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ATTACHMENTS

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LCQ10: Film Development Fund

Following is a question by the Hon Paul Chan Mo-po and a written reply by the Secretary for Commerce and Economic Development, Mrs Rita Lau, in the Legislative Council today (March 11):

Question:

The Government injected \$300 million into the Film Development Fund (FDF) in 2007 to expand its scope to finance film productions with a production budget not exceeding \$12 million, with the maximum contribution set at 30% of the production budget or \$3.6 million. I have recently received complaints from members of the film sector pointing out that the FDF provides limited funding support for small-to-medium budget film productions on the conditions of cost recoupment and profit sharing. Such a measure has not only increased administrative and accounting work for small-to-medium film producers, but has also rendered the funding support to be of little benefit to the development of the film industry. In this connection, will the Government inform this Council:

(a) of the total number of applications for funding support for film productions received by FDF since the Government's injection of fund in 2007, together with the production budget, amount of funding support, film title, name of production company and name of director, etc., in respect of each application; and for other film-related projects receiving funding support, the total amount of funding support approved, the number, as well as the contents and the categories of the projects;

(b) whether it has estimated when the commitment of FDF will be used up, and whether it has plans to adjust the ceiling of funding support; if so, of the details; if not, the reasons for that;

(c) whether it has completed the review on the effectiveness of FDF since the commencement of its operation, including whether it can help promote more film-related activities, increase employment opportunities in the industry, nurture film talents and enhance the overall image of Hong Kong; if so, of the details and whether it has sought the views of the film sector during the review process; if so, of the views; if not, the reasons for that; and

(d) whether it will cancel the arrangement of profit sharing as a condition for funding support and retain only the requirement of cost recoupment, so as to reduce administrative and accounting work for applicants?

Reply:

President,

The film industry in Hong Kong, through its own initiative and hard work, has built a reputation for creativity and success comparable to the best in the world. As such, while Government recognises the need to support the industry, we feel this support should be targeted, proportionate and focused on nurturing new talent. With this in mind, the Government has injected \$300 million into the Film Development Fund (FDF) in order to support small-to-medium budget film productions

through the Film Production Financing Scheme (the Scheme). The Scheme aims to provide funding support to encourage commercial investment in film productions, create employment opportunities, and nurture new directors and other industry talent in order to revitalise Hong Kong's film industry.

My replies to the questions are as follows:

(a) From October 2007 when the FDF first started to invite application until March 9, 2009, a total of 17 applications for financing film productions have been received. 10 of these have been approved with a total funding of some \$27.2 million. Two applications are still being processed; two have been withdrawn by the applicants, and three were rejected. During the period, a total of 24 applications for financing other film-related projects were approved with a total funding of \$38.22 million. Details of the approved film production cases and other film-related projects are set out in the Annex.

(b) As at the end of February 2009, the FDF has a balance of about \$240 million which should be sufficient for use in the next few years. The Government will continue to closely monitor the funding situation of the FDF. In the event that there is insufficient balance to cater for actual needs, the Government will consider whether to seek further provisions from the Finance Committee of the Legislative Council to increase the commitment of the FDF.

There is at present no plan to revise the maximum contribution ratio for funding film productions, but we will conduct a review on the operation of the FDF shortly and this will be one of the issues to be considered.

(c) Since applications were first invited slightly more than one year ago, the Scheme has been well received. So far, 17 film production applications have been received of which 10 have been approved. Two of the approved films have been theatrically released in Hong Kong and the Mainland. The rest of the films approved will be released in the next few months. The 10 approved films have involved a total of six novice directors who are directing commercial films for the first time. Some of the films have been nominated to participate in the Hong Kong Film Awards and in international film festivals, including the Tokyo Film Festival, the Berlin International Film Festival and the Golden Horse Awards Competition in Taiwan. When measured against the total release of around 60 local films in Hong Kong last year, the response to the Scheme is considered to be satisfactory. The FDF has played an active role in generating more film-related activities, increasing employment opportunities, nurturing film talent and strengthening Hong Kong's film industry as a whole.

In addition to this, it is also clear that through the implementation of the Scheme, the local film industry has had to adopt appropriate rules and regulations to bring the industry in line with international best practices in terms of financial management and the contract arrangements for film productions. This will attract more local and overseas capital to invest in local films and be conducive to the long term development of the local industry.

The Government will shortly commence wide consultation with the film industry to review the operation of the FDF. This exercise will allow us to take stock of the first year of operation and make changes as necessary to the Scheme so that it fully meets the needs of the industry.

(d) In accordance with the approval granted by the Finance Committee of the Legislative Council for expanding the scope of the FDF in July 2007 to finance film productions, the

Government when financing a film production will require cost recouping and profit sharing in respect of the film which is commensurate with the Government's share of contribution on a pro rata basis. The first two films approved have already been released and according to the box office so far, we see chances for them to pay back the support received from the FDF. However, there is no guarantee in respect of the box office of each film which is market-led and we may not be able to recoup the contribution from the FDF. We will closely monitor the situation. Regardless of whether the films supported by the scheme would recover its costs, our policy objectives to promote the film industry have already been met.

There is at present no plan to abolish the profit sharing requirement, but this will be considered in the context of the review on the operation of the FDF.

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