

GAMING & ESPORTS



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Thomas Rosenthal
General Manager of Asia Pacific,
Digital Bros

Digital Bros is a global digital entertainment company listed on the Milan Stock Exchange

Hong Kong Advantages and Opportunities

Hong Kong has been a perfect location for many international game titles to launch in Asia. Supported by a local community of massive gamers who are mobile savvy and big spenders, Hong Kong is a regional business hub that facilitates video gaming and esports companies to sell and market their products, organise tournaments, develop partnerships, raise funds and manage their finances for overseas expansion. It is an ideal base to navigate Greater China and Southeast Asia which are high-potential gaming markets but unique and complicated in different ways.

- Hong Kong has a large video games market, with estimated revenue reaching US\$1.1 billion by 2023. The market is a diverse mix with console, PC and mobile gaming all popular and expanding (*Pwc Global Entertainment & Media Outlook 2019-2023*)
- Hong Kong is a free port with unrestricted access to foreign-produced hardware and games. Unlike Mainland China, licensing control or government approval is not required for games publishing, sales or distribution in Hong Kong
- Hong Kong is a digital city with bilingual population and a good blend of East and West cultures. Lots of games can hit the market without localisation which makes the city a popular market for the launch of new games
- Hong Kong is rich in talents, providing expertise in developing monetisation models, cross-border sponsorships, merchandising partnerships and collaboration within the Guangdong-Hong Kong-Macao Greater Bay Area
- There is growing presence of VR/AR gaming arcades and production studios in Hong Kong that offer gamification services for brands that look for creative ways to connect and engage their customers
- Hong Kong is also a popular location for gaming companies to conduct IPO or secondary listing. Leading companies such as Tencent, Netease, Razer, Netdragon, IGG, iDreamsky, CMGE etc. are listed on the Hong Kong Stock Exchange
- The Hong Kong Government is keen to develop Hong Kong as an Asian esports hub to tap the opportunities of this fast growing industry. The Government injected HK\$100 million funding to build an esports arena at the Cyberport and launch an Esports Industry Facilitation Scheme and Internship Scheme to support industry players to nurture talents and promote esports competitions, events and activities

- Large and small esports events are held in Hong Kong throughout the year to build the momentum, including the e-Sports & Music Festival organised by the Hong Kong Tourism Board, the Digital Entertainment Leadership Forum and the Pocket Gamer Connects held at the Cyberport

Opportunities in Asia Pacific

Asia Pacific – Biggest Region for Digital Games in the World with Exponential Growth in Esports

Asia Pacific will generate most gaming revenues in the world with US\$78.4 billion in 2020, accounting for 49 percent of global game revenues. The Asia Pacific region, with 1.4 billion gamers, will account for 54 percent of all players worldwide. East Asia (China in particular) drives Asia Pacific's player number (*Newzoo Global Games Market 2020*).

Esports continues to be a driver of growth for games in Asia. Mobile esports enjoyed a huge spike in the past year, with emerging markets like Southeast Asia, India and Brazil at the forefront of this growth (*Newzoo Global Esports Market Report 2020*).

China – Largest Gaming and Esports Market in the World

China is the largest games market in the world, both by revenues and by number of players. 49 percent of all consumer spending on games in 2020 will come from China (US\$40.9 billion) and the US (US\$36.9 billion) (*Newzoo Global Games Market 2020*).

China will remain the largest esports market in 2020, with revenues of US\$385.1 million, followed by North America and Western Europe. These revenues will grow at a compound annual growth rate (CAGR) of over 17 percent through 2018 to 2023 to reach US\$540 million by 2023. Most of these revenues will come from sponsorships. China will also be host to the largest esports audience with 162.6 million in 2020 (*Newzoo Global Esports Market Report 2020*).



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Gaming up for Esports in Asia

Hong Kong based esports technology company CAPSL Entertainment launches tournament platform to nurture gaming talent in the world's fastest growing gaming market.

“**Hongkongers are massive gamers especially with mobile devices. We get to employ multi-lingual, gaming enthusiasts with international experiences to support regional business activities from Hong Kong.**”

Paddy Markham
Founder
CAPSL Entertainment

Esports has undergone tremendous growth over the past decade. Not only the number of gamers has skyrocketed, esports tournaments have also become a new form of entertainment for both gamers and spectators, coupled with an enormous marketing opportunity for brands targeting the hard-to-reach Gen Z audiences.

“Global market share for gaming industry has gone from 90 billion US dollars about five years ago to 130 billion dollars today, and the absolute center of that growth was generated by esports and mobile competitive gaming,” said Paddy Markham, founder of CAPSL Entertainment, a Hong Kong-based esports technology company.

“There is a massive mobile penetration and gamer community in Hong Kong,” he added, “and now it’s about translating that passion into professionalism.”

CAPSL recently launched BAASH, a mobile only competitive gaming platform. BAASH enables anyone, including grassroots tournament organisers to set up and launch their online league on mobile devices in less than 30 seconds, generating revenue in a safe, scalable manner. BAASH uses its unique set of proprietary technologies to automatically extract match results in real-time without dependency on game developers and publishers providing that data. The platform aims to serve as a launchpad for gamers looking to grow a career in esports, just like any world’s legendary athletes.

Esports Industry Development Supported by Government

CAPSL set up its headquarters in Hong Kong based on its proximity to target markets. “Hong Kong provides a strategic location for us in Asia, which is the heart and soul of the gaming industry,” said Markham. “We are on the doorstep of Mainland China which records the highest esports revenue globally, plus only a few hours flight away from Southeast Asia which is one

of the fastest growing markets in the games industry.” Markham is pleased to see that the local Government is putting more resources to support and grow the esports industry in Hong Kong. This helps to create more awareness for esports, and the potential of raising funds from institutional investors. Markham prefaced this with some caution, “this push, including gaming events and conferences, needs to be maintained. Consistency and continuously aiding the many other initiatives are key to ensuring growth in the local games ecosystem,” he added.

According to Markham, Hong Kong has been historically a launchpad for many international game titles. “A lot of companies choose to soft launch their game titles here in Hong Kong before entering the Mainland China market. Hongkongers are massive gamers especially with mobile devices. We get to employ multi-lingual, gaming enthusiasts with international experiences to support regional business activities from Hong Kong. We are still expanding the team.”

He added that the city also amasses many MNC headquarters, which makes a big pool of potential esports sponsors. “There is an increasing number of brands wanting to capitalise on the growing gaming market. Our platform offers an entry point for brands to access Gen Z audiences with an extremely engaging platform,” he remarked. “Being in Hong Kong allows us to easily access these brands and have face-to-face conversations about collaboration opportunities.”

CAPSL has recently expanded its office premise which houses different functions of staff including UX and UI specialists, marketing, graphic design, business development and administration. The Hong Kong office also manages its engineering team based in the Philippines. After the official launch of BAASH in the Philippines in the first quarter of 2020, the company is looking to further expand penetration into other Southeast Asian markets, while at the same time scaling over 30 esports game titles in the platform by the end of the year, before eventually introducing the platform to the China market. The company is also eyeing the opportunities arising from the Greater Bay Area and is exploring the potential of setting up a development studio in Shenzhen.

CAPSL Entertainment

- BAASH is a mobile-only gaming tournament platform developed by CAPSL, an esports technology company headquartered in Hong Kong
- An incubatee of Cyberport Incubation Programme since late 2019

 CAPSL.cc

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Thomas Rosenthal
General Manager of Asia Pacific
Digital Bros



Stepping up in the Asian Gaming Market via Hong Kong

Italian gaming company Digital Bros relocates RHQ to Hong Kong with a goal to maximise its market share in APAC.

The gaming industry is seeing tremendous growth in revenue in recent years. Digital Bros is one of the many that flourishes in this rising trend. Founded in 1989 and headquartered in Milan, the digital entertainment company strives for delivering unique experiences to gamers across the globe.

Digital Bros is one of the few in the industry that engages along the whole value chain of gaming industry from developing and publishing to distributing games through digital and retail channel. It forms partnerships with potential developers and provide them with all sorts of support such as funding and marketing.

In July 2020, the company's subsidiary 505 Games announced its partnership with X.D. Network Inc., a Hong Kong-listed top-tier Chinese game developer, to publish the mobile version of sandbox hit Terraria in Mainland China, Hong Kong, Macao and Taiwan. With its ongoing effort and investment in the region, 505 Games has been awarded as the No. 1 Publisher of the Year in 2019 by Metacritic, as well as the Publisher of the Year in China by Baidu App.

Prominent market for pay-to-play games

Digital Bros relocated its regional headquarters (RHQ) from Shenzhen to Hong Kong in 2019 for a number of reasons. "The gaming market in Hong Kong is a hybrid between console and mobile supported by local gamers with high purchasing power, in particular, for console games. Pay-to-play PC and console games account for 40 percent of overall gaming consumption," said Thomas Rosenthal, General Manager of Asia Pacific at Digital Bros, "the local market already fits perfectly with our core strength in PC and console games."

Apart from the local market, the opportunities arising from the Guangdong-Hong Kong-Macao Greater Bay Area is also a determining factor for choosing Hong Kong as its RHQ location. According to Rosenthal, while two-third of the gaming revenues in Mainland China is generated from the Guangdong Province, Hong Kong being an integral part of this region is the perfect location for Digital Bros to tackle both Chinese and overseas businesses. "Setting foot in Hong Kong enables us to build on our knowledge of the Chinese market with a global perspective," Rosenthal

remarked, "it allows us to manage our business activities and partnerships across the border more easily."

He added, "The city offers a lot as a business hub in areas like the rule of law, market stability, human resources quality, logistic efficiency and easy data transfer. It is a strategic location for us to connect the gaming industry players in the East and the West, helping independent developers from both regions to go global while introducing our own IPs into Mainland China and Asia."

Digital Bros is now looking to expand its network of licensees in the Asia Pacific region and increasingly focusing on direct releases on multiple platforms, and Hong Kong will be an important base for offering operations, PR and digital marketing support. In the long run, the group hopes to increase production and publishing capabilities for supporting publishing and development activities in the region, particularly for games sourced in Asia.

Rosenthal regards InvestHK as an important partner for its expansion plan. "InvestHK has been providing support to us from the very beginning, opening doors for us to make new connections. The team offered us high-quality advisory with their experiences in the creative industry, which is not something you can typically expect in any FDI organisation," he concluded.

Digital Bros

- Digital Bros is listed on the Milan Stock Exchange since 2000
- The company is active around the world through its own direct operations in Italy, the US, the UK, France, Spain, Germany, Mainland China, Hong Kong and Japan with approximately 200 employees

digitalbros.com

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Highlight of Government Initiatives & Funding Programmes

- Two-tiered Profits Tax Rates Regime

Profits tax rate for the first HK\$2 million of profits of corporations is lowered to 8.25 percent whilst the remaining profits will be taxed at 16.5 percent.

- Enhanced Tax Deduction for R&D Expenditure

To encourage R&D in Hong Kong, enterprises will be offered a 300 percent tax deduction for the first HK\$2 million qualifying R&D expenditure, and a 200 percent deduction for the remainder.

- Talent List

A scheme that seeks to attract highly skilled or talented persons from 11 professions to settle in Hong Kong, including creative industries professionals in the digital entertainment field, for example, game designers, game programmers, game graphic designers and game producers etc.

<https://www.talentlist.gov.hk>

- Technology Talent Admission Scheme

A fast track arrangement for admitting overseas and Mainland technology talent to undertake R&D work in 13 technology areas in Hong Kong.

<http://techtas.itc.gov.hk/>

- Cyberport Funding & Incubation Programmes

Seed funding and incubation programme for innovative digital entrepreneurs and startups.

https://www.cyberport.hk/en/about_cyberport/cyberport_entrepreneurs/cyberport_incubation_programme

- Cyberport Esports Industry Facilitation Scheme and Internship Scheme

Financial assistance and in-kind support for organising esports competition and events, training activities, educational programmes and intern recruitment.

https://www.cyberport.hk/en/about_cyberport/cyberport_youth/e-sports

- Hong Kong Science & Technology Parks Funding & Incubation Programmes

Seed funding and incubation programmes that aim to nurture tech-focused entrepreneurs and startups.

<https://www.hkstp.org/innovate-with-us/incubation/>

- SME Export Marketing Fund

A funding scheme to subsidise SMEs participation in export marketing activities targeted at markets outside Hong Kong.

https://www.smefund.tid.gov.hk/english/emf/emf_objective.html

- BUD Fund

A dedicated fund that assists private enterprises in exploring and developing the Mainland China and Free Trade Agreement (FTA) economic markets through developing brands, upgrading and restructuring operations, and promoting sales.

<https://www.bud.hkpc.org/en.html>

Useful Links

Ani-Com & Games Hong Kong

<https://www.ani-com.hk>

e-Sports & Music Festival Hong Kong

<https://www.emfhk.com>

Kowloon Nights

<https://www.kowloonights.com>

Digital Entertainment Leadership Forum

<http://delf.cyberport.hk>

Game Dev Happy Hour

<http://www.gamedevhappyhour.com>

Rise Conference

<https://riseconf.com>

Esports Association Hong Kong

<https://www.esahk.org/>

Hong Kong Digital Entertainment Association

<https://www.hkdea.org>

StartmeupHK Festival

<https://www.startmeup.hk/startmeuphk-festival-2020>

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