

**For discussion
on 8 May 2006**

Information Technology and Broadcasting Panel

Report on the Cyberport Project (April 2006)

Purpose

This paper provides the progress report for 2005-06 and the business plan of Cyberport for 2006-07.

Background

2. The prime objective of the Government in undertaking the Cyberport project is to support and promote innovation and technological development in Hong Kong through the creation of a strategic cluster of information technology (IT) and related companies as well as a critical mass of professional talents in the territory. The Cyberport comprises the Cyberport Portion and the Residential Portion. The Cyberport Portion has four office buildings, a hotel and an arcade. The Residential Portion is being developed in phases from September 2004 to mid 2008. Three private and wholly-owned companies, namely, Hong Kong Cyberport Development Holdings Limited, Hong Kong Cyberport Management Company Limited and Hong Kong Cyberport (Ancillary Development) Limited (collectively referred to as the “**Cyberport Companies**” in this paper) have been set up under the Financial Secretary Incorporated (FSI) to oversee the implementation of the project.

3. At the meeting on 10 January 2005, Members were briefed on the progress of the Cyberport project.

Public Missions

4. The Cyberport pursues the following public missions vigorously:

- (a) To create a strategic cluster of quality IT and IT related companies critical to the development of Hong Kong into a leading digital city in the region;
- (b) To nurture and support the development of small and medium IT enterprises as an essential constituent of such a strategic cluster;
- (c) To provide a state-of-the-art infrastructure conducive to the creation of such a strategic cluster and its development;
- (d) To develop a regional centre of excellence in IT and digital media training for creating human capital through collaboration and partnership with the industry, academia, and research institutes and professional bodies;
- (e) To spearhead the development of the digital media industry through the provision of hardware, software and technical support in the Digital Media Centre; and
- (f) To promote the development of services and applications for wireless and mobile communications leveraging on Cyberport's excellent infrastructure and synergy.

5. The progress made in 2005-06 and the focus of activities in 2006-07 are summarized in the ensuing paragraphs.

Creating a strategic IT cluster

6. As of March, 2006, the Cyberport has attracted 47 local, Mainland and overseas companies as tenants, as compared with 33 tenants a year ago. These companies engage in a variety of IT and related businesses in the areas of wireless/mobile technology, geographical information service (GIS), information security, e-commerce, as well as digital and multimedia content. The tenants have been selected from among 163 applications that were considered by international and local experts on the Committee on Admission of Cyberport Office Tenants (CACOT).

7. A list of the Cyberport tenants is at **Annex A**. All of them are respectable IT and IT related firms and the activities conducted by them are

consistent with the missions of the Cyberport. Forty-five percent (45%) of the tenants are new to Hong Kong and create new business and employment opportunities for the community.

8. The tenants currently take up altogether 54% of the office space in Cyberport compared with 42% a year ago. Since their establishment in Cyberport, the Cyberport tenants have increased their employee headcount by 13% and their leased floor area over 20%. If additional expansion area under negotiation is taken into account, the total floor area growth of existing tenants would be more than 40%. These growth data can be generally taken as an indication of business expansion among the existing tenants.

9. In 2006-07, Hong Kong Cyberport Management Company Limited (HKCMCL) will continue to work closely with InvestHK, the Government's Hong Kong Economic and Trade Offices, Hong Kong Trade Development Council, Hong Kong Productivity Council and Hong Kong Science and Technology Parks Corporation in promoting the Cyberport as the IT and digital entertainment hub of Hong Kong both on the Mainland and overseas. With the improvement in the economic environment and the increased international awareness of Cyberport, we envisage that the office occupancy rate will increase to 60%-70% steadily in the next 12 months.

Providing infrastructure and technical support to SMEs

10. In 2005, the HKCMCL continued to spearhead the development of the digital entertainment and wireless/mobile industries through the provision of important infrastructure and technical support facilities. In addition to the well-established Digital Media Centre (DMC), iResource Centre and Hong Kong Wireless Development Centre (HKWDC), the Digital Entertainment Industry Support Centre was opened in May 2005 and the Cyberport Digital Entertainment Incubation-cum-Training Centre (the "IncuTrain Centre") was established in November 2005.

11. The HKCMCL launched the Xbox Games Incubation Programme in October 2004 to nurture local talents in games development. Towards the end of 2005, two of the six incubatees have completed the development of their own Xbox titles under the guidance of a professional game producer; they have successfully secured investments from game publishers for publishing.

12. In May 2005, the DMC launched the first Arrilaser Cine film recorder service in Hong Kong. It enabled local digital effect and post-production companies to provide a complete Digital Intermediate service in Hong Kong; previously such service could only be sourced from countries such as Thailand and New Zealand. The launch of this service will significantly enhance Hong Kong's competitiveness as a film and digital entertainment production centre in Asia, by providing a more cost-effective and efficient way to produce films in Hong Kong with significantly improved visual quality.

13. The iResource Centre that provides a rich IT and multimedia resource library registered over 2,300 registered members and on average 2,200 visits per month in 2005, up from 1,400 members and 480 visits per month a year ago. The Centre launched the digital rights/asset management (DRM) portal, *iResource.hk* on the Internet in November 2005 to provide a platform for legal download of audiovisual content including movies and short films provided by five content providers initially. The portal attracted more than 33,000 visits during the first four months of operation.

14. The HKWDC continues to provide a central testing platform and marketing/technical support for wireless application developers, including those involved in mobile game and content development. The HKWDC has enrolled more than 110 corporate members in 2005, which account for over 50% of the wireless and mobile application developers in Hong Kong as compared with 98 members in 2004. The HKWDC has also entered into five Memoranda of Understanding (MOUs) with local and overseas wireless research institutes and companies to collaborate in the development of mobile applications in Hong Kong. The Centre launched the 3G Cyberport Project in January 2005 which has established application development platforms and a testing environment with connections to mobile operators to facilitate the developers in developing and launching new 3G applications. It also established connection to MonterNet of China Mobile in August 2005 to facilitate access by local companies to wireless technology markets in Mainland China and the Asia Pacific.

15. In May 2005, the Digital Entertainment Industry Support Centre (DEISC), operated by the Hong Kong Productivity Council, was established in the Cyberport to provide one-stop support services and resources for the

local digital entertainment industry. This is particularly beneficial to the SMEs in obtaining the much needed help in business development.

16. In November 2005, the Cyberport IncuTrain Centre was opened with the aim to incubate up to 45 local digital entertainment start-up firms or innovative projects, and provide focused business development training to local firms and practitioners in the sector. The first batch of twelve incubatees was recruited in early 2006.

17. The range of support facilities described above makes effective use of the infrastructure of the Cyberport. In synergy, that continues to enhance Cyberport's role as a hub for the development of the IT and digital media industries in Hong Kong.

18. In 2006-07, the DMC will embark on two new initiatives, Industry Development Support (IDS) and Education Development Support (EDS). IDS is targeted to foster new business models in digital media via collaboration with the local industry. EDS is intended to assist local education institutions (e.g. IVE, Caritas, etc.), which lack resources in handling digital media, to develop relevant courses and training in digital entertainment. Riding on the initial success of the DRM portal, the iResource Centre will collaborate with more digital content suppliers as well as other interested parties to foster the development of a culture of legal online download in the community. The HKWDC will enhance its collaboration with the mobile communication industry in Mainland China to facilitate access by the local industry to the latest 3G developments in the Mainland and the development of new business opportunities arising from it.

Nurturing IT talents and promoting professional development

19. The Cyberport Institute of the University of Hong Kong continues to provide self-financed postgraduate IT programmes that are attuned to the needs of the local economy, as well as public seminars in collaboration with professional bodies to promote public awareness of latest developments in IT and its application.

20. The Cyberport is becoming a major venue for IT and digital entertainment related conferences in Hong Kong and Asia. Since 2002, over 440 events have been held in Cyberport with almost 146,000

participants. These include 237 regional and local conferences and 86 product launching and ceremonies. Some of the prominent events since January 2005 include (a) the Digital Entertainment Leadership Forums (DELF) 2005 and 2006, where world-renowned experts from the digital entertainment industry shared their experience and insights with over 650 participants; (b) the Cyberport Venture Capital Forum (CVCF) 2005, which featured speakers from top global venture capital firms and successful entrepreneurs specializing in IT and digital entertainment, attracting over 300 attendees; (c) the Cyberport Games Marathon (CGM) held in July 2005 showcasing the creativity and achievements of the local games industry to more than 44,000 visitors; and (d) the creative performances by the “Cirque du Soleil” held in November and December 2005 attracting more than 70,000 visitors. These events not only gave IT and digital entertainment professionals the opportunities to exchange views with local and overseas experts/counterparts, but also increased the awareness of Cyberport by the general public.

21 Taking advantage of its comprehensive development and infrastructure, the Cyberport will continue to be a major venue for IT and digital entertainment related events. More local, regional and international events will be held in Cyberport in 2006-07.

Facilitating exchange and cooperation

22. Under the auspices of the strategic cooperative agreement that was signed in 2004, the HKCMCL collaborates with the Shenzhen Hi-Tech Industrial Park (SHIP) in the joint development of innovative IT applications, marketing and professional training activities. A direct optical communication link was established between the Cyberport’s Network Operation Centre (NOC) and SHIP for the purpose of efficient resource sharing. In January 2006, the HKCMCL signed a Memorandum of Understanding (MOU) with The Banff Centre in Canada to set the stage for long-term collaboration in digital new media and digital entertainment development. As of March 2006, the Cyberport (including various support centres DMC, HKWDC, IncuTrain Centre, etc.) has a total of 10 cooperation arrangements with Mainland and overseas organizations in place.

23. The HKCMCL will continue to explore opportunities to strengthen its ties with relevant hi-tech parks and development centres in the Mainland

and overseas, to develop collaboration opportunities and to attract potential tenants to the Cyberport.

Return on Investment of the Cyberport Project

Financial Status

24. As at end March 2005, the Cyberport Companies have recorded an accumulated operating profit, on a cash basis, of \$1,214.6 million (\$931.3 million if depreciation is included). The consolidated profit and loss account and consolidated balance sheets of the Hong Kong Cyberport Development Holdings Limited (HKCDHL) and its subsidiaries for the 2004/05 financial year are in **Annex B**¹. The operation of the Cyberport Portion recorded positive cashflow starting from October 2005 to March 2006.

25. The Government is confident that in the coming years, the occupancy rate of the Cyberport portion will steadily increase and the operational efficiency in the Cyberport will continue to be improved, resulting in sustainable positive cashflow operation.

Return on Government's Investment

26. The capital contribution by the Government to the Project is the Residential Portion Land Value at the time when the development right was granted to the Cyberport Developer (\$7.93 billion including the estimated cost of \$1.10 billion for the basic infrastructure). The capital contribution of the Developer is the funding it provided to finance the construction costs and related expenses of the project (\$4.36 billion).

27. The surplus proceeds from the sale of the residential units, after deducting reserve funds² as well as the relevant expenses due and payable are shared between the Government and the Developer according to the

¹ The contents of Annex B are extracts from the consolidated audited accounts of the HKCDHL, which include the accounts of the HKCDHL and its subsidiaries.

² There are different reserve funds for different purposes of the Project, such as the \$500 million Development Maintenance Fund (which was changed from \$200 million to \$500 million on 31 December 2003) is to be used by the Hong Kong Cyberport Management Company Limited for the purposes of the upkeep and maintenance of the Shared Cyberport Facilities.

respective capital contributions (Government – 64.5% and Developer – 35.5%). The first distribution of surplus proceeds was made in 2004.

28. In June and September 2005, the Government received the second and third distributions of the surplus proceeds totalling about \$1.33 billion out of a total distribution of \$2.06 billion. The total cumulative surplus distribution received by the Government to-date is about \$3 billion.

29. Based on the latest forecast by the Developer, the total amount of surplus proceeds that should be available for distribution up to 2010, including \$4.65 billion distributed to-date, is estimated to be around \$20 billion, from which the Government's share should be around \$12.9 billion in total, including \$3 billion already received to-date. It should be noted that the actual amount of surplus proceeds available for distribution and hence the Government's share will vary depending on the actual sales prices of the remaining residential units.

30. The most important return on the Government's investment in the Cyberport project is its 100% ownership of the Cyberport Portion, which is a critical piece of infrastructure to promote and support the development of the IT and related industries in Hong Kong. By catalyzing the growth of the relevant industries, Cyberport will contribute significantly to the overall economic development of Hong Kong. The commercial valuation of the Cyberport Portion (as at March 2005) is about \$4.21 billion³, as compared with the valuation at about \$2.89 billion as at September 2004.

Conclusion

31. The Government together with the Cyberport management will continue to make its best endeavour to achieve the public missions set for the Cyberport in the years to come. We are confident that the Cyberport is capable of making significant contributions to the development of the IT and digital entertainment industries in Hong Kong.

Office of the Government Chief Information Officer
Commerce, Industry & Technology Bureau
May 2006

³ The valuation was conducted by an international property surveyor engaged by HKCMCL.

List of Tenants and Committed Tenants(as at **31** March 2006)

Tenants' Name	Brief Description
1. GXS International Inc.	A multinational company providing network and data centre infrastructure for B2B e-Commerce services globally.
2. Microsoft (Hong Kong) Ltd	A multinational company and a leading software provider. It has recently acquired one more floor in Cyberport (in addition to the two floors leased earlier) to meet expansion needs.
3. ESRI (Hong Kong) China	A U.S. based company providing Geographical Information System products.
4. IT Technology Centre Ltd {formerly Incubation Centre at Cyberport Limited}	A local company providing incubator services for IT industry.
5. PCCW	A H.K. listed company providing international, local and mobile telecom services, Internet and interactive multimedia services.
6. Outblaze Limited	A local company. Development and outsourcing provider of web-based communication and infrastructure software solutions.
7. SafeNet Asia Limited {formerly Rainbow Technologies (Asia Pacific) Co. Ltd}	A U.S. company new to Hong Kong. It provides information security solutions for Internet, eCommerce and content protection.
8. The University of Hong Kong	For setting up of "Cyberport Institute" to provide research and training facilities on site.
9. Compuware (Asia Pacific) Limited	A U.S. based company providing software tools and professional services for business.
10. Hong Kong CSL Limited	A local company providing telecom and mobile services.
11. Sybase Hong Kong Limited	A multinational company providing technical services on business development and application solution development.

Tenants' Name	Brief Description
12. HNH International Ltd	A Hong Kong based international company engaging in the production and marketing of classical and world music (including brand names like Naxos and Marco Polo), audio-visual programs, online music and language education, webcasting and book publishing.
13. Arctic Cooling (HK) Ltd.	A Switzerland based company and new to Hong Kong. It provides thermal solutions to reduce the noise and heat of computer systems.
14. Centro Digital Pictures Ltd.	One of the leading local companies dedicated to digital animation creations for applying onto film, video and other multi-media production.
15. New Top City Ltd. {trade name under Institute of High Performance Computing }	A newly set up local company specializes in software development for enhancing performance of computers in processing complicated simulations and computing.
16. Office of the Government Chief Information Officer {formerly Information Technology Services Department, HKSAR }	A Government body of the HKSAR, which is mainly responsible for monitoring of technology trend, appraising and monitoring new technologies and solutions on IT, providing management and facilities support for IT training, and management of IT services and projects.
17. Shenzhen Strength	A PRC based software company new to Hong Kong. Its software products apply to intelligent residential building system, remote utility meters reading, CATV broadband network.
18. Schneider Electric Business Solutions – SEBS HK Ltd.	A French based multinational corporation. The Hong Kong office serves as its IT hub and platform to enhance its global customer service, administration as well as other value-added services.
19. EO Global Ltd.	A small size local company focusing on the research and development of software products in connection with global relocation of personnel, executive search and other human resources management tools.

Tenants' Name	Brief Description
20. EmployeeConnect (Greater China) Ltd.	A local SME company backed by an Australian company engages mainly in the development and marketing of its software product – “EmployeeConnect”, which performs a comprehensive range of web-based functions on corporate human resources and administration matters.
21. CoVi Technologies Inc.	A U.S. company new to Hong Kong. Its principal business is design, development and manufacturing of IT-friendly digital and HDTV video surveillance hardware and software systems.
22. Brightex Technology Ltd.	A small size local company specializing in the development and marketing of software products in connection with mobile devices such as PDAs, mobile phones and tablet PC.
23. Rockwell Automation Asia Pacific Ltd.	A wholly owned subsidiary of Rockwell Automation, a listed company in U.S. The company provides integrated automation solutions to enhance industrial productivity of its clients by means of advanced technologies.
24. Adel Group (Asia) ltd {formerly Hong Kong Ideal Group Limited}	A PRC based company specializes in research and development, marketing and sales of biometrics access products for IT security applications.
25. eDesiCool Limited {trade name under GeoClicks}	A local SME company engaging in online B2C e-commerce activities. It currently manages 3 websites and affiliates with Amazon.com and Google.com.
26. Societe D Applications Technologiques Del Imagerie Micro-onde {Local registered name for Satimo (SA) Societe D'Applications Technologiques De L'Imagerie Micro-ondes}	A French company new to Hong Kong and focusing on design and manufacture of electromagnetic waves measurement systems apply to wireless application device.
27. Evolution World Wide	A newly set up local company engages in research and development of anti-spam system.

Tenants' Name	Brief Description
28. Centanet Company Limited	A wholly owned subsidiary of Centaline (Holdings) Co. Ltd., a leading local real estate consultancy firm. The company principal business is design, develop and maintain a local property portal website as well as an integrated web-based GIS mapping system – “Centamap.com”, which is widely popular.
29. Flying Cam S.A.	A Belgium company new to Hong Kong and specializes in close range aerial filming with unmanned helicopter for TV broadcast, movie industry and homeland security.
30. Founder Development Ltd {trade name under HyperNet}	A local company specializing in software development in connection with customer relation management, enterprise resources planning application and e-commerce.
31. Adtio Group Limited	A local company specializing in software development for mobile, wireless and radio frequency identification application.
32. Typhoon Games (HK) Limited	A local games development company and one of its patented products is the “Hello Kitty” series.
33. CSL Cosmos Solutions Ltd	A local company specializing in software development for mobile data applications applicable to forwarder, transportation, warehousing and logistics business trade.
34. Swiss Reinsurance Company, Hong Kong Branch	A Swiss reinsurance company and Cyberport serve as its IT hub for Asia as well as their regional e-learning and training centre.
35. Qualicom Innovations (Asia) Ltd	A Canadian software development and consultant company new to Hong Kong. The company specializes in the development of enterprise software applications using J2EE and .NET technologies.
36. Hong Kong Polytechnic University	For setting of “Multimedia Innovation Centre of School of Design” which focuses in technology commercialization, research and development, training and creative IP development in the field of digital multimedia and entertainment creation.

Tenants' Name	Brief Description
37. Eurosport Asia Limited	A French company new to Hong Kong. The company specializing in production, broadcasting and distribution of sports audiovisual programs. It reaches more than 98 million households in 54 countries across Europe.
38. Regal Cyber Limited	A local company specializing in software and hardware development for biometrics and Radio Frequency Identification (RFID) application.
39. Asia Petroleum Investment Co. Ltd.	A PRC based company focuses in the research and development of Non-linear Parallel Processing System known as XEC III Controller, which is an innovative solution for off-shore oil reserves exploration and detection. The company also intend to establish a network system at Cyberport offering the said technology to international network providers.
40. Hong Kong Education City Limited	Operate under the Education Manpower Bureau (EMB) of the Government of HKSAR and provide a one-stop education portal which serves as an e-learning and e-business platform for students, teachers and parents.
41. Famous Joy International Limited	A newly set up local company specializing in the creation of digital content, animation and special effects.
42. Energy Saving Solutions	A newly set up local company specializing in the development of LED control software products apply to energy saving and efficiency for LED lighting.
43. Clear Channel Entertainment HK Productions Ltd	A UK based company new to Hong Kong and specializes in web-based ticketing and event promotion as well as mobile broadcasting of entertainment programs and events.
44. AsiaABS Limited	A newly set up local company engages in web delivered solutions for financial services and in particular, focuses on Asset Backed Securities (ABS). The company also develops proprietary software products in Chinese and Thai language.

Tenants' Name	Brief Description
45. Hong Kong Productivity Council	For setting up “Hong Kong Digital Entertainment Industry Support Centre” to provide industrial support in relation to animation, entertainment software and visual effects.
46. Globe 7 HK Limited	A subsidiary of an Indian based telecom services company, Northgate Technologies Limited who launches the first globally patented SIP VoIP phone. The company is a new set up in Hong Kong.
47. RealEyes 3D Asia Pacific Ltd	A French company new to Hong Kong specializes in design, develop and distribution of embedded applications and mobile devices.

(For information only)

Annex B

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST MARCH 2005**

	Note	HK\$
Turnover	1	135,843,514
Project income	1	1,674,713,591
Other revenues	1	12,126,034
		<hr/>
Total revenues		1,822,683,139
		<hr/>
Building management expenses		(76,340,110)
Information technology facilities maintenance fee		(25,942,884)
Government rent and rates		(17,350,524)
Other operating expenses	2	(51,293,486)
Staff costs		(53,702,809)
		<hr/>
Operating expenses before depreciation		(224,629,813)
		<hr/>
Operating profit before depreciation		1,598,053,326
Depreciation	4	(171,679,660)
		<hr/>
Profit before taxation		1,426,373,666
Taxation	3	(292,585,413)
		<hr/>
Profit for the year		<u>1,133,788,253</u>

(For information only)

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED

**CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH 2005**

	Note	HK\$
<u>Non-current assets</u>		
Fixed assets	4	4,976,155,549
Loans receivable		1,611,019
Deferred rental receivable		11,926,423
Designated bank balance	5	32,018,634
Held-to-maturity securities	5	473,883,785
		<hr/>
		5,495,595,410
<u>Current assets</u>		
Inventories, at cost	6	3,423,004
Accounts receivable and prepayments		14,970,283
Current portion of loans receivable		962,756
Amount due from Financial Secretary Incorporated		2
Tax recoverable		489,463
Cash and bank balances		117,046,382
		<hr/>
		136,891,890
<u>Current liabilities</u>		
Accounts payable and other accruals		37,325,418
Rental and other deposits		17,299,652
		<hr/>
		54,625,070
Net current assets		<hr/>
		82,266,820
Total assets less current liabilities		<hr/>
		5,577,862,230
Representing:		
<u>Capital and reserves</u>		
Share capital	7	2
Capital reserve	8	5,243,614,513
Accumulated losses	9	(179,518,772)
		<hr/>
Shareholders' funds		5,064,095,743
<u>Non-current liabilities</u>		
Development maintenance fund	5	500,000,000
Deferred income	10	13,766,487
		<hr/>
		513,766,487
		<hr/>
		5,577,862,230
		<hr/>

(For information only)

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED

NOTES TO THE ACCOUNTS

1. Revenues and Turnover

	HK\$
<u>Turnover</u>	
Rental income	40,252,375
Management fee income	28,712,461
Income from hotel operation	51,601,223
Car park fee income	2,296,732
Information technology facilities income	1,506,984
Income from leasing of centre facilities	1,260,608
Other incidental income	10,213,131
	<hr/>
	135,843,514
	<hr/>
Project income	1,674,713,591
	<hr/>
<u>Other revenues</u>	
Amortisation of deferred income	4,892,795
Interest income from held-to-maturity securities, net of amortisation of premium of HK\$5,980,418	6,804,377
Interest income on designated bank balance	318,746
Interest income on bank deposits	23,753
Interest income on loans receivable	86,363
	<hr/>
	12,126,034
	<hr/>
Total revenues	1,822,683,139
	<hr/> <hr/>

2. Other operating expenses

	HK\$
Insurance	
- Hotel	1,015,414
- Others	3,646,924
	<hr/>
	4,662,338
Professional fees	3,987,246
Marketing and corporate communication expenses	629,540
Travelling expenses	411,786
Transportation	1,278,608
Other hotel operation expenses	29,673,009
Other DMC and IRC operating expense	2,584,808
Hotel pre-opening expenses	6,383,867
Other miscellaneous expenses	1,682,284
	<hr/>
	51,293,486
	<hr/> <hr/>

3. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% on the estimated assessable profit for the year.

(For information only)

4. Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	Over the period of the lease
Building services and support facilities	10%
Information technology facilities	20%
DMC and IRC equipment	20% - 33 1/3%
Leasehold improvements	10%
Furniture and equipment	10% - 20%
Motor vehicles	20%

	Buildings HK\$	Building services and support facilities HK\$	Information technology facilities HK\$	DMC and IRC equipment HK\$	Leasehold improvements HK\$	Furniture and equipment HK\$	Motor vehicles HK\$	Total HK\$
Cost								
At 1st April 2004	1,518,290,629	674,888,174	164,359,137	8,883,056	385,037	3,436,642	702,668	2,370,945,343
Handover from								
Developer	2,313,771,059	478,264,944	50,069,478	43,971,092	-	-	-	2,886,076,573
Additions	-	-	-	-	464,975	2,537,204	-	3,002,179
Disposals	-	-	-	-	(21,000)	(573,832)	-	(594,832)
At 31st March 2005	<u>3,832,061,688</u>	<u>1,153,153,118</u>	<u>214,428,615</u>	<u>52,854,148</u>	<u>829,012</u>	<u>5,400,014</u>	<u>702,668</u>	<u>5,259,429,263</u>
Accumulated depreciation								
At 1st April 2004	26,590,107	53,539,377	30,585,186	236,565	30,636	520,120	176,424	111,678,415
Charge for the year	54,501,036	74,487,373	34,590,545	7,235,887	53,081	671,204	140,534	171,679,660
Disposals	-	-	-	-	(1,615)	(82,746)	-	(84,361)
At 31st March 2005	<u>81,091,143</u>	<u>128,026,750</u>	<u>65,175,731</u>	<u>7,472,452</u>	<u>82,102</u>	<u>1,108,578</u>	<u>316,958</u>	<u>283,273,714</u>
Net book value								
At 31st March 2004	<u>1,491,700,522</u>	<u>621,348,797</u>	<u>133,773,951</u>	<u>8,646,491</u>	<u>354,401</u>	<u>2,916,522</u>	<u>526,244</u>	<u>2,259,266,928</u>
At 31st March 2005	<u>3,750,970,545</u>	<u>1,025,126,368</u>	<u>149,252,884</u>	<u>45,381,696</u>	<u>746,910</u>	<u>4,291,436</u>	<u>385,710</u>	<u>4,976,155,549</u>

5. Its represents a reserve fund allocated from the Project fund and maintained by the group for the purpose of financing the operation and maintenance of the Cyberport Portion as per the Project Agreement. This reserve fund is subject to final assessment and is separately deposited into designated bank accounts. Certain portion of the fund is placed into various investments.

6. Inventories comprise hotel stocks and consumables and are stated at the lower of cost and net realisable value. Costs are calculated on weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

7. Share capital

	HK\$
Authorised:	
1,000 ordinary shares of HK\$1 each	1,000
	<u> </u>
Issued and fully paid:	
2 ordinary shares of HK\$1 each	2
	<u> </u>

(For information only)

8. In accordance with the terms of the Project Agreement and the Sub-lease Agreement, Cyberport 3 (Core B-D), Cyberport 3 (Core E-F), Cyberport 4, the Arcade and the Hotel were handed over from the Developer at nil consideration, resulting in a capital reserve which is carried forward.

	HK\$
At 1st April 2004	2,357,537,940
Handover of the Cyberport project	2,886,076,573
	<hr/>
At 31st March 2005	5,243,614,513
	<hr/> <hr/>

9. Accumulated losses carried forward

	HK\$
Accumulated profits before depreciation	1,214,558,917
Accumulated depreciation	(283,273,714)
	<hr/>
Accumulated profits after depreciation	931,285,203
Dividend	(1,110,803,975)
	<hr/>
Accumulated losses carried forward	(179,518,772)
	<hr/> <hr/>

10. Government grants and sponsorships are recognised when there is a reasonable assurance that the group will comply with the conditions attaching with it and that the grant will be received. Government grants and sponsorships relating to income are deferred and recognized in the profit and loss account over the period necessary to match them with the costs they are intended to compensate. Government grants and sponsorships relating to the purchase of fixed assets are included in non-current liabilities as deferred income and are credited to the profit and loss account on a straight-line basis over the expected lives of the related assets.

	Government Grant HK\$	Sponsorship HK\$	Total HK\$
Cost			
At 1st April 2004	9,330,000	916,804	10,246,804
Additions	9,191,000	-	9,191,000
At 31st March 2005	<hr/> 18,521,000	<hr/> 916,804	<hr/> 19,437,804
Accumulated amortisation			
At 1st April 2004	(763,241)	(15,281)	(778,522)
Amortisation for the year	(4,709,434)	(183,361)	(4,892,795)
At 31st March 2005	<hr/> (5,472,675)	<hr/> (198,642)	<hr/> (5,671,317)
Balance			
At 31st March 2004	<hr/> 8,566,759	<hr/> 901,523	<hr/> 9,468,282
At 31st March 2005	<hr/> <hr/> 13,048,325	<hr/> <hr/> 718,162	<hr/> <hr/> 13,766,487