Information Technology and Broadcasting Panel

Progress of the Cyberport Project

Purpose

This paper updates Members on the progress in the Cyberport project. A chart showing the position of the key activities of the project as at June 2001 is at **Annex A**. Highlights of the more important developments are set out in the ensuing paragraphs.

Financing Arrangements (Item 3 of the chart)

2.   Pacific Century CyberWorks (PCCW) has set up a wholly-owned subsidiary, which is named "Cyber-Port Limited", to undertake the Cyberport project (comprising the Cyberport and a neighbouring residential development) in accordance with the terms of the Project Agreement that they entered with us in May 2000. PCCW have provided us a full parent company, performance and completion guarantee. The project has been progressing well. The Cyberport is scheduled for completion between early 2002 and end 2003, while the completion of the residential development is targeted for mid 2004 to mid 2007.

3.   Cyber-Port Limited are responsible for the provision and procurement of funds to meet the project expenses. They have submitted to us payment records and other supporting information to show that all project expenses due for payment have been paid by them out of their own resources. Pursuant to the Project Agreement, Cyber-Port Limited have also procured from an A-rated bank for us, as the beneficiary, a cashflow guarantee to cover the forecast cashflow requirements for every next six months. The current cashflow guarantee being held by us guarantees the forecast cashflow requirements of the project for the period from 1.7.2001 to 31.12.2001 .

Infrastructural Works (Items 4 to 11 of the chart)

4.   The infrastructural works mainly comprise advance ground treatment works, a sewage treatment plant, construction of a public transport interchange, an access road connecting the southern end of the Cyberport site

with Victoria Road, another access road connecting the northern end of the Cyberport with Sha Wan Drive and internal road works. These works are closely monitored by the Territory Development Department.

5.	The infrastructural works are progressing well. The advance ground treatment works have already been completed. The southern access road will be completed towards the end of this year, prior to the occupation of the first batch of IT companies in early 2002. The northern access road is under construction and will be completed by end 2003, to coincide with the completion of the third phase of the Cyberport.

Superstructure Construction (Items 12 to 20 of the chart)

6.	Design work for the Cyberport has been completed and the construction of the buildings is in progress. As to the residential development, design work is already at an advanced stage, and piling foundation for the first phase has already commenced.

Master Layout Plan (Items 21 to 22 of the chart)

7.	According to the current Master Layout Plan, which was approved by the Town Planning Board in January 2001, the Cyberport (excluding the neighbouring residential development) will provide a total of $112,100m^2$ of office space, $29,000m^2$ of commercial space, $12,000m^2$ for the development of a hotel and $8,100m^2$ for quality housing development.

8.	The first phase of the Cyberport will be completed by early 2002 to provide $23,000m^2$ of office space, mainly for leasing to IT companies. Another $1,400m^2$ will be made available for provision of retail services to serve those IT companies. A visitor centre will be ready for occupation shortly afterwards, by mid 2002.

9.	It was originally proposed (in the previous Master Layout Plan) that 144 residential flats (of $19,500m^2$) will be provided by end 2002. In response to Members' earlier request for provision of more office space, this area will be converted to office use, and will accommodate some 25 extra IT companies by end 2002.

10.   Another 29,200m^2 of office space will be provided by end 2002, as originally planned.   Apart from accommodating IT companies, there will also be a range of shared facilities such as multimedia laboratory, teleconferencing rooms, studios, etc.   Linking up the office building will be a cybercentre of 27,600m^2.   This is a specially designed complex to provide technology-themed educational, entertainment and retail services.

11.   We are nevertheless deferring the quality housing development (of 8,100m^2) originally scheduled for completion by end 2002.   This allows us more time to more accurately assess the demand for such quality housing, taking into account Members' suggestion, put forward at the meeting on 11 December 2000, to consider using this area for development of office buildings instead.

12.   Irrespective of whether or not we will convert the originally planned quality housing development into offices, further office space of 40,400m^2 will be provided by end 2003.   This will accommodate more IT companies and different shared facilities such as business centre, cybercafe and training theatres.   A hotel of 175 rooms (of 12,000m^2) will also be provided by end 2003.

Office Tenants (Items 23 to 30 of the chart)

13.   The Committee on Admission of Cyberport Office Tenants (CACOT) was set up in March this year.   The composition of CACOT was announced in a press release at **Annex B**.

14.   The CACOT met on 21 March and members advised, inter alia, on the procedures relating to the application for Cyberport office tenancy.   This paved the way for us to announce subsequently, on 20 April, our invitation to IT companies to submit applications for office tenancy for all the phases of the Cyberport.   The application form [as per **Annex C**] is made available at our websites and has been sent to those companies having registered interest with us in becoming tenants at the Cyberport.   Seminars and meetings have been organised to help prospective tenants to better understand the application procedures.

15.   The response to our invitation for application for Cyberport office tenancy has been positive.   As at end June, we have received a total of 54 applications from multinational, overseas and local companies.   These 54 applicants altogether seek about 78,000 m^2 lettable floor area, accounting for 88% of the total lettable floor space (88,000m^2) in all the phases of the Cyberport scheduled for completion between early 2002 and end 2003.   For the first phase of office buildings to be completed by early 2002, there have been 24 applicants seeking a total of about 20,000m^2 of lettable floor area, exceeding the total lettable floor space of around 18,000m^2.   The CACOT so far has approved three applications and we are processing the other 51 applications.

16.   Quality IT companies will start moving into the Cyberport from early 2002.   These companies will bring with them professionals from all parts of the world.   Apart from attracting and retaining IT professionals, the infrastructure at the Cyberport will also make it a place to nurture talents.   In March this year, we issued an open invitation for proposals for designing an academic plan for the Cyberport and for the subsequent implementation of the academic plan at the Cyberport.   We believe the academic plan should primarily comprise a range of programmes based on a market driven model to meet the needs of the IT industry.   We have received a number of proposals in response to our open invitation and we are in the process of studying them. The selected proposer will be allocated office space at the Cyberport and be permitted to use the infrastructure and facilities thereat for implementing the academic plan.

Management, Marketing and Promotion (Items 31 to 33 of the chart)

17.   We are in the process of discussing with PCCW on the Cyberport Management Agreement.   Marketing activities are being launched by Cyber-Port Limited in accordance with terms of the Project Agreement.   We will continue to promote this flagship project in Hong Kong and elsewhere in the world.   Events will be organised to soft launch the opening of the Cyberport.

Information Technology and Broadcasting Bureau
July 2001

Press Release

Committee on Admission of Cyberport Office Tenants set up
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A new committee has been set up to advise on matters relating to the selection and admission of tenants for the offices to be provided in the Cyberport.

The Committee on Admission of Cyberport Office Tenants (CACOT) will be chaired by Mrs Carrie Yau, Secretary for Information Technology and Broadcasting, in her capacity as a Director of the Hong Kong Cyberport Management Company Limited.

It comprises one Local Member who is Professor Charles Kao. It also comprises three International Members. They are Dr Jeremy Fairbrother from the United Kingdom; Professor John O'Callaghan from Australia; and Professor Victor Zue from the United States.

Mr Anthony Wong, Director-General of Telecommunications, and Mr K H Lau, Director of Information Technology Services, will serve on the Committee as Technical Members.

Those companies which have signed Letters of Intent to become anchor tenants and some other multinational companies which have expressed interest in the Cyberport project have been invited to nominate their senior executives as Industry Members. A nomination has been received from each of the following 20 companies: Cisco, Hewlett-Packard, Hikari Tsushin, Hua Wei, IBM, Legend, Microsoft, Oracle, PCCW, Portal, Silicon Graphics, Sybase, Yahoo!, Adobe, Compaq, GE International, Intel, Motorola, Nokia and Nortel. Most of the Industry Members are Hong Kong-based IT executives.

Industry Members will provide advice on an "as required" basis. Normally two Industry Members will be invited to join a CACOT meeting for discussions on general issues. Individual Industry Members may also be invited to comment on the merits of individual applications.

The Committee will be serviced by the Cyberport Division of the Information Technology and Broadcasting Bureau.

The terms of reference of this new Committee are to advise the Hong Kong Cyberport Management Company Limited on matters relating to the selection and admission of tenants for the offices to be provided in the Cyberport. It is expected to have its first meeting shortly.

"The Cyberport is an important infrastructure being developed at the Telegraph Bay, Pokfulam," a spokesman for the Information Technology and Broadcasting Bureau said. "The title to the land earmarked for the development of the Cyberport is vested in the Hong Kong Cyberport Management Company Limited. This is a company limited wholly owned by the Hong Kong Cyberport Development Holdings Limited which is in turn wholly owned by the Financial Secretary Incorporated (FSI).

The Cyberport works have been making good progress since the project commenced in May last year. It will open in phases between early 2002 and end 2003.

The Cyberport will be serviced by a state-of-the-art telecommunications infrastructure, supported by offices and accommodation of a world class standard, and situated within a pleasant campus-like environment. It will provide office space for quality companies; a cyber centre providing retail, entertainment and educational facilities to interface with the public; a hotel; and quality housing to accommodate the professionals working at the Cyberport. These premises will be leased out and the rental income will belong to the FSI-owned Hong Kong Cyberport Management Company Limited.

The spokesman stressed that the Cyberport would create a cluster of companies specialising in applications of information technology, information services and multimedia content creation. It is expected to accommodate about 150-200 companies of varying size. Office tenants will be selected through the FSI-owned Hong Kong Cyberport Management Company Limited, acting on the advice of the new CACOT.

"To date, more than 270 companies have registered interest in becoming office tenants. Fifteen of them (such as Cisco, Hewlett Packard, IBM, Microsoft, Oracle and Yahoo! etc) have signed Letters of Intent to become anchor tenants," the spokesman added.

Brief biographies of the Local and International Members are as follows:

Professor Charles K Kao

Professor Kao is the Chairman and Chief Executive Officer of ITX Services Limited. He was the Vice-Chancellor of The Chinese University of Hong Kong from 1987 to 1996. Recognized internationally as the "Father of Fiber Optics", Professor Kao currently serves on the Council of Advisors on Innovation and Technology, the Information Infrastructure Advisory Committee, and the Board of the Provisional Hong Kong Science Park Company Limited.

Dr Jeremy Fairbrother

Dr Fairbrother has been Senior Bursar of Trinity College, Cambridge since 1993 and part of his responsibility is to head the Cambridge Science Park. Prior to this appointment, he was a director of Baring Brothers & Company Limited. He is a Fellow of the Association of Corporate Treasurers and is non-executive director of Abbey National Treasury Services Plc and Cadcentre Plc. He is also a Trustee of the Newton Trust in Cambridge and chairs several University committees.

Professor John F O'Callaghan

Professor O'Callaghan is the Executive Director of Australian Partnership for Advanced Computing, Professor of the Australian National University, Fellow of the Australian Academy of Technological Sciences and Engineering, and CSIRO Fellow. His major interest is in the areas of interactive media, virtual environments, high-performance computing systems and commercialization and business development in Information Technology. He was awarded the 1990 Eminent Individual Award by the Australasian Urban and Regional Information Systems Association.

Professor Victor Zue

Professor Zue is the Associate Director of the Massachusetts Institute of Technology (MIT) Laboratory for Computer Science, Head of its Spoken Language Systems Group, and a Senior Research Scientist at MIT. He is a pioneer in speech-based computer interfaces and is the first holder of the Delta Electronics Chair endowed for senior researchers. A recent Business Week article described him as one of the five "trailblazers" in speech interfaces worldwide.

End/Friday, March 16, 2001

Cyberport Development Programme
(as at June 2001)

Item	Activity	Start	End	Schedule (1999 – 2007, by quarter)
	Legal Basis			
1	Negotiate/sign Project Agreement with Cyber-Port Ltd, wholly owned subsidiary of PCCW	3Q99	2Q00	3Q99–2Q00 (completed)
2	Grant of Development Right to Cyber-Port Ltd and Agreement on Residential Portion Land Value	2Q00	3Q00	2Q00–3Q00 (completed)
	Financing Arrangements			
3	Monitoring of financial information (accounts and cashflow guarantee, etc) and securing six-monthly cashflow guarantees	2Q99	4Q07	2Q99–4Q07
	Infrastructural Works			
4	Advance ground treatment - detailed design	2Q99	3Q99	2Q99–3Q99 (completed)
5	Advance ground treatment - construction	3Q99	2Q01	3Q99–2Q01 (completed)
6	Road works (Southern Access Road and internal roads) - detailed design	2Q99	4Q99	2Q99–4Q99 (completed)
7	Road works (Southern Access Road and internal roads) - construction	4Q99	4Q01	4Q99–4Q01
8	Sewage treatment plant - detailed design	3Q99	2Q00	3Q99–2Q00 (completed)
9	Sewage treatment plant - construction	3Q00	3Q02	3Q00–3Q02
10	Northern Access Road - detailed design	3Q99	3Q00	3Q99–3Q00 (completed)
11	Northern Access Road - construction	4Q00	3Q03	4Q00–3Q03

Note : 1Q = January - March

2Q = April - June

3Q = July - September

4Q = October - December

Item	Activity	Start	End	Timeline
				1999 – 2007 (quarterly)
	Superstructure Construction			
12	Overall design of buildings	3Q99	3Q01	
13	Vet and approve design of IT facilities	2Q00	3Q01	
14	Cyberport Phase I - detailed design	4Q99	3Q00	(completed)
15	Cyberport Phase I - construction	3Q00	1Q02	
16	Cyberport Phase II - detailed design	1Q00	3Q01	
17	Cyberport Phase II - construction	1Q01	4Q02	
18	Cyberport Phase III - detailed design	4Q00	4Q01	
19	Cyberport Phase III - construction	2Q01	4Q03	
20	Residential portion - detailed design and construction	2Q00	2Q07	
	Master Layout Plan (MLP)			
21	MLP approved by Town Planning Board	1Q00	2Q00	(completed)
22	Revised MLP to Town Planning Board for approval	3Q00	4Q01	
	Office Tenants			
23	Setting up of Tenant Selection Committee	4Q00	1Q01	(completed)
24	Establish admission criteria/publish application procedures	4Q00	2Q01	(completed)
25	Consider applications for Phase I	2Q01	1Q02	
26	Occupation of Phase I	1Q02	4Q02	
27	Consider applications for Phase II	2Q01	4Q02	
28	Occupation of Phase II	1Q03	4Q03	
29	Consider applications for Phase III	2Q01	4Q03	
30	Occupation of Phase III	1Q04	4Q04	
	Management, Marketing and Promotion			
31	Management Agreement with PCCW	3Q00	3Q01	
32	Marketing activities	1Q01	4Q07	
33	Ongoing promotion	3Q99	4Q07	