

**立法會**  
***Legislative Council***

LC Paper No. CB(1)581/03-04

Ref. : CB1/PL/ITB

**Panel on Information Technology and Broadcasting**

**Meeting on 12 January 2004**

**Background brief on Cyberport prepared by the Secretariat**

**Background**

The Cyberport project was undertaken by the Government in co-operation with Pacific Century Group (PCG) in 1999. The project, which comprises a Cyberport Portion and an ancillary Residential Portion, is scheduled for completion in phases between mid-2002 and 2004. 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 IT/IS talents in Hong Kong while the Residential Portion will generate revenue to drive the project.

2. The Government has set up three limited companies owned by the Financial Secretary Incorporated (the FSI companies) for undertaking the project. On 17 May 2000, the FSI companies signed the Project Agreement with Pacific Century CyberWorks (PCCW) and Cyber-Port Limited set up by PCCW as the Cyberport developer. The development right of the Cyberport was granted to the developer on 8 June 2000.

**Financing arrangements**

3. The Government is responsible for providing the necessary infrastructure for the Cyberport. Between May 1999 and December 2000, the Finance Committee approved funding totalling some \$1.1 billion for the following works :

- (a) Provision of roads, drains and the essential infrastructure for the Cyberport development;
- (b) construction of the northern access road and associated drains and waterworks; and
- (c) extension of water supply to Pok Fu Lam areas.

4. Pursuant to the Project Agreement, the Government's capital contribution was the Residential Portion Land Value at the time of grant of development right to the Cyberport developer while PCG's contribution would be the outturn of the peak funding requirement. (Members have been informed of details of the Project Agreement vide LegCo Brief ITBB/CP303/2(00) dated 17 May 2000) The Residential Portion Land Value was \$7.8 billion, which already included the estimated cost of \$1.1 billion for infrastructural works. As at end June 2003, Cyber-Port Limited has contributed around \$4.35 billion to the project.

5. After deducting the relevant expenses due and payable and contributing to a \$200-million Development Maintenance Fund for up-keeping the Cyberport, the surplus proceeds from the sale of the residential units will be shared between the Government and the Cyberport developer according to their respective contribution to the project. A set of Secured Accounts Arrangements has been established in December 2002 to ensure that proceeds generated from the sale of the residential development are handled and distributed strictly in accordance with the Project Agreement.

6. Pending completion of the whole project, the Cyberport developer is required under the Project Agreement to procure from an A-rated bank a cashflow guarantee, with the Government as the beneficiary, to cover the cashflow requirements for every next six months.

## **Key developments**

### Superstructure construction

7. The Cyberport Portion is made up of four office buildings (respectively named Cyberport 1, 2, 3 and 4), a five-star hotel and a retail and entertainment complex. It is being completed in phases to provide a total of 94 100 sq m of lettable office space. Phase CI (Cyberport 2), Phase CIB (part of Cyberport 3), Phase CIA (Cyberport 1) and Phase CII (part of Cyberport 3) have been completed between April 2002 and February 2003 providing a total of some 55 000 sq m of office space, the Cyberport Visitor Centre and part of the shared facilities. Phase CIII (remaining part of Cyberport 3) is ready for occupation in early 2004 and Phase CIV (Cyberport 4) is scheduled for completion by late 2004.

8. The Arcade (formerly known as the Cybercentre) and the Cyberport hotel to be run by the Le Meridien Group, is scheduled for opening in early 2004 and in spring 2004 respectively.

### Residential development

9. The ancillary residential development will be completed in phases between September 2004 and mid-2007. Phase R1a (Residence Bel-Air) and R1b are under construction. Pre-sale of Phase R1a (544 units) was launched in February 2003. As at end June 2003, over 95% of the units have been sold. Pre-sale of Phase R1b (about 300 units) has been scheduled to take place in the fourth quarter of 2003.

### Related facilities

10. The Cyberport Institute, run by the University of Hong Kong, started operation in September 2003. In cooperation with six corporate partners, the Institute offers post-graduate and professional diploma courses in areas such as IT project management, networking and multi-media technology.

11. One of the major shared facilities located in the "IT Street" of the Cyberport include a well-equipped Digital Media Centre (DMC) to provide one-stop facilities and technical support to digital media content creators in Hong Kong. An Assessment Panel chaired by the Permanent Secretary for Commerce, Industry and Technology (Communications and Technology) with four local and two overseas experts has selected Centro Digital Media Limited as the Project Manager to design, build and commission the DMC for full operation by end February 2004. To maintain neutrality, the Cyberport will recruit its own staff to operate the DMC after its commissioning.

12. Other facilities to be provided in the "IT Street" to support Cyberport tenants' operations include a Wireless solutions Development Centre, an iResource Centre, a business centre, meeting and training rooms. These facilities are planned to be completed in phases between mid-2003 and early 2004.

### Tenancy position

13. All applications for Cyberport tenancy are considered and approved by the Committee on Admission of Cyberport Office Tenants comprising international and local experts. Up to July 2003, the Committee has considered 109 applications and rejected eight, mainly on the ground that their business profile does not fit in with the objective of the Cyberport.

14. As at 10 July 2003, 24 companies and organizations have leased or committed to lease office premises in the Cyberport. Seven of them, including one based in Shenzhen, are new companies in Hong Kong. 97% of Phase CI, all the space in CIB, 65% of CIA and 26% of CII have been taken up. The aggregate take-up rate for Phases CI, IA and IB is about 80%. The Administration has estimated that more than 2 500 staff will be employed by these companies and organizations.

### Institutional arrangements

15. On 5 June 2003, the Hong Kong Cyberport Management Company Limited announced the appointment of 10 non-government directors to its management board in addition to the two government officials serving on the board, namely, the Permanent Secretary for Commerce, Industry and Technology (Communications and Technology) and the Permanent Secretary for Financial Services and the Treasury (Treasury).

16. The secondment of two government officers to serve as the Cyberport Coordinator and the Deputy Director (Construction & Development) will expire on 4 January 2004. In October 2003, the Hong Kong Cyberport Management Limited announced the appointment of Mr Nicholas YANG as the new Chief Executive Officer to take over from the incumbent Cyberport Coordinator.

### **Major concerns expressed by Members**

17. Members have followed closely the progress of the Cyberport project through discussion at the Panel and raising questions at Council meetings. Between June 1999 and July 2003, the Panel has reviewed the progress of the project at 12 meetings. To acquire first-hand information, the Panel paid a visit to the Cyberport on 5 December 2001 and on 8 July 2003.

18. In considering issues related to the Cyberport, members have highlighted the following concerns :

- (a) It is of paramount importance to ensure that the Cyberport project should serve its intended objective of creating a strategic cluster of leading IT/IS companies, instead of becoming a property development project competing with the private sector in offering quality office and residential premises.
- (b) The cost-effectiveness of the Cyberport as a major IT infrastructure should be assessed with reference to, inter alia, the number of new companies to be set up and the new, value-added activities which are to be undertaken in the Cyberport. The number of employees employed by Cyberport tenants and the size of their offices are also useful indicators.
- (c) The Government should be mindful of the need to ensure that state-of-the-art facilities provided in the Cyberport such as the DMC would not pose unfair competition and compete with the private sector for business opportunities.

- (d) The Administration should advise the Panel as soon as practicable on the revenue aspects of the project, in particular the projected investment return and whether the Government has incurred any loss on its investment.

**Latest position**

19. The Panel will be briefed on the latest progress of the Cyberport project at the next meeting to be held on 12 January 2004.

Council Business Division 1  
Legislative Council Secretariat  
5 January 2004