

**立法會**  
**Legislative Council**

LC Paper No. CB(1)975/07-08(07)

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**Panel on Information Technology and Broadcasting**

**Meeting on 10 March 2008**

**Background brief on Cyberport Project**

**Purpose**

This paper summarizes the issues of concern raised by Members in the course of monitoring the development of the Cyberport Project in recent years.

**Background**

2. The Government's decision to proceed with the Cyberport project was announced in the 1999-2000 Budget as a move to provide the essential infrastructure for the formation of a strategic cluster of information services companies<sup>1</sup>. On 17 May 2000, the Government, through three private and wholly-owned companies<sup>2</sup> set up under the Financial Secretary Incorporated (FSI), signed a Project Agreement with the Cyber-Port Limited, which is a company set up by the Pacific Century Group (PCG) as the Cyberport Developer. The development right of the Cyberport was granted to the Developer on 8 June 2000.

3. The Cyberport Project, which occupies 24 hectares of land at Telegraph Bay, Pokfulam, comprises a Cyberport Portion and an ancillary Residential Portion. The Cyberport Portion was practically completed in June 2004 (though Cyberport 4 was opened in December 2004). It has four office buildings, a hotel and an arcade. According to the LegCo Brief ITBB/CP303/2(00) dated 17 May 2000, the Cyberport Portion aims to create a strategic cluster of leading information technology (IT) and information services (IS) companies and a critical mass of professional IT/IS talents in Hong Kong in the shortest possible time. The Residential Portion, the revenue from which is used to drive the Project, has been developed in phases since September 2004 and will be completed by mid 2008.

**Project Agreement**

4. On 17 May 2000, the FSI companies signed the Project Agreement with

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<sup>1</sup> 1999-2000 Budget Speech, paragraph 59

<sup>2</sup> The three companies are Hong Kong Cyberport Development Holdings Ltd, Hong Kong Cyberport Management Company Ltd, and Hong Kong Cyberport (Ancillary Development) Ltd.

the Project Developer and with its Parent Company, i.e. Pacific Century CyberWorks Limited. The Project Agreement provides a detailed, legally binding contract for the whole project period which would last from the commencement of the Cyberport works to completion of the sale of all the units in the Residential Portion. Some of the terms of the Project Agreement which set out the respective obligations of the Government and the Developer are set out below:

#### Capital contribution and return on Government's investment

5. According to the Project Agreement, the Government is to contribute the land and provide the basic infrastructure, such as roads and sewage treatment, for the Cyberport development. Its capital contribution to the Project is the Residential Portion Land Value which was assessed by the Lands Department on the date of the grant of the development right to the Cyberport Developer (\$7.93 billion including the estimated cost of \$1.1 billion for the basic infrastructure). The capital contribution of the Cyberport Developer is the funding it provided to finance the construction costs and related expenses of the Project (\$4.36 billion).

6. After deducting the relevant expenses due and payable and setting up reserve funds (such as the Development Maintenance Fund to upkeep and maintain the shared Cyberport facilities) as per the Project Agreement, the surplus proceeds from the sale of the residential units will be shared according to the respective capital contributions of the Government (64.5%) and the Developer (35.5%). The first distribution of surplus proceeds was made on 9 August 2004, with the Government receiving about \$1.67 billion out of a total of \$2.59 billion available for distribution on that date. In June and September 2005, the Government received the second and third distributions of the surplus proceeds totaling about \$1.33 billion out of a total distribution of \$2.06 billion. The total cumulative surplus distribution received by the Government in May 2006 was about \$3 billion. In January 2007 and January 2008, the Government has received a total of about \$6.61 billion and \$9.95 billion in surplus proceeds respectively. Further surplus distributions will be made up to 2010.

7. The FSI companies will retain 100% ownership of the Cyberport Portion, and the rental income and any other income to be generated from the Cyberport Portion belong to the FSI companies.

#### Take-up guarantee

8. Under the Letter of Intent signed between the Government and PCG on 2 March 1999, PCG undertook to occupy at least 7000 sq.m. of office space in Cyberport Phase I, and to take up extra space (not less than 20% and not more than 50% of the total office space within the first five years of completion) if the remaining space of the Cyberport Portion was not taken up by other tenants 36 months after completion of construction. However, this proposed take-up guarantee by PCG is not included in the Project Agreement as the Administration considered that:

- (a) if the take-up guarantee were to be kept in the Project Agreement, a

long term commitment would have been given to PCG and too little space would have been left to accommodate the over 120 companies which had registered interest in becoming Cyberport tenants as at May 2000; and

- (b) it would have been perceived to be excessive and over-dominating for one single company to occupy 20% to 50% of the space available in a Government-owned IT infrastructure.

The Administration's decision to drop the proposed take-up guarantee by PCG from the Project Agreement was reported to Members vide LegCo Brief ITBB/CP303/2(00) dated 17 May 2000, and was also highlighted to the Panel at its meeting held on 12 June 2000.

### Marketing and promotion

9. The Developer has to work together with the FSI companies in general marketing and promotion of the Cyberport Project. The FSI companies and their nominated representatives may also engage in any general marketing and promotion of the Project and charge the expenses to the Project.

### **Major concerns expressed by members**

10. Members have followed closely the progress of the Cyberport Project through discussion at the Panel and raising questions at Council meetings. Between September 1999 and March 2007, the Panel has reviewed the implementation and progress of the Project at 17 meetings. The Panel also visited the Cyberport in 2001, 2003, 2004 and 2006.

### Public missions

11. Members have all along been very keen to ensure that the Cyberport Project can meet its *public missions*<sup>3</sup> as to create a strategic cluster and critical mass of leading IT companies, and have raised such concern with the Administration on numerous occasions. In this respect, members have requested that the Administration/Cyberport management should, in reporting on the Cyberport Project in the future, provide quantifiable information such as the extent of achievement for each of the public missions for members' evaluation on such as how far Cyberport has helped Hong Kong develop into a leading digital city in the region, and the extent to which small and medium IT enterprises had been nurtured and supported.

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<sup>3</sup> The public missions of the Cyberport Project are:

(a) To create a strategic cluster of quality IT and IT related companies critical to the development of Hong Kong into a leading digital city in the region; (b) To nurture and support the development of small and medium IT enterprises as an essential constituent of such a strategic cluster; (c) To provide a state-of-the-art infrastructure conducive to the creation of such a strategic cluster and its development; (d) To develop a regional centre of excellence in IT and digital media training for creating human capital through collaboration and partnership with the industry, academia, and research institutes and professional bodies; (e) To spearhead the development of the digital media industry through the provision of hardware, software and technical support in the Digital Media Centre; and (f) To promote the development of services and applications for wireless and mobile communications leveraging on Cyberport's excellent infrastructure and synergy.

### Tenancy and letting policy of the Cyberport Portion

12. Members remained very concerned about the *slow uptake of tenancy* of the Cyberport Portion (i.e. the Arcade and the office buildings). Members consider that occupancy rate is an important indicator to assess the success or otherwise of the Cyberport Project. As such, apart from urging the Administration/Cyberport management to come up with ways to boost the occupancy rate, members have also requested the Administration/Cyberport management to provide information on occupancy rates when reporting on the Project in the future.

13. On letting policy, members also noted that one of the tenants of Cyberport, the Anchor Tenant (A-T), had taken up almost one-third of the total lettable area in the Cyberport Arcade but it was not selected through open tendering. Questions have been raised as to whether the procedures for identifying the A-T were open and fair. A member was of the view that Cyberport is not purely a commercial operation, but a Government asset with its public missions. As such, the Cyberport management should make reference to the guidelines issued or established procedures promulgated by the Government Property Agency in determining its letting policies and decisions. Regarding the incentives in the form of rent-free periods offered to the A-T and tenants of the Cyberport Portion, the Administration was requested to provide details about the rent-free periods and the breakdown of rental income for the retail space at the Arcade, as well as the breakdown and relevant information on the gross revenue of the retail outlets at the Arcade so as to better assess the cost effectiveness or otherwise of the Cyberport operation.

### Return on the Government's investment on the Cyberport Project

14. Members have also been very concerned about the return on the Government's investment on the Cyberport Project in order to ascertain whether public money has been put to good use. In this respect, members have requested that annual briefings on the financial status of the Cyberport Project should be made to the Panel in future, and the Administration and the Cyberport management should list side by side relevant figures for the past few years in the consolidated account report for members' reference.

### **Latest position**

15. The Administration and the Cyberport management will give a briefing to the Panel on the Cyberport Project at the meeting to be held on 10 March 2008.

### **Relevant papers**

16. A list of relevant papers is at the **Appendix**.



Committee	Paper	LC Paper No.
Meeting of Panel on ITB on 14 February 2000	<ul style="list-style-type: none"> <li>✧ Administration's paper : "Progress of the Cyberport Project"</li> <li>✧ Minutes of meeting</li> </ul>	<p>CB(1)953/99-00(03)</p> <p>CB(1)1120/99-00</p>
Meeting of Panel on ITB on 8 May 2000	<ul style="list-style-type: none"> <li>✧ Administration's paper : "Progress of the Cyberport Project"</li> <li>✧ Administration's paper : "Construction of the Northern Access Road to Cyberport development at Telegraph Bay"</li> <li>✧ Minutes of meeting</li> </ul>	<p>CB(1)1504/99-00(02)</p> <p>CB(1)1504/99-00(03)</p> <p>CB(1)1720/99-00</p>
Meeting of PWSC on 17 May 2000	<ul style="list-style-type: none"> <li>✧ Administration's paper : "653CL Engineering infrastructure for Cyber Port Development at Telegraph Bay"</li> <li>✧ Minutes of meeting</li> </ul>	<p>PWSC(2000-01)19</p> <p>PWSC153/99-00</p>
Meeting of FC on 9 June 2000	<ul style="list-style-type: none"> <li>✧ Administration's paper</li> <li>✧ Minutes of meeting</li> </ul>	<p>FCR(2000-01)22</p> <p>FC159/99-00</p>
Meeting of Panel on ITB on 12 June 2000	<ul style="list-style-type: none"> <li>✧ Legislative Council Brief : "Cyberport Project Agreement"</li> <li>✧ Administration's paper : "Supplementary information on objections to the Cyberport project"</li> <li>✧ Minutes of meeting</li> </ul>	<p>ITBB/CP 303/2 (00)</p> <p>CB(1)1796/99-00(03)</p> <p>CB(1)1977/99-00</p>
Meeting of PWSC on 22 November 2000	<ul style="list-style-type: none"> <li>✧ Administration's paper : "241WF Extension of water supply to Pokfulam areas"</li> <li>✧ Minutes of meeting</li> </ul>	<p>PWSC(2000-01)67</p> <p>PWSC31/00-01</p>
Meeting of the Legislative Council on 6 December 2000	<ul style="list-style-type: none"> <li>✧ Question on "Financial Arrangements for Cyberport Project"</li> </ul>	<p>Hansard</p>

Committee	Paper	LC Paper No.
Meeting of Panel on ITB on 11 December 2000	<ul style="list-style-type: none"> <li>✧ Administration's paper : "Progress of the Cyberport Project"</li> <li>✧ Minutes of meeting</li> </ul>	<p>CB(1)281/00-01(01)</p> <p>CB(1)410/00-01</p>
Meeting of FC on 15 December 2000	<ul style="list-style-type: none"> <li>✧ Administration's paper</li> <li>✧ Minutes of meeting</li> </ul>	<p>FCR(2000-01)53</p> <p>FC42/00-01</p>
Meeting of Panel on ITB on 9 July 2001	<ul style="list-style-type: none"> <li>✧ Administration's paper : "Progress of the Cyberport Project"</li> <li>✧ Summary of background information on Cyberport</li> <li>✧ Minutes of meeting</li> </ul>	<p>CB(1)1710/00-01(03)</p> <p>CB(1)1710/00-01(02)</p> <p>CB(1)1925/00-01</p>
Meeting of Panel on ITB on 8 February 2002	<ul style="list-style-type: none"> <li>✧ Administration's paper : "Progress of the Cyberport Project"</li> <li>✧ Background brief on Cyberport</li> <li>✧ Administration's follow-up paper : "Opening of Public Transport Terminus at Cyberport"</li> <li>✧ Minutes of meeting</li> </ul>	<p>CB(1)994/01-02(04)</p> <p>CB(1)994/01-02(03)</p> <p>CB(1)1295/01-02</p> <p>CB(1)1225/01-02</p>
Meeting of Panel on ITB on 8 April 2002	<ul style="list-style-type: none"> <li>✧ Administration's paper : "Cyberport – Tenancy Position for Phase I Building"</li> <li>✧ Administration's paper : "Institutional Arrangements for Future Management of the Cyberport Project"</li> <li>✧ Information note on Members' concerns about tenancy matters at the Cyberport</li> <li>✧ Background note on the staffing proposal for Cyberport-related posts</li> <li>✧ Minutes of meeting</li> </ul>	<p>CB(1)1432/01-02</p> <p>CB(1)1416/01-02(01)</p> <p>CB(1)1430/01-02(01)</p> <p>CB(1)1421/01-02(03)</p> <p>CB(1)1642/01-02</p>



Committee	Paper	LC Paper No.
Meeting of Panel on ITB on 21 July 2003	✧ Administration's paper : "Progress Report on the Cyberport Project (July 2003)"	CB(1)2214/02-03(01)
	✧ Background brief on Cyberport	CB(1)2214/02-03(02)
	✧ Minutes of meeting	CB(1)2385/02-03
Meeting of Panel on ITB on 12 January 2004	✧ Administration's paper : "Progress Report on the Cyberport Project (January 2004)"	CB(1)710/03-04(03)
	✧ Background brief on Cyberport	CB(1)581/03-04
	✧ Administration's follow-up paper : "Progress Report on the Cyberport Project (June 2004)"	CB(1)2232/03-04(01)
	✧ Minutes of meeting	CB(1)1044/03-04
Meeting of Panel on ITB on 10 January 2005	✧ Administration's paper : "Report on the Cyberport Project (December 2004)"	CB(1)588/04-05(01)
	✧ Background brief on Cyberport	CB(1)623/04-05
	✧ Minutes of meeting	CB(1)816/04-05
Meeting of Panel on ITB on 2 February 2005	✧ Brief on the Government's consultation with the Legislative Council on the Cyberport project"	CB(1)817/04-05
	✧ Requests for further information raised at the meeting	CB(1)864/04-05(01) Revised
	✧ Administration's response to Members' requests raised at the meeting	CB(1)943/04-05(01)
	✧ Minutes of meeting	CB(1)1053/04-05
Meeting of Panel on ITB on 8 May 2006	✧ Administration's paper : "Report on the Cyberport Project (April 2006)"	CB(1)1380/05-06(04)
	✧ Background brief on Cyberport	CB(1)1381/05-06
	✧ Administration's follow-up paper : "Report on the Cyberport Project	CB(1)1931/05-06(01)

<b>Committee</b>	<b>Paper</b>	<b>LC Paper No.</b>
	(2005)" ✧ Minutes of meeting	CB(1)1701/05-06
Meeting of Panel on ITB on 12 March 2007	✧ Administration's paper : "Report on the Cyberport Project" ✧ Background brief on Cyberport ✧ Administration's follow-up paper : "Report on the Cyberport Project" ✧ Minutes of meeting	CB(1)1065/06-07(19) CB(1)1105/06-07 CB(1)1360/06-07(01) CB(1)239/07-08(01) CB(1)2033/06-07