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**Panel on Information Technology and Broadcasting**

**Meeting on 12 April 2012**

**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 Members on the Project.

**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 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 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 to create a strategic cluster of leading information technology (IT) and information services (IS) companies and a critical mass of professional

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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.

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, has 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%). As at December 2011, the Government has received a total of about \$18.76 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 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.

## **Previous discussions**

### Panel on Information Technology and Broadcasting

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 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 Cyberport 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 Panel meeting on 8 February 2010, some members opined that the Cyberport Project should not be regarded as a property development project with its success measured by the occupancy rate of

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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.

the office premises and the Cyberport Arcade, and the amount of rental return and profits recovered from property sales. They hoped that the Cyberport 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) that were 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 SMEs 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.

9. 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 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. The Hong Kong Cyberport Management Company Limited 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.

10. 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.

11. Some members considered the \$500,000 Cyberport Creative Micro Fund 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.

#### Finance Committee

12. At the special meetings of the Finance Committee on 7 March 2012, some members raised questions on collaboration of the ICT industries of Hong Kong and the Mainland to complement the National 12<sup>th</sup> Five-Year Plan. In reply, the Administration advised that it encouraged Hong Kong experts and industry members to collaborate with the Mainland and join standardization organizations in the Mainland to contribute to the development of cloud computing standards. Representatives from the Cyberport and Hong Kong Applied Science and Technology Research Institute joined the Technical Committee on Information Technology of Standardization of Guangdong Province in July 2011. Cyberport would also join the Guangdong Cloud Computing Industry Alliance. In March 2012, the Office of Government Chief Information Officer and Cyberport would organize a Cloud Computing Symposium in Cyberport in collaboration with the Ministry of Industry and Information Technology.

#### **Latest position**

13. The Administration and the Cyberport management will report to the Panel at its meeting on 12 April 2012 the progress of the Cyberport Project.

**Relevant papers**

14. 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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