

OM HOLDINGS LIMITED

(ARBN 081 028 337)



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77 – Annual Report - 2005

18 April 2006

Company Announcements Office
Australian Stock Exchange Limited
4th Floor
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

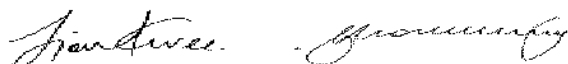
2005 ANNUAL REPORT

Please find attached a copy of the 2005 Annual Report for OM Holdings Limited.

In accordance with ASX Listing Rule 4.6 the Company intends to despatch the 2005 Annual Report and Notice of Annual General Meeting to shareholders by 28 April 2006.

Yours faithfully

OM HOLDINGS LIMITED



Heng Siow Kwee/Julie Wolseley
Company Secretary



BACKGROUND PROFILE OF OM HOLDINGS LIMITED

OMH which was listed on the ASX in March 1998 has its foundations in metals trading – incorporating the sourcing and distribution of manganese ore products and subsequently in processing ores into ferro-manganese intermediate products. In the immediate future, the Group expects to commence commercial mining operations – leading to a fully integrated operation covering Australia, China and Singapore.

Through its wholly owned subsidiary, OM Manganese Ltd (“OMM”), OMH controls 100% of the Bootu Creek Manganese Project located 110 km north of Tennant Creek in the Northern Territory.

The Bootu Creek Manganese Project is presently under development and is expected to produce at an annual rate of 550,000 tonnes of manganese ore. The Project has further exploration potential given that its tenement holdings extend over 1,750 km².

The manganese product from the Project will be exclusively marketed by the Group’s own trading division with a proportion of the product expected to be consumed by the Group’s wholly-owned Qinzhou smelter located in south west China.

Through its Singapore based commodity trading activities, OMH has established itself as a significant manganese supplier to the Chinese market. The pending development and commercial output of the Bootu Creek Manganese Project will strengthen OMH’s position in this market.

OMH holds a 25% shareholding in Territory Iron Ltd, a company presently pursuing the development of the Frances Creek iron ore project in the Northern Territory.

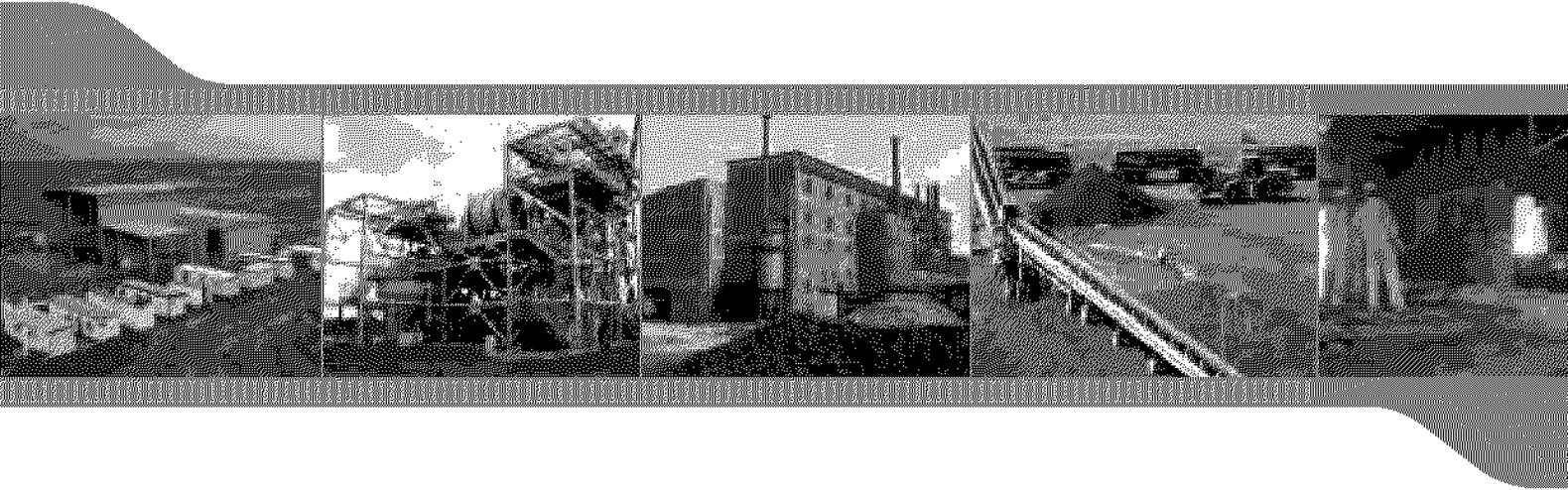
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OM HOLDINGS LIMITED

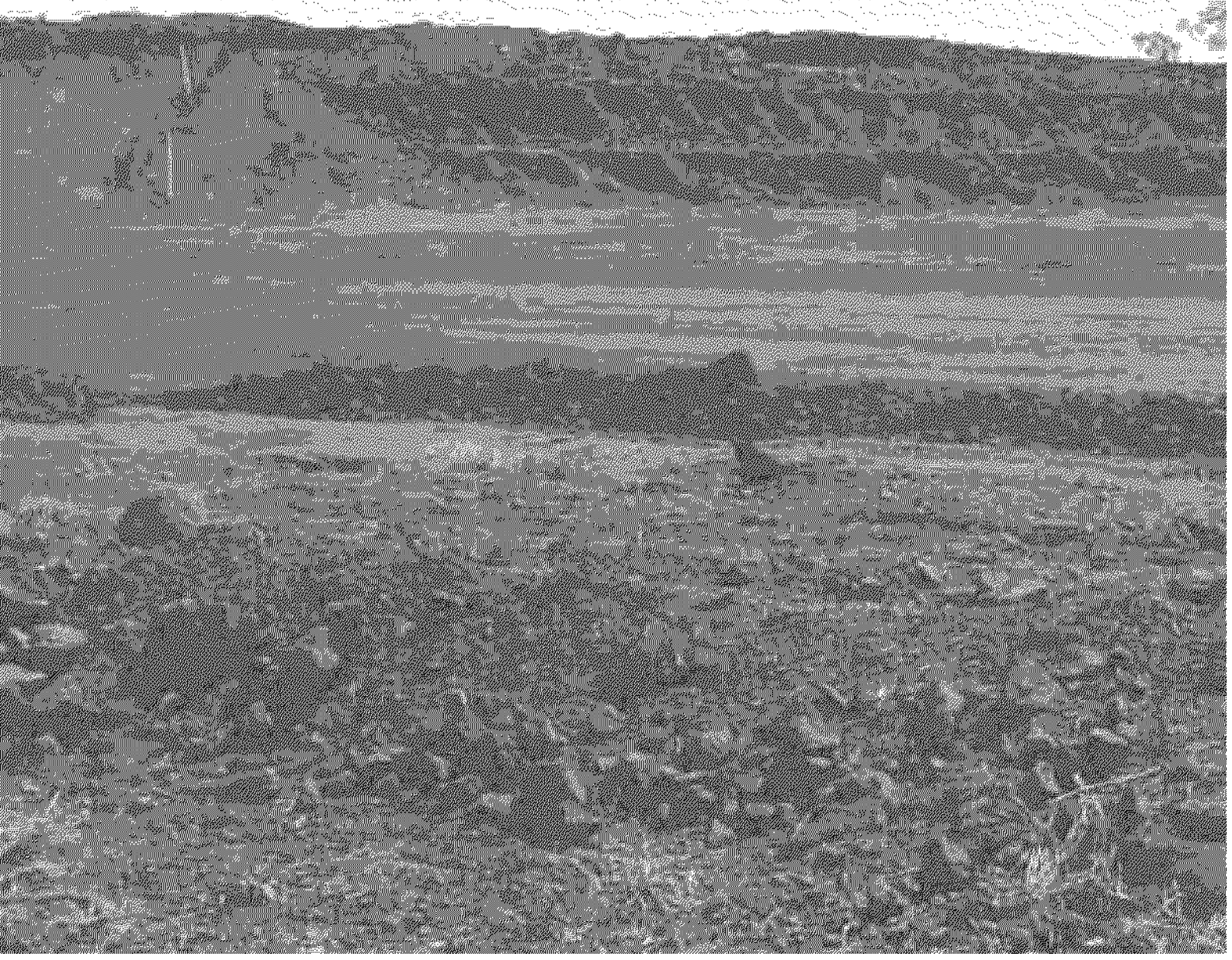
(Incorporated in Bermuda) A.R.B.N. 081 028 337

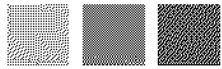


ANNUAL REPORT 2005



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Chief Executive Officer's Report

For the year ended 31 December 2005



OM Holdings Limited and its subsidiaries ("OMH") reported for the financial year a consolidated net profit after tax and minority interests of A\$5.0 million. This was a solid achievement considering the softening trend in the manganese and alloy markets compared to the buoyant market conditions experienced throughout 2004 and into the first half of 2005. The weaker operating result in the second half of 2005 was due predominantly to the continued worldwide downturn within the manganese ore and alloy industries.

The 2005 result was derived from total sales revenues of A\$214.7 million compared to A\$219.3 million in the prior year. Sales of ore amounted to A\$105.8 million (49% of total sales), down by A\$27.6 million from 2004. Sales of alloys totaled A\$108.9 million (51% of total sales) up by A\$23.0 million from 2004. The overall decrease in sales in 2005 was primarily due to substantial price weakening owing to the international accumulation of excessive stocks of manganese ore purchased in 2004 and the first half of 2005 and global market adjustments of ore and alloy prices after touching historical peaks. The decrease in both tonnage

and turnover compared to the prior year was caused by significant undercutting of ore prices and aggressive competition within the market. Demand by the Chinese steel industry weakened throughout the latter half of 2005. Despite the unfavourable and unstable market conditions, OMH's trading operations were still able to achieve an overall gross profit margin of 15.3% in 2005 compared to 19.2% in 2004. Gross profit margins from trading were significantly stronger in the first half of 2005 at 17.5% compared to 10.0% for the second half.

Basic earnings per share of A4.6 cents in 2005 compared to A13.7 cents in 2004.

The profit before taxation for 2005 represented a 7% return on equity for the year and enabled the full year dividend payout to shareholders to be A0.75 cents per share.

Since OMH listed in 1998, its core strength lies in its outstanding track record and operating expertise in managing its metal trading businesses. With strong and persistent marketing efforts, prudent control in cash flow and selection of strategic business partners, OMH's strongest performing subsidiary, OM Materials (S) Pte Ltd ("OMS") contributed A\$6.4 million of the Group's operating profit after tax.

Moving ahead with the proposed expansion at the Qinzhou Ferro Alloy Plant in south west China and the commencement of production from the Bootu Creek Manganese Project in the Northern Territory of Australia, OMH has demonstrated its solid operating foundation and has well-positioned itself to be a significant player in the global materials market which aims to capture value in all stages from production supply, processing and trading businesses. Looking forward, the OMH Group will continue to explore value-enhancing business opportunities in the Chinese market and look at possibilities to further expand its market coverage to key established markets.

The Board is also confident that OMH's concerted efforts to enhance its competitiveness will also translate into higher value opportunities for the OMH Group and for its shareholders.

On behalf of the Board we would like to thank our management, employees, bankers, customers, business associates and shareholders for their continued support and keen interest in OMH. We would also like to commend our dedicated team of colleagues who have always, together, put in their unwavering commitment to take the OMH Group forward.

OM资源香港有限公司在1994年於香港成立，致力于发展国际金属贸易。其后，公司在1998年进行重组，同年以OM控股有限公司之名在澳大利亚挂牌上市。於1999年将公司营运中心由香港转移至新加坡。

本人谨代表董事局在此向各位股东提呈OM控股有限公司及其附属公司(简称集团或OMH)2005年的业绩。集团本年度税后盈利为500万澳元，与上一年相比，该成绩已反映出锰矿及铁合金市场的疲软与其带来的不利影响。2004年全年及2005年上半年度锰矿及铁合金的市场价格仍然维持强劲，但於2005年下半年则开始出现回软，直接影响了2005年集团的业绩。

2005年度的营业额为21,470万澳元，而上一年的营业额为21,930万澳元，下降2%。其中：矿石的营业额为10,580万澳元、占总额的49%；较上一年下跌2,760万澳元。铁合金的营业额为10,890万澳元、占总额的51%；较上一年上升2,300万澳元。2004年锰矿石和铁合金价格创历史新高造成国际市场锰矿的过度采购，积压，以致2005年下半年市场价格大跌，进入了调整期，集团的财务表现因此受到一定的负面影响。

2005年度的销售额及销售较上一年下跌，主要是由于市场竞争激烈，矿石价格大幅度下调及2005年下半年度中国钢铁业对锰矿之需求减少。尽管市场条件不利于金属贸易及处于不稳定状态，集团2005年的整体贸易毛利率仍能录得15.3%。上半年度之毛利率仍维持强劲，取得17.5%，但下半年则跌至10%。

2005年度每股盈利为4.6分澳元，而2004年为13.7分澳元。本年度的税前资本回报率为7%。集团全年派发股息0.75分澳元，以回馈股东们的支持。

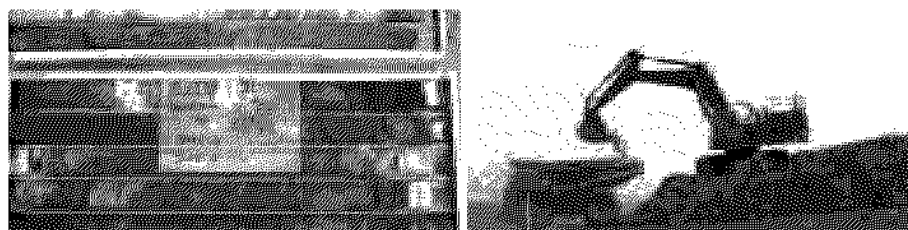
OMH自1998年上市至今，凭藉优秀的市场营运人才，谨慎的行政管理，资金的审慎监管以及可靠的策略性商业伙伴，集团取得了出色的业绩。作为集团最有效益的子公司，OM资源(新加坡)有限公司在2005年度为集团贡献了640万澳元的税后利润。

随着位於中国西南部东方资源(钦州)有限公司及澳大利亚北方的 Bootu Creek 锰矿山的发展，OMH已奠定了稳固的营运基础，董事局致力于将OMH发展成为全球金属市场上一个重要的角色。OMH欣盼集团未来在资源供应业务，制造业务及贸易业务中的每一个不同环节，都能取得更出色的增值。展望未来，OMH秉其多年的贸易经验与各方商业伙伴的鼎力支持与合作，将继续在中国拓展商机、扩大市场涵盖范围。

董事局相信OMH的努力不懈与保持高度竞争能力的决心与信心将为集团及股东们带来一定的回馈。

籍此机会，我谨代表所有董事局成员，向OMH所有行政管理层，全体员工，商业伙伴及股东们多年来对OMH的支持，致以最深的谢意。我们也特此表扬OMH一群坚守工作岗位，不屈不挠的员工与职员，他们对公司的信任与忠诚推动着OMH不断的成长。

Low Ngee Tong
Chief Executive Officer



Corporate Directory

DIRECTORS

Yeo Wee Kiong (Chairman)
 Low Ngee Tong (Chief Executive Officer)
 Seetoh Kwok Weng
 Heng Siow Kwee
 Trevor Tennant
 Julie Wolseley
 William Mackenzie

COMPANY SECRETARIES

Heng Siow Kwee
 Julie Wolseley
 I.S. Outerbridge

ADDRESS OF COMPANY AND REGISTRIES

The address of the Head Office of the Company:

80 Marine Parade Road
 #08-08 Parkway Parade
 Singapore 449269
 Telephone : (65) 6346 5515
 Facsimile : (65) 6342 2242
 Email : om@ommaterials.com

The address of the Bermuda

Registered Office :

Clarendon House
 2 Church Street
 PO Box HM 666
 Hamilton HM CX
 Bermuda

The address of the Company's Principal share registry in Bermuda :

Codan Services Limited
 Clarendon House
 2 Church Street
 Hamilton HM11
 Bermuda

The address of the Company's Branch share registry in Australia :

Computershare Registry Services Pty Ltd
 Level 2, Reserve Bank Building
 45 St George's Terrace
 Perth, Western Australia 6000
 Telephone : (618) 9323 2000
 Facsimile : (618) 9323 2033
 Website : www.computershare.com.au

NAME OF BANKERS

National Australia Bank Ltd
 Commonwealth Bank of Australia
 Bank of China
 Bank of Communication
 Bank of Construction
 Fortis Bank
 Oversea-Chinese Banking Corporation Limited
 ABN AMRO Bank N.V.
 KBC Bank N.V.
 Maybank
 DBS Bank

NAME AND ADDRESS OF AUDITORS

Grant Thornton
 13th Floor Gloucester Tower
 The Landmark
 11 Pedder Street
 Central
 Hong Kong

NAME AND ADDRESS OF APPOINTED AUSTRALIAN AGENT

OM Holdings (Australia) Pty Ltd
 Level 1
 46 Parliament Place
 West Perth
 WA 6005
 Telephone : (618) 9481 0955
 Facsimile : (618) 9481 0966

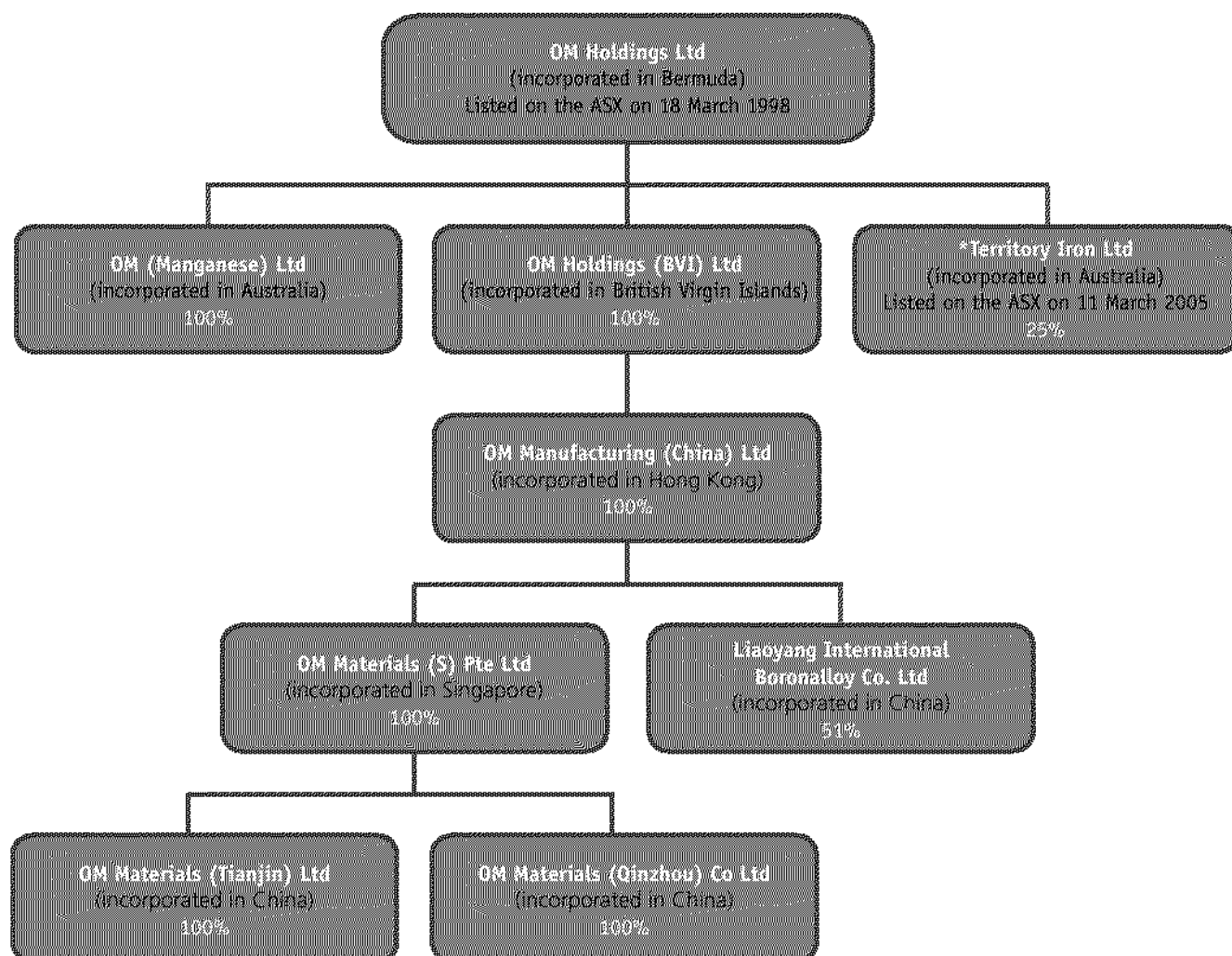
NAME OF BERMUDA
 RESIDENT REPRESENTATIVE
 John C.R. Collis

NAME OF BERMUDA DEPUTY
 RESIDENT REPRESENTATIVE
 Anthony D. Whaley

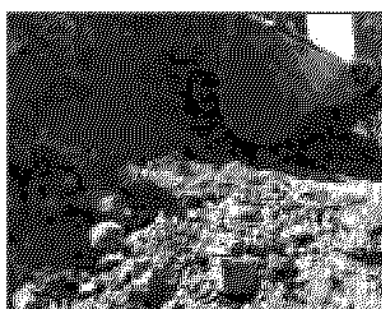
WEBSITE
www.omholdingsltd.com

ASX Code : OMH

Corporate Structure



* Territory Iron Limited listed on the Australian Stock Exchange on 11 Mar 2005. Following the successful listing of the company on the ASX, OMH is the largest shareholder holding 25% of the issued capital.



Exposed Manganese Ore at Shekuma deposit



Recovery of molten Alloy in progress

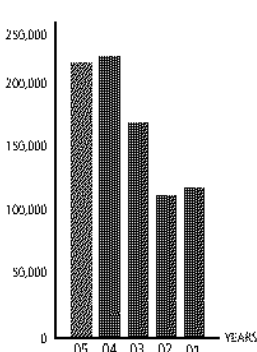


Silicon Manganese Alloy in bags

Business Review

For the Year Ended 31 December 2005

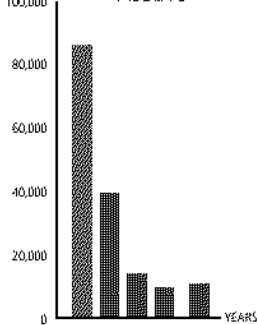
REVENUE



HIGHLIGHTS

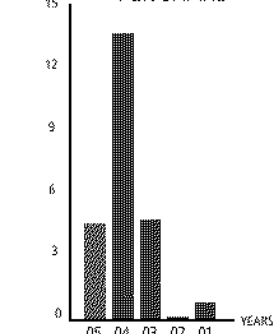
- Strong trading results derived with an overall gross profit margin of 15.3% earned despite demand by the Chinese steel industry weakening throughout the latter half of 2005.
- OMH increased its holding to 100% of the Bootu Creek Manganese Project in December 2005. OMH now controls the entire project production of manganese ore and the estimated output is projected to be 550,000 tonnes per annum.
- Significant progress achieved in the development of the Bootu Creek Manganese Project.
- Merger with Shanghai Shenjia Ferroalloys Co Ltd will aim to increase annual ferro alloy production capability in 2007 from 55,000 tonnes to 140,000 tonnes from the Qinzhou plant.

NET TANGIBLE ASSETS



- OMH generated a consolidated cashflow from its operating activities (prior to payments for interest, taxation and dividends) of A\$8.2 million.
- Exclusive sales agency agreement with Territory Iron (ASX code: TFE) was executed in late 2005 to solely market its entire iron ore production has enhanced OMH's business opportunities and will further develop commodity diversification.
- OMH successfully raised a total of A\$41.05 million (before issue costs) via share placements in 2005, resulting in the issue of 38,500,000 ordinary shares.
- OMH has well-positioned itself to become a major vertically integrated miner, processor and trader of manganese products.

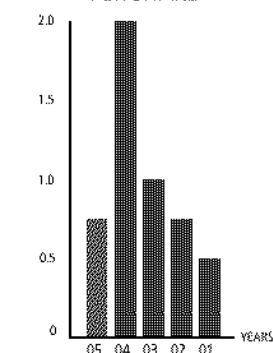
BASIC EARNINGS PER SHARE



5 YEARS' GROUP FINANCIAL HIGHLIGHTS

Financial years ended 31 December	2005 A\$'000	2004 A\$'000 (restated)	2003 A\$'000 (restated)	2002 A\$'000 (restated)	2001 A\$'000 (restated)
Revenue	214,671	219,347	167,407	110,996	116,350
Profit before taxation	6,402	13,917	3,674	758	973
Profit attributable to the equity holders of the company	5,008	11,054	2,670	56	409
As at 31 December					
Total assets	140,819	89,074	62,702	35,198	38,297
Total equity	90,394	42,864	18,556	12,461	13,699
Net tangible assets	88,204	40,818	16,165	12,236	13,415
	A cents	A cents	A cents	A cents	A cents
Net tangible assets per share	64.70	42.51	21.21	29.75	28.23
Basic earnings per share	4.64	13.66	4.79	0.12	0.86
Dividend per share	0.75	2.00	1.00	0.75	0.50

DIVIDEND PER SHARE



OMH's strongest performing subsidiary, OM Materials (S) Pte Ltd ("OMS") contributed A\$6.4 million of the Group's operating profit after tax. Subsidiaries in PRC, Liaoyang FerroAlloy International BoronAlloy Co and OM Materials (Tianjin) Ltd both achieved profitable results by contributing A\$0.6 million to the operating result after tax in 2005. OM Materials (Qinzhou) Co Ltd's ("OMQ") ferro alloy processing operation contributed an operating loss after tax of A\$0.6 million for 2005. This result included non cash items of A\$1.0 million relating to depreciation, amortisation and inventory provisions. The OMQ operations generated a positive cash flow from its operating activities in 2005.

Sales

During the period under review, sales revenues amounted to A\$214.7 million compared to A\$219.3 million in the prior year. The gross profit margin decreased by 20.3% from 19.2% to 15.3% in 2005. During the year, the decrease in both tonnage and turnover compared to the prior year was caused by significant undercutting of ore prices and aggressive competition within the market. Demand by the Chinese steel industry weakened throughout the latter half of 2005. Despite the unfavourable and unstable market conditions, OMH's trading operations were still able to achieve an overall gross profit margin of 15.3% in 2005.

Comparison Sales to International Regions were as follows:

Region	2005 %	2004 %	2003 %	2002 %	2001 %
South Korea/Japan	33.4	36.5	29.1	38.9	36.1
China	60.2	63.4	64.1	51.3	59.0
South Asia	—	—	—	1.8	2.7
Others	6.4	6.1	6.8	8.3	2.2
Total	100	100	100	100	100

Comparison Financial Statistics were as follows:

	2005	2004	2003	2002	2001
Gross Profit (A\$ millions)	32.7	42.1	13.7	7.9	10.9
Gross Profit Margin (%)	15.3	19.2	8.2	7.1	9.3

Total distribution costs decreased from A\$23.4 million in 2004 (11% of sales revenue) to A\$19.3 million in 2005 (9% of sales revenue) which was mainly due to reduced tonnages shipped and overall reduction in trading activities particularly in the second half of 2005. In addition, less tonnage of ore imported from USA attributed to reduced freight costs as such logistics costs are normally 3 times higher than the cost of ore imported from Australia.

Other revenues declined from A\$2.5 million in 2004 to A\$0.9 million due mainly to foreign exchange gains recorded in 2004.

Total administrative costs of A\$6.4 million in 2005 were maintained at a level comparable to those recorded in 2004. Finance costs of A\$0.7 million in 2005 were comparable to the prior year.

Additional significant expense items included in the 2005 OMH group result included:

- In accordance with prescribed IFRS requirements recording the fair value of unlisted options granted to employees of A\$1.6 million; and
- Inventory provisions of A\$1.3 million.

These expenses were offset by the gain arising from the deemed disposal of a partial interest of an associate which listed on the ASX during the year and positively impacted the OMH Group result by a gain of A\$2.3 million for 2005.

The OMH Group generated a consolidated cash flow from its operating activities (prior to payments for interest, taxation and dividends) of A\$8.2 million for 2005, compared to A\$14.0 million in 2004.

Results Contribution

Uncertain market sentiment in the immediate future for manganese and alloy markets has prompted the OMH Group to be conservative and prudently raise a provision against ore and alloy inventories which amounted to A\$1.3 million as at 31 December 2005. The inventory provisions comprised A\$0.5 million for alloys held by OMQ and A\$0.8 million for ore held by OMS. The OMH Group took prudent steps to assess the net realisable value of inventory products under the varying market conditions. The valuation of inventories will be regularly assessed and the requirement to maintain such stock provisions will be subject to ongoing review.

Business Review

For the Year Ended 31 December 2005

With effect from 1 January 2005, the granting of share options was required to be recognised as an expense in accordance with the new accounting standard IFRS2: Share Based Payments. In December 2005 a total of 4,180,500 unlisted options were issued to an OMH Group Director and a number of employees. The valuation of these options over shares has been independently assessed based upon the fair value of the share options granted and determined at the date of grant over the vesting period. As such, the OMH Group's operating result was reduced by A\$1.6 million in 2005 in accordance with the prescribed requirement to value and record such options.

On 11 March 2005, following the successful completion of the initial public offering and listing of Territory Iron Limited (ASX Code: TFE) on the ASX, OMH's interest in TFE has been diluted from 50% to 25%. Based on the net tangible assets of TFE at the time of dilution, a gain on the deemed disposal of the partial interest of TFE of A\$2.3 million has been recorded by OMH.

OMH has been equity accounting its investment in TFE since its incorporation. OMH has adjusted the value of its investment in TFE by recording its 25% share of TFE's operating loss for the year amounting to A\$0.2 million.

Second Half Year Performance

The softening market conditions in the second half of 2005 had a significant impact on the operating result reported. For the first six months to 30 June 2005 the OMH Group reported an operating profit after tax of A\$6.7 million. The operating loss after tax for the second half was A\$1.7 million. The key contributors to the disappointing second half year result were:

- (i) OM Materials (Qinzhou) Co Ltd recorded an operating loss after tax of A\$0.7 million in the second half due primarily to unfavourable market conditions for alloys. Production in the December 2005 quarter was particularly impacted by the ability to operate only one furnace continuously since October 2005 due to a shortage of low cost hydro-electricity in the region following an abnormally dry wet season. This is expected to be resolved with the commissioning of new generating capacity by 2007.
- (ii) OMH recorded the value of A\$1.6 million in relation to share based option payments.

Despite the difficult market conditions the trading division OMS recorded an operating profit after tax of A\$2.0 million in the second half which when combined with the first half result resulted in a full year operating profit after tax of A\$6.4 million.

OMH Group Financial Position

OMH's financial position was further strengthened during the financial year as total assets increased from A\$89.1 million in 2004 to A\$140.8 million as at 31 December 2005 due primarily to:

- Non-current assets amounted to A\$78.7 million in 2005 compared to A\$15.8 million at the end of previous year. The main increase was attributable to plant equipment and capitalised mine development and pre-production expenditure associated with the Bootu Creek Manganese Project ("BCMP") located in the Northern Territory. In addition prior to the end of the financial year the OMH Group increased its interest in the BCMP from 75% to 100%. Accordingly all project assets arising from the acquisition of the 25% interest in the BCMP were fully consolidated within the OMH Group.
- Cash reserves dropped by A\$5.9 million from A\$29.2 million to A\$23.3 million. Cash flows generated by the operating subsidiaries were supplemented by capital raisings conducted by OMH which further injected A\$41.05 million (before issue costs). Proceeds from these placements were applied to fund OM (Manganese) Ltd's ("OMM") ongoing obligations to developing the mine at the BCMP as well as fund the initial payment of US\$10.0 million associated with acquiring Groote Eylandt Mining Company Pty Ltd's ("GEMCO") 25% interest in the BCMP.
- Receivables reduced by A\$4.1 million to A\$21.0 million at year end due to the decrease in trading turnover in the second half of 2005.
- The investment in an associate TFE amounted to A\$2.4 million compared to A\$0.4 million at the end of 2004. OMH holds a 25% interest in TFE. This investment is carried at cost and equity accounted. However as at 31 December 2005 the 25% investment had a market value of A\$9.5 million.

Total liabilities increased from A\$46.2 million to A\$50.4 million as at 31 December 2005 attributable to:

- Trade and bills payables dropped from A\$25.5 million to A\$17.6 million resulting from a reduction in materials purchased in the second half year 2005.
- Other payables increased from A\$12.0 million to A\$23.8 million due to accrued development costs for BCMP and payables due to GEMCO of A\$7.2 million (representing the remaining consideration for the acquisition of GEMCO's 25% interest in the BCMP of which A\$3.6 million is due and payable on or before 31 December 2006 and A\$3.6 million is due and payable on or before 31 December 2007).
- Total borrowings increased by A\$1.4 million from A\$6.3 million to A\$7.7 million. This included the external financing of A\$5.5 million drawn down under the bank facility secured by OMM for the purpose of funding ongoing working capital and construction works at the BCMP. In addition there was a reduction in short term loans of A\$4.2 million relating to a decrease in the number of bills outstanding at year end.

Capital

During the year OMH successfully raised a total A\$41.05 million (before issue costs) via share placements resulting in the issue of a total of 38,500,000 ordinary shares. 5,000,000 shares were issued at a price of A\$1.31 per share in January 2005, 13,500,000 shares were issued at a price of A\$1.00 per share in August 2005, and 20,000,000 shares were issued at a price of A\$1.05 per share in November 2005. Following these capital raising initiatives and the exercise of 1,816,000 unlisted options by certain OMH Directors and senior management, OMH's issued share capital increased to 136,332,717 ordinary shares at the end of the financial year. Following shareholder approval in November 2005, a total of 4,180,500 unlisted share options were granted to one Director and 17 OMH Group employees respectively for their effort and support made to the OMH Group's activities. The OMH Board recognises the team of highly-motivated management and support staff which remain integral to ongoing success of the OMH Group.

Tax

The effective tax rate for the Singapore subsidiary was 10% following its approval as an Approved Global Trader on 1 July 2004.

Dividend

A final dividend of A\$0.0025 per share has been declared which will be payable on 2 June 2006, with a record date for entitlements of 28 April 2006. OMH prides itself on the objective of sharing the group benefits with all shareholders. The total dividends paid and provided in 2005 amount to A\$0.0075 per share.

Outlook

2005 has been a challenging year for OMH. The manganese alloy market has been erratic and volatile following from the residual effect of the buoyant market in the preceding year. After the historic surge in prices in 2004, robust prices of raw materials were maintained by the market in the first six months of 2005. However worldwide manganese and alloy prices experienced a significant downturn entering the third quarter 2005. Market rumors and physical over stocking prompted cautious traders to reduce transactions in materials.

The short term prospect for the market remains restrained with stalled signs of recovery. The slower growth in the world steel production and the higher cost for export sales from China has continued to taper off the demand for manganese alloy. Pressure on prices for manganese ore continued as the over supply of manganese alloy and the over stocking of manganese ore in China remained unchanged. Profitability levels achieved in the beginning of 2005 are not expected to repeat to the same extent entering 2006.

The main marketing arm of OMH Group, OM Materials (S) Pte Ltd has initiated plans to assess various trading mixes aimed to consolidate and bolster sales volume. The marketing teams have been visiting Chinese factories and assessing the latest marketing mix to support the slowdown in demand and the decline in prices. OMH's trading division has continued to re-evaluate its operational, managerial and internal control measures during this less active trading period. The implementing

Business Review

For the Year Ended 31 December 2005

of such proactive measures are aimed to prepare OMH with a solid foundation to take full advantage of pricing once the market returns to more favourable conditions. OMQ's management has also been encouraged to test and vary its production formula with the aim to reduce operating costs and stabilise the quantity and quality of final alloy product. Further in-depth studies and research relating to technical aspects of its production profile will be followed with Shanghai Shenjia's involvement and contribution planned for the second quarter of 2006. Management is evaluating more flexible pricing policies which might be adopted to meet the variability needs in the rapidly changing market.

The proposed joint venture with Shanghai Shenjia, one of the largest ferro alloy producers in China, is anticipated to be formalised by the second half of 2006. Annual production capacity from the Qinzhou plant is expected to increase from 55,000 tonnes to 140,000 tonnes following the completion of the merger. With Shanghai Shenjia's demonstrated high expertise and well-established market channels into China, the OMH Group considers that the production and management efficiencies will be further improved and the market share in China could be significantly enlarged. This opportunity was secured following the OMH Group's determination to reinforce and strengthen the development of the processing business. Once complete the merged operations will underpin a solid foundation to capture the vast market in China.

Following the acquisition by the OMH Group of the remaining 25% interest in the BCMP it will control the entire project production of manganese ore which is estimated to be approximately 550,000 tonnes per annum. This will enable OMH to finally become a fully integrated miner, processor and trader of manganese product. In 2005, the BCMP achieved significant progress in its mine development activities.

The alliance with Territory Iron Ltd, by retaining its strategic 25% interest and being its sole agent to market its entire iron ore product, is set to create a valuable business opportunity for the OMH Group. OMH strives to strike the best product diversification and to continue to develop various streams of product profits in the long term.

OMH has been in its strongest and most strategic position to meet the global business change prevalent in the resources market and trading environment. At the same time, OMH continues to be vigilant and watchful of any latest development and significant evolution in the market.

OM MATERIALS (QINZHOU) CO. LTD ("OMQ") – 100% OWNED

The Qinzhou ferro alloy project is located in the Guangxi Province in southwest China.

During 2005, the OM Materials (Qinzhou) Co Ltd ("OMQ") operation produced a total of 26,000 tonnes of manganese alloy which was lower than the targeted production of 40,000 tonnes due to unfavourable market conditions prevalent in the second half of 2005. Power shortages experienced in the Guangxi Province also curtailed production. In particular, production was also impacted by only one furnace operating continuously in the last quarter 2005.

As a result OMQ contributed an operating loss after tax of A\$0.6 million for the year which included a conservative stock provision of A\$0.5 million brought about by the market down turn in alloys. The OMQ operation was however cash flow positive during the year.

During the period under review, OMQ demonstrated improvements in the following areas:

- Higher productivity attained despite a reduction in the workforce from 315 to 246 employees.
- Technology advancement was achieved by contributions from the more skillful and experienced workforce on producing high carbon ferro manganese and silicon manganese.
- Stability of equipment improved following modification work that enhanced the plant facilities as well as supported the production process.

Year 2006 will be a challenging year for OMQ. The annual production plan will focus on a minimum 50,000 tonnes of manganese alloy. The OMQ operation is expected to run at full production capacity from April 2006 to October 2006 with 35,000 tonnes of manganese alloy targeted to be produced. The second and third quarters are planned to be optimal operating periods due to the seasonal rains in the Guangxi Province enabling the production of manganese alloy at a lower cost due to lower power costs supported by the local hydropower supply and availability rates. At present the China local ferro alloy market continues to remain weak. Currently, the ferro alloy production capacity in China exceeds the China

local market demand. There are a number of small ferro alloy producers with outdated technology causing heavy pollution still operating in the China market. Furthermore in August 2005, the Chinese Government announced the abolishment of tolling contracts, which added a further 20% to the cost of exporting. Hence, the market is still vulnerable and subject to adjustment. However OMQ remains confident that once the market stabilises, OMQ will take full advantage of the stable ore supply from its parent company and the strategic geographical location due to its close proximity to the Qinzhou Port. OMQ will continue to focus on enhancing its productivity and efficiency levels whilst attempting to grow its market share.

OM (MANGANESE) LTD - 100% OWNED Background

Through its wholly owned subsidiary, OM (Manganese) Ltd ("OMM"), OMH manages the Bootu Creek Manganese Project located 110 km north of Tennant Creek in the Northern Territory (Figure 1). OMM commenced a successful 26,000 metre drilling program at Bootu Creek in October 2001. This resulted in the completion of a JORC compliant reserve and resource and bankable feasibility study in August 2004. Construction and development activities at the mine began in November 2004.

Operations

The Bootu Creek Manganese Mine is presently under development and commencing from mid 2006, is expected to produce at an annual rate of 550,000 manganese ore tonnes.

The resources defined to date are long, shallow, gradually plunging deposits amenable to low cost open pit mining. Mining operations have commenced, initially at the Shekuma deposit and then moving progressively on to other nearby deposits as determined by the most favourable economic outcomes.

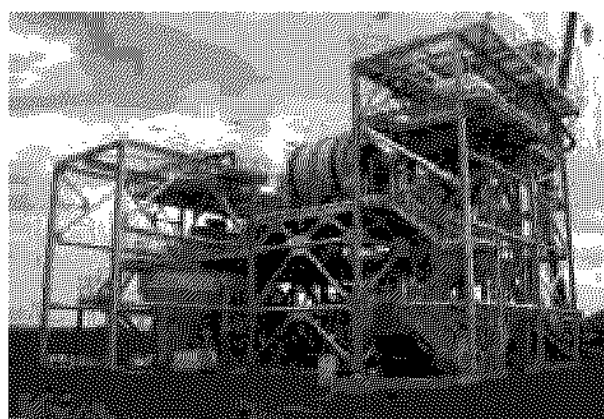


Figure 2: Processing plant at the Bootu Creek Manganese Project.

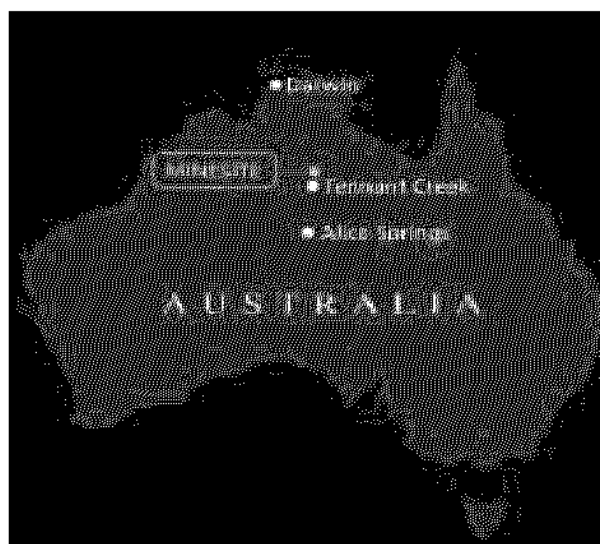


Figure 1: Location of the Bootu Creek Manganese Project

Ore from the open pits will be transported by dump trucks and stockpiled at the heavy media separation plant. This ore will then be blended, crushed, washed and screened to optimize the feed into the plant. Approximately 75% of the manganese product would be in a lump form with the balance consisting of manganese fines.

Manganese product will have be transported 60kms by road to the Muckaty rail siding where it will be loaded onto trains for an 800km haul to the port at Darwin. Once in Darwin, manganese product will be stacked and loaded onto 25,000 tonne ships at the rate of approximately two ships per month.

Business Review

For the Year Ended 31 December 2005

Development and Construction Activities

Considerable progress on project development and construction was achieved during the year as outlined below:

- Infrastructure: Work on site earthworks, site accommodation, mine offices, water supply, power plant, interim communications network, 60km haul road, highway underpass, rail siding and port stacker was completed.
- Mine Development: The mining contractor was mobilised with pre-stripping and mining at the Shekuma deposit commenced.
- Processing Facilities: Delays were experienced in receiving structural steel for the crushing and scrubbing circuits from China. All major components for those circuits are now on site. The drum plant is largely complete with minor engineering work being finalised and pre commissioning activities finalised.
- Port Facilities: The rail unloading facility is completed. Operating contracts for train unloading and shiploading are also finalised.

Initial Mining Operations

Pre stripping and some ore mining has commenced. Details of production for the period and run of mine ("ROM") stockpiles are shown below.

Production Activity	Period Ended 31 December 2005
Material Mined (BCM's)	454,455
Ore Mined (t's)	15,928 @ 22% Mn
ROM Ore Stocks (t's)	5,846 @ 28% Mn

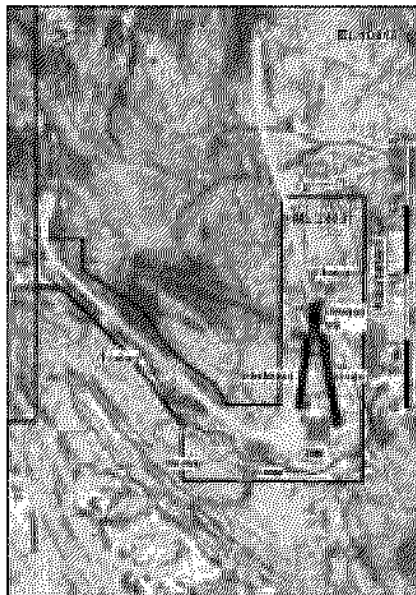


Figure 3: Aerial view of the main mining areas showing the present reserves of 5.5 million tonnes (red), resources of 11.1 million tonnes (red & blue) and significant exploration potential (yellow).

Significantly higher than average rainfall was encountered in January 2006 (510mm compared to an annual average of 600mm) and damage was sustained to sections of the haul road and the Stuart Highway underpass. These conditions have interrupted mining and construction activities. The scope and cost of the remedial work is being finalised, however this work is not anticipated to impact on the project start-up schedule.

At 31 December 2005, A\$37.9 million had been incurred on the Project. The forecast total capital cost of the Project is A\$45 million.

Resources, Reserves and Exploration

The Mine presently has a resource base of over 11 million tonnes including over 5 million tonnes of reserves. This resource is based on 26,000 metres of drilling to date. The Mine also has excellent exploration potential with a A\$2million/20,000 metre drilling programme aimed at increasing the resource base planned for 2006 (Figure 3). While this drilling will focus around the present mining infrastructure, OMM has an extensive regional potential with an interest in over 1,760 sq kms.

Resources and Reserves at 31 December 2005 were as follows:

Bootu Creek Undiluted Mineral Resources at 18% Mn cut-off as at 31st December 2005

Categories Location	Measured		Indicated		Inferred		Total	
	Tonnes	Mn %	Tonnes	Mn %	Tonnes	Mn %	Tonnes	Mn %
Shakuma	650,000	38	1,930,000	26	1,080,000	27	3,660,000	28
Go Go	590,000	37	2,470,000	25	1,040,000	26	4,100,000	27
Chugga			970,000	27	1,690,000	26	2,660,000	26
Tourag					650,000	26	650,000	26
Total	1,240,000	38	5,370,000	26	4,460,000	27	11,070,000	27

Bootu Creek Diluted In – Situ Ore Reserves at 18% Mn cut-off as at 31st December 2005

Categories Location	Proved		Probable		Total	
	Tonnes	Mn %	Tonnes	Mn %	Tonnes	Mn %
Shakuma	710,000	35	1,924,000	25	2,694,000	27
Go Go	639,000	34	2,278,000	24	2,917,000	26
Total	1,349,000	34	4,262,000	24	5,611,000	27

Notes:

1. Mineral resource figures are rounded to nearest 10,000 tonnes and nearest 1% Mn.
2. Ore Reserve figures rounded to nearest 1,000 tonnes and nearest 1% Mn.
3. The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves.

The information in this report that relates to Mineral Resources at the Bootu Creek Manganese Project is based on information compiled by Mr. Jan P. de Visser, PhD, MSc, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr de Visser is employed by RSG Global (Perth).

The information in this report that relates to Mining is based on information compiled by Mr Douglas H. Stewart, BSc, who is a Fellow of the Australasian Institute of Mining and Metallurgy and is a Fellow of the Australian Institute of Geoscientists. At the time of compiling these estimates Mr. Stewart was the Principal of BoardLevel Pty Ltd.

Both Mr de Visser and Mr. Stewart have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as Competent Persons as defined in the 2004 edition of the Australasian Code for Reporting of Mineral Resources and Ore Reserves (The JORC Code). Mr. de Visser and Mr. Stewart consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

GEMCO Acquisition

At the end of the year OMM satisfied all requisite conditions precedent under the Sale and Purchase Agreement ("SPA") with Groote Eylandt Mining Company Pty Ltd ("GEMCO") and has completed and settled upon the acquisition of GEMCO's 25% interest in the Bootu Creek Manganese Project. OMM now controls 100% of the Project. Pursuant to the SPA, the total consideration comprised US\$15.32 million, of which US\$10 million has been paid with US\$2.66 million due on or before 31 December 2006 and US\$2.66 million due on or before 31 December 2007.

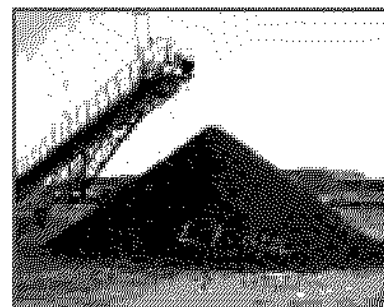
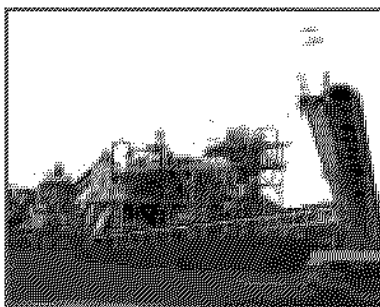
Business Review

For the Year Ended 31 December 2005

Security for the remaining installments has been provided by way of guarantees from the Commonwealth Bank of Australia. The guarantees have been provided as an extension to the existing A\$20 million limited recourse project financing facility with the Commonwealth Bank of Australia that is being used to fund OMM's remaining capital and working capital obligations for the Mine.

OMM now controls the entire mine production anticipated to be approximately 550,000 tonnes of manganese ore per annum.

First plant production at Bootu Creek Mine



Project Financing

During the year, OMM secured limited recourse project finance facilities with the Commonwealth Bank of Australia as detailed below.

- Construction Facility (A\$13 million): A\$3 million drawn down at 31 December 2005.
- Working Capital Facility (A\$7 million): A\$2.5 million drawn down at 31 December 2005.
- Performance Bond Facility (US\$5.32 million): fully drawn at 31 December 2005 to guarantee installment payments to GEMCO.
- Foreign Exchange Hedging Facility: A requirement of the project financing is that a minimum of 30% of the net USD receivables be hedged into AUD for at least 12 months forward. As at 31 December 2005, OMM had swapped the payment due to GEMCO of US\$10 million against receivables from July 2006 to June 2007 inclusive and hedged the net exposure of US\$8.7 million. Accordingly, the hedge was implemented as follows:
 - purchase of an AUD call option for a cost of A\$361,000 at a strike price of 0.7450; and
 - forward sale of US\$10.0 million at rate of 0.7295.

Marked to Market position at 31 December 2005 was "in the money" at A\$210,000 at a spot exchange rate of 0.7319.

TERRITORY IRON LIMITED (ASX CODE: TFE) - 25% INTEREST

Territory Iron listed on the ASX on 11th of March 2005. OMM is the largest shareholder holding 25% of the issued capital. The company raised A\$10 million in a fully underwritten offer by the issue of 50 million shares at A\$0.20 per share.

Since June 2005, TFE has been drilling its iron ore deposits to determine the likely quantity and quality of ore. This drilling has allowed estimates to be made of grades and tonnage in 9 deposits at Frances Creek and one deposit at Rum Jungle. The drilling at Frances Creek has confirmed the original grades estimates and also indicated that the tonnage is greater than initially thought. The drilling at Rum Jungle has shown the potential of the area to host additional Resources.

Highlights of the work completed during the year include:

- Frances Creek Mineral Resource (Indicated plus Inferred) estimated at 6.8 million tonnes at 60.6% Fe, up from the 3.4 million tonnes (Inferred) reported in the 15 February 2005 Prospectus.
- Frances Creek Ore Reserve (Probable) estimated at 3.5 million tonnes at 61.1% Fe. Open pit designs have been completed for several of the deposits and the Ore Reserves inventory has been calculated inside those open pits.
- Fifty-eight aeromagnetic targets, including 20 high priority drill targets, identified within the Frances Creek tenements. All three holes drilled into three of the targets intersected significant mineralisation. Best result was 6m of 64.2% Fe, 0.02% P from surface.
- Rum Jungle Inferred Resource estimated at 280,000 tonnes at 60.8% Fe following drilling of three haematite lodes at Yarram prospect.
- Nine prominent magnetic anomalies at Mt Bunday. Two anomalies associated with ironstone outcrops, identified from high resolution airborne magnetic survey flown late last year.
- Drilling for the year was completed at Frances Creek and Rum Jungle Projects in late November, with a total of 535 holes for 21,768.78m drilled on all Projects during the 2005 field season.

No work was carried out at the Warrego magnetite tailings project.

Additional drilling is targeted to begin in April 2006 and is expected to add to the Reserves at Frances Creek. No estimates have yet been made of the other 46 deposits where drilling will start in April 2006. Other deposits revealed by modern geophysical techniques will also be tested. The company anticipates it will spend a further A\$2.6 million in drilling programmes at Frances Creek and up to A\$1 million at Mt Bunday and Rum Jungle. This expenditure will include additional geophysical surveys.

Subsequent to the year end, Territory Iron announced that following completion of a preliminary feasibility study, the Board has decided to commit to developing its Frances Creek Iron Ore Project in the Northern Territory.

The company is currently reviewing its options for funding and is firming up various cost items including infrastructure costs and operating contracts. The direct capital cost portion is estimated to be in the order of A\$10 million. Mining, transport and crushing contractors have provided budget estimates and contracts will now be initiated. Tenders will soon be called for the construction of the stacker facility at the Darwin port. This facility is planned to take advantage of the bulk loader which the Northern Territory Government has commissioned and is expected to be in place by year end.

To meet the Northern Territory regulatory requirements, environmental studies relevant to the Public Environmental Report are nearing completion. Negotiations are continuing with the Northern Land Council with respect to Native Title issues.

Territory Iron is currently well funded to continue exploration in 2006 when it is expected that a total of A\$2.6 million will be spent at Frances Creek in order to add to known Resources and Reserves.

The Board of Territory Iron anticipates that a fast-track option to bring this project into production may see iron ore exported from Darwin early in the first quarter of 2007.

The interested reader is referred to the Territory Iron website:
www.territoryiron.com.au

Directors

The Board of Directors are a group of highly experienced professionals. Each Director enhances the various aspects of our business units.

Yeo Wee Kiong (Non-Executive Chairman)

Mr Yeo is the Managing Director of Yeo Wee Kiong Law Corporation, a prominent Singapore based law firm specialising in the areas of corporate law, corporate finance, mergers and acquisitions, initial public offerings, venture capital and banking and securities. Mr Yeo holds current directorships on a number of public listed companies in the Asia region. Mr Yeo has a first class honours Degree in Mechanical Engineering from the University of Singapore, an LLB with honours from the University of London and an MBA from the National University of Singapore. Mr Yeo has had extensive legal and commercial experience including senior executive positions previously held with NM Rothschild and Anderson Legal.

Low Ngee Tong (Chief Executive Officer)

Mr Low is a qualified mechanical engineer, having graduated from the National University of Singapore. He has over 25 years experience in the steel, ferro alloy and building materials industries in Asia. That experience was gained with Chiyoda Limited, a global Japanese civil engineering group, Intraco Limited, Intraco Resources Pte Limited, and C Itoh Limited, a significant Japanese metals trading house. Mr Low has demonstrated an excellent network for marketing in China. Mr Low has been the Chief Executive Officer of OM Holdings Ltd since its incorporation and subsequent listing in 1998. Mr Low's business relationships and reputation with several large multinational corporations in Asia have enabled OM Holdings Ltd to successfully operate its profitable operations based in Singapore and extending to China and Australia.

Seetoh Kwok Weng (Executive Director)

Mr Seetoh has been an executive director of the trading operations since 1994 and has been instrumental in the establishment of its operations and transaction documentation. Prior to joining OMH, Mr Seetoh worked in port administration for almost 10 years before joining Low Ngee Tong at Intraco Limited as a senior manager with responsibility for a wide range of products, including building materials. In 1988, he joined China Resources Pte Limited as Deputy General Manager and was responsible for Europe, the Middle East, China and South East Asia.

Heng Siow Kwee (Executive Director and Joint Company Secretary)

Ms Heng is a qualified accountant and a business administration graduate of the National University of Singapore and has completed a fellowship of the Australian Insurance Institute at Deakin University in Victoria, Australia. In the period from 1986 to 1992, she was involved in areas of marketing, administration and training within the insurance industry. Ms Heng was involved in the establishment of OMH in 1993 and is responsible for the accounting and financial management of the business.

Trevor Tennant (Non-Executive Director)

Mr Tennant is a qualified mining engineer and a member of the Australasian Institute of Mining and Metallurgy. With over 30 years experience, Mr Tennant is an authority on the mining, processing and marketing of manganese and has a wide range of contacts in that industry. His experience was principally gained with BHP, culminating as the manager responsible for the manganese mining operations of GEMCO, and as an executive director of Portman Mining Limited with responsibility for its manganese mine operations at Woodie Woodie in the Pilbara region of Western Australia.

Julie Wolseley (Non-Executive Director and Joint Company Secretary)

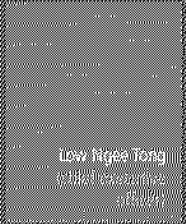
Ms Wolseley holds a Bachelor of Commerce degree and is a Chartered Accountant. She is the principal of a corporate advisory company and has over 15 years experience as Company Secretary to a number of ASX listed companies operating primarily in the resources sector. Previously Ms Wolseley was an audit manager both in Australia and overseas for an international accounting firm. Her expertise includes corporate secretarial, management accounting, financial and management reporting in the mining industry, IPOs, capital raisings, cash flow modeling and corporate governance.

William Mackenzie (Non-Executive Director)

Mr Mackenzie is a mining engineer with over 25 years of experience in the resources sector which has involved the assessment, development and operation of mineral projects both within Australia and overseas. Mr Mackenzie's experience has also extended to direct operating, senior project management and executive roles with responsibility for business development, project and business unit management of various Australian and offshore ventures. Mr Mackenzie provides specialised, independent technical and commercial advice to boards, banks and investors involved in the development of resources, energy and infrastructure projects worldwide.



Yeo Wee Kiong
(Non-Executive
Chairman)



Low Ngee Tong
(Chief Executive
Officer)



Seetoh Kwok Weng
(Executive Director)



Heng Siow Kwee
(Executive Director
and Joint Company
Secretary)



Trevor Tennant
(Non-Executive
Director)



Julie Wolseley
(Non-Executive
Director and Joint
Company Secretary)



William Mackenzie
(Non-Executive
Director)



■ ■ ■ Directors' Report ■ ■ ■

For the year ended 31 December 2005

The directors present their report and the audited financial statements of OM Holdings Limited (the "Company") and its controlled entities (together the "Consolidated Entity") for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its controlled entities are set out in note 17 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Consolidated Entity for the year ended 31 December 2005 and the state of affairs of the Consolidated Entity and the Company at that date are set out in the financial statements on pages 20 to 63.

The directors declared an interim dividend of HK\$0.028/A\$0.005 per share which was paid on 11 November 2005.

The directors recommend the payment of a final dividend of HK\$0.014/A\$0.0025 per share to the shareholders of the Company whose names appear on the register of members on 28 April 2006.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 25 to the financial statements.

RESERVES

Details of movements in the reserves of the Consolidated Entity and the Company during the year are set out in Consolidated Statement of Changes in Equity and note 27 to the financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Consolidated Entity and the Company are set out in note 12 to the financial statements.

CONTROLLED ENTITIES AND ASSOCIATE

Details of the Company's investments in controlled entities and interest in an associate are set out in notes 17 and 18 to the financial statements respectively.

DIRECTORS

The directors of the Company during the year were as follows:

Thang Kwok Min	(resigned on 24 February 2005)
Low Ngee Tong (<i>Chief Executive Officer</i>)	
Seetoh Kwok Weng	
Trevor Tennant	
Anthony James Pearson	(resigned on 24 February 2005)
Heng Siow Kwee (<i>Joint Company Secretary</i>)	
Yeo Wee Kiong (<i>Chairman</i>)	
Julie Anne Wolseley (<i>Joint Company Secretary</i>)	(appointed on 24 February 2005)
William Ross Mackenzie	(appointed on 10 June 2005)

In accordance with clause 88(1) of the Company's Bye-laws, one third of the directors (excluding the Chief Executive Officer) retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

■ ■ ■ Directors' Report ■ ■ ■

For the year ended 31 December 2005

DIRECTORS' INTERESTS IN SHARE CAPITAL AND UNLISTED OPTIONS

Shares and unlisted options

As at 31 December 2005, the interests of the directors and their associates in the share capital and unlisted share options of the Company were as follows:

	Number of ordinary shares		Total	Number of share options outstanding Note (c)
	Direct interest	Deemed interest		
Low Ngee Tong (note (a))	990,000	13,475,000	14,465,000	-
Heng Siow Kwee (note (b))	495,000	14,915,710	15,410,710	-
Seetoh Kwok Weng	1,793,000	-	1,793,000	-
Trevor Tennant	4,060,535	100,000	4,160,535	-
Julie Anne Wolseley	16,667	-	16,667	500,000
Yeo Wee Kiong	-	-	-	500,000
William Ross Mackenzie	-	-	-	529,000
	7,355,202	28,490,710	35,845,912	1,529,000

Notes:

- (a) Low Ngee Tong was deemed to be interested in the 13,475,000 ordinary shares by virtue of his corporate interest in Ramley International Limited which held such shares.
- (b) Heng Siow Kwee was deemed to be interested in 14,915,710 ordinary shares by virtue of her corporate interest in Dino Company Limited which held such shares.
- (c) The shareholders of the Company previously approved the offer of unlisted options which were granted for nil consideration, to certain directors to subscribe for ordinary shares in the Company on 21 June 2004 and 20 December 2005. Details of the share options are set out in note 26 to the financial statements.

Shares in an associate

At 31 December 2005, the following directors held interests in the shares of Territory Iron Ltd ("TI"), a 25% owned associate of the Company, as follows:

	Number of shares held	% of holding in TI
Trevor Tennant	6,750,000	6.8%
Seetoh Kwok Weng	6,000,000	6.0%
Heng Siow Kwee	4,050,000	4.1%
Low Ngee Tong	1,650,000	1.7%
Julie Anne Wolseley	175,000	0.2%
	18,625,000	18.8%

Apart from the foregoing, at no time during the year was the Company or any of its controlled entities a party to any arrangements to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Details of the directors' interests in contracts are set out in note 35 to the financial statements.

Save as aforesaid no other contracts of significance to which the Company or any of its controlled entities was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

■ ■ ■ ■ Directors' Report ■ ■ ■ ■
For the year ended 31 December 2005

SUBSEQUENT EVENTS

Details of the subsequent events are set out in note 36 to the financial statements.

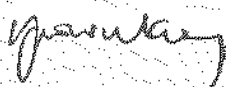
AUDITORS

In accordance with the Company's Bye-laws, the Company's auditors, Grant Thornton retire and, being eligible, offer themselves for re-appointment at the Company's forthcoming annual general meeting.


AUSTRALIAN TAKEOVER PROVISIONS

The Company is not subject to any takeover provisions in the Australian Corporations Act, 2001.

Signed in accordance with a resolution of the directors.



Yeo Wee Kiong
Chairman



Low Ngee Tong
Director

Singapore
2 March 2006

Consolidated Income Statement

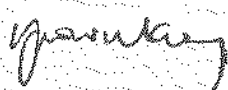
For the year ended 31 December 2005

		Notes	Supplementary Information (unaudited)			
			2005 HK\$'000	2004 HK\$'000 (restated)	2005 A\$'000	2004 A\$'000 (restated)
Revenue	销售总额	5	1,215,211	1,329,245	214,671	219,347
Cost of sales	销售成本		(1,029,828)	(1,074,357)	(181,923)	(177,286)
Gross profit	毛盈利		185,383	254,888	32,748	42,061
Other income	其他收入	6	5,015	15,154	885	2,500
Distribution costs	分销开支		(109,494)	(141,942)	(19,342)	(23,423)
Administrative expenses	行政开支		(36,242)	(37,356)	(6,402)	(6,164)
Other operating expenses	其他营运开支		(16,610)	(1,517)	(2,934)	(250)
Profit from operations	营运盈利		28,052	89,227	4,955	14,724
Finance costs	财务费用	7(a)	(3,932)	(3,425)	(694)	(565)
Share of loss of an associate	联营公司业绩的分配		(951)	(1,464)	(168)	(242)
Gain on deemed disposal of partial interest in an associate	出售联营公司部分 权益之应收益	18	13,073	-	2,309	-
Profit before income tax	税前盈利	7	36,242	84,338	6,402	13,917
Income tax expenses	课税	8	(6,300)	(15,754)	(1,113)	(2,600)
Profit for the year	税后盈利		29,942	68,584	5,289	11,317
Attributable to :	盈利分配:					
Equity holders of the Company	公司股东权益	9	28,351	66,992	5,008	11,054
Minority interests	少数股东权益		1,591	1,592	281	263
			29,942	68,584	5,289	11,317
Dividends	股息	10	5,781	11,117	1,021	1,834
Earnings per share for profit attributable to equity holders of the Company for the year	每股盈利	11	HKcents	HKcents	Acents	Acents
Basic	基本		26.24	82.75	4.64	13.66
Diluted	摊薄		25.91	80.40	4.58	13.27

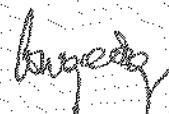
Consolidated Balance Sheet

As at 31 December 2005

		Supplementary Information (unaudited)				
		Notes	2005 HK\$'000	2004 HK\$'000 (restated)	2005 A\$'000	2004 A\$'000 (restated)
ASSETS AND LIABILITIES		资产和负债				
Non-current assets		非流动资产				
Property, plant and equipment	地产, 工厂及设备	12	272,574	68,096	48,151	11,237
Prepaid lease payments on land use rights	土地使用权	13	7,495	7,065	1,324	1,166
Exploration and evaluation costs	开发成本	14	49,490	5,982	8,743	988
Mine development costs	矿山发展成本	15	89,868	-	15,876	-
Goodwill	商誉	16	12,398	12,398	2,190	2,046
Interest in an associate	联号公司的权益	18	13,564	2,129	2,396	351
			445,389	95,670	78,680	15,788
Current assets		流动资产				
Inventories	库存	19	101,076	115,128	17,855	18,998
Trade and bills receivables	贸易应收账款		102,700	136,650	18,142	22,550
Prepayments, deposits and other receivables			16,072	15,134	2,839	2,497
Cash collateral	当抵押品的银行结存	20	51,600	40,318	9,115	6,653
Cash and bank balances	现金及银行结存	20	80,314	136,885	14,188	22,588
			351,762	444,115	62,139	73,286
Current liabilities		流动负债				
Trade and bills payables	贸易应付账款		99,599	154,775	17,594	25,540
Other payables and accruals	其他应付账款及预提费用		114,265	72,946	20,185	12,038
Amount due to a director	应付董事款项		-	893	-	147
Tax payable	课税		5,915	13,080	1,045	2,158
Borrowings	短期借贷	21	17,721	38,335	3,131	6,327
			237,500	280,029	41,955	46,210
Net current assets	净流动资产		114,262	164,086	20,184	27,076
Total assets less current liabilities	总资产扣除流动负债		559,651	259,756	98,864	42,864
Non-current liabilities		非流动负债				
Borrowings	借贷	21	25,861	-	4,568	-
Provisions	准备金	22	1,454	-	257	-
Other long-term liabilities	其他长期负债	28	20,633	-	3,645	-
			47,948	-	8,470	-
Net assets	净资产		511,703	259,756	90,394	42,864
EQUITY		权益				
Equity attributable to equity holders of the Company		公司股东分配权益				
Share capital	股票资本	25	73,836	50,163	13,043	8,278
Reserves	储备金	27	425,366	193,949	75,142	32,005
Proposed final dividend	建议年终股息	10	1,929	5,824	341	961
			501,131	249,936	88,526	41,244
Minority interests	少数股东权益		10,572	9,820	1,868	1,620
Total equity	总权益		511,703	259,756	90,394	42,864



Yeo Wee Kiong
Director

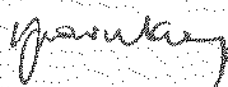


Low Ngee Tong
Director

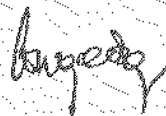
Balance Sheet

As at 31 December 2005

	Notes	Supplementary Information (unaudited)			
		2005 HK\$'000	2004 HK\$'000	2005 A\$'000	2004 A\$'000
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	12	-	1	-	-
Interests in subsidiaries	17	374,610	100,524	66,176	16,588
Interest in an associate	18	16,118	3,632	2,847	599
		390,728	104,157	69,023	17,187
Current assets					
Prepayments, deposits and other receivables		118	-	21	-
Cash and bank balances	20	28,131	79,833	4,969	13,174
		28,249	79,833	4,990	13,174
Current liabilities					
Other payables		1,507	930	266	153
Net current assets		26,742	78,903	4,724	13,021
Net assets		417,470	183,060	73,747	30,208
EQUITY					
Share capital	25	73,836	50,163	13,043	8,278
Reserves	27	341,705	127,073	60,363	20,969
Proposed final dividend	10	1,929	5,824	341	961
Total equity		417,470	183,060	73,747	30,208



Yeo Wee Kiong
Director



Low Ngee Tong
Director

Consolidated Statement Of Changes In Equity

For the year ended 31 December 2005

Equity attributable to equity holders of the Company

	Share capital HK\$'000	Share premium HK\$'000	Non-distributable reserves HK\$'000	Capital reserve HK\$'000	Share option reserve HK\$'000	Fair value reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Dividend reserve HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2004	39,224	23,695	2,695	3,608	-	-	517	26,131	3,326	99,196	8,793	107,989
Government subsidy	-	-	121	-	-	-	-	-	-	121	-	121
Currency translation differences	-	-	-	-	-	-	(1,471)	-	-	(1,471)	-	(1,471)
Transfers	-	-	1,879	-	-	-	-	(1,879)	-	-	-	-
<i>Net gains/(losses) recognised directly in equity</i>	-	-	2,000	-	-	-	(1,471)	(1,879)	-	(1,350)	-	(1,350)
Net profit for the year	-	-	-	-	-	-	-	66,992	-	66,992	1,592	68,584
Total recognised income and expense for the year	-	-	2,000	-	-	-	(1,471)	65,113	-	65,642	1,592	67,234
Issue of shares	10,939	82,778	-	-	-	-	-	-	-	93,717	-	93,717
Dividend paid to minority interests	-	-	-	-	-	-	-	-	-	-	(565)	(565)
2003 final dividend paid	-	-	-	-	-	-	-	-	(3,326)	(3,326)	-	(3,326)
2004 interim dividend paid	-	-	-	-	-	-	-	(5,293)	-	(5,293)	-	(5,293)
2004 final dividend proposed	-	-	-	-	-	-	-	(5,824)	5,824	-	-	-
Balance at 31 December 2004	50,163	106,473	4,695	3,608	-	-	(954)	80,127	5,824	249,936	9,820	259,756
Government subsidy	-	-	394	-	-	-	-	-	-	394	-	394
Currency translation differences	-	-	139	-	-	-	(10,095)	-	-	(9,956)	178	(9,778)
Fair value gain on cash flow hedges	-	-	-	-	-	970	-	-	-	970	-	970
Transfers	-	-	2,007	-	-	-	-	(2,007)	-	-	-	-
<i>Net gains/(losses) recognised directly in equity</i>	-	-	2,540	-	-	970	(10,095)	(2,007)	-	(8,592)	178	(8,414)
Net profit for the year	-	-	-	-	-	-	-	28,351	-	28,351	1,591	29,942
Total recognised income and expense for the year	-	-	2,540	-	-	970	(10,095)	26,344	-	19,759	1,769	21,528
Issue of shares	23,673	208,569	-	-	-	-	-	-	-	232,242	-	232,242
Equity-settled share-based payments	-	-	-	-	8,870	-	-	-	-	8,870	-	8,870
Dividend paid to minority interests	-	-	-	-	-	-	-	-	-	-	(1,017)	(1,017)
2004 final dividend paid	-	-	-	-	-	-	-	(415)	(5,824)	(6,239)	-	(6,239)
2005 interim dividend paid	-	-	-	-	-	-	-	(3,437)	-	(3,437)	-	(3,437)
2005 final dividend proposed	-	-	-	-	-	-	-	(1,929)	1,929	-	-	-
Balance at 31 December 2005	73,836	315,042	7,235	3,608	8,870	970	(11,049)	100,690	1,929	501,131	10,572	511,703

Supplementary Information (unaudited)

In Australian dollar equivalent (A\$'000)

Balance at 31 December 2005	13,043	55,653	1,278	637	1,567	171	(1,951)	17,787	341	88,526	1,868	90,394
Balance at 31 December 2004	8,278	17,570	775	595	-	-	(157)	13,222	961	41,264	1,620	42,884

Consolidated Cash Flow Statement

For the year ended 31 December 2005

	Supplementary Information (unaudited)			
	2005 HK\$'000	2004 HK\$'000 (restated)	2005 A\$'000	2004 A\$'000 (restated)
Cash flows from operating activities				
Profit before income tax	36,242	84,338	6,402	13,917
Adjustments for:				
Depreciation and amortisation	5,640	4,148	997	684
Share of loss of an associate	951	1,464	168	242
Gain on deemed disposal of partial interest in an associate	(13,073)	-	(2,309)	-
Interest income	(3,876)	(2,172)	(685)	(358)
Interest expenses	3,932	3,425	694	565
Net gain on disposal of property, plant and equipment	(92)	(3)	(16)	-
Equity-settled share-based payments	8,870	-	1,567	-
Write down of inventories to net realisable value	7,175	-	1,267	-
Operating profit before working capital changes	45,769	91,200	8,085	15,050
Decrease/(Increase) in inventories	6,877	(96,755)	1,215	(15,966)
Decrease in trade and bill receivables	33,950	38,749	5,997	6,394
Decrease/(Increase) in prepayments, deposits and other receivables	1,761	(3,906)	311	(645)
(Decrease)/Increase in trade and bill payables	(82,879)	10,045	(14,641)	1,658
Increase in other payables and accruals	41,101	44,692	7,261	7,374
(Decrease)/Increase in amounts due to directors	(893)	734	(158)	121
Increase in provisions	925	-	163	-
Cash generated from operations	46,611	84,759	8,233	13,986
Interest paid	(3,932)	(3,425)	(694)	(565)
Dividends paid to minority interests	(1,017)	(565)	(180)	(93)
Dividends paid	(9,676)	(8,619)	(1,709)	(1,422)
Overseas income tax paid	(13,908)	(7,286)	(2,457)	(1,202)
Net cash generated from operating activities	18,078	64,864	3,193	10,704
Cash flows from investing activities				
Payments for investment in an associate	-	(1,442)	-	(238)
Decrease/(Increase) in amount due from associate	687	(591)	121	(98)
Decrease in amount due to associate	-	(335)	-	(56)
Payments for exploration and evaluation costs	(7,031)	(2,951)	(1,242)	(487)
Payments for mine development costs	(58,460)	-	(10,327)	-
Purchase of property, plant and equipment	(157,907)	(55,902)	(27,894)	(9,225)
Payments for land use rights	(518)	(38)	(92)	(6)
Proceeds from disposal of property, plant and equipment	324	3	57	-
Cash consideration paid for purchase of additional interest in jointly controlled assets, net of cash acquired (note 28)	(72,707)	-	(12,844)	-
Interest received	3,876	2,172	685	358
Net cash used in investing activities	(291,736)	(59,084)	(51,536)	(9,752)
Cash flows from financing activities				
Capital element of finance lease payments	(400)	-	(70)	-
Interest element of finance lease payments	(112)	-	(20)	-
Repayment of bank and other loans	(27,617)	(30,081)	(4,879)	(4,964)
Net proceeds from new bank and other loans	32,633	47,440	5,765	7,829
Increase in cash collateral	(11,282)	(21,455)	(1,993)	(3,540)
Proceeds from issue of shares, net of issue costs	232,242	93,717	41,026	15,465
Net cash generated from financing activities	225,464	89,621	39,829	14,790
Net increase in cash and cash equivalents	(48,194)	95,401	(8,514)	15,742
Effect of foreign exchange rates	(8,046)	(1,940)	(1,421)	(320)
Cash and cash equivalents at beginning of year	136,554	43,093	24,123	7,111
Cash and cash equivalents at end of year	80,314	136,554	14,188	22,533
Analysis of the balance of cash and cash equivalents				
Cash and bank balances	80,314	136,885	14,188	22,588
Bank overdrafts	-	(331)	-	(55)
	80,314	136,554	14,188	22,533

Notes To The Financial Statements

For the year ended 31 December 2005

1. GENERAL INFORMATION

OM Holdings Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Australian Stock Exchange Limited. The address of its principal place of business is 80 Marine Parade Road, #08-08 Parkway Parade, Singapore 449269.

The principal activities of the Company and its controlled entities (together the "Consolidated Entity") comprise the following:

- trading of ferroalloy products
- processing and sales of ferroboron and ferroalloy products
- exploration, development and future mining of manganese ore

The financial statements of the Consolidated Entity on pages 20 to 63 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") published by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance.

The financial statements of the Consolidated Entity for the year ended 31 December 2005 were approved by the board of directors on 2 March 2006.

2. ADOPTION OF NEW AND REVISED HKFRS

2.1 Impact of new and revised HKFRS which are effective in the current financial year

From 1 January 2005, the Consolidated Entity has adopted the following new and revised standards and interpretations of HKFRS which are relevant to its operations :

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separated Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments : Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments : Recognition and Measurement
HKAS 39 Amendment	Transitional and Initial Recognition of Financial Assets and Financial Liabilities
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

All the standards have been applied retrospectively except where specific transitional provisions require a different treatment and consequently, the financial statements for the year ended 31 December 2004 including their presentation have been amended in accordance with HKAS 8. Accordingly, certain comparative figures for 2004 contained in these financial statements differ from those published in the financial statements for the year ended 31 December 2004.

Notes To The Financial Statements

For the year ended 31 December 2005

2. ADOPTION OF NEW AND REVISED HKFRS (Continued)

2.1 Impact of new and revised HKFRS which are effective in the current financial year (Continued)

Significant effects on current, prior or future periods arising from the first-time application of the standards listed above with respect to presentation, recognition and measurement of accounts are described in the following paragraphs:

(a) Adoption of HKAS 1

The adoption of HKAS 1 led to an update of the presentation of these financial statements. Minority interests are now included as a separate line item within equity. Profit and loss attributable to minority interests and that attributable to owners of the parent company is now presented as an allocation of the net result of the year. In addition, in previous years, the Consolidated Entity's share of tax attributable to associates, if any, was included as a component of the Consolidated Entity's taxation charge in the consolidated income statement. Upon the adoption of HKAS 1, the Consolidated Entity's share of the post-acquisition results of associates is presented net of the Consolidated Entity's share of tax attributable to the associates.

(b) Adoption of HKAS 17

The adoption of HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land are charged to the income statement on a straight-line basis over the period of the lease. In previous years, leasehold land and buildings were not separated but classified under property, plant and equipment and carried at cost less accumulated depreciation and accumulated impairment losses. This change in accounting policy has been applied retrospectively.

(c) Adoption of HKAS 32 and HKAS 39

From 1 January 2005, all derivatives within the scope of HKAS 39 are required to be carried at fair value at each balance sheet date regardless of whether they are deemed as held for trading or designated as effective hedging instruments. For derivatives which are designated by the Consolidated Entity as hedging instruments to hedge against its future cash flow commitments, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity, until the transaction which is being hedged is itself recognised in the financial statements. The ineffective portion of the cash flow hedge, if any, is recognised immediately in the income statement. Previously, derivatives held to hedge future cash flow commitments were deferred and included in the measurement of the anticipated transaction when the transaction occurred as designated. Any gains or losses on the contracts after that date were included in the income statement. In accordance with the transitional provisions of HKAS 39, comparative figures for 2004 have not been restated.

(d) Adoption of HKAS 36, HKAS 38 and HKFRS 3

In previous years, goodwill arising on acquisitions was capitalised and amortised over its estimated useful life and was subject to impairment testing when there is indication of impairment. The adoption of HKFRS 3 has resulted in the Consolidated Entity ceasing goodwill amortisation and commencing impairment testing annually as well as when there is indication of impairment. As a result of this change in accounting policy, no amortisation of goodwill has been charged in the current year. The carrying amount of the related accumulated amortisation on 1 January 2005 was eliminated against the gross amount of goodwill in accordance with the relevant transitional provisions under HKFRS 3. Comparative figures for 2004 have not been restated.

No adjustments to prior period financial statements were deemed necessary as a result of the reassessment of the useful lives of the intangible assets in accordance with the provision of HKAS 38.

(e) Adoption of HKFRS 2

HKFRS 2 requires an expense to be recognised where the Consolidated Entity buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Consolidated Entity is in relation to the expensing of fair value of directors' and employees' shares options of the Company determined at the date of grant of the share options over the vesting period. Prior to the application of HKFRS 2, the Consolidated Entity did not recognise the financial effect of these share options until they were exercised. The Consolidated Entity is not required to apply the new measurement policy to share options that were granted after 7 November 2002 and had vested before 1 January 2005 in accordance with the relevant transitional provisions under HKFRS 2. Accordingly, comparative figures for 2004 have not been restated.

■ ■ ■ Notes To The Financial Statements ■ ■ ■

For the year ended 31 December 2005

2. ADOPTION OF NEW AND REVISED HKFRS (Continued)

2.1 Impact of new and revised HKFRS which are effective in the current financial year (Continued)

- (f) The effect of changes in the accounting policies on the consolidated income statements for the years ended 31 December 2005 and 2004 are summarised below :

	HKFRS 2 HK\$'000	HKFRS 3 HK\$'000	HKAS 17 HK\$'000	Total HK\$'000
Year ended 31 December 2005				
(Increase)/Decrease in other operating expenses				
- expenses recognised for share options granted	(8,870)	-	-	(8,870)
- discontinuation of amortisation of goodwill	-	1,517	-	1,517
(Increase)/Decrease in administrative expenses				
- reduction in depreciation charge due to reclassification of leasehold interests in land	-	-	252	252
- amortisation charge arising from the reclassification of leasehold interests in land	-	-	(252)	(252)
(Decrease)/Increase in profit for the year	(8,870)	1,517	-	(7,353)

Year ended 31 December 2004

(Increase)/Decrease in administrative expenses				
- reduction in depreciation charge due to reclassification of leasehold interests in land	-	-	62	62
- amortisation charge arising from the reclassification of leasehold interests in land	-	-	(62)	(62)
(Decrease)/Increase in profit for the year	-	-	-	-

Supplementary Information (Unaudited)

	HKFRS 2 A\$'000	HKFRS 3 A\$'000	HKAS 17 A\$'000	Total A\$'000
Year ended 31 December 2005				
(Increase)/Decrease in other operating expenses				
- expenses recognised for share options granted	(1,567)	-	-	(1,567)
- discontinuation of amortisation of goodwill	-	268	-	268
(Increase)/Decrease in administrative expenses				
- reduction in depreciation charge due to reclassification of leasehold interests in land	-	-	45	45
- amortisation charge arising from the reclassification of leasehold interests in land	-	-	(45)	(45)
(Decrease)/Increase in profit for the year	(1,567)	268	-	(1,299)

Year ended 31 December 2004

(Increase)/Decrease in administrative expenses				
- reduction in depreciation charge due to reclassification of leasehold interests in land	-	-	10	10
- amortisation charge arising from the reclassification of leasehold interests in land	-	-	(10)	(10)
(Decrease)/Increase in profit for the year	-	-	-	-

■ ■ ■ Notes To The Financial Statements ■ ■ ■

For the year ended 31 December 2005

2. ADOPTION OF NEW AND REVISED HKFRS (Continued)

2.1 Impact of new and revised HKFRS which are effective in the current financial year (Continued)

(g) The effect of changes in the accounting policies on the consolidated balance sheets as at 31 December 2005 and 31 December 2004 are summarised below :

	HKAS 17 HK\$'000	HKFRS 2 HK\$'000	HKAS 32 and HKAS 39 HK\$'000
At 31 December 2005			
<u>Increase/(decrease) in assets</u>			
Decrease in property, plant and equipment	(7,495)	-	-
Increase in prepaid lease payments on land use rights	7,495	-	-
Increase in prepayments, deposits and other receivables	-	-	1,598
<u>(Increase)/decrease in liabilities</u>			
Increase in other payables and accruals	-	-	(628)
<u>Increase/(decrease) in equity</u>			
Decrease in retained profits	-	(8,870)	-
Increase in share option reserve	-	8,870	-
Increase in fair value reserve	-	-	970

At 31 December 2004

<u>Increase/(decrease) in assets</u>			
Decrease in property, plant and equipment	(7,065)	-	-
Increase in prepaid lease payments on land use rights	7,065	-	-

Supplementary Information (Unaudited)

	HKAS 17 A\$'000	HKFRS 2 A\$'000	HKAS 32 and HKAS 39 A\$'000
At 31 December 2005			
<u>Increase/(decrease) in assets</u>			
Decrease in property, plant and equipment	(1,324)	-	-
Increase in prepaid lease payments on land use rights	1,324	-	-
Increase in prepayments, deposits and other receivables	-	-	282
<u>(Increase)/decrease in liabilities</u>			
Increase in other payables and accruals	-	-	(111)
<u>Increase/(decrease) in equity</u>			
Decrease in retained profits	-	(1,567)	-
Increase in share option reserve	-	1,567	-
Increase in fair value reserve	-	-	171

At 31 December 2004

<u>Increase/(decrease) in assets</u>			
Decrease in property, plant and equipment	(1,166)	-	-
Increase in prepaid lease payments on land use rights	1,166	-	-

Notes To The Financial Statements

For the year ended 31 December 2005

2. ADOPTION OF NEW AND REVISED HKFRS (Continued)

2.2 Impact of new and revised HKFRS which are issued but not yet effective

The following are standards and interpretations of HKFRS relevant to the operations of the Consolidated Entity which have been issued but are not yet effective :

HKAS 1 Amendment	Capital Disclosures
HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKFRSs 1 & 6 Amendments	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HK-Int 4	Determining whether an Arrangement contains a Lease

Except for HKFRSs 1 & 6 Amendments and HKFRS 6, the Consolidated Entity has not early adopted the above standards and interpretations and the directors of the Company anticipate that the application of these standards and interpretations will have no material impact on the financial statements of the Consolidated Entity.

As permitted under the new HKFRSs, the Consolidated Entity has early adopted HKFRS 6 in the current year. However, the Consolidated Entity's previous policy for exploration and evaluation costs largely complied with HKFRS 6 and therefore no difference has resulted from either the treatment of costs or impairment testing as set out in HKFRS 6, and accordingly, no restatement of the 2004 comparative figures is necessary.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

These financial statements have been prepared on the historical cost basis except for share-based payments, derivative financial instruments and certain other financial assets and liabilities. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions have been used in preparing these financial statements. Although these estimates and assumptions are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates and assumptions.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its controlled entities made up to 31 December each year. The results of controlled entities are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Consolidated Entity are eliminated on consolidation.

Minority interests represent the interest of outside shareholders in the results and net assets of the Company's controlled entities.

3.3 Controlled entities

Controlled entities are entities over which the Company has the power to control the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

In the Company's balance sheet, controlled entities are carried at cost less any impairment losses. The results of the controlled entities are included in the Company's income statement to the extent of dividends received and receivable.

Notes To The Financial Statements

For the year ended 31 December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4 Associates

Associates are those entities over which the Consolidated Entity is able to exert significant influence and which are neither controlled entities nor joint ventures.

Investment in associates is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Consolidated Entity's share of the associates' net assets. Goodwill arising from the acquisition of associates is included as part of the Consolidated Entity's interest in associates. The consolidated income statement includes the Consolidated Entity's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investment in associates for the year.

When the Consolidated Entity's share of losses in an associate equals or exceeds its interest in the associate including any other unsecured receivables, the Consolidated Entity does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Consolidated Entity and its associates are eliminated to the extent of the Consolidated Entity's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Company's investments in associates are stated at cost less any impairment losses. The results of associates are included in the Company's income statement to the extent of dividends received and receivable.

3.5 Joint ventures

A joint venture is a contractual arrangement whereby the Consolidated Entity and other parties undertake an economic activity that is subject to joint control and none of the participating parties has unilateral control over the economic activity.

In respect of the jointly controlled assets, the Consolidated Entity's share of the jointly controlled assets and share of any liabilities incurred jointly with other ventures are recognised in the consolidated financial statements and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis.

3.6 Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the Consolidated Entity's share of the net identifiable assets and liabilities including contingent liabilities of the acquired controlled entities or associates at the date of acquisition. Goodwill arising on acquisition is initially recognised in the consolidated balance sheet as an asset at cost and subsequently measured at cost less any impairment losses. In case of associates, goodwill is included in the carrying amount of the interest in associates rather than recognised as a separate asset on the consolidated balance sheet. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value of goodwill may be impaired.

3.7 Foreign currency translation

These financial statements are presented in Hong Kong dollars ("HK\$"). Each controlled entity in the Consolidated Entity determines its own functional currency and items included in the financial statements of each controlled entity are measured using that functional currency. Foreign currency transactions are initially recorded using the exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange ruling at the balance sheet date. All differences arising from the translation are taken to income statement.

As at the balance sheet date, the assets and liabilities of the controlled entities are translated into HK\$ at the respective exchange rates ruling at the balance sheet date and their income statements are translated into HK\$ at the respective average exchange rates for the year. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated into HK\$ at the closing rates. The resulting exchange differences are included in a separate component of equity i.e. exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Notes To The Financial Statements

For the year ended 31 December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Foreign currency translation (Continued)

The presentation currency of these financial statements is HK\$ while the functional currency of the Consolidated Entity is United States dollars ("US\$"). In the past, the principal place of operation of the Consolidated Entity was Hong Kong and the functional currency of the Consolidated Entity was HK\$. Following the restructuring of the Consolidated Entity's business operations, the functional currency of the Consolidated Entity became US\$. Since the HK\$ is pegged to the US\$ within a narrow trading range, and to maintain consistency and comparability with previous financial statements, the directors continue to use HK\$ as the presentation currency of the financial statements.

Exchange differences arising on a long term loan that forms part of the Company's net investment in a foreign controlled entity are recognised in the income statement in the separate financial statements of the Company and are reclassified to exchange fluctuation reserve in the consolidated financial statements.

For the convenience of the readers, the consolidated financial statements have been translated from HK\$ into Australian dollars ("A\$") at the exchange rate prevailing as at 31 December 2005 of A\$1 to HK\$5.66. In respect of the financial information for 2004, the exchange rate prevailing as at 31 December 2004 of A\$1 to HK\$6.06 was used. The Australian dollar income statement, statement of changes in equity, balance sheet, cash flow statement and notes to the financial statements are presented for illustrative purposes only. No representation is made that the HK\$ amounts could have been, or could be, converted into A\$ at that rate or at any other rate on 31 December 2005 and 31 December 2004. The comparative figures stated in A\$ have not been restated at the rate prevailing at 31 December 2005.

3.8 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Consolidated Entity and when the revenue can be measured reliably on the following bases :

- (i) Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Consolidated Entity maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.
- (ii) Revenue from rendering of services is recognised when the relevant services are rendered.
- (iii) Dividend income is recognised when the shareholder's right to receive payment is established.
- (iv) Interest income is recognised on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.
- (v) Rental income is recognised on a time proportion basis over the lease terms.

3.9 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use.

Subsequent expenditure relating to an item of property, plant and equipment is added to the carrying amount of the asset or recognised as a separate asset, as appropriate, if it can be demonstrated that such expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset. All other repair and maintenance expenses are charged to the income statement in the period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of each item of property, plant and equipment less its residual value over its estimated useful lives as follows :

Leasehold improvements	3 - 5 years
Plant and machinery	3 - 20 years
Computer equipment, office equipment and furniture	1 - 5 years
Motor vehicles	5 - 10 years

Notes To The Financial Statements

For the year ended 31 December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Property, plant and equipment (Continued)

Leasehold building is depreciated over its estimated useful life or the lease period of the land, whichever is shorter. The residual values and estimated useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Construction in progress which represents property, plant and equipment under construction is stated at cost less any impairment losses and is not depreciated. The cost of self-constructed property, plant and equipment includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. Construction in progress is reclassified to the appropriate category of property, plant and equipment when the construction is completed and the item is ready for use.

When property, plant and equipment are sold, any gain or loss resulting from their disposal, being the difference between the net sales proceeds and their carrying amount, is included in the income statement.

3.10 Prepaid lease payments on land use rights

Prepaid lease payments on land use rights is initially carried at cost and subsequently amortised on the straight-line basis over the lease terms.

3.11 Exploration and evaluation costs

Costs arising from exploration and evaluation are accumulated in respect of each separate area of interest. These costs are capitalised and carried forward as an asset for which rights to tenure are current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or, where activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence of economically recoverable reserves, active and significant operations in the areas of interest are continuing. Amounts received during the exploration and evaluation phases which are in the nature of reimbursement or recoupment of previously incurred costs are offset against such costs.

Accumulated costs in respect of an area of interest subsequently abandoned are written off to the income statement in the reporting period in which the directors' decision to abandon is made.

Capitalised exploration and evaluation costs are assessed for impairment when facts and circumstances suggest that the carrying amount of those costs exceeds their recoverable amount. Where a mineral resource has been identified and where it is expected that future expenditures will be recovered by future exploitation or sale, the impairment of the exploration and evaluation is written back and transferred to mine development costs.

In respect of each separate area of interest, when the technical feasibility and commercial viability of the exploration and evaluation is demonstrable, the relevant capitalised exploration and evaluation costs are reclassified as mine development costs.

3.12 Mine development and mine properties costs

Costs arising from the development of the mine site (except for the expenditures incurred for building the mine site and the purchases of machinery and equipments 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. Accumulated costs in respect of an area of interest subsequently abandoned are written off to the income statement 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 accumulated development costs are transferred to mine properties. When production commences, carried forward mine properties expenditure is 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 ore reserves.

Capitalised mine development and mine properties costs are assessed for impairment when facts and circumstances suggest that the carrying amount of those costs exceeds their recoverable amount.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Impairment testing of goodwill, other intangible assets and property, plant and equipment

The Consolidated Entity's goodwill, other intangible assets and property, plant and equipment are subject to impairment testing.

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 in particular 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 Consolidated Entity at which management controls the related cash flows.

Goodwill is 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 asset's or cash-generating unit's 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.

3.14 Leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the income statement on a straight-line basis over the lease terms.

Leases that transfer substantially all the risks and rewards of ownership of assets to the Consolidated Entity, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms. Assets acquired by way of finance leases are included in property, plant and equipment and depreciated over the shorter of the lease terms and the estimated useful lives of the assets.

3.15 Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition 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 direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

3.16 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. The amount of provision is the difference between the carrying amount and the present value of expected cash flows, discounted at the effective interest rate.

3.17 Cash and bank balances

Cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash in hand and amounts repayable on demand with banks and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Consolidated Entity's cash management are also included as a component of cash and cash equivalents.

Notes To The Financial Statements

For the year ended 31 December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Trade and other payables

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

3.19 Borrowings

Borrowings are recognised initially at fair value of the consideration received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Consolidated Entity has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3.20 Provision and contingent liabilities

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of past event and it is probable that a future outflow of economic resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered impossible or remote, or the amount to be provided for cannot be measured reliably, no contingent liability is recognised in the consolidated balance sheet, unless assumed in the course of a business combination.

3.21 Income tax

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. However, in accordance with the rules set out in HKAS 12, no deferred taxes are recognised in conjunction with goodwill. This applies also to temporary differences associated with shares in subsidiaries and joint ventures if reversal of these temporary differences can be controlled by the Consolidated Entity and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Consolidated Entity are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Most changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is dealt with directly in equity are dealt with directly in equity.

3.22 Employee benefits

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

■ ■ ■ Notes To The Financial Statements ■ ■ ■

For the year ended 31 December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.22 Employee benefits (Continued)

Retirement benefits schemes

The Consolidated Entity's contributions to defined contribution retirement benefits schemes are based on a certain percentage of employees' payroll and are charged to the income statement when incurred. The assets of the retirement benefits schemes are held separately from those of the Consolidated Entity in independently administered funds.

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Consolidated Entity's operations. Employees (including directors) of the Consolidated Entity receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which the equity instruments are granted. The fair value is determined by an external independent valuer using a binominal model. In valuing equity-settled transactions, no account is taken of any performance conditions, if any, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Consolidated Entity's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statements for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the share issued are reallocated to share capital with any excess being recorded as share premium.

3.23 Share capital and share premium

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Share premium includes any premiums received on the issuing of the share capital over the par value. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

3.24 Dividends

Final dividends proposed by the directors are classified as an allocation of retained profits within the equity section of the balance sheet until they have been approved by the shareholders at general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3.25 Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

Notes To The Financial Statements

For the year ended 31 December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.26 Accounting for hedging activities

If there is a designated hedging relationship between a derivative financial instrument and a hedged item, HKAS 39 requires a specific treatment to account for the hedging activity as described below. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence, hedge effectiveness and reliability of measurement.

All derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and subsequently measured at fair value.

The method of recognising a gain or loss resulting from hedging instruments is dependent on the type of hedge relationship, i.e. which type of risk exposure is secured by the hedging instrument.

For cash flow hedges, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedge is recognised in equity, while ineffective portion is recognised in the income statement. The amounts accumulated in equity are recycled to the income statement in the periods when the hedged item affects profit or loss. When the hedged transaction results in the recognition of a non-financial asset or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a cash flow 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 income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss reported in equity is immediately transferred to the income statement.

3.27 Related parties

A party is considered to be related to the Consolidated Entity if:

- (a) directly, or indirectly through one or more intermediaries, the party (i) controls, is controlled, or is under common control with, the Company/Consolidated Entity; (ii) has an interest in the Company that gives it significant influence over the Company/Consolidated Entity; or (iii) has joint control over the Company/Consolidated Entity;
- (b) the party is an associate;
- (c) the party is a jointly-controlled entity;
- (d) the party is a member of the key management personnel of the Company or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d); or
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
- (g) the party is a post-employment benefit plan for the benefit of employees of the Company/Consolidated Entity, or of any entity that is a related party of the Company/Consolidated Entity.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the Consolidated Entity's accounting policies, management makes various estimates and judgements based on past experience, expectations of future and other information. The estimation process involves best estimates based on the latest available information available. Estimates may be required, for example, of inventory obsolescence or the useful lives or expected pattern of consumption of economic benefits of depreciable assets. Actual results may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The key source of estimation uncertainty and the critical judgement that can significantly affect the amounts recognised in the financial statements is disclosed below.

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For the year ended 31 December 2005

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

4.1 Critical accounting estimates and assumptions

Impairment of assets

The Consolidated Entity assesses impairment at each balance sheet date by evaluating conditions specific to the Consolidated Entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

4.2 Critical judgements

Mine development activities

Careful judgement is exercised by the management of the Consolidated Entity in determining whether the recognition requirements for capitalised exploration and evaluation assets and mine development costs have been met. Judgements are based on the best estimates and information available at each balance sheet date and activities related to the mine development are continuously monitored by the management of the Consolidated Entity.

5. REVENUE

Revenue is turnover from sales of goods which represents the invoiced values of goods sold, net of discounts, returns and value-added tax.

6. OTHER INCOME

Consolidated	Supplementary Information (unaudited)			
	2005 HK\$'000	2004 HK\$'000	2005 A\$'000	2004 A\$'000
Commission fee income	-	1,373	-	227
Management income	-	262	-	43
Interest income	3,876	2,172	685	358
Net gain on disposal of property, plant and equipment	92	3	16	-
Exchange gain, net	-	10,391	-	1,715
Sundries	1,047	953	184	157
	5,015	15,154	885	2,500

7. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting) the following items:

(a) Finance costs

Consolidated	Supplementary Information (unaudited)			
	2005 HK\$'000	2004 HK\$'000	2005 A\$'000	2004 A\$'000
Interest on bank loans and overdrafts repayable within five years	8,115	3,425	1,433	565
Finance charges on finance leases	112	-	20	-
Total borrowing costs	8,227	3,425	1,453	565
Less: Finance charges capitalised	(112)	-	(20)	-
Less: Interest on bank loans capitalised	(4,183)	-	(739)	-
	3,932	3,425	694	565

Notes To The Financial Statements

For the year ended 31 December 2005

7. PROFIT BEFORE INCOME TAX (Continued)

(b) Staff costs (including directors' remuneration)

Consolidated	Supplementary Information (unaudited)			
	2005 HK\$'000	2004 HK\$'000	2005 A\$'000	2004 A\$'000
Wages, salaries and benefits in kind	27,319	20,095	4,826	3,317
Staff welfare fund	1,482	1,193	262	197
Unutilised annual leave	(109)	142	(19)	23
Equity-settled share-based payments (included in other operating expenses)	8,870	-	1,567	-
Retirement benefits scheme contributions	948	463	167	76
Total staff costs	38,510	21,893	6,803	3,613
Less: Staff costs capitalised	(4,999)	(1,434)	(883)	(237)
	33,511	20,459	5,920	3,376

Total staff costs include compensations to the key management personnel (including directors), the details of which are disclosed as follows:

Consolidated	Supplementary Information (unaudited)			
	2005 HK\$'000	2004 HK\$'000	2005 A\$'000	2004 A\$'000
Short-term employee benefits	11,153	8,577	1,970	1,415
Post-employment benefits	542	248	95	41
Equity-settled share-based payments	6,230	-	1,101	-
	17,925	8,825	3,166	1,456

(c) Other items

Consolidated	Supplementary Information (unaudited)			
	2005 HK\$'000	2004 HK\$'000	2005 A\$'000	2004 A\$'000
Depreciation of property, plant and equipment	5,388	2,569	952	424
Amortisation of prepaid lease payments on land use rights	252	62	45	10
Amortisation of goodwill (included in other operating expenses)	-	1,517	-	250
Auditors' remuneration	820	481	145	79
Cost of inventories recognised as expenses #	1,029,828	1,074,357	181,923	177,286
Operating lease charges in respect of land and buildings	513	777	91	128
Write down of inventories to net realisable value (included in other operating expenses)	7,175	-	1,267	-
Exchange loss / (gain), net	253	(10,391)	45	(1,715)

Cost of inventories includes an amount of HK\$11,531,000/A\$2,037,000 (2004: HK\$7,390,000/A\$1,219,000) relating to staff costs and depreciation which are also included in the respective amounts disclosed separately above or in note 7(b).

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For the year ended 31 December 2005

8. INCOME TAX EXPENSES

Consolidated	Supplementary Information (unaudited)			
	2005 HK\$'000	2004 HK\$'000	2005 A\$'000	2004 A\$'000
Income tax for the year				
Hong Kong profits tax	-	-	-	-
Enterprise income tax - elsewhere	6,300	15,839	1,113	2,614
Over provision in prior years	-	(85)	-	(14)
	6,300	15,754	1,113	2,600

No Hong Kong profits tax has been provided in the financial statements as the Company and its controlled entities did not derive any assessable profits arising in Hong Kong for the year.

Provision for enterprise income tax of the controlled entities operating in the People's Republic of China (the "PRC") is made in accordance with the Income Tax Law of the PRC concerning Foreign Investment Enterprises and Foreign Enterprises and various local income tax laws.

For the enterprise income tax of a controlled entity in Singapore, the Singapore Ministry of Trade and Industry approved the award of Global Trade Programme Status to the controlled entity and therefore the controlled entity is entitled to a concessionary rate of 10% for a period of 5 years with effect from 1 July 2004. Before 1 July 2004, the effective Singapore income tax rate was 20% on the estimated assessable profits.

Taxation has been provided at the appropriate tax rates prevailing in the countries in which the Consolidated Entity operates on the estimated assessable profits for the year. These rates range from 17.5% to 30% (2004 : 17.5% to 30%).

The income tax expenses for the year can be reconciled to the profit before income tax per the income statement as follows :

Consolidated	Supplementary Information (unaudited)			
	2005 HK\$'000	2004 HK\$'000	2005 A\$'000	2004 A\$'000
Profit before income tax	36,242	84,338	6,402	13,917
Tax at the applicable tax rates	1,921	14,400	339	2,376
Tax effect of deductible temporary differences not recognised	-	7	-	1
Tax effect of non-taxable revenue	(8,842)	(553)	(1,562)	(91)
Tax effect of non-deductible expenses	13,467	2,020	2,379	334
Tax effect of allowances given by tax jurisdiction	(246)	(35)	(43)	(6)
Over provision in prior years	-	(85)	-	(14)
Actual tax expenses	6,300	15,754	1,113	2,600

9. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company includes a profit of HK\$2,974,000/A\$525,000 (2004: HK\$13,228,000/A\$2,183,000) which has been dealt with in the financial statements of the Company.

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For the year ended 31 December 2005

10. DIVIDENDS

Company	Supplementary Information (unaudited)			
	2005 HK\$'000	2004 HK\$'000	2005 A\$'000	2004 A\$'000
In respect of previous financial year :				
Final dividend declared of HK\$0.061/A\$0.01 per ordinary share	415		73	
In respect of current financial year :				
Interim dividend declared of HK\$0.028/A\$0.005 (2004 : HK\$0.061/A\$0.01) per ordinary share	3,437	5,293	607	873
Final dividend proposed after the balance sheet date of HK\$0.014/A\$0.0025 (2004 : HK\$0.061/A\$0.01) per ordinary share (note)	1,929	5,824	341	961
	5,781	11,117	1,021	1,834

Note :

At a directors' meeting held on 23 February 2006, the directors proposed a final dividend of HK\$0.014/A\$0.0025 per share which is subject to approval by the shareholders at the forthcoming annual general meeting.

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK\$28,351,000/A\$5,008,000 (2004: HK\$66,992,000/A\$11,054,000) and the weighted average number of ordinary shares of 108,032,051 (2004: 80,954,372) on issue during the year.

Diluted earnings per share is calculated based on the profit attributable to equity holders of the Company of HK\$28,351,000/A\$5,008,000 (2004: HK\$66,992,000/A\$11,054,000) and the weighted average number of ordinary shares adjusted for the effects of all dilutive potential shares of 109,442,593 (2004: 83,322,630), calculated as follows :

	Number of shares	
	2005	2004
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	108,032,051	80,954,372
Effect of dilutive potential ordinary shares in respect of share options	1,410,542	2,368,258
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	109,442,593	83,322,630

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For the year ended 31 December 2005

12. PROPERTY, PLANT AND EQUIPMENT

Consolidated

	Construction in progress HK\$'000	Buildings and leasehold improvements HK\$'000	Machinery HK\$'000	Computer equipment, office equipment and furniture HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
31 December 2005						
Opening net book amount	12,079	24,386	29,525	939	1,167	68,096
Additions	150,022	4,617	1,180	3,713	455	159,987
Purchase of additional interest in jointly controlled assets (note 28)	49,433	-	-	-	-	49,433
Transfer	(4,741)	1,164	3,577	-	-	-
Disposals	-	-	(99)	-	(133)	(232)
Depreciation	-	(1,464)	(2,810)	(868)	(246)	(5,388)
Exchange realignment	(673)	609	680	32	30	678
Closing net book amount	206,120	29,312	32,053	3,816	1,273	272,574
Cost	206,120	34,381	42,496	4,895	2,412	290,304
Accumulated depreciation	-	(5,069)	(10,443)	(1,079)	(1,139)	(17,730)
Net book amount	206,120	29,312	32,053	3,816	1,273	272,574
31 December 2004						
Opening net book amount	8,232	4,338	3,964	468	608	17,610
Additions	45,609	3,521	5,155	844	773	55,902
Transfer (note 13)	(41,762)	17,302	21,592	21	-	(2,847)
Depreciation	-	(775)	(1,186)	(394)	(214)	(2,569)
Closing net book amount	12,079	24,386	29,525	939	1,167	68,096
Cost	12,079	27,898	37,360	1,433	2,335	81,105
Accumulated depreciation	-	(3,512)	(7,835)	(494)	(1,168)	(13,009)
Net book amount	12,079	24,386	29,525	939	1,167	68,096
Supplementary Information (unaudited)						
Net book amount in Australian dollars (A\$'000)						
31 December 2005	36,412	5,178	5,662	674	225	48,151
31 December 2004	1,993	4,024	4,872	155	193	11,237

Buildings are situated outside Hong Kong.

Notes To The Financial Statements

For the year ended 31 December 2005

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

Consolidated (Continued)

The cost of property, plant and equipment includes an amount of HK\$1,968,000/A\$348,000 (2004: Nil) in respect of assets held under finance leases and the related accumulated depreciation amounts to HK\$123,000/A\$22,000 (2004: Nil).

Certain property, plant and equipment with an aggregate net book value amounting to HK\$6,582,000/A\$1,163,000 (2004: HK\$6,561,000/A\$1,083,000) were pledged to a bank to secure an interest-bearing loan (note 21(a)).

Company

	Computer equipment, office equipment and furniture HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
31 December 2005			
Opening net book amount	1	-	1
Depreciation	(1)	-	(1)
Closing net book amount	-	-	-
Cost	-	-	-
Accumulated depreciation	-	-	-
Net book amount	-	-	-
31 December 2004			
Opening net book amount	5	-	5
Depreciation	(4)	-	(4)
Closing net book amount	1	-	1
Cost	23	98	121
Accumulated depreciation	(22)	(98)	(120)
Net book amount	1	-	1
Supplementary Information (unaudited)			
Net book amount in Australian dollars (A\$'000)			
At 31 December 2005	-	-	-
At 31 December 2004	-	-	-

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For the year ended 31 December 2005

13. PREPAID LEASE PAYMENTS ON LAND USE RIGHTS

Consolidated	Supplementary Information (unaudited)			
	2005 HK\$'000	2004 HK\$'000	2005 A\$'000	2004 A\$'000
Opening net book amount	7,065	4,242	1,248	700
Additions	518	38	92	6
Transfer from construction in progress under property, plant and equipment (note 12)	-	2,847	-	470
Amortisation	(252)	(62)	(45)	(10)
Exchange realignment	164	-	29	-
Closing net book amount	7,495	7,065	1,324	1,166

The land use rights are held under medium lease term outside Hong Kong.

14. EXPLORATION AND EVALUATION COSTS

Consolidated	Supplementary Information (unaudited)			
	2005 HK\$'000	2004 HK\$'000	2005 A\$'000	2004 A\$'000
Opening net book amount	5,982	2,545	1,057	420
Costs incurred during the year	7,031	2,951	1,242	487
Purchase of additional interest in jointly controlled assets (note 28)	70,449	-	12,445	-
Transfer to mine development costs (note 15)	(34,858)	-	(6,158)	-
Exchange realignment	886	486	157	81
Closing net book amount	49,490	5,982	8,743	988

In previous years, a controlled entity, OM (Manganese) Ltd ("OMM") (formerly known as Bootu Creek Resources Pty Ltd), acquired certain exploration licences for the purpose of exploration and evaluation for manganese ore in the Northern Territory of Australia (the "Bootu Creek Manganese Project" or the "Project"). In 2002, OMM entered into a joint venture agreement with a third party, Groote Eylandt Mining Company Pty Limited ("GEMCO"), to carry out the Project jointly. Expenditures incurred under the Project which relate to the exploration and evaluation of the relevant mine site have been capitalised as exploration and evaluation costs.

During 2004, a feasibility study for developing the Project was completed. Based on the results of the feasibility study which assessed the economic viability of the Project, the directors resolved to proceed to develop the Project and the necessary approvals to develop the Project have been obtained from local government. Considerable progress on project development and construction of infrastructure of the mine plant was achieved during the financial year. Mining operation is expected to commence in the first half of 2006.

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For the year ended 31 December 2005

15. MINE DEVELOPMENT COSTS

Consolidated			Supplementary Information (unaudited)	
	2005 HK\$'000	2004 HK\$'000	2005 A\$'000	2004 A\$'000
Opening net book amount	-	-	-	-
Purchase of additional interest in jointly controlled assets (note 28)	833	-	147	-
Transfer from exploration and evaluation costs (note 14)	34,858	-	6,158	-
Costs incurred during the year	58,460	-	10,327	-
Exchange realignment	(4,283)	-	(756)	-
Closing net book amount	89,868	-	15,876	-
At 31 December				
Cost	89,868	-	15,876	-
Accumulated amortisation	-	-	-	-
Net book amount	89,868	-	15,876	-

The ultimate recoupment of the mine development costs is dependent upon successful mining or sale of the areas of interest. The directors consider that the current results of the ongoing development on the identified areas of interest are positive and expect that the costs will be fully recouped through sales of product generated from the mining operation.

16. GOODWILL

Consolidated			Supplementary Information (unaudited)	
			HK\$'000	A\$'000
31 December 2005				
Cost at 1 January 2005				
As previously reported			15,593	2,784
Effect of HKFRS 3			(3,195)	(564)
As restated and at 31 December 2005			12,398	2,190
Accumulated amortisation at 1 January 2005				
As previously reported			3,195	564
Effect of HKFRS 3			(3,195)	(564)
As restated and at 31 December 2005			-	-
Carrying amount at 1 January 2005			12,398	2,190
Carrying amount at 31 December 2005			12,398	2,190
31 December 2004				
Opening net book amount			13,915	2,296
Amortisation for the year			(1,517)	(250)
Closing net book amount			12,398	2,046
Cost			15,593	2,573
Accumulated amortisation			(3,195)	(527)
			12,398	2,046

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For the year ended 31 December 2005

16. GOODWILL (Continued)

In previous years, goodwill was amortised on a straight-line basis over the estimated useful life of 10 to 13 years from the date of acquisition. As a result of the adoption of HKFRS 3 in the current year, no further amortisation is provided and the accumulated amortisation on 1 January 2005 was eliminated against the gross amount of goodwill.

17. INTERESTS IN SUBSIDIARIES

Company	Supplementary Information (unaudited)			
	2005 HK\$'000	2004 HK\$'000	2005 A\$'000	2004 A\$'000
Investments, at cost				
Unlisted shares	40,845	40,845	7,215	6,740
Amounts due from subsidiaries	333,765	59,679	58,961	9,848
	374,610	100,524	66,176	16,588

The amounts due from subsidiaries are unsecured and have no fixed terms of repayment. The amounts include a balance of HK\$271,822,000/A\$48,018,000 (2004: Nil) which is interest bearing at 9.6% to 9.85% per annum. The remaining balances are interest-free.

Particulars of the principal subsidiaries at 31 December 2005 are as follows :

Name	Place of incorporation	Nominal value of issued share / Paid-up or registered capital	Percentage held	Principal activities
OM Holdings (B.V.I.) Ltd ("OMHI")	The British Virgin Islands	HK\$10,000	100%	Investment holding
OM (Manganese) Ltd ("OMM"), formerly known as Booth Creek Resources Pty Ltd	Australia	A\$500,000	100%	Development and construction of manganese mine site
OM Manufacturing (China) Ltd ("OMC"), formerly known as OM Resources (HK) Limited	Hong Kong	HK\$4,000,000	100%*	Investment holding
Liaoyang International Boron Alloy Co. Ltd ("LFB") #	PRC	US\$2,328,700	51%*	Sales and processing of ferroboron
OM Materials (Tianjin) Ltd ("OMT") #	PRC	US\$400,000	100%*	Trading of metals and fabricated metals
OM Materials (S) Pte Ltd ("OMS")	Republic of Singapore	S\$1,000,000	100%*	Investment holding and trading of metals and ferroalloy products
OM Materials (Qinzhou) Co Ltd ("OMQ") #	PRC	US\$7,300,000 (2004: US\$6,000,000)	100%*	Sales and processing of ferroalloy and ores

* Held indirectly

Subsidiaries not audited by Grant Thornton or other member firms of Grant Thornton International

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For the year ended 31 December 2005

18. INTEREST IN AN ASSOCIATE

Consolidated	Supplementary Information (unaudited)			
	2005 HK\$'000	2004 HK\$'000	2005 A\$'000	2004 A\$'000
Share of net assets	13,564	1,442	2,396	238
Amount due from the associate	-	687	-	113
	13,564	2,129	2,396	351

Company	Supplementary Information (unaudited)			
	2005 HK\$'000	2004 HK\$'000	2005 A\$'000	2004 A\$'000
Shares listed outside Hong Kong, at cost	16,118	-	2,847	-
Unlisted shares, at cost	-	3,045	-	502
Amount due from the associate	-	587	-	97
	16,118	3,632	2,847	599
Market value of listed shares	53,778	-	9,500	-

Particulars of the associate at 31 December 2005 are as follows:

Name	Place of incorporation	Percentage of interest held directly by the Company		Nature of business
		2005	2004	
		2005	2004	
Territory Iron Limited ("TI")	Australia	25% (note)	50%	Exploration of iron ore

The associate is not audited by Grant Thornton or other member firms of Grant Thornton International. The associate has financial year end of 30 June. Material transactions entered into by TI between 1 July 2005 and 31 December 2005 have been adjusted for the purpose of these consolidated financial statements.

The following table illustrates the summarised financial information of the associate extracted from its management account after adjusting for differences arising from adopting different accounting policies by the associate :

	Supplementary Information (unaudited)			
	2005 HK\$'000	2004 HK\$'000	2005 A\$'000	2004 A\$'000
Assets	54,717	7,187	9,666	1,186
Liabilities	(2,972)	(3,745)	(525)	(618)
Net assets	51,745	3,442	9,141	568
Revenue	2,162	36	382	6
Expenses	(6,006)	(3,260)	(1,061)	(538)
Net loss	(3,844)	(3,224)	(679)	(532)

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18. INTEREST IN AN ASSOCIATE (Continued)

Note :

On 15 February 2005, TI issued a prospectus for an initial public offering of its shares on the Australian Stock Exchange Limited ("ASX"). Pursuant to the prospectus, TI offered to issue 50,000,000 shares at an issue price of A20 cents per share, to raise a total of A\$10 million (before issue costs). Following the successful completion of the initial public offering and listing of TI on ASX on 11 March 2005, the Consolidated Entity's interest in TI has been diluted from 50% to 25%. A gain on deemed disposal of partial interest in TI of HK\$13,073,000/A\$2,309,000 has been recorded by the Consolidated Entity.

19. INVENTORIES

Consolidated	Supplementary Information (unaudited)			
	2005 HK\$'000	2004 HK\$'000	2005 A\$'000	2004 A\$'000
Raw materials	35,869	32,694	6,336	5,395
Work-in-progress	376	-	66	-
Finished goods	64,831	82,434	11,453	13,603
	<u>101,076</u>	<u>115,128</u>	<u>17,855</u>	<u>18,998</u>

20. CASH AND BANK BALANCES

Consolidated	Supplementary Information (unaudited)			
	2005 HK\$'000	2004 HK\$'000	2005 A\$'000	2004 A\$'000
Cash at banks and in hand	48,584	65,489	8,583	10,807
Short-term bank deposits	83,330	111,714	14,720	18,434
Total cash and bank balances (notes (a) and (b))	131,914	177,203	23,303	29,241
Less: Cash collateral (note (c))	(51,600)	(40,318)	(9,115)	(6,653)
	<u>80,314</u>	<u>136,885</u>	<u>14,188</u>	<u>22,588</u>

Company	Supplementary Information (unaudited)			
	2005 HK\$'000	2004 HK\$'000	2005 A\$'000	2004 A\$'000
Cash at banks and in hand	114	12,196	20	2,013
Short-term bank deposits	28,017	67,637	4,949	11,161
Total cash and bank balances (note (a))	<u>28,131</u>	<u>79,833</u>	<u>4,969</u>	<u>13,174</u>

Notes :

- (a) Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term bank deposits are made for varying periods of one week to six months depending on the immediate cash requirements of the Consolidated Entity, and earn interest at the respective short-term time deposit rates.
- (b) At 31 December 2005, the total amount of cash and bank balances of the Consolidated Entity which were deposited with banks in the PRC and denominated in Renminbi ("RMB") amounted to HK\$13,215,000/A\$2,334,000 (2004: HK\$15,767,000/A\$2,602,000). The RMB is not freely convertible into other currencies.
- (c) These bank deposits were pledged to bankers to secure the banking facilities granted to the Consolidated Entity in respect of bank loans (note 21(a)) and letters of credit facilities.

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21. BORROWINGS

Consolidated	Supplementary Information (unaudited)			
	2005 HK\$'000	2004 HK\$'000	2005 A\$'000	2004 A\$'000
Non-current				
Bank loans, secured (note (a))	25,123	-	4,438	-
Finance lease liabilities (note (c))	738	-	130	-
	25,861	-	4,568	-
Current				
Bank overdrafts	-	331	-	55
Bank loans				
Secured (note (a))	11,778	30,390	2,081	5,015
Unsecured	2,979	2,914	526	481
Other loan, unsecured (note (b))	2,134	4,700	377	776
Finance lease liabilities (note (c))	830	-	147	-
	17,721	38,335	3,131	6,327
Total borrowings	43,582	38,335	7,699	6,327
Analysed into :				
Bank loans and overdrafts repayable :				
Within one year or on demand	14,757	33,635	2,807	5,551
In the second to fifth years, inclusive	25,123	-	4,438	-
	39,880	33,635	7,045	5,551
Other borrowings repayable :				
Within one year or on demand	2,964	4,700	524	776
In the second to fifth years, inclusive	738	-	130	-
	3,702	4,700	654	776
	43,582	38,335	7,699	6,327

Notes :

(a) Bank loans of HK\$36,901,000/A\$6,519,000 (2004: HK\$30,390,000/A\$5,015,000) are secured by :

- (i) charge over certain bank deposits as disclosed in note 20;
- (ii) pledge of certain property, plant and equipment as disclosed in note 12;
- (iii) mortgage over the Company's shareholding in OMM; and
- (iv) fixed and floating charges over the mining tenements of OMM.

(b) Other loan is unsecured, interest-free and repayable on demand.

■ ■ ■ ■ Notes To The Financial Statements ■ ■ ■ ■

For the year ended 31 December 2005

21. BORROWINGS (Continued)

(c) The analysis of the obligations under finance leases is as follows :

Consolidated	Supplementary Information (unaudited)			
	2005 HK\$'000	2004 HK\$'000	2005 A\$'000	2004 A\$'000
Due within one year	917	-	162	-
Due in the second to fifth years	781	-	138	-
	1,698	-	300	-
Future finance charges on finance leases	(130)	-	(23)	-
Present value of finance lease liabilities	1,568	-	277	-
The present value of finance lease liabilities is as follows :				
Due within one year	830	-	147	-
Due in the second to fifth years	738	-	130	-
	1,568	-	277	-
Less : Portion due within one year included under current liabilities	(830)	-	(147)	-
Non-current portion included under non-current liabilities	738	-	130	-

(d) Other information about the borrowings :

	Original currency	Effective interest rate (%)			
		2005		2004	
		Fixed	Floating	Fixed	Floating
Bank loans	A\$	-	7.73%	-	-
Bank loans	RMB	6.05%	-	6.90%	-
Finance lease liabilities	A\$	-	7.66%	-	-

The carrying amounts of the Consolidated Entity's borrowings approximate their fair values.

22. PROVISIONS

Consolidated	Supplementary Information (unaudited)			
	2005 HK\$'000	2004 HK\$'000	2005 A\$'000	2004 A\$'000
Provision for restoration				
At beginning of year	-	-	-	-
Provision for the year	1,454	-	257	-
At end of year	1,454	-	257	-

According to the Mine Management Plan submitted to The Northern Territory Government in Australia, the Consolidated Entity is obligated to restore the disturbed area arising from construction and pre-production phase of the mining project conducted by OMM, a wholly owned subsidiary.

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23. DERIVATIVE FINANCIAL INSTRUMENTS

Consolidated

	2005		2004	
	Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
Forward currency contracts	-	628	-	-
Call options	1,598	-	-	-

Supplementary Information (unaudited)

	2005		2004	
	Assets A\$'000	Liabilities A\$'000	Assets A\$'000	Liabilities A\$'000
Forward currency contracts	-	111	-	-
Call options	282	-	-	-

At 31 December 2005, the Consolidated Entity held a number of forward currency contracts and call options designated as cash flow hedges in respect of expected future sales and payments. The terms of these contracts and call options are as follows:

	Exchange rate	Contract amount	Maturity
Forward currency contracts			
Buy contracts - Australian Dollars	A\$/US\$0.7400	A\$3,900,000	March 2006
Sell contracts - United States	A\$/US\$0.7295	US\$10,000,000	July 2006 to June 2007
Call options			
Australian call options	A\$/US\$0.7450	US\$8,730,000	July 2006 to June 2007

The terms of the forward currency contracts and call options have been negotiated to match the terms of the commitments.

The carrying amounts of the forward currency contracts and call options are stated at fair values. Assets arising from these derivative financial instruments are included in prepayments, deposits and other receivables and liabilities arising are included in other payables and accruals.

The net gain arising from the cash flow hedges of HK\$970,000/A\$171,000 as at 31 December 2005 is dealt with in the fair value reserve as the directors have assessed the cash flow hedges to be highly effective.

24. DEFERRED TAX

Consolidated

As at 31 December 2005, the Consolidated Entity has tax losses arising in Hong Kong of HK\$2,350,000/A\$415,000 (2004: HK\$2,350,000/A\$387,000) and in the PRC of HK\$1,430,000/A\$253,000 (2004: Nil) which are available for offsetting against future taxable profits. No deferred tax asset has been recognised in respect of these tax losses due to the uncertainty of future profit streams against which the asset can be utilised. The tax losses arising in Hong Kong can be carried forward indefinitely without any expiry date while the tax losses arising from the PRC will expire in a period of 5 years.

Company

As at 31 December 2005 and 2004, the Company did not have any deferred tax.

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For the year ended 31 December 2005

25. SHARE CAPITAL

	Number of shares		2005 A\$'000	2004 A\$'000		
Authorised :						
Ordinary shares of A\$0.10 each	1,000,000,000		100,000	100,000		
			Supplementary Information (unaudited)			
			2005	2004		
	Number of shares	HK\$'000	Number of shares	HK\$'000	2005 A\$'000	2004 A\$'000
Issued and fully paid :						
Ordinary shares of A\$0.10 each as at 1 January	96,016,717	50,163	76,199,717	39,224	8,861	6,473
Placement of new shares (note (a))	38,500,000	22,561	18,000,000	9,882	3,986	1,631
Options exercised (note (b))	1,816,000	1,112	1,817,000	1,057	196	174
Ordinary shares of A\$0.10 each as at 31 December	136,332,717	73,836	96,016,717	50,163	13,043	8,278

Notes :

(a) Details of 38,500,000 new shares issued by the Company during the year are as follows :

- (i) On 20 January 2005, the Company placed 5,000,000 ordinary shares at an issue price of A\$1.31 per share to two Chinese based ferroalloy companies. The total fund raised of A\$6.55 million (before issue costs) have been applied in connection with the proposed merging of the Company's ferroalloy processing operations in Qinzhou with these two Chinese based ferroalloy companies.
- (ii) On 3 August 2005, the Company placed 13,500,000 ordinary shares at an issue price of A\$1.00 per share to professional and sophisticated investors. The total fund raised of A\$13.5 million (before issue costs) have been applied to finance the mine development activities conducted by OMM, a wholly owned subsidiary of the Company.
- (iii) On 29 November 2005, the Company placed 20,000,000 ordinary shares at an issue price of A\$1.05 per share to professional and sophisticated investors. The total fund raised of A\$21.0 million (before issue costs) were used to settle part of the consideration in respect of the Acquisition as referred to in note 28 which amounted to US\$10 million and partly used to finance the mine development activities conducted by OMM.

(b) During the year, 1,816,000 ordinary shares were issued following the exercise of unlisted options by the directors and other employees at A\$0.15 each.

26. SHARE OPTIONS

At the special general meetings previously held, shareholders approved the grant of unlisted share options to subscribe for shares in the Company to persons engaged in senior management positions and directors of the Company or its controlled entities. Each option shall be issued for no consideration and allows the option holder to subscribe for one ordinary share of the Company.

There are no participating rights or entitlements inherent in the options and holders of the options will not be entitled to participate in new issues of capital which may be offered to shareholders during the currency of the option.

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For the year ended 31 December 2005

26. SHARE OPTIONS (Continued)

On 18 January 2002, 21 June 2004 and 20 December 2005, certain of the Company's employees (including directors) were granted share options of the Company. Details of the movements during the year in respect of the share options granted by the Company are as follows :

	Option type (note(a))	Number of share options			Outstanding at 31 December 2005 (note(b))
		Outstanding at 1 January 2005	Exercised during the year (note(c))	Granted during the year (note(d))	
Directors					
Low Ngee Tong	2002	990,000	(990,000)	-	-
Trevor Tennant	2002	495,000	(495,000)	-	-
Julie Anne Wolseley	2004	500,000	-	-	500,000
Yeo Wee Kiong	2004	500,000	-	-	500,000
William Ross Mackenzie	2005	-	-	529,000	529,000
		2,485,000	(1,485,000)	529,000	1,529,000
Other employees					
Other employees	2002	331,000	(331,000)	-	-
Other employees	2005	-	-	3,651,500	3,651,500
		331,000	(331,000)	3,651,500	3,651,500
		2,816,000	(1,816,000)	4,180,500	5,180,500

Notes :

(a) Details of the specific categories of options are as follows :

Option type	Date of grant	Exercise period	Exercise price
2002	18 January 2002	From 18 January 2002 to 21 January 2007	A\$0.15
2004	21 June 2004	From 21 June 2004 to 30 June 2009	A\$0.72
2005	20 December 2005	From 20 December 2005 to 30 November 2008	A\$1.05

(b) Options were vested on the date of grant.

(c) The weighted average share price of the Company at the date of exercise of the share options was A\$1.476.

(d) On 20 December 2005, shareholders of the Company approved the grant of 4,180,500 options of the Company to a director of the Company and employees of the Company's controlled entities. The fair value of the equity-settled share options granted was HK\$8,870,000/A\$1,567,000 which was recognised as expense in the income statement for the year ended 31 December 2005. The fair value of the share options was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. Details of the inputs to the model used are disclosed as follows :

Dividend yield (%)	1%
Expected volatility (%)	45%
Risk free interest rate (%)	5.26%
Expected life of option (years)	1.47 to 2.21 years
Share price on the issue date of option	A\$1.2

Expected volatility represents the historical volatility, at the issue date, which corresponds to the expected life of the share options.

(e) Options will lapse upon resignation of the relevant directors and employees from the Consolidated Entity.

(f) Subsequent to the balance sheet date and up to the date of approval of these financial statements, no share option has been exercised.

Notes To The Financial Statements

For the year ended 31 December 2005

27. RESERVES

Consolidated	Supplementary Information (unaudited)			
	2005 HK\$'000	2004 HK\$'000	2005 A\$'000	2004 A\$'000
Share premium	315,042	106,473	55,653	17,570
Non-distributable reserves (note (a))	7,235	4,695	1,278	775
Capital reserve (note (b))	3,608	3,608	637	595
Share option reserve (note (c))	8,870	-	1,567	-
Fair value reserve (note (d))	970	-	171	-
Exchange fluctuation reserve	(11,049)	(954)	(1,951)	(157)
Retained profits	100,690	80,127	17,787	13,222
	425,368	193,949	75,142	32,005

Details of movements in the above reserves are set out in the consolidated statement of changes in equity.

Notes:

(a) In accordance with the accounting principles and financial regulations applicable to Sino-foreign joint venture enterprises, the controlled entities in the PRC are required to transfer part of their profit 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 quanta of the transfers are subject to the approval of the board of directors of these controlled entities.

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 consolidated balance sheet.

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

(c) This arose from the recognition of expense arising from the grant of 4,180,500 options to a director of the Company and certain employees of the Company's controlled entities on 20 December 2005 (note 26(d)).

(d) This arose from the change in fair value of the derivative financial instruments outstanding as at 31 December 2005 (note 23).

■ ■ ■ Notes To The Financial Statements ■ ■ ■

For the year ended 31 December 2005

27. RESERVES (Continued)

Company	Supplementary Information (unaudited)			
	2005 HK\$'000	2004 HK\$'000	2005 A\$'000	2004 A\$'000
Share premium :				
At beginning of year	106,473	23,695	18,809	3,910
Issue of new shares, net of issue costs	208,569	82,778	36,844	13,660
At end of year	315,042	106,473	55,653	17,570
Contributed surplus :				
At beginning of year and at end of year (note (a))	16,761	16,761	2,961	2,765
Share option reserve :				
At beginning of year	-	-	-	-
Equity-settled share-based payments (note(b))	8,870	-	1,567	-
At end of year	8,870	-	1,567	-
Retained profits :				
At beginning of year	3,839	1,728	678	285
Profit for the year	2,974	13,228	525	2,183
Dividends (note 10)	(5,781)	(11,117)	(1,021)	(1,834)
At end of year	1,032	3,839	182	634
Total reserves	341,705	127,073	60,363	20,969

Notes :

- (a) The contributed surplus of the Company represents the difference between the nominal value of the Company's shares issued for acquisition of the controlled entities and the aggregate net asset value of the controlled entities acquired. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.
- (b) This arose from the recognition of expense arising from the grant of 4,180,500 options to a director of the Company and certain employees of the Company's controlled entities on 20 December 2005 (note 26(d)).

28. PURCHASE OF ADDITIONAL INTEREST IN JOINTLY CONTROLLED ASSETS

In 2002, OMM entered into a joint venture agreement with GEMCO relating to the Bootu Creek Manganese Project. In 2004, GEMCO contributed A\$3,000,000 in aggregate to the Project and consequently, according to the joint venture agreement, GEMCO was entitled to 25% interest in the Project. On 23 December 2005, OMM has completed its acquisition of the 25% interest in the Project held by GEMCO for a consideration of US\$15,320,000 (the "Acquisition"). After the Acquisition, the Consolidated Entity controls 100% of the Project.

■ ■ ■ Notes To The Financial Statements ■ ■ ■

For the year ended 31 December 2005

28. PURCHASE OF ADDITIONAL INTEREST IN JOINTLY CONTROLLED ASSETS (Continued)

The fair values of the identifiable assets and liabilities of the Project as at the date of Acquisition are as follows :

	Supplementary Information (Unaudited)	
	2005 HK\$'000	2005 A\$'000
Exploration and evaluation costs	70,449	12,445
Property, plant and equipment	49,433	8,733
Mine development costs	833	147
Cash	4,807	849
Other receivable	1,136	201
Other payables and accruals	(7,070)	(1,249)
Borrowings	(279)	(49)
Other long-term liabilities	(529)	(93)
	118,780	20,984
	HK\$'000	A\$'000
Satisfied by cash	118,780	20,984

An analysis of the net outflow of cash and cash equivalents in respect of the Acquisition is as follows :

	Supplementary Information (Unaudited)	
	2005 HK\$'000	2005 A\$'000
Cash consideration	(118,780)	(20,984)
Amount to be settled within one year and included in other payables and accruals under current liabilities	20,633	3,646
Amount to be settled more than one year and included in other long-term liabilities under non-current liabilities	20,633	3,645
Cash and bank balances acquired	4,807	849
Net outflow of cash and cash equivalents in respect of the Acquisition	(72,707)	(12,844)

The purchase consideration for the Acquisition of US\$15,320,000 comprised US\$10,000,000 which was paid on 23 December 2005 (the date of completion of the Acquisition), US\$2,660,000 (approximately HK\$20,633,000) which is due on or before 31 December 2006 and US\$2,660,000 (approximately HK\$20,633,000) which is due on or before 31 December 2007.

Since the Project is still in the development phase, production has not yet commenced and no revenue has yet been generated during the year ended 31 December 2005. In addition, most of the exploration and evaluation costs and mine development costs incurred for the Project have been capitalised. Accordingly, there is insignificant or no effect on the revenue and net profit of the Consolidated Entity for the year ended 31 December 2005 arising from the Acquisition.

29. MAJOR NON-CASH TRANSACTIONS

The Consolidated Entity has the following major non-cash transactions during the year :

- (a) The Consolidated Entity entered into finance lease arrangements in respect of the acquisition of certain property, plant and equipments with a total capital value at the inception of the leases of HK\$1,968,000/A\$348,000.
- (b) Exploration and evaluation costs of HK\$34,858,000/A\$6,158,000 were transferred to mine development costs.

■ ■ ■ Notes To The Financial Statements ■ ■ ■

For the year ended 31 December 2005

30. REMUNERATION OF DIRECTORS

	2005 HK\$'000	2004 HK\$'000	Supplementary Information (unaudited)	
			2005 A\$'000	2004 A\$'000
Amounts received by directors of the Company :				
Fees	-	-	-	-
Salaries and benefits in kind	8,449	7,193	1,492	1,187
Retirement benefits scheme contributions	302	98	54	16
Equity-settled share-based payments	1,287	-	227	-
	10,038	7,291	1,773	1,203

During the year, a director of the Company was granted share options, in respect of their services to the Consolidated Entity, under the share option scheme of the Company. Further details of the share options granted are set out in note 26 to the financial statements. The fair value of such options, which has been recognised to income statement, was determined as at the date of the grant and included in the above directors' remuneration disclosures.

The number of directors whose remuneration fell within the following bands :

	2005	2004
Australian dollars		
20,000 - 29,999	-	2
40,000 - 49,999	-	1
50,000 - 59,999	1	-
100,000 - 109,999	1	1
120,000 - 129,999	1	-
130,000 - 139,999	2	-
200,000 - 209,999	1	-
210,000 - 219,999	-	1
250,000 - 259,999	1	-
340,000 - 349,999	1	1
350,000 - 359,999	-	1
400,000 - 409,999	1	-
410,000 - 419,999	-	1

31. RETIREMENT BENEFITS SCHEMES

The Consolidated Entity operates defined contribution retirement benefits schemes for all qualifying employees. The assets of the schemes are held separately from those of the Consolidated Entity in independently administered funds.

The retirement benefits scheme cost charged to the income statement represents contributions payable to the schemes by the Consolidated Entity at rates specified in the rules of the schemes.

■ ■ ■ ■ Notes To The Financial Statements ■ ■ ■ ■

For the year ended 31 December 2005

32. OPERATING LEASE COMMITMENTS

As at 31 December 2005, the Consolidated Entity had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings payable as follows :

Consolidated	Supplementary Information (unaudited)			
	2005 HK\$'000	2004 HK\$'000	2005 A\$'000	2004 A\$'000
Within next year	115	488	20	81
In the second to fifth years inclusive	160	241	28	40
	275	729	48	121

Company

The Company did not have any outstanding operating lease commitments as at the balance sheet date.

33. CAPITAL COMMITMENTS

As at 31 December 2005, the Consolidated Entity had the following outstanding capital commitments :

Consolidated	Supplementary Information (unaudited)			
	2005 HK\$'000	2004 HK\$'000	2005 A\$'000	2004 A\$'000
Authorised but not contracted for	-	37,772	-	6,233
Contracted but not provided for	35,966	57,818	6,354	9,541
	35,966	95,590	6,354	15,774

Company

The Company did not have any outstanding capital commitments as at the balance sheet date.

34. CONTINGENT LIABILITIES

Consolidated

(i) Discounted bills

	Supplementary Information (unaudited)			
	2005 HK\$'000	2004 HK\$'000	2005 A\$'000	2004 A\$'000
Bills discounted with banks	-	66,355	-	10,950

■ ■ ■ Notes To The Financial Statements ■ ■ ■

For the year ended 31 December 2005

34. CONTINGENT LIABILITIES (Continued)

Consolidated (Continued)

(ii) Litigation

A controlled entity of the Company is currently a defendant in a lawsuit brought by a construction company in the PRC. In respect of the construction work conducted by the construction company for the controlled entity, the construction company is claiming an additional contract value of approximately HK\$2 million (A\$353,000) including interest as additional costs were incurred due to the variation orders subsequently requested by the controlled entity. The management of the controlled entity believes that the controlled entity has a valid defence to the litigation and, accordingly, has not provided for the amount of claim by the construction company.

Company

As at 31 December 2005, the Company has given an unlimited corporate guarantee to banks in respect of banking facilities granted to certain of its controlled entities. The extent of facilities utilised by the controlled entity as at 31 December 2005 amounted to HK\$108,049,000/A\$19,087,000 (2004: HK\$93,548,000/A\$15,437,000).

35. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties :

Consolidated	Supplementary Information (unaudited)			
	2005 HK\$'000	2004 HK\$'000	2005 A\$'000	2004 A\$'000
Consultancy fee paid to a related company in which Anthony James Pearson is a director and shareholder	-	363	-	60

36. POST BALANCE SHEET EVENTS

There is a proposed merger of the Consolidated Entity's operations in Qinzhou with the operations of Shanghai Shenjia Ferroalloys Co Ltd ("Shanghai Shenjia") which is located in Shanghai with production capacity of 200,000 million tonnes of alloy per year. It is one of the largest ferroalloys factories in China. As the operation of Shanghai Shenjia is located very close to the city, the Shanghai government has requested Shanghai Shenjia to cease production and to relocate in 2006. Accordingly Shanghai Shenjia and OMQ, a controlled entity of the Company, have entered into Memorandum of Understanding to assess the opportunity to merge Shanghai Shenjia's operation with OMQ's operation in Qinzhou. The merger will aim to create a joint venture whereby the Consolidated Entity will retain 70% interest of the merged joint venture assets and Shanghai Shenjia will hold the remaining 30% interest.

Details of this proposed transaction are set out in the Company's announcement dated 7 February 2006.

37. SEGMENT INFORMATION

All operating revenue, segment results, segment assets and segment liabilities for the financial years ended 31 December 2005 and 31 December 2004 were related to the Consolidated Entity's principal business activities. The Consolidated Entity's principal business activities during the financial years were the processing and sale of specialised metal materials in the PRC and Korea.

■ ■ ■ Notes To The Financial Statements ■ ■ ■

For the year ended 31 December 2005

37. SEGMENT INFORMATION (Continued)

(a) Geographical segments

Analysis of operating revenue, segment results, segment assets and segment liabilities by geographical location based on location of customers is as follows :

2005

	PRC		Korea		Others		Consolidated	
	HK\$'000	A\$'000	HK\$'000	A\$'000	HK\$'000	A\$'000	HK\$'000	A\$'000
Sales to customers outside the Consolidated Entity	731,811	129,277	405,756	71,678	77,644	13,716	1,215,211	214,671
Segment results	16,527	2,919	24,298	4,293	1,032	182	41,857	7,394
Unallocated corporate income and expenses							(13,805)	(2,439)
Profit from operations							28,052	4,955
Finance costs							(3,932)	(694)
Gain on deemed disposal of partial interest in an associate							13,073	2,309
Share of loss of an associate							(951)	(168)
Profit before income tax							36,242	6,402
Income tax expenses							(6,300)	(1,113)
Profit for the year							29,942	5,289
Assets								
Segment assets	268,165	47,372	47,140	8,328	32,121	5,674	347,426	61,374
Unallocated corporate assets							449,725	79,445
							797,151	140,819
Liabilities								
Segment liabilities	99,668	17,607	46,260	8,172	18,310	3,234	164,238	29,013
Unallocated corporate liabilities							121,210	21,412
							285,448	50,425
Other information :								
Cost to acquire property, plant and equipment	7,952	1,405	1,970	348	199,498	35,242	209,420	36,995
Depreciation on property, plant and equipment	4,105	725	111	20	545	96	4,761	841
Unallocated depreciation on property, plant and equipment							627	111
							5,388	952
Amortisation of prepaid lease payments on land use rights	252	45	-	-	-	-	252	45

Amount in Australian dollar equivalent (A\$'000) is supplementary information (unaudited).

■ ■ ■ Notes To The Financial Statements ■ ■ ■

For the year ended 31 December 2005

37. SEGMENT INFORMATION (Continued)

(a) Geographical segments (Continued)

2004

	PRC		Korea		Others		Consolidated	
	HK\$'000	A\$'000	HK\$'000	A\$'000	HK\$'000	A\$'000	HK\$'000	A\$'000
Sales to customers outside the Consolidated Entity	842,987	139,106	406,001	66,997	80,257	13,244	1,329,245	219,347
Segment results	56,388	9,305	21,605	3,565	5,443	898	83,436	13,768
Unallocated corporate income and expenses							5,791	956
Profit from operations							89,227	14,724
Finance costs							(3,425)	(565)
Share of loss of an associate							(1,464)	(242)
Profit before income tax							84,338	13,917
Income tax expenses							(15,754)	(2,600)
Profit for the year							68,584	11,317
Assets								
Segment assets	284,828	47,001	72,162	11,908	42,791	7,061	399,781	65,970
Unallocated corporate assets							140,004	23,104
							539,785	89,074
Liabilities								
Segment liabilities	175,680	28,990	69,711	11,503	26,393	4,355	271,784	44,848
Unallocated corporate liabilities							8,245	1,362
							280,029	46,210
Other information :								
Cost to acquire property, plant and equipment	44,070	7,272	57	9	11,775	1,944	55,902	9,225
Depreciation on property, plant and equipment	1,627	267	72	12	842	140	2,541	419
Unallocated depreciation on property, plant and equipment							28	5
							2,569	424
Amortisation of prepaid lease payments on land use rights	62	10	-	-	-	-	62	10
Unallocated amortisation of goodwill	-	-	-	-	-	-	1,517	250

Amount in Australian dollar equivalent (A\$'000) is supplementary information (unaudited).

■ ■ ■ Notes To The Financial Statements ■ ■ ■

For the year ended 31 December 2005

37. SEGMENT INFORMATION (Continued)

(a) Geographical segments (Continued)

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment analysed by geographical location of assets :

2005

	PRC		Singapore		Australia		Consolidated	
	HK\$'000	A\$'000	HK\$'000	A\$'000	HK\$'000	A\$'000	HK\$'000	A\$'000
Carrying amounts of segment assets:								
Segment assets	203,093	35,876	186,147	32,884	395,513	69,869	784,753	138,629
Unallocated corporate assets							12,398	2,190
							797,151	140,819
Costs to acquire property, plant and equipment	4,663	824	6,083	1,075	198,674	35,096	209,420	36,995

2004

	PRC		Singapore		Australia		Consolidated	
	HK\$'000	A\$'000	HK\$'000	A\$'000	HK\$'000	A\$'000	HK\$'000	A\$'000
Carrying amounts of segment assets:								
Segment assets	280,980	46,367	200,663	33,112	45,744	7,549	527,387	87,028
Unallocated corporate assets							12,398	2,046
							539,785	89,074
Costs to acquire property, plant and equipment	44,672	7,372	172	28	11,058	1,825	55,902	9,225

Amount in Australian dollar equivalent (A\$'000) is supplementary information (unaudited).

■ ■ ■ Notes To The Financial Statements ■ ■ ■

For the year ended 31 December 2005

37. SEGMENT INFORMATION (continued)

(b) Business segments

2005

	Ores		Ferroalloys		Others		Consolidated	
	HK\$'000	A\$'000	HK\$'000	A\$'000	HK\$'000	A\$'000	HK\$'000	A\$'000
Sales to customers outside the Consolidated Entity	598,848	105,788	616,363	108,883	-	-	1,215,211	214,671
Carrying amounts of segment assets :								
Segment assets	96,918	17,120	267,375	43,700	440,460	77,809	784,753	138,629
Unallocated corporate assets							12,398	2,190
							797,151	140,819
Cost to acquire property, plant and equipment	2,628	464	8,109	1,433	198,683	35,098	209,420	36,995

2004

	Ores		Ferroalloys		Others		Consolidated	
	HK\$'000	A\$'000	HK\$'000	A\$'000	HK\$'000	A\$'000	HK\$'000	A\$'000
Sales to customers outside the Consolidated Entity	808,423	133,403	520,822	85,944	-	-	1,329,245	219,347
Carrying amounts of segment assets :								
Segment assets	154,443	25,487	126,953	20,949	245,991	40,592	527,387	87,028
Unallocated corporate assets							12,398	2,046
							539,785	89,074
Cost to acquire property, plant and equipment	102	17	923	152	54,877	9,056	55,902	9,225

Amount in Australian dollar equivalent (A\$'000) is supplementary information (unaudited).

38. FINANCIAL RISKS AND MANAGEMENT

The Consolidated Entity has various financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The Consolidated Entity does not hold or issue derivative financial instruments for trading purposes. The management manages and monitors these exposures to ensure appropriate measures are implemented on timely and effective manners.

The Consolidated Entity's exposure to financial risks associated with financial instruments held in the ordinary course of business includes :

(a) Foreign currency risk

The Consolidated Entity transacts business in various foreign currencies, including the United States dollar, Chinese Yuan and Australia dollar and therefore is exposed to foreign exchange risk. The controlled entities mainly use forward contracts to hedge their exposure to foreign currency risk in the local reporting currency. The management with the advice from external consultant firm is responsible for hedging the net position in Australia dollar borrowing currency.

The Company has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. Currency exposure to the net assets of the controlled entities is managed primarily through borrowings denominated in the related foreign currencies. The Consolidated Entity also enters into derivative financial instruments to hedge the foreign currency exposure of its controlled entities. These agreements are in place for each subsidiary and have contract terms of not more than two years.

Notes To The Financial Statements

For the year ended 31 December 2005

38. FINANCIAL RISKS AND MANAGEMENT (Continued)

(b) Interest rate risk

The Consolidated Entity's interest rate risk is managed with the mixture of fixed rate and floating rate borrowings (see Note 21 for details of borrowings)

(c) Credit risk

The Consolidated Entity's principal financial assets are bank balances and cash, trade and other receivables and investments.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Consolidated Entity's credit risk is primarily attributable to its trade receivables. The Consolidated Entity performs ongoing credit evaluation of its debtors' financial condition and maintains a provision for doubtful accounts receivable based upon the expected collectibility of all accounts receivable.

Cash and bank deposits are held with creditworthy financial institutions.

The Consolidated Entity has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

(d) Liquidity risk

The Consolidated Entity maintains sufficient cash and cash equivalents, and internally generated cash flows to finance its activities. The Consolidated Entity finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

(e) Fair value risk

The carrying amounts of cash and cash equivalents, trade and other receivables and payables, provisions and other liabilities and amounts payable approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

39. COMPARATIVE FIGURES

Certain comparative figures have been adjusted or re-classified as a result of the changes in accounting policies. Further details are disclosed in note 2.1.

■ ■ ■ Auditors' Report ■ ■ ■

Grant Thornton 
均富會計師行

To the members of OM Holdings Limited
(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 20 to 63 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors of the Company are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

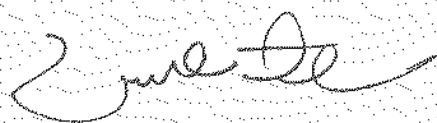
BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Consolidated Entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Consolidated Entity as at 31 December 2005 and of the profit and cash flows of the Consolidated Entity for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.



Grant Thornton
Certified Public Accountants
Hong Kong

2 March 2006

Corporate Governance Statements

For the year ended 31 December 2005

The Board of Directors of OM Holdings Limited is responsible for its corporate governance, that is, the system by which OM Holdings Limited and its subsidiaries ("OMH Group") is managed.

1. BOARD OF DIRECTORS

1.1 Role of the Board and Management

The Board's role is to govern the OMH Group. In governing the OMH Group, the Directors must act in the best interests of the OMH Group as a whole. It is the role of senior management to manage the OMH Group in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the OMH Group. The Board must also ensure that the OMH Group complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the OMH Group.

To assist the Board to carry out its functions, it has developed a Code of Conduct to guide the Directors and key executives in the performance of their roles. The Code of Conduct is detailed in Section 3.1.

The Board represents shareholders' interests in continuing its successful metals trading business further supplemented by its ferro alloy processing operation in south west China and its manganese mining operation located in the Northern Territory of Australia. This fully integrated strategy seeks to optimise medium to long-term financial gains for shareholders. By not focusing on short-term gains for shareholders, the Board believes that this will ultimately result in the interests of all stakeholders being appropriately addressed when making business decisions.

The Board is responsible for ensuring that the OMH Group is managed in such a way to best achieve this desired result. Given the size of the OMH Group's trading, processing and development activities, the Board currently undertakes an active, not passive role.

The Board is responsible for evaluating and setting the strategic directions for the OMH Group, establishing goals for management and monitoring the achievement of these goals. The Chief Executive Officer is responsible to the Board for the day-to-day management of the OMH Group.

The Board has sole responsibility for the following:

- Appointing and removing the Chief Executive Officer and any other executive director and approving their remuneration;
- Appointing and removing the Company Secretary and approving their remuneration;
- Determining the strategic direction of the OMH Group and measuring performance of management against approved strategies;
- Reviewing the adequacy of resources for management to properly carry out approved strategies and business plans;
- Adopting operating (including production), capital and development expenditure budgets at the commencement of each financial year and monitoring the progress by both financial and non-financial key performance indicators;
- Monitoring the OMH Group's medium term capital and cash flow requirements;
- Approving and monitoring financial and other reporting to regulatory bodies, shareholders and other organisations;
- Determining that satisfactory arrangements are in place for auditing the OMH Group's financial affairs;
- Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and compliance with legislative requirements; and
- Ensuring that policies and compliance systems consistent with the OMH Group's objectives and best practice are in place and that the OMH Group and its officers act legally, ethically and responsibly on all matters.

The Board's role and the OMH Group's corporate governance practices are being continually reviewed and improved as the OMH Group's businesses develop.

The Board may from time to time, delegate some of its responsibilities listed above to its senior management team.

The Chief Executive Officer is responsible for running the affairs of the OMH Group under delegated authority from the Board and to implement the policies and strategy set by the Board. In carrying out his responsibilities the Chief Executive Officer must report to the Board in a timely manner and ensure all reports to the Board present a true and fair view of the OMH Group's operational results and financial position.

The role of management is to support the Chief Executive Officer and implement the running of the general operations and financial business of the OMH Group, in accordance with the delegated authority of the Board.

Corporate Governance Statements

For the year ended 31 December 2005

1.2 Composition of the Board

To add value to the OMH Group, the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties. The names of the Directors and their qualifications and experience are disclosed in the Directors' Report. Directors are appointed based on the specific governance skills required by the OMH Group and on the independence of their decision-making and judgment.

The OMH Group recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Mr Yeo Wee Kiong and Mr William Ross Mackenzie are Non-Executive Directors who are considered to be independent.

As the OMH Group's activities increase in size, nature and scope the size of the Board will be reviewed and the optimum number of directors required for the Board to properly perform its responsibilities and functions will be re-assessed.

The Board acknowledges that a greater proportion of independent Directors is desirable over the longer term and will be seeking to demonstrate that it is monitoring the Board's composition as required.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the OMH Group's scope of activities, intellectual ability to contribute to Board duties and physical ability to undertake Board duties and responsibilities.

Directors are initially appointed by the full Board subject to election by shareholders at the next Annual General Meeting. Under the OMH Group's Bye-laws the tenure of Directors (other than Chief Executive Officer) is subject to re-appointment by shareholders not later than the third anniversary following his/her last appointment. Subject to the requirements of the law, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a Director. A Chief Executive Officer may be appointed for any period and on any terms the Directors think fit and, subject to the terms of any agreement entered into, the Board may revoke any appointment.

1.3 Responsibilities of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the OMH Group. It is required to do all things that may be necessary to be done in order to carry out the objectives of the OMH Group.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following:

1. Leadership of the OMH Group - overseeing the OMH Group and establishing codes that reflect the values of the OMH Group and guide the conduct of the Board, management and employees.
2. Strategy Formulation - working with senior management to set and review the overall strategy and goals for the OMH Group and ensuring that there are policies in place to govern the operation of the OMH Group.
3. Overseeing Planning Activities - overseeing the development of the OMH Group's strategic plans (including operating, capital and development programmes and initiatives) and approving such plans as well as the annual budget.
4. Shareholder Liaison - ensuring effective communications with shareholders through an appropriate communications policy and promoting participation at general meetings of the Company.
5. Monitoring, Compliance and Risk Management - overseeing the OMH Group's risk management, compliance, control and accountability systems and monitoring and directing the operational and financial performance of the OMH Group.
6. OMH Group Finances - approving expenses in excess of those approved in the annual budget and approving and monitoring acquisitions, divestitures and financial and other reporting.
7. Human Resources - appointing, and where appropriate, removing the Chief Executive Officer as well as reviewing the performance of the Chief Executive Officer and monitoring the performance of senior management in their implementation of the OMH Group's strategy.
8. Ensuring the Health, Safety and Well-Being of Employees - in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the OMH Group's occupational health and safety systems to ensure the well-being of all employees.
9. Delegation of Authority - delegating appropriate powers to the Chief Executive Officer to ensure the effective day-to-day management of the OMH Group and establishing and determining the powers and functions of the Committees of the Board.

Full details of the Board's role and responsibilities are contained in the Board Charter, a summary of which is contained on the Company's website.

Corporate Governance Statements

For the year ended 31 December 2005

1.4 Board Policies

1.4.1 Conflicts of Interest

Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the OMH Group; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per law, absent himself/herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

1.4.2 Commitments

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the OMH Group.

1.4.3 Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the OMH Group have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

1.4.4 Independent Professional Advice

The Board collectively and each Director has the right to seek independent professional advice at the OMH Group's expense, up to specified limits, to assist them to carry out their responsibilities.

1.4.5 Related Party Transactions

Related party transactions include any financial transaction between a Director and the OMH Group. Unless there is an exemption under the *Bermuda Companies Act* or the *Corporations Act* from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

1.4.6 Trading in the Company's Shares

'Inside information' is information that:

- is not generally available; and
- if it were generally available, it would, or would be likely to influence investors in deciding whether to buy or sell the Company's securities.

If an employee possesses inside information, the person must not:

- trade in the Company's securities;
- advise others or procure others to trade in the Company's securities; or
- pass on the inside information to others – including colleagues, family or friends – knowing (or where the employee or Director should have reasonably known) that the other persons will use that information to trade in, or procure someone else to trade in, the Company's securities.

This prohibition applies regardless of how the employee or Director learns the information (eg. even if the employee or Director overhears it or is told in a social setting).

In addition to the above, Directors must notify the Company Secretary as soon as practicable, but not later than 2 business days, after they have bought or sold the Company's securities or exercised options. In accordance with the provisions of the *Corporations Act* and the *ASX Listing Rules*, the Company on behalf of the Directors must advise the ASX of any transactions conducted by them in the securities of the Company.

Breaches of this policy will be subject to disciplinary action, which may include termination of employment.

1.4.7 Attestations by Chief Executive Officer and Chief Financial Officer

In accordance with the Board's policy, the Chief Executive Officer and the Chief Financial Officer made the attestations recommended by the ASX Corporate Governance Council as to the OMH Group's financial condition prior to the Board signing this Annual Report.

Corporate Governance Statements

For the year ended 31 December 2005

2. BOARD COMMITTEES

The Board considers that the OMH Group is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the OMH Group's activities and to ensure that it adheres to appropriate ethical standards.

The Board has however established a framework for the management of the OMH Group including a system of internal controls, a business risk management process and the establishment of appropriate ethical standards.

The full Board currently holds meetings at such times as may be necessary to address any general or specific matters as required.

If the OMH Group's activities increase in size, scope and nature, the appointment of separate or special committee's will be reviewed by the Board and implemented if appropriate.

2.1 Audit Committee

To ensure the integrity of the financial statements of the OMH Group and the independence of the external auditor, an audit committee has been formally established. The audit committee comprises Mr Yeo Wee Kiong, Ms Heng Siow Kwee and Ms Julie Wolseley.

The audit committee is responsible for reviewing the audited annual and audit reviewed half-yearly financial statements and any reports which accompany published financial statements.

The Board in conjunction with the audit committee considers the appointment of the external auditor and reviews the appointment of the external auditor, their independence, the audit fee and any questions of resignation or dismissal.

The Board is also responsible for establishing policies on risk oversight and management.

2.2 Remuneration Committee

The OMH Group does not have a remuneration committee because it would not be a more efficient mechanism than the full Board for focusing the OMH Group on specific issues.

The responsibilities of the Board in its entirety include setting policies for senior officers' remuneration, setting the terms and conditions of employment for the Chief Executive Officer, reviewing superannuation arrangements, reviewing the remuneration of Non-Executive Directors and undertaking an annual review of the Chief Executive Officer's performance, including, setting with the Chief Executive Officer goals for the coming year and reviewing progress in achieving those goals.

The OMH Group is committed to remunerating its senior executives in a manner that is market competitive and consistent with best practice as well as supporting the interests of shareholders.

Consequently, the remuneration of a senior executive may be comprised of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations; and
- statutory superannuation (where applicable).

By remunerating senior executives through performance and long-term incentive plans in addition to their fixed remuneration the OMH Group aims to align the interests of senior executives with those of shareholders and increase OMH Group performance.

The objective behind using this remuneration structure is to drive improved OMH Group performance and thereby increase shareholder value as well as aligning the interests of executives and shareholders.

Non-Executive Directors are paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors. Non-Executive Directors do not receive performance based bonuses.

The annual aggregate amount of remuneration paid to Non-Executive Directors was approved by shareholders and is currently \$250,000.

Corporate Governance Statements

For the year ended 31 December 2005

2.3 Nomination Committee

The OMH Group does not have a nomination committee because it would not be a more efficient mechanism than the full Board for focusing the OMH Group on specific issues.

The responsibilities of the Board in its entirety include devising criteria for Board membership, regularly reviewing the need for various skills and experience on the Board and identifying specific individuals for nomination as Directors for review by the Board. The Board also oversees management succession plans including the Chief Executive Officer and his direct reports and evaluates the Board's performance and makes recommendations for the appointment and removal of Directors.

Directors are appointed based on the specific governance skills required by the OMH Group. Given the size of the OMH Group and the business that it operates, the OMH Group aims at all times to have at least one Director with experience in the metals trading and mining industries, appropriate to the OMH Group's market. In addition, Directors should have the relevant blend of personal experience in:

- accounting and financial management;
- legal skills; and
- Chief Executive Officer - business experience.

3. ETHICAL STANDARDS

The Board acknowledges the need for continued maintenance of the highest standard of corporate governance practice and ethical conduct by all Directors and employees of the OMH Group.

3.1 Code of Conduct for Directors and Key Executives

The Board has adopted a Code of Conduct for Directors and key executives to promote ethical and responsible decision-making. The code is based on a code of conduct for Directors prepared by the Australian Institute of Company Directors.

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Company:

- will act honestly, in good faith and in the best interests of the whole Company;
- owe a fiduciary duty to the Company as a whole;
- have a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office;
- will undertake diligent analysis of all proposals placed before the Board;
- will act with a level of skill expected from directors and key executives of a publicly listed Company;
- will use the powers of office for a proper purpose, in the best interests of the Company as a whole;
- will demonstrate commercial reasonableness in decision making;
- will not make improper use of information acquired as Directors and key executives;
- will not disclose non-public information except where disclosure is authorised or legally mandated;
- will keep confidential, information received in the course of the exercise of their duties and such information remains the property of the Company from which it was obtained and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the person from whom the information is provided, or is required by law;
- will not take improper advantage of the position of Director or use the position for personal gain or to compete with the Company;
- will not take advantage of Company property or use such property for personal gain or to compete with the Company;
- will protect and ensure the efficient use of the Company's assets for legitimate business purposes;
- will not allow personal interests, or the interests of any associated person, to conflict with the interests of the Company;
- have an obligation to be independent in judgment and actions, and Directors will take all reasonable steps to be satisfied as to the soundness of all decisions of the Board;
- will make reasonable enquiries to ensure that the Company is operating efficiently, effectively and legally towards achieving its goals;
- will not engage in conduct likely to bring discredit upon the Company;
- will encourage fair dealing by all employees with the Company's suppliers, competitors and other employees;
- will encourage the reporting of unlawful/unethical behaviour and actively promote ethical behaviour and protection for those who report violations in good faith;
- will give their specific expertise generously to the Company;
- have an obligation, at all times, to comply with the spirit, as well as the letter of the law and with the principles of this Code."

(*From the AICD Code of Conduct)

(-From the ASX Corporate Governance Council's Principles of Good Corporate Governance)

Corporate Governance Statements

For the year ended 31 December 2005

3.2 Code of Ethics and Conduct

The OMH Group has implemented a Code of Ethics and Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the OMH Group.

All Directors and employees are expected to:

- respect the law and act in accordance with it;
- respect confidentiality and not misuse OMH Group information, assets or facilities;
- value and maintain professionalism;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the OMH Group's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Ethics and Conduct may face disciplinary action. If an employee suspects that a breach of the Code of Ethics and Conduct has occurred or will occur, he or she must advise that breach to management. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

As part of its commitment to recognising the legitimate interests of stakeholders, the OMH Group has established the Code of Ethics and Conduct to guide compliance with legal and other obligations to legitimate stakeholders. These stakeholders include employees, customers, government authorities, creditors and the community as whole. This Code includes the following.

Responsibilities to Shareholders and the Financial Community Generally

The OMH Group complies with the spirit as well as the letter of all laws and regulations that govern shareholders' rights. The OMH Group has processes in place designed to ensure the truthful and factual presentation of the OMH Group's financial position and prepares and maintains its accounts fairly and accurately in accordance with the generally accepted accounting and international financial reporting standards.

Employment Practices

The OMH Group endeavours to provide a safe workplace in which there is equal opportunity for all employees at all levels of the OMH Group. The OMH Group does not tolerate the offering or acceptance of bribes or the misuse of OMH Group assets or resources.

Responsibilities to the Community

As part of the community the OMH Group:

- is committed to conducting its business in accordance with applicable environmental laws and regulations and encourages all employees to have regard for the environment when carrying out their jobs; and
- encourages all employees to engage in activities beneficial to their local community.

Responsibility to the Individual

The OMH Group is committed to keeping private information confidential which has been provided by employees and investors and protect it from uses other than those for which it was provided.

Conflicts of Interest

Employees and Directors must avoid conflicts as well as the appearance of conflicts between personal interests and the interests of the OMH Group.

How the OMH Group Monitors and Ensures Compliance with its Code

The Board, management and all employees of the OMH Group are committed to implementing this Code of Ethics and Conduct and each individual is accountable for such compliance.

Disciplinary measures may be imposed for violating the Code.

4. DISCLOSURE OF INFORMATION

4.1 Continuous Disclosure to ASX

The Continuous Disclosure Policy requires all executives and Directors to inform the Chief Executive Officer or in his absence the Company Secretary of any potentially material information as soon as practicable after they become aware of that information.

Information is material if it is likely that the information would influence investors who commonly acquire securities on ASX in deciding whether to buy, sell or hold the Company's securities.

Information is not material and need not be disclosed if:

- (a) A reasonable person would not expect the information to be disclosed or is material but due to a specific valid commercial reason is not to be disclosed; and
- (b) The information is confidential; or
- (c) One of the following applies:
 - i. It would breach a law or regulation to disclose the information;
 - ii. The information concerns an incomplete proposal or negotiation;
 - iii. The information comprises matters of supposition or is insufficiently definite to warrant disclosure;
 - iv. The information is generated for internal management purposes;
 - v. The information is a trade secret;
 - vi. It would breach a material term of an agreement, to which the OMH Group is a party, to disclose the information;
 - vii. It would harm the OMH Group's potential application or possible patent application; or
 - viii. The information is scientific data that release of which may benefit the OMH Group's potential competitors.

The Chief Executive Officer is responsible for interpreting and monitoring the OMH Group's disclosure policy and where necessary informing the Board. The Company Secretary is responsible for all communications with ASX.

4.2 Communication with Shareholders

The Company places considerable importance on effective communications with shareholders.

The Company aims to communicate with shareholders and other stakeholders in an open, regular and timely manner so that the market has sufficient information to make informed investment decisions on the operations and results of the OMH Group. The strategy provides for the use of systems that ensure a regular and timely release of information about the OMH Group is provided to shareholders. Mechanisms employed include:

- Announcements lodged with ASX;
- Half Yearly Report and Annual Report; and
- Presentations at the Annual General Meeting/General Meetings and investor briefings.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and understanding of the OMH Group's strategy and goals.

■ ■ ■ Corporate Governance Statements ■ ■ ■

For the year ended 31 December 2005

5. RISK MANAGEMENT

5.1 Identification of Risk

The Board is responsible for the oversight of the OMH Group's risk management and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the OMH Group with the Chief Executive Officer and Chief Financial Officer having ultimate responsibility to the Board for the risk management and control framework.

5.2 Integrity of Financial Reporting

The OMH Group's Chief Executive Officer and Chief Financial Officer report in writing to the Board that:

- the financial statements of the OMH Group for each half and full year present a true and fair view, in all material aspects, of the OMH Group's financial condition and operational results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the OMH Group's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

5.3 Role of Auditor

The OMH Group's practice is to invite the auditor to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

6. PERFORMANCE REVIEW

The Board has adopted a self-evaluation process to measure its own performance during each financial year. Also, an annual review is undertaken in relation to the composition and skills mix of the Directors of the Company.

Arrangements put in place by the Board to monitor the performance of the OMH Group's executives include:

- a review by the Board of the Company's financial performance;
- annual performance appraisal meetings incorporating analysis of key performance indicators with each individual; and
- regular reporting from the Chief Executive Officer which monitors the performance of the Company's executives to ensure that the level of reward is aligned with respective responsibilities and individual contributions made to the success of the OMH Group.



Supplementary Information

For the year ended 31 December 2005



1. SHAREHOLDER INFORMATION

(a) Distribution of Shareholdings

The distribution of shareholdings as at 31 March 2006 was as follows:

	No. of Holders	No of Ordinary Shares	% of Issued Capital
1 - 1,000	41	28,779	0.02
1,001 - 5,000	202	729,628	0.54
5,001 - 10,000	282	2,426,789	1.78
10,001 - 100,000	533	17,728,101	13.00
Over 100,000	91	115,419,420	84.66
Total	1,149	136,332,717	100.00

(b) Twenty Largest shareholders of Ordinary Shares of the Company as at 31 March 2006.

The distribution of the 20 largest shareholders, based on the share registry's information as at 31 March 2006, was as follows:

Shareholder	No. of Fully Paid Ordinary Shares	% of Issued Capital
DINO COMPANY LIMITED	14,915,710	10.94
RAMLEY INTERNATIONAL LTD	13,475,000	9.88
ZERO NOMINEES PTY LTD	7,624,000	5.59
WESTPAC CUSTODIAN NOMINEES	6,270,732	4.60
J P MORGAN NOMINEES AUSTRALIA	5,191,350	3.81
HSBC CUSTODY NOMINEES	5,184,000	3.80
YANG XIFU C/-LANGFANG XINDA	5,000,000	3.67
CITICORP NOMINEES PTY LIMITED	4,615,330	3.39
NATIONAL NOMINEES LIMITED	4,497,543	3.30
DBS VICKERS SECURITIES	4,181,692	3.07
MR TREVOR TENNANT	4,060,535	2.98
ANZ NOMINEES LIMITED	3,990,879	2.93
LAI SHUN HOLDINGS LTD	3,000,000	2.20
QUEENSLAND INVESTMENT	2,480,320	1.82
ZHANGJIANG LONGTENG TRADE CO	2,000,000	1.47
AUSTRALIAN EXECUTOR TRUSTEES	1,899,450	1.39
UBS NOMINEES PTY LTD	1,828,163	1.34
SEETOH KWOK WENG	1,793,000	1.32
COGENT NOMINEES PTY LIMITED	1,606,813	1.17
RBC DEXIA INVESTOR SERVICES	1,479,551	1.08
TOTAL HELD BY 20 LARGEST SHAREHOLDERS	95,094,068	69.75
OTHERS	41,238,649	30.25
	136,332,717	100.00

There were 12 holders holding less than a marketable parcel of ordinary shares.



Supplementary Information

For the year ended 31 December 2005



1. SHAREHOLDER INFORMATION (Continued)

(c) Unlisted Options

As at 31 March 2006 there were on issue 1,000,000 options exercisable at 72 cents each on or before 30 June 2006 (held by 2 holders) and 4,630,500 options exercisable at \$1.05 each on or before 30 November 2008 (held by 18 holders).

(d) Twenty Largest Shareholders of Ordinary Shares of the Company as at 31 March 2006

- (i) The first three shareholders of the above distribution of the 20 largest shareholders, each holds more than 5% of the issued capital of the Company and for the purposes of the Corporations Act 2001, are substantial shareholders of the company.
- (ii) 43.34% of the fully paid ordinary shares of the Company are held by the 20 largest shareholders other than the substantial shareholders as detailed in (i) above.

(e) Voting Rights

Subject to Bye-laws of the Company and to any rights or restrictions attaching to any class of shares, every member is entitled to be present at a meeting in person, by proxy, representative or attorney. On a show of hands, every member has a one vote and, on a poll, every member has (i) one vote for each fully paid share held by the member or (ii) a fraction of a vote equivalent to the proportion which the amount paid-up bears to the total issue price of the share, for each partly share held by the member.

2. TAXATION

The Company is not taxed as a private company in Australia.

3. INVESTOR INFORMATION

(a) Stock Code

Official quotation has been granted to the Company's securities on the Australian Stock Exchange Limited in Australia. The Company's stock code is OMH.

(b) Company Information Contact

For further information about OM Holdings Limited please contact:

Administration Department,
OM Holdings Limited
80 Marine Parade Road
#08-08 Parkway Parade
Singapore 449269
Tel : (65) 63465515
Fax : (65) 6342 2242
Email : om@ommaterials.com



OM HOLDINGS LIMITED

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