

30 June 2002

24. DUE TO MINORITY EQUITY/SHAREHOLDERS

A portion of the amounts due to the minority equity/shareholders of approximately HK\$147,855,000 represents the amounts due to minority shareholders for the transfer of business database and purchases of fixed assets on behalf of the two newly established subsidiaries.

25. INTEREST-BEARING BANK AND OTHER LOANS, SECURED

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank loans repayable:				
Within one year or on demand	11,111	18,927	–	–
In the second year	312,000	–	312,000	–
In the third to fifth years, inclusive	–	273,000	–	273,000
	323,111	291,927	312,000	273,000
Other loans, wholly repayable within one year or on demand	499	565	–	–
	323,610	292,492	312,000	273,000
Portion classified as current liabilities	(11,610)	(19,492)	–	–
Non-current portion	312,000	273,000	312,000	273,000

The details of assets pledged as security for these borrowings are set out in note 28 to the financial statements.

26. FINANCE LEASE PAYABLES

The Group leases certain plant and machinery and motor vehicles for its business use. These lease are classified as finance leases and have remaining lease terms ranging from one to four years. The total future minimum lease payments under finance leases and their present values at the balance sheet date were as follows:

	Group			
	2002		2001	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable:				
Within one year	16,334	15,705	21,997	20,694
In the second to fifth years, inclusive	9,704	8,714	30,173	26,103
Total minimum finance lease payments	26,038	24,419	52,170	46,797
Future finance charges	(1,619)		(5,373)	
Total net finance lease payables	24,419		46,797	
Portion classified as current liabilities	(15,075)		(18,811)	
Non-current portion	9,344		27,986	

30 June 2002

27. CONVERTIBLE BONDS

	Group and Company	
	2002	2001
	HK\$'000	HK\$'000
At beginning of year	85,410	–
Issued during the year	–	124,800
Converted into ordinary shares of the Company during the year	(44,460)	(39,390)
At end of year	40,950	85,410

The convertible bonds are interest-bearing at 3% per annum and due for repayment on 1 September 2003. They carry the rights of conversion at the conversion price set out below into ordinary shares of the Company at any time from 15 October 2000 up to the day falling one week prior to the maturity date on 1 September 2003. Any outstanding principal portion of these convertible bonds which otherwise has not been redeemed, converted or cancelled upon maturity will be redeemed by the Company at 108% of the underlying outstanding principal amount.

The conversion price (the "Conversion Price") payable for the subscription of ordinary shares of the Company is determined, at the option of the relevant bondholders, to be either (a) HK\$1.375, as adjusted for the effect of bonus issue of shares in the Company in May 2001; or (b) 93% of the average of any three closing prices per share of the Company on the Stock Exchange as selected by the bondholders during the 30 business days immediately preceding the date of conversion provided that the conversion price shall not be less than the par value of the shares of the Company on the conversion date (currently at HK\$0.10). In addition, the terms of convertible bonds include various provisions for safeguarding the interests of the bondholders, including the entitlement of bondholders to exchange the convertible bonds for ordinary shares in the subsidiaries of the Company in certain circumstances, including the spin-off of the Group's aluminium business through separate listing of these subsidiaries.

During the year, the convertible bondholders exercised their rights of conversion and a principal portion of the convertible bonds in the amount of US\$5,700,000 (approximately HK\$44,460,000) (2001: US\$5,050,000 (approximately HK\$39,390,000)) was converted into ordinary shares of the Company at conversion prices ranging from HK\$0.4185 to HK\$0.7037 per share. As at the balance sheet date, there were 25,000,000 (2001: 25,000,000) options per share outstanding under the convertible bonds, and details of these options are set out in note 29 to the financial statements.

30 June 2002

28. PLEDGE OF ASSETS

The Group's borrowings at 30 June 2002 were secured by fixed assets, mainly buildings in the PRC, with a total net book value of approximately HK\$6,202,000 (2001: HK\$17,436,000) and by bank deposits of HK\$78,000,000 (2001: HK\$24,482,000).

29. SHARE CAPITAL

Shares

	Group and Company	
	2002	2001
	HK\$'000	HK\$'000
Authorised:		
6,000,000,000 ordinary shares of HK\$0.10 each	600,000	600,000
Issued and fully paid:		
2,371,726,484 (2001:2,233,514,129) ordinary shares of HK\$0.10 each	237,173	223,351

A summary of the above movement in the Company's issued share capital is as follows:

	Notes	Number of ordinary shares of HK\$0.10 each	Amount HK\$'000
At 1 July 2000		941,326,210	94,133
Shares issued as consideration for acquisition of an equity interest in a new subsidiary		94,500,001	9,450
Exercise of warrants		3,674,000	367
Exercise of share options		38,250,000	3,825
Conversion of convertible bonds		43,716,638	4,371
Bonus issue of new shares		1,112,047,280	111,205
At 30 June 2001 and 1 July 2001		2,233,514,129	223,351
Exercise of shares options	(a)	37,800,000	3,780
Exercise of warrants	(b),(c)	14,653,108	1,466
Conversion of convertible bonds	(d)	85,759,247	8,576
At 30 June 2002		2,371,726,484	237,173

30 June 2002

29. SHARE CAPITAL (continued)

During the year, the following changes in the Company's authorised and issued share capital took place:

- (a) During the year, a total of 15,200,000 and 22,600,000 ordinary shares of HK\$0.10 each were issued upon exercise of share options granted to certain directors and employees at an exercise price of HK\$0.4312 and HK\$0.56 per share, respectively, for a total cash consideration before related issue expenses of approximately HK\$19,210,000.
- (b) During the year, a total of 14,646,708 ordinary shares of HK\$0.10 each in the Company were issued at a subscription price of HK\$0.69 per share pursuant to the exercise of the Company's warrants for a total cash consideration before related issue expenses of HK\$10,107,000.
- (c) During the year, a total of 6,400 ordinary shares of HK\$0.10 each in the Company were issued at a subscription price of HK\$0.77 per share pursuant to the exercise of the Company's warrants for a total cash consideration before related issue expenses of HK\$4,928.
- (d) During the year, the convertible bondholders exercised their rights of conversion and a principal portion of the convertible bonds in the amount of US\$5,700,000 (approximately HK\$44,460,000) was converted at conversion prices ranging from HK\$0.4185 to HK\$0.7037 into 85,759,247 ordinary shares of HK\$0.10 each in the Company.

Share options

The Company operates share option schemes (the "Schemes"), further details of which are set out under the heading "Share option schemes" in the Report of the Directors on pages 21 to 24.

At the beginning of the year, a total of 125,250,000 share options in aggregate were granted under the Schemes and to the holders of the Company's convertible bonds, out of which 38,250,000 share options have already been exercised prior to the current financial year.

A summary of the above movements in share options of the Company is as follows:

	Number of share options exercisable at the subscription price of		
	HK\$1.42 per share (note (i)) '000	HK\$0.4312 per share (note (ii)) '000	HK\$0.56 per share (note (iii)) '000
At beginning of year	25,000	62,000	–
New share options granted	–	–	220,200
Exercise of share options	–	(15,200)	(22,600)
At balance sheet date	25,000	46,800	197,600

29. SHARE CAPITAL (continued)

Share options (continued)

During the year, the following movements in the share options under the Schemes of the Company and share option attaching to the convertible bonds issued by the Company were recorded:

- (i) On 2 September 2000, options to acquire an aggregate of 12,500,000 new ordinary shares of HK\$0.10 each in the Company were granted to the holders of the Company's convertible bonds. The options are exercisable during the period from 2 September 2000 up to 1 September 2003 at an exercise price of HK\$2.84 per share. The maximum number of shares in the Company which will be issued upon the exercise of these share options and their exercise price were subsequently adjusted to 25,000,000 ordinary shares and HK\$1.42 respectively, in consequence of the one-for-one bonus issue of new shares in the Company in the preceding year. None of these options was exercised during the year.
- (ii) During the period from 23 October 2001 to 20 June 2002, 15,200,000 share options were exercised at a subscription price of HK\$0.4312 per share and resulted in the issue of 15,200,000 new ordinary shares in the Company. The excess of the cash consideration received over the nominal value of the issued share of HK\$5,034,000 was credited to the share premium account (note 30).
- (iii) On 25 January 2002, options exercisable during the period from 25 January 2002 to 24 January 2005 at a subscription price of HK\$0.56 per share were granted to certain directors and employees of the Company and its subsidiaries for the subscription of a total of 220,200,000 new shares in the Company.

During the period from 3 April 2002 to 16 May 2002, 22,600,000 share options were exercised at a subscription price of HK\$0.56 per share and resulted in the issuance of 22,600,000 new ordinary shares in the Company. The excess of the cash consideration received over the nominal value of the issued shares of HK\$10,396,000 was credited to the share premium account (note 30).

At the balance sheet date, there were 269,400,000 (2001: 87,000,000) share options outstanding under the Schemes and convertible bonds (note 27) in aggregate, the exercise in full of which would, under the present capital structure of the Company, result in the issue of 269,400,000 additional ordinary shares of HK\$0.10 each in the Company.

Warrants

- (i) A bonus issue of 86,790,050 warrants to subscribe for ordinary shares in the Company was made by the Company in March 2000. Each warrant entitled the holder thereof to subscribe for one ordinary share of HK\$0.10 in the Company at a subscription price of HK\$1.38, payable in cash and subject to adjustments, for the period from 20 March 2000 to 19 March 2002 (both dates inclusive).

Prior to the current financial year, 3,762,210 warrants were exercised for the subscription of 3,762,210 ordinary shares of HK\$0.10 each in the Company. The excess of the cash consideration received over the nominal value of the issued shares, in the amount of HK\$4,815,628, was credited to the share premium account. The remaining number of warrants and the exercise price were subsequently adjusted to 166,055,680 and HK\$0.69 respectively, in consequence of the one-for-one bonus issue of shares made by the Company during the preceding year.

30 June 2002

29. SHARE CAPITAL (continued)

Warrants (continued)

During the year, an additional 14,646,708 warrants were exercised for the subscription of 14,646,708 ordinary shares of HK\$0.10 each in the Company. The excess of cash consideration received over the nominal value of the issued shares, in the amount of approximately HK\$8,642,000, was credited to the share premium account (note 30). All the outstanding warrants were expired on 19 March 2002.

- (ii) A new bonus issue of 230,495,088 warrants was made by the Company in April 2002 on the basis of one warrant for every ten ordinary shares of the Company held by members of the Company whose names appeared on the Register of Members on 8 April 2002. Each warrant entitles the holder thereof to subscribe in cash for ordinary shares of HK\$0.10 each in the Company at a subscription price of HK\$0.77 each (subject to adjustments) and is exercisable at any time during the period from 10 April 2002 to 9 April 2004 (both dates inclusive).

During the year, 6,400 warrants were exercised for the subscription of 6,400 ordinary shares of HK\$0.10 each in the Company. The excess of the cash consideration received over the nominal value of the issued shares, in the amount of approximately HK\$4,000, was credited to the share premium account (note 30). Accordingly, as at the balance sheet date, the Company had 230,488,688 (2001: 166,055,680) warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 230,488,688 additional shares of HK\$0.10 each in the Company.

30. SHARE PREMIUM ACCOUNT

	Group and Company	
	2002	2001
	HK\$'000	HK\$'000
At beginning of year	816,488	484,342
Arising on exercise of share options – note 29	15,430	35,856
Arising on exercise of warrants – note 29	8,646	4,703
Arising on conversion of convertible bonds	35,884	35,019
Arising on issue of new shares credited as fully paid as part of the consideration for the acquisition of subsidiaries	–	257,040
Amount applied on offsetting against share issue expenses	–	(472)
	876,448	816,488

30 June 2002

31. RESERVES

Group	Contributed surplus	Capital reserve	Statutory surplus reserve	Exchange fluctuation reserve	Statutory public welfare fund	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2000	115,356	101,151	51,989	(5,213)	12,840	321,416	597,539
Goodwill arising from acquisition of subsidiaries	-	(456,470)	-	-	-	-	(456,470)
Goodwill and statutory surplus reserve arising from acquisition of additional equity interests in subsidiaries	-	(26,685)	-	-	-	-	(26,685)
Capitalisation of contributed surplus for bonus issue of new shares	(111,205)	-	-	-	-	-	(111,205)
Release/transfer of reserves upon partial disposal of interests in subsidiaries	-	(19,510)	(13,621)	1,365	(3,364)	16,985	(18,145)
Net profit for the year	-	-	-	-	-	195,450	195,450
Dividends (note 13)	-	-	-	-	-	(111,630)	(111,630)
Transfer to statutory surplus reserve	-	-	24,362	-	-	(24,362)	-
At 30 June 2001 and 1 July 2001	4,151	(401,514)	62,730	(3,848)	9,476	397,859	68,854
Release of reserves upon partial disposal of interests in subsidiaries	-	(3,537)	-	248	-	-	(3,289)
Release of reserves upon disposal of discontinued operations	-	456,470	-	-	-	-	456,470
Net profit for the year	-	-	-	-	-	131,409	131,409
Dividends (note 13)	-	-	-	-	-	(59,766)	(59,766)
Transfer to statutory surplus reserve	-	-	25,066	-	-	(25,066)	-
At 30 June 2002	4,151	51,419	87,796	(3,600)	9,476	444,436	593,678

The whole of the Group's reserves as at 30 June 2001 and 2002 is attributable to the Company and its subsidiaries.

30 June 2002

31. RESERVES (continued)

	Contributed surplus HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
Company			
At 1 July 2000	442,108	(463)	441,645
Capitalisation of contributed surplus for the bonus issue of new ordinary shares	(111,205)	–	(111,205)
Net profit for the year	–	139,462	139,462
Dividends (<i>note 13</i>)	–	(111,630)	(111,630)
At 30 June 2001 and 1 July 2001	330,903	27,369	358,272
Net profit for the year	–	43,993	43,993
Dividends (<i>note 13</i>)	–	(59,766)	(59,766)
At 30 June 2002	330,903	11,596	342,499

The statutory surplus reserve and statutory public welfare fund represent appropriation of profits retained by the PRC subsidiaries of the Company. In accordance with the PRC regulations and the respective articles of association of the PRC subsidiaries, these companies are required to appropriate an amount equal to a minimum of 10% of their profit after tax each year to statutory surplus reserve. In addition, a portion of the profit after tax as determined at the discretion of the Company, is transferred to the statutory public welfare fund.

Subject to certain restrictions set out in the PRC Company Law and the respective articles of association of the PRC subsidiaries, the statutory surplus reserve may be distributed to shareholders in the form of a share bonus issue and/or cash dividends.

31. RESERVES (continued)

The contributed surplus of the Group arose as a result of the Group reorganisation on 19 February 1998 and represents the difference between the nominal value of the aggregate share capital of the subsidiaries acquired pursuant to the Group reorganisation, over the nominal value of the share capital of the Company issued in exchange therefor.

The contributed surplus of the Company arose as a result of the same Group reorganisation and represents the excess of the then combined net assets of the subsidiaries acquired, over the nominal value of the Company's shares issued in exchange therefor.

In accordance with the Companies Act 1981 of Bermuda, the Company's contributed surplus is available for cash distribution and/or distribution in specie in certain circumstances.

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit from operating activities to net cash inflow from operating activities

	2002	2001
	HK\$'000	HK\$'000
Profit from operating activities	253,436	351,833
Interest income	(17,075)	(7,868)
Depreciation of fixed assets	73,857	55,818
Provision for bad and doubtful debts	31,110	24,620
Write-off of deferred development costs	–	263
Write-off of advance to shareholders	–	13,541
Write-off of amount due from minority shareholders of subsidiaries	–	1,170
Loss on disposal/write-off of fixed assets	15,429	7,950
Gain on partial disposal of interests in subsidiaries	(19,961)	(120,739)
Gain on disposal of discontinued operations	(8,740)	–
Increase in amounts due from related companies	(4,222)	(5,255)
Increase in trade and bills receivable	(94,736)	(54,268)
Decrease/(increase) in inventories	(9,898)	4,241
Increase in prepayments, deposits and other receivables	(48,257)	(80,544)
Increase/(decrease) in trade and bills payable	11,427	(34,474)
Increase in trust receipt loans with original maturity of more than three months from date of advance	66,881	93,047
Increase in amount due to minority shareholders	38,446	–
Increase in accrued liabilities and other payables	78,361	9,786
Net cash inflow from operating activities	366,058	259,121

30 June 2002

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Analysis of changes in financing

	Issued capital and share premium account HK\$'000	Advance from minority equity/ shareholders HK\$'000	Bank and other loans, secured HK\$'000	Finance lease payables HK\$'000	Convertible bonds HK\$'000	Minority interests HK\$'000
Balance at 1 July 2000	578,475	-	89,358	12,868	-	62,673
Inception of finance lease contracts	-	-	-	47,178	-	-
Shares issued and credited as fully paid as consideration for the acquisition of subsidiaries	266,490	-	-	-	-	-
Arising on partial disposal of interests in subsidiaries	-	-	-	-	-	266,564
Arising on acquisition of additional equity interests in subsidiaries	-	-	-	-	-	(78,113)
Arising on conversion of convertible bonds into new ordinary shares	39,390	-	-	-	(39,390)	-
Arising on capitalisation of contributed surplus for bonus issue of new shares	111,205	-	-	-	-	-
Share of net profit	-	-	-	-	-	19,412
Net cash inflow/(outflow) from financing	44,279	-	203,134	(13,249)	124,800	-
Balance at 30 June 2001 and 1 July 2001	1,039,839	-	292,492	46,797	85,410	270,536
Inception of finance lease contracts	-	-	-	900	-	-
Arising on partial disposal of interests in subsidiaries	-	-	-	-	-	90,731
Arising on acquisition of fixed assets	-	109,409	-	-	-	-
Arising on acquisition of business database	-	38,446	-	-	-	-
Arising on conversion of convertible bonds into new ordinary shares	44,460	-	-	-	(44,460)	-
Share of net profit	-	-	-	-	-	6,900
Net cash inflow/(outflow) from financing	29,322	-	31,118	(23,278)	-	131,589
Balance at 30 June 2002	1,113,621	147,855	323,610	24,419	40,950	499,756

30 June 2002

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Acquisition of subsidiaries

	2002 HK\$'000	2001 HK\$'000
Net assets acquired:		
Fixed assets	–	2,354
Deferred development costs	–	263
Cash and bank balances	–	275
Inventories	–	33
Prepayments, deposits and other receivables	–	1,123
Advance to shareholders	–	13,541
Accrued liabilities and other payables	–	(11,916)
Due to Group companies	–	(6,664)
	–	(991)
Goodwill arising on acquisition	–	456,470
	–	455,479
Satisfied by:		
Cash consideration paid	–	188,989
Shares issued and credited fully paid as consideration	–	266,490
	–	455,479

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

	2002 HK\$'000	2001 HK\$'000
Cash consideration paid	–	188,989
Cash and bank balances of subsidiaries acquired	–	(275)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	–	188,714

30 June 2002

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(d) Disposal of subsidiaries

	2002 HK\$'000	2001 HK\$'000
Net liabilities disposed of:		
Fixed Assets	1,895	–
Inventories	90	–
Cash and bank balances	341	–
Accrued liabilities and other payables	(12,647)	–
	(10,321)	–
Attributable goodwill eliminated against consolidated reserves	456,470	–
	446,149	–
Gain on disposal	8,740	–
	454,889	–
Satisfied by:		
Cash consideration received	200,000	–
Cash consideration receivable	255,000	–
Expenses incurred for the disposal	(111)	–
	454,889	–

An analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2002 HK\$'000	2001 HK\$'000
Cash consideration received	200,000	–
Cash and cash balances disposed of	(341)	–
Net inflow of cash and cash equivalents in respect of disposal of subsidiaries	199,659	–

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(e) Major non-cash transactions

During the year, the following major non-cash transactions took place:

- (i) The conversion rights vested in certain convertible bonds have been exercised whereby the principal portion of these bonds in the aggregate amount of US\$5,700,000 (approximately HK\$44,460,000) (2001: US\$5,050,000 (approximately HK\$39,390,000)) was converted into ordinary shares of HK\$0.10 each in the Company. Further details are set out in notes 27 and 30(d) to the financial statements.
- (ii) The Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the finance leases of HK\$900,000 (2001: HK\$47,178,000).

33. CONTINGENT LIABILITIES

	Group		Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bills discounted with recourse	2,059	5,760	–	–
Guarantees granted to and utilised by certain subsidiaries in respect of:				
Banking facilities	–	–	395,761	226,701
Finance lease payables	–	–	22,559	45,012
	2,059	5,760	418,320	271,713

Following the disposal of 26.2% equity interest in AAG to Indalex in the prior year, the Company, Indalex and AAG entered into a deed of tax indemnity on 8 June 2001 pursuant to which the Company has undertaken to indemnify Indalex in respect of any tax (as defined in the deed of tax indemnity) arising from any income, profits or gains earned, accrued or received by AAG and its subsidiaries (the "AAG Group") to the extent that any tax liability was not paid or provided for at the appropriate time as a result of the use by any of the AAG Group of any tax policies or accounting practices that did not comply with any applicable law or published practice in force, save in certain circumstances including where provision has been made for such tax in the audited financial statements of the AAG Group.

Save as aforesaid, the Group and the Company had no other materials contingent liabilities.

30 June 2002

34. OPERATING LEASE ARRANGEMENTS

The Group leased its manufacturing premises in the PRC under operating lease arrangements. Leases for properties are negotiated for terms which expire between the years 2011 and 2016. In addition, the Group leased its office properties from Mr. Kwong for a term of three years from 1 October 2001.

At 30 June 2002, the Group had total future minimum lease payments under operating lease falling due as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Within one year	10,167	9,187
In the second to fifth years, inclusive	31,655	29,408
After five years	72,333	43,285
	114,155	81,880

The Company had no significant operating lease arrangements at the balance sheet date.

35. COMMITMENTS

In addition to the operating lease arrangements detailed in note 34 above, the Group had the following commitments at the balance sheet date.

- (a) At 30 June 2002, the Group had capital commitments not provided for in the financial statements as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Contracted for (<i>note 1</i>)	119,404	3,113
Authorised, but not contracted for, in respect of the acquisition of certain business and fixed assets from third parties (<i>note 2</i>)	–	214,000
	119,404	217,113

35. COMMITMENTS (continued)

(a) Notes:

- (1) At the balance sheet date, the Group was committed to make a capital injection to three subsidiaries in the PRC of approximately HK\$98,904,000 (2001: Nil). In addition, the Group had contracted capital commitments in respect of the acquisition of fixed assets of HK\$20,500,000 (2001: HK\$3,113,000).
- (2) In the prior year, the Group had commitments in relation to the Group's acquisition of certain business and assets of each of Hongjia and Nanhua, in the amount of HK\$141 million and the business database of Hongjia and Nanhua in the amount of HK\$73 million.

The above consideration payable has been finalised during the current year. In respect of the consideration payable of HK\$141,804,000, being the capital contribution of the Group in Nanhai Hongjia Aluminum Company Limited and Nanhai Nanhua Aluminum Company Limited, an aggregate amount of HK\$46,800,000 was paid by the Group up to the balance sheet date. The uncontributed amount of HK\$95,004,000 was disclosed as a contracted capital commitment to the Group as detailed in note (1). For the consideration in respect of acquisition of business database of HK\$73,558,000, HK\$35,112,000 had been paid by the Group up to the balance sheet date. The remaining balance of HK\$38,446,000 was included as the amounts due to minority shareholders as at 30 June 2002.

- (b) At the balance sheet date, the Group had a commitment in respect of a forward contract for the delivery of raw materials of aluminum ingots in the amount of HK\$112,758,000 (2001: HK\$172,507,000).
- (c) In the prior year, the Company granted Put Option I to Indalex, under which the Company is obliged at the option of Indalex to purchase its entire equity interest in AAG upon the occurrence of certain triggering events which include, inter alia, the Company ceasing to hold 60% effective equity interest in AAG and Mr. Kwong ceasing to hold 35% effective equity interest in the Company. The Put Option I has no expiry date and subsist in perpetuity from 8 June 2001. The consideration payable by Indalex for the AAG shares upon the exercise of the Put Option I ranges from HK\$524.0 million (adjustable for certain deferred consideration payable not exceeding HK\$100.0 million) to the open market value of these AAG shares at the time of exercise of the Put Option I, or, depending on the circumstances giving rise to the triggering events and its occurrence timing, the 110% of these amounts. Further details of the Put Option I are set out in the Company's circular dated 18 May 2001 to its shareholders.
- (d) On 14 March 2002, the Company entered into an option agreement (the "Option Agreements") with each of two existing shareholders of AAG ("Third Parties") pursuant to which the Company agreed to grant a put option to each of the Third Parties (together the "Put Options II").

The Put Options II are not assignable but exercisable by each of the Third Parties on any business day within a six-month period falling immediately after the third anniversary of the date of the Option Agreement if AAG or the substituted listing company shall fail to seek a listing status in any quoted stock exchange at or before the expiry of a three-year period from 14 March 2002. Upon exercise of the rights attaching to the Put Options II, the Company will be required to acquire from the Third Parties any or all of the shares of AAG respectively owned by them, the consideration for which is to be satisfied by the allotment and issue of new shares of the Company to the Third Parties with reference to the latest audited net asset values of the AAG Group and the Group. Details of the above transactions were set out in the announcement of the Company dated 15 March 2002.

Subsequent to the balance sheet date, on 21 August 2002, the Put Options II were terminated. Further details of the above transaction are set out in note 36(a).

30 June 2002

36. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet data, the following significant events took place:

- (a) On 21 August 2002, the Company entered into a deed of termination (the "Deeds of Termination") with each of the Third Parties pursuant to which the Third Parties agreed to terminate the Put Options II with immediate effect at no cost. Upon the execution of the Deeds of Termination, the obligations of the Company under the Option Agreements shall cease. As the Put Options II cannot be exercised within three years of the date of the Option Agreements, none of the Put Options II has been exercised.

Details of the above transactions were set out in the announcements of the Company dated 21 August 2002.

- (b) The Group received the third instalment in relation to the disposal of the discontinued operations of HK\$100,000,000 due on 23 August 2002.
- (c) The Group received the consideration of HK\$107,403,000 from minority equity/shareholders in relation to the partial disposal of its equity interest in AAG.

37. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs and the disposal of the Group's entire 65% equity interest in Hamington during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, a prior year adjustment has been made and certain comparative amounts have been reclassified to conform with the current year's presentation.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 18 October 2002.