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Panel on Information Technology and Broadcasting

Meeting on 9 January 2017

Updated background brief on Cyberport

Purpose

This paper provides background information on Cyberport and a summary of views and concerns expressed by Members in previous discussions on the subject.

Background

2. Cyberport is a creative digital cluster with more than 700 community members. It has been in operation since 2004 and is managed by the Government-owned Hong Kong Cyberport Management Company Limited ("the Cyberport management").

3. Cyberport's public mission is to support and promote the development of information and communications technology ("ICT") in Hong Kong through the creation of a cluster of ICT companies and professionals as well as implementation of programmes to foster industry development and nurture ICT start-ups. The three tenets of Cyberport's public mission are: inspiring the next generation, nurturing the entrepreneurial spirit and leaping on global ambition.

Inspiring the next generation

4. One of the public missions of Cyberport is to groom local ICT talents and to inspire young people to pursue a career in the ICT industry. To this end, Cyberport organizes competitions and events for students ranging from primary to tertiary levels. It also organizes a number of Mainland/overseas internship

programmes with renowned corporations in in Shanghai, Fuzhou and Silicon Valley as well as start-ups in the Cyberport community, including incubatees and the Cyberport Creative Micro Fund grantees and alumni. These programmes aim at providing young people with practical working experience in the industry. In addition, Cyberport launched the three-year eHealth Record Internship Programme with the Hospital Authority starting from 2014-2015. To cultivate advanced technological know-how, Cyberport has organized or supported tech-related events, knowledge transfer and training sessions.

Nurturing the entrepreneurial spirit

5. On nurturing and strengthening local ICT start-ups, Cyberport provides a range of financial and professional support to start-ups so that they might progressively turn innovative ideas into prototype products and physical commodities, draw up marketing plans, raise funds and explore local and overseas markets. It carries out these objectives through various programmes, including:

- (a) **Cyberport Incubation Programme ("CIP")** – CIP provides comprehensive financial, technical and business advisory supports to technology start-ups to help them turning their creative ideas into business undertakings or commercial products;
- (b) **Cyberport Creative Micro Fund ("CCMF")** – Under the CCMF programme, Cyberport provides \$100,000 as seed funding for each selected project to turn innovative ideas into prototypes. One notable example is the Cyberport University Partnership Programme ("CUPP") which was first launched in 2015 – 2016 as a FinTech-focused youth entrepreneurship programme supported by CCMF. CUPP aims to cultivate talents of next generation and boost the development of Hong Kong as one of the world's foremost FinTech hubs;
- (c) **Cyberport Accelerator Support Programme ("CASP")** – Cyberport launched CASP in 2014 to support its incubatees and alumni to participate in local, Mainland and overseas accelerator programmes by offering valuable guidance on overseas expansion and fundraising;
- (d) **Cyberport Macro Fund ("CMF")** – the objective of CMF is to provide investment in Cyberport's ICT start-ups. This initiative was announced by the Financial Secretary in his Budget Speech of 2016 – 2017 for improving the ecosystem for

local start-ups to enable local industries to further diversify. Accordingly, Cyberport has provided \$200 million to set up this fund and Cyberport has started inviting applications since 1 August 2016.

6. Having regard to the demand for working space of technology start-ups, Cyberport provides Smart-Space to enable companies to rent ready-built offices flexibly. This service is especially convenient and useful for start-ups seeking to launch their business with a workstation or small office space initially, then scale up as they grow.

Leaping on global ambition

7. Cyberport also works with start-ups and established businesses to fulfill their goals of stepping up onto the global stage. Cyberport builds partnerships with industry leaders and offers a broad range of services to connect the industry and help small and medium enterprises explore emerging business opportunities in the Mainland and overseas markets.

Previous discussions

Panel on Information Technology and Broadcasting

8. The Panel has followed up closely the progress of the Cyberport development. The Administration updated the Panel on the progress of the Cyberport Project at the meeting on 9 May 2016, members' views expressed at the meeting are summarized below.

Inspiring the next generation

9. Panel members enquired about the trend of local tertiary institution graduates starting their ICT business. They also asked what measures the Administration had taken to address the manpower shortage problem in the ICT industry. Cyberport advised that out of the 51 start-ups admitted as incubatees under CIP in 2015, about 60% were ICT business started by local tertiary institution graduates. To address shortage of ICT manpower, Cyberport had organized Mainland/overseas internship programmes in renowned ICT companies as well as start-ups in the Cyberport community. These programmes aimed at providing young people with practical working experience in the ICT industry and instilled in the students the interest and enthusiasm for entrepreneurship in this sector.

10. The Panel suggested that Cyberport might sponsor regular family and school visits to Cyberport and arranging for the necessary supporting facilities, such as holding exhibitions and seminars at Cyberport on ICT development in Hong Kong.

Nurturing start-ups

Smart-Space

11. Noting the demand for office space by start-ups, Panel members enquired about the area of additional space available for Smart-Space facilities and the average term of Smart-Space tenancies. Some members enquired when a company would cease to remain a start-up, and had to vacate its office in Smart-Space. Cyberport advised that about 60 000 to 70 000 square feet in total were available for Smart-Space facilities which provided flexible ready-built units for renting on agreements from one to twelve months at an all-inclusive fixed price, with no limit on the ultimate length of stay.

12. Cyberport also advised that there were no definite criteria for determining when a start-up had matured and did not qualify for Smart-Space, although indications such as expansion to cover overseas markets, attraction of investment funding or participation in fund-raising accelerators might serve as references for their progress. Panel members noted that Cyberport would co-operate with other ICT enhancement organizations in nurturing start-ups.

13. One Panel member observed that some of Cyberport's supporting facilities such as video conference rooms were underused and enquired how Cyberport would make more efficient use of its lettable office space. Cyberport advised that the current occupancy rate of Cyberport's lettable office space was about 90%. There was an increase in the use of conference rooms and function rooms for knowledge transfer and training sessions.

Cyberport Macro Fund

14. Some Panel members enquired about the targets that Cyberport intended to achieve with the \$200 million allocation, the time period that CMF intended to cover and the operation details of CMF. The Administration advised that CMF would be managed by professional venture capital staff, and Cyberport would work out the operation details in consultation with the Hong Kong Science Park.

Cyberport Incubation Programme

15. Panel members enquired how CIP contributed to employment in Hong Kong and why some CIP's incubatees failed. Cyberport explained that CIP start-ups employed between 10 to 300 people, so the actual benefit to local employment was not significant. While there was no dominant reason for failures of start-ups, differences in investment directions among partners and lack of business prospects were the common causes. Some start-ups were able to learn from the experience and took off later. Panel members were informed that Cyberport would launch new initiatives to increase the number of new incubates from 50 to 100 in 2016.

Leaping on global ambition

16. Panel members also enquired about the measures taken by the Cyberport to bring renowned corporations into Hong Kong to facilitate start-ups in raising funding, developing their business beyond Hong Kong and attracting local talents to pursue a career in the ICT industry. Cyberport advised that it had established Representative Offices in Shanghai and Guangzhou to strengthen partnership with renowned corporations in the Mainland to help Cyberport's start-ups germinate and nurture vital global connections. Renowned Mainland corporations including Lenovo and IngDan, an intelligent hardware innovation platform, had launched in Cyberport to reinforce Hong Kong's position as a leading Internet of Things hub in the region. The Administration had been in close contact with the management of Cyberport and HKSP to explore co-operative opportunities in the Mainland and overseas in nurturing the ICT ecosystem in Hong Kong.

Finance Committee

17. At the special meeting of the Financial Committee on 7 April 2016, Members raised enquiries about the total area of Smart-Space available for use by various sectors, the increase of such space in the future, and the plan for using the dedicated co-working space to support Fintech start-ups in the coming five years. Members also enquired about the operation and plans of CMF, Cyberport's enhanced support to ICT start-ups, the implementation of the Internship Programme under the Innovation and Technology Fund, as well as the financial provisions for enhancing public awareness of innovation and technology and organizing local promotional events. The Administration's replies are in Reply Serial Nos. ITB005, ITB033, ITB100, ITB107, ITB114, ITB119, ITB180, ITB191 and ITB220.

Latest position

18. The Administration and the Cyberport management will report to the Panel at its meeting on 9 January 2017 the progress of the Cyberport Project.

Relevant papers

19. A list of the relevant papers with their hyperlinks is at:

<http://www.legco.gov.hk/yr15-16/english/panels/itb/papers/itb20160509cb4-926-3-e.pdf>

<http://www.legco.gov.hk/yr15-16/english/panels/itb/papers/itb20160509cb4-926-4-e.pdf>

<http://www.legco.gov.hk/yr15-16/english/panels/itb/minutes/itb20160509.pdf>

http://www.legco.gov.hk/yr15-16/english/fc/fc/w_q/itb-e.pdf

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