

For discussion
on 11 December 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.

Background

2. As Hong Kong’s ICT flagship institution, Cyberport plays an important role in promoting the development of the overall innovation and technology (“I&T”) ecosystem. Over the years, Cyberport, through providing financial and a range of professional support, and organising various programmes and events, nurtures start-ups, inspires and encourages young people to pursue a career in the information and technology (“IT”) sector, and creates business opportunities for the industry.

New Initiatives

Space Sharing Scheme for Youth

3. In the 2017 Policy Address, the Chief Executive announced the “Space Sharing Scheme for Youth”, inviting owners of revitalised industrial buildings and commercial buildings to contribute floor space at a rent of no more than one-third of the market rental for suitable non-governmental organisations to operate co-working space or studios. The operating agencies will in turn provide co-working space or studios to start-ups, young entrepreneurs and artists at a concessionary rate of no higher than half of the market rental.

4. Under this new initiative, Cyberport will operate a Smart-Space co-working space of around 20 000 square feet in an industrial building in Tsuen Wan. Apart from the well-equipped office facilities and a flexible

leasing scheme, Cyberport will provide a series of entrepreneurial trainings and support services, such as industry networking events, mentorship programme, workshops, investment matching, etc., to facilitate young entrepreneurs to raise funds, expand business and continue to innovate. The design and operation of this co-working space will be similar to the Smart-Space within the Cyberport campus (paragraph 23 below), with hot desks, workstations and offices. The Smart-Space co-working space is expected to house around 140 start-ups and start operation in the first quarter of 2018 the earliest.

E-sports

5. The 2017-18 Budget put forth an invitation to Cyberport to study the latest e-sports technology and product development, as well as to explore further promotion of e-sports in Hong Kong. Cyberport commissioned the City University of Hong Kong to conduct a study which consulted various stakeholders to understand the development trend of e-sports. Having made reference to the study findings and the development of the e-sports industry over the past few months, Cyberport submitted a report to the Government in December 2017 with multiple recommendations, including providing suitable space for the industry to organise more e-sports competitions and events for Hong Kong, nurturing talents and supporting the long-term development of the industry.

6. On the provision of space, Cyberport is considering making available within its campus a designated venue equipped with computers, audio-visual equipment and other peripherals that meet the specifications for e-sports, as well as high-speed and stable network connection, for the industry to host regular e-sports competitions, activities and trainings. From March to October this year, Cyberport has supported different organisations in the industry in hosting competitions and seminars using Cyberport campus facilities, such as the Inter-School E-sports Competition Finals 2017, the 2nd E-sports Joint School Competition, and Digital Marketplace Seminar – The New Age of e-Sports, etc.

7. As regards nurturing talents, Cyberport will leverage its well-established start-up and talent nurturing system to identify and equip start-ups and talents related to e-sports technologies and game development, such as using the Cyberport Creative Micro Fund (“CCMF”) and the Cyberport Incubation Programme to nurture more start-ups and youth to take part in game development. In addition, in view of the trend of applying emerging technologies such as Augmented Reality (“AR”)/ Virtual Reality (“VR”) and holographic technologies in e-sports games, the Cyberport community will pull together professionals and start-ups for research and development (“R&D”) of relevant technologies.

8. As for supporting the industry's long-term development, Cyberport would be pleased to join the associations or chambers in the e-sports industry and to discuss development direction. At the same time, Cyberport will assist in promoting emerging e-sports technologies, such as the development of streaming technology and AR/VR, to enhance practitioners' knowledge acquisition and exchange.

Financial technology (“FinTech”)

9. FinTech is currently a key development area of Cyberport. Cyberport has been collaborating with the relevant government and industry organisations and has successfully built up a FinTech ecosystem. Cyberport has gathered over 200 FinTech companies specialising in the applied R&D of blockchains, mobile payment, cybersecurity, artificial intelligence (“AI”), big data, transaction engineering, etc. making Cyberport the largest FinTech community in Hong Kong. With reference to the development mode of the FinTech ecosystem, Cyberport will extend to other technology clusters, such as e-commerce, AI, big data, etc., to meet the growing sector and market demands.

Cyberport Work Report

10. In early 2017, Cyberport has developed a Three-Year Strategic Plan to further develop Cyberport's role as the ICT flagship in Asia Pacific. Under this plan, Cyberport has identified four key digital technology clusters for further development, namely FinTech, Big Data/AI, e-commerce, and Internet of Things (“IoT”)/Wearable Technology to promote digital technology solutions among enterprises and small and medium enterprises (“SMEs”) to enhance their operation efficiency, upgrade and reinvent their businesses, as well as to support Hong Kong's development into a smart city. The Plan's three major goals include:

- (a) To nurture and recruit more digital technology talents and to grow the number of Cyberport community companies to over 1 200;
- (b) To develop the investor network by increasing its active members to over 100; and
- (c) To enhance the fund-raising capability of start-ups and increase the total accumulated funding raised by Cyberport start-ups to HK\$2.8 billion.

In the past year, Cyberport continued to inspire the next generation in I&T, empower the industry, nurture entrepreneurial spirit and help enterprises to leverage global business opportunities through various measures.

Inspiring the next generation in I&T

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

Internship programmes

12. Cyberport has provided a series of Mainland and overseas internship opportunities to enable young people to work in technology companies in places including Shanghai and Silicon Valley, etc., to acquire practical experience. A total of 34 interns participated in the Mainland/overseas internship programmes from April to October 2017. In the same period, Cyberport arranged 15 interns to work in start-ups in the Cyberport community, including CCMF grantees, incubates and alumni. In addition, the “Internship Programme” under the “Innovation and Technology Fund” has been extended to cover incubatees and SME tenants of Cyberport to recruit intern researchers to assist in R&D projects. A total of 44 intern placements were provided during February to October 2017. The Internship Programme will be further extended to all I&T tenants in Cyberport within this year.

Competitions and events for students

13. To spur young people’s creativity and their interest in ICT, Cyberport has organised a series of activities for students of primary to tertiary levels from April to October 2017, attracting a total of 2 760 student participants. Moreover, to celebrate the 20th anniversary of the establishment of the Hong Kong Special Administrative Region, Cyberport and the Office of the Government Chief Information Officer jointly organised “The Chinese Chess Challenge - 1K VS AI” in October, attracting more than 1 200 primary and secondary students to attend, setting a new world record for “The Most People Battling Against an Artificial Intelligence Chinese Chess System on the spot simultaneously”.

14. This year, under the “Cyberport University Partnership Programme”, Cyberport has subsidised 55 university students to Silicon Valley to participate in the entrepreneurship training of the Stanford Graduate School of Business. The final ten winning teams will be qualified for CCMF funding, turning their innovative ideas into prototype products.

Hosting ICT events

15. To enhance the I&T knowledge of industry practitioners, Cyberport has organised or supported over 100 digital technology events, seminars and training programmes at international, regional and local levels from April to October 2017, attracting over 8 300 industry practitioners, young people and students to participate.

16. As an important partner of the Government, Cyberport co-organised the Second Internet Economy Summit in April this year, attracting over 4 500 participants, including industry practitioners, academics and government officials from around the world.

Empowering the industry and nurturing entrepreneurial spirit

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

CCMF

18. From April to October 2017, Cyberport has, through CCMF, provided 18 selected projects with \$100,000 each as seed funding to turn their innovative ideas into prototypes. From its inception in 2009 to October 2017, CCMF has granted a total of \$32.7 million to 327 projects.

Cyberport Incubation Programme

19. 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. Since its inception in 2005, the programme has admitted 458 technology start-ups, 34 of which were admitted from April to October 2017. Starting from last year, Cyberport has provided specialised support for FinTech start-ups. To date, 67 FinTech start-ups have joined the incubation programme.

20. As at October 2017, 355 Cyberport incubatees are still in business, with 81% of them having survived for at least 1.5 years and 68% having survived for three or more years after graduation. Since 2005, the innovative solutions and products of these incubatees have won a total of 375 industry awards and created 218 intellectual properties.

Cyberport Accelerator Support Programme

21. Since 2014, Cyberport has supported its incubatees and alumni to participate in local, Mainland and overseas accelerator programmes, and has offered guidance on and assistance in overseas expansion and fundraising. Since the launch of the programme, Cyberport has financed 44 start-ups to join renowned accelerators. Among others, Cyberport is the official partner of Zeroth.AI and provides working space for administrative and laboratory use. The 15-week accelerator programme was launched in September 2017, focusing on nurturing AI start-ups and assisting them in seeking suitable investors.

Cyberport Macro Fund (“CMF”)

22. The \$200 million CMF targets to provide Cyberport start-ups with early financing to facilitate the starting up of their businesses. Since its establishment in August 2016, CMF has successfully invested in the equity financing solutions for LYNK, a global network for professionals seeking expert advice, and TravelFlan, a real-time travellers’ solution supported by AI, and is examining some other investment options. CMF will continue to identify suitable investment opportunities and target companies while monitoring the operation and management of the companies concerned.

Co-working space for start-ups

23. Cyberport has been supporting digital start-ups through its Smart-Space co-working space with well-equipped office facilities. Currently, Cyberport Smart-Space is accommodating nearly 400 on-site tenants from various business disciplines, such as FinTech, e-commerce, e-marketing, IT consulting service, etc., in a total floor area of 120 600 square feet. Some 47 300 square feet of the area is dedicated for FinTech companies, the number of which has grown from 39 in March 2016 to over 120 now. Cyberport will provide more Smart-Space co-working spaces outside its campus to further support I&T start-ups through participating in the Space Sharing Scheme for Youth (paragraph 4 above).

Achievements of Cyberport start-ups

24. From April to October 2017, 19 Cyberport start-ups have raised over \$1.46 billion of funding, an 138% increase as compared with \$615 million raised by 34 start-ups in the same period last year. Four start-ups (GoGoVan, Shoptline, YEECHOO and Origami) chosen by Alibaba Entrepreneurs Fund in 2016-17 were from Cyberport. Among them, GoGoVan has merged with the logistics business of 58 Home under Tencent and become a “unicorn” (i.e. unlisted start-up valued at US\$1 billion or above). In addition, TNG and

Klook, both are Cyberport start-ups, have completed Series A and C rounds funding of about \$900 million and \$470 million respectively. The former is one of the largest Series A rounds for FinTech companies in the world.

25. Since 2010, Cyberport incubatees, CCMF grantees and alumni have attracted over \$2.99 billion of investment. Some 14 start-ups have attracted mergers and acquisitions by investors, 73 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**.

Help enterprises to leverage global business opportunities

26. To promote technology start-ups in embracing global business opportunities, Cyberport has, during April to October 2017, organised nine delegations to London, San Francisco, Singapore, Shenzhen, Shanghai and Beijing, etc., where products and services were showcased to foster technological exchange and explore collaboration at multiple levels. Meanwhile, as at end October 2017, Cyberport has formed partnerships with 74 organisations from overseas and Mainland to help its start-ups establish connections with global enterprises, thereby facilitating them to raise funding and develop their businesses beyond Hong Kong.

27. In support of FinTech start-ups, Cyberport has partnered with Accenture in hosting the FinTech Innovation Lab – Asia Pacific for four consecutive years. As at end October 2017, the participating start-ups have successfully raised more than US\$263 million of funding. Cyberport has entered into an agreement with Accenture to strengthen their partnership and deliberate on the setting up of an exclusive lab to showcase new FinTech technologies, such as VR and AR suitable for financial institutions. Cyberport has also entered into an agreement with SuperCharger for two consecutive years to provide co-working space for start-ups selected to join its FinTech Accelerator programme.

Cyberport's Annual Report 2016-17 and Latest Financial Position

28. The audited accounts of the Cyberport Companies¹ for the financial year ended 31 March 2017 (the 2016-17 Accounts) are at **Annex B**. For the 2016-17 financial year, the operating profit before depreciation and tax and

¹ Private and wholly-owned companies, namely, Hong Kong Cyberport Development Holdings Limited, Hong Kong Cyberport Management Company Limited and its subsidiaries, and Hong Kong Cyberport (Ancillary Development) Limited (collectively referred to as the "Cyberport Companies" in this paper) set up by the Government under the Financial Secretary Incorporated to oversee the implementation of the Cyberport Project.

excluding project income from the residential development was \$46.3 million, compared with \$67.5 million in 2015-16. To tie in with the Government's effort in promoting I&T development, Cyberport Companies' contribution to public mission activities in 2016-17 was \$104.2 million, a 26% increase compared with \$82.7 million in 2015-16. As at March 2017, Cyberport Companies' disposable reserve is close to \$380 million.

29. The occupancy rate of Cybeport's office as at October 2017 stood at 95% with 548 tenants, comprising 467 commercial organisations (93% are SMEs), nine non-profit organisations, one government department and 71 incubatees, employing a total of around 6 000 people. Over the years, Cyberport has attracted many well-known multi-national corporations. Among the 467 commercial tenants, 147 tenants have non-local origins and 44 of which established their first foothold in Hong Kong in Cyberport.

30. Cyberport's Annual Report 2016-17 has been uploaded to https://www.cyberport.hk/files/annual_report/2016/Full_PDF/2016-17_Cyberport_AR_Full_PDF_ENG.pdf for public viewing.

Advice Sought

31. Members are invited to note this paper.

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

Examples of Successful Cyberport Start-ups**Part A: 2017 Intake**

	Start-up	Nature of Business	Awards and Achievements
1	Booqed Limited	Provides a community marketplace for business and leisure venues and activity space	<ul style="list-style-type: none"> • Expand to Mainland China and Singapore markets
2	Clare.ai Limited	Provides chatbots solution powered by Artificial Intelligence specifically for financial institutions. It differentiates by proprietary Cantonese Natural Language Processing algorithm, ability to deploy across platforms and comply with sophisticated security requirements set by financial institutions	<ul style="list-style-type: none"> • Citi HK Fintech Challenge - Silver Award • Hong Kong ICT Awards 2017 - Best FinTech Award (Emerging Solutions / Payment Innovation) Bronze Award
3	FeedMe Limited	Collaborates with top restaurants and hotels in Hong Kong to provide unique tasting menus for customers	<ul style="list-style-type: none"> • The Hong Kong Federation of Youth Groups “Wanted: Your Pitch For Our Funds” – Grand Award • DBS BusinessClass F&B Disrupt Transformation Pitch – 1st runner up • Hong Kong ICT Awards 2017 – Best Lifestyle Grand Award • Hong Kong ICT Awards 2017 – Best Lifestyle (Green & Healthy Living) Award - Gold Award
4	Find Solution Artificial Intelligence Limited	Using camera tracking and Artificial Intelligence technologies to analyse data of the facial expression, eye focus and emotion when a student is doing exercises, in order to provide a personalised and interactive learning module for students	<ul style="list-style-type: none"> • Acknowledged by CIO Advisor as Top 25 APAC AI companies • Top 10 in Starthub 3.0 pitching competition • Cyberport Pitch Day 2017 Winner

	Start-up	Nature of Business	Awards and Achievements
5	Impressed Technology Limited	A mobile app that provides door-to-door dry cleaning and laundry services	<ul style="list-style-type: none"> • Hong Kong ICT Awards 2017 - Best Mobile Apps (Consumer Solutions) Award - Certificate of Merit • Hong Kong ICT Awards 2017 - Best Mobile Apps (Consumer Solutions) Award - Special Mention (Online-to-Offline Application) • Hong Kong ICT Awards 2017 - Best Mobile Apps (Consumer Solutions) Award - Special Mention (Start-up Company)
6	Ledo Media Technology Company Limited	An online platform providing search and rental services for offline advertisement spots to help companies to more effectively reach out to target customers through offline promotion, and increase sales opportunities	<ul style="list-style-type: none"> • Hong Kong ICT Awards 2017 - Best Business Solution (e-Commerce) Award - Bronze Award • Hong Kong ICT Awards 2017 - Best Business Solution (e-Commerce) Award - The Outstanding SME Award
7	More Champ Limited	A mobile app that links user's credit card and bank account, and automating rewards process	<ul style="list-style-type: none"> • Citi HK FinTech Challenge 2017 - Bronze Award and My Favorite Solution Award
8	Seasonalife Limited	A robotic solutions for insurance to help users in making use of most updated data to research, compare and purchase insurance products	<ul style="list-style-type: none"> • Hong Kong ICT Awards 2017: Best FinTech (Banking, Insurance and Capital Market) Award - Silver Award
9	Wee Creation Company Limited	Enables offline merchants without e-commerce experience to create an online virtual reality shop	<ul style="list-style-type: none"> • Jumpstarter 2017 Grand Finale Finalist

	Start-up	Nature of Business	Awards and Achievements
10	GoAnimate Hong Kong Limited	A DIY animation platform.	<ul style="list-style-type: none"> • Hong Kong ICT Awards 2017 - Award of the Year • Hong Kong ICT Awards 2017 - Best Business Solution Grand Award • Hong Kong ICT Awards 2017 - Best Business Solution (Product & Service) Award - Gold Award

Part B : Previous Intakes

	Start-up	Nature of Business	Awards and Achievements
1	GoGoVan	A mobile app providing logistics service by matching customers and enterprises	<ul style="list-style-type: none"> • Merged with the logistics business of 58 Home under Tencent and achieved Unicorn status (i.e. unlisted start-up valued at US\$1 billion or above) • Raised Series C funding from investors including the Alibaba Entrepreneurs Fund • Hong Kong ICT Awards 2014 - Certificate of Merit of Best ICT Startup (Consumer Market) Award; Gold Award of Best Mobile Apps Award; Special Mention (LBS Application) of Best Mobile Apps 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” • Business expanded to the Mainland and Asia-Pacific cities like Singapore, Taiwan, Malaysia, etc.
2	TNG (Asia) Limited	A fast-growing FinTech company in Hong Kong providing consumers with a	<ul style="list-style-type: none"> • Obtained US\$115 million (around HK\$900 million) series A round funding led

	Start-up	Nature of Business	Awards and Achievements
		cashless payment tool	<p>by New Margin Capital, a Mainland private equity fund</p> <ul style="list-style-type: none"> • Top prize of Finnovasia 2016 Startup Battle • Gold Award (Emerging Internet Finance Company Category) of the Hong Kong Internet Finance Awards 2016
3	Klook Travel Technology Limited	Developed a one-stop in-destination travel activity booking platform, Klook, providing users with a series of travel information to enable users to explore and book attractions and special activities	<ul style="list-style-type: none"> • Obtained US\$60 million (around HK\$468 million) series C round funding co-invested by Sequoia Capital China, Goldman Sachs and Matrix Partners. This series C round of investment represents the largest deal for an in-destination service booking platform • Obtained US\$30 million (around HK\$230 million) series B round funding led by Sequoia Capital China • Business expanded to the Mainland and Asia-Pacific cities including Singapore, Taiwan, Korea, Thailand, etc.
4	Apprendre Education (Snapask)	A comprehensive e-learning platform for students around the world	<ul style="list-style-type: none"> • Co-founders selected as “Forbes 30 Under 30”

	Start-up	Nature of Business	Awards and Achievements
5	Dragon Law Limited	Providing online legal tools for start-ups and SMEs	<ul style="list-style-type: none"> • 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 • Hong Kong Top 20 Startups 2016 by Hong Kong Business Magazine
6	Origami Group Limited	A company creating innovative IoT/wearable solutions that meet human needs	<ul style="list-style-type: none"> • Obtained funding from the Alibaba Entrepreneurs Fund • Wearable IoT World Accelerator Programme participant • Champion of Elevator World Tour Hong Kong and received US\$120,000 of funding
7	Shopline	A platform providing website building and mobile solutions for SMEs	<ul style="list-style-type: none"> • Raised fund from the Alibaba Entrepreneurs Fund • Hong Kong ICT Awards 2015 - Certificate of Merit of Best SME ICT (Product) Award
8	BondIT Asia (H.K.) Limited	A robo-advisory solution that increases bond sales and facilitates client interactions for fixed income investment managers/ advisors using proprietary machine learning algorithms	<ul style="list-style-type: none"> • OCBC FinTech Accelerator Programme • UKTI Hong Kong FinTech Award third runner-up

	Start-up	Nature of Business	Awards and Achievements
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 • Hong Kong Top 20 Startups 2016 by Hong Kong Business Magazine • Elected by the ChinaBang magazine in the 2015 issue as “Best Overseas Marketing Startup”
10	Quantifeed	An online platform providing wealth management solutions	<ul style="list-style-type: none"> • Internet Society of Hong Kong – Hong Kong Favourite Cloud Project • The FinTech20 Hong Kong selected by the FinTech City
11	Lattice	Provides 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
12	Ironfly Technologies	Provides 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 • The FinTech20 Hong Kong selected by the FinTech City

	Start-up	Nature of Business	Awards and Achievements
13	TeamNote Limited	A mobile app dedicated for enterprise communication	<ul style="list-style-type: none"> • Admitted into Y Combinator Accelerator Programme • Merit in Startup Category from Asia Pacific ICT Alliance (APICTA) 2015 • Hong Kong Top 20 Startups 2016 by Hong Kong Business Magazine
14	EquitySim Limited	Providing trading simulation platform allowing users to learn and practice trading skills	<ul style="list-style-type: none"> • Award Winner of UK FinTech Award 2016 • Winner of Silicon Dragon Awards 2016 Pitching Competition
15	Molecule Financial Limited	Provides a leading financial social app in Mainland China focusing on the Hong Kong stock market	<ul style="list-style-type: none"> • Raised US\$380,000 from investors • SME's Youth Entrepreneurship Award 2016 (HK General Chamber of Small and Medium Business) & Honourable Mention for the 2016 Internet Finance Award
16	Easy Care International Limited	An app-based platform providing one-stop solution to family and institution users in booking qualified caregivers with standard pricing, transparent information, and flexibility in services	<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 • Hong Kong ICT Awards 2016 – Bronze Award of Best ICT Startup (Social Impact) Award • Winner of the Internet Plus Youth Creative Awards

	Start-up	Nature of Business	Awards and Achievements
17	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
18	Heycoins Limited	Its project, Heycoins, provides coins exchanging & handling solutions for the community	<ul style="list-style-type: none"> • DBS Accelerator Programme participant • Awardee at the finals of the 5th Innovation and Entrepreneurship Competition of University Students of Guangdong, Hong Kong, Macau and Taiwan
19	Mindlayer Limited	Providing business applications using Natural Language Processing technology to help businesses save cost and boost customer satisfaction	<ul style="list-style-type: none"> • Raised HK\$400,000 through Technology Start-up Support Scheme for Universities (City University of Hong Kong) • DBS Accelerator Programme participant
20	Joyful Ventures Limited	A mental health check-up programme for students	<ul style="list-style-type: none"> • CEO was selected as “Forbes 30 Under 30”

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017**

	Note	2016 HK\$	2017 HK\$
Revenue	1	644,811,039	452,755,575
Other income	1	17,201,278	21,293,892
		<hr/>	<hr/>
		662,012,317	474,049,467
Expenses before public mission activities expenses and depreciation		<hr/>	<hr/>
Building management expenses		(141,126,656)	(142,966,235)
Staff costs		(86,792,068)	(87,487,756)
Government rent and rates		(13,688,039)	(14,090,906)
Other operating expenses		(76,512,638)	(78,983,139)
Finance costs		(29,751)	(20,757)
		<hr/>	<hr/>
		(318,149,152)	(323,548,793)
		<hr/>	<hr/>
Operating profit before public mission activities expenses and depreciation		343,863,165	150,500,674
Public mission activities expenses		(82,659,716)	(104,170,514)
		<hr/>	<hr/>
Operating profit before depreciation		261,203,449	46,330,160
Depreciation	3	(117,713,101)	(123,067,357)
		<hr/>	<hr/>
Profit/(loss) before taxation		143,490,348	(76,737,197)
Income tax (expense)/credit	2	(30,882,491)	20,000
		<hr/>	<hr/>
Profit/(loss) and total comprehensive income/(loss) for the year		<hr/> <hr/>	<hr/> <hr/>
		112,607,857	(76,717,197)

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2017

	Note	2016 HK\$	2017 HK\$
<u>Non-current assets</u>			
Property, plant & equipment	3	2,995,513,860	2,976,675,890
Deferred rental receivable		14,690,545	15,738,361
Cyberport Macro Fund Investment	4	-	6,221,450
Investments in securities		559,202,194	430,053,583
		<u>3,569,406,599</u>	<u>3,428,689,284</u>
<u>Current assets</u>			
Inventories, at cost	5	450,650	595,761
Trade and other receivables		26,492,595	29,332,840
Income tax recoverable		10,192,632	23,571,550
Investments in securities		404,346,906	570,713,140
Cash and bank balances		560,508,272	306,839,607
		<u>1,001,991,055</u>	<u>931,052,898</u>
<u>Current liabilities</u>			
Trade and other payables		70,858,219	96,581,484
Rental and other deposits		77,001,592	79,426,375
Obligations under a finance lease		2,086,322	2,095,355
		<u>149,946,133</u>	<u>178,103,214</u>
Net current assets		<u>852,044,922</u>	<u>752,949,684</u>
Total assets less current liabilities		<u>4,421,451,521</u>	<u>4,181,638,968</u>
<u>Equity</u>			
Share capital	6	2	2
Capital reserve	7	5,337,975,463	5,388,055,329
Accumulated losses	8	(1,372,386,836)	(1,610,104,033)
Total equity		<u>3,965,588,629</u>	<u>3,777,951,298</u>
<u>Non-current liabilities</u>			
Development maintenance fund	9	422,214,986	402,110,194
Facilities maintenance fund	10	29,975,074	-
Obligations under a finance lease		3,672,832	1,577,476
		<u>455,862,892</u>	<u>403,687,670</u>
		<u>4,421,451,521</u>	<u>4,181,638,968</u>

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED

NOTES TO FINANCIAL STATEMENTS

1. Revenue and other income

	2016 HK\$	2017 HK\$
<u>Revenue</u>		
Rental income	210,588,164	216,704,284
Building management income		
- Management fee income	84,256,008	85,195,492
- Car park fee income	11,736,728	13,506,822
- Other facilities income	20,973,213	19,432,099
	116,965,949	118,134,413
Income from hotel operation	119,421,577	113,926,173
Information technology facilities income	481,439	98,963
Broadband service and installation fees	3,584,638	3,782,386
Project income	193,689,289	-
Other incidental income	79,983	109,356
	<u>644,811,039</u>	<u>452,755,575</u>
<u>Other income</u>		
Interest income from held-to-maturity investments, net of amortisation of premium	16,502,660	15,465,384
Interest income from investments at fair value through profit or loss	8,603,452	11,705,473
Interest income on bank deposits	1,869,888	910,700
Net realised/unrealised losses on investments at fair value through profit or loss	(3,370,038)	(3,764,570)
Net foreign exchange loss	(6,800,537)	(3,103,780)
Gain on disposal of items of property, plant and equipment	-	70,000
Reversal of provision for impairment of trade receivables	-	10,685
Sundry income	395,853	-
	<u>17,201,278</u>	<u>21,293,892</u>

2. Income tax

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

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED

NOTES TO FINANCIAL STATEMENTS

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 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
Additions	-	30,306,850	20,104,792	-	36,361,531	16,761,612	710,000	104,244,785
Disposals	-	(6,502,877)	-	-	-	(1,815,250)	(389,868)	(8,707,995)
At 31 March 2017	3,832,061,688	1,197,781,244	281,273,402	60,886,254	116,880,436	171,780,908	1,338,151	5,662,002,083
Accumulated depreciation								
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
Charge for the year	83,098,299	3,488,279	5,661,984	-	8,150,635	22,527,813	140,347	123,067,357
Disposals	-	(6,502,877)	-	-	-	(1,799,852)	(389,868)	(8,692,597)
At 31 March 2017	1,078,270,733	1,148,426,937	257,222,906	60,886,254	35,218,599	104,554,280	746,484	2,685,326,193
Net book value								
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
At 31 March 2017	2,753,790,955	49,354,307	24,050,496	-	81,661,837	67,226,628	591,667	2,976,675,890

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED

NOTES TO FINANCIAL STATEMENTS

4. During the year, to further extend the Group's entrepreneurial support to scalable start-ups, the Group has launched the CMF for Hong Kong-based digital entrepreneurs. With an initial size of HK\$200 million, the CMF aims to accelerate the growth of digital technology start-ups.

As an investment fund that targets to co-invest in Cyberport digital entrepreneurs with other private and public investors as seed to Series A stage funding, the CMF also aims to encourage the development of a venture capital ecosystem for start-ups in Hong Kong.

5. Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs of disposal.

6. Share capital

	2016 HK\$	2017 HK\$
Ordinary shares, issued & fully paid	<u>2</u>	<u>2</u>

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.

	2016 HK\$	2017 HK\$
At the beginning of the year	5,327,648,719	5,337,975,463
Transfer from Development Maintenance Fund (Note 9)	693,044	20,104,792
Transfer from Facilities Maintenance Fund (Note 10)	9,633,700	29,975,074
Handover of plant and equipment	-	-
At the end of the year	<u>5,337,975,463</u>	<u>5,388,055,329</u>

8. Accumulated losses carried forward

	2016 HK\$	2017 HK\$
At the beginning of the year	(1,484,994,693)	(1,372,386,836)
Profit/(loss) for the year	112,607,857	(76,717,197)
Interim dividend	-	(161,000,000)
At the end of the year	<u>(1,372,386,836)</u>	<u>(1,610,104,033)</u>

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED

NOTES TO FINANCIAL STATEMENTS

9. 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 \$20,104,792 (2016: \$693,044) 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.

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.

During the year, building services and support facilities of \$29,975,074 (2016: 9,633,700) were acquired and funded by the Facilities Maintenance Fund. Accordingly, this amount has been transferred from the Facilities Maintenance Fund to Capital Reserve account.