

**立法會**  
**Legislative Council**

LC Paper No. CB(4)847/12-13  
(These minutes have been seen  
by the Administration)

Ref : CB4/PL/ITB/1

**Panel on Information Technology and Broadcasting**

**Minutes of meeting**  
**held on Wednesday, 27 March 2013, at 8:30 am**  
**in Conference Room 1 of the Legislative Council Complex**

- Members present** : Hon WONG Yuk-man (Chairman)  
Dr Hon Elizabeth QUAT, JP (Deputy Chairman)  
Hon James TO Kun-sun  
Hon Emily LAU Wai-hing, JP  
Hon WONG Ting-kwong, SBS, JP  
Hon Cyd HO Sau-lan  
Hon Mrs Regina IP LAU Suk-yeet, GBS, JP  
Hon Paul TSE Wai-chun, JP  
Hon LEUNG Kwok-hung  
Hon Albert CHAN Wai-yip  
Hon Claudia MO  
Hon Steven HO Chun-yin  
Hon YIU Si-wing  
Hon MA Fung-kwok, SBS, JP  
Hon Charles Peter MOK  
Hon CHAN Chi-chuen  
Hon SIN Chung-kai, SBS, JP  
Ir Dr Hon LO Wai-kwok, BBS, MH, JP  
Hon Christopher CHUNG Shu-kun, BBS, MH, JP
- Members absent** : Hon Ronny TONG Ka-wah, SC

**Public officers  
attending**

: Agenda item III

Miss Susie HO, JP  
Permanent Secretary for Commerce and Economic  
Development (Communications and Technology)

Mr Joe WONG, JP  
Deputy Secretary for Commerce and Economic  
Development (Communications and Technology)

Mr Ivanhoe CHANG  
Principal Assistant Secretary for Commerce &  
Economic Development (Communications &  
Technology)B

Mr Y K HA  
Deputy Director-General of Communications  
(Telecommunications)  
Office of the Communications Authority

Mr Danny LAU  
Assistant Director (Regulatory)  
Office of the Communications Authority

Ms Linda YU  
Head, Competition and Economic Analysis  
Office of the Communications Authority

Agenda item IV

Miss Susie HO, JP  
Permanent Secretary for Commerce and Economic  
Development (Communications and Technology)

Mr Daniel LAI, BBS, JP  
Government Chief Information Officer

Miss Joey LAM, JP  
Deputy Government Chief Information Officer  
(Policy and Customer Service)

**Attendance by invitation** : Agenda item III

**PCCW Minority Shareholders' Alliance**

Ms Alice TAM  
Deputy Convenor

**Democratic Alliance for the Betterment and Progress of Hong Kong**

Mr Danny CHAN  
Deputy Spokesperson of Democratic Alliance for the Betterment and Progress of Hong Kong

**3G 頻譜拍賣關注組**

Ms Winnie YAU  
Deputy Chairman

**Huawei Tech. Investment Co., LTD**

Mr WONG Kam-tai  
Chief Operating Officer

**Mr Martin OEI**

**Plum Consulting**

Mr Kenneth PEARSON  
Partner

**Hong Kong Telecommunications (HKT) Limited**

Mr Stuart CHIRON  
Head of Group Regulatory Affairs

Dr Henry WONG  
Senior Vice President (Strategic Wireless Technology, System Planning & Design Engineering, Wireless Business)

**Labour Party**

Mr KWOK Wing-kin  
Vice-General Secretary

**The American Chamber of Commerce in Hong Kong**

Mr Richard VUYLSTEKE  
President

**Nokia Siemens Networks H.K. Limited**

Mr Nigel CHAN  
Head of Solution Engagement, Network System,  
Taiwan, HK and Macau

**Certari Consulting**

Mr Andrew SIMPSON  
Director

**CSL Limited**

Ms Alison KO  
General Counsel

Mr Christian DAIGNEAULT  
Chief Technology Officer

**China Mobile Hong Kong Company Limited**

Mr Sean F F LEE  
Director & Chief Executive Officer

Mr YEUNG Chi-wang  
Head, Network Procurement & Carrier Affairs

**Mr TSANG Kim-fung**

**Hutchison Telephone Company Limited**

Mr William BROWN  
Head of Regulatory Affairs

Mr Daniel CHUNG  
Chief Technology Officer - IT & Mobile

**SmarTone Mobile Communications Limited**

Mr Patrick CHAN  
Executive Director

Mr Stephen CHAU  
Chief Technology Officer

**Mr KWAN Chi-wah**

Agenda item IV

**Hong Kong Cyberport Management Company Limited**

Mr Herman LAM  
Chief Executive Officer

Mr Mark CLIFT  
Chief Operating Officer

Mr Cavan CHEUNG  
Chief Financial Officer

**Clerk in attendance** : Ms YUE Tin-po  
Chief Council Secretary (4)3

**Staff in attendance** : Ms Anki NG  
Council Secretary (4)3

Ms Linda MA  
Legislative Assistant (4)2

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Action

**I. Information paper issued since the last meeting**

Members noted that no paper had been issued since the last meeting held on 11 March 2013.

**II. Date of next meeting and items for discussion**

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| (LC Paper No. CB(4)511/12-13(01)                                   | -- List of outstanding items for discussion   |
| LC Paper No. CB(4)511/12-13(02)                                    | -- List of follow-up actions  |
| LC Paper No. CB(4)510/12-13(01)<br>( <i>Chinese version only</i> ) | -- Letter from Hon Claudia MO dated 15 March 2013   |
| LC Paper No. CB(4)523/12-13(01)<br>( <i>Chinese version only</i> ) | -- Joint letter from Hon Emily LAU Wai-hing, Hon SIN Chung-kai, Hon Cyd HO Sau-lan, Hon Claudia MO and Hon Charles Peter MOK dated 25 March 2013) |

Regular Meeting on 13 May 2013

2. Members noted that the next regular Panel meeting would be held on Monday, 13 May 2013, at 2:30 pm to discuss the following items:

- (a) Progress report of the work of Hong Kong Design Centre; and
- (b) Briefing on the First Feature Film Initiative.

(*Post-meeting note: To avoid clashing with the continuation of the Council meeting on 13 May 2013, with the concurrence of the Panel Chairman, the regular meeting was re-scheduled to be held on Monday, 27 May 2013 at 2:30 pm.*)

Issues relating to the editorial independence of Radio Television Hong Kong

3. Members noted the letter from Ms Claudia MO dated 15 March 2013 (LC Paper No. CB(4)510/12-13(01)) regarding her request to hold a Panel

meeting to follow up issues relating to the editorial independence of Radio Television Hong Kong. Members agreed that the discussion of the subject matter be scheduled at a future meeting within the current legislative session.

*(Post-meeting note: At the instruction of the Panel Chairman, a special meeting was scheduled to be held at 8:30 am on 25 June 2013 in Conference Room 1 to discuss the subject matter.)*

Issues relating to the arrangement for collecting public views on the quality and variety of programmes provided by the two domestic free television programme service licensees

4. Members noted the joint letter from some members dated 25 March 2013 (LC Paper No. CB(4)523/12-13(01) issued on 26 March 2013) expressing concern about the Communications Authority ("CA")'s arrangement of inviting public views from 18 February to 2 April 2013 on the quality and variety of programmes provided by the two domestic free television programme service licensees. Members requested the Administration to consider extending the deadline for inviting public views to a later date and to brief the Panel on the background, purpose and the arrangement for inviting views on the subject at the next regular meeting.

*(Post-meeting note: At the instruction of the Panel Chairman, the subject matter would be discussed at the next regular Panel meeting to be held on 27 May 2013.)*

**III. Arrangements for the frequency spectrum in the 1.9–2.2 GHz Band upon expiry of the existing frequency assignments for 3G mobile services**

(LC Paper No. CB(4)364/12-13(04) -- Administration's paper on arrangements for the frequency spectrum in the 1.9–2.2 GHz Band upon expiry of the existing frequency assignments for 3G mobile services

LC Paper No. CB(4)517/12-13(01) -- Extract from minutes of the meeting held on 4 February 2013)

Welcoming remarks by the Chairman

5. The Chairman welcomed representatives of the Administration and deputations to the meeting. He reminded the deputations that, when addressing the Panel at the meeting, they were not covered by the protection and immunity under the Legislative Council (Powers and Privileges) Ordinance (Cap. 382), and their written submissions were not covered by the said Ordinance.

Presentation by deputations

*Ms Alice TAM, PCCW Minority Shareholders' Alliance  
[LC Paper No. CB(4)511/12-13(03)]*

6. Ms Alice TAM of PCCW Minority Shareholders' Alliance presented her views as detailed in her submission.

*Mr Danny CHAN, Democratic Alliance for the Betterment and Progress of Hong Kong  
[LC Paper No. CB(4)511/12-13(04)]*

7. Mr Danny CHAN of Democratic Alliance for the Betterment and Progress of Hong Kong presented his views as detailed in his submission.

*Ms Winnie YAU, 3G 頻譜拍賣關注組  
[LC Paper No. CB(4)511/12-13(05)]*

8. Ms Winnie YAU of 3G 頻譜拍賣關注組 presented her views as detailed in her submission.

*Mr WONG Kam-tai, Huawei Tech. Investment Co., Ltd  
[LC Paper No. CB(4)511/12-13(06)]*

9. Mr WONG Kam-tai of Huawei Tech. Investment Co., Ltd presented his views as detailed in his submission.

*Mr Martin OEI*

10. Mr Martin OEI noted that the Government had formulated three options for re-assignment of the 120 MHz of frequency spectrum in the 1.9–2.2 GHz band upon expiry of the existing frequency assignments. He also noted that a hybrid between administratively-assigned and market-based approach involving re-auctioning part of the 3G spectrum would be adopted

under the proposed Option 3. Mr OEI raised doubt about how the Administration would conduct the re-auction of part of the spectrum upon expiry, for example, whether it would be a single re-auction. He was concerned that a single re-auction might result in one mobile network operator acquiring a large amount of 3G spectrum. Noting that the two mobile network operators with Mainland background, namely, China Mobile Hong Kong Company Limited and China Unicom (Hong Kong) Limited, had repeatedly indicated their strong interests in acquiring some of the 3G spectrum, he expressed concern whether there would be any political implications and issues on inadequate protection of customers' personal data involved in the spectrum re-assignment.

*Mr Kenneth PEARSON, Plum Consulting  
[LC Paper No. CB(4)523/12-13(02) & CB(4)528/12-13(02)]*

11. Mr Kenneth PEARSON of Plum Consulting presented his views as detailed in his submissions.

*Mr Stuart CHIRON, Hong Kong Telecommunications (HKT) Limited  
[LC Paper No. CB(4)523/12-13(03) & CB(4)528/12-13(06)]*

12. Mr Stuart CHIRON of Hong Kong Telecommunications (HKT) Limited presented his views as detailed in his submissions.

*Mr KWOK Wing-kin, Labour Party  
[LC Paper No. CB(4)528/12-13(05)]*

13. Mr KWOK Wing-kin of Labour Party presented his views as detailed in his submission.

*Mr Richard VUYLSTEKE, The American Chamber of Commerce in Hong Kong  
[LC Paper No. CB(4)528/12-13(07)]*

14. Mr Richard VUYLSTEKE of The American Chamber of Commerce in Hong Kong presented his views as detailed in his submission.

*Mr Nigel CHAN, Nokia Siemens Networks H.K. Limited  
[LC Paper No. CB(4)511/12-13(07)]*

15. Mr Nigel CHAN of Nokia Siemens Networks H.K. Limited presented his views as detailed in his submission.

*Mr Andrew SIMPSON, Certari Consulting  
[LC Paper No. CB(4)511/12-13(08)]*

16. Mr Andrew SIMPSON of Certari Consulting presented his views as detailed in his submission.

*Ms Alison KO, CSL Limited  
[LC Paper No. CB(4)523/12-13(04)]*

17. Ms Alison KO of CSL Limited presented her views as detailed in her submission.

*Mr Sean F F LEE, China Mobile Hong Kong Company Limited  
[LC Paper No. CB(4)517/12-13(02)]*

18. Mr Sean F F LEE of China Mobile Hong Kong Company Limited presented his views as detailed in his submission.

*Mr TSANG Kim-fung*

19. Mr TSANG Kim-fung expressed disagreement with the Administration's view in adopting the proposed Option 3 as referred to in the Second Consultation Paper. He expressed concern about the possible degradation in service quality if the four incumbent 3G mobile network operators ("MNOs") lost one-third of their current spectrum allocation in a re-auction, which was one possible outcome of the Administration's current preferred proposal (i.e. Option 3) for spectrum re-assignment. In addition, it might result in more frequent drop calls and poor quality roaming at indoor data usage hotspots such as the Mass Transit Railway lines and stations. He suggested that the Administration should provide new 3G spectrum for auction to maintain positive competition.

*Mr William BROWN, Hutchison Telephone Company Limited  
[LC Paper No. CB(4)517/12-13(03)]*

20. Mr William BROWN of Hutchison Telephone Company Limited presented his views as detailed in his submission.

*Mr Patrick CHAN, SmarTone Mobile Communications Limited  
[LC Paper No. CB(4)528/12-13(01)]*

21. Mr Patrick CHAN of SmarTone Mobile Communications Limited presented his views as detailed in his submission.

*Mr KWAN Chi-wah*  
*[LC Paper No. CB(4)517/12-13(04)]*

22. Mr KWAN Chi-wah presented his views as detailed in his submission.

Presentation by the Administration

23. At the invitation of the Chairman, Permanent Secretary for Commerce and Economic Development (Communications and Technology) ("PSCED (CT)") briefed members on the latest development on issues relating to the arrangements for the frequency spectrum in the 1.9–2.2 GHz Band upon expiry of the existing frequency assignments for 3G mobile services. Details of the briefing were set out in the Administration's paper (LC Paper No. CB(4)364/12-13(04)).

24. As the Second Consultation period was due to expire on 11 April 2013, the Chairman reminded the deputations to present their written submissions to the CA before the expiry date if they so wished.

Discussion

25. The Chairman reminded Panel members of Rules 83A and 84 of the Rules of Procedure on declaration of interest. Mr Charles MOK, Ms Emily LAU and Ir Dr LO Wai-kwok declared that they were using the services of some MNOs. Mr MA Fung-kwok declared that he and his family members were using the services of some MNOs and he was a shareholder of some MNOs. Mr James TO declared that he was a shareholder of the Tracker Fund, which in turn held shares of some MNOs.

*Maintenance of customer service continuity and promotion of effective competition*

26. Mr Charles Peter MOK expressed concern about the Administration's estimate that under the proposed Option 3, each incumbent 3G operator might at worst lose one-third of the spectrum in the 1.9–2.2 GHz band in the auction. As anticipated by the Office of the Communications Authority ("OFCA"), the degradation of customer service quality in terms of reduction in data download speed would be restricted to at most 18% on average during the transitional period. However, some deputations estimated that the degradation in terms of reduction in data download speed in this regard could be as high as 30 to 40%. He urged the Administration to take into account technical considerations and mobile service charge implications in assessing the options and to provide more detailed information on the possible

degradation of customer service quality in adopting the proposed Option 3.

27. Ms Emily LAU enquired about the Administration's policy intent in introducing new investors and competition to the mobile communications services market and its assessment on the various options in terms of the impact on service continuity, in particular the reduction in data download speed if the proposed Option 3 was adopted. In response, PSCED(CT) advised that currently, no new 3G spectrum would be available for auction until analogue switch-off. Government's spectrum policy framework promulgated in 2007 set out clearly that a market-based approach such as auction should be adopted for assigning spectrum with competing demands, unless there were overriding public policy reasons to do otherwise. A public re-auction of part of the existing 3G spectrum as per the proposed Option 3 would give new investors an opportunity to compete for spectrum fairly with the incumbent operators, thereby enhancing competition in the mobile communications services market and increasing the choices to consumers.

28. Deputy Director-General of Communications (Telecommunications) ("DDGC(T)") supplemented that OFCA projected that there would be a six-fold increase in the total mobile data traffic from 2012 to 2016. On a linear scale, and assuming other factors remained largely unchanged, this would mean that the network capacity needed to increase six times by October 2016 in order to maintain the quality of service as of today. Assuming a straight-line relationship between network capacity shortage and the average data download speed degradation, this would mean that even if the incumbent operators were able to retain all their existing frequency assignments in the 1.9–2.2 GHz band by October 2016, there would be an average drop of about 9% in the data download speed as compared to that in 2012. He advised that under the proposed Option 3, the incumbent 3G operators would also have the opportunity to take part in the auction to bid for the one-third of the spectrum that they had returned to the Communications Authority ("CA"), and to even bid for additional spectrum for building up a contiguous band of 2 x 20 MHz of spectrum, thereby reaping the full potential of the Long Term Evolution-Advanced technology. Only with auction would an opportunity be given to the incumbent operators to critically review their spectrum holding and deliberate on whether they should bid for more spectrum, or invest more on the equipment in order to enhance their service capacities.

*Appointing an independent consultant to conduct a technical assessment*

29. Noting the difference in assessment between OFCA and some MNOs in the reduction in the average data download speed if the proposed Option 3 was adopted, Mr SIN Chung-kai requested that a detailed technical

assessment be conducted by an independent consultant on the impact on the quality of service provided by incumbent 3G MNOs if the proposed Option 3 was adopted. The Deputy Chairman, Mr YIU Si-wing, Mr Paul TSE, Ms Claudia MO and Mr LEUNG Kwok-hung shared the same view. In response, DDGC(T) assured the Panel that the Administration was already in the process of appointing an independent consultant to conduct such technical assessment and to prepare a report in this respect.

Admin

30. Mr YIU Si-wing enquired about the procedure and the timeframe for appointing the independent consultant to conduct the technical assessment. DDGC(T) advised that the Administration was in the course of appointing a consultant, who would be an international telecommunications expert, to take on the consultancy service in accordance with the established government procedures. The assessment outcome would be disclosed when the Secretary for Commerce and Economic Development announced by October 2013 his decision on the arrangement for the 3G spectrum upon expiry of current assignment. At Ms Cyd HO's request, the Administration undertook to provide to the Panel a copy of the tendering documents for selecting the independent consultant and a copy of the report of the assessment.

*(Post-meeting note: The information provided by the Administration in respect of the tendering documents for selecting the independent consultant was circulated to members vide LC Paper No. CB(4)789/12-13(02) on 17 June 2013.)*

31. Mr Albert CHAN enquired about the measures taken by the Administration to ensure that the appointed technical consultant was independent from the MNOs and the Administration. DDGC(T) advised that the Administration had adhered strictly to the established government rules and procedures in appointing the consultant. Parties which were interested in submitting their proposals were required to make declarations that they had no conflict of interests in conducting the technical assessment, and the Administration would prudently assess the applications to ensure the independence of the appointed consultant.

32. Mr James TO urged the Administration to conduct the technical assessment as soon as practicable as the assessment report would enable the Panel and the public to consider which option would best suit the existing market needs, taking into account relevant issues such as the maintenance of customer service continuity.

33. Noting the possible degradation of customer services in the form of slower data download speed, a greater number of drop calls and weakening of indoor mobile coverage for 3G services in re-assigning the spectrum upon its

expiry in adopting the proposed Option 3, Ir Dr LO Wai-kwok urged the Administration to conduct the technical assessment as soon as practicable and to provide the Panel with sufficient information to assess the proposed options. He also requested the Administration to explain the effects that might be brought to existing customers after the re-auction of part of the spectrum upon its expiry. In response, PSCED(CT) advised that the decision relating to the arrangements for spectrum re-auction would be made and announced by the Administration by the end of October 2013. If the proposed Option 3 was adopted, upon the completion of the re-auction, customers would know the MNO(s)'s holdings of the spectrum and would be able to choose the appropriate MNO to suit their own needs. She further advised that the total amount of 3G spectrum to be assigned to the market would remain the same, albeit there could be a chance of redistribution of some of the 3G spectrum among the incumbents and/or new operators through the re-auction.

#### *Other issues*

34. Mr Paul TSE expressed concern about the exhaustion of new 3G spectrum available for auction. He said that if new 3G spectrum was available for auction, the market value of such spectrum could be determined, which would enable the incumbent MNOs to assess whether to exercise the right of first refusal as put forward by the Administration in the proposed Option 3. In response, DDGC(T) advised that currently a total of about 600 MHz of spectrum had been assigned to the market. After the analogue switch-off targeted for end of 2015, some 10 to 90 MHz of new spectrum might become available for the provision of mobile services.

35. Having noted the view of Plum Consulting that there would be increasing demand for both 3G and 4G services from 2012 to 2017 and the renewal/right of first refusal approach was commonly used in developed markets together with spectrum trading (LC Paper No. CB(4)528/12-13(02)), Mr SIN Chung-kai enquired about the name of the countries which had adopted the approach as set out in the proposed Option 3. Mr Kenneth PEARSON of Plum Consulting advised that France and Germany, for example, had taken back all the spectrum from incumbents and given them to new entrants. Other countries such as Greece and Ireland had taken back part of the assigned spectrum from incumbents and re-auctioned them.

36. The Deputy Chairman expressed concern about the quality of service provided by incumbent MNOs. In response, DDGC(T) advised that the Administration was satisfied with the overall service quality of all five incumbent MNOs. In view of the migration from 3G services to 4G services in recent years and the increasing aspiration of consumers, the

Deputy Chairman was also concerned about the quality of service in future. She opined that the focus should be on the choice of an option for spectrum re-assignment which would best serve consumer interest and the overall benefits of the community.

37. Ms Claudia MO expressed concern about the submission made by China Mobile Hong Kong Company Limited ("China Mobile"). It had cited Article 118 of the Basic Law in its submission to make its point that depriving an interested party of the chance to bid for the spectrum (and thereafter investment) was a clear violation of the above article in that the environment so created did not encourage investments or technological progress. China Mobile argued that it was the major mission and task of CA to create a level playing field so that all interested parties could compete for the concerned spectrum. Ms MO feared that operators with Mainland background might bid for all the re-assigned spectrum if the proposed Option 3 was adopted.

38. Mr MA Fung-kwok agreed with the introduction of competition to the mobile communications services market and expressed concern about the continuity of service quality provided by incumbent operators after the re-auction of spectrum upon its expiry. He was of the view that introducing competition while maintaining existing service quality was a technical issue. He also opined that resources could be saved if incumbent operators shared the transmission spots among themselves and re-structured their own spectrum portfolio to meet the rapidly changing market developments. In response, DDGC(T) advised that to make an analogy, there were 12 traffic routes for the 3G spectrum and 14 for the 4G spectrum. The proposed re-auction of one-third of the 3G spectrum upon its expiry as put forward in the proposed Option 3 was similar to taking four traffic routes for re-arrangement in the mobile data traffic system and the technical issues to be resolved should be manageable.

#### **IV. Annual report on Cyberport**

(LC Paper No. CB(4)511/12-13(10) -- Administration's paper on report on the Cyberport Project

- LC Paper No. CB(4)511/12-13(11) -- Paper on Cyberport Project prepared by the Legislative Council Secretariat (updated background brief))
- LC Paper No. CB(4)511/12-13(12) -- Administration's paper on report on the Cyberport Project (power-point presentation material))  
(*Chinese version only*)  
(*tabled at the meeting and subsequently issued via e-mail on 27 March 2012*)

39. The Chairman thanked the Administration and Cyberport management for making the arrangements for members' visit to the Cyberport on 19 March 2013.

Presentation by Hong Kong Cyberport Management Company Limited

40. At the invitation of the Chairman, Chief Executive Officer of the Hong Kong Cyberport Management Company Limited ("CEO/HKCMCL") briefed members on the progress of the Cyberport Project. CEO/HKCMCL then gave a power-point presentation on the major public mission activities delivered by the Cyberport in the past year to support and promote innovation and technology development in Hong Kong. Details of the briefing and presentation were set out in the Administration's papers (LC Paper Nos. CB(4)511/12-13(10) and CB(4)511/12-13(12) (Chinese version only)).

Discussion

*The Incubation Programme*

41. Mrs Regina IP enquired whether Hong Kong's information and communications technology ("ICT") start-ups had made any achievements in overseas market. In response, CEO/HKCMCL advised that the Incubation Programme provided financial, technical and business advisory supports to ICT start-ups to help them turn creative ideas into business undertakings or commercial products. Some incubatees which developed mobile applications ("apps") had made achievements in past years. This year, an incubatee which developed mobile sports apps was invited by a famous sports brand to participate in their exchange programme in the United States.

42. Mr Charles Peter MOK enquired whether local ICT start-ups could benefit from Cyberport's Incubation Programme without stationing in the Cyberport. In response, CEO/HKCMCL advised that since 2005, the

Incubation Programme had admitted 189 ICT start-ups, of which 95 were on-site incubatees each receiving support including free office accommodation for two years, access to advanced ICT facilities and resources, business support as well as mentorship and training in entrepreneurship and technology. The 94 off-site incubatees were each given support which covered similar offers except office rental. In addition, there were other programmes such as the Smart-Space which offered flexible terms to incubatees regarding office rental and the use of Cyberport supporting facilities, and Connect-Space which enabled exchange in experience among start-ups without stationing in the Cyberport.

43. Ir Dr LO Wai-kwok enquired about the criteria that the Cyberport management used to measure the effectiveness of the Incubation Programme, such as through benchmarking by comparing with neighbouring countries with similar supporting programmes to assess the growth of start-ups. In response, CEO/HKCMCL advised that the Cyberport management had used criteria in different levels, including the increase in the number of incubatees, the continued development of the incubatees and whether the incubatees had attracted any angel funding to assess the effectiveness of the Incubation Programme. The Cyberport management had not conducted any benchmarking but would continue to enhance overseas exchanges with neighbouring countries.

*(To allow sufficient time for discussion, the Chairman directed the meeting be extended for 15 minutes.)*

#### *Cyberport's contribution to public mission activities and occupancy rate*

44. Noting Cyberport's contribution to public mission activities in 2011-2012 was \$34 million, Mr Charles Peter MOK enquired whether the contribution would be increased in future. CEO/HKCMCL advised that Cyberport's mission was to support and promote innovation and technology development in Hong Kong through the creation of a strategic cluster of ICT and related companies as well as attracting a critical mass of professional talents. At the third year of the first three-year plan, the contribution to public mission activities had been increased to over \$40 million in 2012-2013, compared with \$34 million in 2011-2012 and \$23.9 million in 2010-2011. The Cyberport management estimated that the contribution to public mission activities would further increase in the next three-year plan.

45. Noting that the occupancy rate of Cyberport's lettable office space was only about 85%, Ms Emily LAU enquired whether there would be any room for improvement and whether Cyberport had charged its tenants concessionary rent to support their development. CEO/HKCMCL advised

that Cyberport management would continue its efforts to improve the occupancy rate which was expected to increase given its nearby access to the Mass Transit Railway station in the near future. Cyberport had charged its tenants market rent but with stringent selection criteria for its tenants, i.e. only technology-themed tenants would be admitted. Permanent Secretary for Commerce and Economic Development (Communications and Technology) supplemented that the occupancy rate of Cyberport's lettable office space was steady in the last two years due to natural turnovers and its stringent selection criteria for tenants.

*Other issues*

46. In response to Mrs Regina IP's enquiry about developments in digital entertainment, CEO/HKCMCL explained that Cyberport had continued to develop and expand the scope of digital entertainment, for example, it had pursued the expansion of the Digital Cinema Exchange ("DCX") network and service which brought the latest technology of digital cinema to the local film industry, creating opportunities for cinema operators and enhancing viewing experience of audiences. As at February 2013, about 63% of digital screens in Hong Kong were connected to the DCX network.

**V. Any other business**

47. There being no other business, the meeting ended at 10:43am.