

Information Technology and Broadcasting Panel

Progress Report on the Cyberport Project (June 2004)

Purpose

This paper updates Members on the progress of the Cyberport project.

Background

2. In the first half of 2004, the Cyberport focused on the following specific areas of work:

- (a) To drive marketing efforts, both overseas and in the Mainland, in a more focused manner in cooperation with strategic partners such as Invest Hong Kong (Invest HK), Hong Kong Trade Development Council (HKTDC), Hong Kong Productivity Council (HKPC) and the Science Park;
- (b) To support the development of small and medium IT and content creation enterprises so that they can benefit from the world-class infrastructure at Cyberport and become an essential part of the strategic cluster;
- (c) To create and enhance human capital with IT and digital media training through collaboration and partnership with the industry, academia, business and professional organisations;
- (d) To facilitate the development of the digital media industry through the provision of hardware, software and technical support at the Digital Media Centre;
- (e) To promote, in collaboration with the Hong Kong Wireless Development Centre, the development of services and applications for wireless and mobile communications leveraging on Cyberport's infrastructure and synergy; and

- (f) To position Cyberport as a new and unique venue for local and regional conferences and product/services launching, leveraging on its world-class conference facilities and audio-visual equipment.

3. We have made good progress in the above-mentioned areas and the details are elaborated in the ensuing paragraphs. The Panel also visited the Cyberport on 15 June 2004 during which they were briefed on the latest developments and had useful discussions with some of its tenants.

Building development

4. The Cyberport is made up of four office buildings (respectively named Cyberport 1, 2, 3 and 4), a five-star hotel and an arcade. It is being completed in phases to provide a total of 94,700 sq m of lettable office space. Details are as follows:

- (a) Phase CI (Cyberport 2): completed in April 2002 to provide a total of 18,000 sq m office space;
- (b) Phase CIB (first part of Cyberport 3): completed in August 2002 to provide 1,500 sq m office space and accommodate the Cyberport Visitor Centre;
- (c) Phase CIA (Cyberport 1): completed in November 2002 to provide a total of 15,400 sq m of office space;
- (d) Phase CII (second part of Cyberport 3): completed in February 2003 to provide 20,200 sq m office space and part of the shared facilities;
- (e) Phase CIII (remaining part of Cyberport 3): completed in April 2004 to provide 31,900 sq m office space and part of the shared facilities; and

- (e) Phase CIV (Cyberport 4): a three-storey office building (7,700 sqm) scheduled for completion in late 2004.

5. The Arcade, a 27,000 sq m specially designed complex to provide themed educational, entertainment and retail services, is being opened in phases, with the grand opening scheduled for December 2004. The Cyberport hotel, operated by the Le Meridien Hotel Group, was opened on 20 April 2004 to provide 173 rooms and ancillary facilities.

6. We are confident that the Cyberport will be completed by end 2004 as scheduled. We are also pleased to inform Members that the Cyberport has won the “Intelligent Building of the Year Award 2004” organized by the New York-based Intelligent Community Forum in June 2004 for not only its state-of-the-art IT infrastructure and beautiful architecture, but also the role model it sets for future IT-connected community.

Office Leasing and Marketing

7. All applications for Cyberport tenancy are considered and approved by the Committee on Admission of Cyberport Office Tenants (CACOT). The Committee, which comprises international and local experts, considers applications having regard to the business profile of the applicant and its relevance to the objectives of the Cyberport.

8. As at 15 June 2004, 28 companies and organizations (including two new tenants since our last report to the Panel) have leased or committed to lease Cyberport offices (list of tenants and committed tenants at **Annex A**). The new tenants are also new establishments in Hong Kong including a US-based company. The 28 tenants take up 71% of the space in Cyberport 1, 97% of the space in Cyberport 2, and 17% of Cyberport 3. The aggregate take-up rate for these three completed buildings is about 43%. Negotiations are underway with a number of overseas companies which are considering setting up operations in Cyberport.

9. Altogether, these 28 tenants currently employed around 2,000 staff. Over 370 of them are employed by new set-ups in Hong Kong or by pre-existing companies after they moved into Cyberport. Separately, five of the tenants have leased or committed to lease a total of 5,200 sq m of additional space after they have signed up with Cyberport. The additional space leased or committed by the tenants represents a 42.8% increase over the total floor area leased by them at the time they signed up with Cyberport (and 16.8% of the total space taken up by the 28 tenants). Taking into account the space sought by tenants for expansion under negotiation (13,850 sq m), the total floor area to be leased by all Cyberport tenants would have increased by 61.5%. The increase in the space leased and the number of new employees to a certain extent reflect the business growth of the Cyberport tenants and their contribution to job creation.

10. We continued to promote the Cyberport proactively overseas and in the Mainland in the first half of 2004, leveraging on Cyberport's excellent infrastructure, Hong Kong's advantages and the benefits under the Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA). We have nonetheless sharpened our geographical and sectoral focus with IT and digital media companies in the US (East and West Coast), South Korea, Japan, the Mainland and Taiwan as our main targets. Major marketing efforts (including speaking engagements and company visits) in the first six months of 2004 include:

- (a) the Hong Kong Forum at NASSCOM 2004 (a major international IT and business process outsourcing convention) organized by Invest HK in Mumbai, India in February 2004. To reciprocate, a NASSCOM delegation visited Cyberport on 31 May 2004;
- (b) the China Technology Forum in Beijing in April 2004;
- (c) visits to IT and digital media companies in the West Coast of the US in early May 2004;

- (d) the Hong Kong Business Seminar, sponsored by HKTDC, in Stockholm, Sweden on 12-13 May 2004; and
- (e) joint promotion tours with Invest HK and Science Park to Shanghai and Beijing in late May 2004.

11. As the first step to build strategic partnership with Mainland technology parks, the Cyberport and the Shenzhen Hi-tech Industrial Park (SHIP) signed a strategic cooperative agreement on 17 June during the Shenzhen Mayor's visit to Hong Kong. The agreement will provide a framework under which Cyberport and SHIP will enter into various forms of cooperation, including in the areas of development of innovative IT applications, marketing and human resources development.

Retail leasing

12. 65% of the lettable space in the Arcade have been taken up which include an "edutainment" concept store, a cinema, a flagship wedding services centre, leading life-style electronics shops, banks, a food court and a number of exquisite food and beverages (F&B) outlets. Taking into account the lead time for fitting-out, we are planning to open the Arcade by phases starting in June 2004, with the grand opening scheduled for December 2004.

Related Developments

13. All the shared facilities in the "IT Street" at Cyberport 3 to support Cyberport tenants' operations have been opened, except for a gymnasium which is scheduled to complete in late 2004. The major shared facilities include a Digital Media Centre, a Wireless Development Centre, an iResource Centre, video conferencing suites, meeting and training rooms, and a cafe. These shared facilities, together with the world-class IT and telecommunications infrastructure at Cyberport, will help reduce the capital and operating costs incurred by Cyberport tenants, which is important especially to small and medium sized enterprises (SMEs).

Digital Media Centre

14. The Digital Media Centre (DMC), which provides one-stop facilities and technical support for the digital media content creators, will help spearhead the development of the digital entertainment industry in Hong Kong. The DMC was opened on 29 March 2004. The DMC provides a state-of-the-art motion capture system, 3D scanning system, multi-media workstations, audio and video editing suites, a virtual studio and the fastest networked render farm server in Hong Kong.

15. To maintain neutrality and independence which is of paramount importance to the Centre's operations and protecting content creators' intellectual property, the Cyberport recruited its own staff to run the DMC. The DMC and its staff will only act as a facilitator and will not compete with the private sector for jobs. An Advisory Committee, comprising representatives from the industry, academia, relevant professional/trade bodies and the Government was set up in January 2004 to steer the development of the Centre, review its performance and advise on collaboration with relevant parties. The Committee has reviewed and approved the billing system (details at **Annex B**) for hiring the facilities and equipment of the DMC. The guiding principle, as agreed by the Advisory Board, is that where similar facilities are available in the market, market rates will be charged; and where the facilities are not currently provided by the private sector (e.g. 3D scanning system), we will charge for their use at cost¹.

16. The DMC has attained average utilization rates at around 35-45% in the first two months after its opening, with peak utilization rate at 88% during some of the weeks in May 2004. The current priorities of the DMC are (a) to continue to market its facilities and services proactively to the digital media industry, and (b) to collaborate with the academia and industry support organisations particularly in organizing training courses on animation, video and sound production. On (a), apart from the grand opening on 29 March, the DMC has co-organized with the Government a Digital Entertainment Leadership Forum on 23 April during which 11 world-renowned experts from Hollywood and Hong Kong were invited to share their insights into the

¹ "Cost" does not include capital equipment depreciation cost.

trends and developments on digital entertainment. On (b), in addition to signing a Memorandum of Understanding (MOU) with the Hong Kong Baptist University which allows its final-year students to use the 3D render farm facilities at the DMC, the DMC will explore collaboration opportunities with other tertiary institutions locally and overseas .

Hong Kong Wireless Development Centre

17. Since its opening in December 2003, the Hong Kong Wireless Development Centre (HKWDC), run by the Hong Kong Wireless Technology Industry Association, has organized or co-organized more than 20 exhibitions, conferences, seminars and business matching visits in Hong Kong and in the Mainland, which have promoted networking and helped create new business opportunities for the mobile and wireless industry. So far, more than 80 wireless application developers and content providers have registered as HKWDC members, covering areas such as games, workforce management, location-based services and video streaming. Furthermore, HKWDC has signed five MOUs to strengthen collaboration with local and overseas wireless companies and laboratories.

iResource Centre

18. The iResource Centre was soft opened in early May 2004, and has registered over 300 members during its first month of operation. Currently the Centre provides a digital content library with 8,000 publications and 600,000 sound tracks. To provide resources support for the users of the DMC and HKWDC, the iResource Centre aims to provide a wide range of IT and multimedia resources including market information, technical resources, online database, multi-media content library and games library. In addition, the Centre will collaborate with the Hong Kong Digital Entertainment Association (HKDEA) to provide a game testing resource to support the development of the games industry. We are also making good progress with Microsoft XBox in setting up an XBox live testing area in the Centre.

Transportation

19. At present, the Cyberport is served by four bus routes and two Green Mini Bus (GMB) routes, namely, Route M49 to/from Central; Route 73 to/from Stanley; Route 970P to/from So Uk Estate; Route 107P to/from Hunghom, GMB Route 69 from Quarry Bay via Causeway Bay and the new GMB Circular Route 69A to/from Aberdeen. A chartered ferry service running between Cyberport and North Point has commenced operation in December 2003. A number of improvements have also been introduced to the existing services including increasing the number of the M49 morning express bus services running between Central and Cyberport direct, increasing the frequency of 107P and deploying more buses to GMB Route 69.

20. In view of the impending opening of the Northern Access Road (linking Cyberport to Sandy Bay) in early July 2004, the Transport Department is planning to introduce two new GMB routes, namely, Route 10X and Route 58 to/from Central and Kennedy Town respectively. In addition, Cyberport is working closely with the Transport Department and the operators concerned on the proposal to introduce shopper shuttles for the Arcade, as well as additional franchised bus and GMB routes to cater for the increasing number of commuters (e.g. tenants, residents and shoppers) to/from Cyberport.

Residential Development

21. The ancillary residential development (the Residential Portion) will be completed, in phases, between September 2004 and mid-2007. As of 15 June 2004, all 1204 units in Phases RI (Residence Bel-Air and Residence Bel-Air South Towers) and 215 units (or 72%) of the 300 units in Towers 1-3 of Phase RIII (Bel-Air on the Peak) have been sold. Pre-sales of the remaining blocks in Phase RIII and RIVa, involving 511 units, will be launched in the second half of 2004 and/or early 2005. The sales or pre-sales of Phase RII (18 houses), RIVb (31 units) and RV (846 units) will be launched in 2005 and 2006.

Financial Arrangements

22. As at end May 2004, Cyber-Port Ltd, the Developer, has contributed around \$4.372 billion to the Cyberport project. After deducting the relevant expenses due and payable and contributing to a Development Maintenance Fund for up-keeping the Cyberport, surplus proceeds from the sale of the residential units will be shared between the Government and PCCW according to their respective contribution to the Project. The proceeds generated from the pre-sale of Phases RI and III (part) of the Residential Portion are being used to finance the outstanding construction costs of Cyberport and the residential development with part of the proceeds transferred to the Development Maintenance Fund.

Next Steps

23. Apart from ensuring the timely completion of the Cyberport Portion by end 2004, we will strive to attain the various objectives set for the Cyberport as outlined in paragraph 2 above, including taking proactive measures to encourage local, overseas and Mainland companies to set up business in Cyberport to facilitate formation of the strategic cluster of IT and IT related companies, and making further contributions to the technological and industrial development in Hong Kong.

24. The Administration will, as promised at the Panel meeting in January 2004, provide a comprehensive evaluation report on the Cyberport project in early 2005.

**Communications and Technology Branch
Commerce, Industry and Technology Bureau
June 2004**

CYBERPORT OFFICE
List of Committed Tenants

(15 June 2004)

Tenants' Name	Brief Description
1. GX S International Inc.	A multinational company providing network and data centre infrastructure for B2B e-Commerce services globally.
2. Microsoft (Hong Kong) Ltd	A multinational company and a leading software provider.
3. ESRI (Hong Kong) China	A U.S. based company providing Geographical Information System products.
4. SmartTrust Limited	A Finland based company providing mobile communication and mobile-based services and applications.
5. DBTronix Limited	A local company providing security solutions for protection from breaches in Internet.
6. Incubation Centre at Cyberport Limited (formerly called Uni-Star)	A local company providing incubator services for IT industry.
7. PCCW	A H.K. listed company providing international and local telecom services, Internet and interactive multimedia services.
8. Outblaze Limited	A local company. Development and outsourcing provider of web-based communication and infrastructure software solutions.
9. SafeNet Asia Limited (formerly known as Rainbow Technologies (Asia Pacific) Co. Ltd)	A U.S. company new to Hong Kong. It provides information security solutions for Internet, eCommerce and content protection.
10. The University of Hong Kong	For setting up of "Cyberport Institute" to provide research and training facilities on site.
11. Compuware (Asia Pacific) Limited	A U.S. based company providing software tools and professional services for business.

Tenants' Name	Brief Description
12. Hong Kong CSL Limited	A local company providing mobile communication services.
13. Sybase Hong Kong Limited	A multinational company providing technical services on business development and application solution development.
14. HNH International Ltd	A Hong Kong based international company engaging in the production and marketing of classical and world music (including brand names like Naxos and Marco Polo), audio-visual programmes, online music and language education, webcasting and book publishing.
15. Noah Company Ltd	A newly set up local company engaging in the multimedia content creation.
16. Arctic Cooling (HK) Ltd.	A Switzerland based company new to Hong Kong. It provides thermal solutions to reduce the noise and heat of computer systems.
17. Suntek Computer Systems Ltd.	A Hong Kong based company in the development of software applications for e-commerce.
18. Centro Digital Pictures Ltd.	One of the leading local companies specializing in the creation of digital content, animation and special effects.
19. New Top City Ltd. (trading as the Institute of High Performance Computing)	A new local company specializing in software development for enhancing performance of computers in processing complicated simulations and computing.
20. Information Technology Services Department, HKSAR	Part of ITSD's operation is housed in Cyberport, including the appraisal and monitoring of new technologies and solutions on IT, demonstration of IT solutions (IT Solution Centre) and provision of management and facilities support for IT training to government departments.
21. Everbest Technologies (SMS) Ltd.	A local company engages in the research and development of software products in connection with SMS and MMS application of mobile phone.

Tenants' Name	Brief Description
22. Shenzhen Strength	A PRC based software company new to Hong Kong. Its software products apply to intelligent residential building system, remote utility meters reading, CATV broadband network.
23. Schneider Electric Business Solutions – SEBS HK Ltd.	A French-based multinational corporation. Its Hong Kong office serves as the IT hub and platform for the HQs to enhance its global customer service, administration as well as other value-added services.
24. EO Global Ltd.	A local SME focusing on the research and development of software products in connection with global relocation of personnel, executive search and other human resources management tools.
25. Mail Prove Ltd.	A new set-up which will launch its innovative anti-spam system for email users shortly. It will also continue its research and development of IT applications in the aforesaid area.
26. EmployeeConnect (Greater China) Ltd.	A local SME backed by an Australian company. It engages mainly in the development and marketing of its software product – EmployeeConnect, which performs a comprehensive range of web-based functions on corporate human resources and administration matters.
27. CoVi Technologies Inc.	A U.S. company new to Hong Kong. Its principal business is in the design, development and manufacturing of IT-friendly digital and HDTV video surveillance hardware and software systems.
28. Brightex Technology Ltd.	A local company specializing in the development and marketing of software products in connection with mobile devices such as PDAs, mobile phones and tablet PC.

Digital Media Centre
Billing System

Equipment List	Regular Rate* (HK\$ per hour)
In-house High Definition (HD) camera	\$3,000
HD Non-linear Avid	\$4,000
Standard Definition (SD) Non-linear Avid	\$1,050
Multi-purpose Audio Suite	\$1,900
On-line Editing Panel HD/SD	\$1,400
Virtual Set System	\$1,000
Live/Post Audio Suite	\$800
Live Shooting Studio	\$5,500
3D Cyber Scanning Studio	\$1,500
Motion Capture	\$1,900
Multi-media workstation	\$200
Render Farm	\$12 per accumulative processing hour

* A promotional discount is being offered to users in the first six months from the opening of the DMC (i.e. until end September 2004).