

For discussion
on 10 March 2014

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

Report on the Cyberport Project

This paper updates Members on the 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 information and communications technology (ICT) in Hong Kong through the creation of a cluster of ICT companies and professionals as well as implementation of programmes to foster industry development and nurture ICT startups.

3. In the past three financial years (2011-12 to 2013-14), Cyberport disbursed more than \$100 million to its public mission programmes. These programmes are well-received among the ICT community and have been instrumental in supporting a number of ICT startups. In the next three years (2014-15 to 2016-17), Cyberport will set aside \$200 million for public mission programmes, a 100% increase over the past three years. The following paragraphs report the progress of its major public mission programmes.

Supporting ICT Startups

Cyberport Creative Micro Fund (CCMF)

4. Under the CCMF programme, Cyberport provides \$100,000 as seed funding for each selected project to turn innovative ideas into prototypes. Since its inception in 2009 up to January 2014, CCMF has granted a total of

\$10.8 million to 108 projects. To enable local tertiary students to acquire Mainland experience and encourage cross-fertilisation of innovative ideas, CCMF was granted to Hong Kong-Shenzhen and Hong Kong-Guangdong collaboration projects since 2011 and 2012 respectively. More than 1 000 participants from both Hong Kong and Mainland in 130 teams have submitted proposals, of which 49 proposals were selected for CCMF.

Cyberport Incubation Programme

5. The Cyberport Incubation Programme provides comprehensive financial, technical and business advisory supports to ICT startups to help them turn their creative ideas into business undertakings or commercial products. About 30 on-site and off-site incubatees are admitted every year. On-site incubatees are given rent-free accommodation in Cyberport for 24 months, and both on-site and off-site incubatees enjoy free use of shared meeting rooms and demonstration areas in Cyberport. They are also given financial assistance of up to \$330,000 to cover expenses for marketing and promotion, professional services, training, hiring of interns and use of technology services provided by Cyberport during the incubation period.

6. Since its inception in 2005, the Cyberport Incubation Programme has admitted 219 ICT startups, of which 100 are on-site and 119 are off-site. About 71% of them have survived for 1.5 years after graduation, and 58% have survived for 3 years after graduation. These incubatees have created 1 348 job opportunities, won 133 industry awards, and created 111 intellectual properties. As of January 2014, Cyberport incubatees have attracted over \$90 million investment funding. Some of them have won awards in renowned local and international ICT competitions (e.g. Hong Kong ICT Awards, Asia-Pacific ICT Awards, etc) or pitching contests. As a recent example, a mobile application, which helps users to self-motivate to achieve their own goals, was selected as the “Best Choice of Home Page” from the App Store home page promotion in the world in August 2013.

7. In 2013, Cyberport organised a series of thematic workshops and training to equip startups with necessary business techniques, hone their skills for pitching to angel investors and help them catch up with the fast-changing technologies. Since July 2013, Cyberport has organised over six “Startup Clinic” sessions in which professional consultants were invited to provide free

one-to-one business advice to startup companies. Some incubatees have successfully attracted angel investment after the training, with one attracting a funding of US\$750,000 from an investor from the United States.

Optimising Cyberport's Spaces for Startups

8. Having regard to the scale of operation and small space demand of ICT startups, Cyberport provides Smart-Space to enable companies to rent ready-built office units on a monthly basis for up to 12 months at an all-inclusive fixed price. This service is especially convenient and useful for startups seeking to launch their business with a smaller office space at first and then scale up as they grow. Since the opening of Smart-Space 1 with capacity to serve 31 companies in 2009, there has been overwhelming demand. Three sets of Smart-Spaces were opened successively in June 2013, October 2013 and January 2014. Altogether, these have generated a capacity to accommodate 159 companies. Cyberport will continue to make available more Smart-Spaces.

9. Cyberport launched Connect-Space in December 2012 to provide a shared working area with 22 work stations for use by startups and entrepreneurs without charge. This common space aims to facilitate interaction among users to enable them to explore collaboration opportunities. 24 networking events were held from January 2013 to January 2014 in Connect-Space.

Cyberport Startup Alumni Association

10. Cyberport supported the establishment of the Cyberport Startup Alumni Association (CSAA) in January 2013 to enhance the bond between Cyberport and its alumni. As at January 2014, over 150 members have joined CSAA. CSAA is committed to continuously promoting a prosperous startup culture and nurturing ICT talents through a number of tailor-made programmes. For instance, in May 2013, CSAA launched the “e + Startup” programme, a summer internship programme designed for university students majoring in IT, business and design who are interested in forming or working for a startup company.

Strengthening Collaboration with ICT Industry

11. Cyberport offers a broad range of services to connect the industry and help small and medium enterprises (SMEs) explore, establish a presence and capture emerging business opportunities in Mainland China and overseas markets. World-class conferences, inspirational training sessions and competitions are organised frequently to assist industry players in building up their ICT knowledge.

Mobility Experience Centre

12. Cyberport collaborated closely with the Hong Kong Wireless Technology Industry Association in launching the Mobility Experience Centre (MEC) in April 2013. The MEC offers opportunities for local developers to showcase their award-winning apps and for the public to experience the use of ground-breaking mobile technologies. From August to October 2013, the Hong Kong Wireless Technology Industry Association organised monthly sharing sessions at the MEC to encourage ICT knowledge and skills exchange among mobile business entrepreneurs.

Hosting Premium ICT Events

13. To cultivate advanced technological know-how among industry players and enable them to stay at the forefront of technology evolution, Cyberport organised or supported over 100 ICT-related events, knowledge transfer and training sessions from January 2013 to January 2014, including the Asia Pacific Information and Communication Technology Alliance Awards 2013, the Asia Smartphone Apps Summit, and the Digital Entertainment Leadership Forum 2013. These international or regional events were well-received and attracted over 19 000 industry practitioners.

Overseas Promotion and Networking

14. As part of Cyberport's mission to facilitate collaboration between local ICT SMEs and their counterparts in overseas and Mainland China, Cyberport organised 13 inbound and outbound delegations from January 2013 to January 2014 with encouraging feedback. To establish global presence and to facilitate ICT SMEs to build up overseas network, Cyberport co-organised with Hong

Kong Trade Development Council to lead a 47-strong ICT delegation to join “Think Asia, Think Hong Kong” in New York and Los Angeles, and the Electronic Entertainment Expo in Los Angeles in June 2013. Cyberport also organised delegations to Osaka, Shanghai, Guangzhou and Dalian under different themes to foster technical exchange and explore collaborations at multiple levels.

Championing State-of-the-art Technologies

15. Cyberport continues to champion state-of-the-art technologies and cutting-edge industry tools. These technologies are fundamental to ensuring a robust information highway for Cyberport users and developing a technology-oriented local industry with global outlook and network.

Cyberport Community Cloud

16. Cyberport officially launched the Cyberport Community Cloud (Cyberport Cloud) in November 2013, after testing and piloting the cloud computing environment based on the OpenStack cloud orchestration system for three years. As Hong Kong’s first ever community cloud, Cyberport Cloud offers user-friendly and self-provisioning infrastructure-as-a-service to all tenants, incubatees, Smart-Space users, alumni and Collaboration Centre subscribers. Users can leverage on Cyberport Cloud to deploy scalable and flexible computing resources having regard to their actual requirements. The collaborative effort has also facilitated users in other organisations to share mutual concerns, exchange ideas and drive cost efficiencies. By January 2014, 322 companies have subscribed to the Cyberport Cloud for use in projects ranging from real-time polling, geospatial information services, building equipment and facilities integration to 3D rendering.

17. In promoting the OpenStack cloud technology, Cyberport co-hosted the “China & Hong Kong OpenStack User Group Meet-up” with China OpenStack User Group in November 2013. The event provided a platform for world-class cloud experts to share the latest knowledge on cloud technology. In the coming year, Cyberport will continue to enhance collaboration with Hong Kong’s OpenStack User Group to support increased adoption of cloud computing

technologies and invest additional resources in optimising the performance and functionality of the Cyberport Cloud.

Digital Cinema Exchange and 4K Live Streaming Technology

18. Cyberport is committed to enhancing its digital entertainment infrastructure and tools to facilitate industry players to reach their targeted audience in more innovative ways. In 2013, Cyberport expanded the Digital Cinema Exchange (DCX) network and service (e.g. 2D-3D real time conversion) to bring the latest technology of digital cinema to the local film industry, generating opportunities for cinema operators and enhancing the viewing experience of audiences. As at January 2014, 136 digital screens, representing 70% of 193 digital screens in Hong Kong, are connected to the DCX network with over 80 live events delivered.

19. In January 2014, Cyberport launched the new Master Control Centre (MCC) which serves as a hub of all incoming and outgoing signal sources for live digital content in Hong Kong. In addition to facilitating film exhibitors, production houses and content distributors to enhance their digital output and live broadcasting service, the MCC also serves as a learning centre for visitors to learn about the latest digital media technology.

Corporate Governance

20. Cyberport is governed by the Hong Kong Cyberport Management Company Limited (HKCMCL) under the steer of an independent Board of Directors appointed by the Government. Under the Board, there are four standing Committees, namely the Executive Committee, the Audit Committee, the Remuneration Committee and the Entrepreneurship Centre Committee. Since May 2012, HKCMCL has been designated as a public body under the Prevention of Bribery Ordinance. In recognition of HKCMCL's achievements in enhancing corporate governance, the Hong Kong Institute of Directors awarded the "Directors of The Year Awards 2013" in the category of "Statutory/Non-profit-distributing Organisations" to HKCMCL, which also received the recognition of "Excellence in Board Diversity" for its diversity of gender, skills, professional and educational background. HKCMCL continues to maintain open and transparent communication with stakeholders

by multiple channels and tools, including the publication of its annual report (cyberport.hk/en/about_cyberport/annual_report).

Cyberport's Occupancy and Financial Performance

21. Cyberport has maintained a healthy occupancy rate. As at the end of January 2014, the occupancy rate of Cyberport's lettable office space was 91.7%, as compared with 84.4% at the end of January 2013. There were 194 tenants, comprising 157 commercial organisations, 7 non-profit organisations, one government department and 29 on-site incubatees. Over the years, Cyberport has attracted many well-known international companies. As at the end of January 2014, 34.4% of Cyberport's 157 commercial tenants have non-local origins, with 53.7% of them establishing their first foothold in Hong Kong in Cyberport. 78.3% of the commercial tenants are SMEs. As at January 2014, Cyberport's office tenants employed a total of around 5 100 people.

22. As at the end of January 2014, the occupancy rate of Cyberport's retail space in the Arcade stood at 97.1%, as compared with 93.4% at the end of January 2013.

23. The audited accounts of the Cyberport Companies¹ for the financial year ended 31 March 2013 (the 2012-13 Accounts) are set out at the **Annex**. For the 2012-13 financial year, the operating revenue (excluding Project Income from the residential development) of the Cyberport Companies was \$407 million, compared with \$388 million in 2011-12 and \$361 million in 2010-11. The operating profit before depreciation and tax and excluding Project Income from the residential development was \$71 million² in 2012-13, compared with \$72 million in 2011-12 and \$76 million in 2010-11. Cyberport's contribution to

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.

public mission activities in 2012-13 was \$39.2 million, compared with \$34 million in 2011-12 and \$23.9 million in 2010-11.

24. Project Income from the residential development was \$194 million in 2012-13. As at January 2014, the Government has received a total of about \$19.2 billion in surplus proceeds. This exceeds the Government's capital contribution of \$7.93 billion in the form of land grant for the residential development and associated essential infrastructure.

Project Completion

25. With the completion and sale of the residential portion, 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 (Developer of the Cyberport Project) and PCCW Limited (formerly known as Pacific Century CyberWorks Limited) (Developer's parent company) to wrap up the project. After project completion, HKCMCL will continue to carry out Cyberport's public missions.

**Office of the Government Chief Information Officer
Commerce and Economic Development Bureau
March 2014**

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2013**

	Note	2011 HK\$	2012 HK\$	2013 HK\$
Revenue	1	656,786,182	2,197,211,007	601,222,459
Other income	1	34,086,543	24,748,021	12,938,789
		<u>690,872,725</u>	<u>2,221,959,028</u>	<u>614,161,248</u>
		-----	-----	-----
Building management expenses		(120,961,590)	(121,889,427)	(131,267,585)
Staff costs		(74,449,226)	(86,907,181)	(92,683,234)
Information technology facilities maintenance fee		(22,314,130)	(23,014,667)	(19,031,834)
Government rent and rates		(11,082,781)	(10,779,479)	(12,664,674)
Other operating expenses	2	(89,583,039)	(97,669,610)	(93,712,692)
		<u>(318,390,766)</u>	<u>(340,260,364)</u>	<u>(349,360,019)</u>
		-----	-----	-----
Operating profit before depreciation		372,481,959	1,881,698,664	264,801,229
Depreciation	4	(213,309,459)	(213,617,886)	(210,314,878)
		<u>159,172,500</u>	<u>1,668,080,778</u>	<u>54,486,351</u>
Profit before income tax				
Income tax expense	3	(48,344,759)	(297,973,713)	(31,450,389)
		<u>110,827,741</u>	<u>1,370,107,065</u>	<u>23,035,962</u>
		=====	=====	=====
Profit and total comprehensive income for the year				
Dividends		<u>247,000,000</u>	<u>1,500,000,000</u>	<u>162,000,000</u>
		=====	=====	=====

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED

**CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH 2013**

	Note	2011 HK\$	2012 HK\$	2013 HK\$
<u>Non-current assets</u>				
Property, plant & equipment	4	3,639,724,545	3,451,254,538	3,289,057,471
Deferred rental receivable		13,352,423	6,250,265	8,148,959
Held-to-maturity investments		202,904,631	275,283,521	247,920,013
		<u>3,855,981,599</u>	<u>3,732,788,324</u>	<u>3,545,126,443</u>
<u>Current assets</u>				
Inventories, at cost	6	677,916	533,768	533,634
Trade and other receivables		23,670,745	26,683,937	26,769,349
Held-to-maturity investments		305,208,290	179,713,926	180,118,919
Income tax recoverable		158,013,113	-	75,952,610
Designated bank balance		142,948,186	-	-
Cash and bank balances		398,697,865	1,028,417,746	758,554,983
		<u>1,029,216,115</u>	<u>1,235,349,377</u>	<u>1,041,929,495</u>
<u>Current liabilities</u>				
Trade and other payables		54,057,597	67,770,455	76,713,566
Rental and other deposits		54,075,187	57,501,078	62,323,441
Tax payable		-	249,628,956	-
		<u>108,132,784</u>	<u>374,900,489</u>	<u>139,037,007</u>
Net current assets		<u>921,083,331</u>	<u>860,448,888</u>	<u>902,892,488</u>
Total assets less current liabilities		<u>4,777,064,930</u>	<u>4,593,237,212</u>	<u>4,448,018,931</u>
<u>Equity</u>				
Share capital	7	2	2	2
Capital reserve	8	5,286,767,502	5,286,767,502	5,299,662,553
Accumulated losses	9	(1,071,399,658)	(1,201,292,593)	(1,340,256,631)
Total equity		<u>4,215,367,846</u>	<u>4,085,474,911</u>	<u>3,959,405,924</u>
<u>Non-current liabilities</u>				
Development maintenance fund	5	500,000,000	451,000,000	438,104,949
Facilities maintenance fund	10	50,000,000	50,000,000	50,000,000
Deferred income	11	11,697,084	6,762,301	508,058
		<u>561,697,084</u>	<u>507,762,301</u>	<u>488,613,007</u>
		<u>4,777,064,930</u>	<u>4,593,237,212</u>	<u>4,448,018,931</u>

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Revenue and other income

	2011 HK\$	2012 HK\$	2013 HK\$
<u>Revenue</u>			
Rental income	155,484,271	156,642,796	172,130,420
Building management income			
- Management fee income	71,759,487	75,214,861	72,597,415
- Car park fee income	6,688,058	7,770,475	8,129,533
- Other facilities income	15,596,423	17,275,603	19,258,435
	94,043,968	100,260,939	99,985,383
Income from hotel operation	100,715,161	120,429,597	124,742,854
Information technology facilities income	3,242,756	3,709,063	4,183,815
Fees for usage of Technology Centre equipment and services	4,395,457	3,272,332	2,809,317
Broadband service and installation fees	1,377,974	1,655,932	1,700,186
Project income	296,210,166	1,809,204,329	193,996,182
Other incidental income	1,316,429	2,036,019	1,674,302
	<u>656,786,182</u>	<u>2,197,211,007</u>	<u>601,222,459</u>
<u>Other income</u>			
Amortisation of deferred income	15,751,331	13,366,749	803,521
Hotel's Gross Operating Profit performance guarantee income	8,000,000	-	-
Interest income from held-to-maturity investments, net of amortisation of premium	8,467,957	7,266,212	5,300,934
Interest income on designated bank balance	1,007,228	1,691,275	-
Interest income on bank deposits	786,410	2,423,785	6,834,334
Gain on disposal of property, plant and equipment, net	73,617	-	-
	<u>34,086,543</u>	<u>24,748,021</u>	<u>12,938,789</u>

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. Other operating expenses

	2011 HK\$	2012 HK\$	2013 HK\$
Insurance			
- Hotel	298,255	216,800	320,380
- Other Cyberport Portion	1,935,718	1,763,156	1,874,525
	2,233,973	1,979,956	2,194,905
Professional fees	10,366,133	7,851,073	6,079,227
Marketing and corporate communication expenses	17,363,550	13,369,767	13,597,406
Travelling expenses	520,925	734,164	434,210
Transportation	480,000	480,000	1,877,103
Broadband service and installation expenses	999,336	1,113,919	1,073,277
Other hotel operation expenses	42,074,793	48,687,619	49,217,167
Other operation expenses on Operating Centres	13,614,838	21,512,299	16,538,542
Other miscellaneous expenses	1,929,491	1,940,813	2,700,855
	<u>89,583,039</u>	<u>97,669,610</u>	<u>93,712,692</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%
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 held for rental and Hotel Building	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 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
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
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
Additions	-	-	14,125,014	-	7,404,853	27,408,019	-	48,937,886
Disposals	-	(3,250,834)	(9,924,833)	-	(576,254)	(1,509,864)	-	(15,261,785)
At 31 March 2013	3,832,061,688	1,149,720,664	263,415,694	60,886,254	30,689,238	90,466,528	1,018,019	5,428,258,085
Accumulated depreciation								
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
Charge for the year	83,098,299	109,580,820	5,683,032	640,501	2,492,493	8,697,732	122,001	210,314,878
Disposals	-	(2,816,937)	(9,924,833)	-	(422,997)	(1,276,943)	-	(14,441,710)
At 31 March 2013	745,877,535	1,041,859,933	245,327,071	60,463,397	10,469,670	34,501,530	701,478	2,139,200,614
Net book value								
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
At 31 March 2013	3,086,184,153	107,860,731	18,088,623	422,857	20,219,568	55,964,998	316,541	3,289,057,471

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. On 1 August 2011, the final assessment for the fund was agreed to be \$451 million.

Upon acquisition of relevant assets for replacements, the costs of the acquired assets will be transferred from the Development Maintenance Fund account to the Capital Reserve Account.

During the year, Shared Cyberport facilities of \$12,895,051 (2012: Nil) were acquired and funded by the Development Maintenance Fund. Accordingly, this amount has been transferred from the Development Maintenance Fund to Capital Reserve account in accordance with the Group's accounting policy.

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

7. Share capital

	2011 HK\$	2012 HK\$	2013 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.

	2011 HK\$	2012 HK\$	2013 HK\$
At the beginning of the year	5,286,767,502	5,286,767,502	5,286,767,502
Transfer from Development Maintenance Fund (Note 5)	<u>-</u>	<u>-</u>	<u>12,895,051</u>
At the end of the year	<u>5,286,767,502</u>	<u>5,286,767,502</u>	<u>5,299,662,553</u>

9. Accumulated losses carried forward

	2011 HK\$	2012 HK\$	2013 HK\$
Accumulated losses at the beginning of the year	(935,227,399)	(1,071,399,658)	(1,201,292,593)
Profit for the year	110,827,741	1,370,107,065	23,035,962
Dividends	<u>(247,000,000)</u>	<u>(1,500,000,000)</u>	<u>(162,000,000)</u>
Accumulated losses at the end of the year	<u>(1,071,399,658)</u>	<u>(1,201,292,593)</u>	<u>(1,340,256,631)</u>

10. It represents a reserve fund allocated from the Project fund for the purpose of maintenance and upgrading of the Cyberport Portion. It will be transferred upon acquisition of the assets at the cost of the replaced assets, to the Capital Reserve account in accordance with the Group's accounting policy.

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NOTES TO THE FINANCIAL STATEMENTS

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 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 included in non-current liabilities as deferred income and 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 2010	53,544,738	3,887,785	57,432,523
Additions	8,844,012	3,445,751	12,289,763
Write-off of projects completed	(5,400,832)	(2,709,852)	(8,110,684)
Refunded	(2,718,568)	-	(2,718,568)
At 31 March 2011	54,269,350	4,623,684	58,893,034
Additions	8,769,858	-	8,769,858
Write-off of projects completed	(1,836,509)	(3,254,652)	(5,091,161)
Refunded	(337,892)	-	(337,892)
At 31 March 2012	60,864,807	1,369,032	62,233,839
Additions	114,000	-	114,000
Write-off of projects completed	(53,165,584)	(582,590)	(53,748,174)
Refunded	(5,564,722)	-	(5,564,722)
At 31 March 2013	2,248,501	786,442	3,034,943
<u>Accumulated amortisation</u>			
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)
Write-off of projects completed	5,400,832	2,709,852	8,110,684
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)
Write-off of projects completed	1,836,509	3,254,652	5,091,161
At 31 March 2012	(54,326,505)	(1,145,033)	(55,471,538)
Credited to statement of comprehensive income	(632,603)	(170,918)	(803,521)
Write-off of projects completed	53,165,584	582,590	53,748,174
At 31 March 2013	(1,793,524)	(733,361)	(2,526,885)
<u>Carrying amount</u>			
At 31 March 2011	11,222,568	474,516	11,697,084
At 31 March 2012	6,538,302	223,999	6,762,301
At 31 March 2013	454,977	53,081	508,058