

**For discussion
on 10 May 2021**

**LEGISLATIVE COUNCIL PANEL ON
INFORMATION TECHNOLOGY AND BROADCASTING**

**Annual Work Progress of Cyberport and
the Cyberport Expansion Project**

Purpose

This paper briefs Members on the latest work progress of Cyberport and seeks Members' views on the Cyberport expansion project and its proposed financial arrangement.

Background

2. As the flagship for Hong Kong's information and communications technology (ICT) industry, Cyberport has over the years been implementing its public mission programmes through provision of financial and professional support to nurture start-ups, inspire and motivate young people to pursue a career in the innovation and technology (I&T) industry and create business opportunities, thereby fostering the development of ICT in Hong Kong.

Supporting Start-ups

3. Over the years, Cyberport has launched a number of funding schemes to offer appropriate support to start-ups at different stages of development.

Cyberport Incubation Programme (CIP)

4. Since its implementation in 2005, the CIP has admitted a total of 896 technology start-ups as at March 2021. Among them, 73% have survived for three years or more after graduation. Cyberport was awarded a "State-level Scientific and Technological Enterprise Incubator" by the Ministry of Science and Technology in end-2020.

5. The number of applications and intake for the CIP in recent years are set out below –

Financial Year	Number of Applications	Number of Intake
2015-16	302	51
2016-17	515	103
2017-18	754	105
2018-19	677	108
2019-20	607	129
2020-21	649	130

Cyberport Creative Micro Fund (CCMF)

6. Launched in 2009, CCMF provides a seed funding of \$100,000 for each selected project to help participants turn their innovative ideas into prototypes. As at March 2021, the CCMF has approved a total of \$67 million for 670 projects.

Cyberport Accelerator Support Programme (CASP)¹

7. Since the launch of CASP in 2014, Cyberport has funded 116 incubatees and alumni to participate in local, Mainland and overseas accelerator programmes, thereby assisting them in their overseas expansion and fundraising.

Cyberport Macro Fund (CMF)

8. Established in August 2016, the \$200 million CMF aims to provide Cyberport's start-ups with early financing and promote the development of the venture capital ecosystem in Hong Kong. The CMF has so far invested more than \$126 million in 16 companies, attracting over \$870 million of private investment. Cyberport injected an additional \$200 million into the CMF in April 2021 and extend its scope to cover Series B and later stage investments to enable more promising start-ups to further develop.

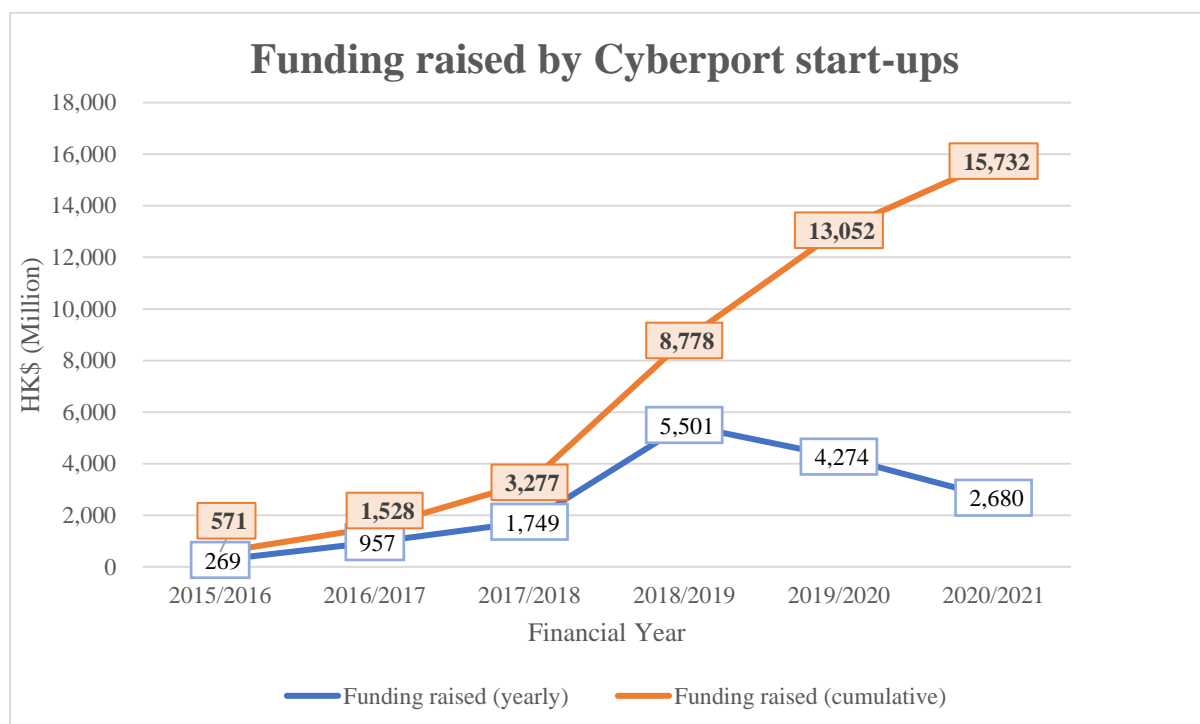
Overseas/Mainland Market Development Support Scheme (MDSS)

9. The MDSS was introduced in the fourth quarter of 2018 under which a financial subsidy up to \$200,000 is provided to start-ups to assist them in conducting market research and promotion, participating in trade fairs outside Hong Kong, expanding into overseas markets and attracting investors. So far, Cyberport has approved 60 applications.

¹ Through CASP, Cyberport prepares its incubatees and alumni which are ready for overseas market expansion and fundraising to participate in accelerator programmes approved by Cyberport, and provide up to HK\$300,000 financial assistance.

Latest Update of Cyberport's Start-ups

10. Since 2010, Cyberport's incubatees, alumni and CCMF grantees have attracted over \$15.7 billion of investment, of which 20 start-ups involved mergers and acquisitions. In 2020-21, Cyberport's start-ups have raised over \$2.6 billion of funding.



11. A number of companies within the Cyberport community have attained excellent accomplishments in 2020. For instance, all four companies that were granted the license of virtual insurer are from the Cyberport community; and two out of eight virtual bank licensees are also members of the Cyberport community. Four Cyberport start-ups have reached unicorn status. Some successful examples of Cyberport start-ups are at [Annex A](#).

Nurturing Talent

12. One of Cyberport's public missions is to nurture talent in the local ICT industry and to inspire young people in pursuing a career in the industry.

13. The Cyberport University Partnership Programme (CUPP), which aims to nurture FinTech talent, was organised for the sixth consecutive year. Over the past six years, a total of 376 university students joined the CUPP. Due to the COVID-19 epidemic, 73 university students in 20 teams admitted in 2021 participated in a nine-day online FinTech and entrepreneurial training hosted by

the IESE Business School of the University of Navarra, Spain. Of which, 11 teams were granted seed funding under the CCMF to turn their ideas into FinTech prototypes.

14. In terms of nurturing young people to start an ICT career, Cyberport continued to play an active role in providing young people with various local internship opportunities. Over the past year, Cyberport arranged more than 120 young people to serve as interns and receive training in Cyberport community companies under the themes of FinTech, smart living and e-sports. Cyberport has also organised two virtual career fairs in April 2020 and March 2021, providing 800 and 1 300 job vacancies respectively in the fields of virtual banking, virtual insurance, artificial intelligence (AI), blockchain and education technology etc.

Cyberport Academy

15. Cyberport launched the Cyberport Academy platform, integrating relevant resources, seminars and workshops for start-ups, industry practitioners and young people. For instance, Cyberport collaborated with Amazon Web Services (AWS) Educate in May 2020 to launch the Cyberport and AWS Educate Cloud Career Pathways Programme, providing complimentary online cloud technology training for university and secondary school students. More than 500 university and secondary school students participated in the programme. The Cyberport Academy also actively collaborated with various faculties of tertiary education institutions to launch multi-disciplinary credit-bearing externship programmes, which allow students to gain hands-on experience in managing start-ups in the fields of FinTech, blockchain and smart living etc. So far, more than 3 500 participants have benefitted from the programmes.

Fostering Technology Development

16. Cyberport has been focusing on promoting three major clusters, namely FinTech, digital entertainment and e-sports as well as smart living. In terms of technology, Cyberport has also in recent years actively promoted the advancement and application of AI and big data, blockchain and cybersecurity, to lay the foundation for future technology applications.

FinTech

17. FinTech is currently a key cluster being developed at Cyberport and Cyberport hosts the biggest FinTech community and ecosystem in Hong Kong

with nearly 400 FinTech companies covering blockchain, mobile payment, cybersecurity, AI, big data and programme trading etc.

18. Cyberport enhances FinTech-specific training for in-service financial practitioners to enrich the FinTech talent pool and promote FinTech applications in the traditional financial industries. Cyberport launched the Cyberport Financial Practitioners FinTech Training Programme in 2020 to speed up digital transformation of the industry. The first batch of courses commenced in March 2020 with over 2 000 registrations. Moreover, Cyberport launched the Blockchain and Regulatory Technology (RegTech) Speaker Series in September 2020, which invited local experts from the blockchain and RegTech fields to host a series of online seminars on the application of blockchain technology to drive the transformation of capital markets. The event has attracted more than 1 500 participants.

19. Cyberport actively organised and participated in various local and overseas FinTech events. In September 2020, InsureTech Connect, a major Insurance Technology (InsurTech) event first launched in the United States, collaborated with Digital Insurance Agenda, Europe's InsurTech conference, for the first time launched a roving online InsurTech conference. Cyberport partnered with InvestHK and the Hong Kong Science and Technology Parks Corporation to host the Hong Kong Stop of the roving conference. In addition, Cyberport participated in the Asian Financial Forum and the Hong Kong FinTech Week in both 2020 and 2021, and led a number of FinTech companies to attend the events as exhibitors.

20. Furthermore, Cyberport is committed to promoting the application of FinTech. In collaboration with banking industry organisations, Cyberport organised virtual RegTech Demo Days in September 2020 and March 2021 respectively to introduce the latest RegTech applications, such as AI credit risk assessment, transaction monitoring and case management etc., to the industry. The two demo days attracted more than 950 and 2 000 viewers respectively. In collaboration with the Hong Kong Securities and Investment Institute and the Chinese Financial Association of Hong Kong, Cyberport held a virtual Wealth Management Technology (WealthTech) Demo Day in March 2021 to introduce WealthTech applications to the securities industry, attracting around 200 participants.

Digital Entertainment and E-sports

21. Cyberport has been supporting the development of the industry from three aspects, including facilitating the organisation of e-sports competitions/

events, fostering talent cultivation and promoting the overall development of the e-sports industry and associated technological developments.

22. The Government funded Cyberport to establish a dedicated e-sports competition venue for hosting more e-sports competitions and events. Since its opening in July 2019 to January 2020, a total of 12 offline competitions/activities were held at the venue with more than 3 000 participants. Affected by the COVID-19 epidemic, organisation of live events was then put on hold. However, Cyberport has made flexible arrangement for live events provided with funding support to be conducted online instead. As at end-March 2021, a total of 34 events were held online. Through the E-sports Industry Facilitation Scheme, Cyberport facilitated the industry in hosting more competitions and events, including facilitating the E-sports Association Hong Kong to establish the Hong Kong E-sports Premier League. The Scheme has approved 123 applications, involving a funding of \$29 million. Moreover, the flagship digital entertainment and e-sports event “Digital Entertainment Leadership Forum” (the Forum) will continue to facilitate exchanges between local, Mainland and overseas e-sports professionals and business expansion opportunities for e-sports and digital entertainment companies. The Forum, held virtually in December 2020, has attracted more than 600 000 views.

23. In terms of fostering talent cultivation, Cyberport provides internship opportunities for young people aspiring to work in the e-sports industry via the E-sports Internship Scheme. The Scheme has so far successfully matched around 40 internship placements, amounting to around \$3.1 million in terms of funding. Cyberport has also set up a dedicated e-sports zone in the Cyberport Career Fair for two consecutive years. The arrangement not only provides a recruitment platform for the e-sports industry, but also facilitates talent matching for digital entertainment related companies. Cyberport also collaborates with education institutions to assist graduates of relevant programmes to join the workforce.

24. As regards the promotion of the e-sports industry as a whole and its technological development, there are more than 140 e-sports/digital entertainment related companies in the Cyberport community, including incubatees, alumni, smart-space users and CCMF grantees, among which some are engaged in businesses relating to e-sports event planning, game development, e-sports technology application, big data analysis and multimedia content creation etc. Cyberport promotes and supports relevant e-sports technology and overall e-sports industry development through provision of funding and professional support in different areas.

Smart Living

25. To support smart city development, Cyberport currently has over 250 social innovation start-ups, covering areas like education technology, healthcare technology, environment and smart mobility. The Cyberport community provide a platform for start-ups to showcase their smart living solutions. Cyberport has launched the 24-hour unmanned store “Smart Living Concept Store” which offers a wide range of products and services, many of which are provided by Cyberport incubatees. Besides, Cyberport actively encourages start-ups to participate in the Subsidy Scheme for Encouraging Early Deployment of 5G launched by the Office of the Communications Authority in May 2020. So far, 18 companies in the Cyberport community have received over \$10 million for 23 projects. The smart living solutions of the Cyberport start-up community are well recognized by the industry and have won numerous awards such as the Hong Kong ICT Awards.

Fighting the Epidemic

Rental concession

26. In view of economic uncertainties, Cyberport has provided three rounds of rental concession to tenants and start-ups, benefiting office and Arcade tenants as well as Smart-Space users. The number of benefitted tenants/businesses exceeded 800, involving nearly \$200 million in total, of which \$100 million was absorbed by Cyberport, and the remaining sum was supported by the Anti-epidemic Fund.

“Braving the Epidemic” Movement

27. In view of the unprecedented challenges brought by the epidemic, Cyberport introduced the “Braving the Epidemic” movement in February 2020, which gathered over 60 start-ups within the Cyberport community to provide different types of solutions as well as leveraging the strengths and expertise of start-ups to provide integrated anti-epidemic solutions. Examples are the specimen collection service for COVID-19 testing launched in collaboration with the Department of Health, the 5G anti-epidemic smart robot adopted by various government departments including the Electrical and Mechanical Services Department, Fire Services Department and Correctional Services Department etc., and UV light robot which could be remotely controlled to regularly conduct disinfecting procedures at high-risk places, effectively reducing the risks of infection.

Cyberport's Annual Report 2019-20 and Latest Financial Position

28. The audited accounts of the Cyberport Companies² for the financial year 2019-20 are at **Annex B**. For 2019-20, the operating loss before depreciation and tax was \$2.2 million, compared with an operating profit of \$55.8 million in 2018-19. As at end-March 2020, the Cyberport Companies' disposable reserve was about \$220 million.

29. Cyberport's contribution to public mission activities in 2019-20 was \$153.4 million, representing a 15% increase as compared with \$133.4 million in 2018-19. In 2020-21, Cyberport's expenditure on public mission activities exceeded \$190 million.

30. As at March 2021, there were 849 tenants, which included 772 commercial organisations, five non-profit-making organisations and government department, and 72 incubatees, employing a total of around 5 400 people³. Over the years, Cyberport has attracted various Mainland and overseas corporations to establish their presence in Cyberport and 113 of the commercial organisations have non-local origin.

31. Cyberport's 2019-20 Annual Report was circulated to the Panel on Information Technology and Broadcasting of the Legislative Council in October 2020. The Report has been uploaded to Cyberport's website⁴ for public's perusal.

Cyberport Expansion Project

32. The Financial Secretary announced in the 2019-20 Budget that \$5.5 billion would be earmarked for the expansion of Cyberport with an aim to attract more quality technology companies and start-ups to set up their offices in Cyberport and provide a pathway for young people to pursue a career in I&T.

33. The Cyberport expansion project involves construction of a new office building (Cyberport 5) at a waterfront site of approximately 1.6 hectares north

² Include the Hong Kong Cyberport Development Holdings Limited (HKCDHL), 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), which are set up to oversee the implementation of the Cyberport Project. HKCDHL is a wholly-owned private company established by the Government under the Financial Secretary Incorporated.

³ Excluding those employed by the government department.

⁴ https://www.cyberport.hk/en/about_cyberport/annual_report

west of the waterfront park and opposite the existing Cyberport Arcade (see site plan at **Annex C**). We will also enhance the existing Cyberport waterfront park. If funding approval can be obtained from the Finance Committee (FC) of the Legislative Council in mid-2021, the construction works may commence in the fourth quarter of 2021 for completion in 2025 at the earliest.

Cyberport 5

34. The new ten-storey (including the rooftop) office building, at a maximum height of 58 metres above the Hong Kong Principal Datum (“mPD”), provides a gross floor area (GFA) of about 66 000 square metres. The facilities in the building include office, co-working space, a data services platform, a multi-function hall and ancillary facilities. Details of the facilities are tabulated as follows –

Facilities	Gross Floor Area (square metres)
Office and co-working space	about 36 000
Data Services Platform	about 10 500
Multi-function hall	about 1 300
Ancillary facilities	about 5 900
Others (covered walkway, driveway, pick-up/drop-off points)	about 12 300
Total	about 66 000

Office and co-working space

35. Cyberport currently has four office buildings, providing a total GFA of 119 000 square metres (and lettable area of around 98 000 square metres). The capacity of these facilities is already saturated, with the occupancy rates of office and co-working space therein consistently maintaining at high levels of 90% and 95% respectively. As the flagship of Hong Kong’s ICT industry, it is imperative for Cyberport to have sufficient capacity to continue to attract more I&T companies as well as multi-national corporations to set foot at Cyberport and in Hong Kong to enhance our I&T ecosystem and to maintain our competitiveness vis-à-vis technology parks in other cities in the region. Cyberport 5 will provide an additional GFA of 36 000 square metres of office and co-working space, representing about 30% of the total floor area of the office and co-working space currently at the campus. They will be equipped with advanced smart office facilities which meets the working modes of the next generation digital technology enterprises and their online-to-offline business needs. In the coming few years, Cyberport will continue to drive the development of cutting-edge

technologies including AI, big data, blockchain and cybersecurity, and promote collaborations between Hong Kong and the cities in the Greater Bay Area.

Data services platform

36. Access to data services platform is limited and costly in Hong Kong. Moreover, some start-ups, such as Fintech start-ups, place great emphasis on quality storage and privacy. Hence, a data services platform will be set up in Cyberport 5 to provide convenient and flexible cloud data services, safe server rooms, and relating ancillary facilities for Cyberport's start-ups to facilitate their development and testing of new products. The platform can also offer suitable facilities and environment for promoting and enhancing cybersecurity training for the industry and provide crisis management simulation.

Multi-function hall

37. At present, the largest conference facility in Cyberport can only accommodate a maximum of 300 persons, which is inadequate in hosting regional or even international conferences and events. In order to strengthen its role as the I&T hub in Hong Kong, Cyberport intends to adopt a flexible approach in building the multi-function hall which allows for adjustment of the hall capacity having regard to the scale of events. The hall can accommodate up to 800 persons and will be equipped with advanced and comprehensive facilities and technologies, such as video-conferencing, live broadcasting and ICT facilities.

Ancillary facilities

38. Part of the floor space of the new office building will be designated for smart living demonstration hall for demonstration of I&T applications. Space will be reserved for facilities such as different types of food and beverages services, convenience stores and retail shops etc. to serve the Cyberport community and nearby residents. Cyberport will also designate part of the floor space as open space for use by the public. Furthermore, Cyberport will actively introduce facilities and services with smart living elements. Equipped with an automated car parking system, Cyberport's carpark will be placed in the two levels of basement to minimise the above-ground building height.

Enhancing the waterfront park

39. The existing waterfront park in Cyberport is very popular among the public. Considering public needs, Cyberport will enhance the environment and facilities of the park by constructing a waterfront promenade, re-laying turf, adding pet-friendly and smart facilities as well as landscaping to enable members

of the public to better enjoy the comfortable green space and bring greater convenience through the provision of ICT and smart living facilities.

Economic benefits

40. According to the consultancy report on “Economic Impact Assessment” commissioned by Cyberport to assess the economic impact of the expansion project, the contribution of Cyberport 5 to Hong Kong’s economy is estimated to reach around \$3.2 billion per year upon completion of the project (including direct, indirect and induced impacts) and creating around 6 100 jobs. Contribution of the construction works to the economy is estimated to be around \$1.1 billion and will create around 1 100 jobs.

Proposed financial arrangements

41. The total development cost is estimated to be \$4,792 million at money-of-the-day (MOD) prices. We propose that 80% of the construction cost will be financed by Government equity while the remaining 20% by commercial loan. The proposed financial arrangement for the development is as follows -

	HK\$ (million)	Percentage of the total development cost
Government injection	3 834	80
Commercial loan with government guarantee	958	20
Total	<u>4,792</u>	<u>100</u>

42. Separately, Cyberport is planning to support the early operating expenses of Cyberport 5 through commercial loan of around \$233 million. Combined with the commercial loan for the construction cost as set out above, the total amount of commercial loan will be around \$1.191 billion. We also recommend that the Government provide guarantee for the commercial loan to enable Cyberport to obtain more favourable terms. In determining the above financial arrangement, we have taken into account Cyberport’s financial position, projected income and expenditure in the coming years, and planned capital works projects and new initiatives.

Public consultation

43. We have briefed the District Development and Housing Committee of the Southern District Council on the project in May and July 2019. Members have expressed support to the expansion project. We have also informed the relevant committee about the latest progress of the expansion project by circulation. To tie in with the project, with the agreement of the Town Planning Board, the Chief Executive in Council has approved the draft Pok Fu Lam Outline Zoning Plan in January 2021 to rezone the Cyberport 5 development and waterfront park sites.

Advice Sought

44. Members are invited to note the annual work progress of Cyberport and support the Cyberport expansion project and its proposed financial arrangements (as set out in paragraphs 41 and 42 above). Subject to Members' agreement, we will proceed to seek funding approval from the Finance Committee.

Innovation and Technology Bureau
May 2021

Successful Examples Cyberport Start-ups

Fintech cluster

	Start-up Company	Nature of Business	Achievement
1	OneDegree	OneDegree is a new generation InsurTech company which promote industry development through design and digital innovation. They provide general insurance products for customers, including pet and fire insurance, through their online platform.	<ul style="list-style-type: none"> ● The company is among the first batch of virtual insurers authorised by the Hong Kong Insurance Authority. ● Raised over HK\$230 million from investors.
2	Quantifeed	Quantifeed is Asia's leading digital wealth management solution provider for financial institutions. Their automated investment platform powers banks, brokers and wealth planners to provide a simpler, more personal and engaging wealth management solution.	<ul style="list-style-type: none"> ● After raising US\$10 million (around HK\$78 million) under Series B in 2018, the company completed a Series B+ funding round in October 2020. ● Partnering with Mitsubishi UFJ Financial Group to launch a smartphone-based discretionary investment service in Japan. ● Provided theme-based investment solution for Cathay United Bank, and goal-based investment solution for CITIC, both solutions serve the retail investors of the banks.
3	BlueOcean Pay Limited	BlueOcean Pay is a WeChat Ecosystem Solution Provider for brands & merchants attract Chinese customers. As a partner of Tencent and Youzan, they provide Cross Border Payment, WeChat Moment Ads and WeChat Shop solutions for global merchants.	<ul style="list-style-type: none"> ● Their payment solution is serving over 1 500 merchants.

	Start-up Company	Nature of Business	Achievement
4	Qupital Limited	Qupital's main business is to provide customers with quality financing services and solutions through a digitalised financing process deploying big data and its proprietary credit assessment models. It connects private investors with e-commerce merchants who are seeking capital.	<ul style="list-style-type: none"> ● They have served over 500 e-commerce merchants and provided loans of more than US\$500 million (around HK\$3,900 million).

Smart Living cluster

	Start-up Company	Nature of Business	Achievement
1	GoGoX	Provides logistics service by matching customers and drivers	<ul style="list-style-type: none"> ● The first Cyberport start-up to achieve “unicorn” status, raising multiple rounds of funds including US\$250 million (about HK\$1,950 million) in the latest round. ● Business expanded to the Mainland, Singapore, South Korea, Malaysia, etc. ● Co-founder and Chief Executive Officer won a number of awards, including the first-ever “The InnoStars Award” organised by Our Hong Kong Foundation in 2018 and selected the Forbes 30 under 30 Asia.

	Start-up Company	Nature of Business	Achievement
2	Klook Travel Technology Limited	Developed Klook, a one-stop destination travel booking platform, which provides a range of event information for users to explore and make reservations for attractions and special events.	<ul style="list-style-type: none"> ● Another company acquiring unicorn status and raised multiple rounds of funds amounted to a total of US\$300 million (HK\$2,340 million), setting the highest financing record in the destination tourism sector. ● Business expanded to 20+ locations such as the Mainland, Singapore, Japan, South Korea, Thailand, India, etc. ● The co-founder was selected the Forbes 30 under 30 Asia.
3	EventX	EventX is a startup which provides smart meeting / exhibition management platform. The platform assists in reducing the time and cost of managing exhibition information and facilitates connection between users and knowledge exchange.	<ul style="list-style-type: none"> ● Users of the solution reached 3 million from June and July 2020, registering HK\$10 million in revenue. ● Signed contract worth millions with one of the biggest event organisers in Japan within two months of the launch of the solution. ● A co-founder of EventX was selected the Forbes 30 under 30 Asia.
4	Farmacy	Farmacy is the pioneer technology company in Mainland China and Asia to establish mobile decentralised farms in dense cities to allow supermarkets, restaurants, hotels and families to grow quality, safe, nutritious and affordable farming produce.	<ul style="list-style-type: none"> ● The smart mobile farm is a closed ecosystem that can accommodate over 100 premium varieties and supply fresh produces all year round. ● The electricity consumption is low and a 320W power plug is sufficient to support the system. ● Creates a unique experience for customers of retailers and the food and beverage industry through picking fresh, premium quality, and nutritious green produce by themselves.

	Start-up Company	Nature of Business	Achievement
5	Roborn HC Ltd.	Roborn HC Ltd is an innovation technology company which specialises in developing smart solutions and robots for the medical or healthcare sector. Through developing smart solutions and robots, the team hopes to create a better healthcare system. Their mission is to provide a series of robotic solutions in healthcare that cover all groups of people and are applicable to various health-related and medical scenarios to create a better healthcare system.	<ul style="list-style-type: none"> ● Equipped with 5G, AI, robotics technology, and remote body temperature checking capabilities, PEP3000 took the team only 15 days to complete. It is adopted by a number of government departments and NGOs alike, including the EMSD and Transport Department, as well as the Hong Kong Red Cross. The product has generated new orders of millions within a relatively short period of time since its launch.

Digital entertainment and e-sports cluster

	Start-up Company	Nature of Business	Achievement
1	Godzpeed Autosport Holdings Limited	An e-sports software developer founded by a group of software experts and members of the motorsport industry. The simulation software developed is suitable for e-sports gaming, professional training and data acquisition for research and development.	<ul style="list-style-type: none"> ● Won multiple awards including Hong Kong ICT Award 2019: ICT Startup (Software & Apps) Award - Gold Award and the Greater Bay Area STEM Excellence Award (Hong Kong) 2019 - Best STEM Innovative Project and Best STEM Apps. ● Partnered with China Touring Car Championship (CTCC) and Fast4ward and continued to enhance its simulation software.

	Start-up Company	Nature of Business	Achievement
2	Talon Esports Limited	Talon Esports provides an institutional platform to elevate the capabilities of professional e-sports teams to enable them to compete at the top level gaming titles across Asia Pacific. It has established presence and digital marketing business in various areas, including Hong Kong, Thailand, Taiwan and South Korea.	<ul style="list-style-type: none"> ● Built up long-term partnership with one of the world's most successful football clubs, and developed co-branded commercial and performance projects. ● As an incubatee admitted in 2020, Talon Esports has already closed US\$2 million (around HK\$15.6 million) seed funding in 2020.
4	VAR LIVE International Limited	Mainly develops Virtual Reality (VR) games and hardware, VR esports games setup, and provide tailor-made professional VR training for different industries, offering a unique VR experience.	<ul style="list-style-type: none"> ● Won multiple awards, including the 19th Asia Pacific Information and Communications Technology Alliance (APICTA) Awards: Winner Award (Consumer category - Media & Entertainment) and Merit Award (Start Up category) and the Hong Kong ICT Award 2019: ICT Startup (Software & Apps) Award - Silver Award. ● Set up physical store in Hong Kong and launched VAR BOX, a VR e-sports gaming device, in Mainland China, Taiwan, Japan, Hong Kong, Malaysia, Macau etc.

Annex B

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2019 HK\$	2020 HK\$
Revenue	1	513,426,857	482,201,955
Other net income	1	45,451,980	34,816,280
		558,878,837	517,018,235
Expenses before public mission activities expenses and depreciation			
Building management expenses		(151,254,179)	(159,133,049)
Staff costs		(101,615,660)	(102,402,072)
Government rent and rates		(14,509,109)	(16,881,122)
Other operating expenses		(102,297,934)	(84,900,233)
Finance costs		(2,834)	(154,787)
		(369,679,716)	(363,471,263)
Operating profit before public mission activities expenses and depreciation		189,199,121	153,546,972
Public mission activities expenses		(133,357,811)	(153,418,150)
Fair value loss on a debt investment at fair value through profit or loss		-	(2,305,517)
		55,841,310	(2,176,695)
Operating profit/(loss) before depreciation		55,841,310	(2,176,695)
Depreciation	3	(132,648,616)	(137,511,547)
Loss before tax		(76,807,306)	(139,688,242)
Income tax	2	-	-
Loss for the year		(76,807,306)	(139,688,242)
Other comprehensive income			
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:			
- Changes in fair value of equity investments designated at fair value through other comprehensive income		14,569,725	(6,492,498)
Other comprehensive income for the year, net of tax		14,569,725	(6,492,498)
Total comprehensive loss for the year		(62,237,581)	(146,180,740)

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020**

	Notes	2019 HK\$	2020 HK\$
<u>Non-current assets</u>			
Property, plant and equipment	3	2,869,506,312	2,834,964,584
Right-of-use assets		-	6,606,435
Deferred rental receivables		8,503,155	7,274,144
Cyberport Macro Fund investments	4	54,866,109	99,768,100
Investments in securities		70,830,649	84,074,954
Prepayment and deposits		27,755,272	22,999,823
		<hr/>	<hr/>
		3,031,461,497	3,055,688,040
		<hr/>	<hr/>
<u>Current assets</u>			
Inventories		337,411	319,821
Trade and other receivables		36,116,885	50,385,874
Investments in securities		680,463,448	708,251,929
Cash and bank balances		866,198,149	637,308,076
		<hr/>	<hr/>
		1,583,115,893	1,396,265,700
		<hr/>	<hr/>
<u>Current liabilities</u>			
Trade and other payables		179,801,144	144,019,537
Rental and other deposits		82,132,286	94,797,218
Lease liabilities		-	1,941,181
		<hr/>	<hr/>
		261,933,430	240,757,936
		<hr/>	<hr/>
Net current assets		1,321,182,463	1,155,507,764
		<hr/>	<hr/>
Total assets less current liabilities		4,352,643,960	4,211,195,804
		<hr/>	<hr/>
<u>Equity</u>			
Share capital	5	300,000,002	300,000,002
Reserves	6	3,654,808,601	3,515,240,789
		<hr/>	<hr/>
Total equity		3,954,808,603	3,815,240,791
		<hr/>	<hr/>
<u>Non-current liabilities</u>			
Development maintenance fund	7	397,612,582	390,999,654
Deferred rental payable		222,775	-
Lease liabilities		-	4,955,359
		<hr/>	<hr/>
		397,835,357	395,955,013
		<hr/>	<hr/>
		4,352,643,960	4,211,195,804
		<hr/>	<hr/>

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Revenue and other net income

	2019 HK\$	2020 HK\$
<u>Revenue</u>		
Rental income	261,971,587	257,235,797
Building management income		
- Management fee income	89,294,234	89,628,540
- Car park fee income	13,998,390	14,232,358
- Other facilities income	19,159,438	24,104,714
Income from hotel operation	124,922,563	92,786,366
Broadband service and installation fees	3,879,357	3,937,422
Other incidental income	201,288	276,758
	<u>513,426,857</u>	<u>482,201,955</u>
<u>Other net income</u>		
Interest income from held-to-maturity investments, net of amortisation of premium of HK\$166,967 (2019: HK\$1,688,840)	9,574,292	3,376,292
Interest income from investments at fair value through profit or loss	16,411,555	20,935,716
Interest income on bank deposits	8,919,543	12,432,013
Rental deposits forfeited	3,437,237	-
Net realised/unrealised gains/(losses) on investments at fair value through profit or loss	3,978,725	(3,090,074)
Fair value gain on debt investment at fair value through profit or loss	340,024	-
Foreign exchange differences, net	(1,336,452)	(5,096,946)
Gain on disposal of items of property, plant and equipment	2,000	-
Bad debts recovered	3,321,797	790,113
Reversal of provision for impairment of trade receivables	803,259	60,908
Government grants	-	880,000
Others	-	4,528,258
	<u>45,451,980</u>	<u>34,816,280</u>

2. Income tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2019: Nil).

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose 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 1 April 2018	3,832,061,688	1,224,686,458	275,526,777	60,886,254	146,175,466	178,011,753	1,338,151	5,718,686,547
Additions	-	39,663,713	1,476,022	-	28,682,433	23,342,082	-	93,164,250
Disposals	-	-	(14,848,965)	-	(3,372,411)	(7,869,346)	(408,014)	(26,498,736)
At 31 March 2019	3,832,061,688	1,264,350,171	262,153,834	60,886,254	171,485,488	193,484,489	930,137	5,785,352,061
Additions	-	13,351,343	6,612,928	-	29,085,900	53,563,167	-	102,613,338
Disposals	-	(932,100)	(67,320)	-	(272,280)	(1,450,999)	-	(2,722,699)
At 31 March 2020	3,832,061,688	1,276,769,414	268,699,442	60,886,254	200,299,108	245,596,657	930,137	5,885,242,700
Accumulated depreciation								
At 1 April 2018	1,161,369,032	1,155,546,958	256,534,598	60,886,254	48,408,756	125,315,430	888,484	2,808,949,512
Charge for the year	83,098,299	9,357,262	5,310,798	-	14,277,110	20,463,147	142,000	132,648,616
Disposals	-	-	(14,848,965)	-	(3,161,758)	(7,333,642)	(408,014)	(25,752,379)
At 31 March 2019	1,244,467,331	1,164,904,220	246,996,431	60,886,254	59,524,108	138,444,935	622,470	2,915,845,749
Charge for the year	83,098,299	12,235,670	5,294,727	-	16,709,271	18,115,517	142,000	135,595,484
Disposals	-	-	(67,320)	-	(11,700)	(1,084,097)	-	(1,163,117)
At 31 March 2020	1,327,565,630	1,177,139,890	252,223,838	60,886,254	76,221,679	155,476,355	764,470	(3,050,278,116)
Net book value								
At 31 March 2019	2,587,594,357	99,445,951	15,157,403	-	111,961,380	55,039,554	307,667	2,869,506,312
At 31 March 2020	2,504,496,058	99,629,524	16,475,604	-	124,077,429	90,120,302	165,667	2,834,964,584

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. Cyberport Macro Fund investments

To further extend the Group's entrepreneurial support to scalable start-ups, the Group has launched the Cyberport Marco Fund (CMF) for Hong Kong-based digital entrepreneurs in 2017. 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. Share capital

	2019 HK\$	2020 HK\$
Issued and fully paid: 300,000,002 (2019: 300,000,002) ordinary shares	300,000,002	300,000,002

On 28 February 2018, the HKSAR Government has announced a funding injection of HK\$300 million to Cyberport for the new initiatives in respect of strengthening the support to its tenants/incubatees, and promoting the development of e-Sports in Hong Kong, as covered in the Financial Secretary's 2018/19 Budget Speech.

The Company has raised its share capital by HK\$300 million (the "Funds") by way of allotment of its shares to Financial Secretary Incorporated in August 2018. On 12 September 2018, the Company injected the Funds into HKCMCL by way of subscription of 300,000,000 shares in HKCMCL at the subscription price of HK\$1 per share.

6. Reserves

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.

	2019 HK\$	2020 HK\$
Capital reserve	5,392,552,941	5,399,165,869
Fair value reserve	14,569,725	8,077,227
Accumulated losses	(1,752,314,065)	(1,892,002,307)
	<u>3,654,808,601</u>	<u>3,515,240,789</u>

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

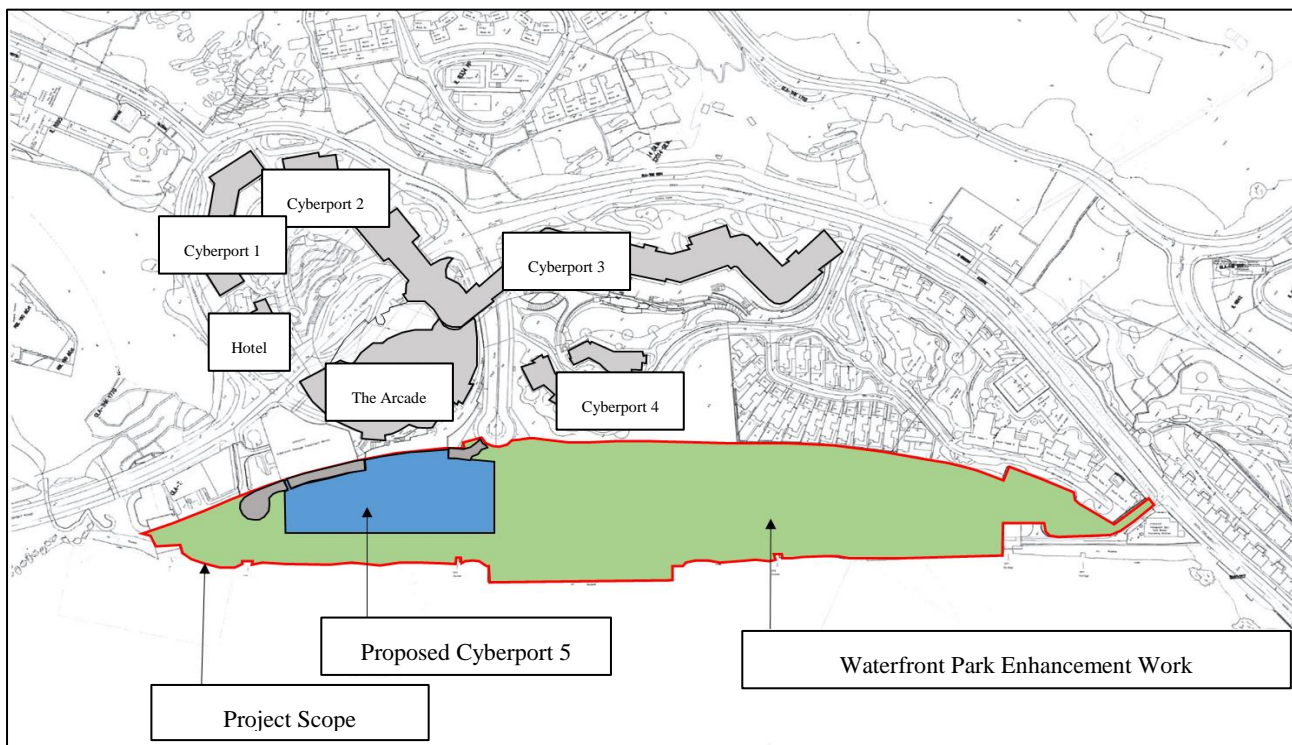
7. Development Maintenance Fund

It represents a fund received by the Group in accordance with the terms of the Project Agreement for the purpose of upkeeping and maintenance of the common telecommunications, media and information technology facilities available to the tenants and visitors.

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 in accordance with the Group's accounting policy.

During the year, the Shared Cyberport facilities of HK\$6,612,928 (2019: HK\$1,476,022) were acquired and funded by the Development Maintenance Fund. Accordingly, this amount has been transferred from the Development Maintenance Fund to Capital Reserve account.

Site Plan of the Cyberport Expansion Project



Cyberport Expansion Project:

Cyberport 5 Site Area : around 1.6 hectares

Waterfront Park Site Area : around 4.8 hectares