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Legislative Council

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Panel on Information Technology and Broadcasting

Meeting on 27 February 2024

Background brief on the work progress update of Cyberport

Purpose

This paper provides background information on the work progress update of Cyberport and gives a brief account of the major views and concerns expressed by Members during discussions of the Panel on Information Technology and Broadcasting ("the Panel") and the Finance Committee ("FC") on the relevant issues.

Background

2.   Over the years, Cyberport has 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 information and communications and technology in Hong Kong.

Supporting start-ups

3.   Cyberport provides a range of financial and professional support to start-ups through various programmes, including:

   (a) Cyberport Creative Micro Fund — Cyberport provides $100,000 as seed funding for each selected project to help participants turn innovative ideas into prototypes;

(b) Cyberport Incubation Programme ("CIP") — This programme provides comprehensive financial, technical and business advisory supports to technology start-ups to help them turn creative ideas into business undertakings or commercial products with a maximum financial subsidy of $500,000;

(c) Cyberport Accelerator Support Programme — This programme supports incubatees and alumni ready for overseas market expansion and fundraising to participate in accelerator programmes approved by Cyberport, and provides them with financial assistance up to HK$300,000;

(d) Overseas/Mainland Market Development Support Scheme — 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 Hong Kong, expanding into overseas markets and attracting investors; and

(e) Cyberport Macro Fund — The fund aims to provide Cyberport's start-ups with early financing and promote the development of the venture capital ecosystem in Hong Kong by attracting private investment to enable more promising start-ups to further develop.

Incubation Programme for Smart Living Start-ups and Digital Transformation Support Pilot Programme

4.   In order to dovetail with the policies of smart city development and implementation of digital economy, the Financial Secretary proposed in the 2023-2024 Budget to allocate $265 million and $500 million respectively for Cyberport to launch the Incubation Programme for Smart Living Start-ups ("the Incubation Programme") and the Digital Transformation Support Pilot Programme ("the Pilot Programme") to provide targeted support for start-ups engaged in related solutions and services and to assist small and medium enterprises in applying ready-to-use basic digital solutions with subsidies on a one-to-one matching basis, thus facilitating their digitalization and value creation of their businesses.   The relevant funding proposals were approved by FC on 14 July 2023.   Cyberport is finalizing the relevant details in this regard.[1]

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[1] The funding proposals in respect of the General Non-recurrent New Items "the Incubation Programme for Smart Living Start-ups" and "the Digital Transformation Support Pilot Programme" (FCR(2023-24)48 and FCR(2023-24)49) were approved by FC on 14 July 2023.

Nurturing talent

5.   On grooming local technology talent, Cyberport aims to nurture financial technology ("Fintech") talent through organizing the Cyberport University Partnership Programme, which allows participating local university students to undergo Fintech and entrepreneurial training hosted by overseas universities or participate in online entrepreneurial bootcamps. In terms of nurturing young people to start a digital technology career, Cyberport arranges young people to serve as interns at Cyberport start-ups and nurtures their enthusiasm in pursuing a career in I&T.

Fostering technology development

Financial technology

6.   Fintech is a key cluster being developed at Cyberport, and Cyberport hosts the biggest Fintech community and ecosystem in Hong Kong with nearly 400 Fintech companies. In additional to providing relevant training for in-service financial practitioners and promoting Fintech applications in the traditional financial industries, Cyberport strives to promote the application of Fintech through organizing and participating in various local and overseas Fintech events.

Digital entertainment and e-sports

7.   Cyberport supports the development of the industry in three aspects, including facilitating the organization of e-sports events, fostering e-sports talent cultivation and promoting the overall development of the e-sports industry and associated technological developments. There are around 170 e-sports/digital entertainment-related companies in the Cyberport community. Through provision of funding and professional support in different areas, Cyberport promotes and supports relevant e-sports technology and overall e-sports industry development.

Smart living

8.   To support smart city development, Cyberport currently has about 760 social innovation start-ups, and the Cyberport community provides a platform for start-ups to showcase their smart living solutions. Cyberport has launched the "Smart Living Concept Store" which offers quite a number of products and services provided by Cyberport incubatees.

Cyberport expansion project

9. To attract more quality technology companies and start-ups to set up their offices in Cyberport and provide a pathway for young people to pursue a career in I&T, Cyberport has planned to build Cyberport 5 at an existing waterfront site of approximately 1.6 hectares with a gross floor area of around 66 000 square metres. Facilities provided include office, co-working space, a data services platform, a multifunction hall and ancillary facilities. The construction works, which commenced in 2021, are expected to be completed in 2025 at the earliest.[2]

Establishing the artificial intelligence supercomputing centre

10. As announced by the Chief Executive in the 2023 Policy Address, Cyberport will establish an artificial intelligence ("AI") supercomputing centre ("AISC") in phases, with a view to supporting the huge demand for computing power from research and development ("R&D") and relevant sectors and promoting industry development. The first phase of development is expected to be completed and come into operation in 2024 at the earliest. According to Cyberport, AISC will strengthen R&D capabilities in areas including life and health technology, AI and data science, advanced manufacturing and new energy technology while laying the foundation for developing cutting-edge technologies including generative AI and semiconductor core technology.

Previous discussions

11. At the meetings on 8 May and 13 November 2023, the Administration briefed the Panel on the work of Cyberport and matters in relation to the development of AISC, while the funding proposals for the Incubation Programme and the Pilot Programme were presented to FC at its meeting on 14 July 2023. The major views and concerns expressed by Members are summarized in the ensuing paragraphs.

Cyberport's division of work with other innovation and technology institutions and its positioning

12. Members pointed out that there were currently overlapping roles among various I&T-related institutions, such as Cyberport and the Hong

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2. The funding proposal in respect of Capital Investment Fund Head 962 "Equity in the Hong Kong Cyberport Development Holdings Limited for the Cyberport Expansion Project" (FCR(2021-22)26) was approved by FC on 11 June 2021.

Kong Science and Technology Parks Corporation, both of which contributed to the development of Fintech. Members enquired whether the Administration would consider consolidating the institutions concerned to ensure that resources were put to the best use. The Administration explained that at present, various I&T-related institutions in Hong Kong had different levels of involvement and distinct roles to play in the development of various areas. In the future, the Administration would allocate resources as appropriate while maintaining close communication with relevant institutions to ensure that their work would keep in step with the overall development of Hong Kong.

Supporting start-ups

13.   On supporting start-ups, Members enquired about the mode of cooperation between Cyberport and on-site/off-site companies. Cyberport advised that among the 900-plus on-site companies as of November 2023, some were office tenants while some others were co-working space users. These companies were required to make rental payments to Cyberport. As for CIP, incubates might apply for rent-free accommodation.

14.   Members asked whether measures would be formulated by the Administration to help start-ups expand into new markets for transforming R&D outcomes in the community. The Administration responded that the implementation of smart living was enabled by digital technology, and the future development of smart city would provide convenience to members of the public with technology advancement. The authorities would collaborate with different institutions to create application scenarios for transforming R&D outcomes into real life applications.

Overseas/Mainland Market Development Support Scheme

15.   Members were concerned about the locations where the subsidized start-ups had participated in trade fairs under the Cyberport's Overseas/Mainland Market Development Scheme and suggested that the Administration should draw up performance indicators to assess the effectiveness of the activities. Cyberport informed Members that it would conduct market promotion activities having regard to market developments. Locations with promotional activities carried out by subsidized start-ups included Thailand, Indonesia, Japan and Northern Europe.

Incubation Programme for Smart Living Start-ups

16.   Members noted that under the Incubation Programme, the Administration would facilitate matching between gerontechnology start-

ups and charitable organizations engaged in the provision of elderly services and provide related referral and consultancy services to support localization and testing of products.   Members considered that Cyberport should partner with platforms currently providing such services to ensure the optimal use of resources.   Cyberport advised that when taking forward projects for promoting gerontechnology or other smart living applications, it would partner with relevant groups or funds, so that R&D outcomes of start-ups would be transformed through application scenarios they provided.

17.   On providing professional support to enterprises, Members suggested that Cyberport should optimize the mentorship under the Incubation Programme with a view to providing appropriate assistance to start-ups.   The Administration advised that given its leading role in developing digital economy and years of experience in nurturing start-ups, Cyberport was entrusted by the Government to implement the relevant programme, which could hopefully provide professional support to enterprises.

18.   Members were concerned about the assessment mechanism of the Incubation Programme.   Cyberport advised that funding had been earmarked to conduct an overall review.   Cyberport also had an assessment mechanism in place for evaluating each participating enterprise, and subsidy would only be released after the objectives of the programme had been met.

19.   Members suggested that the Administration should take the initiative to procure smart living applications developed by start-ups and apply them in the operation of various departments with a view to promoting such R&D outcomes.   The Administration advised that the Smart Government Innovation Lab ("Smart Lab") was established by the Office of the Government Chief Information Officer with the aim of matching the business needs of different departments with quality smart living applications developed by the industry, so that relevant enterprises could test their products for improvement through the matching process.   With the office of Smart Lab set up in Cyberport, the Administration could maintain close liaison with Cyberport and seek its advice on smart living applications.

Digital Transformation Support Pilot Programme

20.   Members enquired about the Administration's assessment mechanism for evaluating the effectiveness of the Pilot Programme.   The Administration explained that each participating enterprise would receive a subsidy up to $50,000, which could hopefully be used to deploy readily available solutions as the first step of digital transformation to assist its operation with entry-level digital services.

Nurturing innovation and technology talent

21.   Members considered that in organizing the various talent cultivation and internship programmes, the Administration should keep track of information such as the overall expenditure and the number of participants in order to review the effectiveness.   The Administration informed Members that the Government's training and internship programmes had been well recognized and supported by the industry.   For instance, the two rounds of the Financial Practitioners FinTech Training Programme organized by the Financial Services and the Treasury Bureau in 2020 and 2022 respectively had attracted the participation of over 7 000 financial practitioners.   Members suggested that on top of offering training to financial practitioners, emphasis should also be placed on nurturing scientific researchers.

22.   Members enquired whether the Administration would put in place measures to promote students' interest in I&T and conduct talent recruitment and training programmes in the Guangdong-Hong Kong-Macao Greater Bay Area ("GBA") with a view to integrating into the GBA market.   The Administration advised that the STEM Internship Scheme was organized to nurture students' interest in I&T from a young age and encourage university students to pursue a career in I&T, thereby building a talent pool for the industry.   Moreover, Cyberport had entered into agreements with local institutions for extending some collaborative training work in Hong Kong to their GBA campuses.

Support for youth entrepreneurship

23.   Members asked whether the Administration would consider strengthening the collaboration between enterprises and the research teams of educational institutions to promote the development of technological prototypes by enterprises based on the institutions' ideas.   The Administration advised that it had all along attached importance to engaging different stakeholders in the I&T ecosystem.   It was hoped that through promoting industry participation and sharing of business experience, universities would be driven to take proactive and self-initiated steps towards commercializing their R&D results, thereby fostering a university culture that valued technology transfer.

24.   On youth entrepreneurship assistance, the Administration and Cyberport advised that a number of programmes/schemes were in place to provide multi-faceted support for young people, including different internship programmes, the Funding Scheme for Youth Entrepreneurship in

GBA implemented by the Home and Youth Affairs Bureau and the provision of co-working space for young entrepreneurs under the age of 35, so as to encourage young people's participation in I&T-related internship activities and provide them with financial assistance to start their businesses.

Digital entertainment and e-sports development

25.   On the development of the digital entertainment industry in Hong Kong, Members enquired about Cyberport's future plans for developing Web3 and the digital entertainment industry; and on e-sports development, Cyberport's future plans to facilitate the professionalization of e-sports, nurture e-sports talent and support the development of the industry.

26.   On the development of digital entertainment, the Administration advised that given the close relationship between digital entertainment and Web3, Cyberport was ramping up its efforts in developing the Web3 ecosystem.   In addition to the establishment of Web3 Hub@Cyberport in early 2023 to provide opportunities for exchanges and collaboration between local and international Web3 enterprises, proactive efforts were made to attract local and overseas Web3 talent and enterprises to settle in Cyberport.

27.   As regards e-sports development, the Administration informed Members that the Cyberport community housed approximately 170 digital entertainment-related companies, and resources would be allocated by Cyberport to promote their development.   As regards talent cultivation, Cyberport advised that as of 2021, support had been provided to the industry for organizing competitions and events through the E-Sports Industry Facilitation Scheme.   Moreover, internship positions had also been provided.   To nurture talent for the industry, Cyberport had collaborated with educational institutions to offer higher diploma and degree programmes related to e-sports.

Establishing the artificial intelligence supercomputing centre

28.   While expressing support for the establishment of AISC, Members held that the cost of AISC was on the high side.   Members asked whether Cyberport would be capable enough to operate AISC and whether the Government would consider providing any support.   The Administration advised that taking into account the consultant's view that Cyberport was well-positioned to establish AISC, it proceeded to invite Cyberport to set up and operate AISC.   While AISC would be operated on a commercial basis in the future, the Government would continue to support the development of the AI industry ecosystem.

Cyberport's patronage management

29.   The under-utilization of some of Cyberport's common facilities was raised from time to time during previous discussions on Cyberport. Members enquired about the measures put in place in recent years to improve Cyberport's patronage.   The Administration advised that Cyberport had organized different activities to attract patronage, such as workshops and free film screenings, and diverse design approaches were adopted for its catering facilities.   Cyberport informed Members that many public spaces in Cyberport had been designated as pet-friendly facilities, attracting a large number of people taking a walk with their pets in the Cyberport waterfront park during weekends.

Questions raised at Council meetings

30.   Members had raised questions relating to the demand for and supply of technology talent and support for technology enterprises at the Council meetings.   Details of the questions and the Administration's replies are given in the hyperlinks in the **Appendix**.

Latest development

31.   The Administration will brief the Panel on the work progress update of Cyberport on 27 February 2024.

Relevant papers

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

Council Business Division 1 and Public Complaints Office
Legislative Council Secretariat
21 February 2024

Work progress update of Cyberport

List of relevant papers

Committee/Panel	Date of meeting	Papers
Panel on Information Technology and Broadcasting	8 May 2023	[Agenda](#) Item III: Work progress update of Cyberport [Minutes of meeting](#) [Follow-up paper](#)
Panel on Information Technology and Broadcasting	13 November 2023	[Agenda](#) Item III: Briefings by the Secretary for Innovation, Technology and Industry, the Secretary for Commerce and Economic Development and the Secretary for Culture, Sports and Tourism on the Chief Executive's 2023 Policy Address [Minutes of meeting](#)
Finance Committee Special meetings to examine the Estimates of Expenditure 2023-2024	14 April 2023	[Written replies by the Administration to initial questions raised by Members in examining the Estimates of Expenditure 2023-2024](#) (Reply Serial Nos.: ITB002, 003, 022, 023, 075, 091, 115, 123, 157, 162, 171, 173, 174, 179, 180, 181, 202, 208, 210, 216, 217, 219, 220, 232, 235, 242, 244 and 256)

Committee/Panel	Date of meeting	Papers
Finance Committee	14 July 2023	Agenda Item V: HEAD 47 – GOVERNMENT SECRETARIAT: OFFICE OF THE GOVERNMENT CHIEF INFORMATION OFFICER Subhead 700 General non-recurrent New Item "Incubation Programme for Smart Living Start-ups" Agenda Item VI: HEAD 47 – GOVERNMENT SECRETARIAT : OFFICE OF THE GOVERNMENT CHIEF INFORMATION OFFICER Subhead 700 General non-recurrent New Item "Digital Transformation Support Pilot Programme" Minutes of meeting

Council meeting	Papers
4 May 2022	Question 4: Demand for and supply of technology talents
19 April 2023	Question 11: Facilitating the development of cross-border e-commerce
17 May 2023	Question 14: Funding schemes that support technology enterprises
18 October 2023	Question 17: Enhancing cyber security
22 November 2023	Question 11: Cybersecurity of government departments and other public organizations
17 January 2024	Question 17: Financial returns on government assets
24 January2024	Question 18: Development and application of artificial intelligence