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Panel on Information Technology and Broadcasting

Meeting on 13 November 2017

**Updated background brief on the Film Development Fund
in supporting the development of film industry**

Purpose

This paper provides background information on the Film Development Fund ("FDF") in supporting the development of the film industry. It also summarizes the views and concerns expressed by Members in previous discussions.

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 and enhances the international and cultural image of Hong Kong. The Government is committed to providing a favourable environment conducive to the long-term and healthy development of the Hong Kong film industry.

3. The Government first established FDF in April 1999 with an approved commitment of \$100 million to support a wide range of projects and activities which contribute towards the development of the Hong Kong film industry. The scope of FDF includes part-financing small-to-medium budget film productions, subsidizing low-budget film productions, promoting Hong Kong films in the Mainland and overseas, enhancing initiatives to train talents in various aspects of film production and distribution, and enhancing the interest and appreciation of Hong Kong films by the local audience.

4. FDF provides subsidies ranging from \$40,000 to \$1 million per film for participation in international competitions or exhibitions. FDF also provides a subsidy on a reimbursement basis, capped at \$250,000 per film, to cover the sales and distribution ("S&D") expenses of the Hong Kong-produced Cantonese films which are distributed in the Guangdong Province under the Mainland-Hong Kong Closer Economic Partnership Arrangement.

5. The Government also established the new high-level Hong Kong Film Development Council ("FDC") in April 2007 to advise the Secretary for Commerce and Economic Development on the policy, strategy and institutional arrangement for the promotion and development of the film industry. On 6 July 2007, Finance Committee ("FC") approved an injection of \$300 million into FDF, and FDF's scope was expanded to include part-financing small-to-medium budget film productions.

6. In May 2015, the Government increased the commitment for FDF by \$200 million to support measures including funding, talent nurturing, promotion, trade facilitation and audience development. The Film Production Financing Scheme ("FPFS"), which was set up under FDF to finance small-to-medium film productions, was enhanced by raising the upper limit of the production budget of a film project from \$15 million to \$25 million. The Government's contribution of financial support per approved film was increased to 40% of the approved budget or the actual production cost, whichever is the lower, and capped at \$6 million per film. The operational requirements of FPFS were streamlined to better suit the needs of the film industry and facilitate submission of funding applications.

7. A two-year pilot Film Production Grant Scheme ("FPGS") was introduced in 2015 under FDF to provide a grant to subsidize small-budget film productions. The objectives of FPGS were to reduce film producers' uncertainty when investing in less proven film projects, particularly those developed by younger and/or less experienced filmmakers; encourage more commercial investment in such films; and create nurturing opportunities for new talents in the production and post-production sectors of the local film industry. Under FPGS, a grant at 20% of the approved production budget or actual production cost, whichever was the lower, and capped at \$2 million per film project would be provided to subsidize low-budget film productions with production budget not exceeding \$10 million per film.

8. The First Feature Film Initiative ("FFFI") was re-launched in 2015 to identify, through a competition on screenplay and production proposals, new filmmakers from among tertiary students and practitioners of the film industry who have no previous experience in directing commercial films. The level of

cash grant for the winning team in the Higher Education Institution Group will be awarded a maximum of \$3.25 million and that for the Professionals Group will be \$5.5 million.

9. Create Hong Kong ("CreateHK") completed a review on the operation and effectiveness of FDF in consultation with FDC in 2015. The review concludes that FDF has been effective in encouraging local film productions, nurturing film talents, and promoting Hong Kong films locally and abroad, and that FDF should be retained and strengthened as a tool to support the development of the local film industry. The review also points out that certain aspects of FDF should be refined, particularly in relation to simplifying the application procedures and reporting requirements.

10. In June 2016, FC approved an injection of additional \$20 million into FDF to enhance support for Hong Kong-produced Cantonese films by increasing the maximum level of subsidy per film from \$250,000 to \$500,000 to cover S&D expenses incurred by Hong Kong-produced Cantonese films for distribution in the Mainland.

Previous discussions

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11. At the meeting of the Panel on Information Technology and Broadcasting ("the Panel") held on 9 March 2015, the Panel was briefed on the proposals of further injection of \$200 million into FDF to enhance the operation of FPFS and the introduction of FPGS. The Administration briefed the Panel at its meeting held on 14 March 2016 on the proposal for additional funding of \$20 million for FDF to provide subsidies to cover the expenses incurred by locally-produced Cantonese films for distribution and publicity conducted in the Mainland. The Panel supported both proposals in principle.

Effectiveness of film supporting schemes

12. At the Panel meeting held on 9 March 2015, some members commented that the Administration should review the reasons for low box office receipts of some of the film productions supported by FDF and that the Administration should implement measures to increase the effectiveness of the film supporting schemes. Other members commented that box office receipts might not be an accurate performance indicator to assess the effectiveness of FDF, because films with potentially high box office receipts would already have attracted commercial investors and would not require support from FDF.

13. At the Panel meeting held on 14 March 2016, members enquired about the low rates of successful application under FPGS. The Administration explained that the selection board had adopted more stringent standards in vetting and approving the project proposals with regard to the creative attributes of the film projects, which might have resulted in the low success rates of application.

Amount of additional funding injection into the Film Development Fund

14. Some Panel members enquired about the reason for seeking \$200 million for injection into FDF and the measures the Administration would take when FDF was exhausted. The Administration advised that the amount of funding sought should be sufficient to cover the anticipated spending from mid-2015 to 2020. A review on the effectiveness of the film supporting schemes would be conducted in two years' time.

Support for local film productions

15. Panel members suggested that the Administration should review the mode of support provided to the film industry when audiences were switching from cinema to other media such as video discs and other digital formats. The Administration said that subsidies were available under FPGS for small-budget film productions; CreateHK would continue to promote the development of the film sector by encouraging more local film productions, nurturing production talents, promoting film appreciation among students and young people to build up audience base, and showcasing and promoting the brand of "Hong Kong Films".

Nurturing film talents

16. Some other members commented that the Administration should ensure that local cultural elements were included in the film projects co-financed by FDF. The Administration advised that FPFS did not impose restriction on content features although many of film projects funded by FPFS did include elements of local culture.

17. Members queried whether there was adequate support for nurturing young production talents. The Administration advised that, to create nurturing opportunities for new talents in both the production and post-production sectors of the local film industry, grants issued under FPGS could be used to cover salaries of the production crew who were Hong Kong permanent residents. FDF also provided funding support to various worthwhile film-related projects

that were conducive to nurturing production talents. For example, the Film Professional Training Programme was funded by FDF to provide professional training for frontline workers of the film industry. Some of the graduates have been offered professional film production and post-production positions in various fields. The Administration further pointed out that FFFI, which was first launched in 2013 on a pilot basis, was another talent nurturing initiative to groom new film directors by fully subsidizing the production of their first feature-length commercial films.

Enhanced support for Hong Kong-produced Cantonese films distributed in the Mainland

18. The Panel generally supported the development of Hong Kong-produced Cantonese films. Some members expressed concern whether Hong Kong filmmakers would avoid touching on politically sensitive subjects in order to ensure a higher chance of obtaining subsidies under FDF. The Administration responded that the vetting and approval of applications under FDF would be conducted by professionals in the film industry based on commercial and market principles rather than political considerations.

19. Members requested the Administration to consider organizing workshops and forums on S&D for professionals. The Administration advised that the Film Services Office under CreateHK would organize seminars and networking events among film professionals from Hong Kong, the Mainland and rest of the world.

20. Some other members enquired whether the proposed increase in subsidy for S&D expenses would be sufficient to incentivize Hong Kong filmmakers to explore the Mainland market. The Administration replied that the subsidy could cover S&D expenses for small-to-medium budget projects.

Finance Committee

Enhanced support for Hong Kong-produced Cantonese films distributed in the Mainland

21. Members examined the funding proposal for increasing the commitment of FDF by \$20 million at the FC meeting held on 10 June 2016. Some Members commented that the subsidy for S&D expenses might not be sufficient to motivate Hong Kong's filmmakers to explore the Mainland market. They queried whether other measures were in place to support the release of Hong Kong-produced Cantonese films in cinemas in the Mainland. FC members noted that the Administration had implemented various measures to

promote Hong Kong films in the Mainland, including organizing the Hong Kong Film Festival in Guangdong Province, as well as co-organizing other joint promotion events in Guangdong, Hong Kong and Macao.

22. Some FC members were worried that low-to-medium budget films might have a lower chance of obtaining S&D subsidy. They enquired whether there would be further funding injection. The Administration replied that the films eligible for S&D subsidy usually had a production cost of less than \$10 million, and they were considered to be low-to-medium budget films. The Administration informed FC that the additional funding for the subsidy scheme should be sufficient to cover the anticipated expenditure up to 2019.

23. In respond to FC members' enquiry about whether the Administration would allocate resources to assist the release of Hong Kong films on large websites, besides cinemas, in the Mainland, the Administration replied that cinemas were still the main channels for exhibition of commercial films and it had no plan to provide funding support for films to be released on the internet through FDF.

24. Some Members expressed concern that political censorship would be exercised in the process of vetting applications under FDF. The Administration pointed out that the eligibility of a film for funding support under FDF would be determined by experts of the Fund Vetting Committee ("FVC") in an independent, open and transparent process.

25. Noting that FVC was dominated by industry members, the Administration explained that members of FDF and FVC must abide by a stringent system of declaration of interests when vetting the subsidy applications. Members who had conflict of interests with the project in the application could not participate in the vetting process. In addition, FVC would vet applications under a two-tier system, i.e. assessment by independent industry professionals in the first round and a comprehensive assessment on the films by FVC.

26. Some FC members queried whether FDF was effective, the policy objectives could be achieved and whether the proposed funding support on S&D expenses would lead to double subsidies as it overlapped with the existing FPF and FPGS under FDF. The Administration responded that the number of applications for subsidy to cover S&D expenses would reflect whether the scheme was conducive to fostering film industry in Hong Kong. The Government would seek the industry's views on the effectiveness of the subsidy when determining whether the scheme should continue.

27. Some FC members enquired whether there were other restrictions on application for subsidy to cover S&D expenses. They expressed concerns that funds under FDF might not be sufficient to meet the demand. They queried whether the Administration would consider requiring filmmakers to apply for subsidy to cover S&D expenses under FDF before their films were screened. The Administration responded that no other restrictions were imposed on the application for the subsidy to cover S&D expenses and filmmakers were not required to submit their applications to FDF before screening of their films.

Special Finance Committee

28. At the special meeting of the FC on 6 April 2017, Members raised enquiries about the feasibility of establishing a financing platform to raise funds through a means similar to "crowd-funding", apart from using public funds, to facilitate the development of small-to-medium budget films. Members also asked whether the Administration had conducted any review on FPFS and whether the Administration had helped promote FDF-funded films in the Southeast Asia region. Upon members' requests, the Administration provided the required information. The Administration's replies are in Reply Serial Nos. CEDB(CCI)003, CEDB(CCI)017, CEDB(CCI)028 and CEDB(CCI)054.

Latest position

29. The Administration will brief the Panel on 13 November 2017 on a review on the operation of the FDF.

Relevant papers

30. A list of the relevant papers is set out in the **Appendix I**.

Appendix I

List of relevant papers

Issued by	Meeting date/ Issue date	Paper
Panel on Information Technology and Broadcasting	9 March 2015	<p>Administration's paper on funding support for the Film Development Fund LC Paper No. CB(4)590/14-15(03)</p> <p>Updated background brief on the Film Development Fund in supporting the development of film industry LC Paper No. CB(4)590/14-15(04)</p> <p>Minutes of meeting LC Paper No. CB(4)916/14-15</p>
	14 March 2016	<p>Minutes of meeting LC Paper No. CB(4)931/15-16</p>
Finance Committee	10 June 2016	<p>HEAD 55 – GOVERNMENT SECRETARIAT: COMMERCE AND ECONOMIC DEVELOPMENT BUREAU (COMMUNICATIONS AND CREATIVE INDUSTRIES BRANCH) Subhead 700 General non-recurrent Item 480 Film Development Fund FCR(2016-17)39</p> <p>Minutes of 72nd meeting LC Paper No. FC318/15-16</p> <p>Minutes of 73rd meeting LC Paper No. FC319/15-16</p>

Issued by	Meeting date/ Issue date	Paper
Special Finance Committee	6 April 2017	Administration's replies to Members initial written questions (Reply Serial Nos. CEDB(CCI)003, CEDB(CCI)017, CEDB(CCI)028 and CEDB(CCI)054) http://www.legco.gov.hk/yr16-17/english/fc/fc/w_q/cedb-cci-e.pdf
Hong Kong Film Development Council	N/A	Overview