

**For discussion
on 8 February 2010**

Information Technology and Broadcasting Panel

**Report on the Cyberport Project
(February 2010)**

Purpose

This paper provides an update on the progress of the Cyberport Project (the Project). Project progress was last reported to the Panel at its meeting on 9 March 2009.

The Cyberport Project and its Public Missions

2. Since completion of the Cyberport in 2004, Hong Kong Cyberport Management Company Limited (HKCMCL) has worked hard to build up the occupancy of the office premises. Its aims have been to recruit the right mix of tenants to create a strategic information and communications technologies (ICT) cluster, and to achieve financial stability. At the same time, it has begun to embark on a wider programme of public mission activities implemented by its industry services support centres, the Digital Entertainment Incubation-cum-Training Centre (IncuTrain Centre), the Digital Media Centre (DMC) and the Hong Kong Wireless Development Centre (HKWDC). Background information on Cyberport is at **Annex A**.

3. Now that HKCMCL has achieved a high level of occupancy and financial stability, it is timely to review its role in supporting the objectives of the Government's Digital 21 Strategy. To this end, we intend to add specific Company Objects to HKCMCL's Memorandum of Association, in order to give the Board of Directors and the management explicit guidance. The proposed new Objects Clause is as follows:

“The objects for which the Company is established shall include, without limitation, the following:

- (a) To carry out activities related to the purposes prescribed in paragraph (b) to (e) below, and to establish or develop any

premises where such activities are, or are to be, carried out, and to manage and control the land, premises and other facilities comprised in such premises;

- (b) To promote the development of Hong Kong as a centre for international and regional trade and collaboration in information and communications technologies (ICT) products and services;
- (c) To facilitate the application of ICT in manufacturing, service and creative industries in Hong Kong;
- (d) To promote the development of Hong Kong as a digital economy and as an inclusive knowledge-based society; and
- (e) To promote the use of ICT in order to encourage environmentally sustainable development.”

4. Following adoption of these Objects, HKCMCL management will propose a programme for implementing the public missions for approval by the Board of Directors, consulting with the Government to ensure that the programme is aligned with the latest action plans under the Digital 21 Strategy.

Financial Performance

5. Cyberport has a healthy financial position. The audited accounts of the Cyberport Companies¹ for the financial year ended 31 March 2009 (the 2008/09 Accounts) are shown at **Annex B**. For the 2008/09 financial year, the operating revenue of the Cyberport Companies was \$361 million, compared with \$319 million in 2007/8 and \$263 million in 2006/07. Correspondingly, the operating profit before depreciation, financial costs and tax and excluding Project Income from the ancillary development was \$96 million² in 2008/09, compared with \$103 million in 2007/08 and \$36 million

¹ 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.

² \$96 million is the difference obtained by subtracting “Project income” from “Operating profit before depreciation” in the Consolidated Profit and Loss Account in **Annex B**. The numbers are \$95,540,069 for 2008/09, \$103,226,890 for 2007/08 and \$36,424,341 for 2006/07.

in 2006/07.

6. The Project Income from the ancillary residential development was \$3.98 billion in 2008/09. Further Project Income is expected to be available until around 2010/11, the actual amount of which will depend on the sales performance of the residential units. As of December 2009, the Government has received a total of about \$16.65 billion in surplus proceeds. This exceeds the capital contribution of \$7.93 billion that the Government has made to the Project in the form of land grant for the ancillary development and the associated essential infrastructure development.

Office and Arcade Occupancy

7. As of end December 2009, fifty-six (56) corporate tenants occupied 87% of the lettable **office** space, compared with 87.8% at end December 2008 and 86.3% at end December 2007. They consist of fifty (50) commercial tenants, five (5) not-for-profit organizations and one (1) government office.

8. Forty-eight percent (48%) of the commercial tenants have an overseas origin and thirty-eight percent (38%) of the commercial tenants were new to Hong Kong. They created new business and employment opportunities for the local economy. According to a survey conducted in November 2009, Cyberport office tenants employed around 3 900 workers.

9. As of end December 2009, 93.2% of the lettable retail space in the **Arcade** has been let as compared with 85% in end December 2008. This represents a 8.2% increase in Arcade occupancy.

External Relations

10. To promote Hong Kong as a leading digital city in the region, Cyberport has built up good relations with international counterparts, including hi-tech parks on the Mainland and overseas, through promotion of technological collaboration and exchanges, delegations and visits. Between March 2009 and December 2009, Cyberport received more than sixty-three (63) delegations from over sixteen (16) countries and signed eleven (11) cooperation agreements with organizations from countries all over the world. Among the many was the first Knowledge Sharing and Transfer Agreement

signed by Cyberport with New Zealand in November 2009. This shows a strong level of international recognition of Cyberport as a business role model in sharing knowledge, know-how, processes and services in the furtherance of a digital innovation hub in the region.

Strategic Cluster of Information Technology (IT) & Related Enterprises

11. Cyberport has succeeded in attracting a strategic cluster of quality IT and IT related companies. Last year, a leading multinational IT company established its first Cloud Computing Laboratory in Hong Kong in Cyberport. This has helped to unleash cloud computing technology development in Hong Kong through facilitating our local businesses to jump start their cloud computing projects.

12. Cyberport enables clustering of quality IT tenants and becomes a networking platform for interaction and exchange among the IT industry professionals and experts who come from within and beyond the Cyberport community. Between March 2009 and December 2009, a total of forty-five (45) IT related conferences and events were organised in Cyberport. They attracted over 8 600 participants and facilitate the development of Hong Kong as a hub for technological cooperation and trade. Events included the Sixth Digital Entertainment Leadership Forum 2009 where renowned overseas experts shared their vision with local digital entertainment industry, and the Internet Protocol version 6 (IPv6) Conference and training held in November 2009 where experts in the field joined together to share insights for the latest technological development.

13. As a good illustration of the synergy that the Cyberport cluster has achieved, twelve (12) mobile and wireless applications were developed for deployment by local enterprises through the TD-SCDMA platform under the TD-SCDMA Project on the full cooperation between HKWDC and a private-sector enterprise in TD-SCDMA equipment. Such fruitful deliverables were showcased for dissemination in Cyberport's TD-SCDMA Service Development Centre and a commercial demonstration centre in Beijing.

14. Further evidence of the synergy was a two-year research & development project for which DMC was funded by the Shenzhen-Hong Kong Innovation Circle to develop a digital content distribution platform between Guangdong and Hong Kong using MPEG-21 Digital Rights

Management (DRM) system which was jointly developed with the Peking University Shenzhen Graduate School. The project has made positive progress in developing related digital video standards.

Support for Small and Medium Enterprises (SMEs)

15. As of end December 2009, twenty (20) out of fifty (50) of the commercial office tenants were SMEs. This represents forty percent (40%) of the commercial office tenancy. The mix of SMEs has been an essential constituent in Cyberport's tenant portfolio in accordance with its public mission.

16. Cyberport IncuTrain Centre has been committed to nurturing start-up companies through its IncuTrain Programme. The programme provides incubatees with not only technological knowledge and techniques indispensable to their pursuit of a successful business in a knowledge-based highly-competitive industry, but also all-round business support services. The Centre provides state-of-the-art infrastructure and technical tools which include, among other things, a ten (10) Giga bits per second (Gbps) network core set up within the Centre for handling large media files on a cloud computing platform sponsored by a leading supplier of network equipment, and the latest PDA phones sponsored by a famous South Korea electronic company to assist the development of mobile applications. It also provides local and international business network as well as business matching meetings to connect incubatees with potential investors that are critical to business development and opportunities, arranges overseas and local trade shows and exhibitions for showcase of incubatees' products and services, promotes media coverage through interviews with publishers and broadcasters for wide dissemination of successful incubatees' experience to enhance their confidence and public image.

17. IncuTrain Centre's work of nurturing SMEs has been well received in the territory. As of December 2009, the IncuTrain Programme has received a total of 195 applications and has admitted a total of ninety-four (94) incubatees. A record of fifty-six (56) applications for incubation has been received in the latest intake compared to an average of twenty-eight (28) applications per intake in the past. The two-fold increase in the number of applications not only reflects the industry's demand for incubation but also indicates recognition for the work and accomplishments of the Centre.

18. In 2009, Cyberport launched the pilot Creative Micro Fund by setting up a seed fund for supporting start-ups in the local creative industry. Each successful applicant is sponsored HK\$100,000 in support of their innovative projects related to digital entertainment, digital content and digital lifestyle. A total of seventy (70) applications for funding sponsorship were received.

19. Furthermore, under the joint initiative between Cyberport and a leading multinational computer technology corporation, a support centre was opened in March 2009 to provide incubatees, start-ups and SMEs with access to advanced software development tools, as well as technical and business guidance to help accelerate the early stage development of their business.

20. Cyberport has obtained additional funding approval of \$25.2 million from the Legislative Council for the IncuTrain Programme (Phase 2) to continue nurturing and support for the development of SMEs in the IT and IT related disciplines as well as the digital media industry.

State-of-the-art Infrastructure

21. Cyberport has established itself as an ICT icon in Hong Kong, conducive to nurturing IT professionals in the territory. This is realized through the state-of-the-art broadband network and the associated infrastructure built on a garden campus environment in Cyberport.

22. In October 2009, with funding support from the Film Development Fund, Cyberport announced the Digital Cinema Exchange Pilot Scheme for setting up a digital distribution network for the Hong Kong film industry. It enables at least ten (10) local cinemas to download films from overseas servers using Cyberport's high-speed digital distribution network and advanced IT and telecommunications infrastructure replacing the physical delivery of hard disks to the cinemas. This will reduce transportation time and cost, and allow encryption for safe delivery. At a time when broadband film distribution is still not prevalent in Asia, this initiative can bring huge benefits to the film industry in Hong Kong.

23. Riding on its infrastructure, Cyberport continues to make a variety of endeavors which include the provision of the digitalcopyright.hk portal

running on the DRM system which attracted more than thirty (30) content providers where currently more than 19 600 digital content items such as music clips, training videos, animation, games, etc are stored for download by end-users and consumers, and the “Ubiquitous City – HK” project implemented by HKWDC where twelve (12) applications were developed and launched in the public WiFi network. This stimulates the wireless application development and usage in Hong Kong.

Human Capital

24. In respect of continual commitment to nurture human capital development, DMC has implemented the IT Internship Co-ordination & Facilitation Programme for the third consecutive year. Under this programme (2009/10), thirty-two (32) intern placements of six (6) to twelve (12) months were created from twenty (20) companies to provide local fresh graduates and tertiary students in the IT and digital media related disciplines with on-the-job training opportunities. Among the companies joining this programme, fifty-five percent (55%) of them were new participants reflecting the programme’s popularity among employers.

25. Cyberport also continues to organize the IT Exchange Programme (2008/09) through collaboration with forty-one (41) universities and industry partners from across fifteen (15) cities in seven (7) countries including the most renowned universities in the world and famous technology corporations to provide local students with overseas exchange opportunities to broaden their international exposure and widen their vision in the industry. Under this programme, a total of fifteen (15) new exchange projects were created to enable participation of sixty-six (66) local students from six (6) local Universities and tertiary institutions.

26. To promote a digital lifestyle and a creative atmosphere in the community, Cyberport launched the first outdoor DigiPlayground in Asia in July 2009. The community can enjoy a good family day playing creative digital games in Cyberport’s Waterfront Park.

27. With a view to cultivating advanced technological know-how among industry players, from March 2009 to December 2009, Cyberport organized forty-two (42) professional training sessions which attracted more than 1 640 local IT practitioners from among its tenants as well as the industry at large.

Apart from these stakeholders, Cyberport also promotes interest in the latest IT and digital media technology among students and young people. From March 2009 to December 2009, over 2 400 secondary students from forty-three (43) schools or local community organizations visited Cyberport. Cyberport also supports programmes for young people to give them opportunities to participate in IT-focused, digital media themed competitions, contests, training camps and activities organized or sponsored by Cyberport. These human resources-related initiatives undertaken by Cyberport have helped to enhance the competitiveness of our human capital in the industry.

28. Apart from initiatives of its own, Cyberport supports advocates of other community projects for the benefit of human capital development in Hong Kong. Cyberport is involved with an alliance of the District Cyber Centres scheme with a view to bridging digital divide in Hong Kong. In addition, its DMC joined effort with the ICT Human Resources Consortium to reduce unemployment and support career development in the ICT field.

Advice Sought

29. Members are requested to note the progress of the Project and the incorporation of Company Objects in the Memorandum of Association of the HKCMCL to sustain the development of the benefits emerged from the public mission activities of the Project.

**Office of the Government Chief Information Officer
Commerce and Economic Development Bureau
February 2010**

Background of the Cyberport Project

The Cyberport Project (the Project) is a \$15.8 billion project to develop Hong Kong's Information Technology (IT) hub on a 24-hectare site at Telegraph Bay in the Southern District on the Hong Kong Island.

2. The prime objective of the Project is to support and promote innovation and technology development in Hong Kong through the creation of a strategic cluster of IT and related companies as well as a critical mass of professional talent in the territory. The Project comprises a Cyberport Portion and a Residential Portion. The Cyberport Portion was completed in June 2004 with four office buildings, a hotel and an arcade. The Residential Portion, Bel-Air, was completed in November 2008.

Public Missions

3. Cyberport is operated by the Hong Kong Cyberport Management Company Limited, whose independent Board of Directors has adopted the following public missions :

- (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; and

- (f) To promote the development of services and applications for wireless and mobile communications leveraging on Cyberport's excellent infrastructure and synergy.

Infrastructure and Industry Support

4. The Cyberport spearheads the development of the wireless and mobile as well as digital entertainment sectors through the provision of important infrastructure and technical support facilities that are important resources for local small and medium enterprises in the IT sector.
5. Cyberport provides state-of-the-art technology infrastructure including campus-wide broadband network and open wireless network (WiFi) coverage to tenants and users.

Cyberport Tenancy

6. All applications for tenancy at the Grade A offices at Cyberport are scrutinized by the Committee on Admission of Cyberport Office Tenants (CACOT)³; only those meeting the criteria in support of Cyberport's public mission will be admitted as tenants.

Government Investment in Cyberport

7. The Government's capital contribution to the Project has been determined to be \$7.93 billion including the Residential Portion Land Value at the time when the development right was granted to the Developer and the cost of \$1.10 billion for the basic infrastructure. The capital contribution of the Developer was \$4.36 billion.
8. Surplus proceeds from the sale of the residential units, after deducting reserve funds⁴ and relevant expenses are shared between the

³ CACOT is responsible for advising the Cyberport Management on matters relating to the selection and admission of tenants for the offices provided in the Cyberport. Applicants which use or introduce new, leading-edge IT applications to Hong Kong will be given most favourable consideration.

⁴ 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 HKCMCL for the purposes of the upkeep and maintenance of the Shared Cyberport Facilities.

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

9. As of December 2009, the Government has received a total of about \$16.65 billion in surplus proceeds. Based on the latest forecast by the Developer, a cumulative total of up to \$18.45 billion in surplus distribution may be available to the Government for the duration of the entire Project, which will be completed around 2010; the actual amount will depend on the sale prices of the residential units.

10. Cyberport is a critical piece of infrastructure for the development and support 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. This is the most important return on investment in Cyberport, which is wholly owned by the Government. As of March 2009, the market value of the Cyberport Portion was about \$5.08 billion according to an independent valuation.

**Office of the Government Chief Information Officer
Commerce and Economic Development Bureau
February 2010**

Annex B

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 2009

	Note	2007 HK\$	2008 HK\$	2009 HK\$
Revenue	1	3,877,364,786	3,657,696,216	4,336,420,824
Other income	1	63,772,863	80,641,038	42,918,636
		<u>3,941,137,649</u>	<u>3,738,337,254</u>	<u>4,379,339,460</u>
Building management expenses		(103,961,155)	(120,178,463)	(125,238,374)
Staff costs		(70,010,667)	(68,148,369)	(66,326,567)
Information technology facilities maintenance fee		(23,506,122)	(20,307,705)	(20,925,815)
Government rent and rates		(10,644,511)	(9,018,128)	(9,576,065)
Other operating expenses	2	(81,993,945)	(78,595,003)	(86,205,943)
		<u>(290,116,400)</u>	<u>(296,247,668)</u>	<u>(308,272,764)</u>
Operating expenses before depreciation				
Operating profit before depreciation		3,651,021,249	3,442,089,586	4,071,066,696
Depreciation	4	(260,529,071)	(256,175,221)	(236,723,085)
Finance costs		(26,828)	(10,809)	(199)
Profit before income tax		<u>3,390,465,350</u>	<u>3,185,903,556</u>	<u>3,834,343,412</u>
Income tax expenses	3	(631,474,837)	(584,829,117)	(655,396,616)
Profit for the year		<u><u>2,758,990,513</u></u>	<u><u>2,601,074,439</u></u>	<u><u>3,178,946,796</u></u>

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED

**CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH 2009**

	Note	2007 HK\$	2008 HK\$	2009 HK\$
<u>Non-current assets</u>				
Property, plant & equipment	4	4,490,227,265	4,261,580,935	4,049,310,572
Loans receivable		272,703	18,841	-
Deferred rental receivable		16,778,847	17,478,546	16,764,569
Held-to-maturity investments	5,10	352,001,697	60,395,276	287,715,843
		<u>4,859,280,512</u>	<u>4,339,473,598</u>	<u>4,353,790,984</u>
<u>Current assets</u>				
Inventories, at cost	6	2,033,276	843,302	782,752
Trade and other receivables		18,134,635	27,623,733	25,230,100
Current portion of loans receivable		677,573	253,829	18,804
Amount due from shareholder		2	-	-
Designated bank balance	5,10	3,033,315	207,106,669	241,962,648
Held-to-maturity investments	5,10	233,563,159	342,592,247	100,455,241
Cash and bank balances		717,755,707	491,446,779	1,063,389,619
		<u>975,197,667</u>	<u>1,069,866,559</u>	<u>1,431,839,164</u>
<u>Current liabilities</u>				
Trade and other payables		42,910,135	50,437,328	67,321,996
Current portion of finance lease liabilities		409,192	47,221	-
Rental and other deposits		38,801,150	55,544,482	57,913,293
Income tax payable		459,102,338	109,718,527	104,976,276
		<u>541,222,815</u>	<u>215,747,558</u>	<u>230,211,565</u>
Net current assets		<u>433,974,852</u>	<u>854,119,001</u>	<u>1,201,627,599</u>
Total assets less current liabilities		<u>5,293,255,364</u>	<u>5,193,592,599</u>	<u>5,555,418,583</u>
<u>Equity</u>				
Share capital	7	2	2	2
Capital reserve	8	5,255,383,384	5,269,709,403	5,284,781,233
Accumulated losses	9	(526,641,857)	(637,567,418)	(287,620,622)
Total equity		<u>4,728,741,529</u>	<u>4,632,141,987</u>	<u>4,997,160,613</u>
<u>Non-current liabilities</u>				
Development maintenance fund	5	500,000,000	500,000,000	500,000,000
Facilities maintenance fund	10	50,000,000	50,000,000	50,000,000
Deferred income	11	14,466,614	11,450,612	8,257,970
Finance lease liabilities		47,221	-	-
		<u>564,513,835</u>	<u>561,450,612</u>	<u>558,257,970</u>
		<u>5,293,255,364</u>	<u>5,193,592,599</u>	<u>5,555,418,583</u>

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Revenue and other income

	2007 HK\$	2008 HK\$	2009 HK\$
<u>Revenue</u>			
Rental income	83,908,687	117,095,776	154,086,842
Building management income			
Management fee income	53,796,028	66,491,564	75,258,646
Car park fee income	5,530,213	6,915,113	7,998,543
Other facilities income	11,801,417	13,805,335	17,128,650
	71,127,658	87,212,012	100,385,839
Income from hotel operation	100,128,065	105,392,652	97,933,233
Information technology facilities income	2,137,393	2,316,384	2,368,846
Fees for usage of DMC and iResource Centre (IRC) equipment and services	4,141,893	5,486,746	4,032,652
Broadband service and installation fees	1,054,034	1,097,579	1,211,381
Other incidental income	270,148	232,371	875,404
	<u>262,767,878</u>	<u>318,833,520</u>	<u>360,894,197</u>
Project income	3,614,596,908	3,338,862,696	3,975,526,627
	<u>3,877,364,786</u>	<u>3,657,696,216</u>	<u>4,336,420,824</u>
<u>Other income</u>			
Amortisation of deferred income	25,818,216	26,623,236	17,774,190
Interest income from held-to-maturity investments, net of amortisation of premium	19,811,371	21,813,655	14,329,266
Interest income on bank deposits	17,913,423	30,350,609	6,236,927
Interest income on designated bank balance	150,676	1,777,973	4,535,024
Interest income on loans receivable	79,177	75,565	43,229
	<u>63,772,863</u>	<u>80,641,038</u>	<u>42,918,636</u>
	<u>3,941,137,649</u>	<u>3,738,337,254</u>	<u>4,379,339,460</u>

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. Other operating expenses

	2007 HK\$	2008 HK\$	2009 HK\$
Insurance			
- Hotel	591,051	192,992	398,582
- Others	2,747,654	2,793,447	2,329,778
	<u>3,338,705</u>	<u>2,986,439</u>	<u>2,728,360</u>
Professional fees	8,723,826	2,920,977	3,983,432
Marketing, promotion and project expenses	12,742,514	17,388,684	17,865,594
Travelling expenses	587,879	551,942	528,900
Transportation	480,000	480,000	480,000
Broadband service and installation expenses	669,310	682,805	829,610
Other hotel operation expenses	42,757,954	40,493,591	42,020,872
Other DMC, IRC & IncuTrain operating expenses	10,807,116	10,727,434	15,769,746
Other miscellaneous expenses	1,886,641	2,363,131	1,999,429
	<u>81,993,945</u>	<u>78,595,003</u>	<u>86,205,943</u>

3. Income tax expenses

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the year.

4. Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost to their residual values over their estimated useful lives. The principal annual rates in use are as follows:

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

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4. Property, plant and equipment (continued)

	Buildings HK\$	Building services and support facilities HK\$	Information technology facilities HK\$	DMC, IRC and IncuTrain equipment HK\$	Leasehold improvements HK\$	Furniture and equipment HK\$	Motor vehicles HK\$	Total HK\$
Cost								
At 1 April 2006	3,832,061,688	1,153,153,118	222,089,616	56,589,019	3,295,510	12,094,901	702,668	5,279,986,520
Handover from Developer	-	-	5,067,951	-	-	-	-	5,067,951
Additions	-	-	1,062,211	1,147,840	399,200	4,108,853	-	6,718,104
Disposals	-	-	(43,940)	-	-	-	-	(43,940)
Reclassification	-	-	1,185,477	122,218	-	(1,307,695)	-	-
At 31 March 2007	3,832,061,688	1,153,153,118	229,361,315	57,859,077	3,694,710	14,896,059	702,668	5,291,728,635
Handover from Developer	-	-	14,326,019	-	-	-	-	14,326,019
Additions	-	-	2,327,880	358,222	4,461,564	6,095,515	-	13,243,181
Disposals	-	(17,500)	(49,846)	-	-	(18,928)	-	(86,274)
At 31 March 2008	3,832,061,688	1,153,135,618	245,965,368	58,217,299	8,156,274	20,972,646	702,668	5,319,211,561
Handover from Developer	-	-	10,602,806	-	2,997,150	1,471,874	-	15,071,830
Additions	-	-	484,504	312,502	733,653	7,922,281	-	9,452,940
Disposals	-	-	-	-	-	(85,700)	-	(85,700)
At 31 March 2009	3,832,061,688	1,153,135,618	257,052,678	58,529,801	11,887,077	30,281,101	702,668	5,343,650,631
Accumulated depreciation								
At 1 April 2006	164,189,442	243,342,062	109,228,179	20,084,898	572,551	3,118,913	457,492	540,993,537
Charge for the year	83,098,299	115,315,312	45,172,098	13,423,022	1,011,007	2,368,800	140,533	260,529,071
Disposals	-	-	(21,238)	-	-	-	-	(21,238)
Reclassification	-	-	256,853	70,735	-	(327,588)	-	-
At 31 March 2007	247,287,741	358,657,374	154,635,892	33,578,655	1,583,558	5,160,125	598,025	801,501,370
Charge for the year	83,098,299	115,315,021	43,061,853	10,524,274	1,125,307	2,950,735	99,732	256,175,221
Disposals	-	(6,709)	(38,217)	-	-	(1,039)	-	(45,965)
At 31 March 2008	330,386,040	473,965,686	197,659,528	44,102,929	2,708,865	8,109,821	697,757	1,057,630,626
Charge for the year	83,098,299	115,313,562	24,140,507	9,503,060	1,174,974	3,487,772	4,911	236,723,085
Disposals	-	-	-	-	-	(13,652)	-	(13,652)
At 31 March 2009	413,484,339	589,279,248	221,800,035	53,605,989	3,883,839	11,583,941	702,668	1,294,340,059
Net book value								
At 31 March 2007	3,584,773,947	794,495,744	74,725,423	24,280,422	2,111,152	9,735,934	104,643	4,490,227,265
At 31 March 2008	3,501,675,648	679,169,932	48,305,840	14,114,370	5,447,409	12,862,825	4,911	4,261,580,935
At 31 March 2009	3,418,577,349	563,856,370	35,252,643	4,923,812	8,003,238	18,697,1605	-	4,049,310,572

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED

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5. It represents a fund received by the group in accordance with the terms of the Project Agreement for the purpose of financing the upkeep and maintenance of the Shared Cyberport Facilities. This 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 the price at which inventories can be sold or realised in the normal course of business after allowing for the costs of realisation.

7. Share capital

	2007 HK\$	2008 HK\$	2009 HK\$
Authorised:			
1,000 ordinary shares of HK\$1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
Issued and fully paid:			
2 ordinary shares of HK\$1 each	<u>2</u>	<u>2</u>	<u>2</u>

8. In accordance with the terms of the Project Agreement and the Sub-lease Agreement, Cyberport 1, Cyberport 2, Cyberport 3, Cyberport 4, the Arcade and the Hotel were handed over from the Developer at nil consideration, resulting in a capital reserve.

	2007 HK\$	2008 HK\$	2009 HK\$
At the beginning of the year	5,250,315,433	5,255,383,384	5,269,709,403
Handover of plant and equipment	<u>5,067,951</u>	<u>14,326,019</u>	<u>15,071,830</u>
At the end of the year	<u>5,255,383,384</u>	<u>5,269,709,403</u>	<u>5,284,781,233</u>

9. Accumulated losses carried forward

	2007 HK\$	2008 HK\$	2009 HK\$
Accumulated profits before depreciation	3,190,859,513	3,132,063,208	3,835,719,437
Accumulated depreciation	<u>(801,501,370)</u>	<u>(1,057,630,626)</u>	<u>(1,294,340,059)</u>
Accumulated profits after depreciation	2,389,358,143	2,074,432,582	2,541,379,378
Dividend	<u>(2,916,000,000)</u>	<u>(2,712,000,000)</u>	<u>(2,829,000,000)</u>
Accumulated losses carried forward	<u>(526,641,857)</u>	<u>(637,567,418)</u>	<u>(287,620,622)</u>

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10. It represents a reserve fund allocated from the Project fund for the purpose of maintenance and upgrading of the Cyberport Portion. This fund is deposited into designated bank accounts.

11. Deferred income

Government grants and sponsorships are recognized 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 property, plant and equipment 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 1 April 2006	30,554,860	10,327,666	40,882,526
Additions	13,278,311	12,626,039	25,904,350
At 31 March 2007	43,833,171	22,953,705	66,786,876
Additions	7,692,170	15,915,064	23,607,234
At 31 March 2008	51,525,341	38,868,769	90,394,110
Additions	11,354,775	3,259,910	14,614,685
Refund	(33,137)	-	(33,137)
At 31 March 2009	62,846,979	42,128,679	104,975,658
Accumulated amortisation			
At 1 April 2006	(16,709,181)	(9,792,865)	(26,502,046)
Credited to profit and loss account	(13,395,837)	(12,422,379)	(25,818,216)
At 31 March 2007	(30,105,018)	(22,215,244)	(52,320,262)
Credited to profit and loss account	(10,330,615)	(16,292,621)	(26,623,236)
At 31 March 2008	(40,435,633)	(38,507,865)	(78,943,498)
Credited to profit and loss account	(14,175,597)	(3,598,593)	(17,774,190)
At 31 March 2009	(54,611,230)	(42,106,458)	(96,717,688)
Carrying amount			
At 31 March 2007	13,728,153	738,461	14,466,614
At 31 March 2008	11,089,708	360,904	11,450,612
At 31 March 2009	8,235,749	22,221	8,257,970