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Panel on Information Technology and Broadcasting

Meeting on 9 January 2017

Updated background brief on the work of Create Hong Kong

Purpose

This paper provides updated background information on the work of Create Hong Kong ("CreateHK") and also a summary of views and concerns expressed by the Panel on Information Technology and Broadcasting ("the Panel") on promoting the development of creative industries in Hong Kong.

Background

2. CreateHK was set up in June 2009 to spearhead Government's efforts in driving the development of creative industries and to provide one-stop services for the promotion of creative industries. To achieve this mission, CreateHK provides financial support for initiatives that are conducive to the development and promotion of creative industries through the CreateSmart Initiative ("CSI") and the Film Development Fund ("FDF"). CreateHK also provides funding to support the Hong Kong Design Centre ("HKDC")'s basic operation and the organization of two flagship events, namely, the Business of Design Week and the HKDC Awards. It also administers the Design Incubation Programme ("DIP") which provides assistance for design start-ups. The Financial Secretary announced in the 2016-2017 Budget Speech that the Administration would inject an additional \$400 million into CSI through the 2016-2017 Budget to support different sectors of the creative industries. This amount was included in the 2016-2017 Estimates under Head 55 – Government Secretariat: Commerce and Economic Development Bureau (Communications and Create Industries Branch) and was approved upon the passage of the Appropriation Bill 2016 by the Legislative Council on 13 May 2016.

Support for the non-film creative sectors

3. CreateHK supports the staging of creative events in Hong Kong with a view to fostering a creative atmosphere in Hong Kong and raising awareness of the achievements of the local creative industries among the general public. In 2015, CreateHK continued to support the non-film creative sectors mainly through CSI.

Nurturing talents

4. CreateHK provides funding support to internship programmes which target graduates of selected creative disciplines. CSI provides funding support to the trade bodies of the digital entertainment and digital advertising sectors for subsidizing companies which provide graduate trainees with one-year full-time employment and on-the-job training. CreateHK's funding support has also allowed winners of local award programmes to gain international exposure through work attachment, further studies and study tours in overseas countries.

5. CreateHK also attaches importance to capacity building projects. Local creative talents are able to enrich their professional knowledge and business skills through participation in seminars and workshops funded by CreateHK. CreateHK sponsors the organization of design award programmes or competitions. Designers, creative teams from advertising agencies, animation films and short films have been sponsored by CreateHK to participate in international competitions.

Support for start-ups

6. CreateHK funds programmes to support start-ups in the design, animation and advertising sectors. DIP funded by the Administration has admitted 171 incubatees since 2004¹. Over the years, the incubatees have filed 286 intellectual property rights for registration and attained 198 awards and public recognition, of which 42 were renowned international awards, such as iF Product Design Award and Red Dot Design Award. In 2015, the Animation Support Programme continued to help ten start-ups and five small companies produce original creative animation work for exploring business opportunities and promotion at the Hong Kong International Film & TV Market ("FILMART") and through television broadcast. The Microfilm Production Support Scheme (Music) offers financial assistance and mentorship to advertising production companies. Start-ups are given subsidies for producing microfilms, which

¹ The Hong Kong Design Centre took over the management of the Design Incubation Programme ("DIP") in May 2012. Before that, DIP was run by the Hong Kong Science and Technology Parks Corporation.

featured budding singers, for promotion at FILMART and on different media platforms.

Exploring markets

7. CreateHK assists local creative industries in exploring markets outside Hong Kong. In general, CreateHK requires or encourages the project proponents concerned to accord priority to small and medium enterprises and first-time participants. In 2015, CreateHK continued to provide sponsorship to the Hong Kong Trade Development Council ("TDC") for staging two promotional campaigns in the Mainland, namely the "SmartHK" trade fair held in Jinan and the "Creativity in Business" seminar series staged in Dalian and Suzhou. CSI has also provided sponsorship to TDC to support, for the first time, Hong Kong companies from various creative sectors in participating in the "In Style • Hong Kong" Symposium held in Jakarta in September 2015.

8. On the front of the publishing and printing sectors, CreateHK continues to support the trade to participate in major book fairs, such as the Taipei International Book Exhibition, the Frankfurt Book Fair and Bologna's Children's Book Fair. CreateHK also seeks to promote exchange and collaboration between the local trade and their international peers. With CSI's sponsorship, 10 emerging designer brands set up a showcase and presented their works in a catwalk during the New York Fashion Week held in September 2015. CSI also supported the participation of Hong Kong's comic artists in the 2015 Angouleme International Comics Festival in France, which is the largest comics festival in Europe.

Support for the film sector

9. In 2015, CreateHK continued to promote the development of the film sector in consultation with the Film Development Council ("FDC") in accordance with the four-pronged strategy, i.e. encouraging more local film production, nurturing film production talents, promoting film appreciation among students and young people to build up audiences, and showcasing and promoting the brand of "Hong Kong Films".

Encouraging more local film production and nurturing film production talent

10. Four movies co-financed by FDF were screened in 2015. A new Film Production Grant Scheme ("FPGS") was launched under FDF in November 2015 to provide subsidies, subject to a cap of \$2 million per movie, to small-budget film productions with production budget not exceeding \$10 million. The First Feature Film Initiative ("FFFI") was first launched in 2013 on a pilot basis as a talent nurturing initiative to groom new film directors by fully subsidizing

the production of their first feature-length commercial films. The three winning teams of the first edition of FFFI completed film production in 2015. Special screenings for distributors was scheduled for March 2016 to solicit interest in acquisition of the film copyrights. FFFI was re-launched in March 2015 as a regular project. The competition results of the second edition of FFFI were announced in January 2016. The cash grant for the winning project of the Higher Education Institution Group had been raised from \$2 million to \$3.25 million while that for the Professional Group from \$5 million to \$5.5 million.

Promoting film appreciation among students and young people to build up audiences

11. To cultivate audience, CreateHK provides funding to support the organization of the annual Hong Kong International Film Festival ("HKIFF"). HKIFF 2015 presented 360 screenings of 264 film titles from more than 50 countries/regions, and attracted some 72 000 viewers. With additional funding support from CreateHK, the number of international films shown at HKIFF with Chinese subtitles had increased, discount tickets were offered to students for admission to film festival screenings, and "Film Plus" programmes were organized.

Showcasing and promoting the brand of "Hong Kong Films"

12. CreateHK provides subsidies for local films to compete or participate in international film festivals. In 2015, 12 Hong Kong movies benefitted as a result. CreateHK also organized a film show in Guangzhou in November 2015, and assisted the Hong Kong Economic and Trade Offices in organizing film shows and festivals to promote Hong Kong movies in Bangkok, Chongqing and Washington, D.C.. CreateHK also assisted local movies to participate in the Second Silk Road International Film Festival held in Shanxi and Fuzhou.

13. The Hong Kong - Asia Film Financing Forum ("HAF") has become widely recognized as a significant film financing platform in Asia. It receives funding support from CreateHK through FDF. HAF brings filmmakers with upcoming projects from Asia and beyond to Hong Kong for co-production ventures with top financiers, producers, bankers, distributors and buyers. CreateHK also facilitates production of local and overseas film and television programmes in Hong Kong on matters such as location scouting, obtaining permission for location filming in public or private premises, lane closure, etc..

Funding support for Film Development Fund

14. The Financial Secretary announced in the 2016-2017 Budget Speech that the Administration would inject an additional \$20 million into FDF to subsidize the expenses incurred by locally-produced Cantonese films for distribution and publicity in the Mainland. CreateHK has facilitated the access of the local film industry to the Mainland market. Under the Hong Kong Closer Economic Partnership Arrangement, Hong Kong-produced Cantonese movies have been allowed since 2006 to be imported into the Mainland on a quota-free basis for distribution in Guangdong, subject to vetting and approval by the Mainland. Since 2014, the dialect version of motion pictures produced by Hong Kong (which is applicable to Hong Kong-produced Cantonese movies) has been officially allowed for distribution Mainland-wide on a quota-free basis subject to certain conditions.

15. The populous Cantonese-speaking audiences in the southern region of China form a significant market for small-to-medium budget films which are normally produced in the Cantonese dialect. From the perspective of filmmakers, they also have incentive to gain access to the Mainland market not only for tapping into the Mainland market whose purchasing power is on the rise, but also for increasing their own bargaining power during subsequent stages of negotiations with relevant parties over Internet or pay television royalties.

16. To help Hong Kong-produced Cantonese movies tap into the Mainland market, CreateHK has put in place a scheme under FDF that provides cash subsidies, capped at \$250,000 per film, to cover the sales and distributions ("S&D") expenses of these movies distributed in the Mainland². CreateHK proposed to increase the subsidy for S&D expenses from the level of \$250,000 to \$500,000 per film in March 2016. The proposal seeks to incentivise Hong Kong filmmakers to explore the Mainland market by lowering the entry barrier and increasing the risk appetite for filmmakers. CreateHK worked with FDC to formulate the implementation details and proposed to inject an additional \$20 million into FDF to support the enhanced measure. The Administration projected that the funding injection would sustain the enhanced support measure up to around 2019-2020. The Finance Committee ("FC") approved the funding injection into FDF on 10 June 2016, raising the total commitment of FDF from \$520 million to \$540 million.

17. The key performance indicators of CreateHK showing the position at the end of 2015 are in the **Appendix**.

² The scheme was launched in July 2012 to cover those Hong Kong-produced Cantonese movies distributed in the Guangdong Province. Since July 2015, the scheme has been expanded in scope to also cover those Hong Kong-produced Cantonese movies distributed in the Mainland outside the Guangdong Province.

Previous discussions

Panel on Information Technology and Broadcasting

18. At the Panel meeting held on 14 March 2016, the Administration briefed members on the work of CreateHK and sought members' views on the proposal to inject additional funding of \$20 million into FDF. Members were generally supportive of the proposed funding injection into FDF to provide cash subsidies to cover the S&D expenses of Hong Kong-produced Cantonese films distributed in the Mainland.

19. Some members expressed concerns whether Hong Kong filmmakers would skirt politically sensitive subjects to increase their chances of obtaining subsidies under FDF. Some other members suggested that the Administration should organize workshops and forums on S&D and invite professionals from the Mainland film industry to share their experience and information on tapping the Mainland market with Hong Kong filmmakers. Members held the view that the Administration should consider raising the subsidy further to help Hong Kong filmmakers tap into the Mainland market.

20. In developing a home market for Hong Kong films, the Administration informed the Panel that CreateHK had provided funding support for the organization of the annual HKIFF with a view to encouraging young people to watch movies and participate in post-screening discussions with film professionals. The Administration advised that it had also provided some resources for using community halls as venues for film shows.

21. Some members expressed concerns about the low success rate among the applications under FPGS. The Administration advised that FPGS was launched on a pilot basis for two years under FDF in November 2015 to provide grants to small-budget film productions. As successful applicants were not required to return any unspent amount of the grant to FDF, the FPGS selection board had vetted the project proposals rigorously.

Finance Committee

22. At the special meeting of FC on 6 April 2016, Hon Priscilla LEUNG enquired about, inter alia, the approved applications of locally-produced Cantonese film projects, the amounts of funding approved, the box office receipts of those films in the Mainland over the past three years and the kind of work that the Administration would conduct to promote locally-produced Cantonese films to the Mainland. Hon MA Fung-kwok also enquired about specific measures that the Administration had in the coming year to support

sectors of the cultural and creative industries, and the budget for those measures. Hon Charles Peter MOK expressed concern about, inter alia, job and nurturing opportunities for creative talents and start-ups created under CSI over the past five years, and the number of on-the-job training opportunities, overseas work attachment, creative talents and start-ups increased by the new injection of \$400 million into CSI. The Administration's replies are in Reply Serial Nos. CEDB(CCI)033, CEDB(CCI)034 and CEDB(CCI)044 of the Examination of Estimates of Expenditure 2016-2017.

Latest position

23. The Administration will update the Panel on 9 January 2017 on the latest work of CreateHK in promoting the development of creative industries in Hong Kong.

Relevant papers

24. A list of the relevant papers with their hyperlinks is at:

<http://www.legco.gov.hk/yr15-16/english/panels/itb/papers/itb20160314cb4-689-5-e.pdf>
<http://www.legco.gov.hk/yr15-16/english/panels/itb/papers/itb20160314cb4-689-6-e.pdf>
<http://www.legco.gov.hk/yr15-16/english/panels/itb/minutes/itb20160314.pdf>
http://www.legco.gov.hk/yr15-16/english/fc/fc/w_q/cedb-cci-e.pdf

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Key Performance Indicators of Create Hong Kong¹
(as at end December 2015)

(A) Projects organised or sponsored by Create Hong Kong ("CreateHK")

		CreateSmart Initiative ("CSI")	Others²	Total
a.	Number of approved projects	262	265	527
b.	Number of participants	About 11.1 million	About 10.0 million	About 21.1 million
c.	Number of directly created job opportunities ³	1 840	1 950	3 790
d.	Number of indirectly created job opportunities ⁴	8 400	5 390	13 780
e.	Number of small and medium enterprise ("SME") beneficiaries	960	70	1 030
f.	Number of business contacts or enquiries created for SMEs	9 300	100	9 400
g.	Number of awards attained by creative talents who have participated in international competitions with funding support from CreateHK	70	110	180
h.	Number of nurturing opportunities created for creative talents and start-ups ⁵	32 500	2 300	34 700
i.	Number of TV audience in respect of awards presentation and musical programmes	About 228.6 million	About 2 015.1 million	About 2 243.8 million

Remark: Except for items (b) and (i) which are approximate numbers as well as items (f) and (h) which are rounded to nearest hundred, others are rounded to the nearest ten. Figures may not add up to total due to rounding.

¹ Mainly cover the projects funded through CSI, Film Development Fund ("FDF") and DesignSmart Initiative ("DSI") as well as those projects conducted by CreateHK since its establishment in June 2009. The key performance indicators set out in this Appendix do not cover those projects funded by the Design-Business Collaboration Scheme ("DBCS"), which mainly provided funding support to design-business collaboration projects undertaken by small and medium enterprises.

² Including only those projects funded by the FDF and DSI as well as those projects conducted by CreateHK since June 2009.

³ Directly created job opportunities refer to the job opportunities funded by CreateHK's financial support.

⁴ Indirectly created job opportunities refer to the job opportunities generated by CreateHK's funded projects but outside the scope of CreateHK's financial support. They are estimated figures.

⁵ Excluding the opportunities provided by the Design Incubation Programme.

(B) Participants' satisfaction level towards the projects organised or sponsored by CreateHK

		CSI	Others⁶	Total
a.	Percentage of respondents who rated the activities/programmes as "Excellent", "Very satisfactory" or "Satisfactory"	97%	98%	97%
b.	Percentage of respondents who rated the duration/format/content/publicity/participation fee of the activities/programmes as "Excellent", "Very satisfactory" or "Satisfactory"	93% - 97%	90% - 97%	93% - 97%
c.	Percentage of respondents who considered the activities/programmes helped achieve the following objectives: <i>Enhance Knowledge in the Business, Expand Contact Network, Explore New Business Opportunities, Better Understand the Industry's Position in the Global Markets, Broaden the Scope about the Industry</i>	79% - 90%	72% - 87%	78% - 90%
d.	Percentage of respondents who rated the activities/programmes as "Definitely Useful", "Very Useful" and "Useful"	91%	90%	91%

Remark: The number of respondents exceeds 56 000.

⁶ Including only those projects funded by the FDF and DSI as well as those projects conducted by CreateHK since June 2009.

(C) Number of CSI's approved projects classified by strategic foci

Exploring markets	97
Nurturing talents and supporting start-ups	109
Promoting Hong Kong as Asia's Creative Capital, fostering creative atmosphere and developing creative clusters	56
Total	262

(D) Design Incubation Programme

a.	Number of incubatees ⁷	171
b.	Number of incubatees which have completed incubation	126
c.	Number of intellectual property rights ⁸ applications registered by incubatees	286
d.	Number of jobs opportunities created by incubatees	826
e.	Number of local and international awards attained by incubatees	198

⁷ Including those under incubation and completed incubation.

⁸ Including trademark, patent and registered design.

(E) Film Production Financing Scheme under the Film Development Fund

a.	Number of approved projects	33
b.	Number of job opportunities created [^]	2 145
c.	Number of film directors who directed a film for the first time	17
d.	Number of producers who produced a film for the first time	20

Remark: [^] The number of job opportunities created covers the basic production crew and major casts. The number of job opportunities created will increase to 5 610 if other crews involved on a part-time basis are counted.