

**For discussion  
on 14 March 2011**

## **Information Technology and Broadcasting Panel**

### **Report on the Cyberport Project**

We last reported the progress of the Cyberport Project to this Panel on 8 February 2010. This paper updates Members on the progress of the Cyberport Project, focusing on Cyberport's implementation of its public missions in response to Members' comments at the last meeting.

#### **Background of the Cyberport Project**

2. The Cyberport Project aims at supporting and promoting innovation and technology development in Hong Kong through the creation of a strategic cluster of ICT and related companies as well as a critical mass of professional talents. Cyberport is operated by the Hong Kong Cyberport Management Company Limited. Mr. Herman Lam Heung Yeung was appointed as the company's new Chief Executive Officer in March 2010 and Mr. Paul Chow Man Yiu was appointed as the new Chairman of the Board of Directors in June 2010.

3. To highlight its role in supporting the Government's Digital 21 Strategy, Cyberport adopted in June 2010 in its Memorandum of Association specific company objects to give the Board of Directors and the management explicit guidance in carrying out its public missions. The Board of Directors also held a Mission and Strategy Workshop in August 2010 to develop a three-year business programme for implementing Cyberport's public missions.

#### **Implementation of Cyberport's Public Missions**

4. Cyberport's latest progress in implementing its public missions is reported in paragraphs 5 to 21 below.

### ***Creating a Strategic Cluster of Quality ICT and ICT Related Companies***

5. At the last meeting, Members took the view that Cyberport should attract overseas companies and create local employment opportunities. As at the end of January 2011, 48% of Cyberport's commercial tenants have an overseas origin and 37% of these overseas companies established their first foothold in Hong Kong in Cyberport. As at January 2011, Cyberport's office tenants employed around 4 300 people.

6. More than 30 conferences and events relating to ICT have been organised in Cyberport since February 2010. These included major conferences, e.g. the 7th Digital Entertainment Leadership Forum, Web 3.0 Asia, and the recent mega-scale Asia Pacific Regional Internet Conference on Operational Technologies and Asia-Pacific Advanced Network 2011 (APRICOT-APAN 2011). These events were attended by more than 7 000 people, including renowned ICT experts, and have helped entrench Hong Kong's position as a hub for technological cooperation and trade.

7. Cyberport was also one of the organisers of the Hong Kong ICT Week@Expo 2010 Shanghai. Over 150 ICT and digital media industry leaders from Hong Kong joined the delegation led by Cyberport and participated in the four-day event along with over 100 participants from the Mainland and other countries. The event not only provided an effective platform for participants to understand the market trend and business environment for ICT and digital media industries in the region, but also strengthened Cyberport as a leading ICT hub in the region.

8. Cyberport's good relations with its Mainland and international counterparts have facilitated exchange and collaboration of ICT talents. Between February 2010 and January 2011, Cyberport received more than 1 000 delegates from 20 countries.

### ***Supporting Small and Medium ICT Enterprises (ICT SMEs)***

9. As at the end of January 2011, 27 out of Cyberport's 56 commercial office tenants were ICT SMEs. ICT SMEs have been an essential constituent in Cyberport's tenant portfolio.

10. In line with Members' expectation for Cyberport to provide more

support to ICT SMEs, Cyberport is committed to nurturing start-up ICT companies through its IncuTrain Centre. The Centre provides incubatees with technological knowledge, state-of-the-art infrastructure as well as business support and training services. It also provides local and international business network and business matching meetings to connect incubatees with potential investors.

11. Up to the end of January 2011, the IncuTrain Centre has admitted a total of 122 companies as incubatees with 57 of them currently still in incubation. The incubatees have won 65 local and international industry awards, and created 91 intellectual properties. Up to July 2010, the incubatees have hired 527 employees.

12. The IncuTrain Centre has been organising a monthly ICT SME networking event, Startup Connect, since April 2010. The Centre has also motivated incubatees to participate in trade shows and exhibitions to maximise the exposure of their products or services. For example, over 40 incubatees attended the Web 3.0 Asia conference in November 2010, where three of them were invited as panel speakers and 11 of them showcased their products or services.

13. Cyberport has also established a \$500,000 Cyberport Creative Micro Fund in 2009 to commend and reward the creative work of start-ups in the digital media industry. In the first pilot scheme of the Fund conducted in late 2009, five applicants were selected and each of them was awarded \$100,000 in support of their innovative projects related to digital entertainment, digital content and digital lifestyle. Cyberport launched the second pilot scheme of the Fund with the same amount in late 2010, and is still processing the applications. Cyberport plans to support a total of 45 projects with the Fund from 2011 to 2013.

### ***Providing State-of-the-Art Infrastructure***

14. Cyberport's Digital Cinema Exchange (DCX) pilot scheme launched in October 2009 has brought substantial benefits to the local film industry and has enabled the provision of enhanced enjoyment to the Hong Kong audience. In 2010, Cyberport successfully delivered live broadcast with real-time commentary services and transmission of 18 FIFA World Cup matches from South Africa to a local digital cinema via DCX streaming

technology and solution.

15. As at January 2011, a total of 13 local cinemas have been equipped with DCX network with the technical configuration and equipment integration in the digital cinemas provided by Cyberport. In January 2011, Cyberport arranged the real-time transmission of a live concert of a well-known Japanese pop group from Japan to three local digital cinemas via the DCX platform. Hong Kong was the only location outside Japan to be able to receive the live broadcast of the concert. The infrastructure of DCX network between Cyberport and local digital cinemas will provide more opportunities for bringing such alternative contents to Hong Kong cinemas.

16. In July 2010, Cyberport became the first CineGrid member in the Greater China Region. With this membership, Cyberport will be able to gain access to a digital media exchange prototype that allows transfer of data over some of the fastest global digital networks with bandwidths ranging from 1 to 10 Gbps. This will enable high quality live broadcast of concerts, operas, and theatre performances. In two events held in 2010, namely the Cyberport Speaker Series and Tokyo International Film Festival Content Market 2010 (TIFFCOM), Cyberport also demonstrated its readiness for live streaming of high-demand digital content up to the 4K standard through its reliable and high performance broadband network.

17. As Stereo 3D (“S3D”) content is gaining significance in various media like film, TV and mobile devices, Cyberport has been working with multinational electronic manufacturers and technology consultants to conduct testing on the latest S3D system and technology. The experience will be shared with 3D content producers like indie-film makers and amateurs in the second half of 2011. Cyberport is also conducting trials on Augmented Reality tools and game-based technology in the context of Web 3.0 to identify new business opportunities for the industry and the IncuTrain incubatees.

***Developing a Regional Centre of Excellence in IT and Digital Media Training and Spearheading the Development of the Digital Media Industry***

18. In 2010-11, Cyberport’s IT Internship Co-ordination and Facilitation Programme secured 30 intern placements of six to 12 months from 19 companies to provide local fresh graduates and tertiary students in the ICT and digital media related disciplines with on-the-job training opportunities.

19. Cyberport also continues to organise the IT Exchange Programme in collaboration with 40 universities and industry partners from 16 cities of 11 countries. In 2009-10, the Programme sent 91 local students from five local tertiary institutions to participate in short-term placements with overseas IT companies or join the IT programmes of overseas universities. Furthermore, Cyberport received over 3 000 students from more than 50 schools or local community organisations from February 2010 to January 2011, and also organised or supported seven programmes for young people to participate in IT-focused, digital media-themed competitions, contests, training and activities.

20. To cultivate advanced technological know-how among industry players, Cyberport organised 45 knowledge transfer sessions from February 2010 to January 2011, which attracted more than 2 000 local ICT practitioners. Cyberport also runs a Digital Cinema System Training Programme to help the local theatre industry get prepared for the transition from analog to digital systems. From May to November 2010, around 300 cinema operators and technical managers participated in a four-month training programme on the operation and system management of digital cinema.

### ***Promoting the Development of Services and Application for Wireless and Mobile Communications***

21. Cyberport promotes the development of wireless services via its support for the Hong Kong Wireless Development Centre (HKWDC) located at Cyberport. In 2010, HKWDC organised a training series on wireless solutions development and provided information on worldwide mobile data services to the industry. It also organised the Mobile Insights 2010 conference and related exhibitions in the International ICT Expo held in April 2010 to provide the opportunity for its members to showcase their innovations to local and overseas potential clients.

### **Regional Cooperation**

22. Cyberport and Shanghai Knowledge and Innovation Community signed a Memorandum of Understanding in September 2010 on a broad range

of areas from shared use of innovative content, cooperation in marketing to collaboration in exchange programmes and training. Reciprocal offices will be set up in each other's community to facilitate business and trade activities and enterprise cooperation in the first half of 2011. In May 2011, Cyberport will participate in the International Soft China 2011 conference and exhibition organised by the Ministry of Industry and Information Technology (MIIT) in Beijing.

## **Financial Performance**

23. The audited accounts of the Cyberport Companies<sup>1</sup> for the financial year ended 31 March 2010 (the 2009/10 Accounts) are shown at **Annex**. For the 2009/10 financial year, the operating revenue (excluding Project Income from the residential development) of the Cyberport Companies was \$353 million, compared with \$361 million in 2008/9 and \$319 million in 2007/08. The operating profit before depreciation, financial costs and tax and excluding Project Income from the residential development was \$86 million<sup>2</sup> in 2009/10, compared with \$96 million in 2008/09 and \$103 million in 2007/08.

24. The Project Income from the residential development was \$2.72 billion in 2009/10. Further Project Income is expected to be available until around 2011/12, the actual amount of which will depend on the sales performance of the residential units. As at January 2011, the Government has received a total of about \$16.65 billion in surplus proceeds. This exceeds the Government's capital contribution of \$7.93 billion to the Project in the form of land grant for the residential development and the associated essential infrastructure development.

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<sup>1</sup> 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.

<sup>2</sup> \$86 million is the difference obtained by subtracting "Project income" from "Operating profit before depreciation" in the Consolidated Profit and Loss Account in **Annex**. The numbers are \$85,962,328 for 2009/10, \$95,540,069 for 2008/09 and \$103,226,890 for 2007/08.

## **Office and Arcade Occupancy**

25. As at the end of January 2011, the occupancy rate of Cyberport's lettable office space was 80.7%, as compared with 87.5% at the end of January 2010. There were 63 tenants, comprising 56 commercial organisations, six not-for-profit organisations and one government department.

26. As at the end of January 2011, the occupancy rate of Cyberport's lettable retail space in the Arcade was 89.4%, as compared with 93.2% at the end of January 2010. Cyberport took note of Members' concern at the last meeting about the occupancy of the Arcade, and will continue to explore opportunities to diversify the use of the Arcade.

**Office of the Government Chief Information Officer  
Commerce and Economic Development Bureau  
March 2011**

Annex

## HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31ST MARCH 2010

	Note	2008 HK\$	2009 HK\$	2010 HK\$
Revenue	1	3,657,696,216	4,336,420,824	3,078,250,284
Other income	1	80,641,038	42,918,636	23,557,151
		<u>3,738,337,254</u>	<u>4,379,339,460</u>	<u>3,101,807,435</u>
Building management expenses		(120,178,463)	(125,238,374)	(120,548,433)
Staff costs		(68,148,369)	(66,326,567)	(62,492,820)
Information technology facilities maintenance fee		(20,307,705)	(20,925,815)	(22,002,836)
Government rent and rates		(9,018,128)	(9,576,065)	(9,675,694)
Other operating expenses	2	(78,595,003)	(86,205,943)	(76,289,559)
Operating expenses before depreciation		<u>(296,247,668)</u>	<u>(308,272,764)</u>	<u>(291,009,342)</u>
Operating profit before depreciation		3,442,089,586	4,071,066,696	2,810,798,093
Depreciation	4	(256,175,221)	(236,723,085)	(225,341,127)
Finance costs		(10,809)	(199)	-
Profit before income tax		<u>3,185,903,556</u>	<u>3,834,343,412</u>	<u>2,585,456,966</u>
Income tax expenses	3	(584,829,117)	(655,396,616)	(449,063,743)
Profit for the year		<u><u>2,601,074,439</u></u>	<u><u>3,178,946,796</u></u>	<u><u>2,136,393,223</u></u>



**HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED**

**CONSOLIDATED BALANCE SHEET  
AS AT 31ST MARCH 2010**

	Note	2008 HK\$	2009 HK\$	2010 HK\$
<b><u>Non-current assets</u></b>				
Property, plant & equipment	4	4,261,580,935	4,049,310,572	3,839,647,823
Loans receivable		18,841	-	-
Deferred rental receivable		17,478,546	16,764,569	15,183,259
Held-to-maturity investments	5,10	60,395,276	287,715,843	392,279,091
		<hr/>	<hr/>	<hr/>
		4,339,473,598	4,353,790,984	4,247,110,173
		<hr/>	<hr/>	<hr/>
<b><u>Current assets</u></b>				
Inventories, at cost	6	843,302	782,752	758,294
Trade and other receivables		27,623,733	25,230,100	21,844,834
Current portion of loans receivable		253,829	18,804	-
Designated bank balance	5,10	207,106,669	241,962,648	227,148,614
Held-to-maturity investments	5,10	342,592,247	100,455,241	23,142,279
Income tax recoverable		-	-	206,357,872
Cash and bank balances		491,446,779	1,063,389,619	308,561,301
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		1,069,866,559	1,431,839,164	787,813,194
		<hr/>	<hr/>	<hr/>
<b><u>Current liabilities</u></b>				
Trade and other payables		50,437,328	67,321,996	58,144,247
Current portion of finance lease liabilities		47,221	-	-
Rental and other deposits		55,544,482	57,913,293	57,361,795
Income tax payable		109,718,527	104,976,276	-
		<hr/>	<hr/>	<hr/>
		215,747,558	230,211,565	115,506,042
		<hr/>	<hr/>	<hr/>
<b>Net current assets</b>		854,119,001	1,201,627,599	672,307,152

**Total assets less current liabilities**

5,193,592,599	5,555,418,583	4,919,417,325
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**Equity**

Share capital	7	2	2	2
Capital reserve	8	5,269,709,403	5,284,781,233	5,286,767,502
Accumulated losses	9	(637,567,418)	(287,620,622)	(935,227,399)

**Total equity**

4,632,141,987	4,997,160,613	4,351,540,105
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**Non-current liabilities**

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	11,450,612	8,257,970	17,877,220

561,450,612	558,257,970	567,877,220
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5,193,592,599	5,555,418,583	4,919,417,325
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HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Revenue and other income

	2008 HK\$	2009 HK\$	2010 HK\$
<u>Revenue</u>			
Rental income	117,095,776	154,086,842	165,807,209
Building management income			
Management fee income	66,491,564	75,258,646	74,938,929
Car park fee income	6,915,113	7,998,543	7,149,016
Other facilities income	13,805,335	17,128,650	16,793,014
	87,212,012	100,385,839	98,880,959
Income from hotel operation	105,392,652	97,933,233	79,541,433
Information technology facilities income	2,316,384	2,368,846	3,001,667
Fees for usage of DMC equipment and services	5,486,746	4,032,652	3,727,309
Broadband service and installation fees	1,097,579	1,211,381	1,397,911
Other incidental income	232,371	875,404	1,058,031
	<u>318,833,520</u>	<u>360,894,197</u>	<u>353,414,519</u>
Project income	3,338,862,696	3,975,526,627	2,724,835,765
	<u>3,657,696,216</u>	<u>4,336,420,824</u>	<u>3,078,250,284</u>
<u>Other income</u>			
Amortisation of deferred income	26,623,236	17,774,190	12,409,764
Interest income from held-to-maturity investments, net of amortisation of premium	21,813,655	14,329,266	8,945,540
Interest income on bank deposits	30,350,609	6,236,927	734,537
Interest income on designated bank balance	1,777,973	4,535,024	1,463,925
Interest income on loans receivable	75,565	43,229	3,385
	<u>80,641,038</u>	<u>42,918,636</u>	<u>23,557,151</u>
	<u>3,738,337,254</u>	<u>4,379,339,460</u>	<u>3,101,807,435</u>

**HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

2. Other operating expenses

	2008 HK\$	2009 HK\$	2010 HK\$
Insurance			
- Hotel	192,992	398,582	418,113
- Others	2,793,447	2,329,778	2,374,031
	<u>2,986,439</u>	<u>2,728,360</u>	<u>2,792,144</u>
Professional fees	2,920,977	3,983,432	4,328,297
Marketing and corporate communication expenses	17,388,684	17,865,594	16,197,966
Travelling expenses	551,942	528,900	380,017
Transportation	480,000	480,000	480,000
Broadband service and installation expenses	682,805	829,610	939,215
Other hotel operation expenses	40,493,591	42,020,872	37,528,102
Other DMC & IncuTrain operating expenses	10,727,434	15,769,746	10,929,050
Other miscellaneous expenses	2,363,131	1,999,429	2,714,768
	<u>78,595,003</u>	<u>86,205,943</u>	<u>76,289,559</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	Building services and support facilities	Information technology facilities	DMC, IRC and IncuTrain equipment	Leasehold improvements	Furniture and equipment	Motor vehicles	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Cost</b>								
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
Handover from Developer	-	-	19,825	-	-	1,966,444	-	1,986,269
Additions	-	-	516,329	1,253,371	2,544,937	9,071,743	389,868	13,776,248
Disposals	-	(148,232)	(1,832,204)	(38,868)	-	(3,333)	-	(2,022,637)
At 31 March 2010	3,832,061,688	1,152,987,386	255,756,628	59,744,304	14,432,014	41,315,955	1,092,536	5,357,390,511
<b>Accumulated depreciation</b>								
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
Charge for the year	83,098,299	115,298,739	16,601,278	4,834,081	1,140,509	4,368,221	-	225,341,127
Disposals	-	(66,704)	(1,832,204)	(38,868)	-	(722)	-	(1,938,498)
At 31 March 2010	496,582,638	704,511,283	236,569,109	58,401,202	5,024,348	15,951,440	702,668	1,517,742,688
<b>Net book value</b>								
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	18,697,160	-	4,049,310,572
At 31 March 2010	3,335,479,050	448,476,103	19,187,519	1,343,102	9,407,666	25,364,515	389,868	3,839,647,823

## HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

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

	2008 HK\$	2009 HK\$	2010 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, resulting in a capital reserve.

	2008 HK\$	2009 HK\$	2010 HK\$
At the beginning of the year	5,255,383,384	5,269,709,403	5,284,781,233
Handover of plant and equipment	<u>14,326,019</u>	<u>15,071,830</u>	<u>1,986,269</u>
At the end of the year	<u>5,269,709,403</u>	<u>5,284,781,233</u>	<u>5,286,767,502</u>

9. Accumulated losses carried forward

	2008 HK\$	2009 HK\$	2010 HK\$
Accumulated profits before depreciation	3,132,063,208	3,835,719,437	3,366,515,289
Accumulated depreciation	<u>(1,057,630,626)</u>	<u>(1,294,340,059)</u>	<u>(1,517,742,688)</u>
Accumulated profits after depreciation	2,074,432,582	2,541,379,378	1,848,772,601
Dividend	<u>(2,712,000,000)</u>	<u>(2,829,000,000)</u>	<u>(2,784,000,000)</u>
Accumulated losses carried forward	<u>(637,567,418)</u>	<u>(287,620,622)</u>	<u>(935,227,399)</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	Sponsorship	Total
	HK\$	HK\$	HK\$
<b>Cost</b>			
At 31 March 2007	43,833,171	22,953,705	66,786,876
Additions	7,692,170	15,915,064	23,607,234
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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)
	<hr/>	<hr/>	<hr/>
At 31 March 2009	62,846,979	42,128,679	104,975,658
Additions	19,023,533	3,305,195	22,328,728
Written-off of projects completed	(28,026,060)	(41,546,089)	(69,572,149)
Refund	(299,714)	-	(299,714)
	<hr/>	<hr/>	<hr/>
At 31 March 2010	53,544,738	3,887,785	57,432,523
	<hr/>	<hr/>	<hr/>
<b>Accumulated amortisation</b>			
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)
	<hr/>	<hr/>	<hr/>
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)
	<hr/>	<hr/>	<hr/>
At 31 March 2009	(54,611,230)	(42,106,458)	(96,717,688)
Credited to profit and loss account	(9,574,829)	(2,834,935)	(12,409,764)
Written-off of projects completed	28,026,060	41,546,089	69,572,149
	<hr/>	<hr/>	<hr/>
At 31 March 2010	(36,159,999)	(3,395,304)	(39,555,303)
	<hr/>	<hr/>	<hr/>
<b>Carrying amount</b>			

At 31 March 2008	11,089,708	360,904	11,450,612
	=====	=====	=====
At 31 March 2009	8,235,749	22,221	8,257,970
	=====	=====	=====
At 31 March 2010	17,384,739	492,481	17,877,220
	=====	=====	=====

## 12. Litigation

As mentioned in note 5 to the financial statements, a development maintenance fund was established for the purpose of financing the upkeep and maintenance of the Shared Cyberport Facilities pursuant to the Project Agreement. In accordance with the terms of the Project Agreement, the Group calculated the Development Maintenance Amount (the "DMA") for Final Assessment to be HK\$1,693,068,297. On 24th December 2009, the Group accordingly notified the security trustee and the Developer, Cyber-Port Limited, of such sum. The Developer disputes the Final Assessment. Legal proceedings are now in progress.

As the litigation is currently at an early stage, it is not possible to assess the litigation outcome or the timing required to reach such an outcome. If the Group's view of the Final Assessment is upheld in full, then a further amount of HK\$1,193,068,297 will be transferred to the Group. On the other hand, if the Developer's estimate of the Final Assessment is upheld in full, this would result in approximately HK\$300 million being returned from the Group to the Project Account.