

Information Technology and Broadcasting Panel

Progress Report on the Cyberport Project (January 2004)

Purpose

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

Background

2. In the second half of 2003, Cyberport continues to focus on the following specific areas as reported in our last (July 2003) progress report to the Panel:

- (a) To step up marketing, both overseas and in the Mainland, and intensify our activities, in cooperation with Invest Hong Kong, Hong Kong Trade Development Council (TDC) and the Science Park;
- (b) To support the development of small and medium IT enterprises so that they can take advantage of the world class infrastructure in the Cyberport and become an essential part of the strategic cluster;
- (c) To develop a regional center of excellence for IT and digital media training for creating human capital in IT through collaboration and partnership with the industry, academia and research institutes and professional bodies;
- (d) To spearhead the development of the digital media industry through the provision of hardware, software and technical support at the Digital Media Centre;
- (e) To promote the development of services and applications for wireless and mobile communications leveraging on Cyberport's excellent infrastructure and synergy and through the Hong Kong

Wireless Development Centre; and

- (f) To complete the transitional arrangement for professional management of the Cyberport and its programmes.

3. We have made good progress in the above-mentioned areas and the details are elaborated in the ensuing paragraphs.

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 94,100 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 20,100 sq m office space and part of the shared facilities;
- (e) Phase CIII (remaining part of Cyberport 3): to be ready for occupation in early 2004 to provide 32,100 sq m office space and part of the shared facilities; and
- (f) Phase CIV (Cyberport 4): a three-storey office building (7,000 sq m) scheduled for completion in late 2004.

5. The Arcade (formerly called the Cybercentre), a 27,000 sq m specially designed complex to provide themed educational, entertainment

and retail services, will be opened by mid 2004.

6. The Cyberport hotel, operated and managed by the Le Meridien Hotel Group, is scheduled to open in Spring 2004 to provide 173 rooms and ancillary facilities.

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, has so far considered 116 applications and rejected eight, mainly on the ground that their business profile does not fit in with the objective of the Cyberport.

8. As at 1 January 2004, 26 companies and organizations (including four 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**). All of the new tenants are new establishments in Hong Kong including a French-based multinational corporation and an Australian company. The 26 tenants take up 98% of the space in Phase CI, all the space in CIB, 67% of CIA and 31% of CII. The aggregate take-up rate for Phases I, IA and IB is about 84% (and about 63% if Phase II is included). Altogether, these 26 companies/organisations employ around 2,700 staff. Negotiations are underway with a number of overseas companies which are considering setting up operations in Cyberport.

9. We have re-launched our overseas promotion efforts in the second half of 2003. These included taking part in the IT and Technology Seminars organized by Invest Hong Kong in Xiamen and Guangzhou in early September 2003, the joint promotion tours with Invest Hong Kong and Science Park to the United Kingdom, Ireland and Switzerland on 20-26 September 2003, booth participation at CeBIT Asia (Shanghai) in mid-September 2003, and DICON 2003 (a digital media show) in Seoul, Korea in mid-November 2003. These promotion efforts have generally raised the profile of Cyberport overseas and helped attract a number of potential tenants.

10. We will continue to promote Cyberport proactively overseas and in the Mainland in 2004, leveraging on Cyberport's excellent infrastructure, Hong Kong's advantages and the benefits under the Mainland/Hong Kong Closer Economic Partnership Arrangement (CEPA). Apart from taking part in international trade fairs and joint promotion tours with Invest Hong Kong and TDC, promotion visits to target cities and companies in the United States, South Korea, Japan, the Mainland and Taiwan will be organized throughout 2004.

Retail leasing

11. 66% of the lettable space in the Arcade have been taken up which include a digital entertainment centre, a cinema, two banks, a food court and a number of food and beverages outlets. Taking into account the lead time for fitting-out and the views of the major tenants, we are planning to officially open the Arcade in mid-2004.

Cyberport Institute

12. Apart from being an ideal place to launch IT and related business, the Cyberport is also a place to nurture professional IT talent. The Cyberport Institute, run by the University of Hong Kong in cooperation with six corporate partners, provides post-graduate and professional diploma courses for graduates and professionals in areas such as IT project management, enterprise strategic systems, networking and multimedia technology. The Grand Opening of the Institute was held on 18 November 2003.

Supporting facilities

13. Cyberport offices are supported by state-of-the-art IT/telecommunications facilities which are capable of providing abundant bandwidth up to 10 Gigabits per second (Gbps) for data transmission and running application services within the Cyberport campus. The Internal Private Network (IPN) and Wireless LAN at the Cyberport provide a seamless, world-class IT/telecom infrastructure to support tenants' business operations. This infrastructure, together with other shared

facilities (see paragraph 14-19 below), will help reduce the capital and operating costs incurred by Cyberport tenants, which is important especially to small and medium sized enterprises (SMEs).

Related Developments

14. A wide range of shared facilities will be provided in the “IT Street” at Cyberport 3 to support Cyberport tenants’ operations. The facilities are being completed in phases between late 2003 to early 2004. These include a Digital Media Centre, a Wireless Development Centre, an iResource Centre, video conferencing suites, meeting and training rooms, cafes and recreational amenities.

15. 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. We have already informed Members of the planned facilities for the DMC in our last progress report. The DMC is now scheduled to open in two phases - January and March 2004. Phase I will provide a motion capture system, 3D scanning system and the multi-media workstations; while the remaining facilities such as the audio and video studios and the networked render farm will be provided in Phase II.

16. To maintain neutrality and independence which is of paramount importance to the Centre’s operations and protecting content creators’ intellectual property, the Cyberport is recruiting 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. Besides, an Advisory Committee, comprising representatives from the industry, academia, relevant professional/trade bodies and the Government has been set up to steer the development of the Centre, review its performance and advise on collaboration with relevant parties. The term of reference and membership of the Advisory Committee is at **Annex B**. The Committee will consider, among other things, the proposed billing system for hiring the equipment and services of the DMC at its first meeting to be held later this month.

17. As reported in the last progress report, a Hong Kong Wireless Development Centre (HKWDC) (formerly called the Wireless Solutions Development Centre) will be established in Cyberport to provide central testing and exhibition facilities for the wireless and mobile application developers. Funded by the Innovation and Technology Fund (ITF), the HKWDC is being operated by the Hong Kong Wireless Technology Industry Association with the vision of promoting Hong Kong as the hub of mobile and wireless application development in Asia Pacific. This initiative has received industry-wide support with sponsorship from over 30 industry players. The HKWDC was officially opened on 15 December 2003. It provides the following facilities and services :

- (a) five development suites with necessary infrastructural support including hardware and software, gateway services, connectivity to the mobile network operators, and interoperability testing environment;
- (b) the Centre's technical consultants along with its technology partners can offer consultancy services to mobile/wireless developers so as to help them all the way through application development, prototyping and testing;
- (c) 15 Display Kiosks for demonstration of mobile and wireless applications which will help disseminate developers' products to the market;
- (d) the Centre will organize seminars regularly to disseminate the locally developed applications to target industries;
- (e) the Centre will establish links with its counterparts in the Mainland and other countries with a view to generating business matching opportunities for local mobile and wireless developers.

18. As a first step to enhance connection and collaboration with their overseas counterparts and raise their international profile, both the DMC and the HKWDC will sign Memoranda of Understanding (MOUs) with the Telecommunications Research Laboratories (TRLabs), a not-for-profit

information and communication technology (ICT) research consortium in Alberta, Canada, to collaboratively facilitate industrial developments through the sharing of new technologies and applications between the two regions. The DMC and HKWDC will continue to explore collaborative opportunities locally and overseas.

19. The iResource Centre, as a supplement to the establishment of the DMC and HKWDC, will provide a wide range of resources including IT 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. Our aim is to open the Centre in April 2004.

Institutional Arrangements

20. We reported in July 2003 that the Hong Kong Cyberport Management Company Limited had appointed 10 non-government directors, including the Chairman, to its Board. While the Board will meet on a quarterly basis, it has agreed at its September 2003 meeting to set up an Executive Committee to help maintain a regular oversight of the Company's performance and decisions. The Executive Committee meets monthly when there is no scheduled Board Meeting.

21. In September 2003, the Board appointed Mr Nicholas Yang and Mr Mark Clift as the Chief Executive Officer and Director (Campus & Project Management) of the Company respectively. The two Government secondees, namely the Cyberport Coordinator and the Deputy Director (Construction & Development), returned to the Government in October 2003.

Transportation

22. The Cyberport is being served by four bus routes and a Green Mini Bus (GMB) route, namely, Route M49 to/from Central; Route 73 to/from Stanley; Route 970P to/from So UK Estate, Route 107P to/from Hunghom and GMB Route 69 from Quarry Bay via Causeway Bay. In the past six months, a number of improvements to the existing services

have been introduced, including increasing the number of morning express bus services running between Central and Cyberport direct and deploying more GMBs to Route 69. In addition, a charter ferry services to/from North Point en-route Central has commenced a three-month trial promotion on 15 December 2003. We will continue to work closely with the Transport Department to implement improvement measures taking into account the increasing number of tenants at Cyberport. New bus/GMB routes will be introduced upon the opening of the Northern Access Road (linking Cyberport to Sandy Bay) in mid-2004.

Financial Arrangements

23. As at end December 2003, Cyber-Port Ltd, the Developer, has contributed around HK\$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. A set of Secured Accounts Arrangements (SAA) 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 signed between the Government and PCCW in May 2000. The sale proceeds 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.

Residential Development

24. The ancillary residential development will be completed, in phases, between September 2004 and mid-2007. Phase R1A and R1B are under construction. As of 1 January 2004, 544 units (100%) in Phase R1a (Residence Bel-Air) and 654 units (99%) in R1B (Residence Bel-Air South Towers) have been sold.

Next Steps

25. We will continue to pursue the various priorities set for the

Cyberport as outlined in paragraph 2 above. We will take proactive measures to encourage local, overseas and Mainland companies to run their business at Cyberport to facilitate formation of the strategic cluster of IT and IT related companies. We will also strive to complete the DMC as planned so as to spearhead the development of the content creation and delivery industries and benefit the SME players in particular.

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

CYBERPORT OFFICE
List of Committed Tenants

(as at 1st January 2004)

Tenants' Name	Brief Description
1. Global eXchange Services	A multinational corporation providing network and data centre infrastructure for B2B e-Commerce services globally.
2. Microsoft	A multinational corporation and a leading software provider.
3. ESRI (Hong Kong) China	A U.S. based company providing Geographical Information System products.
4. SmartTrust	A Finland based company providing mobile communication and mobile-based services and applications.
5. DBTRONIX	A local company providing security solutions for protection from breaches in Internet.
6. Incubation Centre at Cyberport	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	A local company. Development and outsourcing provider of web-based communication and infrastructure software solutions.
9. Rainbow Technologies (Asia Pacific) Co. Ltd.	A US-based company new to Hong Kong. It provides information security solutions for Internet, eCommerce and content protection.
10. University of Hong Kong	Set up Cyberport Institute to provide research and training facilities on site.
11. Compuware	A US-based company providing software tools and professional services for business.

Tenants' Name	Brief Description
12. CSL	A local company providing telecom and mobile services.
13. Sybase	A multinational corporation 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 programs, online music and language education, webcasting and book publishing.
15. Noah Company Ltd.	A newly set up local company engaging in multimedia content creation.
16. Arctic Cooling (HK) Ltd.	A Swiss 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 specializes 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 contents, animation and special effects for films.
19. New Top City Ltd. (trading as The Institute of High Performance Computing)	A newly set up local company specializes in software development for enhancing performance of computers in processing complicated simulations and computing.
20. Information Technology Services Department (ITSD), HKSAR Government	Part of ITSD's operations is housed in Cyberport, including the appraisal and monitoring of new IT technologies and solutions, demonstration of IT solutions (IT Solutions Centre) and provision of management and facilities support for IT training to government departments.
21. Everbest Technologies Enterprises Ltd.	A local company engages in the research and development of software products in connection with Short Messaging Service (SMS) and Multimedia Messaging Service (MMS) applications on mobile phones.

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 and CATV broadband network.
23. Schneider Electric Business Solutions	A French-based multinational corporation. The Cyberport office serves as its international IT hub and platform to enhance global customer service, administration as well as other value-added services.
24. EO Global.	A local start-up company 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 Shield Ltd.	A newly set up local company engaging in the development of anti-spam systems for email users.
26. Employee Connect	An Australian company setting up its Asia Pacific headquarters in Cyberport. The company designs, markets and sells its web-based solution which assists in a comprehensive range of corporate portal functions.

Annex B

Advisory Committee for Digital Media Centre

1. Terms of Reference

- (a) To provide steering to the development of DMC such that it can spearhead the development of digital entertainment, education, information and advertisement industries in Hong Kong.
- (b) To advise on co-operation with relevant industry associations, universities and other professional bodies.
- (c) To review the performance of the DMC to ensure that it is in line with the deliverables committed to the Innovation and Technology Fund (ITF).

2. Membership

(a) Chairperson

Mr. Nicholas Yang,
Chief Executive Officer, Hong Kong Cyberport Management
Company Limited

(b) Core Members : (8 members)

Representatives from Universities

Dr. Lam Chok Man, Ernest
Associate Dean, Faculty of Science/Associate Professor, Department
of Computer Science, Hong Kong Baptist University

Dr. Glan P. Thomas
Head of Department, Department of Multimedia & Internet
Technology, Institute of Vocational Education (Tsing Yi)

Representative from Professional Bodies

Prof. Mark Green
Vice-Chairman, Multimedia Interest Group of Hong Kong Computer
Society
(Professor, School of Creative Media, City University of Hong Kong)

Representatives from Industry

Mr. Victor Dao

Chairman, Hong Kong Digital Entertainment Association

Mr. Victor Wong,

Director, Menfond Electronic Art & Computer Design Co. Ltd.

Mr. Trevor Chan,

Chief Executive Officer, Enlight Software Ltd.

Representative from Industry Support Organization

Mr. Charles Chow

General Manager, e-Enterprise Solution Division,
Hong Kong Productivity Council

Representative from HKSAR Government

Mrs. Betty Fung, JP

Deputy Secretary (Communications and Technology),
Commerce, Industry and Technology Bureau

(c) **In Attendance**

Mr. Donald Lee,

Senior Manager (Information Technology Operation), Hong Kong
Cyberport Management Company Limited

(d) **Secretary**

Dr. Krates Ng,

Centre Manager (Digital Media Centre), Hong Kong Cyberport
Management Company Limited