

**For discussion
on 8 May 2023**

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

Work Progress Update of Cyberport

Purpose

This paper briefs Members on the work progress of Cyberport and seeks Members' views on the way forward of various measures.

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 1 155 technology start-ups as at February 2023. Among them, 81% have survived for three years or more after graduation. Cyberport has increased the amount of financial subsidy under the CIP to a maximum of \$500,000 since the fourth quarter of 2018.

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
2018-19	677	108
2019-20	607	129
2020-21	649	130
2021-22	465	130
2022-23	460	129

6. To tie in with the policy of developing smart city and digital economy, the Financial Secretary has earlier announced in the Budget that \$265 million will be earmarked for Cyberport to launch a dedicated incubation programme for smart living start-ups. Cyberport is finalising the details of the programme and will seek the Panel’s views in due course.

Cyberport Creative Micro Fund (“CCMF”)

7. Under the CCMF launched in 2009, Cyberport has been providing a seed funding of \$100,000 for each selected project. As at February 2023, the CCMF has approved a total of \$85.6 million for 856 projects.

Cyberport Accelerator Support Programme (“CASP”)¹

8. Since the launch of the CASP in 2014, Cyberport has funded 213 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”)

9. Established in 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 \$181 million in 25 companies, attracting over \$1.5 billion of private investment. Cyberport injected an additional \$200 million into the CMF in April 2021 and extended 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”)

10. 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

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 \$300,000 financial assistance.

Hong Kong, expanding into overseas markets and attracting investors. So far, Cyberport has approved 182 applications.

Latest Update of Cyberport's Start-ups

11. Since 2010, the Cyberport community has attracted over \$35.6 billion of investment, of which 24 start-ups involved mergers and acquisitions. In 2022-23, Cyberport start-ups have raised over \$1.7 billion of funding. A number of companies within the Cyberport community have also attained excellent accomplishments last year, with six start-ups acquiring “unicorn” status. Cyberport's first unicorn start-up in particular was successfully listed in Hong Kong in June 2022. More successful examples of Cyberport start-ups are at **Annex 1**.

Nurturing Talent

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

13. The Cyberport University Partnership Programme, which aims to nurture Financial Technology (“FinTech”) talent, was organised for the eighth consecutive year. 45 university students in 16 teams admitted this year participated in a two-week online entrepreneurial bootcamp hosted by the Judge Business School of the University of Cambridge. Of which, 10 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 I&T career, Cyberport continued to play an active role in providing young people with various local internship opportunities. Among them, Cyberport collaborated with the Home and Youth Affairs Bureau to launch the Youth Start-up Internship Programme since 2021, so far 200 subsidised placements were offered to provide students with internship opportunities at Cyberport start-ups and nurture their enthusiasm in pursuing a career in I&T.

Cyberport Academy

15. Cyberport has been actively connecting academic institutions, professional organisations and corporates through the Cyberport Academy platform to provide technological and entrepreneurial training for young people and industry practitioners. The former includes training activities related to smart city, FinTech and Artificial Intelligence (“AI”) for young people, while the latter includes Cyberport Academy Distinguished Fellow Speakers Series and

Green Finance Speakers Series.

Fostering Technology Development

16. Cyberport has been focusing on promoting three major clusters, namely FinTech, digital entertainment and 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 over 400 FinTech companies covering blockchain, mobile payment, cybersecurity, AI, big data, programme trading etc.

18. Moreover, Cyberport provides FinTech-related training for in-service financial practitioners to cultivate more FinTech talent and promote the application of FinTech in the traditional financial industry. Following the launch of the first round of the “Financial Practitioners FinTech Training Programme” in 2020, Cyberport was once again commissioned by the Financial Services and the Treasury Bureau (“FSTB”) to launch a new round of programme in 2022, which attracted participation of nearly 6 000 financial practitioners. The training programme seeks to provide financial practitioners from different sectors with FinTech training courses and tuition subsidies to enhance their knowledge of the practical application of FinTech, thereby accelerating the digital transformation of the financial services industry.

19. Cyberport actively organises and participates in various local and overseas FinTech-related activities, including co-hosting the “Anti-Money Laundering RegTech Lab” with the Hong Kong Monetary Authority (“HKMA”) to encourage innovation and RegTech adoption by banks, and co-organising the “FinTech’s Finest Forum” with Accenture to jointly explore the future development and new opportunities in the FinTech industry in Hong Kong and across the Greater Bay Area. In January 2023, Cyberport also led 36 start-ups to showcase FinTech innovation solutions at the Asian Financial Forum.

20. Besides, Cyberport is committed to promoting the application of FinTech. In 2022, Cyberport was again commissioned by the FSTB with an allocation of \$10 million to implement a new round of the “FinTech Proof-of-Concept Subsidy Scheme” (“PoC Scheme”). The PoC Scheme was well

received by the industry with a total of 166 project applications, of which 56 projects were approved. Cyberport also collaborated with the HKMA to launch the “FinTech Supervisory Sandbox 3.1 Pilot”, aiming to encourage technology firms which participated in and completed the PoC Scheme in 2021 to partner with banks for commercialisation of their project outcomes, with a view to accelerating their wider adoption in the banking industry.

Smart Living

21. To support smart city development, Cyberport currently has about 760 social innovation start-ups, covering areas like healthcare technology, education technology and e-commerce. Among the six unicorn start-ups in the community, two are under the smart living cluster. The comprehensive facilities in the Cyberport campus 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, many of which are provided by Cyberport start-ups. The smart living solutions of the Cyberport start-up community have gained recognition in the industry and won numerous awards in various schemes such as the Hong Kong ICT Awards.

Digital Entertainment

22. As far as promotion of the digital entertainment industry as a whole and its technological development are concerned, there are about 170 digital entertainment-related companies in the Cyberport community, including incubatees, alumni, Smart-Space users, and CCMF grantees. The technologies involved cover metaverse platforms and services, Web3, game development, game-related big data analysis, e-sports equipment, peripheral research and development, etc.

23. In August 2022, Cyberport held its flagship digital entertainment event “Digital Entertainment Leadership Forum” in a hybrid format, bringing together local, Mainland and overseas industry professionals to facilitate exchanges and business expansion opportunities for digital entertainment companies. In addition, Cyberport co-organised the “Asia MENA Culture Technology Economic Collaboration Forum” in December 2022 to provide the local digital entertainment industry with a platform to foster co-operation with the delegation from Saudi Arabia in the areas of technology development, content creation and talent exchange.

Rental concession

24. In view of economic uncertainties, Cyberport has provided four 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 is around 930, involving a total rental concession of nearly \$260 million, of which \$100 million was absorbed by Cyberport, and the remaining sum was supported by the Anti-epidemic Fund.

Cyberport Expansion Project

25. The Cyberport expansion project involves the construction of a new office building with a gross floor area of about 66 000 square metres by making use of a waterfront site of approximately 1.6 hectares northwest of the waterfront park and opposite the existing Cyberport Arcade. The new building will provide facilities including office, co-working space, a data services platform, a multi-function hall and ancillary facilities. The construction works have commenced in 2021 for completion in 2025 at the earliest.

Cyberport's Annual Reports 2020-21 and 2021-22 and Latest Financial Position

26. The audited accounts of the Cyberport Companies² for the financial years 2020-21 and 2021-22 are at **Annexes 2** and **3** respectively. For 2020-21, the operating loss of the Cyberport Companies before depreciation and tax was \$65.7 million, and that for 2021-22 was \$67.3 million. As at end-March 2022, the disposable reserve of Cyberport was about \$251 million.

27. Cyberport's contributions to public mission activities in 2020-21 and 2021-22 were \$187.5 million and \$180.5 million respectively, representing respective increases of 22% and 18% as compared with the \$153.4 million in 2019-20. Cyberport's contribution to public mission activities in 2022-23 was estimated to be around \$178 million.

28. As at February 2023, there were 836 tenants, which included 773 commercial organisations, four non-profit-making organisations/government

² A wholly-owned private company established by the Government under the Financial Secretary Incorporated, namely the 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 for overseeing the implementation of the Cyberport Project.

department and 58 incubatees, employing more than 5 820 people. Over the years, Cyberport has attracted various overseas corporations to establish their presence in Cyberport and 79 of the commercial organisations have non-local origin.

29. Cyberport's 2020-21 and 2021-22 Annual Reports were circulated to the Panel on Information Technology and Broadcasting of the Legislative Council in October 2021 and November 2022 respectively. The Annual Reports have been uploaded onto Cyberport's corporate website https://www.cyberport.hk/en/about_cyberport/annual_report for public's perusal.

Advice Sought

30. Members are invited to note the latest work progress of Cyberport. As announced earlier by the Financial Secretary in the Budget, \$265 million and \$500 million will be earmarked respectively for Cyberport to launch a dedicated incubation programme for smart living start-ups and a Digital Transformation Support Pilot Programme. Cyberport is finalising the relevant details in this regard. We will seek the Panel's views in due course.

Innovation, Technology and Industry Bureau
April 2023

Successful Examples of Cyberport Incubatees**FinTech cluster**

	Start-up Company	Nature of Business	Achievement
1	LeapXpert	The company develops a business communication platform that allows employees and customers to communicate in a compliant, regulated and secure manner through communication applications or voice calls, equipped with recording functions for easy audit and compliance management.	In March 2023, the company received a US\$22 million (approximately HK\$180 million) of funding.
2	Wizpresso	By using language analysis, the company verifies listing documents and annual reports, reducing verification time by 75% to 90%. Its main customers include investment banks and law firms.	The company has won the “FinTech Award” at the 2021 Hong Kong ICT Awards and the Championship of the 2022 Maker in China.
3	Hashkey	The company’s institutional-grade virtual asset trading platform provides professional investors with automated trading services for cryptocurrencies such as Bitcoin and Ethereum, stablecoins, security-type tokens, as well as other innovative assets, allowing investors to trade in a protected manner.	In December 2022, the company was licensed by the Hong Kong Securities and Futures Commission to become the second company in Hong Kong holding a Type 1 (dealing in securities) and Type 7 (providing automated trading services) license to operate a virtual asset trading platform.

Smart Living cluster

	Start-up Company	Nature of Business	Achievement
1	GOGOX	The company provides logistics services by matching customers and drivers.	The first Cyberport start-up to reach “unicorn” status. It has raised multiple rounds of funding and was successfully listed on the stock market in June 2022.
2	Gense Technologies	The company mainly develops portable and self-administered medical imaging for remote diagnostic screening and chronic disease monitoring.	The company has received multiple awards for its products, including the 2021 Hong Kong ICT Awards and ICT Startup Award, and was selected as one of the companies in Forbes Asia 100 To Watch 2022.
3	Dai3mimi Health-Tech	The company provides innovative solutions to address hearing loss problems. It uses a proprietary “material conduction system” to help the elderly alleviate symptoms such as tinnitus and depression through its patented rhythm vibration mechanism.	The product has won multiple awards, including the Smart Living Grand Award and the Smart Living (Smart Healthcare) Gold Award of the 2022 Hong Kong ICT Awards.
4	Digital Oasis	VisualSonic, the company’s art technology product in the form of a hanging artwork, can function as a wireless speaker with augmented reality through its patented technology of sound output system.	The product has obtained over 10 patents in the Mainland and Hong Kong, including patents for invention and design, and been in collaboration with several overseas renowned companies, including Sanrio in Japan.

Digital entertainment cluster

	Start-up Company	Nature of Business	Achievement
1	Animoca Brands	The company is dedicated to changing the way that people play and work through non-fungible tokens and participating in the creation of digital asset.	The company reached unicorn status in 2021 and recently announced a strategic partnership with an animation and game production company in the Middle East to further expand its overseas market.
2	VAR LIVE	The company is primarily engaged in the creation of virtual reality (“VR”) games and hardware development, VR e-sports game devices, and provision of customised VR professional training for various industries to bring the public into the surrealistic world.	The company recently received funding valued at over US\$80 million (approximately HK\$624 million) to further expand its business in the global market.

Annex 2**HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME****For the year ended 31 March 2021**

	Notes	2020 HK\$	2021 HK\$
Revenue	1	482,201,955	356,204,993
Other net income	1	34,816,280	138,409,493
		<hr/>	<hr/>
		517,018,235	494,614,486
		<hr/>	<hr/>
Expenses before public mission activities expenses and depreciation			
Building management expenses		(159,133,049)	(176,618,733)
Staff costs		(102,402,072)	(94,478,289)
Government rent and rates		(16,881,122)	(16,174,321)
Other operating expenses		(84,900,233)	(78,852,488)
Finance costs		(154,787)	(120,095)
		<hr/>	<hr/>
		(363,471,263)	(366,243,926)
		<hr/>	<hr/>
Operating profit before public mission activities expenses and depreciation		153,546,972	128,370,560
Public mission activities expenses		(153,418,150)	(187,529,534)
Fair value losses on debt investments at fair value through profit or loss		(2,305,517)	(6,494,109)
		<hr/>	<hr/>
Operating loss before depreciation		(2,176,695)	(65,653,083)
Depreciation	3	(137,511,547)	(149,101,154)
		<hr/>	<hr/>
Loss before tax		(139,688,242)	(214,754,237)
Income tax	2	-	-
		<hr/>	<hr/>
Loss for the year		(139,688,242)	(214,754,237)
		<hr/>	<hr/>
Other comprehensive income			
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:			
– Changes in fair value of equity investments designated at fair value at through other comprehensive income		(6,492,498)	19,150,647
		<hr/>	<hr/>
Other comprehensive (loss)/income for the year, net of tax		(6,492,498)	19,150,647
		<hr/>	<hr/>
Total comprehensive loss for the year		(146,180,740)	(195,603,590)
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HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2021

	Notes	2020 HK\$	2021 HK\$
<u>Non-current assets</u>			
Property, plant and equipment	3	2,834,964,584	2,757,289,540
Right-of-use assets		6,606,435	5,831,665
Deferred rental receivables		7,274,144	13,295,348
Cyberport Macro Fund Investments	4	99,768,100	149,017,792
Investments in securities		84,074,954	49,108,104
Prepayments and deposits		22,999,823	36,488,433
		3,055,688,040	3,011,030,882
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<u>Current assets</u>			
Inventories		319,821	212,200
Trade receivables and other receivables		50,385,874	66,619,550
Investments in securities		708,251,929	758,439,671
Cash and cash equivalents		637,308,076	602,426,711
		1,396,265,700	1,427,698,132
		-----	-----
<u>Current Liabilities</u>			
Trade payables and other payables		144,019,537	326,594,141
Rental and other deposits		94,797,218	95,430,483
Lease liabilities		1,941,181	2,533,072
		240,757,936	424,557,696
		-----	-----
Net current assets		1,155,507,764	1,003,140,436
		-----	-----
Total assets less current liabilities		4,211,195,804	4,014,171,318
		-----	-----
<u>Equity</u>			
Share capital	5	300,000,002	300,000,002
Reserves	6	3,515,240,789	3,322,884,666
		3,815,240,791	3,622,884,668
		-----	-----
<u>Non-current liabilities</u>			
Development maintenance fund	7	390,999,654	387,752,187
Lease liabilities		4,955,359	3,534,463
		395,955,013	391,286,650
		-----	-----
		4,211,195,804	4,014,171,318
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HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Revenue and other net income

	2020 HK\$	2021 HK\$
<u>Revenue</u>		
Rental income	257,235,797	168,903,524
Building management income		
- Management fee income	89,628,540	94,703,372
- Carpark fee income	14,232,358	13,758,379
- Other facilities income	24,104,714	22,333,087
Income from hotel operation	92,786,366	52,453,120
Broadband service and equipment installation fee	3,937,422	3,959,677
Other incidental income	276,758	93,834
	<u>482,201,955</u>	<u>356,204,993</u>
<u>Other net income</u>		
Interest income from financial assets at amortised cost, net of amortisation of premium of HK\$140,445 (2020: HK\$166,967)	3,376,292	2,757,876
Interest income from investments at fair value through profit or loss	20,935,716	19,213,670
Interest income on bank deposits	12,432,013	3,292,845
Net realised/unrealised gains/(losses) on investments at fair value through profit or loss	(3,090,074)	8,583,560
Foreign exchange differences, net	(5,096,946)	1,884,271
Bad debts recovered	790,113	-
Reversal of impairment of trade receivables	60,908	48,507
Government grants	880,000	2,358,000
Government subsidies on rental waiver	-	96,394,713
Others	4,528,258	3,876,051
	<u>34,816,280</u>	<u>138,409,493</u>

2. Income tax

No provision for Hong Kong profits tax has been made as the Group either had no estimated assessable profit or had available tax losses brought forward from prior years to offset the assessable profits generated during the year (2020: 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 any 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%

	Building 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 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
Disposal/write-off	-	(932,100)	(67,320)	-	(271,582)	(1,451,857)	-	(2,722,859)
At 31 March 2020 and 1 April 2020	3,832,061,688	1,276,769,414	268,699,442	60,886,254	200,299,806	245,595,799	930,137	5,885,242,540
Additions	-	40,125,707	4,193,051	-	13,756,787	18,105,725	-	76,181,270
Disposal/write-off	-	-	-	-	(13,926,660)	(19,514,673)	(220,137)	(33,661,470)
At 31 March 2021	3,832,061,688	1,316,895,121	272,892,493	60,886,254	200,129,933	244,186,851	710,000	5,927,762,340
Accumulated depreciation								
At 1 April 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
Depreciation provided during the year	83,098,299	12,235,670	5,294,727	-	16,709,271	18,115,517	142,000	135,595,484
Disposal/write-off	-	-	(67,320)	-	(11,002)	(1,084,955)	-	(1,163,277)
At 31 March 2020 and 1 April 2020	1,327,565,630	1,177,139,890	252,223,838	60,886,254	76,222,377	155,475,497	764,470	3,050,277,956
Depreciation provided during the year	83,098,299	14,383,896	5,417,817	-	19,236,663	24,776,779	142,000	147,055,454
Disposal/write off	-	-	-	-	(8,320,880)	(18,319,593)	(220,137)	(26,860,610)
At 31 March 2021	1,410,663,929	1,191,523,786	257,641,655	60,886,254	87,138,160	161,932,683	686,333	3,170,472,800
Net carrying amount								
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
At 31 March 2021	2,421,397,759	125,371,335	15,250,838	-	112,991,773	82,254,168	23,667	2,757,289,540

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 CMF for Hong Kong-based digital entrepreneurs in 2017. With an initial size of HK\$200 million, the CMF aims to provide Cyberport's start-ups with early financing and promote the development of venture capital ecosystem in Hong Kong. In April 2021, Cyberport has committed to inject an additional HK\$200 million into the CMF and extend the scope to cover Series B and later stage investments.

5. Share Capital

	2020 HK\$	2021 HK\$
Issued and fully paid: 300,000,002 (2020 : 300,000,002) ordinary shares	300,000,002	300,000,002
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

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.

	2020 HK\$	2021 HK\$
Capital reserve	5,399,165,869	5,402,413,336
Fair value reserve	8,077,227	33,124,474
Accumulated losses	(1,892,002,307)	(2,112,653,144)
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
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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\$3,247,467 (2020: HK\$6,612,928) were acquired and funded by the Development Maintenance Fund. Accordingly, this amount has been transferred from the Development Maintenance Fund to the Capital Reserve account.

Annex 3**HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME****For the year ended 31 March 2022**

	Notes	2021 HK\$	2022 HK\$
Revenue	1	356,204,993	420,730,611
Other net income	1	138,409,493	2,566,463
		<hr/>	<hr/>
		494,614,486	423,297,074
		<hr/>	<hr/>
Expenses before public mission activities expenses and depreciation			
Building management expenses		(176,618,733)	(175,145,689)
Staff costs		(94,478,289)	(71,777,349)
Government rent and rates		(16,174,321)	(15,692,883)
Other operating expenses		(78,852,488)	(47,323,118)
Finance costs		(120,095)	(84,848)
		<hr/>	<hr/>
Operating profit before public mission activities expenses and depreciation		(366,243,926)	(310,023,887)
		<hr/>	<hr/>
		128,370,560	113,273,187
Public mission activities expenses		(187,529,534)	(180,483,074)
Fair value losses on debt investments at fair value through profit or loss		(6,494,109)	(138,781)
		<hr/>	<hr/>
Operating loss before depreciation		(65,653,083)	(67,348,668)
Depreciation	3	(149,101,154)	(155,085,613)
		<hr/>	<hr/>
Loss before tax		(214,754,237)	(222,434,281)
Income tax	2	-	-
		<hr/>	<hr/>
Loss for the year		(214,754,237)	(222,434,281)
		<hr/>	<hr/>
Other comprehensive income			
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
– Changes in fair value of equity investments designated at fair value at through other comprehensive income		19,150,647	99,193,026
		<hr/>	<hr/>
Other comprehensive income for the year, net of tax		19,150,647	99,193,026
		<hr/>	<hr/>
Total comprehensive loss for the year		(195,603,590)	(123,241,255)
		<hr/>	<hr/>

HONG KONG CYBERPORT DEVELOPMENT HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2022

	Notes	2021 HK\$	2022 HK\$
<u>Non-current assets</u>			
Property, plant and equipment	3	2,757,289,540	2,942,946,396
Right-of-use assets		5,831,665	3,358,084
Deferred rental receivables		13,295,348	10,453,908
Cyberport Macro Fund Investments	4	149,017,792	273,269,615
Investments in securities		49,108,104	-
Prepayments and deposits		36,488,433	5,163,496
		3,011,030,882	3,235,191,499
<u>Current assets</u>			
Inventories		212,200	171,488
Trade receivables and other receivables		66,619,550	67,905,197
Investments in securities		758,439,671	692,395,437
Cash and cash equivalents		602,426,711	509,341,368
		1,427,698,132	1,269,813,490
<u>Current Liabilities</u>			
Trade payables and other payables		326,594,141	281,787,632
Rental and other deposits		95,430,483	94,287,294
Lease liabilities		2,533,072	2,254,797
		424,557,696	378,329,723
Net current assets		1,003,140,436	891,483,767
Total assets less current liabilities		4,014,171,318	4,126,675,266
<u>Equity</u>			
Share capital	5	300,000,002	538,000,002
Reserves	6	3,322,884,666	3,208,189,191
Total equity		3,622,884,668	3,746,189,193
<u>Non-current liabilities</u>			
Development maintenance fund	7	387,752,187	379,206,407
Lease liabilities		3,534,463	1,279,666
		391,286,650	380,486,073
		4,014,171,318	4,126,675,266

Hong Kong Cyberport Development Holdings Limited
Notes to the Consolidated Financial Statements

1. Revenue and other net income

	2021 HK\$	2022 HK\$
<u>Revenue</u>		
Rental income	168,903,524	274,900,383
Building management income		
- Management fee income	94,703,372	92,394,809
- Carpark fee income	13,758,379	13,301,802
- Other facilities income	22,333,087	30,835,496
Income from hotel operation	52,453,120	1,536,481
Broadband service and equipment installation fee	3,959,677	3,913,019
Other incidental income	93,834	3,848,621
	<u>356,204,993</u>	<u>420,730,611</u>
<u>Other net income</u>		
Interest income from financial assets at amortised cost, net of amortisation of premium of HK\$137,588 (2021: HK\$140,445)	2,757,876	2,603,975
Interest income from investments at fair value through profit or loss	19,213,670	15,049,857
Interest income on bank deposits	3,292,845	2,039,700
Net realised/unrealised gains/(losses) on investments at fair value through profit or loss	8,583,560	(28,552,189)
Foreign exchange differences, net	1,884,271	2,784,780
Reversal of impairment of trade receivables	48,507	-
Government grants	2,358,000	2,684,200
Government subsidies on rental waiver	96,394,713	-
Others	3,876,051	5,956,140
	<u>138,409,493</u>	<u>2,566,463</u>

2. Income tax

No provision for Hong Kong profits tax has been made as the Group either had no estimated assessable profit or had available tax losses brought forward from prior years to offset the assessable profits generated during the year (2021: 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 any 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%

	Building held for rental and Hotel building	Building services and support facilities	Information technology facilities	Centres equipment	Leasehold improvements	Furniture and equipment	Motor vehicles	Construction in progress	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Cost									
At 1 April 2020	3,832,061,688	1,276,769,414	268,699,442	60,886,254	200,299,806	245,595,799	930,137	-	5,885,242,540
Additions	-	40,125,707	4,193,051	-	13,756,787	18,105,725	-	-	76,181,270
Disposal/write-off	-	-	-	-	(13,926,660)	(19,514,673)	(220,137)	-	(33,661,470)
At 31 March 2021 and 1 April 2021	3,832,061,688	1,316,895,121	272,892,493	60,886,254	200,129,933	244,186,851	710,000	-	5,927,762,340
Additions	-	46,698,207	3,380,543	-	35,084,727	7,779,885	-	245,325,526	338,268,888
Disposal/write-off	-	-	(25,435,133)	-	-	(6,757,054)	-	-	(32,192,187)
At 31 March 2022	3,832,061,688	1,363,593,328	250,837,903	60,886,254	235,214,660	245,209,682	710,000	245,325,526	6,233,839,041
Accumulated depreciation									
At 1 April 2020	1,327,565,630	1,177,139,890	252,223,838	60,886,254	76,222,377	155,475,497	764,470	-	3,050,277,956
Depreciation provided during the year	83,098,299	14,383,896	5,417,817	-	19,236,663	24,776,779	142,000	-	147,055,454
Disposal/write-off	-	-	-	-	(8,320,880)	(18,319,593)	(220,137)	-	(26,860,610)
At 31 March 2021 and 1 April 2021	1,410,663,929	1,191,523,786	257,641,655	60,886,254	87,138,160	161,932,683	686,333	-	3,170,472,800
Depreciation provided during the year	83,098,299	17,921,671	6,571,112	-	20,098,039	24,899,244	23,667	-	152,612,032
Disposal/write off	-	-	(25,435,133)	-	-	(6,757,054)	-	-	(32,192,187)
At 31 March 2022	1,493,762,228	1,209,445,457	238,777,634	60,886,254	107,236,199	180,074,873	710,000	-	3,290,892,645
Net carrying amount									
At 31 March 2021	2,421,397,759	125,371,335	15,250,838	-	112,991,773	82,254,168	23,667	-	2,757,289,540
At 31 March 2022	2,338,299,460	154,147,871	12,060,269	-	127,978,461	65,134,809	-	245,325,526	2,942,946,396

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 CMF for Hong Kong-based digital entrepreneurs in 2017. With an initial size of HK\$200 million, the CMF aims to provide Cyberport's start-ups with early financing and promote the development of venture capital ecosystem in Hong Kong. In April 2021, Cyberport has committed to inject an additional HK\$200 million into the CMF and extend the scope to cover Series B and later stage investments.

5. Share Capital

	2021 HK\$	2022 HK\$
Issued and fully paid: 538,000,002 (2021 : 300,000,002) ordinary shares	300,000,002	538,000,002

On 1 September 2021, 238,000,000 ordinary shares were issued at HK\$1 per share to the existing shareholders of the Company, which resulted in proceeds of HK\$238,000,000.

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.

	2021 HK\$	2022 HK\$
Capital reserve	5,402,413,336	5,410,959,116
Fair value reserve	33,124,474	127,990,407
Accumulated losses	(2,112,653,144)	(2,330,760,332)
	<u>3,322,884,666</u>	<u>3,208,189,191</u>

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\$8,545,780 (2021: HK\$3,247,467) were acquired and funded by the Development Maintenance Fund. Accordingly, this amount has been transferred from the Development Maintenance Fund to the Capital Reserve account.