

**For discussion
on 7 April 2009**

**Legislative Council Panel on
Information Technology and Broadcasting**

**Progress Report on the Implementation of the
Film Development Fund Scheme**

PURPOSE

This paper gives an update on the progress of the implementation of the Film Development Fund (FDF) Scheme following the injection of \$300 million into the FDF, as approved by the Finance Committee of the Legislative Council (FC) on 6 July 2007.

BACKGROUND

2. The film industry is the flagship of the creative industries in Hong Kong. It contributes significantly to the development of our services industries as well as tourism, and enhances the international and cultural image of Hong Kong. However, there has been a substantial decrease in the number of film productions, particularly small-to-medium budget films, as well as box office revenue in recent years. With a shrinking film market and decreasing number of local productions, the film industry is facing a difficult time. The Government is committed to providing a favourable environment conducive to the long-term and healthy development of the Hong Kong film industry. One of the measures is the setting up of the FDF to support the Hong Kong film industry.

3. At the meeting on 6 July 2007, the FC approved the Government's proposal to inject \$300 million into the FDF to provide financial support for the production of small-to-medium budget (i.e. below \$12 million) films, and to finance projects which are beneficial to the long-term and healthy development of the film industry.

4. The funding support from the Government for film production is expected to encourage more commercial investment in film productions, create a larger mass of film activities, more employment opportunities, and assist the film industry to revitalise and develop further. The broad parameters approved by the FC for supporting film productions are that only

small-to-medium budget films with production cost up to \$12 million employing Hong Kong talent should be funded. The Government's contribution is capped at 30% of the production budget, while the remaining 70% is expected to be funded by private investors. The broad parameters approved by the FC are set out in **Enclosure 1**.

PROGRESS OF IMPLEMENTATION OF THE FDF

Implementation and Controlling Mechanism

5. The Commissioner for Television and Entertainment Licensing (CTEL) is the controlling officer of the FDF, with the Secretariat of the Film Development Council (FDC)¹ administering the Fund. The CTEL decides whether to approve the applications and disburse funds to approved FDF projects on the basis of the recommendations from the Fund Vetting Committee (FVC), set up under the FDC to examine the merits of the FDF applications. Regarding the assessment of the funding applications for film production, the FVC is assisted by a Panel of Examiners consisting of professionals with experience in film production, sales and the distribution of movies. The Examiners assess the commercial viability and reasonableness of the budget of the film projects. For each eligible application, six Examiners will be drawn from the Panel to carry out the assessment work and the FVC will consider the Examiners' assessment before putting forward their recommendation to the CTEL.

6. In view of the number of Examiners needed to assess each application and the growing number of applications, the FDC has worked closely with the film industry to enlarge the size of the Panel. In the past twelve months, the number of Examiners has been increased from 32 to 45. The increase has largely facilitated the process of application assessment. To tie in with the pace of film production in Hong Kong, the FDC has pledged that the processing of a duly submitted funding application will be completed **within one month** from the date of receipt. With the support of the Examiners, this timeframe has been achieved during the past twelve months.

¹ The FDC is a non-statutory advisory committee set up on 15 April 2007 to give advice to the Secretary for Commerce and Economic Development on policies and strategy for the development of the film industry as well as the use of the Film Development Fund, and implement activities conducive to the long term development of the industry. Secretariat service to the FDC is provided by staff of the Film Services Office of the Television and Entertainment Licensing Authority.

7. To avoid any possible or perceived conflict of interests, the FDC has set up a mechanism for declaration of interests on the basis of the guidelines issued by the Home Affairs Bureau. This applies to all members of the FDC and FVC as well as the Panel of Examiners. Detailed procedures for selection of Examiners to assess an application have also been drawn up. The register of members' interests has been uploaded to the FDC website for public information.

8. Providing funding support for film productions through FDF is an investment venture for the Government and a new funding source for the industry. In accordance with the parameters approved by the FC in July 2007, the FDC Secretariat had drawn up detailed terms and conditions, in consultation with the industry, for incorporation into the contract documents and also worked out related contractual arrangements for execution of the contract documentation and the related monitoring work. The contractual arrangements seek to strike a balance between the protection of public money and allowing an appropriate degree of flexibility for the industry to produce films in line with market practices. The opportunity has been taken to introduce provisions which encourage small-to-medium filmmakers to adopt better management and accounting measures in line with the international best practices, e.g., the requirement of insurance coverage for film workers; the preparation of audited reports; and the submission of regular reports on the progress of film production. This will facilitate the industry when seeking commercial financing in the long run.

9. Based on the contractual agreements signed for the first two projects, the FDC Secretariat has developed a set of template legal documents for the use of the applicants. This has helped them to save time and resources in preparing the necessary legal documents on their own. The FDC Secretariat is now preparing a Chinese version of the template legal documents for easy reference by the industry.

Applications

10. Since October 2007 (when the FDF started to receive funding applications for film productions) up to 29 March 2009, a total of 18 applications have been received. Of these, 11 have been approved; one is being processed; three have been withdrawn by the applicants themselves; and only three applications failed to obtain approval for financing. The total amount of funding approved for the 11 applications is \$30.44 million. Given that only some 60 odd films were released in Hong Kong in 2008, the response of the industry to the FDF film production financing scheme is considered satisfactory. A list of the 11 approved film production financing

applications is at **Enclosure 2**.

11. For the 11 approved films, two have been theatrically released in Hong Kong and the Mainland starting from February 2009, with a total box office revenue of about \$25.5 million. Given the fact that the total production budget of the two films is \$13.4 million and that theatrical release of the two films in places other than Hong Kong and the Mainland will be arranged in the coming months, this is a good start. The other approved films are in different stages of production, and some are expected to be released in the coming months.

12. The 11 approved films have engaged six new Hong Kong directors who are directing commercial films for the first time. One of the two theatrically released films directed by a first time director was nominated to participate in the Hong Kong Film Awards and Hong Kong Asian Film Festival as well as film festivals outside Hong Kong (including the Locarno Film Festival, the Venice Film Festival, the Fusan International Film Festival, the Tokyo Film Festival, the Berlin International Film Festival, the Golden Horse Awards Competition in Taiwan, the San Francisco International Film Festival, the Deanville Asian Film Festival and the Barcelona Asian Film Festival). It was also awarded the Best Screenplay and Film of Merit by the Hong Kong Film Critics Society Awards. This shows that the FDF has played a positive role in nurturing film talent and strengthening Hong Kong's film industry. The FDC Secretariat will continue to closely liaise with Hong Kong filmmakers, particularly new directors, to encourage them to make use of the FDF to help finance their film production.

13. As regards other film-related projects which are beneficial to the healthy and long term development of the film industry, a total of 24 applications were approved from 6 July 2007 (i.e. the date of injection of \$300 million to the FDF) to 29 March 2009. The total amount of funding approved for these projects is \$38.22 million. The projects include mega promotional events for films, funding support for the industry to attend overseas film festivals, the production of an industry handbook and a teaching kit, etc (details at **Enclosure 3**).

WAY FORWARD

14. Following the efforts made by the FDC to publicise and promote the FDF, through press conferences, press releases, briefings for the industry, visits to film associations and film production companies, among others, there has been a steady increase in the number of applications for financing film productions in recent months. With the successful theatrical release of

the completed films and the FDC's continued promotion of the use of the FDF to the industry, we expect a further and gradual increase in film production financing applications in the months to come.

15. In response to the requests from the film industry and as committed to the Finance Committee of the Legislative Council, the FDC commenced to review the operation of the FDF in March 2009. A working group, consisting of industry members, has been formed to collect and assess the feedback from the film industry. The review will cover areas including the user-friendliness of the application forms, terms and conditions of Government's funding for film productions, and the effectiveness of the FDF in promoting the long-term, sustainable development of the industry. In the review, we will conduct a number of consultation sessions with the stakeholders including the Panel of Examiners, the applicants and various film associations and trade organisations. Questionnaires will also be used to collect views and comments from the industry. On the basis of the feedback received, the working group will recommend measures for consideration of the FDC to improve the operation of the FDF film production financing scheme so as to make the FDF better able to meet the needs of the Hong Kong film industry.

Commerce and Economic Development Bureau
Television and Entertainment Licensing Authority
30 March 2009

Eligibility and Assessment Criteria for Financing Film Productions under the Expanded Film Development Fund

The Film Development Fund with an expanded scope will adopt the following eligibility and assessment criteria for financing film productions –

- (a) The applicant should be a film production company formed and registered under the Companies Ordinance (Cap. 32) that should normally have produced at least two films in the past ten years for commercial theatrical release in Hong Kong. For companies without such track record, the producer or director of the film project in question should normally have produced or directed at least two films in the past ten years for commercial theatrical release in Hong Kong;
- (b) Generally, an applicant is allowed to receive funding for not more than two film projects at any one time. For this purpose, if a producer is currently involved in two approved film projects which are under production, any applications involving this producer will not be considered. However, if a film director is currently involved in one approved film project which is under production, any applications involving this director will not be considered;
- (c) The film project must –
 - (i) be in the form of a full script to produce a feature film intended for commercial theatrical exhibition in Hong Kong with a production budget of not more than \$12 million;
 - (ii) be identifiable as commercially viable and have secured some form of third-party financing of, for example, 50% of production budget; and
 - (iii) constitute at least 50% of the main cast and film crew with Hong Kong permanent residents.

Approved Applications for Financing Film Productions
(as at 29 March 2009)

	Film Title	Film Company	Director	Production Budget	Fund Approved
1.	McDull Wudang	Bliss Pictures Limited	TSE Lap-man	\$11,996,000	\$3,598,800
2.	Claustrophobia	Runaway Films Production Limited	HO Pik-mun	\$5,394,186	\$1,618,255
3.	Coweb	Joy Charm Enterprise Limited	XIONG Xin-xin	\$9,977,265	\$2,993,179
4.	Give Love	BIG Pictures Limited	MA Wai-ho; LEE Ka-wing	\$8,065,580	\$2,419,674
5.	Strawberry Cliff	Glory Top Properties Limited	CHOW Chun, Chris	\$10,058,118	\$3,017,435
6.	Lover's Discourse	ET Media Group Limited	Derek TSANG; Jimmy WAN	\$7,838,640	\$2,351,592
7.	The Fighters	One Hundred Years of Film Company Limited	MAK Chi-sin, Marco	\$11,520,000	\$3,456,000
8.	Childhood Story	Dadi Entertainment Limited	LAW Kai-yui, Alex	\$11,994,249	\$3,598,274
9.	Break Up Club	Diva Productions Limited	WONG Chun-chun	\$5,865,000	\$1,759,500
10.	Killer Never Kills	ET Media Group Limited	HUNG Man-yin	\$11,847,575	\$2,369,515
11.	荒村公寓 (English name pending)	Bona Entertainment Company Ltd.	LO Chi-leung	\$10,848,446	\$3,254,533
			Total:	\$105,405,059	\$30,436,757

**Other Film-related Projects Approved
from 6 July 2007 to 29 March 2009**

	Content and Category	Items	Fund Approved
1.	To finance major film promotion activities, including Entertainment Expo Hong Kong, Hong Kong – Asia Film Financing Forum, Hong Kong Film Awards Presentation Ceremony and Asian Film Awards	8	\$32,697,456
2.	To finance seminar(s) relating to the long term development of the Hong Kong film industry	1	\$969,200
3.	To finance local films nominated to participate in film festivals or film financing forums overseas	12	\$1,638,536.93
4.	To finance the production of “The Hong Kong Filmmakers' Code of Practice and Film Industry Safety Handbook”	1	\$702,700
5.	To finance the production of a teaching kit for promotion of film education in the senior secondary school visual arts curriculum	1	\$1,811,665
6.	To sponsor the production of a short film to promote Hong Kong films	1	\$400,000
	Total :	24	\$38,219,557.93