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**Panel on Information Technology and Broadcasting**

**Meeting on 14 March 2011**

**Updated background brief on Cyberport Project**

**Purpose**

This paper provides the background to the Cyberport Project (the Project) and an update on the concerns raised by the Panel on Information Technology and Broadcasting on the Project in 2010.

**Background**

2. The Government announced its decision to proceed with the Project in the 1999-2000 Budget as a move to provide the essential infrastructure for the formation of a strategic cluster of information services companies. On 17 May 2000, the Government, through three private and wholly-owned companies<sup>1</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 as the Cyberport Developer. The development right of the Cyberport was granted to the Developer on 8 June 2000.

3. The 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. The Cyberport Portion aims to create a strategic cluster of leading information technology (IT) and information

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<sup>1</sup> The three companies are Hong Kong Cyberport Development Holdings Ltd, Hong Kong Cyberport Management Company Ltd, and Hong Kong Cyberport (Ancillary Development) Ltd.

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 completed in November 2008.

4. According to 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 Cyberport Developer (35.5%). As at January 2011, the Government has received a total of about \$16.65 billion in surplus proceeds. This exceeds the Government's capital contribution of \$7.93 billion to the Project in the form of land grant for the residential development and the associated essential infrastructure development. 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.

### **Discussions by the Panel on Information Technology and Broadcasting**

5. The Panel has followed closely the implementation of the Project since September 1999 and has all along been very keen to ensure that the Project can meet its public missions<sup>2</sup> so as to create a strategic cluster and critical mass of leading IT companies. In this respect, Panel members have requested that the Cyberport management should, in reporting on the Project in the future, provide quantifiable information such as the extent of achievement for each of the public missions for members' evaluation. Such information should include how far Cyberport has helped Hong Kong develop into a leading digital city in the region, and the extent to which small and medium enterprises (SMEs) in the IT industry have been nurtured and supported.

6. At the meeting on 8 February 2010, the Panel noted that there was an increase in the operating revenue of \$361 million for the year 2008-2009, as compared with \$319 million in 2007-2008 and \$263 million in 2006-2007. Some Panel members opined that the Project should not be regarded as a property development project with its success measured

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<sup>2</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.

by the occupancy rate of the office premises and the Cyberport Arcade, and the amount of rental return and profits recovered from property sales. They hoped that the Project could take the lead in creating a strategic information and communications technologies cluster and in spearheading the development of innovative and creative industries in Hong Kong to align with the development of the six major industries (namely educational services, medical services, testing and certification, innovation and technology, cultural and creative industries, and environmental industry) crucial to the development of the economy as announced by the Chief Executive in the 2009-2010 Policy Address.

7. Panel members also urged the Administration to support and nurture the development of small and medium enterprises in the IT and IT related disciplines as well as the digital media industry, attract overseas innovative talents and professionals to Hong Kong, and create a strategic cluster of quality IT and IT related companies in Hong Kong that were critical to the development of Hong Kong into a leading digital city in the region.

8. As regards the low patronage of the Cyberport Arcade and its events, Panel members called on the Administration and the Cyberport management to give more thoughts on how best to utilize the vacant premises to develop the Cyberport into a digital entertainment centre and a cinema hub. The Administration advised that the Cyberport management would, in consultation with its Board of Directors, constantly review the future direction for the use of the Arcade and examine feasible opportunities to develop and diversify its uses.

### **Recent developments**

9. On 18 January 2011, the Panel visited the Cyberport and received a briefing from the Cyberport management on the Cyberport Project. Members visited various facilities, including the Incu-Train Centre, the Digital Media Centre, the Mobile Cyber Truck, the Hong Kong Wireless Development Centre and one of the Cyberport tenants at Cyberport 1.

### **Latest position**

10. The Administration and the Cyberport management will report to the Panel at its meeting on 14 March 2011 the progress of the Cyberport Project.

**Relevant papers**

11. A list of relevant papers on the subject is available on the Legislative Council website at [http://www.legco.gov.hk/database/english/data\\_itb/itb-cyberport.htm](http://www.legco.gov.hk/database/english/data_itb/itb-cyberport.htm).

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