

# 立法會 *Legislative Council*

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## **Panel on Information Technology and Broadcasting**

**Meeting on 14 December 2009**

### **Updated background brief on the review of Film Development Fund**

#### **Purpose**

This paper summarizes the previous discussions by the Panel on Information Technology and Broadcasting (the Panel) on the review of Film Development Fund (FDF).

#### **Background**

2. The film industry is the flagship of the creative industries in Hong Kong. It contributes significantly to the development of local 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 revenues in recent years. With a shrinking film market and decreasing number of local productions, the film industry is facing a difficult time, plagued with talent drought.

3. According to the Government, it is committed to providing a favourable environment conducive to the long-term and healthy development of the Hong Kong film industry, and has established the new high-level Hong Kong Film Development Council (FDC) in April 2007 to replace the Film Development Committee. Mainly comprising members from the film industry, the FDC is responsible for advising the Secretary for Commerce and Economic Development on the policy, strategy and institutional arrangement for the promotion and development of the film industry.

4. Following consultation with the Panel, the Government submitted a funding proposal seeking an injection of \$300 million into the FDF. The scope of FDF was also expanded to provide financial support for the production of small-to-medium budget films, and to continue to finance projects which were beneficial to the long-term and healthy development of the film industry. The proposal was approved

by the Finance Committee on 6 July 2007. According to the expanded FDF, the Government's contribution is capped at 30% of the production budget of not more than \$12 million, while the remaining 70% is expected to be funded by private investors. The eligibility and assessment criteria for financing film productions and funding film-related projects under the expanded FDF are set out in **Appendices I and II**.

### **Discussions by the Panel on Information Technology and Broadcasting**

5. The Panel has followed closely the implementation of the FDF since April 2007. Panel members generally support the Government initiative to help revitalize the film industry and nurture film professionals at this critical period when the movie industry is facing a difficult time.

6. At the Panel meeting on 7 April 2009, representatives of the industry players including film directors, producers and distributors, were invited to give views on the implementation of the FDF. In general, the deputations expressed concerns about the cumbersome application procedures and the limited funding support for small-to-medium budget film productions on the conditions of cost recoupment and profit sharing. To avoid bogging down filmmakers with excessive administrative red tapes, the deputations urged the Administration to streamline the procedures and simplify the documentation requirement. They also called on the Government to increase the ceiling of the funding support to small-to-medium film producers from \$12 million to \$15 million per film, and to shorten the assessment time of the funding applications.

7. In view of the deputations' concerns, Panel members urged the Administration to streamline the application procedures and expedite the processing of the applications to provide greater flexibility and a favourable environment conducive to the long-term and healthy development of the Hong Kong film industry. They supported deputations' call of increasing the ceiling of the film production cost to \$15 million per film. They also supported some deputations' call to cut down on the amount of paper work and shorten the processing time by directly engaging the applicants in an interview/group discussion to answer any questions that the Fund Vetting Committee and the Panel of Examiners would want to raise regarding the applications. The Administration was also asked to take note of some deputations' suggestion to subsidize post-production costs, such as those for distribution and marketing, as part of the production budget. On the Production Finance Agreement, members noted that the FDC had developed a set of template legal documents and was preparing a Chinese version of the template for easy reference by the industry. Members opined that the template should help applicants save time and cost in preparing the necessary legal documents.

8. The Panel noted that Hong Kong Film Director's Guild objected to the eligibility criteria that the producer or director of the film project in question should normally have produced or directed at least two films over the past 10 years. The

requirement would prevent talented but inexperienced producers/directors, as well as experienced producers/directors who had not made any films over the past 10 years from making use of the FDF and contributing to the development of the local film industry. Panel members shared the deputation's view and called on the Administration to relax the requirement as soon as possible.

9. Some Panel members urged the Administration to seriously consider the suggestion made by the Federation of Hong Kong Filmmakers to change the nature of Government's involvement from direct investment to a low-interest loan, particularly for productions with a good script and film projects that would help promote Hong Kong culture. The Administration advised that a Film Guarantee Fund (FGF) was currently in place to facilitate the film industry in obtaining loans from lending institutions to finance film productions through the provision of a 50% guarantee for a maximum loan amount of \$5.25 million per film. However, in view of the prevailing economic climate and the relatively high risk involved, the lending institutions remained cautious in granting loans for filmmaking, and the utilization of the FGF had been low.

### **Latest position**

10. The Administration will brief the Panel on 14 December 2009 on the review findings of the FDF and the improvement measures to be implemented in 2010.

### **Relevant papers**

Information paper provided by the Administration for the Finance Committee meeting on 6 July 2007

<http://www.legco.gov.hk/yr06-07/english/fc/fc/papers/f07-30e.pdf>

Minutes of the Finance Committee meeting on 6 July 2007

<http://www.legco.gov.hk/yr06-07/english/fc/fc/minutes/fc070706a.pdf>

Information paper provided by the Administration for the Information Technology and Broadcasting Panel meeting on 14 April 2008

<http://www.legco.gov.hk/yr07-08/english/panels/itb/papers/itb0414cb1-1200-5-e.pdf>

Minutes of Information Technology and Broadcasting Panel meeting on 14 April 2008

<http://www.legco.gov.hk/yr07-08/english/panels/itb/minutes/itb080414.pdf>

Hon Paul Chan Mo-po's question on Film Development Fund at the Council meeting on 11 March 2009 and the Administration's reply

<http://www.info.gov.hk/gia/general/200903/11/P200903110156.htm>

Information paper provided by the Administration for the Information Technology and Broadcasting Panel meeting on 7 April 2009

<http://www.legco.gov.hk/yr08-09/english/panels/itb/papers/itb0407cb1-1191-3-e.pdf>

Background brief prepared by the Legislative Council Secretariat for the Information Technology and Broadcasting Panel meeting on 7 April 2009

<http://www.legco.gov.hk/yr08-09/english/panels/itb/papers/itb0407cb1-1191-4-e.pdf>

Minutes of Information Technology and Broadcasting Panel meeting on 7 April 2009

<http://www.legco.gov.hk/yr08-09/english/panels/itb/minutes/itb20090407.pdf>

Submissions from deputations for the Information Technology and Broadcasting Panel meeting on 7 April 2009 (Please refer to the agenda)

<http://www.legco.gov.hk/yr08-09/english/panels/itb/agenda/itb20090407.htm>

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**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.

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**Eligibility and Assessment Criteria for Funding Film-related Projects  
under the Expanded Film Development Fund**

The Film Development Fund with an expanded scope will adopt the following eligibility and assessment criteria for funding film-related projects other than film productions –

- (a) An applicant should normally be a locally registered institution/organisation engaged in film business or a related body. The Secretariat of the Film Development Council can also apply for funding;
- (b) Projects under application must be beneficial to the overall development of the local film industry, such as enhancing the competitiveness of the local film industry;
- (c) Benefits accrued from the projects must serve the interests of the entire film industry, and not just an individual private company or a consortium of private companies;
- (d) Projects should mainly be non-profit making by nature. Special consideration could be given for projects that can ultimately be self-financing;
- (e) In general, funds approved can only be used for non-recurrent expenditure;
- (f) Funds approved cannot be used to create any civil service posts;
- (g) In examining an application, the following must be taken into consideration –
  - (i) the benefits that a project may bring to the local film industry;
  - (ii) the need for such a project;
  - (iii) the technical and project management capabilities of the applicant institution/organisation;

- (iv) whether the implementation schedule of the proposed project is well planned and whether the time required for implementation is reasonable;
- (v) whether the proposed budget is reasonable and realistic;
- (vi) whether there is/will be any duplication in terms of the work carried out by other institutions; and
- (vii) for a project involving recurrent expenditures (such as salaries and other administrative expenses), the period required for such expenditures and whether the project can be self-financing after a certain period of time.

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