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Panel on Information Technology and Broadcasting

Meeting on 14 January 2019

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 set up to support and promote the development of information and communications technology ("ICT") in Hong Kong. It has been in operation since 2004 and is managed by the Government-owned Hong Kong Cyberport Management Company Limited ("HKCMCL"). Cyberport plays an important role in promoting the development of the overall innovation and technology ("I&T") ecosystem. The three tenets of Cyberport's public mission are: inspiring the next generation, nurturing the entrepreneurial spirit and leaping on global ambition.

3. In achieving its mission in "inspiring the next generation", Cyberport organizes a wide range of activities to spur young people's creativity and arouse their interest in ICT and provides them with practical working experience in the ICT industry, particularly in fledgling start-ups. To enhance the overall I&T knowledge of the industry, Cyberport organizes or supports digital technology events, knowledge transfer and training sessions at local, regional and international levels.

4. On "nurturing and strengthening local ICT start-ups", Cyberport provides a range of financial and professional support to start-ups through various programmes, including:

- (a) Cyberport Incubation Programme – This programme provides comprehensive financial, technical and business advisory supports to technology start-ups to help them turn their creative ideas into business undertakings or commercial products;
- (b) Cyberport Creative Micro Fund – Cyberport provides \$100,000 as seed funding for each selected project to turn innovative ideas into prototypes under this funding source;
- (c) Cyberport Accelerator Support Programme – This programme supports incubatees and alumni to participate in local, Mainland and overseas accelerator programmes by offering valuable guidance on overseas expansion and fundraising; and
- (d) Cyberport Macro Fund – The fund helps start-ups in Cyberport bridge the funding gap and foster angel and venture capital investments in Hong Kong.

5. Cyberport has been assisting local enterprises and start-ups in adopting latest technologies (including cloud computing, e-commerce and financial technology ("FinTech")) and exploring new opportunities under the Internet economy (such as smart city and big data analytics).

6. As regards helping 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. World-class conferences, seminars, briefing sessions, training and workshops are organized to assist industry players in keeping abreast with the latest ICT developments.

New Initiatives

7. On 13 July 2018, Finance Committee ("FC") approved an injection of \$300 million to Cyberport, where \$200 million of this allocation would be used for enhancing its existing initiatives and implementing new measures to increase support for its start-ups; \$100 million would be provided to Cyberport for undertaking various initiatives to promote e-sports in Hong Kong, including the provision of a dedicated e-sports competition venue.

Space Sharing Scheme for Youth

8. In the 2017 Policy Address, the Chief Executive announced the launch of the "Space Sharing Scheme for Youth". Under this Scheme, owners of revitalized industrial buildings and commercial buildings are invited to contribute floor space at a rent of no more than one-third of the market rental for suitable non-governmental organizations to operate co-working space or studios.

9. Accordingly, Cyberport has, in July 2018, started to operate Smart-Space which provides co-working space of around 20 000 square feet in an industrial building in Tsuen Wan. Smart-Space offers flexible ready-built offices spaces for local start-ups and overseas companies who are looking to scale their business in China and other parts of Asia. With the latest funding injection into Cyberport (see paragraph 7), start-ups in Smart-Space may apply for up to \$100,000 in financial subsidy under the Cyberport Creative Micro Fund.

Overseas/Mainland Market Development Support Scheme

10. The Administration had informed the Panel on Information Technology and Broadcasting ("the Panel") that Cyberport would launch the Overseas/Mainland Market Development Support Scheme to provide a financial subsidy of up to \$200,000 in the fourth quarter of 2018 to assist start-ups in entering the overseas and Mainland markets more quickly and effectively.

Easy Landing Scheme

11. Cyberport would launch an Easy Landing Scheme to attract multi-national companies (including overseas and Mainland leading Internet enterprises and Fintech companies) to set up offices and research and development ("R&D") units in Hong Kong. HKCMCL would offer eligible companies a rental concession of \$1 million or 50% of the rental for a period of up to five years.

Developing and promoting e-sports

12. In presenting the 2017-2018 Budget, the Financial Secretary indicated that Cyberport would explore further promotion of e-sports in Hong Kong.

E-sports competition venue/e-sports and digital entertainment node

13. To address the shortage of e-sports competition venues, the Administration proposes to develop the Cyberport Arcade into an e-sports and digital entertainment node, including the conversion of the Ocean View Court and Sea View Terrace in the Arcade into a venue for e-sports competitions. The venue, with an area of about 4 000 square feet, could accommodate about

500 spectators and would be suitable for hosting small to medium-scale e-sports competitions and training sessions. The estimated development cost is \$50 million and the venue is expected to be open by phases in 2018-2019. The first phase of the renovation works is expected to be completed by end-2018, and the venue will then be available to the industry for organizing e-sports competitions, events and training. Renovation works are expected to be fully completed in the second quarter of 2019. Cyberport anticipates that on average about six to eight e-sports events would be held each year.

Development of e-sports industry and nurturing talents

14. The Administration provides \$50 million to HKCMCL to support the development of the e-sports industry, including organizing local and regional competitions and major events, training programmes and public promotion activities. HKCMCL will also improve its start-up and talent nurturing system to identify and equip start-ups and talents relating to e-sports technologies and game development.

Previous discussions

Panel on Information Technology and Broadcasting

15. The Administration briefed the Panel on the progress of work of the Cyberport at the meeting on 11 December 2017. On 14 May 2018, members were consulted on the funding proposal of providing \$300 million to Cyberport as proposed in the 2018-2019 Budget. Panel members supported in principle the funding proposal. The major views and concerns expressed by members are summarized in the ensuing paragraphs.

Grooming of talents

16. Members noted that Cyberport would join the Space Sharing Scheme for Youth and would provide some 20 000 square feet of Smart-Space co-working space accommodating around 140 start-ups in Tsuen Wan in the first quarter of 2018 at the earliest. The Administration had announced in October 2017 that 10 sites had been identified under the Scheme, and operating agencies were being identified for two of these locations in Kwun Tong. Panel members suggested that Cyberport could also run Smart-Space co-working space at these two sites.

17. As regards manpower development in the I&T sector in Hong Kong, members suggested that more internship opportunities should be offered to attract overseas students to study technology-related subjects in Hong Kong. Members were informed that, as Cyberport had all along collaborated with local

universities to enrich their I&T-related programmes, including financial technology subjects, it would step up efforts to increase the number of internship placements as appropriate to inspire more young people to pursue a career in the I&T industry.

Supporting local technology companies

18. Some members considered that many of the Administration's support schemes only benefited tenants and incubates of Science Park and Cyberport. They asked if resources and support would be made available to other companies as well. The Administration responded that Cyberport and Science Park had the experience and had made tangible contributions to promoting I&T in Hong Kong.

19. The Administration also advised that funds were available to support incubatee companies graduated from Cyberport. Separately the Administration would seek funding approval to set up research clusters on healthcare technologies and artificial intelligence/robotics. These projects would benefit companies which were not tenants of Cyberport or the Science Park. Furthermore, the Hong Kong/Shenzhen Innovation and Technology Park in the Lok Ma Chau Loop, the Innovation and Technology Venture Fund and the Technology Voucher Programme were examples of how the Administration supported the development of the technology ecosystem in Hong Kong as a whole.

Easy Landing Scheme

20. Some members were concerned that the terms of providing rent concession of up to \$1 million or 50% of the rental for a period of up to five years to eligible companies was not attractive enough to encourage leading Internet enterprises and financial technology companies to enter Cyberport and set up offices and R&D units there. Members enquired how the Administration would attract leading overseas and mainland enterprises to set up operations in Cyberport. Some members queried whether other incentives such as staff accommodation and education services for staff family members could be offered, while some suggested that the Administration should develop a mechanism to identify and support technology companies which were not tenants or connected with the Cyberport or Science Park.

21. The Administration informed the Panel that the proposed terms of the Easy Landing Scheme were to be offered as a gesture to invite multi-national companies to set up offices and R&D units in Cyberport. The terms would need to be fair to other existing tenants of Cyberport. Moreover, multi-national companies setting up a base in Cyberport had other benefits, such as the opportunities to cooperate with start-up companies at Cyberport.

22. The Administration further advised that its focus was the development of the overall I&T ecosystem in Hong Kong. The successful model of Science Park would be extended to the Hong Kong/Shenzhen Technology Park in the Lok Ma Chau Loop whereas the Cyberport experience could apply to the provision and management of the new co-working space in Tsuen Wan.

Management and financial position of Cyberport

23. Members observed that some of Cyberport's supporting facilities, such as conference rooms, were under-utilized. Members also noted that despite a loss of HK\$77 million in 2016, Cyberport recorded a profit of HK\$112 million in 2017 due to a project income of HK\$190 million. They enquired whether such income was sustainable and whether Cyberport had engaged professionals to manage its financial assets.

24. Cyberport advised that the current occupancy rate of Cyberports' lettable office space was about 95% and renovation was in progress to provide extra office space. Cyberport would revisit its tenant mix to make more efficient use of its facilities. As regards its financial position, Cyberport advised that the consolidated financial statements reflected the financial performance of the operation of Cyberport itself, as well as various initiatives implemented by Cyberport. In the past few years, the operating profit before public mission activities expenses and depreciation was around HK\$150 million. The financial position of Cyberport was stable and could sustain the projects in pursuit of its public missions.

Promoting e-sports

25. Some members enquired whether the Administration would treat e-sports as a sports policy or a technology subject and what strategy the Administration would implement to support e-sports and to nurture e-sports talents. The Administration explained that e-sports involved both sports, technology and commercial elements. Following internal deliberation, the Administration considered that the Innovation and Technology Bureau should take the lead in promoting e-sports from the technology perspective in its early stage of development in Hong Kong. The Administration would provide funding support for Cyberport to provide a dedicated venue for e-sports competition as Cyberport had the infrastructure and high-speed network required for organizing proper e-sports events. It was the Administration's intention that world-class e-sports events would be organized in Hong Kong so as to build up an e-sports culture in the community.

26. Some members questioned whether the Administration's funding support to Cyberport would give it unfair competitive advantage over other private-sector initiatives and investment on e-sports, and asked if the Administration would develop a comprehensive policy on e-sports. The Administration advised that its current plan was to provide an e-sports competition venue and help nurture relevant talents through Cyberport. These initiatives should not result in unfair competition with the private sector because Cyberport would not be the only venue for staging e-sports events; the proposed e-sports competition venue would help set a standard for similar facilities to be constructed in Hong Kong. As regards e-sports policy, the Government would first focus on building a solid foundation for further development of the e-sports industry.

27. Members expressed concerns about the development of e-sports as many young people who had received training in science, technology, engineering and mathematics subjects were unwilling to join the industry. Apart from providing designated venues for e-sports events, members asked how Cyberport intended to promote the development of e-sports and, in particular, to nurture e-sports talents. Members also asked how Cyberport would support e-sports athletes to participate in overseas competitions and promote emerging e-sports start-ups.

28. Cyberport advised that there were ample development opportunities for young people to pursue a career in the development of e-sports software, which would need to be played on many different platforms such as mobile devices as well as the traditional desktop computers and specialized consoles. As regards grooming of e-sports talents, Cyberport informed the Panel that it would collaborate with well-established technology companies in places such as Shanghai and Silicon Valley, etc., to provide internship opportunities for young people to work and to acquire practical experience. Cyberport would host more e-sports competitions and invite experts in the industry to share their insights with participants on the latest e-sports technology.

29. Upon members' request, the Administration provided information regarding the report on the development trend of e-sports submitted to the Administration by Cyberport. The information was issued to members vide [LC Paper No. CB\(4\)608/17-18\(01\)](#) on 13 February 2018.

Council meetings

30. Members, including Hon Jimmy NG, Hon CHAN Hak-kan and Hon Charles Peter MOK, have raised written questions related to development of e-sports at Council meetings. Details of the questions and the Administration's replies are given in the hyperlinks in the **Appendix**.

Finance Committee

31. At the FC meeting on 13 July 2018, members were concerned with the Administration's strategy on the development of e-sports including grooming of e-sports talents. Some members asked whether assistance would be provided to companies not collaborating with the Cyberport on the promotion of the e-sports industry. Members suggested that the Administration should promote e-sports in various districts, and co-operate with the industry in organizing small-scale activities for local citizens.

Special Finance Committee

32. At the special meeting of FC on 19 April 2018, members raised queries on Cyberport's role in promoting the development of e-sports, financial situation of Cyberport, relevant incubation programmes, land use, and the training of talents.

Latest position

33. The Administration will brief the Panel on 14 January 2019 on the progress of Cyberport's latest work.

Relevant papers

34. A list of the relevant papers is set out in the **Appendix**.

List of relevant papers

Issued by	Meeting date/ Issue date	Paper
Panel on Information Technology and Broadcasting	11 December 2017	<p>Administration's paper on role of Cyberport in nurturing the information and communications technology ecosystem in Hong Kong (LC Paper No. CB(4)330/17-18(02))</p> <p>Updated background brief on Cyberport (LC Paper No. CB(4)330/17-18(03))</p> <p>Administration's response to issues raised at the meeting on 11 December 2017 (LC Paper No. CB(4)608/17-18(01))</p> <p>Minutes of meeting (LC Paper No. CB(4)582/17-18)</p>
	14 May 2018	<p>Administration's paper on funding to Cyberport: supporting the development of the start-up ecosystem and promotion of e-sports development (LC Paper No. CB(4)1036/17-18(03))</p> <p>Updated background brief on Cyberport (LC Paper No. CB(4)1036/17-18(04))</p> <p>Minutes of meeting (LC Paper No. CB(4)1594/17-18)</p>

Issued by	Meeting date/ Issue date	Paper
Special Finance Committee	19 April 2018	Administration's replies to Members initial written questions (Reply Serial Nos. ITB001, ITB010, ITB017, ITB022, ITB032, ITB037, ITB044, ITB046, ITB050, ITB056, ITB060, ITB070, ITB071, ITB094 and ITB166) Minutes of meeting
Finance Committee	7 July 2018 and 13 July 2018	CAPITAL INVESTMENT FUND New Subhead "Equity in the Hong Kong Cyberport Development Holdings Limited for supporting its tenants/incubatees and promoting the development of e-sports (FCR(2018-19)38)
Council meeting	28 March 2018	Question No. 18 raised by Hon Jimmy NG Promoting development of e-sports industry
	25 April 2018	Question No. 20 raised by Hon CHAN Hak-kan Preventing youths from being addicted to video game
	28 November 2018	Question No. 16 raised by Hon Charles Peter MOK Regulation of e-sports venue
Commerce and Economic Development Bureau	23 October 2018	2018 Policy Address Policy Initiatives of Communications and Creative Industries Branch Commerce and Economic Development Bureau LC Paper No. CB(4)24/18-19(02)