

Legislative Council Panel on Commerce and Industry
Update on Cyberport Digital Entertainment Incubation-cum-Training
Programme

PURPOSE

This paper informs Members of the latest position of the operation of the Digital Entertainment Incubation-cum-Training (Incu-Train) Centre and seeks Members' support for a proposal to extend the operation of the Centre for a period of three years.

BACKGROUND

2. In June 2005, the Finance Committee approved a funding commitment of \$30.8 million under the Innovation and Technology Fund (ITF) for the Hong Kong Cyberport Management Company Limited (CML) to establish and operate the Incu-Train Centre for a period of 40 months.

3. The purpose of setting up the Incu-Train Centre is to provide an incubation facility for companies in the digital entertainment and digital multimedia industry, an important sector of the creative industries. The initial focus was on games and animation developers. The Incu-Train Centre provides a supportive environment with suitable professional training to help start-up companies develop commercially viable products and services and thus transform themselves into sustainable businesses in the digital entertainment industry. The initial target was to take in 45 digital entertainment or media start-ups (incubatees) into the incubation scheme.

4. The Incu-Train Centre provides office space, access to specialized hardware and software facilities, business development advice, legal services and marketing support to the incubatees at discount rates for a period of up to 24 months (the incubation period). In addition, the Centre provides a Digital Entertainment Training programme to develop artist/master/producer for the continuous professional development of digital entertainment in Hong Kong. These training events are made available to all professionals in the digital entertainment industry and other interested parties.

5. The Incu-Train Centre commenced operation in October 2005. A Vetting Committee comprising digital media professionals, academics, venture

capitalists and trade association members vets applications and selects the incubatees. An Advisory Committee consisting of members drawn from academia, the commercial sector and the Government has also been set up to provide advice and mentorship to the incubatees, review their performance, and advise CML on the overall development of the Incu-Train Programme. (Membership of the two Committees is set out in Annex A.)

6. The digital entertainment and digital multimedia sector is strategically important to the development of Hong Kong's creative industries. Based on the IDC's Hong Kong Digital Entertainment Industry Study 2006-07 published in April 2008, there are about 260 companies with 4,600 employees in the sector, which comprises mainly small and medium-sized enterprises. The Incu-Train Programme provides a good breeding ground for new entrants and start-up companies as well as existing practitioners in the discipline who are in need of support to develop their technical know-how or business skills. The objective is to provide a nurturing environment for growth.

LASTEST POSITION

Incubation

7. Open recruitment of incubatees has been conducted four times, in October 2005, March 2006, March 2007 and June 2008. By July 2008, the Incu-Train Centre has admitted 62 incubatees (exceeding the original target of 45) in the fields of animation-comics, games, edu-/infotainment, music-audio and tools-and-technology from a total of 108 applications.

8. After admission to the Centre, the incubatees enter into milestones agreements with the Advisory Committee. These are subject to review every six months. After successful completion of the milestones in their project proposals, the incubatees will “graduate” from the incubation programme and become “alumni”.

9. In February 2007 (the third in-take), the Advisory Committee introduced, in addition to “on-site incubation”, “off-site incubation” to support incubatees without an office space in the Centre. These off-site incubatees receive the same level of support as on-site incubatees except office space, and are subject to the same periodic progress reviews. The purpose of off-site incubation is to enable incubatees to make a quick start including joining the training activities while they wait for office space being made available from out-going graduates, in order to maximise the number of beneficiaries from the

incubation programme. So far, 20 incubatees have been admitted on an off-site basis and four of them have switched to on-site.

10. The first and second in-takes admitted a total of 31 incubatees. Two graduation ceremonies were held on 22 March 2007 and 19 March 2008 involving 26 incubatees, of which eight were “early” graduates (i.e., they completed their milestones within 20 months, ahead of the maximum 24-month incubation period). There was one case of termination and the remaining four withdrew voluntarily. This represents a success rate of 84%, which is well above the original target success rate of 33%. (Details at Annex B.)

11. Currently, there are 31 incubatees of the third and fourth in-takes, in the Programme, one incubatee from the fourth in-take has withdrawn.

12. A survey in August 2008 showed that the incubatees created a total of 381 new jobs, among both current incubatees and alumni. By end-July 2008, the 27 Incu-Train alumni reported that they have developed 61 original intellectual properties (IPs) during their incubation periods. As the current incubated projects of the third and fourth in-takes are still on-going, there will be more original IPs developed.

Training

13. By end-July 2008, the Incu-Train Centre has organized a total of 63 training events, benefiting some 3 000 participants. The beneficiaries of these training events include not only the incubatees of the Incu-Train Centre, but also practitioners of digital entertainment in the sector at large. The scope of these events covers technology, business development, SME circle workshops, visionary seminars, youth creativity workshops, and web-based contents.

14. To enable students of digital entertainment studies to gain practical experience through work assignments, there is also an internship programme provided with the incubatees. Through the programme, participating incubatees can benefit from the assistance of highly qualified students specialised in digital entertainment to help in their work.

International Networking

15. Other than incubation and training activities, CML has been actively promoting international networking of the Incu-Train Centre with

overseas partners. A collaboration agreement was signed with the Banff Centre of Canada¹ in April 2006 to strengthen collaboration on creative training and business exchange for the incubatees. The Incu-Train Centre has organised virtual business exchange sessions for incubatees to share experience with their counterparts in Canada, and the Banff Centre has organised dedicated leadership training programme for incubatees at the Incu-Train Centre. The collaboration agreement also provides for mutual participation in the signature events organised by both parties.

16. CML has also worked with the British Council and created a Digital Pioneers programme, through which three winning entrepreneurs from the Hong Kong digital entertainment industry (including one from an incubatee company) had made two visits to the United Kingdom to help them to build up their networks there.

17. In addition, CML has entered into a collaboration agreement with Sony Computer Entertainment Hong Kong and an authorized PlayStation 3 training studio in Japan in April 2008 to deliver a 9-month long professional training series on game design, game programming, game visual art, and game producing on the PlayStation 3 platform.

18. On 19 March 2008, three publishers and investors from the Mainland signed collaboration contracts with one Incu-Train graduate and two incubatees. As a clustering platform, the Centre has attracted inquiries from overseas and domestic buyers and investors on innovative digital entertainment products and services offered by Hong Kong.

Industry Support

19. The incubation programme has also received wide-spread support from the industry in the form of in-kind sponsorship which has facilitated the incubatees in their products and/or business development. The details are set out in Annex C.

Marketing and Awards

20. The Incu-Train Centre helps promote the incubatees and their products and services via various overseas and local trade shows and exhibitions. Booths were set up in major exhibitions including Tokyo International Film Festival, Shenzhen International Cultural Industry Fair, Hong Kong

¹ The Banff Centre is a wholly-owned organization of the Canadian Government, and is well-known for fostering creative industry development.

International Film and TV Market, Asia Game Show, International ICT Expo, Innovation Expo, and GameOn Exhibition, etc. The Incu-Train Centre also sponsored incubatees to participate in overseas and local trade shows individually by leveraging the support of other industry support organizations such as the Hong Kong Trade Development Council.

21. The current incubatees and alumni of the Incu-Train Centre have won a total of 34 international and local industry awards and honours. These include major awards and honours in the Stockholm Challenge, Banff World Television Awards, International Documentary Film Festival of Amsterdam, Mercury Excellence Awards in New York, Asia Pacific ICT Award, and Hong Kong ICT Awards. (Details at Annex D.)

22. A Cyberport Incu-Train Excellence Award Scheme was set up in January 2008 to honour the outstanding achievement of incubatees and encourage early graduation by successful incubatees. So far, 14 incubatees have applied, and four awards have been granted.

INCU-TRAIN (PHASE 2)

23. Having regard to the achievements made by the Incu-Train Centre thus far, CML considers it worthwhile to continue with the incubation programme, and proposes to extend the operation into a second phase to support a further 55 digital entertainment or media start-ups. In the light of its experience in “off-site” incubation, CML will try to admit more companies in each in-take by increasing the percentage of “off-site” incubatees from 25% to 50%. In addition, Incu-Train (Phase 2) will extend training events to the alumni at discounted rates, thereby providing post-incubation support to the alumni and maintaining a close network between the incubatees and the alumni.

24. Similar to Incu-Train Phase 1, CML plans to admit incubatees under Phase 2 in stages (with the fifth, sixth and seventh in-takes in March 2009, September 2009, and January 2010 respectively), each subject to an incubation period of up to two years with half-yearly reviews by the Advisory Committee. In addition, the review and control mechanism for Incu-Train (Phase 2) will follow the established mechanism of the ITF. CML will be required to submit half-yearly progress reports to the Administration, and ITF grants will be disbursed by instalments and the disbursement will be contingent upon acceptance of the progress report by the Administration.

FINANCIAL POSITION AND FINANCIAL IMPLICATIONS FOR PHASE 2

25. By end-October 2008, the total expenditure incurred under Incu-Train (Phase 1) was \$27.5 million. It is estimated that by the time all the incubatees from the third and fourth in-takes have graduated, the total expenditure will be about \$30.6 million, which is on budget yet with more incubatees covered than originally targetted.

26. CML has proposed under Incu-Train (Phase 2) that the Centre will operate for a further 36-month period from February 2009 to January 2012. The funding requirement is currently estimated at \$25.7 million, and is premised on the following assumptions on expenditure and income –

	<u>\$million</u>
<u>Centre Operating Costs</u>	
Staff	7.20
Equipment	2.45
Other Direct Costs	0.27
<i>Sub-total (a)</i>	9.92
<u>Programme Costs</u>	
Incubation	6.44
Training	8.79
Marketing and Promotion	1.60
<i>Sub-total (b)</i>	16.83
<u>Income</u>	
Sponsorship from Industry	0.78
Other Income	0.27
<i>Sub-total (c)</i>	1.05
Total amount to be funded from ITF [(a) + (b) – (c)]	25.70

27. As regards centre operating costs, \$9.92 million is estimated which covers staff (six full-time staff) costs, equipment, facilities and software costs as well as other direct costs for operating the incubation programme.

28. As regards programme costs, \$16.83 million is estimated, which covers the costs for the incubation, training, internship, marketing and promotion expenses.

29. As regards income, \$1.05 million is estimated which covers sponsorship in kind and other income to be received.

30. Subject to the Panel's support for the Incu-Train Centre (Phase 2), we plan to submit to Finance Committee a funding proposal to increase the existing commitment of Subhead 108 "Establishment of an Incubation-cum-Training Centre to support Digital Entertainment Development by the CML" under Head 111 Innovation and Technology of the ITF from \$30.8 million by \$25.7 million to \$56.5 million and to extend the project period by 36 months to end-January 2012. The proposal has support from the digital entertainment sector, including the Hong Kong Digital Entertainment Association.

ADVICE SOUGHT

31. Members are invited to note the progress of the Incu-Train Centre and support the continuation of the incubation programme into Phase 2.

Innovation and Technology Commission
November 2008

The Digital Entertainment Incu-Train Centre

Membership of Advisory Committee

Chairman

Mr. Anthony AU
Director, Futuresuccess Consultants Ltd.

Committee members

Prof. Lorraine JUSTICE
Swire Chair & Head, School of Design, Hong Kong Polytechnic University

Mr. Sunny LEE
President, Hong Kong Computer Society

Mr. Anthony NEOH
Chairman, China Game Publishing Association Hong Kong

Mr. Dennis PANG
Assistant Government Chief Information Officer, Office of the Government Chief Information Officer, HKSAR Government

Mr. Gabriel PANG
Chairman, Hong Kong Digital Entertainment Association

Mr. William PFEIFFER
Chief Executive Officer, Lionsgate Entertainment JV, Asia

Prof. Hugh THOMAS
Director, Center for Entrepreneurship, Chinese University of Hong Kong

Mr. Eddy WONG
Director / Chief Executive Officer, Menfond Electronic Art & Computer Design Co. Ltd.

Dr. Rosanna WONG
Executive Director, The Hong Kong Federation of Youth Groups

Mr. Nicholas YANG

Chief Executive Officer, Hong Kong Cyberport Management Company Ltd.

Prof. Onching YUE

Science Adviser, Innovation and Technology Commission, HKSAR Government

Secretary

Dr. David CHUNG

Head (ITO), Hong Kong Cyberport Management Company Ltd.

The Digital Entertainment Incu-Train Centre

Membership of Vetting Committee

Chairman

Mr. Anthony AU
Director, Futuresuccess Consultants Ltd.

Committee members

Mr. Sunny LEE
President, Hong Kong Computer Society

Prof. Zhi-Qiang LIU
Professor, School of Creative Media, City University of Hong Kong

Mr. Anthony NEOH
Chairman, China Game Publishing Association Hong Kong

Mr. Gabriel PANG
Chairman, Hong Kong Digital Entertainment Association

Mr. William PFEIFFER
Chief Executive Officer, Lionsgate Entertainment JV, Asia

Prof. Hugh THOMAS
Director, Center for Entrepreneurship, Chinese University of Hong Kong

Mr. Denis TSE
Senior Vice President – Head of Asia, CDIB Capital Limited

Dr. Russell WILLIAMS
Option Coordinator - Digital Graphic Communication, School of Communication,
Hong Kong Baptist University

Mr. Norman YUEN
Chief Executive Officer, CITIC 1616 Limited

Secretary

Dr. David CHUNG

Head (ITO), Hong Kong Cyberport Management Company Ltd.

The Digital Entertainment Incu-Train Centre**Status of Incubatees**

Total no. of incubatees admitted = 62 (108 applications, 4 in-takes):

In-take	1st	2nd	1st and 2nd	3rd	4th
Admission	Jan. – April 2006	June – Oct. 2006		April – May 2007	June – July 2008
Exit	March 2007 – March 2008	June 2007 – June 2008		(on-going)	(on-going)
On-site	12	19	31	6	9
Off-site	--	--	-	10	6
Total No.	12	19	31	16	15
Current	0	0	-	16	14
Early Grad.	3	5	8	--	--
Full-Term	6	12	18	--	--
Withdrawn	2	2	4	--	1
Termination	1	0	1	--	--
Success Rate	75% (9/12)	89% (17/19)	84% (26/31)	--	--

Industry Sponsors of the Digital Entertainment Incubation-cum-Training Centre

The in-kind industry sponsors committed to support the Digital Entertainment Incubation-cum-Training Centre are:

Cisco

Building the right network infrastructure puts small and medium-sized companies in a strong position to improve business resiliency and agility, enhance growth opportunities, and lower the cost of operations. Cisco offers a range of products for the incubatees to extend their network infrastructure for specific usage to work seamlessly with Cyberport's network, enabling a wide variety of next-generation applications in information technology and digital content creation, management and delivery.

Dell

Training and development of the latest generation of games and animations, especially those involving 3D Computer Graphics (3D CG) and High Definition (HD) visual effects, require the most advanced computer workstations. Typical configuration requires multi-core CPU, state-of-the-art CPU and true-colour HD monitors. Dell is one of the few major vendors that can provide such an extensive array of high-end products to accomplish the training and production needs in a reliable manner. This greatly facilitates the development and growth of the incubatees.

Jadason

Jadason is the sole representative of many major game and animation software vendors in Hong Kong, including Maya and Motion Builder etc. The support of these state-of-the-art software tools by Jadason greatly facilitates the training and development work of the incubatees.

Microsoft

Latest technology today allows consumers to enjoy multimedia content at home seamlessly through wireless connections. The Media Centre Edition PC from Microsoft allows digital enthusiasts to enjoy all digital entertainment content from a PC with a remote control, record live TV program, watch slideshow and enjoy self-made videos from a single interface. Microsoft now offers starter kit for developers to customize an integrated feature of Media Centre Edition PC with hardware built specifically for digital entertainment usage. Together with other software sponsored by Microsoft, the incubatees can access to the latest developer toolkit to facilitate commercialization of their product ideas.

Sony Computer Entertainment

Sony Computer Entertainment is a video game company specializing in a variety of areas in the video game industry, mostly in video game consoles.

Sony Computer Entertainment handles the Research & Development, production, and sales of hardware and software for their high-selling PlayStation line of handheld and video game consoles. Sony Computer Entertainment is also a developer and publisher of video games for their systems.

The newest console released in the PlayStation series, as well as Sony's entry in the seventh-generation of consoles, is the PlayStation 3 (also called PS3), which was launched in November 2006. It uses a unique processing architecture called the Cell microprocessor, a proprietary technology developed by Sony with the help of Toshiba and IBM. The graphics processing unit, the RSX 'Reality Synthesizer', was co-developed by NVIDIA and Sony.

The PS3 Software Development Kit including PS3 Debugging Station and Reference Tool enhance the game development support environment of PS3 for the incubatees.

The Digital Entertainment Incu-Train Centre

List of Awards and Honours won by Incubatees

No.	Date	Incubatee & Product	Award / Honour
1	Jun. 08	Ekika Art Animation Co.	Finalist, Best License (Non-Entertainment), Hong Kong Licensing Show 2008
2	Mar. 08	Double-Up Workshop Ltd. – “HK love trees”	Bronze Award, “Advertising – Paid, TV Ads – Campaign” category, 21 st Annual Mercury Excellence Awards 2007/08, International Academy of Communications Arts and Sciences
3	Jan. 08	3 Dynamics (Asia) Ltd. – “Lightening Strike” (by Li Pak Kei Jack)	Cert. of Merit, Best Digital Entertainment (Student) Award, HK ICT Awards 2007
4	Jan. 08	Digital Life Institute Ltd. – “Info Easy Reader” (via HK CSL Ltd. as technology vendor)	Bronze Award, Best Ubiquitous (Mobile Infotainment) Award, HK ICT Awards 2007
5	Jan. 08	Frenzoo Ltd. – “Create!Chat!Cheer!”	Cert. of Merit (Best DE2.0), Best Digital Entertainment Award, HK ICT Awards 2007
6	Jan. 08	Orbit Media International (OMI) Creative Studio	Cert. of Merit (Best New Start Up Company), Best Digital Entertainment Award, HK ICT Awards 2007
7	Jan. 08	Orbit Media International (OMI) Creative Studio & M-Inverse Holdings Ltd. – “Project Rainbow Riders”	Cert. of Merit, Best Digital Entertainment (Digital Entertainment Software) Award, HK ICT Awards 2007
8	Jan. 08	Play Pen Studios Ltd. – “Skillz”	Cert. of Merit, Best Digital Entertainment (Digital Entertainment Software) Award, HK ICT Awards 2007
9	Jan. 08	Playmotion Ltd. – “PlayMotion Core”	Gold Award, Best Lifestyle (Health & Wellbeing) Award, HK ICT Awards 2007
10	Jan. 08	Playmotion Ltd. – “PlayMotion Core”	Best Lifestyle Grand Award, HK ICT Awards 2007
11	Jan. 08	Pop Right Ltd. – “Pop Right Permission-based Mass Email Management System”	Cert. of Merit, Best Business (Product) Award, HK ICT Awards 2007
12	Sep. 07	Mylamstudio	Certificate of Merit, HSBC Living Business Awards 2007
13	Jun. 07	3 Dynamics (Asia) Ltd. – Wallace Wong	Finalist, Creative Young Entrepreneur Award 2007, Junior Chamber International
14	Mar. 07	3 Dynamics (Asia) Ltd. – Wallace Wong	Digital Pioneers Award, British Council & Cyberport
15	Mar. 07	Jidou Ltd. – Amy Tsang	Digital Pioneers Award, British Council & Cyberport
16	Dec. 06	Double-Up Workshop Ltd. – “Dragon Inn, The Hideout in Temple Street”	Invited exhibition, International Document Film Festival Amsterdam (IDFA) – China Transit

No.	Date	Incubatee & Product	Award / Honour
17	Nov. 06	3 Dynamics (Asia) Ltd. – “3G Mopas”	Award of Merit – Best Mobile Game, Digital Entertainment Category, HK ICT Awards 2006
18	Nov. 06	Gowell Software Ltd. – “GoChinese”	Education & Training Award, Asia Pacific ICT Award (APICTA) 2006
19	Nov. 06	Gowell Software Ltd. – “GoChinese”	eLearning Grand Award, HK ICT Awards 2006
20	Nov. 06	Jidou Ltd. – “Jidougames”	Feature Film Award, Digital Entertainment (Digital Animation), HK ICT Awards 2006
21	Nov. 06	Playmotion Ltd.	Start-up Company Award, Asia Pacific ICT Award (APICTA) 2006
22	Nov. 06	Playmotion Ltd. – “Ocean Park Sea Jelly Spectacular”	Certificate of Merit, Digital Entertainment Software, HK ICT Awards 2006
23	Nov. 06	Playmotion Ltd. – “Ocean Park Sea Jelly Spectacular”	Certificate of Merit, Best New Start-Up Company in Digital Entertainment, HK ICT Awards 2006
24	Sep. 06	3 Dynamics (Asia) Ltd. – “3G Mopas”	2nd runner-up – “Your Top 3 Favorite 3G Mobile Services” of 3G Cyberport Awards
25	Aug. 06	Gamey Studio	Award of Merit – InnoBrand Competition, HK Victoria Junior Chamber
26	Jun. 06	Double-Up Workshop Ltd. – “Dragon Inn, The Hideout in Temple Street”	Hors Concours Selection, 27 th Annual Banff World Television Awards
27	May 06	Mobile Adventures Ltd. – “Walk-the-Talk”	Finalist, Stockholm Challenge 2006
28	Apr. 06	3 Dynamics (Asia) Ltd. – “Hong Kong War”	3G Cyberport Award, HKWDC
29	Mar. 06	Innotation Studio Ltd. – “Tonki Bear”	Outstanding Start-up Company Award – 4 th HK Digital Entertainment Excellence Awards
30	Mar. 06	Innotation Studio Ltd. – “Tonki Bear”	Cyberport Award – 4 th HK Digital Entertainment Excellence Awards
31	Mar. 06	Innotation Studio Ltd. – “Tonki Bear”	Best Computer Animation, Short Film Category – 4 th HK Digital Entertainment Excellence Awards
32	Mar. 06	Play Pen Studios Ltd. – “Skillz”	Best Computer/TV Entertainment Software (Open Category) – 4 th HK Digital Entertainment Excellence Awards
33	Nov. 05	3 Dynamics (Asia) Ltd. – “3G Mopas”	3G Cyberport Award, HKWDC
34	Nov. 05	Mobile Gamers Ltd. – “Dino Stones”	3G Cyberport Award, HKWDC