

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 1999

### 12. FIXED ASSETS

#### Group

	Investment properties HK\$'000	Land and buildings in Hong Kong HK\$'000	Land and buildings in the PRC HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation:							
At 1 January 1999	21,320	39,900	14,443	7,712	117,440	25,183	225,998
Additions	—	—	515	175	23,918	2,120	26,728
Disposals	—	—	(453)	(1,581)	(32,230)	(3,567)	(37,831)
Transfer to investment properties	2,600	(2,600)	—	—	—	—	—
Revaluation deficit	(5,440)	(12,000)	—	—	—	—	(17,440)
Exchange adjustments	—	—	46	6	504	78	634
At 31 December 1999	18,480	25,300	14,551	6,312	109,632	23,814	198,089
Accumulated depreciation:							
At 1 January 1999	—	—	97	5,646	50,324	9,160	65,227
Provided during the year	—	1,022	95	807	36,354	3,398	41,676
Disposals	—	—	(68)	(491)	(21,049)	(1,500)	(23,108)
Written back on revaluation	—	(1,022)	—	—	—	—	(1,022)
Exchange adjustments	—	—	—	2	210	26	238
At 31 December 1999	—	—	124	5,964	65,839	11,084	83,011
Net book value:							
At 31 December 1999	18,480	25,300	14,427	348	43,793	12,730	115,078
At 31 December 1998	21,320	39,900	14,346	2,066	67,116	16,023	160,771
Analysis of cost and valuation:							
At cost	—	—	14,551	6,312	109,632	23,814	154,309
At valuation at 31 December 1999	18,480	25,300	—	—	—	—	43,780
	18,480	25,300	14,551	6,312	109,632	23,814	198,089

31 December 1999

**12. FIXED ASSETS** (Continued)

## Company

	Investment properties HK\$'000	Land and buildings in Hong Kong HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation:						
At 1 January 1999	15,500	35,000	5,833	5,379	887	62,599
Additions	—	—	38	609	—	647
Disposals	—	—	—	(113)	—	(113)
Revaluation deficit	(4,900)	(11,800)	—	—	—	(16,700)
At 31 December 1999	10,600	23,200	5,871	5,875	887	46,433
Accumulated depreciation:						
At 1 January 1999	—	—	5,083	4,676	794	10,553
Provided during the year	—	976	750	373	53	2,152
Written back on revaluation	—	(976)	—	—	—	(976)
At 31 December 1999	—	—	5,833	5,049	847	11,729
Net book value:						
At 31 December 1999	10,600	23,200	38	826	40	34,704
At 31 December 1998	15,500	35,000	750	703	93	52,046
Analysis of cost and valuation:						
At cost	—	—	5,871	5,875	887	12,633
At valuation at 31 December 1999	10,600	23,200	—	—	—	33,800
	10,600	23,200	5,871	5,875	887	46,433

The Company's and the Group's leasehold land and buildings in Hong Kong were revalued on 31 December 1999, by Centaline Surveyors Ltd., independent professionally qualified valuers, on an open market, existing use basis.

31 December 1999

**12. FIXED ASSETS** *(Continued)*

Had the Company's and Group's land and buildings in Hong Kong been carried at historical cost less accumulated depreciation, their carrying values would have been included in the financial statements at approximately HK\$37,215,000 (1998: HK\$38,056,000) and HK\$39,541,000 (1998: HK\$44,578,000), respectively.

The Group's land and buildings included above are held under the following lease terms:

	<b>Hong Kong</b> <i>HK\$'000</i>	<b>PRC</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At cost:			
Long term lease	—	14,551	14,551
At valuation:			
Long term lease	25,300	—	25,300
	<u>25,300</u>	<u>14,551</u>	<u>39,851</u>

The Group's investment properties are situated in Hong Kong and are held under long term leases.

The Company's and the Group's investment properties were revalued on 31 December 1999 by Centaline Surveyors Ltd., independent professionally qualified valuers, on an open market, existing use basis.

Particulars of the Group's investment properties are included on page 74 of the annual report.

All the land and buildings in Hong Kong and certain investment properties of the Company and the Group were pledged to banks to secure banking facilities (note 21).

31 December 1999

**13. DEFERRED DEVELOPMENT COSTS**

	<b>Group</b>	
	<b>1999</b>	<b>1998</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Cost:		
At beginning of year	<b>13,969</b>	17,872
Additions	—	1,229
Written off	<b>(2,162)</b>	(5,163)
Exchange adjustments	<b>61</b>	31
	<u>11,868</u>	<u>13,969</u>
At 31 December	<b>11,868</b>	13,969
Accumulated amortisation:		
At beginning of year	<b>8,482</b>	2,950
Provided during the year	<b>3,343</b>	5,526
Exchange adjustments	<b>43</b>	6
	<u>11,868</u>	<u>8,482</u>
At 31 December	<b>11,868</b>	8,482
Net book value:		
At 31 December	<u>—</u>	<u>5,487</u>

**14. INTERESTS IN SUBSIDIARIES**

	<b>Company</b>	
	<b>1999</b>	<b>1998</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Unlisted shares, at cost	<b>453,115</b>	136,690
Due from subsidiaries	<b>190,773</b>	247,884
Due to a subsidiary	<b>(3,408)</b>	(3,359)
	<u>640,480</u>	<u>381,215</u>
Provisions for permanent diminutions in values	<b>(133,116)</b>	(2,519)
Provisions against amounts due from subsidiaries	<b>(41,303)</b>	(3,319)
	<u>466,061</u>	<u>375,377</u>

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

31 December 1999

**14. INTERESTS IN SUBSIDIARIES** *(Continued)*

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Beijing Founder Electronics Co., Ltd.	People's Republic of China	Registered HK\$130 million	100%	—	Software development, systems integration and hardware distribution
Beijing Founder Order Computer System Co., Ltd.	People's Republic of China	Registered HK\$8 million	—	100% **	Software development and systems integration
Founder Data Corporation International Limited	British Virgin Islands	Ordinary US\$100	—	70% ***	Investment holding
Founder Electronics (HK) Limited	Hong Kong	Ordinary HK\$2	100% **	—	Investment holding
Founder Holdings Limited	Bermuda	Ordinary HK\$100,000	100% ***	—	Dormant
Founder Inc.	Japan	Ordinary JP¥D50 million	—	100%	Systems integration and hardware distribution

31 December 1999

**14. INTERESTS IN SUBSIDIARIES** *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Founder Information Limited *	Taiwan	Ordinary NTD20 million	—	70% ***	Systems integration and software development
Founder Systems (H.K.) Limited	Hong Kong	Ordinary HK\$2	100%	—	Software development
Founder Systems (B.V.I.) Limited	British Virgin Islands	Ordinary US\$1	100%	—	Systems integration and software development
Founder Systems Software Limited	Hong Kong	Ordinary HK\$2	—	100% **	Software development and systems integration
Founder Technology (Canada) Corp.*	Canada	Ordinary CAN\$100	100%	—	Systems integration and hardware distribution
PUC Founder (M) Sdn. Bhd.*	Malaysia	Ordinary RM500,000	100%	—	Systems integration and hardware distribution
PUC Founder (MSC) Sdn. Bhd.*	Malaysia	Ordinary RM2	—	100%	Dormant

31 December 1999

**14. INTERESTS IN SUBSIDIARIES** *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
PUC Founder (S) Pte. Ltd.*	Republic of Singapore	Ordinary S\$200,000	—	100%	Systems integration and hardware distribution
Royal Bright Limited	Hong Kong	Ordinary HK\$2	100%	—	Property holding
Royal Leader Limited	Hong Kong	Ordinary HK\$2	100%	—	Property holding
Royal Power Limited	Hong Kong	Ordinary HK\$2	100%	—	Property holding
Sharp Century Limited	Hong Kong	Ordinary HK\$2	100%	—	Property holding
Sparkling Idea Limited	British Virgin Islands	Ordinary US\$1	100% **	—	Investment holding

\* not audited by Ernst &amp; Young Hong Kong or other Ernst &amp; Young International member firms

\*\* acquired during the year

\*\*\* incorporated during the year

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

31 December 1999

## 15. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

	<b>Group</b>	
	<b>1999</b>	1998
	<b>HK\$'000</b>	HK\$'000
Share of net assets	<b>35,227</b>	21,849
Loan to a jointly-controlled entity	<b>(8,553)</b>	—
	<b><u>26,674</u></b>	<b><u>21,849</u></b>

Particulars of the jointly-controlled entities are as follows:

Name	Business structure	Place of incorporation and operations	Ownership interest	Voting power	Profit sharing	Principal activities
Beijing Founder Dicheng Information Technology Co., Ltd.	PRC equity joint venture	People's Republic of China	50%	50%	50%	Provision of consultancy services and systems integration
Beijing PeCan Information System Inc.	PRC equity joint venture	People's Republic of China	30%	30%	30%	Development of software and trading of computer products

All the above investments in jointly-controlled entities are indirectly held by the Company.



31 December 1999

**16. INVENTORIES**

	Group		Company	
	1999	1998	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trading stock	<u>282,801</u>	<u>262,963</u>	<u>39,751</u>	<u>36,426</u>

The carrying amount of inventories carried at net realisable value included in the above was immaterial.

**17. OTHER RECEIVABLES**

	Group		Company	
	1999	1998	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Prepayments	38,952	56,023	—	—
Deposits and other debtors	38,560	48,767	1,631	11,086
Dividend receivable	<u>—</u>	<u>—</u>	<u>28,086</u>	<u>—</u>
	<u>77,512</u>	<u>104,790</u>	<u>29,717</u>	<u>11,086</u>

**18. PLEDGED TIME DEPOSITS**

	Group		Company	
	1999	1998	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Time deposits	<u>40,000</u>	<u>—</u>	<u>40,000</u>	<u>—</u>

At 31 December 1999, the time deposits of the Company and the Group were pledged to banks for the banking facilities granted.

# NOTES TO FINANCIAL STATEMENTS (CONTINUED)

31 December 1999

## 19. CASH AND CASH EQUIVALENTS

	Group		Company	
	1999	1998	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash and bank balances	251,975	281,863	13,970	22,051
Time deposits	54,237	—	42,001	—
	<u>306,212</u>	<u>281,863</u>	<u>55,971</u>	<u>22,051</u>

## 20. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	1999	1998	1999	1998
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accruals	56,886	41,035	15,204	22,066
Other liabilities	21,321	35,272	—	—
Trading receipts in advance	160,584	77,929	—	—
	<u>238,791</u>	<u>154,236</u>	<u>15,204</u>	<u>22,066</u>

31 December 1999

**21. INTEREST-BEARING BANK BORROWINGS**

	<b>Group</b>		<b>Company</b>	
	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Bank overdrafts:				
Secured	<u>302</u>	<u>4,578</u>	<u>302</u>	<u>4,350</u>
Bank loans:				
Secured	<u>5,359</u>	<u>8,461</u>	<u>5,359</u>	<u>5,936</u>
Unsecured	<u>148,785</u>	<u>4,875</u>	<u>—</u>	<u>—</u>
	<u>154,144</u>	<u>13,336</u>	<u>5,359</u>	<u>5,936</u>
Trust receipt loans:				
Secured	<u>23,050</u>	<u>71,791</u>	<u>23,050</u>	<u>71,791</u>
Unsecured	<u>—</u>	<u>59,360</u>	<u>—</u>	<u>59,360</u>
	<u>23,050</u>	<u>131,151</u>	<u>23,050</u>	<u>131,151</u>
	<u><b>177,496</b></u>	<u><b>149,065</b></u>	<u><b>28,711</b></u>	<u><b>141,437</b></u>
Bank overdrafts repayable within one year or on demand	<u>302</u>	<u>4,578</u>	<u>302</u>	<u>4,350</u>
Bank loans repayable:				
Within one year or on demand	<u>172,476</u>	<u>137,396</u>	<u>23,691</u>	<u>131,718</u>
In the second year	<u>711</u>	<u>1,436</u>	<u>711</u>	<u>632</u>
In the third to fifth years, inclusive	<u>2,639</u>	<u>3,289</u>	<u>2,639</u>	<u>2,371</u>
Beyond five years	<u>1,368</u>	<u>2,366</u>	<u>1,368</u>	<u>2,366</u>
	<u>177,194</u>	<u>144,487</u>	<u>28,409</u>	<u>137,087</u>
	<u><b>177,496</b></u>	<u><b>149,065</b></u>	<u><b>28,711</b></u>	<u><b>141,437</b></u>
Portion classified as current liabilities	<u><b>(172,778)</b></u>	<u><b>(141,974)</b></u>	<u><b>(23,993)</b></u>	<u><b>(136,068)</b></u>
Long term portion	<u><b>4,718</b></u>	<u><b>7,091</b></u>	<u><b>4,718</b></u>	<u><b>5,369</b></u>

31 December 1999

**21. INTEREST-BEARING BANK BORROWINGS** *(Continued)*

Certain of the Group's bank loans and overdrafts are secured by:

- (i) Mortgages over certain of the Group's investment properties situated in Hong Kong which had an aggregate carrying value at the balance sheet date of approximately HK\$7,880,000 (1998: HK\$21,300,000).
- (ii) Mortgages over the Group's land and buildings in Hong Kong which had an aggregate net book value at the balance sheet date of approximately HK\$25,300,000 (1998: HK\$39,900,000).
- (iii) Charges over the Company's fixed deposits of approximately HK\$40,000,000 .

**22. DEFERRED TAX**

The principal components of the Group's deferred tax asset position not recognised in the financial statements are as follows:

	<b>Not provided</b>	
	<b>1999</b>	<b>1998</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Accelerated depreciation allowances	<b>234</b>	—
Tax losses	<b>19,371</b>	17,267
	<b><u>19,605</u></b>	<b><u>17,267</u></b>

The revaluation of the Company's and the Group's investment properties does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.