

**For discussion  
on 14 May 2018**

**Legislative Council Panel on  
Information Technology and Broadcasting**

**Funding to Cyberport: Supporting the Development of the Start-up  
Ecosystem and Promotion of E-sports Development**

**Purpose**

This paper briefs the Panel on the funding of \$300 million to Cyberport proposed in the 2018-19 Budget, and seek Members' support for the Government to submit the related funding proposals to the Finance Committee ("FC") of the Legislative Council ("LegCo").

**Background**

2. With innovation and technology ("I&T") being an economic driver in the new era, the Government endeavours to promote the development of I&T. As Hong Kong's flagship institution in promoting information and communications technology ("ICT"), the Hong Kong Cyberport Management Company Limited ("Cyberport") plays an important role. Over the years, through the provision of financial and a range of professional support, Cyberport has implemented numerous public mission programmes and organised various events to nurture start-ups. The Government intends to tap Cyberport's experience and network in enhancing support for start-ups and implementing new measures.

3. Cyberport commissioned a study in 2017 to explore the latest technologies and product development of e-sports and published the Report on Promotion of E-sports Development in Hong Kong ("the Report") in February 2018. The Report pointed out that the development of e-sports is conducive to the development of the technology, media and telecommunications sector. The Report also recommended a host of development directions, including providing

suitable venues for the industry to organise more e-sports competitions and events, nurturing e-sports talents and supporting the long-term development of the industry.

4. The Financial Secretary proposes in the 2018-19 Budget to allocate a total of \$300 million to Cyberport to take forward the following initiatives:

	<b>\$million</b>
(a) Enhance support for start-ups	
(i) Increase the financial subsidy for start-ups under the Cyberport Incubation Programme from \$330,000 to \$500,000 each	85
(ii) Expand the coverage of the Cyberport Creative Micro Fund to the tenants of Tsuen Wan Smart-Space;	15
(b) Implement new support schemes	
(i) Roll out the Overseas/Mainland Market Development Support Scheme under which eligible start-ups at Cyberport will receive a financial subsidy of up to \$200,000 to conduct market research and promotion, as well as participate in business missions, trade fairs and exhibitions, etc. outside Hong Kong	50
(ii) Establish an Easy Landing Scheme to attract multi-national corporations to station in Cyberport	50
(c) Promote development of local e-sports sector	
(i) Provide venue for e-sports competition	50
(ii) Support development of e-sports technology and the industry as well as nurture talents	50
	300

5. To tie in with numerous new initiatives announced in the 2016 Policy Address, the expenditure of Cyberport on public mission programmes has increased significantly from \$82.7 million in 2015-16 to the estimated expenditure of \$113 million in 2017-18. On the capital works front, Cyberport needs to undertake large-scale maintenance and upgrading works in the next few years to ensure its campus conditions and facilities are up to modern standards. Hence, the financial position of Cyberport will be rather tight in the next few years. The proposed funding allocation is conducive to Cyberport's further promotion of the overall development of the ICT industry.

## **Proposal**

### Enhance Support for Start-ups

6. We propose to allocate a total of \$200 million for Cyberport to enhance its existing initiatives and implement new measures to increase support for its start-ups. The details are set out below.

#### *Cyberport Incubation Programme*

7. Cyberport launched the Cyberport Incubation Programme in 2005 to provide financial, technical and business advisory support to digital technology start-ups to help them turn their creative ideas into business undertakings or commercial products. During the 24-month period of the programme, each incubatee may receive up to \$330,000 financial subsidy to meet the expenses in areas like marketing, professional services, training, and hiring of interns. The programme has doubled its annual quota from 50 to 100 since 2016. As at end March 2018, the Cyberport Incubation Programme has admitted a total of 529 start-ups.

8. To enhance the support to start-ups and cope with cost increases, Cyberport intends to increase the level of financial subsidy under the Cyberport Incubation Programme from \$330,000 to a maximum of \$500,000. Cyberport will also improve the coverage of subsidy and

administrative procedures, including increasing the working capital grant, enhancing assistance in professional services, supporting marketing and promotion, incentivising innovation and R&D, as well as assisting in talents recruitment, etc. At the same time, Cyberport will introduce subsidy for operating expenses in the area of digital technology, such as subscription of data feeds and cloud computing services, Smart-Space rental and hardware expenditure in relation to product R&D, so as to help start-ups lower their operating expenses.

9. In view of the new initiatives implemented by Cyberport in the previous years to support the development of I&T and taking into account the latest financial position and the need for long-term development of Cyberport, we **propose** to provide funding of \$85 million to Cyberport to implement the aforesaid initiative. It is expected that about 100 start-ups will be benefited annually in the next five years.

#### *Cyberport Creative Micro Fund*

10. Cyberport set up Cyberport Creative Micro Fund (CCMF) in 2009 to provide seed funding of \$100,000 for each selected project to help entrepreneurs turn their innovative ideas into prototype products. This Fund has approved a total of 379 projects over the years.

11. Cyberport participated in the Space Sharing Scheme for Youth of the Home Affairs Bureau to set up a Smart-Space co-working space of around 20 000 square feet in Tsuen Wan. Apart from the well-equipped office facilities and a flexible leasing scheme, a series of entrepreneurial trainings and support services, such as industry networking events, mentorship programme, workshops, investment matching sessions, etc., will be provided in the co-working space to facilitate young entrepreneurs in raising capital, expanding their business and continuing to innovate. The co-working space is expected to start operation in the second quarter of 2018. We **propose** to provide a funding of \$15 million to allow tenants of Tsuen Wan Smart-Space to be benefited from CCMF. If the funding has not been fully allocated, the unspent balance will be used to subsidise other eligible persons.

#### Implement New Support Schemes

### *Overseas/Mainland Market Development Support Scheme*

12. Following the successful launch of digital technology products or service solutions, start-ups need to explore new markets as soon as possible in order to raise capital for the next phase (including investments or equity injection by venture funds). In view of the smaller scale of the local market, our start-ups need to actively explore overseas and Mainland markets. To enable start-ups to enter these markets more effectively and quickly, Cyberport will establish the Overseas/Mainland Market Development Support Scheme to provide a financial subsidy of up to \$200,000 to start-ups which have completed the Cyberport Incubation Programme or CCMF. The subsidy will be provided on a reimbursement basis to further support the start-ups in conducting market research and promotion, as well as participate in business missions, trade fairs and exhibitions etc. outside Hong Kong with a view to assisting start-ups in expanding into new markets and attracting investors.

13. We **propose** to allocate \$50 million to assist Cyberport to take forward this new initiative to strengthen the financial support of the incubation programme. It is expected that a total of about 250 start-ups will be benefited in the next five years.

### *Easy Landing Scheme*

14. Over the years, Cyberport has attracted a number of multi-national corporations to set up offices in Cyberport. Among the existing 100 commercial tenants (excluding users of Smart-Space), 33 are non-local companies. Drawing reference from past experience, not only do these non-local companies help raise the profile and status of Cyberport, their operation and international network can also assist the talents nurtured by Cyberport in their further work in respect of business operation and technological development, including training, overseas network and financing opportunities.

15. With reference to past experience of attracting multi-national

corporations, Cyberport intends to set up an Easy Landing Scheme to provide a rental concession to attract multi-national corporations to enter Cyberport and set up offices and R&D units there. The target companies include overseas and Mainland leading Internet enterprises and financial technology companies, well-known brands or disruptive technology in the industry, or well-established companies with unique business model. Cyberport hopes that these companies will become flagship companies in the campus to further expand the international network of Cyberport and contribute to the development of the Cyberport ecosystem. These companies can further attract more innovative digital technology companies to set up businesses in Cyberport and thus contribute to the Cyberport ecosystem in various aspects, including knowledge and experience sharing with other tenants, generation of new ideas, product and business development as well as creation of investment opportunities. This will in turn help foster the growth of start-ups in Cyberport.

16. Cyberport will offer eligible companies a rent concession of \$1 million or 50% of the rental for a period of up to five years. We **propose** to allocate \$50 million to Cyberport for the Easy Landing Scheme.

#### Promote Development of Local E-sports Sector

17. We propose to allocate a total of \$100 million to allow Cyberport to implement the following initiatives with a view to facilitating the development of the local e-sports sector.

#### *E-sports competition venue / E-sports and digital entertainment node*

18. According to the Report of Cyberport, provision of dedicated venues for e-sports helps reduce organisers' preparation time and save manpower, thereby allowing more regular e-sports activities to be held and enabling e-sports talents to accumulate more hands-on experience. We propose to use \$50 million to develop the Cyberport Arcade into a local e-sports and digital entertainment node, including the conversion of the Ocean View Court and Sea View Terrace area in the Arcade into a venue for e-sports competitions. The venue will be equipped with

facilities such as combat arena, lighting and audio systems, large screens for showing e-sports competitions, filming equipment, simulcast system, as well as high-speed network connection. With an area of about 4 000 square feet, the venue should be able to accommodate about 500 spectators and be suitable for small to medium-scale e-sports competitions and training sessions.

19. Cyberport anticipates that an average of six to eight e-sports events will be held each year. The initiative is supported by existing tenants. In the course of the activities, Cyberport will also actively help the organiser in making appropriate traffic arrangements and facilities management to ensure smooth implementation of the events. Cyberport will conduct briefing sessions for the industry on the facilities, users' regulations and application procedures of the venue. Moreover, while Cyberport will accord priority in leasing the venue to organisers of e-sports competitions and e-sports teams for the purposes of competitions and training, the staging of other digital industry-related activities to make better use of resources is also welcomed.

20. Furthermore, Cyberport also plans to provide space for enterprises engaging in e-sports and digital entertainment to showcase their innovative technologies and e-sports products. This is to let the public experience e-sports and enable them to have a positive understanding of and enhance their interest in e-sports, game development and related technologies.

#### *Development of e-sports industry and nurturing talents*

21. Besides provision of venues, we **propose** to provide \$50 million to help Cyberport support the development of the e-sports industry, including organising local and regional competitions and major events, training programmes and promotional activities. Cyberport will also improve its start-up and talent nurturing system to identify and equip start-ups and talents related to e-sports technologies and game development. Relevant initiatives include:

- (a) Facilitate the development of e-sports and digital entertainment

industries

Local e-sports organisations / associations may apply to Cyberport for funding to host local competitions, international qualifying competitions and training activities in the dedicated venue of Cyberport. Cyberport also plans to sponsor the industry to participate in business missions or overseas exhibitions organised or recognised by Cyberport. Cyberport will work out detailed procedures and criteria for applications of the respective funding.

(b) Nurturing e-sports and digital entertainment start-ups

Cyberport will set aside dedicated quotas for e-sports and digital entertainment under its existing Incubation Programme so as to specially incubate start-ups engaging in e-sports games development and research and development of e-sports related digital technologies such as streaming, Virtual Reality / Augmented Reality / Mixed Reality, motion sensing and tracking, data analysis, digital audio-visual technology, etc. Cyberport will introduce investors and accelerators in e-sports and digital entertainment to assist development of such start-ups.

(c) Facilitate enterprises in providing internship opportunities in e-sports and digital entertainment

Under this programme, enterprises will be sponsored to offer internships to students and graduates of related programmes in local tertiary institutions to take part in the development of e-sports games and associated technologies, as well as organisation and coordination of e-sports competitions. Interns will be able to familiarise themselves with the operation of the industry and obtain hands-on experience. Cyberport also plans to arrange workshops and training for the interns and invite experts in the industry to act as instructors.

(d) Summit / Seminar on industry development



Cyberport plans to organise industry summits and invite market leaders, experts or professionals in the industry to explore the e-sports industry or its ecosystem from various perspectives, such as development trend, latest technologies, sports science, mind and body healthcare, education and learning etc. to facilitate exchange, business matching and investment.

(e) Promotional activities

Cyberport, in collaboration with different organisations, will conduct sharing sessions such as talks and seminars to enable parents, teachers and students to have a positive understanding of e-sports and digital entertainment industries, as well as the employment opportunities and career pathway of the related industries. Moreover, Cyberport plans to set up an experience corner in the campus and invite enterprises of Cyberport or industry partners to organise experiential activities, with a view to offering the public firsthand experience of e-sports technology.

## **Economic Case**

22. Enhancing Cyberport's support to its start-ups, including increasing the financial subsidy of the Cyberport Incubation Programme and introducing the Overseas/Mainland Market Development Support Scheme, will not only attract and identify talents who have the interest and potential in the field of I&T as well as increasing employment opportunities, but also assist the Cyberport start-ups in expanding their sales network, which in turn enhance their quality and competitiveness. This will attract investment of venture capital or even fundraising in the stock market, and increase the number of investments by the Cyberport Macro Fund and its potential investment return in the future.

23. We hope to attract anchor tenants to station in Hong Kong through the Easy Landing Scheme. Not only will the presence of these companies increase employment and internship opportunities, they will

also help promote the development of start-ups through providing training, exchanges and opportunities for networking, etc. and assist the start-ups in raising capital. The presence of these multi-national corporations of a considerable size at Cyberport will further strengthen the Cyberport ecosystem, thus attracting other strong I&T firms and start-ups to join the Cyberport community. This would benefit the tenancy situation in Cyberport, which in turn enhance the rental level of the Cyberport offices, thus leading to higher rental income for Cyberport. The setting up of R&D centres by multi-national corporations can assist Hong Kong in training and developing its R&D talents, thus contributing to its overall I&T development.

24. With regard to e-sports, the dedicated competition venue at Cyberport can directly increase rental income of the Arcade. Besides, Cyberport will organise local and regional competitions and mega events, training programmes and public promotion activities, which will drive foot traffic of the Arcade, thereby raising its rental level for shops and bringing in more profits for Cyberport, such as shop rental, advertising revenue, professional service fees, etc., as well as ancillary income such as from hotel and carparks.

25. In addition, developing e-sports can provide business opportunities for the technology, media and telecommunications industry, such as vendors of specialised e-sports products, technology companies processing with live streaming technologies, Internet service providers, live anchors and commentators, and experts in sound engineering, lighting, music composition, animation and copywriting, etc. Organising e-sports mega events can also attract overseas and Mainland visitors, fostering the diversified development of the travel industry, as well as bringing in business opportunities for other sectors such as catering, hospitality and retailing.

### **Advice Sought**

26. Members are invited to give their views on the proposed funding allocation of a total of \$300 million to Cyberport as set out in this paper.

27. Subject to Members' support of the aforesaid proposed initiatives, we will formulate a detailed funding proposal for submission to the FC in mid-2018, to enable Cyberport to implement the various initiatives as early as possible.

**Innovation and Technology Bureau**  
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