

Notes to the Accounts (continued)

20 RESERVES

The Group	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserve HK\$'000	Revaluation reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 1999	652,902	2,695	(40,809)	119,990	295,517	1,030,295
Share premium arising from the issue of shares pursuant to the exercise of share options (notes 19(a) and (c))	78,054	—	—	—	—	78,054
Transfer from/to retained earnings	—	2,264	1,371	—	(3,635)	—
Exchange adjustment on translation of the accounts of overseas subsidiaries and associated companies	—	—	1,919	—	—	1,919
Goodwill on acquisition of subsidiaries/ businesses written off	—	—	—	(119,990)	(373,798)	(493,788)
Profit for the year	—	—	—	—	574,638	574,638
Dividends (note 7)	—	—	—	—	(441,005)	(441,005)
Additional final dividend for previous year	—	—	—	—	(767)	(767)
At 31 December 1999	<u>730,956</u>	<u>4,959</u>	<u>(37,519)</u>	<u>—</u>	<u>50,950</u>	<u>749,346</u>
Company and subsidiaries	730,956	4,959	(37,588)	—	67,138	765,465
Associated companies	—	—	69	—	(16,188)	(16,119)
At 31 December 1999	<u>730,956</u>	<u>4,959</u>	<u>(37,519)</u>	<u>—</u>	<u>50,950</u>	<u>749,346</u>

20 RESERVES (CONT'D)

The Group	Contributed		Capital reserve	Exchange reserve	Retained earnings	Total
	Share premium	surplus account				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2000	730,956	—	4,959	(37,519)	50,950	749,346
Share premium arising from						
- the issue of shares pursuant to the exercise of share options (notes 19(e) and (g))	131,333	—	—	—	—	131,333
- the issue of shares pursuant to the Placing, net of issuing expenses (note 19(d))	1,900,153	—	—	—	—	1,900,153
Contributed surplus arising from the Consideration Shares to be issued (note 19(h))	—	1,949,663	—	—	—	1,949,663
Exchange adjustment on translation of the accounts of overseas subsidiaries and associated companies	—	—	—	(15,871)	—	(15,871)
Goodwill on acquisition of subsidiaries/ business written off	—	(1,949,663)	—	—	(156,843)	(2,106,506)
Profit for the year	—	—	—	—	870,388	870,388
Dividends (note 7)	—	—	—	—	(708,260)	(708,260)
Additional final dividend for previous year	—	—	—	—	(15,738)	(15,738)
At 31 December 2000	2,762,442	—	4,959	(53,390)	40,497	2,754,508
Company and subsidiaries	2,762,442	—	4,959	(53,482)	46,390	2,760,309
Associated companies	—	—	—	92	(5,893)	(5,801)
At 31 December 2000	2,762,442	—	4,959	(53,390)	40,497	2,754,508

Notes to the Accounts (continued)

20 RESERVES (CONT'D)

The Company	Share premium HK\$'000	Contributed surplus account HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 1999	652,902	111,010	221,317	985,229
Share premium arising from the issue of shares pursuant to the exercise of share options (notes 19(a) and (c))	78,054	—	—	78,054
Profit for the year	—	—	436,986	436,986
Dividends (note 7)	—	—	(441,005)	(441,005)
Additional final dividend for previous year	—	—	(767)	(767)
At 31 December 1999	730,956	111,010	216,531	1,058,497
Share premium arising from - the issue of shares pursuant to the exercise of share options (notes 19(e) and (g))	131,333	—	—	131,333
- the issue of shares pursuant to the Placing, net of issuing expenses (note 19(d))	1,900,153	—	—	1,900,153
Contributed surplus arising from the Consideration Shares to be issued (note 19(h))	—	1,949,663	—	1,949,663
Profit for the year	—	—	715,729	715,729
Dividends (note 7)	—	—	(708,260)	(708,260)
Additional final dividend for previous year	—	—	(15,738)	(15,738)
At 31 December 2000	2,762,442	2,060,673	208,262	5,031,377

- (a) Capital reserve represents amount set aside from the previous years' profit of an overseas subsidiary of the Group in accordance with the local statutory requirement.

20 RESERVES (CONT'D)

- (b) The contributed surplus account of the Company represents:
- (i) the difference between the nominal value of the Company's shares issued in exchange for the issued ordinary shares of Li & Fung (B.V.I.) Limited and the value of net assets of the underlying subsidiaries acquired as at 2 June 1992 amounting to HK\$111,010,000. At Group level, the amount is reclassified into its components of reserves of the underlying subsidiaries.
 - (ii) the difference between the issue price and the nominal value of the Company's shares to be issued in connection with the acquisition of Colby as stated in note 19(h) to the accounts amounting to HK\$1,949,663,000. At Group level, the amount is set off against goodwill arising from the acquisition.

21 LONG-TERM LIABILITIES

	The Group	
	2000 HK\$'000	1999 HK\$'000
Long-term bank loans, secured (note 26)	101,404	458,651
Other loans	61,656	35,880
Obligations under finance leases	5,195	—
	<u>168,255</u>	<u>494,531</u>
Current portion of long-term liabilities	(30,613)	(79,663)
	<u>137,642</u>	<u>414,868</u>

The analysis of the above is as follows:

	The Group	
	2000 HK\$'000	1999 HK\$'000
Bank loans		
Wholly repayable within five years	26,216	458,651
Not wholly repayable within five years	75,188	—
	<u>101,404</u>	<u>458,651</u>
Other loans and obligations under finance leases		
Wholly repayable within five years	41,075	35,880
With no fixed repayment terms	25,776	—
	<u>168,255</u>	<u>494,531</u>
Current portion of long-term liabilities	(30,613)	(79,663)
	<u>137,642</u>	<u>414,868</u>

Notes to the Accounts (continued)

21 LONG-TERM LIABILITIES (CONT'D)

At 31 December 2000, the Group's bank loans, overdrafts and other borrowings were repayable as follows:

	Short-term bank loans and overdrafts		Long-term bank loans		Total bank loans and overdrafts		Other loans		Obligations under finance leases	
	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Within one year	127,650	113,617	18,670	79,663	146,320	193,280	8,970	—	2,973	—
In the second year	—	—	19,645	124,663	19,645	124,663	8,970	8,970	2,222	—
In the third to fifth year	—	—	47,098	254,325	47,098	254,325	17,940	26,910	—	—
After the fifth year	—	—	15,991	—	15,991	—	—	—	—	—
With no fixed repayment terms	—	—	—	—	—	—	25,776	—	—	—
	<u>127,650</u>	<u>113,617</u>	<u>101,404</u>	<u>458,651</u>	<u>229,054</u>	<u>572,268</u>	<u>61,656</u>	<u>35,880</u>	<u>5,195</u>	<u>—</u>

Other loans represent consideration payable in respect of the acquisition of a subsidiary and loans from minority shareholders of a subsidiary amounted to HK\$35,880,000 (1999: HK\$35,880,000) and HK\$25,776,000 (1999: Nil) respectively. The loans are unsecured and interest free and loans from minority shareholders have no fixed repayment terms and will not be demanded for repayment within one year.

22 DEFERRED TAXATION - THE GROUP

	2000		1999	
	Full potential liabilities/ (assets) HK\$'000	Provision made HK\$'000	Full potential liabilities/ (assets) HK\$'000	Provision made HK\$'000
Accelerated depreciation allowances	9,494	9,494	6,271	1,771
Tax losses	(32,094)	(134)	(24,770)	(1,852)
Other timing differences	(2,144)	(2,144)	981	981
	<u>(24,744)</u>	<u>7,216</u>	<u>(17,518)</u>	<u>900</u>