

For discussion
on 9 January 2017

Legislative Council Panel on Information Technology and Broadcasting

Role of Cyberport in Nurturing the Information and Communications Technology Ecosystem in Hong Kong

Purpose

This paper updates Members on the role of Cyberport in nurturing the information and communications technology (“ICT”) ecosystem in Hong Kong and its latest work progress.

ICT Ecosystem

2. The main purpose of setting up Cyberport by the Government is to foster the growth of ICT enterprises and facilitate the development of Hong Kong into a global hub for innovation and technology (“I&T”). As Hong Kong’s ICT flagship institution, Cyberport plays an important role in promoting the development of the overall I&T ecosystem. Over the years, Cyberport has been committed to nurturing technology start-ups and talents, creating business opportunities for the industry and driving ICT adoption.

3. On nurturing start-ups, Cyberport provides financial and a range of professional support to start-ups in their early stage of development to help them progressively turn innovative ideas into prototype products and physical commodities, draw up marketing plans, raise funds and explore local and overseas markets.

4. Cyberport attaches great importance to talent training. It has organised various programmes and events, such as organising competitions and events for students and arranging Mainland/ overseas internship programmes for young people to provide them with practical working experience in the industry, with a view to inspiring and encouraging young people to pursue a career in the ICT industry.

5. Cyberport has been assisting local enterprises and start-ups in adopting the latest technologies, including cloud computing, e-commerce, financial technology (“FinTech”), explore new opportunities under the Internet Economy, such as smart city and big data analytics.

2016 Policy Address and 2016-17 Budget Initiatives

6. To strengthen the role of Cyberport in Hong Kong’s I&T ecosystem, a series of new initiatives was introduced in the 2016 Policy Address and 2016-17 Budget. Cyberport has implemented all the initiatives and their latest position is as follows:

- (a) Setting up of a \$200 million “Cyberport Macro Fund” (“CMF”)- CMF was officially launched on 1 August 2016. It aims to help the start-ups in Cyberport bridge the pre-Series A funding gap and foster angel and venture capital investments in Hong Kong. The Board of Cyberport has set up a Macro Fund Investment Committee to evaluate and approve applications. There are many parties interested in seeking investment from CMF. To date, Cyberport has received about 75 enquiries;
- (b) Incubation programme quotas and new clusters- Cyberport has doubled the annual incubation programme quotas from 50 to 100. New clusters in FinTech and e-commerce have been established to meet the latest demand from the industry and the market (details are at paragraph 18 to 20 below);
- (c) Expansion of Smart-Space- Cyberport has increased the provision of Smart-Space small offices and workstations by 60% within 2016, reaching a total floor area of 122 900 square feet. These have generated a total capacity to accommodate over 430 companies. Among them, 47 300 square feet are designated for FinTech companies (details are at paragraph 21 below); and
- (d) FinTech programmes- Cyberport is committed to facilitating the development of FinTech. Starting from 2016-17, Cyberport incubation programme provides designated support for 150 FinTech start-ups in the next five years. From April to October 2016, 13 FinTech start-ups have participated in the programme. Over the next five years, Cyberport will also sponsor 300 university students to join FinTech training camps in overseas universities to gain more in-depth understanding of the career prospect in the sector. In 2016-17, 53

university students have joined the Entrepreneurship Boot Camp in Silicon Valley arranged by the Stanford Graduate School of Business.

Cyberport Work Report

7. Cyberport has adopted a strategic framework of three giant leaps to take forward its mission. They are -

- (a) Inspiring the Next Generation;
- (b) Nurturing the Entrepreneurial Spirit; and
- (c) Empowering Global Ambition.

Inspiring the Next Generation

8. One of the public missions of Cyberport is to groom local ICT talents and to inspire young people to pursue a career in the ICT industry. To this end, Cyberport has been organising and supporting a number of programmes and events for young people.

Internship Programmes

9. Under the Cyberport Digital Tech Internship Programme, Cyberport has organised a series of Mainland/overseas and local internships to provide young people with practical working experience in the ICT industry. Regarding the Mainland/ overseas internships, ICT students are sent to work in technology companies in Shanghai and Silicon Valley. These companies include EMC, VMware, China UnionPay, Ctrip, etc. in Shanghai; and 500 Startups, Plug and Play, etc. in Silicon Valley. The internships last for six to twelve weeks, with Cyberport subsidising transportation and accommodation. A total of 32 interns participated in the Mainland/overseas internship programmes from April to October 2016.

10. Apart from internship with renowned corporations, Cyberport has also launched the “e+Startup Internship Programme” that provides students with the opportunity to work with start-ups in the Cyberport community, including incubatees, Cyberport Creative Micro Fund (“CCMF”) grantees and alumni. Through this programme, participating students can acquire experience of working in fledgling start-ups. This programme instils in the students interest and enthusiasm for entrepreneurship on the one hand, and provides much-needed manpower to start-up companies which often have difficulties in recruitment on the other. A total of 23 interns were arranged to work in start-ups during April to October 2016.

11. Furthermore, the three-year “eHealth Record Internship Programme” was launched by Cyberport and Hospital Authority. The programme is in its third year in 2016-17. Graduates in ICT and healthcare-related disciplines from local tertiary institutions can work on electronic health record projects or take part in electronic health record-related activities. A total of 16 interns were hired by eight participating organisations during April to October 2016.

Competitions and Events for Students

12. To spur young people’s creativity and arouse their interest in ICT, Cyberport has organised a wide range of activities and competitions for students ranging from primary to tertiary levels, such as “Cyberport mYouth Mobile App Code Jam Competition”, “Inter-School IT Elite Challenge” and “Student Formula Coding Competition”. During April to October 2016, a total of 3 382 students participated in various competitions and activities.

Hosting Premium ICT Events

13. To enhance I&T knowledge of the industry, Cyberport has organised or supported over 90 digital technology events, knowledge transfer and training sessions at local, regional and international levels in the six-month period from April to October 2016, including the “Digital Entrepreneur Leadership Forum 2016”, “Blockchain Strategies for Business”, “Cyberport University Partnership Programme Demo Day” and “FinTech O-2-O Global Summit”. These events were well-received and were attended by over 10 000 industry practitioners.

14. As an important partner of the Government, Cyberport also supported and co-organised the inaugural Internet Economy Summit. This large-scale international conference attracted over 900 participants, including industry professionals, entrepreneurs, business executives, academia and officials, from around the world.

Nurturing the Entrepreneurial Spirit

15. Over the past decade or so, Cyberport has implemented a number of measures and programmes to support technology start-ups in their different stages of development.

Cyberport Creative Micro Fund (“CCMF”)

16. Under the CCMF programme, Cyberport provides \$100,000 as seed funding for each selected project to turn innovative ideas into prototypes. The intake target for 2016-17 is 60 while the admission during April to October 2016 already reaches 43. From its inception in 2009 to October 2016, CCMF

has granted a total of \$27.5 million to 275 projects.

17. The Cyberport University Partnership Programme (“CUPP”) has entered the second year. This year, a total of 20 projects were nominated by six local universities, allowing 53 university students to head to Silicon Valley to join the Entrepreneurship Boot Camp arranged by the Stanford Graduate School of Business. Ten winning teams were eventually selected to develop their ideas into prototypes.

Cyberport Incubation Programme

18. The Cyberport Incubation Programme provides comprehensive financial, technical and business advisory support to technology start-ups to help them turn their creative ideas into business undertakings or commercial products. 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. In addition, Cyberport organises a series of thematic workshops and training to equip start-ups with necessary business techniques, hone their pitching skills and help them catch up with fast-changing technologies.

19. Since its inception in 2005, the Cyberport Incubation Programme has admitted 372 technology start-ups, of which 51 were admitted during April to October 2016. As at October 2016, 274 of these incubatees are still in business, with 79% of them having survived for at least 1.5 years and 60% having survived for three or more years after graduation. Since 2005, the innovative solutions and products of these incubatees have altogether won 269 industry awards and created 194 intellectual properties.

Cyberport Accelerator Support Programme

20. Cyberport launched the Cyberport Accelerator Support Programme in 2014 to support its incubatees and alumni to participate in local, Mainland and overseas accelerator programmes, which offer guidance on and assistance in overseas expansion and fundraising. Upon successful application for an endorsed accelerator programme, Cyberport will provide financial assistance of up to \$300,000 to each recipient to cover programme fees, travel, accommodation and other relevant expenses. Since the launch of the Programme, Cyberport has financed 28 start-ups to take part in renowned accelerators like Plug & Play International Accelerator in the US, Accelerator Cambridge in the UK, OCBC FinTech Accelerator in Singapore,

Chinaaccelerator in Mainland China, as well as Accenture FinTech Innovation Lab – Asia Pacific in Hong Kong, etc.

Co-working Space for Start-ups

21. Having regard to the demand for co-working space of technology start-ups, Cyberport provides Smart-Space to enable companies to flexibly rent ready-built offices. Units can be rented on agreements from one to twelve months, with no limit on the ultimate length of stay, at an all-inclusive fixed price. This service is especially convenient and useful for start-ups seeking to launch their business with a workstation or small office space initially, and to scale up as they grow. Since Cyberport rolled out the Smart-Space in 2009, market demand for such flexible and scalable accommodation has surged. Seven additional Smart-Spaces have subsequently been opened with a total floor area of 122 900 square feet. Altogether, these have generated a capacity to accommodate over 430 companies.

Achievement of Cyberport Start-ups

22. During April to October 2016, 34 Cyberport start-ups raised \$615 million, as compared with 15 Cyberport start-ups raising \$193.03 million in the same period last year, indicating 219% increase in the funding received. The three start-ups chosen by Alibaba Entrepreneurs Fund in the first round of funding in 2016, namely GoGoVan, Shopline and YEECHOO, were all from Cyberport.

23. Since 2010, Cyberport incubatees, CCMF grantees and alumni have attracted over \$1.167 billion of investment funding, 12 start-ups have attracted mergers and acquisitions, 53 expanded operations beyond Hong Kong and 38 joined various local, overseas and Mainland accelerator programmes. Some examples of successful start-ups are set out at **Annex A**.

Empowering Global Ambition

24. Cyberport builds partnerships with industry leaders and offers a broad range of services to connect the industry and help small and medium enterprises (“SMEs”) explore, establish presence and capture emerging business opportunities in the Mainland and overseas markets. World-class conferences, seminars, briefing sessions, training and workshops are organised to assist industry players in keeping abreast with the latest ICT developments.

Promotion and Networking

25. To empower technology start-ups with global ambitions, Cyberport organised 16 visiting delegations during April to October 2016. To expand the global network, Cyberport led a 15-people delegation to visit Silicon Valley, Toronto and Waterloo, and also attend the “Think Asia, Think Hong Kong” conference in Germany in May 2016. Moreover, Cyberport organised a number of conferences on the Mainland, including “Demo China” in Hangzhou, the “APEC Small & Medium Enterprises Technology Conference and Fair” in Shenzhen, “Mobile World Congress” Shanghai, and “Global Mobile Internet Conference” in Beijing, as well as events in other cities to showcase products and services, and to foster technological exchange and collaborations at multiple levels.

Partnership with Renowned Corporations

26. Cyberport strives to expand its partnership with renowned overseas and Mainland enterprises to help its start-ups germinate and nurture vital global connections, thus facilitating them to raise funding and develop their business beyond Hong Kong. As at end October 2016, Cyberport has formed partnerships with 73 organisations from different countries.

27. In May 2016, “Wearable IoT World” launched its inaugural 15-week “U.S. – Pan Asia IoT Superhighway accelerator” in May 2016 at Cyberport, which aims at driving Internet of Things (“IoT”) innovation and entrepreneurship in Hong Kong and Asia. Cyberport was the official partner of the programme, hosting both the executive and lab workspace for the accelerator.

28. Lenovo, partnered with Cyberport, launched its first Asian accelerator programme. The three-month programme focuses on driving robotics, big data and AI innovation projects in Hong Kong and Asia.

29. IngDan is the largest e-commerce platform serving electronics manufacturing industry on the Mainland. After launching its 6 600-square-foot experience centre at Cyberport in March 2016, IngDan continued to work with Cyberport to reinforce Hong Kong’s role as a leading IoT hub in the region. It co-hosted events like “Alibaba Juhuasuan x Ingdan Gala Event Global - Hong Kong”, as well as the “IngDan IoT Fund” Roadshow to promote the establishment of a US\$ 50 million fund for nurturing projects.

30. As regards FinTech, the “FinTech O-2-O meetups” are held regularly in Cyberport and at the venues of Cyberport’s partners, such as the Hong Kong Monetary Authority, to facilitate collaboration among stakeholders of Hong

Kong FinTech ecosystem and to provide valuable insights and networking opportunities to industry members.

31. Moreover, Cyberport has also partnered with Accenture in hosting the “FinTech Innovation Lab – Asia Pacific” for three consecutive years with encouraging results. As at end-October 2016, the participating FinTech start-ups have successfully raised more than US\$40 million. In view of the good results, Cyberport has strengthened its partnership with Accenture for another three years. Cyberport is also discussing with Accenture on setting up an exclusive lab to showcase the FinTech new technologies, such as virtual reality and augmented reality for financial institutions.

32. Cyberport has entered into agreement with SuperCharger to provide co-working space for start-ups selected into its FinTech Accelerator programme. This inaugural programme attracted 161 applications from FinTech companies in 26 countries, and the selected start-ups successfully raised funds ranging from US\$200,000 to US\$150 million.

Cyberport’s New Three-year Strategic Plan

33. With the above good results achieved so far, in the next three years, Cyberport is prepared to assume a more strategic role in driving I&T development in Hong Kong and supporting the efforts of the Innovation and Technology Bureau in meeting the community’s growing expectations that I&T should contribute to the long-term economic development of Hong Kong. Cyberport aspires to establish itself as a leading global digital I&T hub. With this vision, Cyberport will enhance its role from an incubator to an important ICT ecosystem player. It will strengthen its work in relation to attracting anchor tenants to the Cyberport community. These tenants, through incubating start-ups at Cyberport, providing investments or help bringing in an entrepreneurial culture, will add value to the ICT ecosystem at Cyberport. Efforts will be made to build up an investor network, in particular venture capitalists and angel fund investment, to further foster the growth and scaling up of technology start-ups. The Cyberport Arcade will also be revitalised and digitised to complement the work of Cyberport.

34. Cyberport will create clusters in the areas of FinTech, e-commerce, big data and artificial intelligence, as well as smart city. Targeted start-ups, anchor tenants and quality investors in these specific areas would be brought to Cyberport, with a view to empowering Hong Kong start-ups in these clusters in entering foreign and Mainland markets. All in all, Cyberport will continue to inspire the youth, support start-ups and build a global network in promoting the overall ICT development of Hong Kong.

Cyberport's Annual Report 2015-16 and Latest Financial Position

35. The audited accounts of the Cyberport Companies¹ for the financial year ended 31 March 2016 (the 2015-16 Accounts) are at **Annex B**. For the 2015-16 financial year, the operating profit before depreciation and tax and excluding project income from the residential development was \$67.5 million, compared with \$88.4 million in 2014-15. Cyberport's contribution to public mission activities in 2015-16 was \$82.7 million, compared with \$68.2 million in 2014-15. As at March 2016, Cyberport's disposable reserve is \$586 million.

36. The occupancy rate of Cyberport's office stood at 93.2% as at October 2016, as compared to 89.9% in March 2016. There were 457 tenants, comprising 397 commercial organisations (91.9% are SMEs), six non-profit organisations, one government department and 53 on-site incubatees, employing a total of around 5 700 people. Over the years, Cyberport has attracted many well-known multi-national corporations. Among the 397 commercial tenants, 141 tenants have non-local origins and 43 of which established their first foothold in Hong Kong in Cyberport.

37. Cyberport's Annual Report 2015-16 has been published and uploaded to http://www.cyberport.hk/files/annual_report/2015/Full_PDF/2015-16_Cyberport_AR_fullset_ENG.pdf for public viewing.

Advice Sought

38. Members are invited to note this paper.

Innovation and Technology Bureau
Office of the Government Chief Information Officer
January 2017

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) were set up under the Financial Secretary Incorporated (FSI) to oversee the implementation of the Cyberport Project.

Examples of Successful Cyberport Start-ups**Part A: 2016 Intake**

	Start-up Company	Nature of Business	Achievement
1	TNG (Asia) Limited	A fast-growing FinTech company in Hong Kong providing consumers with a cashless payment tool	<ul style="list-style-type: none"> • Won Top prize of Finnovasia 2016 Startup Battle • Won Gold Award (Emerging Internet Finance Company Category) of the Hong Kong Internet Finance Awards 2016
2	Molecule Financial Limited	A FinTech company running a leading financial social app in Mainland China focusing on Hong Kong stock market	<ul style="list-style-type: none"> • Raised US\$380,000 from investors • Won SME's Youth Entrepreneurship Award 2016 (HK General Chamber of Small and Medium Business) & Honourable Mention for the 2016 Internet Finance Award
3	Mindlayer Limited	A FinTech company providing business applications using Natural Language Processing (NLP) technology to help business save cost and boost customer satisfaction	<ul style="list-style-type: none"> • Raised HK\$400,000 TSSSU fund from CityU • Joined DBS Accelerator Programme
4	BondIT Asia (H.K.) Limited	A robo-advisory solution that increases bond sales and facilitates client interactions with fixed income investment managers/advisors using proprietary machine learning algorithms	<ul style="list-style-type: none"> • Joined OCBC FinTech Accelerator Programme • Won UKTI Hong Kong FinTech Award third Runner-up

	Start-up Company	Nature of Business	Achievement
5	Ex More Limited	Its project, Heycoins, provides coins exchanging & handling solutions for the community	<ul style="list-style-type: none"> • Joined DBS Accelerator Programme • Awarded at the finals of the 5th Innovation and Entrepreneurship Competition of University Students of Guangdong, Hong Kong, Macau and Taiwan
6	Origami Group Limited	A company creating innovative IOT/wearables solutions that meet innate human needs	<ul style="list-style-type: none"> • Joined Wearable IoT World Accelerator Programme • Won Champion of Elevator World Tour Hong Kong and received US\$120,000 funding
7	TingPark Company Limited	A mobile-app that helps drivers find parking space and helps facility management companies increase volume of traffic	<ul style="list-style-type: none"> • Joined INFINITI Accelerator Programme
8	Easy Care International Limited	An app-based platform providing one-stop solution to family and institution in booking qualified caregivers with standard pricing, transparent information, and flexibility	<ul style="list-style-type: none"> • Finalist in Social Innovation Challenge Award 2015 • Winner of the Hong Kong Chapter of the Social Innovation Award 2015 • Won Hong Kong ICT Awards 2016 – Bronze Award of Best ICT Startup (Social Impact) Award • Winner of the Internet Plus Youth Creative Awards
9	EquitySim Limited	A company providing trading simulation allowing users to learn and practice trading skills	<ul style="list-style-type: none"> • Award Winner of UK FinTech Award 2016 • Won Silicon Dragon Awards 2016 Pitching Competition
10	Joyful Ventures Limited	A mental health check-up programme for students	<ul style="list-style-type: none"> • Its CEO was selected as Forbes 30 Under 30

Part B : Previous Intakes

	Start-up Company	Nature of Business	Achievement
1	GoGoVan	A mobile app providing logistic service by matching customers and drivers	<ul style="list-style-type: none"> • Raised Series C fund from investors including Alibaba Entrepreneurs Fund • Won Hong Kong ICT Awards 2014 - Certificate of Merit of Best ICT Startup (Consumer Market) Award; Gold Award of Best Mobile Apps Award - Best Innovation (Mobile Marketing) Award; Special Mention (LBS Application) of Best Mobile Apps Award; Best Innovation (Mobile Marketing) Award; Special Mention (Start-up Company) of Best Mobile Apps Award; Best Innovation (Mobile Marketing) Award; and Silver Award of Best .hk Website Awards 2015 Commercial Corporate Stream • Co-founders listed as Top 10 young entrepreneurs in “Outstanding Young International Entrepreneurs Award Ceremony 2015” and selected as Forbes 30 Under 30 Asia • Expansion to the Mainland and Asia-Pacific cities like Singapore, Taiwan, Malaysia, etc.
2	Shopline	A platform providing website building and mobile solutions for small and medium sized enterprises	<ul style="list-style-type: none"> • Raised fund from Alibaba Entrepreneurs Fund • Won Hong Kong ICT Awards 2015 - Certificate of Merit of Best SME ICT (Product) Award

	Start-up Company	Nature of Business	Achievement
3	Bitspark Limited	An innovative digital currency start-up focused on Bitcoin and Crypto-currency	<ul style="list-style-type: none"> • Admitted into Accenture Fintech Innovation Lab Accelerator in Aug 2015 and US Accelerator Sixthirty Programme • Merit Winner of UKTI FinTech Award 2015
4	Ironfly Technologies	An online trading system for equities	<ul style="list-style-type: none"> • Admitted into Accenture Fintech Innovation Lab Accelerator and BluePrint Accelerator Programme • Grand Award Winner of UKTI FinTech Award 2015 • Awarded The FinTech20 Hong Kong by the FinTech City
5	Dragon Law Limited	A company providing online legal tools for start-ups and SMEs	<ul style="list-style-type: none"> • Won Hong Kong ICT Awards 2015 - Special Mention of Best SME ICT (Product) Award, and Hong Kong ICT Awards 2016 - Certificate of Merit of Best ICT Startup (Software & Apps) Award • Awarded Hong Kong Top 20 Startups 2016 by Hong Kong Business Magazine
6	Apprendre Education (Snapask)	A platform providing a comprehensive e-learning platform for students around the world	<ul style="list-style-type: none"> • Co-founders selected as Forbes 30 Under 30
7	Quantifeed	An online platform providing wealth management solutions	<ul style="list-style-type: none"> • Internet Society of Hong Kong – Hong Kong Favourite Cloud Project • Awarded The FinTech20 Hong Kong by the FinTech City

	Start-up Company	Nature of Business	Achievement
8	Lattice	A financial software company providing front-office portfolio decision-making systems with integrated risk, cost awareness and analytical precision	<ul style="list-style-type: none"> • Admitted into Accenture FinTech Innovation Lab Asia-Pacific 2016 • Grand Award Winner of UKTI FinTech Award 2015 • Won Hong Kong ICT Awards 2016 – Gold Award of Best FinTech (Emerging Solutions) Award • Awarded The FinTech50 Hot Ten 2016 by the FinTech City
9	MailTime	A mobile app that summarises emails in an instant messaging format	<ul style="list-style-type: none"> • Admitted into Y Combinator Accelerator Programme • Awarded Hong Kong Top 20 Startups 2016 by Hong Kong Business Magazine • Elected by China magazine ChinaBang in 2015 issue as “Best Overseas Marketing Startup”
10	TeamNote Limited	A mobile app for enterprise communication	<ul style="list-style-type: none"> • Admitted into Y Combinator Accelerator Programme • Awarded a Merit in Startup Category from Asia Pacific ICT Alliance (APICTA) 2015 • Awarded Hong Kong Top 20 Startups 2016 by Hong Kong Business Magazine

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2016**

	Note	2015 HK\$	2016 HK\$
Revenue	1	440,990,145	644,811,039
Other income	1	27,744,808	17,201,278
		<hr/>	<hr/>
		468,734,953	662,012,317
Expenses before public mission activities expenses and depreciation		<hr/>	<hr/>
Building management expenses		(135,024,276)	(141,126,656)
Staff costs		(85,260,987)	(86,792,068)
Government rent and rates		(12,895,369)	(13,688,039)
Other operating expenses		(78,918,074)	(76,512,638)
Finance costs		(28,190)	(29,751)
		<hr/>	<hr/>
		(312,126,896)	(318,149,152)
		<hr/>	<hr/>
Operating profit before public mission activities expenses and depreciation		156,608,057	343,863,165
Public mission activities expenses		(68,239,669)	(82,659,716)
		<hr/>	<hr/>
Operating profit before depreciation		88,368,388	261,203,449
Depreciation	3	(148,376,683)	(117,713,101)
		<hr/>	<hr/>
(Loss)/profit before taxation		(60,008,295)	143,490,348
Income tax credit /(expense)	2	10,001	(30,882,491)
		<hr/>	<hr/>
(Loss)/profit and total comprehensive income for the year		<hr/> <hr/>	<hr/> <hr/>
		(59,998,294)	112,607,857

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH 2016

	Note	2015 HK\$	2016 HK\$
<u>Non-current assets</u>			
Property, plant & equipment	3	3,086,109,792	2,995,513,860
Deferred rental receivable		12,992,113	14,690,545
Investments in securities		655,001,734	559,202,194
		<hr/>	<hr/>
		3,754,103,639	3,569,406,599
		<hr/>	<hr/>
<u>Current assets</u>			
Inventories, at cost	5	483,024	450,650
Trade and other receivables		20,305,386	26,492,595
Income tax recoverable		30,806,342	10,192,632
Investments in securities		365,532,175	404,346,906
Cash and bank balances		295,141,620	560,508,272
		<hr/>	<hr/>
		712,268,547	1,001,991,055
		<hr/>	<hr/>
<u>Current liabilities</u>			
Trade and other payables		78,135,671	70,858,219
Rental and other deposits		74,577,479	77,001,592
Obligations under a finance lease		2,077,328	2,086,322
		<hr/>	<hr/>
		154,790,478	149,946,133
		<hr/>	<hr/>
Net current assets		557,478,069	852,044,922
		<hr/>	<hr/>
Total assets less current liabilities		4,311,581,708	4,421,451,521
		<hr/>	<hr/>
<u>Equity</u>			
Share capital	6	2	2
Capital reserve	7	5,327,648,719	5,337,975,463
Accumulated losses	8	(1,484,994,693)	(1,372,386,836)
		<hr/>	<hr/>
Total equity		3,842,654,028	3,965,588,629
		<hr/>	<hr/>
<u>Non-current liabilities</u>			
Development maintenance fund	4	422,908,030	422,214,986
Facilities maintenance fund	9	39,608,774	29,975,074
Deferred income	10	651,721	-
Obligations under a finance lease		5,759,155	3,672,832
		<hr/>	<hr/>
		468,927,680	455,862,892
		<hr/>	<hr/>
		4,311,581,708	4,421,451,521
		<hr/>	<hr/>

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Revenue and other income

	2015 HK\$	2016 HK\$
<u>Revenue</u>		
Rental income	196,404,413	210,588,164
Building management income		
- Management fee income	82,541,738	84,256,008
- Car park fee income	10,646,259	11,736,728
- Other facilities income	21,141,387	20,973,213
	114,329,384	116,965,949
Income from hotel operation	126,468,735	119,421,577
Information technology facilities income	481,439	481,439
Broadband service and installation fees	3,237,349	3,584,638
Project income	-	193,689,289
Other incidental income	68,825	79,983
	<u>440,990,145</u>	<u>644,811,039</u>
<u>Other income</u>		
Interest income from held-to-maturity investments, net of amortisation of premium	16,271,226	16,502,660
Interest income from investments at fair value through profit or loss	8,111,601	8,603,452
Interest income on bank deposits	1,253,530	1,869,888
Net realised/unrealised gains/(losses) on investments at fair value through profit or loss	2,108,451	(3,370,038)
Net foreign exchange loss	-	(6,800,537)
Sundry income	-	395,853
	<u>27,744,808</u>	<u>17,201,278</u>

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2. Income tax expense

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

3. 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%
Centres equipment	20% - 33 1/3%
Leasehold improvements	10%
Furniture and equipment	10% - 20%
Motor vehicles	20%

	Buildings held for rental and Hotel Building HK\$	Building services and support facilities HK\$	Information technology facilities HK\$	Centres equipment HK\$	Leasehold improvements HK\$	Furniture and equipment HK\$	Motor vehicles HK\$	Total HK\$
Cost								
At 31 March 2014	3,832,061,688	1,149,587,455	260,129,594	60,886,254	49,618,349	129,737,277	1,018,019	5,483,038,636
Additions	-	10,391,226	401,676	-	25,867,459	21,735,984	-	58,396,345
Disposals	-	-	(55,704)	-	-	(1,363,507)	-	(1,419,211)
At 31 March 2015	3,832,061,688	1,159,978,681	260,475,566	60,886,254	75,485,808	150,109,754	1,018,019	5,540,015,770
Additions	-	13,998,590	693,044	-	5,033,097	7,581,880	-	27,306,611
Disposals	-	-	-	-	-	(857,088)	-	(857,088)
At 31 March 2016	3,832,061,688	1,173,977,271	261,168,610	60,886,254	80,518,905	156,834,546	1,018,019	5,566,465,293
Accumulated depreciation								
At 31 March 2014	828,975,834	1,114,916,005	241,435,013	60,833,430	13,958,849	45,928,455	823,479	2,306,871,065
Charge for the year	83,098,300	35,053,671	5,101,660	52,824	5,736,927	19,211,300	122,001	148,376,683
Disposals	-	-	(55,704)	-	-	(1,286,066)	-	(1,341,770)
At 31 March 2015	912,074,134	1,149,969,676	246,480,969	60,886,254	19,695,776	63,853,689	945,480	2,453,905,978
Charge for the year	83,098,300	1,471,859	5,079,953	-	7,372,188	20,640,276	50,525	117,713,101
Disposals	-	-	-	-	-	(667,646)	-	(667,646)
At 31 March 2016	995,172,434	1,151,441,535	251,560,922	60,886,254	27,067,964	83,826,319	996,005	2,570,951,433
Net book value								
At 31 March 2015	2,919,987,554	10,009,005	13,994,597	-	55,790,032	86,256,065	72,539	3,086,109,792
At 31 March 2016	2,836,889,254	22,535,736	9,607,688	-	53,450,941	73,008,227	22,014	2,995,513,860

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4. Development Maintenance Fund represents a fund received by the Group in accordance with the terms of the Project Agreement for the purpose of 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 \$693,044 (2015: \$9,790,279) 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.

5. 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.

6. Share capital

	2015 HK\$	2016 HK\$
Ordinary shares, issued & fully paid	2	2

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

7. 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.

	2015 HK\$	2016 HK\$
At the beginning of the year	5,307,289,804	5,327,648,719
Transfer from Development Maintenance Fund (Note 4)	9,790,279	693,044
Transfer from Facilities Maintenance Fund (Note 9)	10,391,226	9,633,700
Handover of plant and equipment	177,410	-
At the end of the year	<u>5,327,648,719</u>	<u>5,337,975,463</u>

8. Accumulated losses carried forward

	2015 HK\$	2016 HK\$
Accumulated losses at the beginning of the year	(1,424,996,399)	(1,484,994,693)
(Loss)/Profit for the year	(59,998,294)	112,607,857
Accumulated losses at the end of the year	<u>(1,484,994,693)</u>	<u>(1,372,386,836)</u>

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9. 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.

During the year, building services and support facilities of \$9,633,700 (2015: 10,391,226) were acquired and funded by the Facilities Maintenance Fund. Accordingly, this amount has been transferred from the Facilities Maintenance Fund to Capital Reserve account.

10. Deferred income

Government grants and sponsorships are recognised when there is a reasonable assurance that the Group will comply with the conditions attaching with it and that the grants will be received. Government grants and sponsorships relating to income are deferred and recognised 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 Grants HK\$	Sponsorships HK\$	Total HK\$
<u>Cost</u>			
At 31 March 2014	2,141,314	786,442	2,927,756
Additions	882,000	-	882,000
Written-off of projects completed	(2,141,314)	(786,442)	(2,927,756)
	<u>882,000</u>	<u>-</u>	<u>882,000</u>
At 31 March 2015 and 31 March 2016	882,000	-	882,000
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<u>Accumulated amortisation</u>			
At 31 March 2014	(2,081,754)	(786,442)	(2,868,196)
Credited to profit or loss	(289,839)	-	(289,839)
Written-off of projects completed	2,141,314	786,442	2,927,756
	<u>(230,279)</u>	<u>-</u>	<u>(230,279)</u>
At 31 March 2015	(230,279)	-	(230,279)
Credited to profit or loss	(651,721)	-	(651,721)
	<u>(882,000)</u>	<u>-</u>	<u>(882,000)</u>
At 31 March 2016	(882,000)	-	(882,000)
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<u>Carrying amount</u>			
At 31 March 2015	651,721	-	651,721
	<u>651,721</u>	<u>-</u>	<u>651,721</u>
At 31 March 2016	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>