

For discussion
on 27 March 2013

**Legislative Council Panel
on Information Technology and Broadcasting**

Report on the Cyberport Project

This paper updates Members on progress of the Cyberport Project, highlighting major public mission activities delivered by Cyberport in the past year.

Cyberport's Public Missions

2. Cyberport's mission is to support and promote innovation and technology development in Hong Kong through the creation of a strategic cluster of information and communications technology (ICT) and related companies as well as attracting a critical mass of professional talents. It also supports the Digital 21 Strategy, which is the Government's ICT blueprint. Through the provision of state-of-the-art infrastructure, supporting facilities and favourable campus environment, Cyberport delivers its public missions through its five inter-dependent centres, namely the Entrepreneurship Centre, the Technology Centre, the Collaboration Centre, the Knowledge Centre and the Campus Development Centre.

Nurturing Local ICT Talents

Incubation Programme and Cyberport Creative Micro Fund Scheme

3. A major breeding ground for local ICT talents, Cyberport aims to nurture and strengthen local ICT start-ups. Cyberport carries out this objective mainly through the Incubation Programme and the Cyberport Creative Micro Fund (CCMF) Scheme.

Incubation Programme

4. The Incubation Programme provides financial, technical and business advisory supports to ICT start-ups to help them turn creative ideas into business undertakings or commercial products. Since 2005, the Incubation Programme has admitted 189 ICT start-ups, of which 95 are on-site incubatees each receiving support amounting to \$530,000, including free office accommodation for two years, access to advanced ICT facilities and resources, business support as well as mentorship and training in entrepreneurship and technology. The 94 off-site incubatees are each given support of about \$330,000, which covers similar offers except office rental. These incubatees have created 967 job opportunities, won 106 industry awards, and created 103 intellectual properties. As of February 2013, Cyberport incubatees have attracted over \$55 million investment funding. Among these, a 3D multi-player virtual learning environment created by one ex-incubatee has attracted more than \$19 million angel funding in the last two years.

5. Some of Cyberport's incubatees have made remarkable achievements. For instance, a mobile application (app) for basketball coaching developed by one of the incubatees has ranked number one paid sports app across the iOS, Macintosh and Android platforms in December 2012 and January 2013 in the app stores of United States and Canada. It is used by one of the National Basketball Association (NBA) teams in their training and games. In March 2013, the app won the Gold Award of the Creative Lifestyle category in the Asia Smartphone Apps Contest. Moreover, in November 2012, two ex-incubatees won the world-renowned Red Herring Global Top 100 Award. In the Hong Kong ICT Awards 2012, Cyberport incubatees and CCMF grantees obtained a total of 11 awards with their outstanding products and solutions, including Best Ubiquitous Networking (Mobile Publishing) Gold Award, three Silver Awards, three Bronze Awards, two Certificates of Merits and two Certificates of Special Mention.

6. Cyberport also attracts Mainland and overseas start-ups to join the Network Incubation Programme in order to encourage non-local ICT start-ups to come to Cyberport and extend their business in the region through Hong Kong. As at February 2013, 30 start-ups from China, the

United States, Luxembourg and Sweden have joined the Network Incubation Programme.

CCMF

7. CCMF provides seed funding of \$100,000 each for companies to develop innovative ICT-related prototypes in a six-month project period. Up to February 2013, CCMF has granted a total of \$5.3 million to 53 projects which demonstrate potential for development.

8. In order to enable local tertiary students to acquire Mainland experience and to encourage cross-fertilisation of innovative ideas, Cyberport has extended the CCMF to Shenzhen and Guangdong in May 2011 and October 2012 respectively. Under the Scheme, Hong Kong participants in these programmes form a joint team with participants from Shenzhen or Guangdong to submit a joint CCMF proposal. About 350 participants from both Hong Kong and Mainland joined the programmes, and 58 joint teams were formed.

Training

9. To cultivate advanced technological know-how among industry players to enable them to stay at the forefront of technology's evolution, Cyberport organised or sponsored over 80 ICT-related events, knowledge transfer and training sessions from February 2012 to February 2013, attracting over 14 000 industry practitioners and local ICT talents. These events included world-class conferences, seminars and professional training sessions for exchange of experience and ideas. There were also soft skills training and mentoring in order to equip ICT start-ups with the requisite business techniques.

10. Cyberport also provided a series of thematic training in the past year to help local ICT practitioners to catch up with the fast-changing technologies. Among them was the Creative Technologies Workshop, which was co-organised with the Wellington Institute of Technology of New Zealand in December 2012. It provided training to 34 participants on prototyping concepts with 3D technology that could be applied to social networking, mobile applications and gaming concept. Moreover, in

collaboration with the Hong Kong Wireless Development Centre (HKWDC), Cyberport has organised training courses for more than 100 industry practitioners on mobile programming (e.g. iOS4, iOS5, Android 4.0 application development and HTML5 programming) to enhance their technical skills.

11. To better equip graduates of IT and healthcare-related disciplines with practical working experience and provide them with valuable networking opportunities with the professionals and community at large, Cyberport launched the eHealth Record (eHR) Internship Pilot Programme in May 2012 with funding support from the Hospital Authority. As a pilot programme, 10 placements in six organisations were offered to fresh graduates from local universities to work on electronic medical record projects / electronic patient record systems or take part in eHR-related activities to enhance health informatics capacity in Hong Kong.

12. Cyberport launched the second Hong Kong-Shanghai ICT Internship Programme 2012 in June 2012, with a view to providing university students of Hong Kong with practical working experience in multi-national ICT corporations in Shanghai. A total of 20 intern placements were secured.

13. Cyberport's efforts to nurture ICT talents have extended beyond the Cyberport community through Cyberport's school outreach programme. Cyberport organised over 130 youth activities and programmes covering competitions, career talks, professional talks, campus and company visits, to arouse students' interest in pursuing a career in the ICT sector. Cyberport's contribution has been recognised by the Young Entrepreneurs Development Council in July 2012, who awarded the "Best Performance of School-Company Partnership 2011-12" and "Great Entrepreneurs Spirit" recognitions to Cyberport.

Driving Collaboration with the Mainland and Overseas Counterparts

Collaboration with the Mainland

14. Throughout the years, Cyberport has established a solid and extensive network to enhance technological cooperation and exchange with counterparts in the Mainland and overseas. To reinforce Cyberport's pioneering role in building a collaborative platform between ICT entrepreneurs in Hong Kong and Guangdong, Cyberport signed a Letter of Intent with Guangdong Software Industry Association (the Association) at the 15th Plenary Meeting of the Hong Kong / Guangdong Co-operation Joint Conference in September 2012. In addition to launching the first CCMF Scheme with Guangdong as mentioned in paragraph 8 above, Cyberport will set up reciprocal offices with the Association in the near future, and to share international business network and funding resources. Both sides will co-organise events and activities to foster talent development and exchange.

15. In early June 2012, Cyberport led a 34-person delegation to participate in the 16th International Soft China in Beijing to enhance the exposure of Hong Kong ICT Small and Medium Enterprises (SMEs) and explore collaborative opportunities in the Mainland. Throughout the three-day expo, 2 500 participants visited the Hong Kong Pavilion and many expressed interest in seeking further collaboration with Cyberport. 410 participants joined the sharing sessions for exhibitors' brand building and product demonstration, and finally 772 business contacts were received with 129 business leads created for follow-up.

Overseas Collaboration

16. Cyberport has continued to look for international collaboration opportunities and promote Hong Kong's ICT achievements overseas. In October 2012, Cyberport led a 46-person ICT delegation (comprising incubatees and alumni, as well as tenants and business partners) to Silicon Valley to foster in-depth technical exchange and explore collaboration opportunities with over 400 counterparts in the US, resulting in the generation of eight solid prospects and 67 business contacts.

17. In May 2012, Cyberport led 13 Hong Kong ICT professionals to join the “Think Global, Think Hong Kong” delegation co-organised with Hong Kong Trade Development Council to Tokyo and Osaka in Japan to explore potential business and partnership opportunities. Cyberport hosted a seminar with 249 participants, arranged 16 business matching sessions and set up a kiosk for promotion to over 1 600 participants. During the event, a local game development company successfully engaged a major leader of the Japanese music industry to jointly develop a cross-over game product. Eventually, the product was launched in Japan in September 2012 with Chinese, English and Japanese versions.

Promoting New Technologies

18. Cyberport continues to champion state-of-the-art technologies and cutting-edge industry tools to Hong Kong. These technologies are fundamental to developing a technology-oriented local industry with global outlook and network.

Cloud Computing

19. In July 2011, Cyberport began development of the Cyberport Cloud Computing Platform (the Platform) with a view to offering ICT businesses a simulation environment and up-to-date information on cloud technology. As of February 2013, 24 companies have tried the Platform for use on projects ranging from music recognition software, educational games, interactive video conferencing portals to equipment optimisation. The Platform offers the incubatees, tenants and ICT practitioners the opportunity to experience the scalable and flexible computing resources upon their actual requirements. More importantly, the Platform enables them to implement a cost-effective IT infrastructure plan at low costs and accelerate application / product development.

Mobility Experience Centre

20. Cyberport continues to promote wireless services development in partnership with HKWDC. HKWDC will launch a Mobility Experience Centre (MEC) at Cyberport in April 2013 to provide an interactive platform

for exchange of new technology concepts and mobile experience in Hong Kong. The MEC will enable SMEs to acquire hands-on experience and obtain practical advice on utilising smart phone and mobile technology to enhance their working environment, and generate business opportunities to local app developers by allowing them to showcase their products and services.

Digital Cinema Exchange and 4K Live Streaming Technology

21. During the year, Cyberport has pursued the expansion of the Digital Cinema Exchange (DCX) network and service (e.g. 2D-3D real time conversion), which brings the latest technology of digital cinema to the local film industry, creating opportunities for cinema operators and enhancing viewing experience of audiences. As at February 2013, 118 digital screens, which represent 63% of 186 digital screens in Hong Kong, are connected to the DCX network.

22. Since last year, Cyberport has started to provide the 4K live streaming technology to the local film industry. This latest technology offers four times the resolution of high-definition television and is capable of delivering a wide range of content, including 3D content, to large theatres in real time. As of February 2013, 16 cinemas had made use of the technology to broadcast live 3D international soccer matches.

Corporate Governance

23. Cyberport is operated by the Hong Kong Cyberport Management Company Limited (HKCMCL) under the steer of an independent Board of Directors appointed by the Government. HKCMCL set up in 2011 four committees/panel, namely the Audit Committee, the Remuneration Committee, the Entrepreneurship Centre Committee and the Performance Review Panel under the Board to advise the Board on various issues of management and governance. HKCMCL has also reviewed its internal policies and procedures to ensure HKCMCL's adherence to the highest standards of probity following its designation as a public body under the Prevention of Bribery Ordinance in May 2012. To further enhance transparency and accountability, HKCMCL published its first Annual

Report (http://www.cyberport.hk/en/about_cyberport/annual_report) in November 2012.

Cyberport's Occupancy and Financial Performance

24. Cyberport has maintained a healthy occupancy rate. As at the end of February 2013, the occupancy rate of Cyberport's lettable office space was 84.3%, as compared with 85.9% at the end of February 2012. There were 128 tenants, comprising 93 commercial organisations, six non-profit organisations, one government department and 28 on-site incubatees. Over the years, Cyberport has attracted many well-known international companies to establish their business. As at the end of February 2013, 46.2% of Cyberport's 93 commercial tenants have non-local origins, with 60.5% of them establishing their first foothold in Hong Kong in Cyberport. 67.7% of the commercial tenants are SMEs. As at February 2013, Cyberport's office tenants employed a total of around 5 100 people.

25. As at the end of February 2013, the occupancy rate of Cyberport's retail space in the Arcade stood at 93.8%, as compared with 92.1% at the end of February 2012.

26. The audited accounts of the Cyberport Companies for the financial year ended 31 March 2012 (the 2011-12 Accounts) are shown at the **Annex**. For the 2011-12 financial year, the operating revenue (excluding Project Income from the residential development) of the Cyberport Companies¹ was \$388 million, compared with \$361 million in 2010-11 and \$353 million in 2009-10. The operating profit before depreciation and tax and excluding Project Income from the residential development was \$72 million² in 2011-12, compared with \$76 million in 2010-11 and

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 The "operating profit before depreciation and tax and excluding Project Income" does not include non-cash depreciation of fixed assets which are mainly Cyberport buildings and facilities. The operating profit shows a surplus and therefore has no adverse implication on the operation of HKCMCL or investment in public mission activities.

\$86 million in 2009-10. Cyberport's contribution to public mission activities in 2011-12 was \$34 million, compared with \$23.9 million in 2010-11 and \$21.1 million in 2009-10.

27. The Project Income from the residential development was \$1,809 million in 2011-12. As at February 2013, the Government has received a total of about \$18.95 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.

Project Completion

28. The Cyberport Project is now entering the final stage. In accordance with the Project Agreement, the Cyberport companies are working closely with Cyber-Port Limited (the Developer of the Cyberport Project) and PCCW Limited (formerly known as Pacific Century CyberWorks Limited) (the Developer's parent company) to resolve any outstanding issues before project termination. After completion of the Cyberport Project, HKCMCL will continue to carry out Cyberport's public missions.

**Office of the Government Chief Information Officer
Commerce and Economic Development Bureau
March 2013**

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2012**

	Note	2010 HK\$	2011 HK\$	2012 HK\$
Revenue	1	3,078,250,284	656,786,182	2,197,211,007
Other income	1	23,557,151	34,086,543	24,748,021
		<u>3,101,807,435</u>	<u>690,872,725</u>	<u>2,221,959,028</u>
Building management expenses		(120,548,433)	(120,961,590)	(121,889,427)
Staff costs		(62,492,820)	(74,449,226)	(86,907,181)
Information technology facilities maintenance fee		(22,002,836)	(22,314,130)	(23,014,667)
Government rent and rates		(9,675,694)	(11,082,781)	(10,779,479)
Other operating expenses	2	(76,289,559)	(89,583,039)	(97,669,610)
Operating expenses before depreciation		<u>(291,009,342)</u>	<u>(318,390,766)</u>	<u>(340,260,364)</u>
Operating profit before depreciation		2,810,798,093	372,481,959	1,881,698,664
Depreciation	4	(225,341,127)	(213,309,459)	(213,617,886)
Profit before income tax		<u>2,585,456,966</u>	<u>159,172,500</u>	<u>1,668,080,778</u>
Income tax expense	3	(449,063,743)	(48,344,759)	(297,973,713)
Profit for the year		<u>2,136,393,223</u>	<u>110,827,741</u>	<u>1,370,107,065</u>
Other comprehensive income		<u>1,986,269</u>	<u>-</u>	<u>-</u>
Profit and other comprehensive income for the year		<u>2,138,379,492</u>	<u>110,827,741</u>	<u>1,370,107,065</u>
Dividends		<u>2,784,000,000</u>	<u>247,000,000</u>	<u>1,500,000,000</u>

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED**CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH 2012**

	Note	2010 HK\$	2011 HK\$	2012 HK\$
<u>Non-current assets</u>				
Property, plant & equipment	4	3,839,647,823	3,639,724,545	3,451,254,538
Deferred rental receivable		15,183,259	13,352,423	6,250,265
Held-to-maturity investments	5,10	392,279,091	202,904,631	275,283,521
		<u>4,247,110,173</u>	<u>3,855,981,599</u>	<u>3,732,788,324</u>
<u>Current assets</u>				
Inventories, at cost	6	758,294	677,916	533,768
Trade and other receivables		21,844,834	23,670,745	26,683,937
Held-to-maturity investments	5,10	23,142,279	305,208,290	179,713,926
Income tax recoverable		206,357,872	158,013,113	-
Designated bank balance	5,10	227,148,614	142,948,186	-
Cash and bank balances		308,561,301	398,697,865	1,028,417,746
		<u>787,813,194</u>	<u>1,029,216,115</u>	<u>1,235,349,377</u>
<u>Current liabilities</u>				
Trade and other payables		58,144,247	54,057,597	67,770,455
Rental and other deposits		57,361,795	54,075,187	57,501,078
Tax payable		-	-	249,628,956
		<u>115,506,042</u>	<u>108,132,784</u>	<u>374,900,489</u>
Net current assets		<u>672,307,152</u>	<u>921,083,331</u>	<u>860,448,888</u>
Total assets less current liabilities		<u>4,919,417,325</u>	<u>4,777,064,930</u>	<u>4,593,237,212</u>
<u>Equity</u>				
Share capital	7	2	2	2
Capital reserve	8	5,286,767,502	5,286,767,502	5,286,767,502
Accumulated losses	9	(935,227,399)	(1,071,399,658)	(1,201,292,593)
Total equity		<u>4,351,540,105</u>	<u>4,215,367,846</u>	<u>4,085,474,911</u>
<u>Non-current liabilities</u>				
Development maintenance fund	5	500,000,000	500,000,000	451,000,000
Facilities maintenance fund	10	50,000,000	50,000,000	50,000,000
Deferred income	11	17,877,220	11,697,084	6,762,301
		<u>567,877,220</u>	<u>561,697,084</u>	<u>507,762,301</u>
		<u>4,919,417,325</u>	<u>4,777,064,930</u>	<u>4,593,237,212</u>

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

1. Revenue and other income

	2010 HK\$	2011 HK\$	2012 HK\$
<u>Revenue</u>			
Rental income	165,807,209	155,484,271	156,642,796
Building management income			
Management fee income	74,938,929	71,759,487	75,214,861
Car park fee income	7,149,016	6,688,058	7,770,475
Other facilities income	16,793,014	15,596,423	17,275,603
Income from hotel operation	98,880,959	94,043,968	100,260,939
Information technology facilities income	79,541,433	100,715,161	120,429,597
Fees for usage of Technology Centre equipment and services	3,001,667	3,242,756	3,709,063
Broadband service and installation fees	3,727,309	4,395,457	3,272,332
Other incidental income	1,397,911	1,377,974	1,655,932
	1,058,031	1,316,429	2,036,019
	<u>353,414,519</u>	<u>360,576,016</u>	<u>388,006,678</u>
Project income	2,724,835,765	296,210,166	1,809,204,329
	<u>3,078,250,284</u>	<u>656,786,182</u>	<u>2,197,211,007</u>
<u>Other income</u>			
Amortisation of deferred income	12,409,764	15,751,331	13,366,749
Hotel's Gross Operating Profit performance guarantee income	-	8,000,000	-
Interest income from held-to-maturity investments, net of amortisation of premium	8,945,540	8,467,957	7,266,212
Interest income on bank deposits	734,537	786,410	2,423,785
Interest income on designated bank balance	1,463,925	1,007,228	1,691,275
Interest income on loans receivable	3,385	-	-
Gain on disposal of property, plant and equipment, net	-	73,617	-
	<u>23,557,151</u>	<u>34,086,543</u>	<u>24,748,021</u>
	<u>3,101,807,435</u>	<u>690,872,725</u>	<u>2,221,959,028</u>

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. Other operating expenses

	2010 HK\$	2011 HK\$	2012 HK\$
Insurance			
- Hotel	418,113	298,255	216,800
- Others	2,374,031	1,935,718	1,763,156
	<hr/>	<hr/>	<hr/>
Professional fees	2,792,144	2,233,973	1,979,956
Marketing and corporate communication expenses	4,328,297	10,366,133	7,851,073
Travelling expenses	16,197,966	17,363,550	13,369,767
Transportation	380,017	520,925	734,164
Broadband service and installation expenses	480,000	480,000	480,000
Other hotel operation expenses	939,215	999,336	1,113,919
Other operating expenses on Operating Centres	37,528,102	42,074,793	48,687,619
Other miscellaneous expenses	10,929,050	13,614,838	21,512,299
	2,714,768	1,929,491	1,940,813
	<hr/>	<hr/>	<hr/>
	76,289,559	89,583,039	97,669,610
	<hr/>	<hr/>	<hr/>

3. Income tax expense

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 their 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%
Operating Centres 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	Centres equipment	Leasehold improvements	Furniture and equipment	Motor vehicles	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Cost								
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
Handover from Developer	-	-	-	-	-	-	-	-
Additions	-	-	465,210	191,100	4,785,676	7,984,168	-	13,426,154
Disposals	-	(15,888)	(762,378)	-	-	(205,466)	(294,654)	(1,278,386)
At 31 March 2011	3,832,061,688	1,152,971,498	255,459,460	59,935,404	19,217,690	49,094,657	797,882	5,369,538,279
Handover from Developer	-	-	-	-	-	-	-	-
Additions	-	-	3,860,227	950,850	4,642,949	15,473,716	220,137	25,147,879
Disposals	-	-	(104,174)	-	-	-	-	(104,174)
At 31 March 2012	3,832,061,688	1,152,971,498	259,215,513	60,886,254	23,860,639	64,568,373	1,018,019	5,394,581,984
Accumulated depreciation								
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
Charge for the year	83,098,299	115,297,282	7,980,755	602,779	1,358,992	4,899,876	71,476	213,309,459
Disposals	-	(9,665)	(762,378)	-	-	(171,716)	(294,654)	(1,238,413)
At 31 March 2011	579,680,937	819,798,900	243,787,486	59,003,981	6,383,340	20,679,600	479,490	1,729,813,734
Charge for the year	83,098,299	115,297,150	5,885,560	818,915	2,016,834	6,401,141	99,987	213,617,886
Disposals	-	-	(104,174)	-	-	-	-	(104,174)
At 31 March 2012	662,779,236	935,096,050	249,568,872	59,822,896	8,400,174	27,080,741	579,477	1,943,327,446
Net book value								
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
At 31 March 2011	3,252,380,751	333,172,598	11,671,974	931,423	12,834,350	28,415,057	318,392	3,639,724,545
At 31 March 2012	3,169,282,452	217,875,448	9,646,641	1,063,358	15,460,465	37,487,632	438,542	3,451,254,538

5. Development maintenance fund 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. Such fund was subject to final assessment. On 1 August 2011, the final assessment was agreed to be HK\$451 million.

6. Inventories comprising food, beverage and operating supplies, are stated at the lower of cost and net realisable value. Costs are calculated using weighted average costing method. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

7. Share capital

	2010 HK\$	2011 HK\$	2012 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, property, plant and equipment were handed over to the Group, resulting in a capital reserve.

	2010 HK\$	2011 HK\$	2012 HK\$
At the beginning of the year	5,284,781,233	5,286,767,502	5,286,767,502
Handover of plant and equipment	1,986,269	-	-
At the end of the year	<u>5,286,767,502</u>	<u>5,286,767,502</u>	<u>5,286,767,502</u>

9. Accumulated losses carried forward

	2010 HK\$	2011 HK\$	2012 HK\$
Accumulated losses at the beginning of the year	(287,620,622)	(935,227,399)	(1,071,399,658)
Profit for the year	2,136,393,223	110,827,741	1,370,107,065
Dividends	(2,784,000,000)	(247,000,000)	(1,500,000,000)
Accumulated losses at the end of the year	<u>(935,227,399)</u>	<u>(1,071,399,658)</u>	<u>(1,201,292,593)</u>

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.

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

11. Deferred income

A government grant or sponsorship is recognized at fair value 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 statement of comprehensive income 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 credited to the statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

	Government Grant HK\$	Sponsorship HK\$	Total HK\$
<u>Cost</u>			
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
Additions	8,844,012	3,445,751	12,289,763
Written-off of projects completed	(5,400,832)	(2,709,852)	(8,110,684)
Refund	(2,718,568)	-	(2,718,568)
	<hr/>	<hr/>	<hr/>
At 31 March 2011	54,269,350	4,623,684	58,893,034
Additions	8,769,858	-	8,769,858
Written-off of projects completed	(1,836,509)	(3,254,652)	(5,091,161)
Refund	(337,892)	-	(337,892)
	<hr/>	<hr/>	<hr/>
At 31 March 2012	60,864,807	1,369,032	62,233,839
	<hr/>	<hr/>	<hr/>
<u>Accumulated amortisation</u>			
At 31 March 2009	(54,611,230)	(42,106,458)	(96,717,688)
Credited to statement of comprehensive income	(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)
Credited to statement of comprehensive income	(12,287,615)	(3,463,716)	(15,751,331)
Written-off of projects completed	5,400,832	2,709,852	8,110,684
	<hr/>	<hr/>	<hr/>
At 31 March 2011	(43,046,782)	(4,149,168)	(47,195,950)
Credited to statement of comprehensive income	(13,116,232)	(250,517)	(13,366,749)
Written-off of projects completed	1,836,509	3,254,652	5,091,161
	<hr/>	<hr/>	<hr/>
At 31 March 2012	(54,326,505)	(1,145,033)	(55,471,538)
	<hr/>	<hr/>	<hr/>
<u>Carrying amount</u>			
At 31 March 2010	17,384,739	492,481	17,877,220
	<hr/>	<hr/>	<hr/>
At 31 March 2011	11,222,568	474,516	11,697,084
	<hr/>	<hr/>	<hr/>
At 31 March 2012	6,538,302	223,999	6,762,301
	<hr/>	<hr/>	<hr/>