

香港特別行政區政府

創新及科技局

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INNOVATION AND TECHNOLOGY BUREAU

THE GOVERNMENT OF THE HONG KONG  
SPECIAL ADMINISTRATIVE REGION

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**By email**

7 October 2021

Ms Anita SIT  
Clerk to the Legislative Council Finance Committee  
Legislative Council Complex  
1 Legislative Council Road  
Central, Hong Kong

Dear Ms Sit,

**Legislative Council Finance Committee  
Follow-up Actions to the Meeting Held on 11 June 2021**

At the Finance Committee (“FC”) meeting on 11 June 2021, Members requested the Government to provide supplementary information on various matters, including the repayment plan and arrangements for the Cyberport expansion project, the economic benefits of the expansion project to Cyberport and its surroundings, the financial position of the Hong Kong Cyberport Management Company Limited (“HKCMCL”), office tenant statistics and leasing measures. Our reply is set out in the ensuing paragraphs.

**(a) The repayment plan and arrangements for the expansion project**

In determining the financial arrangements for the expansion project, Cyberport has taken into account the overall financial position, projected income and expenditure, planned capital works projects and new initiatives in the coming few years, as well as the need to maintain adequate cash balance to cater for operational needs and unforeseen circumstances. For the commercial loan of \$1,191 million that partially supports the construction cost of the expansion project and the early operating expenses of Cyberport 5, Cyberport will consider different financing and repayment options according to its actual financial position and the situation of the loan market, in order to obtain the most

favourable terms and reduce financing costs. On top of the cash flow projection provided at the enclosure of the FC paper, Cyberport has also prepared a cash flow projection on repayment by instalments at **Annex 1**.

**(b) Economic benefits of the expansion project to Cyberport and its surroundings**

According to the consultancy report on “Economic Impact Assessment” for the expansion project commissioned by HKCMCL, the contribution of the expansion project to Hong Kong’s economy is estimated to reach around \$3.2 billion per year (including direct, indirect and induced impacts) and around 6 100 jobs will be created. Contribution of the construction works of the Cyberport expansion project to Hong Kong’s economy is estimated to be around \$1.1 billion and around 1 100 jobs will be created. We anticipate that the completion of Cyberport 5 and waterfront park enhancement works will attract more visitors to the Cyberport hotel and the Arcade, thus helping to drive hotel and rental income etc.

**(c) Financial Position**

*(i) Details of income and operating expenses*

Please see **Annex 2** for details of HKCMCL’s income and operating expenses in the past two years.

*(ii) Rental concession provided for office tenants and the amount of rental forgone and (iii) the general support and subsidies provided to the Cyberport hotel and Arcade tenants*

In view of economic uncertainties, Cyberport has provided three rounds of rental concession to its tenants and start-ups, benefitting office and Arcade tenants as well as Smart-Space users. The number of benefitted tenants/businesses exceeded 800, involving nearly \$200 million in total, of which \$100 million was absorbed by Cyberport, and the remaining sum was supported by the Anti-epidemic Fund. Separately, large-scale renovation works for the hotel is undergoing with an aim to resume operations in end-2021 to prepare for the recovery of the local tourism.

*(iv) Measures to control public mission activity expenses*

In line with the Government’s steadfast efforts to promote innovation and technology (“I&T”) development in Hong Kong, Cyberport has stepped up its incubation and support of start-ups in recent years. For example, the number of annual intake for the Cyberport Incubation Programme (“CIP”) has increased from 51 in 2015-16 to 130 in 2020-21, and the expenses for public mission

activities have increased accordingly. The expenses for public mission activities in the past five years are provided in the table below -

Financial Year	Public Mission Activities Expenses
2020-21	187.5 million*
2019-20	153.4 million
2018-19	133.4 million
2017-18	116.5 million
2016-17	104.2 million

\*preliminary figures to be audited

Cyberport will adhere to the principle of prudence when deploying its resources for public mission. Taking the Cyberport Creative Micro Fund and CIP as examples, applications are processed in accordance with the established assessment procedures from preliminary vetting to assessment, as well as to final approval. Assessment of applications is conducted by an independent vetting team, whereby the successful applications will be recommended to the Entrepreneurship Committee under the Cyberport Board of Directors for final endorsement. In addition, all applications must fall under digital technology related areas and have not received / will not receive similar funding at the same time. Cyberport will strive to ensure the proper use of relevant expenses with a view to nurturing the growth of start-ups and promoting the development of I&T in Hong Kong.

#### (d) Cyberport Office Tenant Statistics and Leasing Measures

The statistics of Cyberport's tenants as at end July 2021 are as follows:

	Number of Tenants <sup>1</sup>
Small and medium enterprises <sup>2</sup>	788
Large enterprises <sup>3</sup>	20
<b>Total</b>	<b>808</b>

The statistics with regard to the leasing terms are as follows:

	Number of Tenants <sup>1</sup>
Under 3 years	579
3 to 6 years	171
More than 6 years	58
<b>Total</b>	<b>808</b>

<sup>1</sup> Including tenants in the Cyberport campus at Pokfulam and Smart-Space 8 at Tsuen Wan.

<sup>2</sup> Cyberport tenants with less than 50 employees stationed at Cyberport.

<sup>3</sup> Cyberport tenants with 50 or more employees stationed at Cyberport.

The leasing terms for office tenants at Cyberport is generally around 2 to 3 years. For Smart-Space users, their terms can be renewed from on a monthly basis to every 12 months, allowing flexibility in the turnover of office space. Office space in the Entrepreneurship Centre is reserved for use by incubatees under CIP. After graduation from the two-year CIP, incubatees must vacate the office space at the Entrepreneurship Centre to make it available for new intakes, allowing turnover of office space at Cyberport.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'FUNG Long-yin', written in a cursive style.

( FUNG Long-yin )

for Secretary for Innovation and Technology

## Annex 1

### Cash Flow Projection of Hong Kong Cyberport Management Company Limited (in \$ million)

The following cash flow projection is based on a more prudent financial arrangement. Cyberport will in fact consider different debt financing, including bank loans, short-term bonds, medium-term notes etc., or different combinations, in order to secure the most favourable terms.

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37	2037-38	2038-39	2039-40	2040-41	2041-42
<b>Opening cash balance</b>	1,210	603	1,380	1,293	1,215	1,153	155	193	279	327	381	254	238	229	230	269	152	164	188	236	435	643
<b>Net cash flow</b>	(607)	(379)	(58)	(49)	(33)	(11)	67	115	77	83	100	108	113	120	156	47	173	181	191	199	208	217
<b>Net cash balance</b>	603	224	1,322	1,244	1,182	1,142	222	308	356	410	381	362	351	349	386	316	325	345	379	435	643	860
<b>Development costs of Cyberport expansion project*</b>		(238)	(446)	(714)	(1,921)	(1,473)																
<b>Government equity injection*</b>		238	446	714	1,921	515																
<b>Commercial loan guaranteed by the Government*</b>		1,191																				
<b>Commercial loan interest</b>		(35)	(29)	(29)	(29)	(29)	(29)	(29)	(29)	(29)	(27)	(24)	(22)	(19)	(17)	(14)	(11)	(7)	(2)			
<b>Commercial loan repayment*</b>										(100)	(100)	(100)	(100)	(100)	(100)	(150)	(150)	(150)	(141)			
<b>Ending cash balance</b>	603	1,380	1,293	1,215	1,153	155	193	279	327	281	254	238	229	230	269	152	164	188	236	435	643	860

\* In determining the repayment of commercial loan principal, one of the major considerations is to maintain a minimum working capital requirement of \$150 million for supporting operating expenditure for about six months.

Note 1: Part of the cash balance has been reserved for essential capital works projects and Cyberport Macro Fund investments etc. At present, Cyberport only has a disposal reserve of about \$200 million.

Note 2: Regarding the timing of the loan drawdown, Cyberport estimates that the loan must be executed latest by 2022-23. Otherwise, the cash balance of Cyberport will fall below the minimum working capital requirement of \$150 million.

**Profit and Loss Summary of  
Hong Kong Cyberport Management Company Limited  
(\$ million)**

	<u>2018-19</u>	<u>2019-20</u>
<b>Revenue</b>	557	514
<b>Expenses before Public Mission Activities Expenses and Depreciation</b>		
Building management expenses	(151)	(159)
Staff costs	(102)	(103)
Government rent and rates	(15)	(17)
Other operating expenses	(100)	(83)
<b>Public Mission Activities Expenses</b>	(133)	(153)
<b>Fair Value Loss on a Debt Investment at Fair Value through Profit or Loss</b>	-	(2)
<b>Operating Profit/(Loss) before Depreciation</b>	56	(3)