Information Technology and Broadcasting Panel

Progress Report on the Cyberport Project
(July 2003)

Purpose

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

Background

2.	In our last (January 2003) progress report to the Panel, we reported that the Cyberport would focus on the following specific areas in the first half of 2003:

(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 and software support in the proposed 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

(f) To focus on 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. The Panel also visited the Cyberport on 8 July 2003 during which they were updated on the latest developments of Cyberport 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 a retail and entertainment complex. 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 (part of Cyberport 3): completed in August 2002 to provide 1,500 sq m office space and accommodate the Cyberport Visitor Centre (which was officially opened on 27 June 2003);

(c) Phase CIA (Cyberport 1): completed in November 2002 to provide a total of 15,400 sq m of office space;

(d) Phase CII (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): to be developed as a low-rise office development (7,000 sq m) for completion by 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 in early 2004.

6.	The Cyberport **hotel**, to be run by the Le Meridien Group, is scheduled to open in Spring 2004 to provide 173 rooms.

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 109 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 10 July 2003, 22 companies and organisations have leased or committed to lease Cyberport offices (list of tenants and committed tenants at **Annex A**). Five of them, including one based in Shenzhen, are new companies in Hong Kong. 97% of Phase CI, all the space in CIB, 56% of CIA and 26% of CII have been taken up. The aggregate take-up rate for Phases I, IA and IB is about 80% (and about 60% if Phase II is included). Altogether, these 22 companies and organisations will employ around 2,500 staff. Our tenants have indicated that they are attracted to the Cyberport because of its state-of-the-art infrastructure, campus-like environment and the synergy that can be unleashed among like-minded companies. Many of them have promised to explore new business opportunities and create new jobs after they have settled in, including the launching of research and development activities. A Cyberport Tenants Club was formed in June 2003 out of the tenants' initiative. The Club aims to foster a community and mutual help spirit in Cyberport and help promote it as an IT hub in the region.

9.	We have stepped up our overseas marketing efforts in the past six months, through cooperation with our strategic partners, to raise target companies' awareness of Cyberport and invite them to consider it as a location for establishing business. We have so far taken part in a joint promotion tour with Invest Hong Kong and Science Park to USA and

Canada on 16-23 March 2003; and in the Hong Kong/Pearl River Delta Roadshow to Korea organized by TDC on 26-28 March. The former comprised a series of seminars, company visits and media interviews. We are planning to re-launch our promotion efforts and conduct joint promotions to the Mainland and Europe in the coming months. Locally, we have organized a series of promotional programmes to mark the opening of Cyberport Phases I and II and the Visitor Centre on 27-29 June 2003, including a reception for IT and related companies and an IT exhibition introducing the work of Cyberport tenants.

Retail leasing

10. The whole of the Service Annex, with a total lettable area of 1,674 sq m, has been taken up. The outlets provide essential services (e.g. restaurant, supermarket and post office) for the Cyberport tenants prior to the opening of the Arcade. We are marketing the Arcade and have signed up, among others, a digital entertainment center, a cinema, a bank and a number of food & beverage (F&B) outlets. Taking into account the lead time for fitting-out by the anchor tenants, we expect that the Arcade can be officially opened in early 2004. We would endeavour to open some of the F&B outlets by October 2003, in time for the commencement of the new tenants' operations.

Cyberport Institute

11. 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, will start operation in the Cyberport in September 2003. The Institute, in cooperation with six corporate partners, will provide 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 corporate partners and other sponsoring/supporting companies will contribute to the curriculum and coursework design and provide placement opportunities for the students.

Supporting facilities

12.   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) at the Cyberport provides a powerful, world-class IT/telecom infrastructure to support tenants' business operations.   This infrastructure, together with other shared facilities (see paragraph 13 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

13.   In addition, a wide range of shared facilities are provided in the "IT Street" to support Cyberport tenants' operations.   These include a Digital Media Centre, an iResource Centre, a business centre, video conferencing suites, meeting and training rooms, cafes and recreational amenities.   These facilities are planned to be completed in phases between mid-2003 to early 2004.   At the Panel meeting in January 2003, the Administration undertook to report to the Panel the developments relating to the Digital Media Centre (DMC).   A note summarizing the developments is at **Annex B**.

14.   In addition to the planned facilities, we have decided early this year to develop a **Wireless Solutions Development Centre** (WSDC) in Cyberport to support the development of the wireless and mobile communications industry in Hong Kong.   Located in the IT Street and taking up about 300 sq m, the WSDC comprises five development suites with connectivity to all the mobile networks in Hong Kong, an exhibition area where the mobile and wireless developers can display their innovative solutions and an office providing technical and consultancy support for the developers.   In addition, developers can make use of the library of information on technical standards and industry trends to be housed in the iResource Centre to support their research and development work.   The Centre will also organize regular activities to help promote the solutions developed at the Centre to overseas and Mainland markets.

It is most encouraging that the initiative has received industry-wide support and sponsorship, including those from the six mobile network operators, the major handset manufacturers as well as hardware and software vendors. The Wireless Technology Industry Association (WTIA), the trade association representing the wireless and mobile industries, has been commissioned to work out the details of the WSDC project. Our target is to set up the Centre by November 2003.

Institutional Arrangements

15. On 5 June 2003, the Hong Kong Cyberport Management Company Limited appointed 10 non-government directors, including the Chairman, to its Board for a two-year term (composition at **Annex C**). The new Board, comprising a broad spectrum of experience and expertise in the relevant fields, will continue to direct the Company in accordance with prudent commercial principles within the overall objectives and guidelines set by the Government for Cyberport.

16. At its meeting on 20 June 2003, the Board set up a committee to recruit a Chief Executive Officer and a Director (Campus & Project Management) to replace the Cyberport Coordinator and the Deputy Director (Construction & Development) whose secondment to the Cyberport Companies expires on 4 January 2004.

Transportation

17. The Cyberport is being served by four bus routes and a Green Mini Bus 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. The number of morning express bus services running between Central and Cyberport direct has been increased during the past six months. We will continue to review with the Transport Department and the relevant operators regularly to improve the public transport services for Cyberport taking into account the increasing number of tenants and students working/studying in Cyberport.

Financial Arrangements

18.   As at end June 2003, Cyber-Port Ltd, the Developer, has contributed around HK$4.35 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 proceeds generated from the sale of Phase R1a (Residence Bel-Air) are being used to finance the outstanding construction costs of Cyberport and then the residential development.

Residential development

19.   The ancillary residential development will be completed, in phases, between September 2004 and mid-2007. Phase R1a and R1b are under construction.   Pre-sale of Phase R1a (544 units) was launched in February 2003 and, as at end June, over 95% of the units have been sold. The Developer is preparing for the pre-sale of Phase R1b (about 300 units), to be launched in the fourth quarter of this year.

Next Steps

20.   We will continue to pursue the various priorities set for the Cyberport as outlined in paragraph 2 above.   These include taking proactive measures to encourage overseas and Mainland companies to launch their business in Cyberport and striving to complete the DMC and the WSDC as planned so as to spearhead the development of the industries concerned and benefit the SME players in particular.

Communications and Technology Branch
Commerce, Industry and Technology Bureau
July 2003

List of Tenants/Committed Tenants of Cyberport offices

(as at 10 July 2003)

Tenants/Committed Tenants	Remarks
1. GXS (formerly called GE Information Services)	A multinational company providing network and data centre infrastructure for B2B e-Commerce services globally.
2. Microsoft	A multinational company and a leading software provider. It has acquired one more floor in Cyberport (in addition to the two floors leased earlier) to meet expansion needs.
3. ESRI (Hong Kong) China	A U.S. based company providing Geographical Information System products.
4. Sonera 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 (formerly called Uni-Star)	A local company providing incubator services for IT industry.
7. PCCW	A H.K. listed company providing international, local and mobile 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	A US based company new to Hong Kong. It provides information security solutions for Internet, eCommerce and content protection.
10. University of Hong Kong	For setting up of "Cyberport Institute" to provide research and training facilities on site.

Tenants/Committed Tenants	Remarks
11. Compuware	A US-based company providing software tools and professional services for business.
12. CSL	A local company providing telecom and mobile services.
13. Sybase	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. Initially, they will focus on music creation and production using IT applications and will lead on to a more in-depth development in audio & visual/imaging productions.
16. Arctic Cooling (HK) Ltd.	A Switzerland 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	A local company specializing in multi-media and digital media content creation.
19. The Hong Kong Institute of High Performance Computing	A newly set up local company specializing in research and development of software application of high performance computing platform.
20. Information Technology Services Department (ITSD)	Part of ITSD's operations, including the sections for monitoring and displaying technology trends and solutions, will be housed in the Cyberport.
21. Shenzhen Strength	A Mainland software company new to Hong Kong. It specializes in the development of intelligent residential system, meter reading system, CATV broadband network and other software.

Tenants/Committed Tenants	Remarks
22. Everbest Technology	A local company specializing in the development of telecommunications services and applications such as Short Messaging Service (SMS) and Multimedia Messaging Service (MMS) for mobile handset and PDA users.

Annex B

Digital Media Centre in Cyberport

Purpose

This note informs Members of the planned facilities for the Digital Media Centre in Cyberport and its latest developments.

Background

2.　　The strengths and potential of our multi-media industry have been demonstrated by the numerous international awards it has won over the years.　Nonetheless, many of the players in the industry are small and medium sized enterprises (SMEs) which lack the means (equipment in particular) to implement their innovative designs and concepts.

3.　　While a Multimedia Laboratory is one of the shared facilities to be provided in the Cyberport, its primary purpose is to support Cyberport tenants' productions.　The scale and scope of the Laboratory will not be able to meet the needs of the digital media industry at large.　In early 2003, the Government decided to expand the scope of multi-media facilities to be provided in Cyberport so as to spearhead the development of the local digital media industry and to support the creative industries generally. The Multimedia Laboratory was also renamed the Digital Media Centre (DMC).　The initiative is strongly supported by the industry including the Hong Kong Digital Entertainment Association.

4.　　The DMC will be equipped with state-of-the-art digital media facilities to enable the creation, manipulation, publishing and storage of high quality audio and video materials.　They are capable of supporting a broad range of digital media productions such as games, computer-generated animation, video and audio productions.　The main facilities to be provided by the DMC include:

(a)   a high definition ready **video studio** for small scale production with real time virtual set system;

(b)   an **audio studio** enabling voice recording, music and effects editing and mastering for DTV and DVD, web streaming and distribution;

(c)   multimedia workstations for non-linear video editing, animation and compositing, graphic production, and multimedia authoring; including amenities for scanning, printing and reviewing digital content;

(d)   an **audio/video production centre** including facilities for analogue, digital and high definition video, digital media recording, encoding, streaming and distribution links, and 35mm film recording;

(e)   storage solutions including disk farm;

(f)   a **networked render farm** to support major 3D modeling and animation software; and

(g)   a **motion capture system**, enabling multi-person simultaneous capture, and 3D **scanning system** for head and full body scanning;

5.   The DMC will take up a total of 1,000 sq m in the IT Street (Level 3 of Cyberport 3). According to the current programme, we expect that part of the DMC facilities, including the motion capture system, 3D scanning system and the multi-media workstations, will be completed by end December 2003, while the remaining facilities such as the audio and video studios will be completed in end February 2004.

Latest Developments

Design, Build and Commission

6.   A Request for Proposals (RFP) was issued to 11 companies and organizations on 3 March 2003 inviting proposals to design, build and commission the DMC.   Five proposals were received by the deadline on 28 March 2003.

7.   The proposals received were evaluated by an Assessment Panel chaired by the Permanent Secretary for Communications & Technology with four local and two overseas experts (based in San Francisco and Los Angeles respectively) as members.   Three submissions were shortlisted for interview with the Panel on 15 April 2003.   Two of them were chosen as finalists for further evaluation.

8.   Having carefully considered the merits of and the supplementary information provided by the two finalists, the Assessment Panel recommended on 2 May 2003 that Centro Digital Media Limited (Centro) be appointed as the Project Manager to design, build and commission the DMC.   The Project Manager started the design work on 23 May 2003.

Operations

9.   The DMC is intended to provide one-stop facilities and technical support for the digital media content creators in Hong Kong.   To maintain neutrality, the Cyberport plans to recruit its own staff to operate the DMC, over which its Board of Directors maintains an oversight. This ensures that all content creators and production companies will have equal access to the DMC facilities and need not be worried about the impartiality of the Centre's operations or intellectual property protection. The key posts were advertised in late June 2003, with the aim of appointing the Operations Manager by September this year.   This will allow the Manager enough time to familiarize himself/herself with the design of the DMC and to work out the business plans for the Centre.

10.   In addition to providing digital media content creation facilities, the DMC will provide the following services:

(a)   offer technical consultancy and assistance to users so that they can accomplish their jobs in an efficient and effective way;

(b)   organize, in conjunction with the industry or the academia, training/workshops on digital technologies to update/upgrade the skill set of content creators; and

(c)   arrange seminars and publicity activities to promote digital media productions overseas and in the Mainland, as well as to other relevant industries in Hong Kong.

In addition, the DMC will work closely with the industry and academic institutions to seek their input and explore collaboration opportunities.

11.   The DMC and its staff will only act as a facilitator and will not compete with the private sector for jobs. A billing system will be designed in conjunction with the Operations Manager, so as to benefit from his/her professional advice and experience.

FUNDING

12.   The majority of the capital expenditure to be incurred in setting up the DMC will be funded by the Cyberport Project as Project Expenses. In view of the expanded scope of the DMC project (paragraph 3 above refers), we have applied to the Innovation and Technology Fund (ITF) for extra funding to enable the procurement of the additional equipment required by the digital media industries.

July 2003

Hong Kong Cyberport Management Company Limited
Board of Directors

Chairman
1.   Mr John E Strickland, GBS, JP

Non-official Directors
2.   Miss Florence Chan Yuen-fan (   ), Partner, Ernst & Young

3.   Professor Chin Tai-hong, Roland (   ), Vice President (Research & Development), Hong Kong University of Science & Technology

4.   Mr Paul Chow Man-yiu (   ), JP, Chief Executive, Hong Kong Exchanges and Clearing Ltd.

5.   Mr Lawrence Fung Siu-por, (   ), GBS, Chairman, Hong Kong Economic Times (Holdings) Ltd.

6.   Mr Herbert Hui Ho-ming (   ), Deputy & Vice Chairman, Ocean Grand Holdings. Ltd

7.   Mr Daniel S C Lai (   ), JP, Head of Information Technology, MTRC Ltd; President of HK Computer Society

8.   Professor Lee Chack-fan (   ), JP, Pro-Vice-Chancellor and Chair Professor, University of Hong Kong

9.   Mr David Chris Lee Tsung-hei (   ), BBS, JP, Chairman and Managing Director, David C Lee Surveyors Ltd.

10. Mr Samuel Tsien (   ), President & CEO, Bank of America (Asia) Ltd

Official Directors
11. Mr Francis Ho Suen-wai (   ), JP, Permanent Secretary for Commerce, Industry & Technology (Communications & Technology)

12. Mr Alan Lai Nin (   ), GBS, JP, Permanent Secretary for Financial Services and Treasury (Treasury)