

**Information Supplied on the Cyberport Project  
arising from the IT&B Panel Meeting on 10 March 2008**

The Administration has been requested to provide the following, which is based on information supplied by the Hong Kong Cyberport Management Company Limited (HKCMCL):

- (a) In relation to the seminar on 12 March 2008 in which Mrs Regina Ip was the speaker:
- what was the seminar topic and the number of attendees; and
  - the advertising and publicity expenses of the seminar and the comparison with the expenses of other similar seminars organized in the past.

*The topic of the seminar was “Making IT Work in Hong Kong” and there were 108 participants. This was the 6<sup>th</sup> seminar in the Cyberport Speaker Series organized by HKCMCL since 2005.*

*The total advertising and publicity expense for the seminar was \$27,400, which fell within the range of advertising and publicity expenses for one-day seminars/forums held at Cyberport.*

- (b) What is the ranking of Cyberport among world’s leading information and technology set-ups or similar projects?

*Cyberport management is not aware of the existence of international benchmarks on IT infrastructure projects that are similar in nature to Cyberport. Renowned awards that Cyberport has obtained in the past 3 years includes :*

- *Stockholm Challenge 2008 (culture category) finalist for DigitalCopyright.hk, developed by iResource Centre of Cyberport in May 2008;*
- *United Nations’ World Summit Awards 2007 (e-business category) to “Digital Copyright.hk, One-Stop Digital Content Marketplace” developed by iResource Centre in November 2007; and*

- *“Intelligent Building of the Year 2005” (Commercial Portion of Cyberport) conferred by Asian Institute of Intelligent Buildings in January 2006.*

- (c) Please provide details of delegations from overseas and the Mainland visiting Cyberport since March 2007, and the breakdown of the number of persons/delegations who visited Cyberport at the invitation of the Government.

*132 delegations have visited Cyberport from March 2007 to January 2008. The breakdown is as follows:*

<i>Category</i>	<i>No. of delegations</i>
<i>Government agencies – Mainland</i>	<i>32 (24%)</i>
<i>Government agencies – other countries</i>	<i>18 (14%)</i>
<i>Information &amp; communications technology related industries, software or technology parks</i>	<i>28 (21%)</i>
<i>Commercial organisations</i>	<i>34 (26%)</i>
<i>Academic institutions</i>	<i>9 (7%)</i>
<i>Non-government organisations</i>	<i>4 (3%)</i>
<i>Media</i>	<i>7 (5%)</i>
<b><i>Total</i></b>	<b><i>132 (100%)</i></b>

*None of the visits was sponsored by Cyberport management. Fourteen (14) out of the 132 visits were parts of official sponsored visit programmes organized by various Government Departments and the delegations visited Cyberport and other locations.*

- (d) What are the reasons for the great discrepancy between the management fee income and the operating expenditure for managing the Cyberport Project?

*As well as management fees, Hong Kong Cyberport Management Company Limited has several other management-related revenue streams, such as car park fees, additional air-conditioning charges, event and venue fees, mobile and other licence fees. The building management expenses include the cost of providing all these services. It is not*

*however possible to apportion the expenses amongst these different services.*

*Management aims to set management fees at a level which would result in the building management expenses being covered by management fees and other management-related revenues, if the Cyberport were fully-let. It is a common practice for the landlord to absorb the proportion of management costs attributable to empty lettable space. Management also needs to have regard to the need to keep management fees at a competitive level.*

*For the year ended 31 March 2007, the management fee income was HK\$53.80 million and the other management related income was HK\$17.33 million. The total revenue was HK\$71.13 million, compared to total building management expenses of HK\$103.96 million, management-related revenues thus recovered 68% of building management expenses. In the same period the occupancy of the Cyberport portion averaged 66% (for office space only) and 69% (for office and retail space). It can be seen that the discrepancy was mostly due to empty lettable space.*

*It is expected that as occupancy increases, the discrepancy should be reduced. As reported in paragraphs 6 and 8 of LC Paper No. CB(1)975/07-08(06) (Report on the Cyberport Project, March 2008), as of January 2008, occupancy has increased to 86.8% and 84.8% for office and retail space respectively.*

- (e) What are the marketing and promotion costs (including the inventory list of assets acquired in relation to sales and marketing) for the sale of the ancillary Residential Portion (residential flats at Bel-Air), the ownership of the assets, and details of the mechanism for approval and scrutiny of related expenditure, if any?

*HKCMCL does not maintain an inventory list of assets acquired in relation to sales and marketing for the ancillary Residential Portion. Under the Project Agreement, the Developer has full responsibility for the design, construction and marketing of the ancillary Residential Portion of the Cyberport Project. After deducting reserve funds and other project*

*expenses, including marketing and promotion expenses, the surplus proceeds from the sale of the residential units are shared between the Government and the Developer.*

*The Project Agreement stipulates an upper ceiling for marketing and promotion expenses as a percentage of the total sale revenue. The estimate of the aggregate of the other project expenses had to be confirmed by the independent Project Auditor to be a reasonable assessment. The marketing and promotion expense items are scrutinized by HKCMCL to ensure that they are within the prescribed limits.*

*Upon the completion of residential development, the Developer transfers to the owners of the Residential Portion the items that have been acquired as part of marketing and promotion expenses, to become the owners' common properties. The Developer disposes by tender those items that are not suitable for transfer and return the proceeds to the Project.*

- (f) What are the details of the policy on management fee under the tenancy of the Cyberport Portion?

*Please see item (d) above.*

- (g) What are the upper ceilings set for the construction costs of the Cyberport Portion and the ancillary Residential Portion?

*The Project Agreement stipulates as an upper ceiling that \$15.8Bn is the fixed price for the Project and the Developer will pay for any construction costs that it incurs in excess of the fixed price out of its own resources. As reported in paragraph 12 of Legislative Council Brief ITBB/CP 303/2 (00) on 17 May 2000, the total construction cost for the Project was estimated to be \$15.8Bn.*

- (h) What are the details of the financial control and auditing mechanism, if any, to ensure that the expenditure incurred in the Cyberport Project was fair, just and reasonable?

*Control of the construction costs and the other project expenses of the Cyberport Project are described in item (g) and (e) above respectively.*

*The Project Agreement stipulates the rules for money flows within the Project, including the distribution of surplus proceeds from the sale of the residential units, after deducting construction costs, reserve funds, marketing & promotion expenses and other project expenses, between the Government and the Developer. All types of Project incomes and expenses and their assessments are clearly defined by the Project Agreement. Overall control of the payment and discharge of the obligations under the Project is exercised by an independent Account Bank and an independent Security Trustee under a Secured Accounts Agreement made between the Developer, the FSI Companies, the Account Bank, and the Security Trustee. An independent Project Auditor has been appointed under the Project Agreement and project payments are scrutinized by the Project Auditor before passing to Security Trustee and Account Bank for payment. Within this system of overall control, the Developer has full responsibility under the Project Agreement for the design, construction and marketing of the ancillary Residential Portion of the Cyberport Project. It has discretion on expenditure items within the definitions and assessments stipulated in the Project Agreement. The systems and operation are subject to the usual corporate governance, financial control and independent audit for the company (i.e. the Developer).*

*All Project accounts are required by the Project Agreement to be audited in accordance with accounting principles and practices generally accepted in Hong Kong consistently applied on a yearly basis by auditors approved by FSI Companies.*

**Office of the Government Chief Information Officer  
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