

立法會
Legislative Council

LC Paper No. CB(1)816/04-05
(These minutes have been seen
by the Administration)

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Panel on Information Technology and Broadcasting

Minutes of meeting
held on Monday, 10 January 2005, at 2:30 pm
in Conference Room A of the Legislative Council Building

- Members present** : Hon SIN Chung-kai, JP (Chairman)
Hon Albert Jinghan CHENG (Deputy Chairman)
Dr Hon LUI Ming-wah, JP
Hon Jasper TSANG Yok-sing, GBS, JP
Hon Howard YOUNG, SBS, JP
Hon Timothy FOK Tsun-ting, GBS, JP
- Member attending** : Hon Ronny TONG Ka-wah, SC
- Public officers attending** : Agenda Item IV
Mr Francis HO, JP
Permanent Secretary for Commerce, Industry and
Technology (Communications and Technology)
Mrs Betty FUNG, JP
Deputy Government Chief Information Officer
(Planning and Strategy)
Mr Nicholas YANG
Chief Executive Officer
Hong Kong Cyberport Management Company Limited
- Agenda Item V
Ms Lorna WONG
Commissioner for Television and Entertainment
Licensing

Miss Angela LUK
Assistant Commissioner for Television and
Entertainment Licensing (Entertainment)

Mr IP Lup-ng
Principal Entertainment Standards Control Officer
(Film)
Television and Entertainment Licensing Authority

Clerk in attendance : Miss Polly YEUNG
Chief Council Secretary (1)3

Staff in attendance : Ms Debbie YAU
Senior Council Secretary (1)1

Ms Sharon CHAN
Legislative Assistant (1)6

Action

I Confirmation of minutes and matters arising

LC Paper No. CB(1)624/04-05 -- Minutes of meeting held on
13 December 2004

The minutes of the Panel meeting on 13 December 2004 were confirmed.

II Papers issued since last meeting

LC Paper No. CB(1)629/04-05(01) -- Executive summary of the
consultation paper on Licensing
framework for the deployment of
broadband wireless access

LC Paper No. CB(1)629/04-05(02) -- Press release of the consultation
paper on Licensing framework for
the deployment of broadband
wireless access

LC Paper No. CB(1)664/04-05(01) -- Consultation paper on Reduction
of licence fee for mobile carrier
licences

2. Members noted the three papers issued since last meeting.

III Date and items for discussion for next meeting

LC Paper No. CB(1)622/04-05(01) -- List of outstanding items for discussion

LC Paper No. CB(1)622/04-05(02) -- List of follow-up actions

Special meeting on 18 January 2005

3. The Chairman reminded members that a special Panel meeting would be held on 18 January 2005 at 4:40 pm to receive the briefing by the Secretary for Commerce, Industry and Technology on the relevant policy initiatives in the Chief Executive's Policy Address 2005.

Regular meeting for February 2005

4. Members agreed to deal with all of the following four items proposed by the Administration for discussion at the next regular meeting which had been re-scheduled to be held on 4 February 2005 at 8:30 am:

- (a) Operation of Film Guarantee Fund;
(deferred from the January 2005 meeting)
- (b) 2004 Surveys on IT Usage and Penetration in the Household and Business Sector;
- (c) Progress Report on the Implementation of the 2004 Digital 21 Strategy and Action Plan for 2005; and
- (d) Reduction of licence fee for mobile carrier licences.

Regular meeting for March 2005

5. Members noted that the Administration had proposed the following five items for discussion in March 2005:

- (a) Implementation of Computer Information System Integration Qualification Certification under CEPAIL;
- (b) E-government – The Next Wave;
- (c) Report on result of consultation on proposals to contain the problem of unsolicited electronic messages;
- (d) Consultation exercise on the licensing framework for the deployment of broadband wireless access; and
- (e) Revision of Fees of Broadcasting Licence and Entertainment Special Effects Licence.

6. As it was unlikely that the Panel would be able to deal with all the five items at a regular two-hour meeting, the Chairman requested the Administration to re-prioritize and propose three or at most, four items for discussion at the March meeting.

(post-meeting note: The Administration has subsequently suggested keeping only 5(b) to 5 (e) on the agenda of the March meeting, which has been agreed by the Chairman.)

Re-scheduling of the meeting for April 2005

7. As the April meeting of the Panel (i.e. 11 April 2005) would clash with the schedule of the Special Finance Committee meetings, the Chairman proposed and members agreed to re-schedule the April meeting to be held on 8 April 2005 at 3:30 pm or after the House Committee meeting, whichever was later.

IV Overall report on the Cyberport project

LC Paper No CB(1)588/04-05(01) -- Information paper provided by Administration

LC Paper No CB(1)623/04-05 -- Background brief on Cyberport

LC Paper No CB(1)676/04-05(01) -- Power-point presentation material on "Overall report on the Cyberport project"
(tabled and subsequently issued to members on 11 January 2005)

8. With the aid of powerpoint presentation, the Deputy Government Chief Information Officer (Planning and Strategy) (DGCIO(P&S)) outlined the progress made by the Government and the Hong Kong Cyberport Management Company Limited (HKCMCL) in fulfilling the public missions of the Cyberport as an information infrastructure project, in particular on the following areas:

- (a) creating a strategic IT cluster;
- (b) providing infrastructure and technical support to small and medium enterprises (SMEs);
- (c) nurturing IT talents and promoting professional development; and
- (d) facilitating exchange and co-operation.

DGCIO(P&S) also briefed members on the financial status of the Cyberport Companies (i.e. the Hong Kong Cyberport Development Holdings Limited (HKCDHL) and its two subsidiaries) and the anticipated return on the Government's investment.

Return on investment in the Cyberport project

Intended objective

9. Mr Howard YOUNG recalled that the Cyberport project was taken forward with the promulgated objective of strengthening and developing the

niche of Hong Kong in information technology (IT) and information services (IS) through creating a strategic cluster of IT/IS companies. As such, the effectiveness of the project should not be assessed solely with reference to the financial return on the Government's investment in the project. Mr YOUNG expressed his view that it might suffice so long as the Government's investment in the project could achieve a positive internal rate of return (IRR). He added that too much emphasis on the financial performance would give a wrong impression that the Cyberport project was a property development project like any other commercial project in the market. In this regard, the Permanent Secretary for Commerce, Industry and Technology (Communications and Technology) (PSCIT(CT)) explained that information on the financial status of the Cyberport Companies and the anticipated return on the Government's investment had been included in the overall report on the Cyberport project to provide the Panel with a comprehensive and transparent basis for evaluation.

Government's capital contribution

10. Mr Ronny TONG did not fully agree with the methodology adopted by the Administration in deriving the anticipated return on the Government's investment in the Cyberport project. Noting that only the land value of the Residential Portion upon granting the development right to the Cyberport Developer was taken into account in determining the Government's capital contribution to the project, Mr TONG strongly considered that the land value of the Cyberport Portion should also form part of the Government's capital contribution. He took the view that although the Cyberport Portion was wholly owned by the Government, the piece of land designated for the development of the Cyberport Portion was a public asset which could be disposed of in other manners (such as land auction) to yield reasonable returns for the Government. Hence, Mr TONG considered that the value of the land comprised in both the Cyberport and Residential Portions should make up the capital contribution when evaluating the return on investment made by the Government in the project.

11. DGCIO(P&S) recalled that in May 2000, HKCDHL received from the Government the land grant for the development of the project. Since the land and buildings in the Cyberport Portion would be wholly owned by the Government, an assessment of the value of the land had not been made at that time. Nevertheless, to quantify the Government's financial return from the Cyberport project, HKCMCL had engaged an international property surveyor to conduct a valuation of the Cyberport Portion, which was about \$2.89 billion as at September 2004. The Cyberport Portion Land Value was about \$507 million. DGCIO(P&S) pointed out that the valuation of the Cyberport Portion would vary in the light of changing market situations, and that different surveyors might come up with different valuations. Indeed, in a separate valuation commissioned by HKCMCL, another independent surveyor had come up with a much higher valuation of the Cyberport Portion. However, the Administration considered it prudent to use the more modest valuation (i.e. \$2.89 billion) to calculate the IRR. DGCIO(P&S) further clarified that the Residential Portion

Land Value of \$7.93 billion had included the construction cost of \$1.1 billion for the basic infrastructure, meaning that the land value of the Residential Portion was only \$6.83 billion.

12. Mr Ronny TONG considered that the valuation of the Cyberport Portion was only a book value, and could not be regarded as a return unless it was realized. He further queried the present-day land value of the Cyberport Portion at \$507 million as the figure could not reflect the prevailing land value at the time when the development right was granted. Mr TONG maintained his view that the Administration should give due regard to the respectable return which would be brought to the Government if the land currently taken up by the Cyberport Portion had been disposed of through other means.

13. In this connection, DGCIO(P&S) stressed that the most important return on the Government's investment in the Cyberport project was its 100% ownership of the Cyberport Portion, which was a critical piece of IT infrastructure for Hong Kong. Had the land for the Cyberport Portion been disposed of through other means, Hong Kong would not have a Cyberport. She added that even if the land for the Cyberport Portion had been sold for commercial use back in 1999, the premium would be far lower than that for residential purposes, given its remote location, lack of basic infrastructure and inaccessibility at that time.

Distribution of surplus proceeds

14. Mr Ronny TONG sought explanation on the Government's share of an estimated \$11.4 billion of surplus proceeds from the sale of the residential units. In reply, DGCIO(P&S) said that based on the latest forecast by the Cyberport Developer, the total amount of surplus proceeds available for distribution (including the \$2.59 billion distributed on 9 August 2004) was estimated to be around \$17.6 billion. According to the respective capital contributions of the Government (64.5%) and the Cyberport Developer (35.5%), the Government would share a total of about \$11.4 billion (including the \$1.67 billion received on 9 August 2004). She nevertheless added that the actual amount of surplus proceeds to be shared by both parties would vary in accordance with the actual sales prices of the remaining residential units, which would be sold out by 2008-2009. DGCIO(P&S) also confirmed that further distributions of surplus proceeds would be made in 2005 up to 2010.

15. Referring to the vigorous publicity and marketing programme launched by the developer for the Residential Portion, the Deputy Chairman enquired whether the cost of marketing the residential units, which he understood from media reports to be as high as \$0.2 billion, would be deducted from the surplus sale proceeds for distribution, and if yes, whether the marketing cost was subject to any regulation by the Administration.

16. In response, CEO/HKCMCL confirmed that a cap had been imposed by the Cyberport Companies on the budgeted cost for marketing the residential units. He also pointed out that the current level of marketing cost for the Residential Portion was within the prevailing market range. DGCIO(P&S) confirmed that the amount of marketing cost required the approval of HKCDHL.

17. Members noted that the operating loss of the Cyberport Companies in the first five years after the practical completion of the Cyberport Portion (i.e. from June 2004 to June 2009) would be covered by the Development Maintenance Fund (DMF), which also provided funding for upkeeping and replacing the shared facilities in the Cyberport Portion. Mr Jasper TSANG enquired if DMF would continue to provide funding for such purposes beyond the first five years.

18. In reply, DGCIO(P&S) advised that when the provisional assessment of the DMF was made in early 2004, it was agreed that the provisioned amount should be \$500 million, instead of \$200 million as envisaged in the Project Agreement. However, according to the Project Agreement, the DMF could not be used to cover the operating deficit and replace equipment pending the completion of the final assessment of the DMF in June 2009. In the meantime, the Government would cover the operating deficit of the Cyberport Companies through the advance account set up in 2000. The companies would have to settle the advance account once surplus sales proceeds were available for distribution. DGCIO(P&S) added that with the approval of the HKCMCL Board of Directors, the DMF funds were being invested in prudent investment portfolios so as to generate interest income for the company.

Office leasing and job creation

Jobs opportunities

19. To assess how far the Cyberport had contributed to the growth of the IT industry and job creation in Hong Kong, Mr Howard YOUNG sought information on the number of staff employed by the Cyberport tenant companies which were new to Hong Kong, as well as the number of additional staff, if any, employed by those tenants which had relocated to Cyberport from other districts. Noting that 15 (or 45%) of the 33 tenant companies were setting up new business/offices in Hong Kong by becoming Cyberport tenants, Dr LUI Ming-wah enquired about the number of new jobs created as a result.

20. On the number of staff employed by the Cyberport tenants, the Chief Executive Officer of HKCMCL (CEO/HKCMCL) said that over 300 jobs were created by the 15 tenant companies which were new to Hong Kong. As regards existing companies which had relocated to the Cyberport, he said that the number of staff employed by them represented an increase of about 13%, on an aggregate basis. To supplement, DGCIO(P&S) pointed out that some of the tenant companies new to Hong Kong were in fact large overseas corporations. Nevertheless, it was understandable that these companies might wish to start off

their initial operation in Hong Kong on a smaller scale, to be followed by further expansion in terms of scale of operation and number of staff employed. In this regard, PSCIT(CT) referred to one of Cyberport's public missions to nurture and support the development of IT-related SMEs as an essential constituent of its strategic cluster. Notwithstanding their relatively small size, PSCIT(CT) considered that these SMEs would bring in high value-added activities to foster the development of the IT-related sectors.

(post-meeting note: The Administration subsequently advises that the number of staff employed by the existing companies which had relocated to the Cyberport represented an increase of about 9%, instead of 13%.)

21. Dr LUI Ming-wah considered that too few jobs had been created at the Cyberport and urged the Administration to step up efforts to secure leading multi-national IT/IS companies to become Cyberport tenants. The Deputy Chairman also expressed his disappointment that despite substantial government investment in the Cyberport project, so few job opportunities had been created for the benefit of the local workforce. CEO/HKCMCL remarked that as the IT-related sector comprised new, value-added business activities which were not necessarily manpower-intensive, it might not be fair to evaluate the overall economic benefit of the Cyberport solely in terms of the number of jobs created.

Occupancy rate

22. Noting from the Administration's paper that the occupancy rate of the Cyberport was envisaged to increase steadily in the next 18 to 24 months, Mr Jasper TSANG enquired about the reasons for such a forecast. He requested further information on the 33 Cyberport tenant companies which had leased office space in the past year or so.

23. In response, CEO/HKCMCL and PSCIT(CT) explained that with the improvement in the macro economic environment, many enterprises were looking for value-added business opportunities globally. It was also observed that many overseas corporations specialising in IT applications, digital entertainment and multi-media content creation were shifting their activities to Asia. For example, the Lucasfilm Limited had indicated its intention to move its headquarters to Asia. CEO/HKCMCL pointed out that Hong Kong's competitive edge such as its intellectual property rights protection regime and the state-of-the-art infrastructure of the Cyberport would enable Hong Kong to outperform its competitors in developing IT/IS services. PSCIT(CT) said that notwithstanding keen overseas competition, the strategic location of Hong Kong had enabled the Cyberport to strengthen its ties with hi-tech parks in the Mainland, develop collaboration opportunities and attract potential tenants from both overseas and the Mainland to become Cyberport tenants.

24. Mr Howard YOUNG asked whether consideration could be given for Hong Kong to admit Mainland IT professionals engaged by Mainland companies

which had leased office space in the Cyberport. CEO/HKCMCL said that while he was not in a position to advise on immigration matters, he believed that there might be practical difficulties in doing so. Nevertheless, HKCMCL would continue to promote the Cyberport in the Mainland and invite potential companies to become Cyberport tenants.

25. On the occupancy rate, CEO/HKCMCL said that given the current favourable economic outlook, he envisaged that the rate could go up to the range of 60% and 70% of the total lettable space of the Cyberport in the next 18 to 24 months. On strategies to help attract more IT/IS firms to become Cyberport tenants, CEO/HKCMCL remarked that HKCMCL had followed the advice of its board of directors to complete the Cyberport infrastructure in a timely manner so that its service capability could be readily show-cased to potential tenants during marketing activities. Indeed, upon completion by end 2004, the Cyberport was now highly presentable as an IT infrastructure and had gained international awareness and recognition. CEO/HKCMCL assured members that HKCMCL would monitor the worldwide trend of office leasing by IT/IS companies, in particular the preferred locations of setting up regional offices by leading multinational IT/IS companies.

26. The Deputy Chairman cast doubt on the effectiveness of the Cyberport in attracting a critical mass of leading IT/IS companies. He remarked that given Hong Kong's existing competitive edge, the 15 companies in question would likely establish their presence in Hong Kong irrespective of whether there was a Cyberport. He nevertheless stressed that HKCMCL should step up its marketing efforts to secure the tenancy of leading multi-national IT/IS companies. In the meantime, to make the best use of the available Cyberport facilities, the Deputy Chairman suggested that the Administration might consider assisting young people to set up IT businesses in the Cyberport by way of, say, short term tenancies.

27. In this connection, PSCIT(CT) said that the Cyberport should not be evaluated solely in terms of the current tenancy rate and job creation. As the Cyberport was still in its early stage of operation, it should be allowed to develop further in the next two years before a more meaningful conclusion could be drawn. PSCIT(CT) confirmed that HKCMCL would continue to work closely with partners such as Invest Hong Kong in promoting the Cyberport as Hong Kong's IT flagship project both in the Mainland and overseas. He assured members that HKCMCL would not seek to boost the take-up rate of the Cyberport by admitting companies whose business profiles were not consistent with the Cyberport vision.

28. The Chairman agreed that the Cyberport should not compete with other property developers in Hong Kong by offering office space at highly attractive leasing terms. However, to make the best use of this leading of IT infrastructure, he suggested that HKCMCL might consider collaborating with local tertiary institutions to offer incubation programmes for young IT talents to set up

businesses in the Cyberport as these young people usually lacked the necessary resources to compete with established enterprises. He further suggested that about 5% of the office space might be allocated at a concessionary rent for such purposes. The Chairman also enquired on measures to attract local SMEs to become Cyberport tenants.

29. PSCIT(CT) stressed that the main attraction of the Cyberport was its state-of-the-art infrastructure and supporting facilities, including its Digital Media Centre (DMC) and Hong Kong Wireless Development Centre (HKWDC), which were not available in other Grade A office premises in Hong Kong. The above infrastructure and services were important for the continuous development of the local IT and digital entertainment industries, in particular SMEs which could not afford the capital investment in expensive equipment. PSCIT(CT) further advised that to nurture local talents in digital entertainment, the Cyberport would explore the setting up of an incubation and training programme. CEO/HKCMCL supplemented that HKCMCL had held discussions with the Innovation and Technology Commission and local tertiary institutions on organizing incubation programmes for the digital entertainment business.

Related services

30. Dr LUI Ming-wah pointed out that there was inadequate public transport connecting the Cyberport and other districts. This problem was particularly serious for IT/IS personnel who usually worked long hours and left offices very late. Echoing Dr LUI's view, the Chairman also urged the Administration to improve public transport services to and from the Cyberport.

31. In response, CEO/HKCMCL assured members that HKCMCL had spared no effort in pursuing with the Transport Department to improve public transport services to/from the Cyberport. For example, it had maintained discussion with the Transport Department, the Southern District Council and the Mass Transit Railway Corporation on the proposal to take forward the South Island Line and to set up a station at the Cyberport. To supplement, PSCIT(CT) said that with the gradual intake into Residence Bel-Air in the coming year, the number of commuters would increase and this would justify the demand for the provision of additional transportation services to/from the Cyberport.

Conclusion

32. Noting members' views and the progress reported so far, the Chairman suggested that instead of briefing the Panel on the Cyberport project once every six months, the Administration should take the initiative to report progress to the Panel on an annual basis and at an appropriate time, such as to tie in with the release of its annual report. Members agreed.

V 2004 Public Opinion Survey on Film Classification

LC Paper No CB(1)622/04-05(03) -- Information paper provided by Administration

LC Paper No CB(1)676/04-05(02) -- Power-point presentation material on "2004 Public Opinion Survey on Film Classification" *(tabled and subsequently issued to members on 11 January 2005)*

33. With aid of the powerpoint presentation, the Commissioner for Television and Entertainment Licensing (C for T&EL) briefed members on the findings of the 2004 Public Opinion Survey on the Film Classification System (the opinion survey).

34. Noting that respondents had considered the classification standards on ten out of twelve Category III film titles appropriate, Mr Howard YOUNG sought the respondents' views on the other two film titles. In response, the Assistant Commissioner for Television and Entertainment Licensing (Entertainment) said that the majority of respondents found both film titles unacceptable. In fact, one of the film titles had not been approved by the Film Censorship Authority (FCA).

35. The Deputy Chairman considered the current film classification system for Hong Kong appropriate as it was familiar and acceptable to the general public. Noting that out of those respondents aged 13 to 17 who had seen Category III films, 62% had obtained the copies from video clubs/shops but none had viewed them at cinemas, the Deputy Chairman commented that this was understandable because young viewers would suffer economical loss if they were refused entry into the cinemas to view the Category III films after they had bought the tickets whereas they could just return the videos to the shop operators without payment if the operators refused to make available the Category III films to them. The Deputy Chairman queried why video clubs/shops could make available Category III films to persons under the age of 18.

36. In response, C for T&EL advised that under the Control of Obscene and Indecent Articles Ordinance (Cap 390) and the Film Censorship Ordinance (Cap 392), it was an offence for anyone to make available indecent materials, including Category III films, to young persons under the age of 18. Among the 30 young viewers surveyed who had seen Category III films, 23 of them were aged 16 to 17. Therefore, it might not be easy for clubs/shops operators to tell from the outlook of these young persons whether they were 18 years of age or below. Nevertheless, the Television and Entertainment Licensing Authority (TELA) had stepped up enforcement and strengthen public education to prevent the sale of videos containing indecent materials to persons under the age of 18. Specifically, TELA had conducted 106 special operations on video shops in 2004, vis-à-vis only nine in 2003. In response to the Chairman's suggestion of

enforcement officers disguising themselves as customers to secure evidence for the sale of Category III films to persons aged below 18, C for T&EL said that while no enforcement staff in TELA or Hong Kong Police was under the age of 18, it might not be proper for the Administration to do so as this act might be construed as aiding and abetting another person to commit an offence.

37. On public education and publicity, C for T&EL reported that the Administration had urged video clubs/shops to put up notices at conspicuous places warning that videos containing indecent materials should not be sold to young people under the age of 18. The Administration had also launched educational and publicity programmes in collaboration with schools, with the message that young people should not view Category III films. Parents were also encouraged to exercise more parental guidance for their young children.

38. The Chairman opined that while the survey showed that the public in general supported and accepted the existing film classification system, it might not serve its intended purpose of preventing children and young persons from viewing films that could be harmful to them. He believed that the actual number of young persons below the age of 18 viewing Category III films was much higher than the figure reported in the opinion survey because they could access Category III films from the Internet without visiting cinemas.

39. In response, C for T&EL agreed that the widespread use of the Internet had posed new challenges to the work of TELA. Apart from free viewing or downloading of Category III films, there were related problems such as unauthorized downloading of copyright works, Internet piracy issues etc which warranted the Administration's consideration of a holistic strategy to tackle the problems.

40. Mr Timothy FOK shared C for T&EL's view. He said that while the film industry had no objection to the existing film classification system, they would urge the Administration to step up enforcement against rampant copyright infringement such as the sale of pirated copies of films and the unauthorized downloading of them from the Internet for viewing.

41. Summing up, the Chairman said that the Panel would support the continuation of the current film classification system.

VI Any other business

42. There being no other business, the meeting ended at 4:30 pm.