA applies to the officers of a company, and not only the directors.</p>

ANNEXURE B: SUMMARY COMPARISON OF BERMUDA CORPORATION LAW AND MALAYSIAN CORPORATION LAW WITH RESPECT TO CORPORATE GOVERNANCE, SHAREHOLDERS AND MINORITY INTEREST PROTECTION AND REGULATION OF TAKE-OVERS AND MERGERS
 (Cont'd)

<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
<p>(b) in the case where the contract or proposed contract has been or will be made with or for the benefit of or on behalf of a corporation which by virtue of section 7 is deemed to be related to the company that he is the director of that corporation,</p> <p>and this subsection shall have effect not only for the purposes of this Act but also for the purposes of other written laws, but this subsection shall not affect the operation of any provision in the constitution of the company.</p> <p>Section 221(6) of the MCA: Every director of a company who holds any office or possesses any property where duties or interests may be created in conflict with his duties or interests as director shall declare the fact and the nature, character and extent of the conflict at a meeting of the directors of the company.</p> <p>Section 221 (9) of the MCA: For the purposes of this section, an interest in the shares or debenture of a company –</p> <p>(a) Of the spouse of a director who is not a director of the company, or</p> <p>(b) Of a child, including adopted child or stepchild, of a director of a company who is not a director of the company</p>	<p>interest in any contract or arrangement in which he is interested in accordance with Bye law 103 herein.</p> <p>In the Bye-laws, "Designated Stock Exchange" means The ASX Limited (ACN 008 624 691) or the Australian Securities Exchange, as the context requires, for so long as the Company is admitted to the official list of that exchange or such other stock exchange which is an appointed stock exchange for the purposes of the BCA in respect of which the securities of the Company are listed or quoted and where such appointed stock exchange deems such listing or quotation to be the primary listing or quotation of the shares of the Company.</p> <p>Bye-law 103: A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first considered, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested. For the purposes of Bye-law 103, a general Notice to the Board by a Director to the effect that:- (a) he is a member or officer of a specified company or firm and is to be regarded as interested in any contract or arrangement</p>	

ANNEXURE B: SUMMARY COMPARISON OF BERMUDA CORPORATION LAW AND MALYSIAN CORPORATION LAW WITH RESPECT TO CORPORATE GOVERNANCE, SHAREHOLDERS AND MINORITY INTEREST PROTECTION AND REGULATION OF TAKE-OVERS AND MERGERS
 (Cont'd)

<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
<p>Shall be treated as an interest in the contract and proposed contract.</p> <p>Section 221(11) of the MCA: Except as provided in subsection (3), this section shall be in addition to and not in derogation of the operation of any provision in the constitution restricting a director from having any interest in contracts with the company or from holding offices or possessing properties involving duties or interests in conflict with his duties or interests as a director.</p>	<p>which may after the date of the Notice be made with that company or firm; or</p> <p>(b) he is to be regarded as interested in any contract or arrangement which may after the date of the Notice be made with a specified person who is connected with him; shall be deemed to be a sufficient declaration of interest under Bye-law 103 in relation to any such contract or arrangement, provided that no such Notice shall be effective unless either it is given at a meeting of the Board or the Director takes reasonable steps to secure that it is brought up and read at the next Board meeting after it is given.</p>	
<i>Interested director not to participate or vote in board's proceedings</i>		
<p>Section 222(1) of the MCA: Subject to section 221, a director of a company who is in any way, whether directly or indirectly, interested in a contract entered into or proposed to be entered into by the company, unless the interest is one that need not be disclosed under section 221, shall be counted only to make the quorum at the meeting of the Board but shall not participate in any discussion while the contract or proposed contract is being considered during the meeting and shall not vote on the contract or proposed contract.</p> <p>Section 222(2) of the MCA: Subsection (1) shall not apply to:</p> <p>(a) a private company unless it is a subsidiary to a public company;</p>	<p>Not provided in the BCA.</p> <p>Bye-law 104A(1): A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters namely:</p> <p>(i) any contract or arrangement for the giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;</p>	<p>The BCA does not have a provision that expressly prohibits or restricts an interested director from participating or voting in board proceedings.</p> <p>However, Bye-law 104A provides a similar prohibition as that in Section 222(1) of the MCA in respect of a prohibition on a director from voting on any resolution of the Board in respect of any contract or arrangement or any other proposal in which he or any of his associates is materially interested, except for certain matters as set out in Bye-law 104A ("Exemptions").</p> <p>Bye-law 104A further provides that a director may not be counted in the quorum on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his</p>

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 (Cont'd)

<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
<p>(b) a private company which is a wholly-owned subsidiary of a public company, in respect of any contract or proposed contract to be entered into by the private company with the holding company or with another wholly-owned subsidiary of that same holding company;</p>	<p>(ii) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/himself assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;</p>	<p>associates is materially interested, except for the Exemptions.</p> <p>Bye-law 104A(1) provides for a threshold of 5% or more of the issued shares or voting rights of any class of shares in a company (in which the director and any of his associates are beneficially interested) in determining the materiality of interest in any contract or arrangement with any other company in which the director and/or any of his associates are interested.</p>
<p>(c) any contract or proposed contract of indemnity against any loss which any director may suffer by reason of becoming or being a surety for a company; and</p>	<p>(iii) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;</p>	<p>It is further noted that the Exemptions under Bye-law 104A(1), are wider than those provided for under Section 222(2) of the MCA, in particular, Bye-law 104A(1)(iii), (iv) and (vi).</p>
<p>(d) any contract or proposed contract entered into or to be entered into by a public company or a private company which is a subsidiary of a public company, with another company in which the interest of the director consists solely of:</p>	<p>(iv) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;</p>	<p>It is further noted that the Exemptions under Bye-law 104A(1), are wider than those provided for under Section 222(2) of the MCA, in particular, Bye-law 104A(1)(iii), (iv) and (vi).</p>
<p>(i) in him being a director of the company and the shareholder not more than the number or value as is required to qualify him for the appointment as a director; or</p>	<p>(v) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a member or in which the Director and any of his associates are not in aggregate beneficially interested in five (5) per cent or more of the issued shares or of</p>	<p>It is further noted that the Exemptions under Bye-law 104A(1), are wider than those provided for under Section 222(2) of the MCA, in particular, Bye-law 104A(1)(iii), (iv) and (vi).</p>
<p>(ii) in him having an interest in not more than five per centum of its paid up capital.</p>	<p>(v) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a member or in which the Director and any of his associates are not in aggregate beneficially interested in five (5) per cent or more of the issued shares or of</p>	<p>It is further noted that the Exemptions under Bye-law 104A(1), are wider than those provided for under Section 222(2) of the MCA, in particular, Bye-law 104A(1)(iii), (iv) and (vi).</p>

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 (Cont'd)

<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
	<p>the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or</p> <p>(vi) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.</p>	
<i>Director's fiduciary duties and conflicts of interest</i>		
<p>Section 213(1) of the MCA: A director of a company shall at all times exercise his powers in accordance with this Act, for a proper purpose and in good faith in the best interest of the company.</p> <p>Section 213(2) of the MCA: A director of a company shall exercise reasonable care, skill and diligence with:</p> <p>(a) the knowledge, skill and experience which may reasonably be expected of a director having the same responsibilities; and</p>	<p>Section 97(1) of the BCA: Every officer of a company in exercising his powers and discharging his duties shall –</p> <p>(a) act honestly and in good faith with a view to the best interests of the company; and</p> <p>(b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.</p> <p>Section 97(5A) of the BCA: An officer is not liable under section 97(1) of the BCA if he relies in good faith upon –</p>	<p>The MCA, the BCA and the Bye-laws have similar requirements in respect of the directors' duties in a company.</p> <p>The BCA does not have an equivalent express provision in relation to a "nominee director" as provided in section 217(1) of the MCA. Nevertheless, the duties under section 97(1) of the BCA applies to all officers (including all directors) of the Company.</p> <p>There is prohibition against the improper use of company's property, position, corporate opportunity or competing with the company under</p>

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 (Cont'd)

<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
<p>(b) any additional knowledge, skill and experience which the director in fact has.</p> <p>Section 214(1) of the MCA: A director who makes a business judgment is deemed to meet the requirements of the duty under subsection 213(2) and the equivalent duties under the common law and in equity if the director:</p>	<p>(a) financial statements of the company represented to him by another officer of the company; or</p> <p>(b) a report of an attorney, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by him.</p> <p>Bye-law 101: A Director may:-</p>	<p>section 218(1) of the MCA in respect of which there is no equivalent express provisions in the BCA or the Bye-laws.</p> <p>The duties and obligations of a director of a Bermuda company comprise not only those in the BCA but also those found in common law as applied in Bermuda. Decisions of the English and other commonwealth courts are highly persuasive in Bermuda. The provisions in section 218(1) of the MCA are essentially a restatement of the common law fiduciary duties of a director.</p>
<p>(a) makes the business judgment for a proper purpose and in good faith;</p> <p>(b) does not have a material personal interest in the subject matter of the business judgment;</p>	<p>(a) hold any other office or place of profit with the Company (except that of Auditor) in conjunction with his office of Director for such period and, subject to the relevant provisions of the BCA, upon such terms as the Board may determine. Any remuneration (whether by way of salary, commission, participation in profits or otherwise) paid to any Director in respect of any such other office or place of profit shall be in addition to any remuneration provided for by or pursuant to any other Bye-law; and/or</p>	<p>A company's memorandum of association and bye-laws comprise its constitution and together with the BCA prescribe the ambit of the directors' powers. The function of the substantive law is to supplement the internal constitutional checks on a director's powers and to deal with areas where the company's constitution may be silent.</p>
<p>(c) is informed about the subject matter of the business judgment to the extent the director reasonably believes to be appropriate under the circumstances; and</p> <p>(d) reasonably believes that the business judgment is in the best interest of the company.</p> <p>Section 217(1) of the MCA: A director who was appointed by virtue of his position as an employee of a company, or who was appointed by or as a representative of a member, employer or debenture holder, shall act in the best interest of the company and in the event of any conflict between his duty to act in the best interest of the company and his duty to his nominator, he shall</p>	<p>(b) act by himself or his firm in a professional capacity for the Company (otherwise than as Auditor) and he or his firm may be remunerated for professional services as if he were not a Director; and/or</p> <p>(c) continue to be or become a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer or member of any other company promoted by the Company or in which the Company may be interested as a vendor, Member or otherwise and (unless</p>	<p>The general fiduciary obligations set out under the MCA and the BCA require a director to act honestly and in good faith (including that the director should disclose his interests in a contract or proposed contract with the company) and in the best interest of the company (which implies that he should not cause detriment to the company).</p>

ANNEXURE B: SUMMARY COMPARISON OF BERMUDA CORPORATION LAW AND MALYSIAN CORPORATION LAW WITH RESPECT TO CORPORATE GOVERNANCE, SHAREHOLDERS AND MINORITY INTEREST PROTECTION AND REGULATION OF TAKE-OVERS AND MERGERS
 (Cont'd)

Malaysian Corporation Law	Bermuda Corporation Law	Comments on differences, if any
<p>not subordinate his duty to act in the best interest of the company to his nominator.</p> <p>Section 218(1) of the MCA: A director or officer of a company shall not, without the consent or ratification of a general meeting:</p> <ul style="list-style-type: none"> (a) use the property of the company; (b) use any information acquired by virtue of his position as a director or officer of the company; (c) use his position as such director or officer; (d) use any opportunity of the company which he became aware of, in the performance of his functions as the director or officer of the company; or (e) engage in business which is in competition with the company, <p>to gain directly or indirectly, a benefit for himself or any other person, or cause detriment to the company.</p>	<p>otherwise agreed) no such Director shall be accountable for any remuneration, profits or other benefits received by him as a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer or Member of or from his interests in any such other company. Subject as otherwise provided by the Bye-laws, the Directors may exercise or cause to be exercised the voting powers conferred by the shares in any other company held or owned by the Company, or exercisable by them as directors of such other company in such manner in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of them directors, managing directors, joint managing directors, deputy managing directors, executive directors, managers or other officers of such company) or voting or providing for the payment of remuneration to the director, managing director, joint managing director, deputy managing director, executive director, manager or other officers of such other company and any Director may vote in favour of the exercise of such voting rights in manner aforesaid notwithstanding that he may be, or about to be, appointed a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer of such a company, and that as such he is or may become interested in the exercise of such voting rights</p>	

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<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
	in manner aforesaid.	
<i>Related party transactions</i>		
<p>Section 228(1) of the MCA: Subject to subsection (2) and section 229, a company shall not enter or carry into effect any arrangement or transaction where a director or a substantial shareholder of the company or its holding company, or its subsidiary, or a person connected with a director or substantial shareholder:</p> <p>(a) acquires or is to acquire shares or non-cash assets of the requisite value, from the company; or</p> <p>(b) disposes of or is to dispose of shares or non-cash assets of the requisite value, to the company,</p> <p>unless:</p> <p>(A) the entering into the arrangement or transaction is made subject to the approval of shareholders at a general meeting; or</p> <p>(B) the carrying into effect of the arrangement or transaction has been approved by shareholders at a general meeting.</p>	<p>Not provided for in the BCA and the Bye-laws.</p>	<p>Related party transaction is not provided for in the BCA and the Bye-laws.</p> <p>However, related party transactions are covered under the ASX Listing Rules. As the Company is listed on the Designated Stock Exchange, the Directors are at all times required to comply with the ASX Listing Rules as they apply to the Company in relation to related party transactions, save to the extent that the Company has received a waiver from ASX from the requirement to comply with such rules. Refer to Annexure C on the comparison between ASX Listing Rules and the Listing Requirements.</p> <p>Both the MCA and the ASX Listing Rules provide for similar thresholds requiring shareholders' approval for any related party transaction entered into by the listed issuer.</p>

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<p>Section 228(2) of the MCA: An arrangement or transaction which is carried into effect in contravention of subsection (1) shall be void unless there is prior approval of the arrangement or transaction:</p> <ul style="list-style-type: none"> (a) by a resolution of the company; or (b) by a resolution of the holding company, if the arrangement or transaction is in favour of a director or substantial shareholder of its holding company or person connected with such director or substantial shareholder. <p>Section 228(4) of the MCA: In the case of a public company or its holding company or its subsidiary, the director or substantial shareholder or person connected with the director or substantial shareholder who is interested in the arrangement or transaction referred to in paragraph (1) (a) or (b) shall abstain from voting on the resolution at the general meeting to consider the arrangement or transaction referred to in subsection (2).</p> <p>Section 228(5) of the MCA: Where an arrangement or transaction is entered or carried into effect by a company in contravention of subsections (1) and (2), the director, substantial shareholder or person connected with a director or substantial shareholder and any director who knowingly authorized the arrangement or transaction shall, in addition to any other liability, be liable:</p>		

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<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
<p>(a) to account to the company for any gain which he had made directly or indirectly by the arrangement or transaction; and</p> <p>(b) jointly and severally with any person liable under this subsection, to indemnify the company for any loss or damage resulting from the arrangement or transaction.</p> <p>Section 228(6) of the MCA: The Court may, on the application of any member or director of the company, restrain the company from entering or carrying into effect an arrangement or transaction in contravention of subsection (1).</p> <p>Section 229 of the MCA: Section 228 shall not apply to an arrangement or transaction for the acquisition or disposal of a non-cash asset entered into:</p> <p>(a) by a company: (i) and any of its wholly-owned subsidiaries; (ii) and its holding company which holds all the issued shares of the company; or (iii) which is a wholly-owned subsidiary of a holding company and another wholly-owned subsidiary company of that same holding company;</p>		

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<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
<p>(b) by a company which is being wound up, unless the winding up is a members' voluntary winding up;</p> <p>(c) by a company which is an acquisition or disposal of an asset in the ordinary course of business of the company and is on terms not more favourable than those generally available to the public or employees of the company;</p> <p>(d) by a company if such arrangement or transaction does not involve transfer of cash or property and which shall have no effect unless approved at a general meeting or by a relevant authority;</p> <p>(e) by a company made in accordance with a scheme of arrangement approved by the Court under section 366; or</p> <p>(f) by a company in connection with a takeover offer made in accordance with the relevant law applicable to such offers.</p>		
<i>Loans to directors</i>		
<p>Section 224(1) of the MCA: A company shall not:</p> <p>(a) make a loan to a director of the company or of a company which by virtue of section 7 is deemed to be related to that company; or</p>	<p>Section 96(1) to (5) of the BCA:</p> <p>(1) Without the consent of any member or members holding in the aggregate not less than nine-tenths of the total voting rights of all the members having the right to vote at any</p>	<p>Save for the circumstances provided in Section 96(1)(a) - (c) and Section 96(2) of the BCA, the BCA prohibits loans to its directors without the consent of member(s) holding in the aggregate not less than nine-tenths of the total voting rights of all the members having the right to vote at any general</p>

ANNEXURE B: SUMMARY COMPARISON OF BERMUDA CORPORATION LAW AND MALAYSIAN CORPORATION LAW WITH RESPECT TO CORPORATE GOVERNANCE, SHAREHOLDERS AND MINORITY INTEREST PROTECTION AND REGULATION OF TAKE-OVERS AND MERGERS
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<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
<p>(b) enter into any guarantee or provide any security in connection with a loan made to such a director by any other person.</p> <p>Section 224(2) of the MCA: Nothing in this section shall apply:</p> <p>(a) to an exempt private company;</p> <p>(b) subject to subsection (3), to anything done to provide such director with funds to meet the expenditure incurred or to be incurred by him for the purposes of the company or for the purpose of enabling him properly to perform his duties as an officer of the company;</p> <p>(c) subject to subsection (3), to anything done to provide such a director who is engaged in the full-time employment of the company or its holding company, as the case may be, with funds to meet expenditure incurred or to be incurred by him in purchasing or otherwise acquiring a home; or</p> <p>(d) to any loan made to such a director who is engaged in the full-time employment of the company or its holding company, as the case may be, where the company has passed a resolution to approve a scheme for the making of loans to employees of the company and the loan is in accordance with that scheme.</p>	<p>meeting of the members of the company it shall not be lawful for a company to make a loan to any person who is its director or a director of its holding company, or to enter into any guarantee or provide any security in connection with a loan made to such person as aforesaid by any other person:</p> <p>Provided that nothing in section 96 of the BCA shall apply –</p> <p>(a) subject to section 96(2) of the BCA, to anything done to provide any such person as aforesaid with funds to meet expenditure incurred or to be incurred by him for the purposes of the company or for the purpose of enabling him properly to perform his duties as an officer of the company;</p> <p>(b) in the case of a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, to anything done by the company in the ordinary course of that business; or</p> <p>(c) to any advance of moneys by a company to an officer or auditor under section 98(2)(c) of the BCA.</p> <p>(2) Proviso (a) to section 96(1) of the BCA shall not authorize the making of any loan, or the entering into any guarantee, or the provision of any security, except either –</p> <p>(a) with the prior approval of the company given at a general meeting at which the</p>	<p>meeting of the members. The MCA does not provide for a similar specific approval threshold for shareholders' approval.</p> <p>The MCA prohibits loans to a director except in circumstances mentioned in section 224(2)(a)-(d) of the MCA. In certain circumstances the MCA restricts loans to directors subject to prior approval (ordinary resolution) by the members of the company. Provisions similar to the exceptions to the general prohibition against granting of loans to directors set out in paragraphs (c) and (d) of Section 224(2) of the MCA are not found in Section 96 of the BCA. The exception contained in proviso (c) to Section 96(1) of the BCA does not appear in Section 224 of the MCA. Section 224(1) and (2) of the MCA shall also apply to persons connected with the director of the company or its holding company.</p> <p>The MCA also allows for loan to be made by a company to its directors engaged in the full time employment of the company or its holding company with consent of members in a general meeting, for purchasing a home, whereas the BCA contains no such provisions.</p> <p>The BCA allows for advances to be made by a company to its officers or auditor for costs, charges and expenses incurred by the officer or auditor in defending any civil or criminal proceedings against them, on condition that the officer or auditor shall</p>

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Malaysian Corporation Law	Bermuda Corporation Law	Comments on differences, if any
<p>Section 224(3) of the MCA: Paragraph (1)(a) or (b) shall not authorize the making of any loan, or the entering into any guarantee or the provision of any security except with the prior approval of the company on the resolution in which the purpose of the expenditure and the amount of the loan or the extent of the guarantee or security, as the case may be, are disclosed.</p> <p>Section 224(4) of the MCA: If there is no prior approval given under subsection (2), the company may authorize the making of any loan or the entering into any guarantee or the provision of any security amongst others in the case of a public company, at or before the next following annual general meeting.</p> <p>Section 288 of the MCA: Any provision, whether contained in the constitution or in any contract with a company or otherwise, for exempting any officer or auditor of the company from, or indemnifying him against, any liability which by law would otherwise attach to him in respect of any negligence, default, breach of duty or breach of trust, of which he may be guilty in relation to the company, shall be void.</p>	<p>purposes of the expenditure and the amount of the loan or the extent of the guarantee or security, as the case may be, are disclosed; or</p> <p>(b) on condition that, if the approval of the company is not given as aforesaid either-</p> <p>(i) at or before the next following annual general meeting; or</p> <p>(ii) in the case of a company that has made an election under section 71A of the BCA, at or before the next following general meeting, which shall be convened within 12 months of the authorisation of the making of the loan, or the entering into of the guarantee, or the provision of the security,</p> <p>the loan shall be repaid or the liability under the guarantee or security shall be discharged, as the case may be, within six months from the conclusion of that meeting.</p> <p>(3) Where the approval of the company is not given as required by any such condition, the directors authorizing the making of the loan, or the entering into the guarantee, or the provision of the security, shall be jointly and severally liable to indemnify the company against any loss arising therefrom.</p> <p>(4) A loan shall be deemed to be a loan to a director if it is made to –</p> <p>(a) the spouse or children of a director; or</p> <p>(b) a company (other than a company which is a holding company or a subsidiary (wherever incorporated) of the company</p>	<p>repay the advance if any allegation of fraud or dishonesty is proved against them.</p> <p><u>Procedural differences</u></p> <p>Unlike the position in Bermuda which prohibits loans by a company to its directors without the consent of member(s) holding in the aggregate not less than nine-tenths of the total voting rights of all the members having the right to vote at any general meeting of the members, the MCA does not provide for a similar specific approval threshold for shareholders' approval.</p> <p>As mentioned above, there are provisions in the BCA and the MCA which prohibits loans to directors in both jurisdictions, subject to certain exceptions provided therein. There is a difference in the threshold of members' approval for loans to directors under the BCA and the MCA. The MCA does not provide for a specific threshold, while the BCA provides for a high threshold which may make it difficult for the Company to obtain the relevant approval from its shareholders as the Company is listed on the ASX.</p>

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<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
	<p>making the loan or, as the case may be, the company entering into guarantee or providing security in connection with a loan made to such person by any other person) which a director, his spouse or children own or control directly or indirectly more than twenty per cent of the capital or loan debt.</p> <p>(5) For the purposes of section 96 of the BCA a loan shall not be deemed to have been made in the ordinary course of business of a company if it has not been made on normal commercial terms in respect of interest rates, repayment terms and security.</p> <p>Section 98(2)(c) of the BCA: (2) Any provision, whether contained in the bye-laws of a company or in any contract or arrangement between the company and any officer, or any person employed by the company as auditor, exempting such officer or person from, or indemnifying him against any liability which by virtue of any rule of law would otherwise attach to him in respect of any fraud or dishonesty of which he may be guilty in relation to the company shall be void: Provided that - (c) notwithstanding anything in this section, a company may advance moneys to an officer or auditor for the costs, charges and expenses incurred by the officer or auditor in defending any civil or criminal proceedings against them, on condition</p>	

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<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
<p>that the officer or auditor shall repay the advance if any allegation of fraud or dishonesty is proved against them.</p>	<p>that the officer or auditor shall repay the advance if any allegation of fraud or dishonesty is proved against them.</p>	
<p>2. DIRECTOR'S POWER TO VOTE ON REMUNERATION (INCLUDING PENSION OR OTHER BENEFITS) FOR HIMSELF OR FOR ANY OTHER DIRECTOR; AND WHETHER THE QUORUM AT A MEETING OF THE BOARD OF DIRECTORS MAY INCLUDE THE DIRECTOR WHOSE REMUNERATION IS THE SUBJECT OF THE VOTE</p> <p><i>Remuneration of directors</i></p> <p>A director may not receive remuneration except as authorized by the constitution of a company.</p> <p>Section 227(1) of the MCA: It shall not be lawful:</p> <p>(a) for a company to make to any director any payment by way of compensation for loss of office as an officer of that company or of a subsidiary of that company or as consideration for or in connection with his retirement from any such office; or</p> <p>(b) for any payment to be made to any director of a company in connection with the transfer of the whole or any part of the undertaking or property of the company, unless particulars with respect to the proposed payment including the amount, have been disclosed to the members of the company and the resolution for the proposal has been approved by the members and when any such payment has been unlawfully made the amount received by the director shall be deemed to have been received by him in trust for the company.</p>	<p>Not provided for in the BCA.</p> <p>Bye-law 97: The ordinary remuneration of the non-executive Directors shall from time to time be determined by the Company in general meeting and shall (unless otherwise directed by the resolution by which it is voted) be divided amongst the Board in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any non-executive Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office. Such remuneration shall be deemed to accrue from day to day.</p> <p>Bye-law 98: Each non-executive Director shall be entitled to be repaid or prepaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by him in attending meetings of the Board or committees of the Board</p>	<p>Remuneration of directors is not provided for in the BCA. However, similar provisions to the MCA on the remuneration of directors are set out under the Bye-laws.</p> <p>There are requirements for general meeting approval in relation to compensation for loss of office of directors under the MCA. The Bye-laws of the Company contain provisions relating to remuneration and compensation for loss of office of directors of the Company.</p>

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<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
<p>Section 230(1) of the MCA: The fees of the directors, and any benefits payable to the directors including any compensation for loss of employment of a director or former director- (a) of a public company; or (b) of a listed company and its subsidiaries, shall be approved at a general meeting.</p>	<p>or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of his duties as a non-executive Director.</p> <p>Bye-law 99: Any non-executive Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a non-executive Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law.</p> <p>Bye-law 100: Subject to the listing rules of the Designated Stock Exchange and where applicable the Secondary Stock Exchange, the Board shall obtain the approval of the Members in general meeting before making any payment to any Director or past Director of the Company by way of compensation for loss of office, or as consideration for or in connection with his retirement from office (not being payment to which the Director is contractually entitled).</p> <p>In the Bye-laws, "Secondary Stock Exchange" or "Bursa Securities" means Bursa Malaysia Securities Berhad.</p>	

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<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
	<p>Bye-law 92: Notwithstanding Bye-laws 97, 98, 99 and 100, an executive director appointed to an office under Bye-law 91 hereof shall receive such remuneration (whether by way of salary, commission, participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time determine, and either in addition to or in lieu of his remuneration as a Director.</p>	
<p>3. BORROWING POWERS EXERCISABLE BY DIRECTORS</p>		
<p>There are no provisions specifically vesting the directors with borrowing powers under the MCA save for the broad stipulation under Sections 211(1) & (2) of the MCA that the business and affairs of a company shall be managed by, or under the direction of the Board and the Board has all the powers necessary for managing and for directing and supervising the management of the business and affairs of the company subject to any modification, exception or limitation contained in the MCA or in the constitution of the company.</p> <p>Pursuant to Section 190(3) of the MCA, so long as the company has lodged with the Registrar the relevant statutory declaration in compliance with Section 190, the company shall become entitled to commence business or exercise any borrowing powers from and after the lodgement of the statutory declaration.</p>	<p>The borrowing powers exercisable by directors is not expressly provided for in the BCA. However, section 91(1) of the BCA provides (<i>inter alia</i>) that the affairs of the company shall be managed by at least one director and section 91(5) of the BCA provides that the directors may, subject to the bye-laws of the company, exercise all the powers of the company except those powers that are required by the BCA or the bye-laws to be exercised by the members of the company.</p> <p>Bye-law 105(1): The business of the Company shall be managed and conducted by the Board, which may pay all expenses incurred in forming and registering the Company and may exercise all powers of the Company (whether relating to the management of the business of the Company or otherwise) which are not by the Statutes or by the Bye-laws required to be exercised by the Company</p>	<p>Both the MCA and the BCA do not have any express direct provisions on the borrowing powers exercisable by directors but both the MCA and the BCA provide that directors may exercise all the powers of the company except those that are required by the respective MCA and BCA or the constitution or bye-laws (as the case may be) of the company to be exercised by members of the company.</p> <p>The Bye-laws contains provisions on the borrowing powers of the directors of the Company.</p>

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<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
	<p>in general meeting, subject nevertheless to the provisions of the Statutes and of the Bye-laws and to such regulations being not inconsistent with such provisions, as may be prescribed by the Company in general meeting, but no regulations made by the Company in general meeting shall invalidate any prior act of the Board which would have been valid if such regulations had not been made. The general powers given by this Bye-law shall not be limited or restricted by any special authority or power given to the Board by any other Bye-law.</p> <p>Bye-law 111: The Board may exercise all the powers of the Company to raise or borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the BCA, to issue debentures, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.</p>	

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<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
<p>4. QUALIFICATION, APPOINTMENT AND RETIREMENT OF DIRECTORS UNDER AN AGE LIMIT REQUIREMENT</p> <p>Section 196(1) of the MCA: A company shall have a minimum number of directors as follows:</p> <p>(a) in the case of a private company, one director; or</p> <p>(b) in the case of a public company, two directors.</p> <p>Section 196(2) of the MCA: A director shall be a natural person who is at least eighteen years of age.</p> <p>Section 196(3) of the MCA: A director of a company shall not resign or vacate his office if by his resignation or vacation from office, the number of directors of the company is reduced below the minimum number required under subsection (1) and any purported resignation or vacation of office in contravention of this section shall be deemed to be ineffective unless a person is appointed in his place.</p> <p>Section 205(3) of the MCA: The directors shall retire as follows:</p> <p>(a) at the first annual general meeting of a public company, all directors shall retire from office at the conclusion of the meeting; and</p> <p>(b) at the annual general meeting in every subsequent year, one-third of the directors</p>	<p>Section 91(1) of the BCA: The affairs of the company shall be managed by at least one director who shall be a person elected in the first place at the statutory meeting and thereafter elected or appointed by the members at each annual general meeting of the company or in such other manner and for such term as may be provided in the bye-laws.</p> <p>Section 91(2A) of the BCA: Any person may be appointed an alternate director by or in accordance with a resolution of the members or by a director in such manner as may be provided in the bye-laws, and the person so appointed shall have all the rights and powers of the director for whom he is appointed in the alternative, except that he shall not be entitled to attend and vote at any meeting of the directors otherwise than in the absence of such director.</p> <p>Section 91(3) of the BCA: So long as a quorum of directors remains in office, unless the bye-laws of a company otherwise provide, any vacancy occurring in the board of directors may be filled by such directors as remain in office. If no quorum of directors remains the vacancy shall be filled by a general meeting of members.</p> <p>Bye-law 87: (1) Unless otherwise determined by the Company in general meeting, the number of Directors</p>	<p>The MCA provides that every company shall have at least one director in the case of a private company and two directors in the case of a public company.</p> <p>Pursuant to the BCA, a company shall be managed by at least one director. It is provided under Bye-law 87 that unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two.</p> <p>There is no disparity in the MCA and the Bye-laws regarding the minimum number of directors (i.e. at least two directors) which is applicable to the Company.</p> <p>However, pursuant to Paragraph 4A.04(2) of the Listing Requirements, a corporation with a secondary listing on Bursa Securities, which has predominantly foreign based operation must have at least two independent directors whose principal or only place of residence is within Malaysia.</p> <p>The Company upon listing, will be in compliance with the requirements under Paragraph 4A.04(2) of the Listing Requirements.</p> <p>The general principles relating to the effect of appointment, retirement and age limit are similar. Unlike the MCA, the BCA does not expressly prescribe a minimum age limit for directors.</p>

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<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
<p>for the time being, or, if their number is not three or a multiple of three, then the number nearest to one-third, shall retire from office at the conclusion of the meeting.</p> <p>Section 205(4) of the MCA: The directors to retire in every year shall be the directors who have been longest in office since the directors' last election, but as between persons who became directors on the same day, the directors to retire shall be determined by lot, unless they otherwise agreed among themselves.</p> <p>Section 205(5) of the MCA: A retiring director shall be eligible for re-election as if he is not disqualified under the MCA.</p> <p>Section 205(6) of the MCA: Unless otherwise provided in the constitution, the company may appoint any person who is not disqualified under this Act to fill in the vacancy at the annual general meeting at which a director so retires, and if no appointment was made to fill the vacancy, the retiring director shall, if he offers himself for re-election, be deemed to have been re-elected, unless:</p> <p>(a) at that meeting the company expressly resolved not to fill the vacated office; or</p> <p>(b) a resolution for the re-election of the director is put to the meeting and lost.</p>	<p>shall not be less than two (2). There shall be no maximum number of Directors unless otherwise determined from time to time by the Members in general meeting. The Directors shall be elected or appointed in the first place at the statutory meeting of Members and thereafter at the annual general meeting in accordance with Bye-law 88 or at any special general meeting and shall hold office until the next appointment of Directors or until their successors are elected or appointed. Any general meeting may authorise the Board to fill any vacancy in their number left unfilled at a general meeting.</p> <p>(2) The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or, subject to authorisation by the Members in general meeting, as an addition to the existing Board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the Members in general meeting. Any Director so appointed by the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting.</p> <p>(3) Neither a Director nor an alternate Director shall be required to hold any shares of the Company by way of qualification and a Director or alternate Director (as the case may be) who is not a Member shall be entitled to receive Notice of and to attend and speak at</p>	<p>However, pursuant to the Age of Majority Act 2001 (as amended) of Bermuda, the age of majority is the age of eighteen years.</p> <p>Both the MCA and Bye-laws provide similar provisions relating to vacancy of office. In addition, the Bye-laws provide additional provisions on the vacancy of office arising from the absence of a director at board meetings for six consecutive months without special leave of absence from the Board.</p> <p>Both Bye-law 88(1) and Section 205(3)(b) of the MCA provide for one-third of the directors to retire from office at each annual general meeting of the company, and Bye-laws 87(1) and 88 and Section 205(6) of the MCA provide for the appointment and re-election of directors at annual general meetings of the company.</p>

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<p>Section 208(1) of the MCA: The office of a director of a company shall be vacated if the person holding that office-</p> <p>(a) resigns in accordance with subsection (2);</p> <p>(b) has retired in accordance with this Act or the constitution of the company but is not re-elected;</p> <p>(c) is removed from office in accordance with this Act or the constitution of the company;</p> <p>(d) becomes disqualified from being a director under section 198 or 199;</p> <p>(e) becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the Mental Health Act 2001 [Act 615];</p> <p>(f) dies; or</p> <p>(g) otherwise vacates his office in accordance with the constitution of the company.</p>	<p>any general meeting of the Company and of all classes of shares of the Company.</p> <p>(7) Notwithstanding any other provisions in the Bye-laws and for so long as the shares of the Company are listed on the Designated Stock Exchange, a Director shall resign or retire from the Board if so required by the rules or regulations of the Designated Stock Exchange.</p> <p>Bye-law 88(1): Notwithstanding any other provisions in the Bye-laws, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. Bye-law 88(1) does not apply to the managing director.</p>	
<p>Section 208(4) of the MCA: If a vacancy is created resulting from circumstances referred to in subsection (1), the Board shall have the power, at any time, to appoint any person to be a director to fill such casual vacancy and the director so appointed shall hold office-</p> <p>(a) in the case of a public company, until the next annual general meeting; or</p> <p>(b) in the case of a private company, in accordance with the terms of appointment.</p>	<p>Bye-law 88(2): A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any Director who wishes to retire by rotation) any himself for re-election. Any further Directors to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree</p>	
<p><u>Validity of acts of directors and officers</u> Section 204 of the MCA: The acts of a director or manager or secretary shall be valid</p>		

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<p>notwithstanding any defect that is discovered after his appointment or in his qualification.</p>	<p>among themselves) be determined by lot. Any Director appointed pursuant to Bye-law 87(2) shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.</p> <p>Bye-law 88(3): The retirement shall not have effect until the conclusion of the meeting except where a resolution is passed to elect some other person in the place of the retiring Director or a resolution for his re-election is put to the meeting and lost and accordingly a retiring Director who is re-elected will continue in office without a break.</p> <p>Please also refer to Bye-law 90 as set out under the heading "Disqualification of Directors".</p> <p>Bye-law 124: All acts bona fide done by the Board or by any committee or by any person acting as a Director or members of a committee, shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of any member of the Board or such committee or person acting as aforesaid or that they or any of them were disqualified or had vacated office, be as valid as if every such person had been duly appointed and was qualified and had continued to be a Director or member of such committee.</p>	

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<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
5. DISQUALIFICATION, RESIGNATION, REMOVAL AND ASSIGNMENT OF DIRECTORS		
<i>Disqualification of directors</i>		
<p>Section 198(1) of the MCA: A person shall not hold office as a director of a company or whether directly or indirectly be concerned with or takes part in the management of a company, if the person:</p> <ul style="list-style-type: none"> (a) is an undischarged bankrupt; (b) has been convicted of an offence relating to the promotion, formation or management of a corporation; (c) has been convicted of an offence involving bribery, fraud or dishonesty; (d) has been convicted of an offence under sections 213, 217, 218, 228 and 539; or (e) has been disqualified by the Court under section 199. <p>Section 198(2) of the MCA: The circumstances referred to in paragraphs (1)(a), (b), (c) and (d) shall be applicable to circumstances in or outside Malaysia.</p> <p>Section 198(3) of the MCA: Notwithstanding subsection (1), a person who has been disqualified under paragraph (1)(a) may be appointed or hold office as a director with the leave of:</p> <ul style="list-style-type: none"> (a) the Official Receiver; or (b) the Court provided that a notice of intention to apply for leave has been served on the 	<p>Section 94(1) and (2) of the BCA:</p> <p>(1) If any person being an undischarged bankrupt in any country acts as director of, or directly or indirectly takes part in or is concerned in the management of, any company except with the leave of the Court, he shall be liable on conviction on indictment to imprisonment for a term of two years, or on summary conviction to imprisonment for a term of six months or to a fine of five hundred dollars or to both such imprisonment and fine:</p> <p>Provided that a person shall not be guilty of an offence under section 94 of the BCA by reason that he, being an undischarged bankrupt, has acted as director of, or taken part or been concerned in the management of, a company, if he was on 1 July 1983 acting as a director of that company or taking part or being concerned in its management.</p> <p>(2) The leave of the Court for the purposes of section 94 of the BCA shall not be given unless notice of intention to apply therefor has been served on the Official Receiver, and it shall be the duty of the Official Receiver, if he is of opinion that it is contrary to the public interest that any such application should be</p>	<p>Both the BCA and the Bye-laws provide certain circumstances for disqualification of directors.</p>

ANNEXURE B: SUMMARY COMPARISON OF BERMUDA CORPORATION LAW AND MALAYSIAN CORPORATION LAW WITH RESPECT TO CORPORATE GOVERNANCE, SHAREHOLDERS AND MINORITY INTEREST PROTECTION AND REGULATION OF TAKE-OVERS AND MERGERS
 (Cont'd)

<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
<p>Official Receiver and the Official Receiver is heard on the application.</p> <p>Section 198(4) of the MCA: Notwithstanding subsection (1), a person who has been disqualified under paragraph (1)(b), (c), (d) or (e) may be re-appointed or hold office as a director with the leave of the Court.</p> <p>Section 199(1) of the MCA: The Court may, on an application by the Registrar, make an order to disqualify any person from acting or holding office as a director or promoter of a company, or be concerned with or taking part in the management of a company whether directly or indirectly, if:</p> <p>(a) within the last five years, the person has been a director of two or more companies which went into liquidation resulting from the company being insolvent due to his conduct as a director which contributed wholly or partly to the liquidation;</p> <p>(b) due to his contravention of the duties of a director; or</p> <p>(c) due to his habitual contravention of the MCA.</p>	<p>granted, to attend on the hearing of and oppose the granting of the application.</p> <p>Section 95(1) to (4) of the BCA:</p> <p>(1) Where any court convicts any person of an offence relating to the affairs of a company which, in the opinion of such court, involves dishonesty it may order that such person shall not directly or indirectly take part in or be concerned in the management of any company without leave of the Supreme Court.</p> <p>(2) Section 94(2) of the BCA shall apply to any application for leave under section 95(1) of the BCA.</p> <p>(3) The same right of appeal shall lie in respect of an order made under section 95(1) of the BCA as it does from a sentence of imprisonment.</p> <p>(4) Any person who contravenes an order of a court made under section 95(1) of the BCA shall be liable to the punishments set out in section 94(1) of the BCA.</p> <p>Bye-law 90: The office of a Director shall be vacated if the Director:-</p> <p>(1) resigns his office by Notice in writing delivered to the Company at the Office or tendered at a meeting of the Board;</p> <p>(2) becomes of unsound mind or whose property is liable to be dealt with under a law relating to mental health or dies;</p> <p>(3) without special leave of absence from the Board, is absent from meetings of the Board for six consecutive months, and his alternate</p>	

ANNEXURE B: SUMMARY COMPARISON OF BERMUDA CORPORATION LAW AND MALAYSIAN CORPORATION LAW WITH RESPECT TO CORPORATE GOVERNANCE, SHAREHOLDERS AND MINORITY INTEREST PROTECTION AND REGULATION OF TAKE-OVERS AND MERGERS
 (Cont'd)

<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
	<p>Director, if any, shall not during such period have attended in his stead and the Board resolves that his office be vacated;</p> <p>(4) becomes bankrupt or insolvent under administration or has a receiving order made against him or suspends payment or compounds with his creditors;</p> <p>(5) is prohibited by law from being a Director;</p> <p>(6) as an Executive Director ceases to be an employee of the Company or a related corporation;</p> <p>(7) ceases to be a Director by virtue of any provision of the Statutes or is removed from office pursuant to the Bye-laws; or</p> <p>(8) is convicted of any offence within or outside Australia:</p> <p>(a) in connection with the promotion, formation or management of a corporation; or</p> <p>(b) involving bribery, fraud or dishonesty.</p>	
<i>Removal of directors</i>		
<p>Section 206(1) of the MCA: A director may be removed before the expiration of the director's period of office as follows:</p> <p>(a) subject to the constitution, in the case of a private company, by ordinary resolution; or</p> <p>(b) in the case of a public company, in accordance with this section.</p>	<p>Section 93(1) and (2) of the BCA:</p> <p>(1) Subject to its bye-laws the members of a company may at a special general meeting called for that purpose remove a director:</p> <p>Provided that notice of any such meeting shall be served on the director concerned not less than fourteen days before the meeting and he shall be entitled to be heard at such meeting:</p>	<p>The BCA and the MCA as well as the Bye-laws allow for the removal of directors in a general meeting by ordinary resolution.</p> <p>However, there are procedural differences in the timeframe for the notice served for such a resolution under the MCA and the Bye-laws and the additional provision in the MCA in relation to resolution on removal of a director appointed to represent the interests of securities holders. The</p>

ANNEXURE B: SUMMARY COMPARISON OF BERMUDA CORPORATION LAW AND MALAYSIAN CORPORATION LAW WITH RESPECT TO CORPORATE GOVERNANCE, SHAREHOLDERS AND MINORITY INTEREST PROTECTION AND REGULATION OF TAKE-OVERS AND MERGERS
 (Cont'd)

<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
<p>Section 206(2) of the MCA: Notwithstanding anything in the constitution or any agreement between a public company and a director, the company may by ordinary resolution at a meeting remove the director before the expiration of the director's tenure of office.</p> <p>Section 206(3) of the MCA: Special notice is required of a resolution to remove a director under this section or to appoint another person instead of the director at the same meeting.</p> <p>Section 206(4) of the MCA: Notwithstanding paragraph (1)(b), if a director of a public company was appointed to represent the interests of any particular class of shareholders or debenture holders, the resolution to remove the director shall not take effect until the director's successor has been appointed.</p> <p>Section 206(5) of the MCA: A person appointed as director in place of a person removed under this section shall be treated, for the purpose of determining the time at which he or any other director is to retire, as if he had become a director on the day on which the person in whose place he is appointed was last appointed a director.</p> <p>Section 200 of the MCA: Notwithstanding any provision in this Act or the constitution of a company, the Registrar shall have the power to remove the name of a director who has been</p>	<p>Provided further that nothing in section 93 of the Act shall have effect to deprive any person of any compensation or damages which may be payable to him in respect of the termination of his appointment as a director or of any other appointment with the company.</p> <p>(2) A vacancy created by the removal of a director at a special general meeting may be filled at that meeting by the election of another director in his place or in the absence of any such election by the other directors.</p> <p>Bye-law 87(4):</p> <p>(4) The Members may, at any general meeting convened and held in accordance with the Bye-laws, by ordinary resolution remove a Director at any time before the expiration of his period of office notwithstanding anything to the contrary in the Bye-laws or in any agreement between the Company and such Director (but without prejudice to any claim for damages under any such agreement) provided that the Notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention so to do and be served on such Director fourteen (14) days before the meeting and at such meeting such Director shall be entitled to be heard on the motion for his removal.</p> <p>Bye-law 87(5) – (7):</p>	<p>MCA requires a special notice to be given by the company to its members at the same time and in the same manner as it gives notice of the meeting at least 28 days prior to the meeting, or if that is not practicable may be given in any manner allowed by the company's constitution, not less than 14 days before the meeting. There is no such similar requirement of special notice to members under Section 93 of the BCA. Nevertheless, Section 93 of the BCA provides that subject to the company's bye-laws, a director may be removed at a special general meeting called for that purpose. The Bye-laws further provide that any special general meeting of the Company (other than a special resolution is to be considered) may be called by notice of not less than 14 clear days to its members.</p> <p>There is also no provision in the BCA similar to Section 206(4) of the MCA. However, a provision similar to Section 206(4) of the MCA was not incorporated in the Bye-laws because there is no equivalent statutory legislation in the BCA and the position under Bermuda law is that a director is obliged to act in the best interests of the company and not the interest of any particular group. Under the Bye-laws, a director may be removed under Bye-law 87(4) regardless of whether a successor has been appointed.</p>

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 (Cont'd)

<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
<p>disqualified under section 198 or 199 from the register kept by the Registrar for that purpose.</p>	<p>(5) A vacancy on the Board created by the removal of a Director under the provisions of Bye-law 87(4) may be filled by the election or appointment by the Members at the meeting at which such Director is removed to hold office until the next appointment of Directors or until their successors are elected or appointed or, in the absence of such election or appointment such general meeting may authorise the Board to fill any vacancy in the number left unfilled. A nomination of a person for Director (other than a Director retiring in accordance with the Bye-laws) must be a Notice in writing signed by a Member entitled to attend and vote at the meeting of Members at which the election is proposed, and be accompanied by a Notice in writing signed by the nominee consenting to the nomination.</p> <p>(6) The Company may from time to time in general meeting by ordinary resolution increase or reduce the number of Directors but so that the number of Directors shall never be less than two (2).</p> <p>(7) Notwithstanding any other provisions in the Bye-laws and for so long as the shares of the Company are listed on the Designated Stock Exchange, a Director shall resign or retire from the Board if so required by the rules or regulations of the Designated Stock Exchange.</p>	

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 (Cont'd)

<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
<p>6. RIGHTS, PREFERENCES AND RESTRICTIONS ATTACHING TO EACH CLASS OF SHARES</p> <p><i>Notice of meetings and business to be concluded thereat</i></p> <p>Section 316(2) of the MCA: A meeting of members of a public company, other than a meeting for the passing of a special resolution, shall be called by notice-</p> <p>(a) in the case of an annual general meeting, at least twenty-one days or any longer period specified in its constitution; and</p> <p>(b) in any other case, at least fourteen days or any longer period specified in its constitution.</p> <p>In relation to meetings for the passing of special resolutions, at least 21 days' notice is required. Please refer to Section 292 of the MCA as set out under the heading "Special Resolutions".</p> <p>Section 316(3) of the MCA: An annual general meeting may be called by a notice shorter than the period referred to in subsection (2) if agreed by all the members entitled to attend and vote at the meeting.</p> <p>Section 316(4) of the MCA: A meeting of members other than an annual general meeting may be called by a notice shorter than the period referred to in subsection (1) or (2) if so agreed by the majority in the number of members entitled to</p>	<p>The BCA contains provisions relating to the provision of notices of general meetings and business to be considered thereat. In addition, the Bye-laws contain the following provisions set out below:-</p> <p>Bye-law 60:</p> <p>(1) An annual general meeting and any special general meeting at which the passing of a special resolution is to be considered shall be called by not less than twenty-one (21) clear days' Notice. All other special general meetings may be called by not less than fourteen (14) clear days' Notice but a general meeting may be called by shorter notice if it is so agreed:</p> <p>(a) in the case of a meeting called as an annual general meeting, by all the Members entitled to attend and vote thereat; and</p> <p>(b) in the case of any other meeting, by a majority in number of the Members having the right to attend and vote at the meeting, being a majority together holding not less than ninety five per cent. (95%) in nominal value of the issued shares giving that right.</p> <p>(2) The period of notice shall be exclusive of the day on which it is served or deemed to be served and exclusive of the day on which the</p>	<p>The Bye-laws and MCA have similar provisions in relation to the notice period for the provision of notices of general meetings and business to be concluded thereat.</p>

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 (Cont'd)

<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
<p>attend and vote at the meeting, being a majority who-</p> <p>(a) together hold not less than the requisite percentage in the number of the shares giving a right to attend and vote at the meeting, excluding any shares in the company held as treasury shares; or</p> <p>(b) in the case of a company not having a share capital, together represent not less than the requisite percentage of the total voting rights at that meeting of all the members.</p> <p>Section 316(5) of the MCA: The requisite percentage shall be-</p> <p>(a) in the case of a private company, ninety per centum or such higher percentage, not exceeding ninety five per centum as may be specified in the constitution; or</p> <p>(b) in the case of a public company, ninety five per centum.</p> <p>Section 316(6) of the MCA: Any accidental omission to give notice of a meeting to, or the non-receipt of the notice of the meeting by, any member shall not invalidate proceedings at a meeting.</p>	<p>meeting is to be held, and the Notice shall specify (a) the date and time of the meeting, (b) save for an electronic meeting, the place of the meeting and if there is more than one meeting location as determined by the Board pursuant to Bye-law 61A, the principal place of the meeting (the "Principal Meeting Place"), (c) if the general meeting is to be a hybrid meeting or an electronic meeting, the notice shall include a statement to that effect and with details of the electronic facilities for attendance and participation by electronic means at the meeting or where such details will be made available by the Company prior to the meeting, and (d) in the case of special business, the general nature of the business to be transacted at the meeting. Any Notice of a general meeting to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution on the Company in respect of such special business. The Notice convening an annual general meeting shall specify the meeting as such. Notice of every general meeting shall be given to all Members other than to such Members as, under the provisions of these Bye laws or the terms of issue of the shares they hold, are not entitled to receive such Notices from the Company, to all persons entitled to a share in consequence of the death or bankruptcy or winding up of a Member and to each of the Directors and the Auditors and if the Company has issued and</p>	

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 (Cont'd)

<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
	<p>there are currently any listed securities, the home branch of the Designated Stock Exchange and where applicable the Secondary Stock Exchange. If the Company is included in the official list of the Designated Stock Exchange and where applicable the Secondary Stock Exchange the Notice must specify a place and fax number for the purpose of receipt of proxy appointments (and may specify an electronic address for such purposes) and comply with the listing rules of the Designated Stock Exchange and where applicable the Secondary Stock Exchange.</p> <p>(3) The Secretary may postpone any general meeting called in accordance with the provisions of the Bye-laws (other than a meeting requisitioned under the Bye-laws) provided that notice of postponement is given to each Member before the time for such meeting. Fresh notice of the date, time and place (if applicable) for the postponed meeting shall be given to each Member in accordance with the provisions of the Bye-laws.</p> <p>Bye-law 61: The accidental omission to give Notice of a meeting or (in cases where instruments of proxy are sent out with the Notice) to send such instrument of proxy to, or the non-receipt of such Notice or such instrument of proxy by, any person entitled to receive such Notice shall not invalidate any resolution passed or the proceedings at that meeting.</p>	

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 (Cont'd)

<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
<p><i>Technology for company meetings</i></p> <p>Section 327(1) of the MCA: Subject to the constitution, a company may convene a meeting of members at more than one venue using any technology or method that enables the members of the company to participate and to exercise the members' rights to speak and vote at the meeting.</p> <p>Section 327(2) of the MCA: The main venue of the meeting shall be in Malaysia and the chairperson shall be present at that main venue of the meeting.</p>	<p>Section 75A of the BCA: Unless the bye-laws otherwise provide, a meeting of directors or of a committee of directors or of the members or any class thereof may be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.</p> <p>Bye-law 57: Each general meeting, other than an annual general meeting, shall be called a special general meeting. Subject to the listing rules of the Designated Stock Exchange (if applicable), general meetings (including an annual general meeting, any adjourned meeting or postponed meeting) may be held as a physical meeting in any part of the world and at one or more locations as provided in Bye-law 61A, as a hybrid meeting or as an electronic meeting, as may be determined by the Board in its absolute discretion. For so long as the shares of the Company are listed on the Secondary Stock Exchange, general meetings of the Company may be held at more than one venue using any technology that allows all Members a reasonable opportunity to participate in the meeting and at such time, day and place as may be determined by the Board.</p> <p>Bye-law 61A:</p>	<p>Both the BCA and the MCA have similar provisions allowing company meetings to be held by telephonic or electronic means. Unlike Section 327 of the MCA, the BCA does not prescribe that general meetings must be held within any particular jurisdiction.</p> <p>Bye-law 57 provides that general meetings may be held in any part of the world as may be determined by the Board and may be held as physical meetings, hybrid meetings or electronic meetings. Further, under Bye-law 57, for so long as the shares of the Company are listed on the Secondary Stock Exchange, general meetings of the Company may be held at more than one venue using any technology that allows all Members a reasonable opportunity to participate in the meeting and at such time, day and place as may be determined by the Board.</p>

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 (Cont'd)

<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
	<p>(1) A Member may participate in any general meeting by means of such telephone, electronic or other communication facilities or any technology as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.</p> <p>(2) A Member may disconnect or cease to participate in such meeting and such Member shall, notwithstanding such disconnection, be counted in the quorum for that part of the meeting prior to his disconnection from the meeting.</p> <p>(3) The Board may, at its absolute discretion, arrange for persons entitled to attend a general meeting to do so by simultaneous attendance and participation by means of electronic facilities at such location or locations ("Meeting Location(s)") determined by the Board at its absolute discretion. Any Member or any proxy attending and participating in such way or any Member participating in and/or logged-in to an electronic meeting or a hybrid meeting by means of electronic facilities is deemed to be present at and shall be counted in the quorum of the meeting.</p> <p>(4) All general meetings are subject to the following:</p>	

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 (Cont'd)

<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
	<p>(a) where a Member is attending a Meeting Location and/or in the case of a hybrid meeting, the meeting shall be treated as having commenced if it has commenced at the Principal Meeting Place;</p> <p>(b) Members present in person or by proxy at a Meeting Location and/or Members participating in an electronic meeting or a hybrid meeting by means of electronic facilities shall be counted in the quorum for and entitled to vote at the meeting in question, and that meeting shall be duly constituted and its proceedings valid provided that the chairman of the meeting is satisfied that adequate electronic facilities are available throughout the meeting to ensure that Members at all Meeting Locations and Members participating in an electronic meeting or a hybrid meeting by means of electronic facilities are able to participate in the business for which the meeting has been convened;</p> <p>(c) where Members attend a meeting by being present at one of the Meeting Locations and/or where Members are participating in an electronic meeting or a hybrid meeting by means of electronic facilities, a failure (for any reason) of the electronic facilities or communication equipment, or any other failure in the arrangements for enabling those in a Meeting Location other than the Principal Meeting Place to participate in the business for which the meeting has been convened or in the case of an electronic meeting or a hybrid meeting, the inability of one or more Members</p>	

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<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
	<p>or proxies to access, or continue to access, the electronic facilities despite adequate electronic facilities having been made available by the Company, shall not affect the validity of the meeting or the resolutions passed, or any business conducted there or any action taken pursuant to such business provided that there is a quorum present throughout the meeting.</p> <p>(5) The Board and, at any general meeting held as an electronic meeting or a hybrid meeting, the chairman of the meeting may from time to time make arrangements for managing attendance and/or participation and/or voting at the Principal Meeting Place and any Meeting Location(s) and/or in an electronic meeting or a hybrid meeting by means of electronic facilities (whether involving the issue of tickets or some other means of identification, passcode, seat reservation, electronic voting or otherwise) or in any other manner as it (or he) shall in its (or his) absolute discretion consider appropriate, and may from time to time change any such arrangements. Votes may be cast by such means, electronic or otherwise, as the Directors or the chairman of the meeting may determine.</p> <p>(6) If it appears to the chairman of a general meeting that:</p> <p>(a) the electronic facilities at the Principal Meeting Place or at such other Meeting Location(s) at which the meeting may be attended have</p>	

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<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
	<p>become inadequate for the purposes referred to in Bye-law 61A(3) or are otherwise not sufficient to allow the meeting to be conducted substantially in accordance with the provisions set out in the Notice of the meeting; or</p> <p>(b) in the case of an electronic meeting or a hybrid meeting, electronic facilities being made available by the Company have become inadequate; or</p> <p>(c) it is not possible to ascertain the view of those present or to give all persons entitled to do so a reasonable opportunity to communicate and/or vote at the meeting;</p> <p>then, without prejudice to any other power which the chairman of the meeting may have under the Bye-laws or at common law, the chairman may, at his/her absolute discretion, without the consent of the meeting, and before or after the meeting has started and irrespective of whether a quorum is present, adjourn the meeting. All business conducted at the meeting up to the time of such adjournment shall be valid.</p> <p>(7) All persons seeking to attend and participate in an electronic meeting or a hybrid meeting shall be responsible for maintaining adequate facilities to enable them to do so. Any inability of a person or persons to attend or participate in a general meeting by way of electronic facilities shall not invalidate the proceedings of and/or resolutions passed at that meeting.</p>	

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 (Cont'd)

<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
<p><i>Rights attaching to shares – Preference shares</i></p> <p>Section 90(4) of the MCA: no company shall allot any preference shares or convert any issued shares into preference shares unless provided by the constitution and the constitution shall set out the rights of the shareholders with respect to repayment of capital, participation in surplus assets and profits, cumulative or non-cumulative dividends, voting and priority of payment of capital and dividend in relation to other shares or other classes of preference shares.</p> <p>Pursuant to Section 91(2) of the MCA: the consent of the shareholders required for the purposes of this section shall be a written consent representing not less than seventy five per centum of the total voting rights of the shareholders in the class; or a special resolution passed by shareholders in the class sanctioning the variation.</p> <p>Section 93(1) of the MCA: If the rights attached to shares in any class of shares in a company are varied, the shareholders representing at least ten per centum of the total voting rights in the class may apply to the Court to have the variation disallowed.</p>	<p>The BCA generally allows a company to issue preference shares.</p> <p>Section 42(1) of the BCA: Subject to section 42 of the BCA, a company limited by shares, or other company having a share capital, may issue preference shares which-</p> <p>(i) if so authorised by its bye-laws, are, or at the option of the company are, liable to be redeemed;</p> <p>(ii) if so authorised by its memorandum at the option of the holder are to be liable to be redeemed:</p> <p>Provided that –</p> <p>(a) no such shares shall be redeemed except out of the capital paid up thereon or out of the funds of the company which would otherwise be available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purposes of the redemption; and</p> <p>(b) the premium, if any, payable on redemption, is provided for out of funds of the company which would otherwise be available for dividend or distribution or out of the company's share premium account before the shares are redeemed.</p>	<p>Both the BCA and the MCA allows for the issuance of preference shares which are liable to be redeemed at the option of the company. Pursuant to Bye-law 11C, for so long as the shares of the Company are listed on the Designated Stock Exchange, in the event the Company creates any class of shares other than ordinary shares, the rights attaching to the shares of such class shall be expressed in the Company's Bye-laws.</p> <p>Bye-law 12 provides that the special rights attached to any class of shares may be varied, modified or abrogated either with the consent in writing of the holders of three-fourths of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class, which is similar to the provisions of section 91(2) of the MCA.</p>

ANNEXURE B: SUMMARY COMPARISON OF BERMUDA CORPORATION LAW AND MALAYSIAN CORPORATION LAW WITH RESPECT TO CORPORATE GOVERNANCE, SHAREHOLDERS AND MINORITY INTEREST PROTECTION AND REGULATION OF TAKE-OVERS AND MERGERS
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<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
	<p>Section 42(2) of the BCA: Subject to section 42 of the BCA, the redemption of preference shares thereunder may be effected on such terms and in such manner as may be provided by or determined in accordance with the bye-laws of the company; however, no redemption of preference shares may be effected if, on the date on which the redemption is to be effected, there are reasonable grounds for believing that the company is, or after the redemption would be, unable to pay its liabilities as they become due.</p> <p>Section 42(3) of the BCA: The redemption of preference shares under section 42 of the BCA shall not be taken as reducing the amount of the company's authorised share capital.</p> <p>Section 42(4) of the BCA: On the redemption of preference shares under section 42 of the BCA, any amount due to a shareholder may – (a) be paid in cash; (b) be satisfied by the transfer of any part of the undertaking or property of the company having the same value or; (c) be satisfied partly under paragraph (a) and partly under paragraph (b).</p> <p>Section 43 of the BCA: A company limited by shares, or other company having a share capital, may by resolution at a general meeting convert any preference shares into redeemable preference shares:</p>	

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 (Cont'd)

<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
	<p>Provided that –</p> <p>(a) the consent in writing has first been obtained of the holders of three-fourths of such shares that have been issued;</p> <p>(b) at a date not more than thirty days and not less than fifteen days before the date it is proposed to convert the shares the company shall cause a notice to be published in an appointed newspaper stating the intention to convert the shares and the date on which the conversion is to take place;</p> <p>(c) on the date on which the conversion is to take place an affidavit shall be sworn by a director of the company declaring either that on that date the company is solvent or that all the creditors of the company on that date have expressed in writing their concurrence in the conversion; and</p> <p>(d) the provisions of section 42(1) of the BCA shall apply to such shares.</p> <p>Please also refer to Section 47(1) of the BCA as set out under the heading "Changes in the Respective Rights of the Various Classes of Shares Including the Action Necessary to Change the Rights".</p> <p>Bye-law 11: Subject to Sections 42 and 43 of the BCA, the Bye-laws, (for so long as the shares of the Company are listed on the Designated Stock Exchange) the listing rules of the Designated Stock Exchange, and to any special rights conferred on the holders of any shares or attaching to any class</p>	

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 (Cont'd)

<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
	<p>of shares, any preference shares (including redeemable preference shares) may be issued or converted into shares that, at a determinable date or at the option of the Company or the holder if so authorised by its memorandum of association, are liable to be redeemed on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution of the Members determine. Where the Company purchases for redemption redeemable shares, purchases not made through the market or by tender shall be limited to a maximum price as may from time to time be determined by the Company in general meeting, either generally or with regard to specific purchases. If the purchases are by tenders, they shall be available to all Members alike.</p> <p>Bye-law 11C: For so long as the shares of the Company are listed on the Designated Stock Exchange, in the event the Company creates any class of shares other than ordinary shares, the rights attaching to the shares of such class shall be expressed in the Bye-laws.</p> <p>Bye-law 12: Subject to the BCA and without prejudice to Bye-law 9, all or any of the special rights for the time being attached to the shares or any class of shares may, unless otherwise provided by the terms of issue of the shares of that class, from time to time (whether or not the Company is being wound up) be varied, modified or abrogated either with the consent in writing of</p>	

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 (Cont'd)

<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
	<p>the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting all the provisions of the Bye-laws relating to general meetings of the Company shall, <i>mutatis mutandis</i>, apply, but so that:</p> <p>(a) the necessary quorum (other than at an adjourned meeting) shall be two persons (or in the case of a Member being a corporation, its duly authorised Representative) holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting of such holders, two holders present in person (or in the case of a Member being a corporation, its duly authorised Representative) or by proxy (whatever the number of shares held by them) shall be a quorum;</p> <p>(b) every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him; and</p> <p>(c) any holder of shares of the class present in person or by proxy may demand a poll.</p> <p>Bye-law 13: The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied, modified or abrogated by the creation or issue of further shares ranking <i>pari passu</i> therewith.</p>	

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 (Cont'd)

<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
<i>Resolutions requiring special notice</i>		
<p>Section 322(1) of the MCA : Where special notice is required of a resolution under any provision of this Act, the resolution shall not be effective unless notice of the intention to move it has been given to the company at least twenty-eight days before the meeting at which it is moved.</p> <p>Section 322(2) of the MCA: The company is not required to give notice of the proposed resolution received under subsection (1) to the members unless the resolution can be properly moved at a meeting of members required under this Act.</p> <p>Section 322(3) of the MCA: The company shall, where practicable, give its members notice of any such resolution in the same manner and at the same time as it gives notice of the meeting.</p>	<p>Section 89(3) of the BCA: A person, other than an incumbent auditor, shall not be capable of being appointed auditor at a general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than twenty-one days before a general meeting; and the company shall send a copy of any such notice to the incumbent auditor, and shall give notice thereof to the members, either by advertisement in an appointed newspaper or in any other mode provided by the bye-laws of the company, not less than seven days before a general meeting: Provided that an incumbent auditor may by notice in writing to the secretary of the company waive the requirements of section 89(3) of the BCA which shall then not have effect.</p>	<p>Both the BCA and MCA require notices to be provided within a specified amount of days in relation to the removal of auditors or removal of directors.</p> <p>Under the BCA, a resolution for the removal of an auditor has to be approved by at least two-thirds (approximately 66.7%) of the votes cast at a general meeting, whereas a simple majority is required under the MCA. Pursuant to Bye-law 155(3) of the Bye-laws, the members of the Company may by special resolution (passed by a majority of not less than three-fourths of votes cast) at any general meeting remove an auditor at any time before the expiration of his term of office.</p>
<p>Section 322(4) of the MCA: Where it is not practicable to give its members notice in accordance with subsection (3), the company shall give its members notice of any such resolution at least fourteen days before the meeting-</p> <p>(a) by advertising it in one widely circulated newspaper in Malaysia in the national language and one widely circulated newspaper in Malaysia in the English language; or</p>	<p>Section 89(5) of the BCA: The members, by a resolution passed by at least two-thirds of the votes cast at a general meeting of which notice specifying the intention to pass such resolution was given, may remove any auditor before the expiration of his term of office, and shall by a majority of the votes cast at that meeting appoint another auditor in his stead for the remainder of his term:</p> <p>Provided that, not less than twenty-one days before the date of the meeting, notice in writing of the proposed resolution is given to the incumbent</p>	<p><u>Procedural differences</u> Under the MCA, a resolution requiring a special notice is only effective if given at least 28 days prior to the meeting. The following sections requiring special notices under the MCA is not required under the BCA:</p> <p><u>Appointment/Removal of Auditor</u> The BCA and the Bye-laws provide that notice of intention to nominate a person as the new auditor must be given not less than twenty-one (21) days before the general meeting, and the company is to send a copy of the said notice to the members and to the incumbent auditor not less than seven (7)</p>

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 (Cont'd)

<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
<p>(b) in any other manner as specified in the constitution.</p> <p>Section 322(5) of the MCA: If, after notice of the intention to move such a resolution has been given to the company, a meeting is called on a date twenty-eight days or less after the notice has been given, the notice although not given within the time required by this section is deemed to have been properly given.</p> <p>Provisions in the MCA requiring special notice to be provided are inter alia as follows:</p>	<p>auditor and to the auditor proposed to be appointed.</p> <p>Please also refer to section 93 of the BCA as set out under the heading "Removal of Directors".</p> <p>Bye-law 86(3): Notwithstanding any provisions contained in the Bye-laws, a resolution in writing shall not be passed for the purpose of removing a Director before the expiration of his term of office under Bye-law 87(4) or for the purposes set out in Bye-law 155(3) relating to the removal and appointment of the Auditor.</p>	<p>days before the general meeting.</p> <p>In respect of removal of auditors, not less than twenty-one (21) days' written notice of the proposed resolution is to be given to the incumbent auditor and the auditor proposed to be appointed. For the provision on special notice under the MCA, please see the comments in the <i>Removal of Director</i>.</p> <p><u>Removal of Director</u> Please see the comments in the <i>Removal of Director</i>.</p>
<p><u>Auditors</u> <u>Appointment of auditors</u></p> <p>Section 272(2) of the MCA: A special notice is required of such a resolution if in the case of a public company-</p> <p>(i) no annual general meeting is held since the outgoing auditor ceased to hold office due to his resignation or removal; or</p> <p>(ii) an annual general meeting is held at which an auditor should have been appointed but is not appointed.</p>	<p>Bye-law 87(4): The Members may, at any general meeting convened and held in accordance with the Bye-laws, by ordinary resolution remove a Director at any time before the expiration of his period of office notwithstanding anything to the contrary in the Bye-laws or in any agreement between the Company and such Director (but without prejudice to any claim for damages under any such agreement) provided that the Notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention so to do and be served on such Director fourteen (14) days before the meeting and at such meeting such Director shall be entitled to be heard on the motion for his removal.</p> <p>Bye-law 155(2): Subject to Section 89 of the BCA, a person, other than an incumbent Auditor, shall not be capable of being appointed Auditor at an</p>	

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 (Cont'd)

<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
<p><u>Removal of auditors</u></p> <p>Section 277(1) of the MCA: A special notice shall be required for a resolution to remove an auditor from office at a general meeting of a company.</p> <p><u>Liquidators</u></p> <p>Section 445(3) of the MCA: The company may, in general meeting convened by any contributory by special resolution of which special notice has been given to the creditors and the liquidators, remove any liquidator but no such resolution shall be effective to remove a liquidator if the Court on the application of the liquidator or a creditor has ordered that the liquidator may not be removed.</p> <p><u>Directors</u></p> <p>Section 206(3) of the MCA: Special notice is required of a resolution to remove a director under this section or to appoint another person instead of the director at the same meeting.</p>	<p>annual general meeting unless Notice in writing of an intention to nominate that person to the office of Auditor has been given not less than twenty-one (21) days before the annual general meeting and furthermore, the Company shall send a copy of any such notice to the incumbent Auditor.</p> <p>Bye-law 155(3): The Members may, at any general meeting convened and held in accordance with the Bye-laws, by special resolution remove the Auditor at any time before the expiration of his term of office and shall by ordinary resolution at that meeting appoint another Auditor in his stead for the remainder of his term.</p> <p>Section 173(1) of the BCA: A liquidator appointed by the Court may resign or, on cause shown, be removed by the Court.</p> <p>Section 173(3) of the BCA: A vacancy in the office of a liquidator appointed by the Court shall be filled by the Court.</p> <p>Section 227(2) of the BCA: The Court may, on cause shown, remove a liquidator and appoint another liquidator.</p>	

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 (Cont'd)

<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
<p><i>Quorum for meetings</i></p> <p>Section 328(2) of the MCA: In any other case, two members personally present at a meeting or by proxy shall be a quorum unless a higher number is specified in the constitution.</p> <p>Section 328(3) of the MCA: For the purpose of constituting a quorum-</p> <p>(a) one or more representatives appointed by a corporation shall be counted as one member; or</p> <p>(b) one or more proxies appointed by a person shall be counted as one member.</p> <p>Section 328(4) of the MCA: No business shall be transacted at any meeting of members unless a quorum is present at the time when the meeting proceeds to business.</p> <p>Section 328(5) of the MCA: Unless otherwise provided in the constitution, if within half an hour from the time appointed for the meeting, a quorum is not present, the meeting-</p> <p>(a) if convened upon the requisition of members, shall be dissolved; or</p> <p>(b) in any other case, shall stand adjourned to the same day in the next week at the same time and place, or to such other day and at</p>	<p>Bye-law 62(2): No business other than the appointment of a chairman of a meeting shall be transacted at any general meeting unless a quorum is present at the commencement of the business. A total of three (3) Members entitled to vote and present in person (or in the case of a Member being a corporation by its duly authorised Representative) or by proxy shall form a quorum for all purposes. For the purposes of Bye-law 62(2), "Member" includes a person attending as a proxy or as a duly authorised representative of a corporation which is a Member.</p> <p>Bye-law 63: If within thirty (30) minutes (or such longer time not exceeding one hour as the chairman of the meeting may determine to wait) after the time appointed for the meeting a quorum is not present, the meeting, if convened on the requisition of Members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week at the same time and (where applicable) same place(s) or to such time and (where applicable) such place(s) and in such form and manner referred to in Bye-law 57 as the chairman of the meeting or the Board may determine. If at such adjourned meeting a quorum is not present within half an hour from the time appointed for holding the meeting, the meeting shall be dissolved.</p>	<p>The BCA does not provide for quorum of general meetings (other than for the statutory meeting). However, the Bye-laws provide that three (3) members are required to form a quorum at general meetings.</p> <p>The quorum under the MCA is two (2) members in any other case unless a higher number is specified in the company's constitution.</p> <p>In this respect, both the Bye-laws and the MCA provide for the minimum number of members required to form a quorum at general meetings.</p>

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 (Cont'd)

<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
such other time and place as the directors may determine.		
<i>Circulation of financial statements</i>		
<p>Section 257(1) of the MCA: Every company shall send a copy of its financial statements and reports for each financial year to-</p> <p>(a) every member of the company;</p> <p>(b) every person who is entitled to receive notice of general meetings;</p> <p>(c) every auditor of the company; and</p> <p>(d) every debenture holder of the company on a request being made to the company.</p>	<p>Bye-law 154: Subject to Sections 87A and 88 of the BCA, a copy of the financial statements which are to be laid before a general meeting of the Company, made up to the end of the applicable financial year and including every document and all information as required by the BCA and (for so long as the shares of the Company are listed on the Designated Stock Exchange) the rules or regulations of the Designated Stock Exchange ("Financial Statements"), together with a copy of the Auditor's report in respect of the Financial Statements, shall be sent to each person entitled thereto (the "Entitled Persons") at least fourteen (14) days before the date of the general meeting provided that Bye-law 154 shall not require a copy of those documents to be sent to any person whose address the Company is not aware of or to more than one of the joint holders of any shares or debentures.</p>	<p>Both the MCA and the Bye-laws similarly provide for the circulation of financial statements to the members of the company within a certain timeframe before the company's annual general meeting.</p> <p>Under the Bye-laws, the financial statements are to be sent by the Company at least 14 days before the date of the general meeting. The MCA requires the financial statements to be sent at least 21 days prior to the general meeting.</p>
<p>Section 257(2) of the MCA: Copies of the financial statements and reports shall be sent to the last known address provided to the company.</p> <p>Section 257(3) of the MCA: Any member or debenture holder to whom copies of the financial statements and reports have not been sent shall, on a request being made by the member or debenture holder to the company be furnished with such copies without charge.</p>	<p>Bye-law 154A: Subject to compliance with Sections 87A and 87B of the BCA and (for so long as the shares of the Company are listed on the Designated Stock Exchange) the rules or regulations of the Designated Stock Exchange, the Company may send to Entitled Persons summarised financial statements, derived from the Financial Statements for the relevant period,</p>	<p>The Bye-laws also contain provisions that allow the Company to, instead, circulate summarised financial statements to members. If summarised financial statements are being sent by the Company, the summarised financial statements are to be sent by the Company not less than 21 days before the general meeting. However, under the Bye-laws, the members of the Company may elect, by notice in writing to the Company, to receive the complete financial statements. The MCA does not provide for the circulation of summarised financial statements to members of a company.</p>
<p>Section 258(1) of the MCA: The circulation of financial statements and reports-</p>		

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 (Cont'd)

<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
<p>(a) for a private company, shall be within six months of its financial year end; and</p> <p>(b) for a public company, shall be at least twenty-one days before the date of its annual general meeting.</p> <p>Section 258(2) of the MCA: In relation to a public company, the financial statements and reports may be circulated at a shorter period if it was agreed by all the members entitled to attend and vote at the annual general meeting.</p>	<p>instead of the Financial Statements. The summarised financial statements shall be accompanied by the Auditor's report and shall be sent to Entitled Persons not less than twenty-one (21) days before the general meeting at which the Financial Statements are to be laid. Entitled Persons who receive the summarised financial statements may elect, by notice in writing to the Company, to receive the Financial Statements. Financial Statements shall be sent within seven (7) days of receipt of the Entitled Person's election to receive the Financial Statements.</p> <p>Bye-law 154B: The requirement to send to a person referred to in Bye-law 154 the documents referred to in that provision or a summary financial report in accordance with Bye-law 154A shall be deemed satisfied where, in accordance with all applicable Statutes, rules and regulations, including, without limitation, the listing rules of the Designated Stock Exchange and where applicable the Secondary Stock Exchange, the Company publishes copies of the documents referred to in Bye-law 154 and, if applicable, a summary financial report complying with Bye-law 154A, on the Company's computer network or in any other permitted manner (including by sending any form of electronic communication), and that person has agreed or is deemed to have agreed to treat the publication or receipt of such documents in such manner as discharging the Company's obligation to send to him a copy of such documents.</p>	

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 (Cont'd)

<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
<p><i>Annual general meetings</i></p> <p>Section 340(1) of the MCA: Every public company shall hold an annual general meeting in every calendar year in addition to any other meetings held during that period, to transact the following business:</p> <ul style="list-style-type: none"> (a) the laying of audited financial statements and the reports of the directors and auditors; (b) the election of directors in place of those retiring; (c) the appointment and the fixing of the remuneration of auditors; and (d) any resolution or other business of which notice is given in accordance with this Act or the constitution. <p>Section 340(2) of the MCA: For the purposes of subsection (1), the annual general meeting shall be held-</p> <ul style="list-style-type: none"> (a) within six months of the company's financial year end; and (b) not more than fifteen months after the last preceding annual general meeting. 	<p>Section 71(1) of the BCA: Subject to section 71A, a meeting of members of a company shall be convened at least once in every calendar year; this meeting shall be referred to as the annual general meeting.</p> <p>Section 71A(1) of the BCA: A company may, by resolution of the company in general meeting, elect to dispense with the holding of annual general meetings.</p> <p>Bye-law 56: An annual general meeting of the Company shall be held in each year other than the year in which its statutory meeting is convened at such time (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting unless a longer period would not infringe the listing rules of the Designated Stock Exchange and where applicable the Secondary Stock Exchange) and place (if applicable) as may be determined by the Board.</p>	<p>The MCA provides that the annual general meeting shall be held within 6 months of the company's financial year end. The MCA and the Bye-laws contain similar requirements that annual general meetings are to be held at least once every calendar year. The MCA and the Bye-laws both provide that an annual general meeting shall be held not more than 15 months after the last preceding annual general meeting, although under the Bye-laws a longer period may be permitted if it would not infringe the listing rules of the Designated Stock Exchange and where applicable the Secondary Stock Exchange.</p> <p>While there are differences in timeframe requirements to hold the annual general meeting, both the Bye-laws and MCA requires an annual general meeting to be held at least once every calendar year.</p>

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 (Cont'd)

<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
<p><i>Special resolutions</i></p> <p>Section 292(1) of the MCA: A special resolution of the members or class of members of a company means a resolution of which a notice of not less than twenty-one days has been given and passed by a majority of not less than seventy-five per centum of such members-</p> <p>(a) who are entitled to vote and do vote in person, or where proxies are allowed, by proxy at a meeting of members; or</p> <p>(b) who are entitled to vote on a written resolution.</p> <p>Section 292(4) of the MCA: A special resolution is passed on a poll taken at a meeting if it is passed by members representing not less than seventy-five per centum of the total voting rights of the members who are entitled to vote and do vote in person or by proxy on the resolution.</p> <p>Section 292(5) of the MCA: Where a resolution is passed at a meeting-</p> <p>(a) the resolution is not a special resolution unless the notice of the meeting includes the text of the resolution and states that the resolution is proposed as a special resolution; and</p>	<p>Not provided for in the BCA.</p> <p>Bye-law 2(h): a resolution shall be a special resolution when it has been passed by a majority of not less than three-fourths of votes cast by such Members as, being entitled so to do, vote in person or, in the case of such Members as are corporations, by their respective duly authorised Representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' Notice, specifying (without prejudice to the power contained in the Bye-laws to amend the same) the intention to propose the resolution as a special resolution, has been duly given. Provided that, except in the case of an annual general meeting, if it is so agreed by a majority in number of the Members having the right to attend and vote at any such meeting, being a majority together holding not less than ninety-five (95) per cent. in nominal value of the shares giving that right and in the case of an annual general meeting, if it so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than twenty-one (21) clear days' Notice has been given.</p> <p>Please also refer to Bye-law 60 as set out under the heading "Notice of Meetings and Business to be Concluded Thereat".</p>	<p>The Bye-laws and MCA contain similar provisions to distinguish a "special resolution" from an "ordinary resolution" with similar thresholds for members' approval of a special resolution.</p> <p>Although the Bye-laws provide that less than 21 clear days' notice may be given for a general meeting at which a special resolution is to be proposed, the thresholds for members' approval required for such shorter notice are extremely high (in the case of an annual general meeting, the agreement of all members entitled to attend and vote at the meeting; and in the case of a meeting other than an annual general meeting, the agreement of members having the right to attend and vote at such meeting and holding not less than 95% in nominal value of the shares).</p>

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 (Cont'd)

<u>Malaysian Corporation Law</u>	<u>Bermuda Corporation Law</u>	<u>Comments on differences, if any</u>
<p>(b) if it is so stated in the notice of the meeting, the resolution shall only be passed as a special resolution.</p>		
<i>Convening of general meetings on requisition</i>		
<p>Section 310 of the MCA: A meeting of members may be convened by-</p> <p>(a) the Board; or</p> <p>(b) any member holding at least ten per centum of the issued share capital of a company or a lower percentage as specified in the constitution or if the company has no share capital, by at least five per centum in the number of the members.</p> <p>Section 311(1) of the MCA: The members of a company may require the directors to convene a meeting of members of the company.</p>	<p>Section 74(1) to (5) of the BCA:</p> <p>(1) The directors of a company, notwithstanding anything in its bye-laws shall, on the requisition of members of the company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the company as at the date of the deposit carries the right of voting at general meetings of the company, or, in the case of a company not having a share capital, members of the company representing not less than one-tenth of the total voting rights of all the members having at the said date a right to vote at general meetings of the company, forthwith proceed duly to convene a special general meeting of the company.</p> <p>(2) The requisition must state the purposes of the meeting, and must be signed by the requisitionists and deposited at the registered office of the company, and may consist of several documents in like form each signed by one or more requisitionists.</p> <p>(3) If the directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionists, or any of them representing more than one half of the total voting rights of</p>	<p>The general principle of these provisions in the BCA and the Bye-laws is similar to those in the MCA. The differences between the Bermuda Corporation Law and the MCA are in respect of the percentage of members required to requisition a general meeting in the case of a company with no share capital. Both the MCA and the BCA require the requisition by any member for a general meeting to be deposited with the company, although the BCA specifies that the requisition is to be deposited at the registered office of the company.</p>
<p>Section 311(3) of the MCA: The directors shall call for a meeting of members once the company has received requisition to do so from-</p> <p>(a) members representing at least ten per centum of the paid up capital of the company carrying the right of voting at meetings of members of the company, excluding any paid up capital held as treasury shares; or</p>		
<p>(b) in the case of a company not having a share capital, members who represent at least five</p>		