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Panel on Information Technology and Broadcasting

Meeting on 27 March 2013

Updated background brief on Cyberport Project

Purpose

This paper provides background information on the Cyberport Project and a summary of views and concerns expressed by the Panel on Information Technology and Broadcasting ("the Panel") in previous discussions on the subject.

Background

2. The Government announced its decision to proceed with the Cyberport 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 companies¹ 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 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. The Cyberport Portion aims

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

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 Cyberport Project, had been developed in phases since September 2004 and completed in November 2008.

4. According to the Cyberport 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%). 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. As at February 2013, the Government had received a total of about \$18.95 billion in surplus proceeds. This exceeds the Government's capital contribution of \$7.93 billion to the Cyberport Project in the form of land grant for the residential development and the associated essential infrastructure development. The operating revenue (excluding project income from the residential development) was \$388 million for the year 2011-2012, as compared with \$361 million in 2010-2011.

Previous discussions

5. The Panel has followed closely the implementation of the Cyberport Project since September 1999 and has been very keen to ensure that the Project can meet its public missions² 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 Cyberport Project, 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.

² 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.

6. At the Panel meeting on 14 March 2011, the Administration briefed members on the progress of the Cyberport Project. Some members opined that the Hong Kong Cyberport Management Company Limited ("HKCMCL") should help improve the image of Cyberport by achieving its public missions of creating a strategic technological cluster and spearheading the development of information and communication technology ("ICT") industry in Hong Kong. Efforts should also be made in attracting large international companies to set up their offices at Cyberport. HKCMCL advised that in pursuit of its public missions, Cyberport was committed to facilitating the development of the local economy as a whole through a three-pronged strategy, i.e. nurturing ICT industry start-ups and entrepreneurs to foster local talent, driving collaboration to pool resources and create business opportunities, and narrowing digital divide through strategic initiatives and partnerships. In support of the above strategy, Cyberport had announced its plans to invest HK\$100 million in Hong Kong's ICT industry over the next three years.

7. Some members considered that the cultivation of SMEs in the digital media industry at Cyberport in fulfilment of its public mission was much more important than generating rental income from its offices and arcade and making profits from property sales. Achievements of the Project should be made in nurturing quality ICT SMEs and creating jobs. In this connection, the Panel noted that the IncuTrain Centre had so far admitted a total of 122 companies as incubatees with 57 of them and 600 employees currently in incubation.

8. Some members considered the \$500,000 Cyberport Creative Micro Fund ("CCMF") grossly insufficient given that only five applicants were selected and each of them was awarded a mere sum of \$100,000 in support of their innovative projects, while Hong Kong's neighbouring countries had invested substantially in the development of their ICT industry. The Administration advised that Cyberport had plans to enhance the pilot scheme to support 20 projects each year from 2011 to 2013. For start-up companies, \$100,000 should provide vital resources enough for transforming their concepts into prototypes.

9. At the Panel meeting on 12 April 2012, the Panel noted that up to February 2012, the Incubation Programme had admitted 156 ICT start-ups, of which 84 were on-site incubatees each receiving a \$530,000-worth support and 72 were off-site ones each receiving a \$330,000-worth support. These incubatees had created 689 job opportunities, won 82 industry awards, and created 100 intellectual properties. The Panel also noted that up to February 2012, CCMF had granted a total of \$3.4 million to 34 projects which demonstrated potential for development.

10. Some Panel members opined that the Cyberport had not yet managed to achieve some of its public missions, such as "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". These members also opined that apart from fostering IT exchanges with the Mainland, Hong Kong should step up exchanges with other countries in the Asia Pacific region such as Korea and Taiwan. HKCMCL advised that in order to help the incubatees survive after graduation from the Incubation Programme, the Cyberport had established the Collaboration Centre to assist SMEs in the ICT sector to explore and capture emerging business opportunities in other markets.

Recent development

11. On 19 March 2013, the Panel visited the Cyberport and received a briefing from HKCMCL on the Cyberport Project. Members visited various facilities, including the Entrepreneurship Centre, the Technology Centre and the Smart-Space with its tenants at Cyberport 1.

Latest position

12. The Administration and the Cyberport management will report to the Panel at its meeting on 27 March 2013 the progress of the Cyberport Project.

Relevant papers

13. A list of the relevant papers with their hyperlinks is at:

http://www.legco.gov.hk/database/english/data_itb/itb-cyberport.htm