

**For discussion
on 10 December 2018**

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

**Review of and Proposed Funding Injection
to the Film Development Fund**

PURPOSE

The Chief Executive (CE) announced in the 2018 Policy Address the plan to provide a one-off injection of \$1 billion into the Film Development Fund (FDF) to support the development of the film industry. Also, in the light of the changing environment for the local film sector, the Government earlier commissioned a consultancy study to review the operation and effectiveness of the FDF (vide LC Paper No. CB(4)187/17-18(02)). This paper briefs Members on the findings of the consultancy study and seeks Members' views on the proposed funding injection.

BACKGROUND

FDF

2. The Government set up the FDF in 1999 with a view to providing funding support for projects conducive to the long-term and sustainable development of the local film industry.

3. The Government has since 2005 injected a total of \$540 million into the FDF to support a number of film production projects and other film-related projects through the "Film Production Financing Scheme (FPFS)"¹, the "Film Production Grant Scheme (FPGS)"², the "First Feature

¹ To encourage more local film productions for commercial release, the FPFS was introduced in 2007 to provide financing to small-to-medium budget films (i.e. production budget of not exceeding \$25 million per film). The Government may invest up to 40% of approved production budget or actual production costs (whichever is lower) with a cap of \$6 million.

² The FPGS was launched in November 2015 as a pilot and ended in February 2018. Under the scheme, low-budget film productions with production budget not exceeding \$13 million were provided a subsidy up to 20% of approved production budget or actual production costs (whichever is lower) with a cap of \$2 million.

Film Initiative (FFFI)”³ and the “Sponsorship for Local Films Nominated to Participate in Film Festivals Overseas”, etc. Information on various major funding schemes under the FDF is at **Annex 1**.

4. As at end-October 2018, the FDF has disbursed a total of \$474 million to support 45 film production projects and over 200 other film-related projects. Details of the projects are at **Annex 2**. The remaining balance of the FDF currently stands at \$66 million, which is expected to be exhausted in mid-2019.

Review of the FDF

5. The FDF has been in place for nearly 20 years. The local and international film markets have undergone major changes in recent years, especially the growth of multi-media and digital entertainment, and the rise of film industries in the Mainland and other Asian countries, bringing major challenges to the Hong Kong film industry. In this regard, the Government proposed in the 2017 Policy Address to review the operation of the FDF. Subsequently, the Government commissioned a consultant to review the operation of the FDF and the effectiveness of the existing support measures thereunder, particularly in encouraging local film productions for commercial release, nurturing talent, and identifying new niches of the local film industry and film-related services capitalising on new market opportunities especially those from the Guangdong-Hong Kong-Macao Greater Bay Area (Greater Bay Area) Development and the Belt and Road Initiative.

6. Having included literature review, data examination, surveys and in-depth consultations with stakeholders, the consultancy study was completed in July 2018. The Executive Summary and Major Recommendations are at **Annex 3**. The consultant briefed the Film Development Council (FDC)⁴ Members on 17 August 2018 on the study report. The FDC also held a brainstorming session on 24 August 2018 where members expressed their views on the recommendations of the

³ The FFFI, launched in 2013, identifies new directors from among tertiary students/graduates and practitioners of the film industry through a competition on screenplay and production proposals. The winning teams under the Higher Education Institution Group (HEIG) receive a prize of \$3.25 million, whereas the winning teams under the Professional Group (PG) receive a prize of \$5.5 million for production of their first commercial feature films.

⁴ The FDC, comprising key players of the film industry, was set up in 2007 to advise the Government on policy, strategy and institutional arrangement for the promotion and development of the film industry as well as the use and allocation of public funds in support of the film industry. The FDC and its Fund Vetting Committee (FVC) are also responsible for vetting the funding applications submitted to the FDF. See **Annex 4** for the terms of reference of the FDC and the lists of members of the FDC and FVC.

consultancy study.

Findings of the Consultancy Study

7. Overall, the consultancy study concludes that the various support measures and funding schemes of the FDF have been effective in providing funding and support for the industry, and the FDF could play an even more vital role in securing a thriving future for the film industry.

8. On encouraging local productions, the consultancy study sees that, while the FPFS has helped small-to-medium budget film productions, there are views that the current production budget limit (i.e. \$25 million) should be increased to also support mid-budget (i.e. around \$50-60 million) productions, which are lacking in the market but presenting the greatest potential in both local and external markets. As for the FPGS, given its lackluster performance⁵ during the pilot period, the scheme should be discontinued, and resources should be re-channelled to other initiatives.

9. For talent nurturing, the consultancy study agrees that the FFFI has been vital in identifying and grooming new talent and that there is a strong case to continue and enhance the Initiative by increasing the number of winning teams and/or the prize amounts. The Government should also provide a clear and coherent talent ladder by providing more structured training opportunities pitched at different developmental stages for practitioners of different professions, and seek to diversify the talent pool by training talent for content production of different genres and different lengths.

10. The consultancy study recognises the FDF's efforts in market expansion and audience development. Apart from continuing with the existing measure to fund screening of Hong Kong films at suitable venues in Hong Kong⁶, the Government should also enhance promotion of Hong Kong films in the Greater Bay Area cities and the Belt and Road countries through organising screenings of Hong Kong films, including supporting Hong Kong film productions to participate in their film festivals and promoting Hong Kong's post-production services, to capitalise on the new

⁵ The consultancy study sees that the market reception of the FPGS has been relatively poor, as demonstrated by the limited number of applications and approved projects. When the Scheme ended in end-February 2018, only 13 projects (or about 27%) out of the 49 applications received were approved. On average, only 1.3 projects were approved each quarter, far below the original approval quota of 3 per quarter, due to the fact that many applications could not pass the required quality threshold.

⁶ Such as the project funded by Create Hong Kong in 2017 and 2018 to screen Hong Kong films and organise post-screening talks targeting secondary school students at the North District Town Hall installed with suitable screening facilities.

market opportunities.

PROPOSED INJECTION

11. In her 2018 Policy Address, the CE outlined her vision for the development of the film industry. She considered the film industry a key sector amongst the eight creative industries in Hong Kong which has not only enriched our cultural life, but also successfully built up a brand name for “Hong Kong Films”. She indicated that the Government and the industry need to work together to turn challenges into opportunities so that Hong Kong films can shine again. In this connection, the CE proposed to make a one-off injection of \$1 billion into the FDF, with the aim to promote the development of our film industry through measures under four broad strategic directions, namely, nurturing talent, enhancing local production, market expansion and building audience.

12. On 19 October 2018, we consulted the FDC on the proposed injection and specific measures to support the film industry. FDC members generally welcomed the proposed injection and agreed with the development directions set out by the Government. They also offered specific comments on the proposed measures.

13. Against the blueprint set out in the 2018 Policy Address, taking into account the findings of the consultancy study and views from the FDC and other trade stakeholders, we propose that the \$1 billion injection should be used for measures as detailed below.

Details of Proposed Measures

(a) Nurturing Talent

Enhancing the FFFI

14. We propose to increase the total number of winning teams each year from three⁷ to a maximum of six, and raise the prize amount for the Higher Education Institution Group (HEIG) from \$3.25 million to \$5 million and that for the Professional Group (PG) from \$5.5 million to \$8 million, representing an increase of around 50%. Without compromising the quality required of a winning project, the new quota of six winners will

⁷ The competition is divided into the HEIG and the PG. There are two prizes for the HEIG and one for the PG.

be allocated with flexibility depending on the quality of applications under the HEIG and the PG. Notwithstanding, the quota of the HEIG remains to be at least two, and that of the PG at least one.

15. In addition, in view of the succession problem faced by the scriptwriting sector and in order to raise the quality of Hong Kong films, we plan to roll out, on a pilot basis, a Script Improvement Programme for the FFFI winners, whereby the FFFI winners may choose to have experienced scriptwriters to review their film scripts and offer advice thereon before the actual shooting of the films. Depending on the availability of suitable scriptwriters and feedback of the industry, the Script Improvement Programme may also cover other FFFI projects which were screened in for interviews but did not win eventually, as well as unsuccessful applications under the FFFS. We will discuss with the film industry the implementation arrangements.

16. Meanwhile, to enhance the publicity of FFFI winning projects, we will offer more promotional opportunities by, for example, screening the winning projects in “Hong Kong film festivals” organised in the Mainland and overseas cities, as well as subsidising the winning projects to participate in international film festivals (see paragraphs 26 to 27 below) so as to help emerging talent gain exposure and expand markets for winning Hong Kong productions.

17. In addition, we have since 2014 collaborated with the Hong Kong International Film Festival Society to organise the “Operation Greenlight” at the Hong Kong-Asia Film Financing Forum (HAF) to offer pitching sessions for eligible FFFI teams which did not win but were qualified for interviews, to have another chance of presenting their film projects to local and overseas filmmakers, financiers, distributors and buyers. These pitching sessions have been effective since launch, with quite a number of teams having secured investment therefrom. Apart from continuing with the “Operation Greenlight”, we propose to enhance training for the teams to improve their skills in pitching their film projects.

Provision of Comprehensive Training Programmes

18. We will explore with the industry introduction of a new “Short Film Production Scheme” providing targeted training in scriptwriting, shooting, presentation skills, etc. for production of short films of less than 60 minutes. This will enable young filmmakers to tap the opportunities brought by the rise of multi-media platforms. We will collaborate with relevant organisations to train up scriptwriting, photography and story-telling skills for production of short films (including animations and

documentaries), and consider identifying talent through competitions.

19. The Government will also step up its efforts in supporting professional training for the film industry. At present, the “Film Professional Training Programme” covers different film disciplines such as production, assistant directing, photography, lighting and post-production. We will explore with the industry to expand the programme to include actor/actress, art director, costume designer, special effects makeup artist, soundman, sound engineer and other film professions. The training programmes eventually offered will depend on the availability of suitable trainers and the manpower need of individual sectors. In order to incentivise more aspiring young people to attend and complete these training programmes, the Government will explore the possibility of partial reimbursement of the course fees upon satisfactory completion of the courses, especially for sectors which are less popular but are in acute manpower demand.

20. The Government also proposes to invite different professional film bodies to organise skill enhancement courses or master classes for their professional segments in order to enhance the professional and technological capabilities of local film practitioners. We will liaise closely with local film bodies to organise activities which aim at improving professional skills in response to the market needs of the industry. Both production and post-production disciplines are under consideration.

21. Given the need of the scriptwriting sector, we propose to provide new scriptwriters with opportunities to learn from veterans and improve scripts quality through trainings and workshops, etc. In the past two years, we have sponsored the Scriptwriting Training Programme which provided around 150 training opportunities. We will continue to work with professional bodies to provide more in-depth training.

22. The Government proposes to continue with and enhance the existing “Hong Kong Film Professionals Overseas Training Program” which allows young post-production professionals to gain exposure through overseas internships and enhances their professional skills and production experiences in post-production, in order to raise the competitiveness of our post-production sector. As at end-October 2018, a total of 11 interns have undertaken internship in Germany and Italy, for a maximum period of four months. The scope of their internships included sound effects, visual effects, colour grading and film restoration. We plan to expand the programme to cover both production and post-production. We are exploring the feasibility of extending the internship duration from at most four months to at most six months. In addition to Germany and Italy under

the existing scheme, we also wish to co-operate with other places, such as the United States, New Zealand and Australia.

23. At present, the Government's subsidy for the internship programme is confined to air tickets, visa fees and basic subsistence. We will consider expanding the subsidy scope to cover also partial living expenses to make the programme more attractive. To successfully implement the internship programme, we would seek the industry's assistance in liaising with their overseas counterparts for provision of internship opportunities and in encouraging local practitioners to participate. The eventual number of internship offered is subject to the number of participating overseas companies and the wishes of local practitioners.

24. Moreover, we propose to launch a "Film Production Attachment Programme" to provide local young film practitioners with subsidised attachment opportunities in commercial film productions (covering positions such as second assistant director, second assistant cinematographer, second assistant gaffer, assistant soundman, assistant art director and assistant producer) which would allow young practitioners to learn in a professional production setup, gain on-site experiences, exchange skills and establish connections with the industry. This attachment programme also requires the industry's help to incorporate local young practitioners in their crews. We will discuss with the industry details such as the types of attachment positions, the cap of monthly stipends and the duration of the subsidised period.

(b) Enhancing Local Productions

25. As mentioned in paragraph 8 above, the consultancy study and the industry have identified mid-budget productions as the area with the greatest potential to expand markets within and outside Hong Kong. In this regard, the Government proposes to enhance the FPFS by raising the current production budget limit⁸ of a film project to \$60 million to cover mid-budget productions. The maximum government financing amount per approved project⁹ will be raised to \$9 million, while the maximum contribution of financing support per approved project will remain at 40% of the production budget. It is believed that this will attract film investors to increase their investment, which would help enhance local production in terms of quality and quantity, and their market competitiveness.

⁸ The current production budget limit is \$25 million.

⁹ The current maximum government financing amount is 40% of the production budget or \$6 million, whichever is the lower.

(c) Market Expansion

26. To assist the local film industry in exploring markets outside Hong Kong, especially to capitalise on opportunities arising from the Greater Bay Area Development and the Belt and Road Initiative, we will continue to organise or participate in local film festivals in collaboration with the Hong Kong Economic and Trade Offices in the Mainland and overseas. Film elements will also be added to the roadshows promoting Hong Kong's competitive edges.

27. To further promote the brand of "Hong Kong Films", we propose to organise thematic "Hong Kong film festivals" in priority markets outside Hong Kong. We will identify target countries/cities for such "Hong Kong film festivals" to be held in consultation with the trade. Apart from customising selection of suitable films for different countries/cities, we may also invite directors, cast members and crew members to participate in those festivals to exchange ideas with counterparts and local audiences. In addition, we may organise or take part in other promotional activities (e.g. delegation visit, exchange programme, field visit, film festival, investment and trade fair, etc.) to enhance promotion of the "Hong Kong Films" brand and Hong Kong's production and post-production services in the Mainland (including the Greater Bay Area) and overseas markets (including the Belt and Road countries and regions). All the above proposals require full support of the industry which includes assigning accompanying directors, cast members and crew members to places outside Hong Kong to participate in promotional activities. Moreover, we will encourage active participation of films financed or funded under the FDF in the above large-scale promotion activities to make the best use of those activities.

28. The Government proposes to continue to support a number of annual flagship events such as the Hong Kong Film Awards (HKFA), the HAF, Cine Fan, etc. If an organiser has other feasible proposals (e.g. cross-sectoral collaborations with other creative sectors) to enhance the scale of the project for better publicity, the amount of subsidy may be increased on a case-by-case basis.

29. Among these events, the HKFA and the HAF have been effective in promoting the sustainable development of Hong Kong film industry over the years. The organisers of the two events¹⁰ are experienced and of established standing in the industry. From experiences

¹⁰ The Hong Kong Film Awards Association and the Hong Kong International Film Festival Society respectively.

in past years, it is noted that a stable source of subsidy would enable the organisers to have more comprehensive planning and is conducive to the scaling-up of the projects. We therefore propose to adjust the current funding cycle from one year to two years. Notwithstanding, the projects will still be subject to annual reviews, and funds for the second year would only be disbursed upon satisfactory completion of the project in the first year and achievement of specified deliverables in the funding application.

30. Meanwhile, we will strengthen the training in pitching skills of Hong Kong filmmakers (including emerging filmmakers) to assist them in securing Mainland or international finances in investment and fund-raising fora. We also propose to continue with the “Sponsorship for Local Films Nominated to Participate in Film Festival Overseas” and the “Sponsorship for the Sale and Distribution of Hong Kong Films (Cantonese Version) in the Mainland”¹¹, and will consider expanding the latter to cover other Asian markets (e.g. Japan, Korea and Southeast Asia which used to be major export markets of Hong Kong films).

(d) Building Audience

31. In view of the effectiveness of the scheme of organising film screenings at the North District Town Hall, we propose to extend the scheme to other suitable venues (e.g. Hong Kong Arts Centre) or commercial cinemas, and organise more ancillary activities (including post-screening talks, film workshops, etc.) targeting young people to raise their interest in watching films (in particular local films). The Government will also consider other ways to cultivate students’ cinema-going interest and their interest in local films, including exploring, in collaboration with cinema operators, the feasibility of organising screenings for students during non-peak hours at concessionary rates.

32. We will also explore with cinema operators the feasibility of providing more screening slots and opportunities for local film productions and sponsoring promotional campaigns (such as gala premiere, pre/post-screening talk, etc.) for small-to-medium budget film productions to help attract audience through word of mouth.

33. We also propose to broaden our audience base to cover the visually-impaired by funding recording of audio description soundtracks for local films (especially those funded under the FDF) so that the visually-impaired could also enjoy films. If necessary, we are prepared to

¹¹ Currently, the FDF supports the sales and distribution of Hong Kong-produced Cantonese films in the Mainland by providing cash subsidies up to \$500,000 per film.

provide further funding to train audio description professionals¹².

(e) Other Measures

34. Apart from the above proposed measures, as per established practice, the FDF will also accept applications which would likewise benefit the long-term and healthy development of the film industry, and will refer these applications to the FDC and FVC for consideration according to the established mechanism. We will encourage the industry to submit applications for other film-related projects.

35. The Government will continue to discuss with relevant Mainland authorities the proposals to further relax the restrictions on Mainland-Hong Kong co-productions and entry of Hong Kong film productions into the Mainland market, especially the Greater Bay Area cities.

Expected Benefits

36. The film industry is a major soft strength of Hong Kong. The various measures under the four broad strategic directions are intertwined and are expected to give fresh impetus to the further development of Hong Kong's film industry on all fronts.

37. We anticipate that the expanded training programmes aiming to cover all film disciplines, together with the FFFI, would be able to nurture talent and better address the succession gap of manpower resources of the film industry.

38. The enhanced FPFS and FFFI would help increase the number of Hong Kong film productions and enhance the brand and quality of "Hong Kong Films". The production of more high quality films, coupled with the various subsidy schemes for film promotion, and organisation of and participation in overseas film festivals, would increase the marketability of Hong Kong films in the local, Mainland and overseas markets.

39. The well-established financing platform and promotional events would continue to be supported by the FDF to help local filmmakers to gain exposure and broaden business networks, which would facilitate their acquisition of finances. An enhanced Hong Kong cinema would also

¹² Create Hong Kong provided funding of around \$800,000 in 2011 and collaborated with the Hong Kong Society for the Blind to launch the "Audio Descriptions in Hong Kong Films Practicum Project". The project trained over 70 qualified audio description professionals.

help build the confidence of investors in financing local film productions.

40. Apart from the benefits that are expected to be brought to the film industry and relevant economic activities with the proposed funding injection and the various continued, enhanced and new measures, a vibrant Hong Kong cinema would also go a long way towards building local and overseas audiences for Hong Kong films, promoting Hong Kong film culture overseas, raising Hong Kong's international profile and making Hong Kong a more attractive international city to tourists and investors.

Control Mechanism

41. The Permanent Secretary for Commerce and Economic Development (Communications and Creative Industries) (PSCCI) will continue to be the Controlling Officer of the FDF and decide whether to approve the projects and disburse funds having regard to the recommendations of the FDC or the FVC (as the case may be), provided that the funding sought per project (including each film production under the FPFS and the FFFI) does not exceed \$10 million. For projects which merit Government's funding support in excess of \$10 million, they will be referred to the Legislative Council (LegCo) Finance Committee for approval.

42. As regards the vetting procedures, for the FFFI, after the FDC has endorsed the project and PSCCI has approved the funding, an Assessment Panel¹³ will select the winners. For the FPFS, applications will first be assessed by a Panel of Examiners¹⁴, then by the FVC which will then make funding recommendations to PSCCI on whether to accept the applications. For other film-related projects, the FDC will assess the applications with reference to factors such as the benefits brought to the local film industry, reasonableness of the production budget and project management capability of the applicants, and make funding recommendations to PSCCI.

43. For the HKFA and the HAF, while we propose a two-year funding cycle, funds for the second year would only be disbursed upon satisfactory completion of the project in the first year and upon submission of completion report and audit report. In case of unsatisfactory

¹³ There is one Assessment Panel each for the HEIG and the PG. Each Assessment Panel consists of six members, including a film director, a script writer, a film producer, a film critic, a film investor and an FDC member.

¹⁴ The Panel of Examiners consists of professionals with experience in film production, financing, etc. The Panel advises the FVC on the creativity and quality of the film screenplay and reasonableness of the production budget and estimated income.

performance, the Government reserves the discretion to withdraw or reduce the funding amount, depending on the situation, to ensure that the use of public funds is in line with the policy objectives of the FDF.

44. As per existing practices, grantees of production projects and other film-related projects would have to sign respectively a production agreement and a project agreement with the Government, which set out requirements regarding financial and budgetary control, procurement of goods and services, conflict of interests, intellectual property rights, etc. Funds will be disbursed by instalments. Final instalment would only be disbursed after release of films in commercial cinemas in Hong Kong (for production projects) or submission of completion report and audit report by the grantees (for other film-related projects). The Film Services Office of Create Hong Kong would closely monitor the implementation of the projects to ensure compliance with the agreement terms, and launch in a timely manner projects conducive to the development of Hong Kong's film industry.

Financial Implications

45. The indicative cash flow requirements¹⁵ of the injection of \$1 billion into the FDF are as follows –

	2019-20 (\$million)	2020-21 (\$million)	2021-22 (\$million)	2022-23 (\$million)	2023-24 (\$million)	Total (\$million)
(a) FPFS	15	54	54	54	54	231
(b) FFFI	39	39	39	39	39	195
(c) Other Film-related Projects						
(i) Training	25	70	70	70	70	305
(ii) Promotion of films	33	33	33	33	33	165
(iii) Expand audience	2	5	6	7	8	28
(iv) Other programmes ¹⁶	15	15	15	15	15	75
Total	129	216	217	218	219	1,000

Note: Figures may not add up to the total due to rounding-off.

46. CEDB will reserve sufficient funding in the Estimate of the

¹⁵ The figures in the table are for reference only. The actual cash flow requirements will be adjusted according to the number of applications received and eventually approved.

¹⁶ Cover all other projects conducive to the development of the local film industry, such as thematic film screening programmes, facility enhancement, workshops and seminars, film research, publication, etc.

Communications and Creative Industries Branch to cover the daily operation expenditure of the FDF.

ADVICE SOUGHT

47. Members are invited to comment on the above funding injection proposal. Subject to Members' views, we will seek the necessary funding approval from LegCo as appropriate according to the established mechanism.

**Communications and Creative Industries Branch
Commerce and Economic Development Bureau
3 December 2018**

Major Schemes under the Film Development Fund (FDF)

(1) Film Production Financing Scheme (FPFS)

- The FPFS was launched in 2007 to provide finance for small-to-medium budget commercial film productions (i.e. production budget of not more than \$25 million). The Government may invest up to 40% of the approved production budget or actual production costs (whichever is lower) with a cap of \$6 million.
- As at end of October 2018, a total of 89 applications have been received among which 32 have been approved. The total funding involved is around \$90 million. Out of the 32 film projects, 30 have been theatrically released in Hong Kong, engaging a total of 35 new directors and new producers.

Eligibility Criteria

- The eligibility criteria of the FPFS under the FDF are as follows –
 - (a) the Applicant must be a film production company formed and registered under the Companies Ordinance (Cap. 622). Among the Applicant, the film producer and the film director, one category or a total of two categories must have produced a total of at least two released films immediately preceding the date of the application;
 - (b) the Applicant may only receive Government finance for up to two approved film projects at any one time;
 - (c) the Applicant must not have obtained or applied for other financial support (whether in the form of equity or loan financing, grant or sponsorship or any other form) from the Government for the film project; and
 - (d) the film project applying Government finance must fulfill the following conditions –
 - (i) must possess a full film script and the film produced must be a drama feature film produced for

commercial theatrical exhibition at least in Hong Kong with a production budget not exceeding \$25 million;

- (ii) must be shown to be commercially viable and has secured third-party financing¹ for the film project to the satisfaction of the Government;
- (iii) in any three of the five categories of main film crew and cast (namely, film producer, film director, scriptwriter, leading actor and leading actress), at least one person employed in each such category must be a permanent resident in Hong Kong;
- (iv) must be potentially capable of qualifying for a certificate for public exhibition in Hong Kong under the Film Censorship Ordinance (Cap. 392); and
- (v) no principal photography of any part of the proposed film shall be commenced prior to the date of the Government's written acknowledgement of receipt of the application.

Assessment Criteria

- Applications are assessed by a panel of examiners consisting of film industry specialists and the Fund Vetting Committee set up under the Film Development Council. The assessment criteria include “creativity”, “production budget”, “estimated income” and “local film production elements” of the film project.

¹ Third-party financing includes but not limited to the financing committed by the Applicant.

(2) Film Production Grant Scheme (FPGS)

- The FPGS provides grant for low-budget commercial film productions (i.e. production budget of not more than \$13 million). The grant provided may be up to 20% of approved production budget or actual production costs (whichever is lower) with a cap of \$2 million.
- The pilot period of FPGS started in November 2015 and ended in February 2018. FPGS has ceased to accept application since then.
- The FPGS received applications by quarters. During the ten quarters in the pilot period, a total of 49 applications were received among which 13 were approved. The total funding involved was around \$23 million.

Eligibility Criteria

- The eligibility criteria of the FPGS under the FDF are as follows –
 - (a) the Applicant must be a film production company formed and registered under the Companies Ordinance (Cap. 622) Among the Applicant, the producer and the film director, one category or a total of two categories must have produced a total of at least two released films immediately preceding the date of the application;
 - (b) the Applicant must not have obtained or applied for other financial support (whether in the form of equity or loan financing, grant or sponsorship or any other form) from the Government for the film project; and
 - (c) the film project applying Government Grant must fulfill the following conditions –
 - (i) must possess a full film script and the film produced must be a feature film produced for commercial theatrical exhibition at least in Hong Kong with a production budget not exceeding \$13 million;

- (ii) must be shown to be commercially viable and has secured third-party financing² for the film project to the satisfaction of the Government;
- (iii) in all of the following categories of main film crew and cast (namely, film producer, film director, scriptwriter, leading actor, leading actress and host/commentator), at least one person employed in each such category must be a permanent resident in Hong Kong;
- (iv) must be potentially capable of qualifying for a certificate for public exhibition in Hong Kong under the Film Censorship Ordinance (Cap. 392); and
- (v) no principal photography of any part of the proposed film shall be commenced prior to the date of the Government's written acknowledgement of receipt of the application.

Assessment Criteria

- Applications are assessed by a panel of examiners consisting of film industry specialists and the Fund Vetting Committee set up under the Film Development Council. The assessment criteria are mainly “creativity and quality of the film screenplay”, “production budget”, “estimated income” and “local film production elements and talent nurturing” of the film project.

² Third-party financing includes but is not limited to the financing committed by the Applicant.

Other Film-related Projects

(3) **First Feature Film Initiative (FFFI)**

- The FFFI is a major programme on talent nurturing. Through a competition of screenplay and production proposals, the FFFI aims to identify and nurture new directors who have never produced a commercial feature film. The winning new directors and their production teams will be wholly funded by FDF to produce their first feature films.
- The competition is divided into the Higher Education Institution Group (HEIG) and the Professional Group (PG). There are two prizes for the HEIG, with each winning team receiving a maximum of \$3.25 million. There is one prize for the PG, with each winning team receiving a maximum of \$5.5 million.
- Since 2013, four editions of FFFI have been held and supported the production of a total of 10 feature films at the amount of around \$42 million.
- The winning film projects of the first edition, namely, *Weeds on Fire*, *Mad World* and *Somewhere Beyond the Mist*, as well as one of the winning film projects of the second edition, namely *In Your Dreams*, have been commercially released.
- The other winning film projects include *Apart* of the second edition, *Still Human* and *G Affairs* of the third edition, and *My Prince Edward*, *Hand-rolled Cigarette* and *Elisa's Day* of the fourth edition.

Eligibility Criteria

- Each participating team shall comprise at least a director, a producer and a scriptwriter. The director and the producer shall not be the same person.
- The director(s) of a participating team shall not have previously shot³ any commercial film⁴ with a running time of

³ "Shall not have previously shot" means not having shot any commercial film as a director, co-director or executive director.

80 minutes or longer and shall be a Hong Kong permanent resident aged 18 years or above. The producer must have participated in the production of at least two publicly exhibited films in Hong Kong in the capacity of an executive producer/producer/director/ director of cinematography/art director (with at least one occasion as a producer) and shall be a Hong Kong permanent resident aged 18 or above.

- The director(s) of a participating team in the HEIG shall be a student or graduate of not more than ten years from film/TV production or similar disciplines of a local or overseas higher education institute or a professional school. A participating team shall be screened and nominated by one of the following institutes: (a) Hong Kong Academy of Performing Arts; (b) Hong Kong Baptist University; (c) The Hong Kong Polytechnic University; (d) City University of Hong Kong; (e) The Hong Kong Open University; (f) Hong Kong Institute of Vocational Education; (g) Hong Kong Design Centre; (h) The Savannah College of Art and Design (Hong Kong); (i) The Chinese University of Hong Kong; and (j) Chu Hai College of Higher Education.

- The director(s) of a participating team in the PG shall be a member of the local film industry who possesses filmmaking or related experience; or who has previously won in local major short film competitions or a film industry member who has returned from overseas. A participating team shall be nominated by one of the following organisations: (a) Federation of Hong Kong Filmmakers and its member organisations; (b) Hong Kong Motion Picture Industry Association; (c) Movie Producers and Distributors Association of Hong Kong; (d) Hong Kong Chamber of Films; (e) The Hong Kong International Film Festival Society; (f) Ying E Chi; and (g) Hong Kong Arts Centre.

- There shall be at least one Hong Kong permanent resident in each of the following ten positions: scriptwriter, leading actor, leading actress, cinematography, action design, art direction, costume design, editing, music scoring/sound effects and visual effects.

⁴ “Commercial film” means a fictional narrative that has been shown at commercial cinemas.

Assessment Criteria

- There are two stages of assessment. The Assessment Panel will choose the winners according to the creativity and quality of the scripts, production budget and marketing forecast.

(4) Film Professionals Training Programme

- Organised by the Federation of Hong Kong Filmmakers, the Film Professional Training Programme is a full day course to provide practical training by active and veteran film practitioners. The scope of training includes production, assistant directing, photography, lighting and post-production, etc.
- During the 13 years since 2005, the programme has provided around 600 training opportunities.

(5) Hong Kong Film Professionals Overseas Training Program

- Funded by the FDF in 2017, the Asian Film Award Academy inaugurated the program and arranged for sending young post-production practitioners to countries with established post-production industry for internship for job enhancement and broadening of horizon.
- As at end-October 2018, a total of five and six interns have been sent to Germany and Italy for internship respectively. Three more interns will be sent to Germany by the end of 2018. A new batch of two interns to Thailand for training in early 2019 is under recruitment.

(6) Hong Kong Film Awards (HKFA)

- First held in 1982 and reaching its 37 editions, the HKFA is a regular event held every April to give recognition to local film practitioners with distinctive performance and contribution to the industry. The event does not only draw the attention of the film industry but also the general audience.
- The HKFA is held at the Hong Kong Cultural Centre every year and is the signature industry event in Hong Kong. The

award presentation and its red carpet walk before the event are broadcasted through TV and the Internet.

(7) Hong Kong Asian Film Financing Forum (HAF)

- First held in 2000, the HAF is one of the most important film financing platforms in Asia. The HAF brings Asian filmmakers with upcoming film projects to Hong Kong for co-production ventures with top film financiers, producers, bankers, distributors and buyers.

(8) Asian Film Awards (AFA)

- First held in 2007, the AFA celebrates excellence in Asian cinema through the annual presentation of awards to talent and films that make up the dynamic film industries in Asia.
- The first seven editions and the 11th edition of the AFA were held in Hong Kong and the 8th, 9th, 10th and 12th editions were held in Macao. Asian Film Awards Academy, the organiser, plans to hold the event in different Asian cities to reflect its broad reach across the entire region.

(9) Entertainment Expo (EE)

- First held in 2005, the EE is a mega event encompassing TV, film, music and digital entertainment held every March to April. It aims to promote Hong Kong as a hub of creative industries.
- Every year, the EE promotes Hong Kong's creative industries to the industry and the general public through various promotional channels. In 2018, there were more than 110 000 participants in the various events of EE.

(10) Sponsorship for the Sale and Distribution of Hong Kong Films (Cantonese Version) in the Mainland

- The scheme was put forward in 2012 to financially support the sales and distribution of the Cantonese version of Hong Kong films in the Mainland at the maximum of \$500,000.

- As at end-October 2018, the scheme has supported a total of 8 films at the amount of around \$2.4 million.

(11) Sponsorship for Local Films Nominated to Participate in Film Festivals Overseas

- The scheme started in 2000 to encourage the industry to participate in film competitions and exhibitions overseas so as to promote Hong Kong films and further expand the overseas markets. Each participating film will be reimbursed for the relevant expenditures from \$50,000 to \$1,000,000.
- As at end-October 2018, the scheme has supported a total of 87 films at around \$6.8 million.

(12) Cine Fan

- Cine Fan is a year-round programme introduced by the Hong Kong International Film Festival Society in 2013. It aims to enrich and deepen the experience of Hong Kong filmgoers with monthly programmes featuring a variety of curated contemporary, retrospective and thematic showcases.
- As at end-October 2018, Cine Fan 2017/18 has presented 499 screenings of 276 films. The programme also consists of post-screening talks, seminars, film appreciation courses, etc. to cultivate interest and enhance level of film appreciation of the audience.

(1) Film Production Projects Funded by Film Development Fund under Film Production Financing Scheme

Film Project	Funding Amount(\$Million)	Box Office (\$Million)
McDull Kungfu Ding Ding Dong*	3.6	2.5
Claustrophobia*	1.6	0.8
Coweb*	3.0	0.0
Strawberry Cliff*	3.0	0.7
Give Love*	2.4	0.2
Lover's Discourse*	1.9	2.0
Echoes of the Rainbow*	3.6	23.1
Break Up Club*	1.8	10.3
La Comédie humaine*	2.5	7.5
37*	2.8	0.0
Beach Spike*	2.8	1.7
Lost in Wrestling*	3.7	0.0
MicroSex Office*	1.7	3.4
The Killer Who Never Kills*	3.0	0.5
Love Lifting*	2.7	1.3
Love Expert*	3.0	0.0
The Way We Dance*	2.1	13.6
A Complicated Story*	3.0	0.3
Bends*	4.0	0.4
Doomsday Party*	3.4	0.3
The True Love*	1.6	0.0
The Seventh Lie*	1.8	0.6
Kick Ass Girls*	2.3	1.5
The Midnight After*	5.3	21.3
Twilight Online*	1.5	4.5
Wonder Mama*	1.6	0.4
The Merger*	2.0	0.5
The Moment*	2.8	0.2
Tomorrow is Another Day*	3.4	6.0
Men On The Dragon*	4.5	15.7
Love Revolution	3.0	N.A.
Ciao, UFO	5.4	N.A.
Total	90.8	119.3

Remarks:

Hong Kong box office figures as at 31 October 2018.

Figures may not add up to the total due to rounding-off.

Films with * have been commercially released.

Since the box offices in Hong Kong for some of the films are less than \$50,000, when rounding off to the nearest \$0.1 million, the box offices for these films are 0.0.

(2) Film Production Projects Funded by Film Development Fund under Film Production Grant Scheme

Film Project	Funding Amount (\$Million)	Box Office (\$Million)
Lucid Dreams*	2.0	0.4
Napping Kid**	1.4	N.A.
Zombiology: Enjoy Yourself Tonight*	2.0	5.0
Ann Hui's Doc	2.0	N.A.
Forget Me Knot	1.2	N.A.
Impossible Split	2.0	N.A.
The Lady Improper	2.0	N.A.
The First Girl I Loved	1.1	N.A.
Lost in Home, Found in Family	2.0	N.A.
Fool that I am	1.4	N.A.
Just 1 Day	2.0	N.A.
The Way We Dance 3	2.0	N.A.
Take Two	1.7	N.A.
Total	22.7	5.4

Remarks:

Hong Kong box office figures as at 31 October 2018.

Figures may not add up to the total due to rounding-off.

Films with * have been commercially released.

The film with ** was released in November 2018, hence there is no box office figure for this film as at 31 October 2018.

(3) Film Production Projects Funded by Film Development Fund under First Feature Film Initiative

Film Project	Funding Amount (\$Million)	Box Office (\$Million)
Weeds On Fire*	2.0	4.7
Mad World*	2.0	17.1
Somewhere Beyond the Mist*	5.0	0.8
In Your Dreams*	3.3	0.6
Still Human	3.3	N.A.
Apart	5.5	N.A.
G Affairs	5.5	N.A.
My Prince Edward	3.3	N.A.
Hand-rolled Cigarette	3.3	N.A.
Elisa's Day	5.5	N.A.
Total	38.5[#]	23.1

Remarks:

Hong Kong box office figures as at 31 October 2018.

Figures may not add up to the total due to rounding-off.

Films with * have been commercially released.

The total amount of funding for the film projects does not tally with the total funding of the overall scheme (\$42 million) as the latter includes other expenditures like promotional expenses.

(4) Other Film-related Projects Funded by Film Development Fund

Other Film-related Projects	No. of Projects	Funding Amount (\$Million)
<p><u>Nurturing talent</u></p> <ul style="list-style-type: none"> ● First Feature Film Initiative (5 editions) ● The Hong Kong Filmmakers Code of Practice and Safety Manual ● Provision of Filming Equipment to the Academy of Film of the Hong Kong Baptist University ● Introducing Animation Film Arts to the New Senior Secondary Curriculum ● Digital Cinema System Training Program ● Film Professional Training Programme (3 editions) ● Indie Film Producer Workshop (3 editions) ● Greater China Film Directors' Forum (2 editions) ● Cross-Strait Screenwriters' Summit ● Asian Film Awards Academy Project Activities Programme ● Screenwriting Incubation Programme (2 editions) ● Hong Kong Film Professionals Overseas Training Program ● Master Class in Film Directing 	37	111.3
<p><u>Promotion of Hong Kong Films</u></p> <ul style="list-style-type: none"> ● Sponsorship for Hong Kong films participated in film festivals overseas (87 films on 88 occasions) ● Sponsorship for Hong Kong films (Cantonese version) distributed in the Mainland (8 films) ● Entertainment Expo Hong Kong (13 editions) ● Hong Kong-Asia Film Financing Forum (13 editions) ● Asian Film Awards (7 editions) ● Promotion Zone for Hong Kong Films at Cannes Film Market (2 editions) 	135	140.4

<p><u>Enhancing Audience's Interest in and Appreciation of Films</u></p> <ul style="list-style-type: none"> ● Hong Kong Film Awards Presentation Ceremony (13 editions) ● Documentary on the Life of Bruce Lee ● Bruce Lee Memorial Plaques ● Digital Cinema Exchange Pilot ● Hong Kong Arts Centre Cinema Improvement ● Hong Kong International Film Festival Society - Cine Fan Programme (3 editions) ● Consultancy Study on the Cinema Facilities of Hong Kong ● The Ultimate Guide to Hong Kong Film Directors ● Hong Kong Film Culture and Audience Development Program 	28	103.0
<p><u>Other Projects</u></p> <ul style="list-style-type: none"> ● Consultancy Study on the Development of Hong Kong's Film Industry ● 2010 Hong Kong Motion Picture Post Production Exhibition Pavilion ● Hong Kong Film Copyright Online Database – Enhancement of Hardware and Software Systems ● HK Box Office Archive Data ● Full Profile of the Hong Kong Post Production Industry ● 2017 HBO Film Camera Assessment Screening 	8	7.2
Total :	208	361.9

Remarks:

Figures may not add up to the total due to rounding-off.

As at 31 October 2018.

Review of the Film Development Fund

Final Study Report presented to
Create Hong Kong by
Olsberg•SPI



1. EXECUTIVE SUMMARY

1.1. Introduction

This document is the Final Report of Olsberg•SPI and Hang Seng Management College's evaluation of the Film Development Fund (FDF). It addresses each of the questions raised by Create Hong Kong (CreateHK)'s Consultancy Brief for this assignment and presents our findings and recommendations accordingly.

The overarching purpose of the research was to study the landscape of the Hong Kong film industry, review the Government's support measures for the industry implemented through the FDF, and to provide recommendations for the use of the FDF in funding future initiatives to achieve the Government's aims.

This report addresses our findings in relation to seven areas:

1. Market trends in the Hong Kong Film Sector;
2. The impact and relevance of the FDF's support measures in relation to these;
3. Future opportunities and threats for the Hong Kong Film Sector;
4. Belt and Road policy in Mainland China and Hong Kong, and how the Hong Kong film sector can utilise this important programme;
5. Policy and opportunities for the sector in the Guangdong-Hong Kong-Macao Greater Bay Area (Greater Bay Area);
6. Practices in other selected markets for supporting the sector; and
7. Major recommendations for the future use of the FDF in funding the recommended support measures for the film sector.

1.2. Key Findings

The principal findings of the research were derived from a combination of all of the methodological processes used, from reviewing dozens of reports and relevant literature; from examining data provided by CreateHK and other Hong Kong sources; from fresh research through a survey and other primary research methods; from consultations in Hong Kong and elsewhere with Hong Kong industry stakeholders, and from many discussions with CreateHK and senior industry participants.

Described in greater detail further below, the key findings can be listed as follows:

Production

- The growth of the Mainland's economy, and the expansion of the middle class there, have led the Chinese cinema sector to become the world's second largest, and it is projected to overtake the US in the next decade
- Hong Kong's production and acting talent have fuelled this expansion, through the production of films in the Mainland and through Hong Kong-Mainland co-productions made in Hong Kong and/or the Mainland
- At the same time as this Mainland-driven growth has occurred at the high cost end of the production sector (HKD100 million or greater), domestic Hong Kong films have become ever smaller in scale and production spend, falling to around HKD10 million
- This divergence is not unusual, and reflects wider international trends seen in other markets such as the UK, Canada, and Australia

- But this has created a gap in terms of mid-budget films and has resulted in a narrower range of films being offered to Hong Kong audience
- This divergence is made more acute by the cultural differences between the Mandarin-language high-budget productions, and Cantonese-language low-budget ones
- Such a loss creates a major challenge for the sector, as these are the kind of films which would both satisfy the demands of the domestic audience and sell internationally
- Hong Kong's acknowledged strengths in post-production and animation, particularly visual effects (VFX), are not finding sufficient routes to domestic and export markets and suffer from a disadvantageously high cost base
- The on-going lack of throughput from productions also inhibits investment in state-of-the-art equipment within these companies, as they have neither the capital nor the motivation to use the most modern technology

Distribution and Exhibition

- While there has been a recent growth in the number of cinemas in Hong Kong, the Hong Kong exhibition sector sees the ongoing need for provision of more cinema screens and seats in the market
- Meanwhile, the Government has supported measures on exhibition of films in non-commercial venues for the policy objective to build up audience base
- For the exhibitors, the costs of running a business and need to maximise capacity utilisation leads to their focus on major international productions, and the rapid removal of non-performing films – this reduces the possibilities for Hong Kong films that require longer screen time to build an audience via word of mouth
- Some local practitioners consider that Hong Kong domestic productions can perform better if given the opportunity to have longer screen time, but the vast majority do not get this, given the market consideration of the exhibition sector
- For the production sector this represents a major challenge, as theatrical exhibition is core to the profitability of their IP, which generates very little value from downstream buyers such as TV, DVD/BluRay and OTT services once productions leave the cinema
- The tightness of this market has also led to the generation of a negative feedback loop, where underperformance leads investors to commit less to the next production
- Having less investment, the quality on the screen goes down for the next project, reinforcing this underperformance, and giving audiences the impression that Hong Kong productions are of lower quality
- This perception that Hong Kong films are of limited quality represents a serious challenge to the future success of the industry, as the audience has more options in the leisure market, such as sports events, Netflix, and video games
- The dominance of Mainland cultural elements in Hong Kong films – needed to access the Mainland market – means the local audience tends not to regard such productions as a Hong Kong film even if the industry does, meaning that a project which achieves success in the Mainland may not do well in the domestic market
- In the last ten years, there has also been strong growth in the size of film sectors in other markets such as Malaysia, Singapore and Korea, to which Hong Kong's films were historically exported
- This greater competition, combined with the loss of the mid-sized films which tend to perform better domestically and internationally, has had a strong, negative impact on the industry's exports potential and the value of Hong Kong's films abroad

Skills and Career Development

- Hong Kong is renowned for the skills and creativity of its film workforce but there are only limited career paths available in Hong Kong to the many young people seeking to enter and develop through the workforce; consequently many continue their careers mostly in Mainland China or overseas
- For the most part, educational institutions produce generalist graduates who could work in any part of the sector, but who require further investment from companies to become useful assets
- Meanwhile, few local Hong Kong students enrol in more specialised Master of Fine Arts in Film (MFA) courses
- For existing film workers, the Federation of Hong Kong Filmmakers, in particular, fulfils an important function in the continuing professional development of those in below the line roles, upskilling and educating those who crew Hong Kong's films
- Some private sector vocational skills development programmes exist. While these are of high quality, they do not provide sufficient scale to meet the needs of the sector
- A particular issue was also identified in the area of scriptwriting, where it was felt that the skills of those in the sector were not strong
- The limited availability of development money for productions exacerbates this, as producers cannot afford the script doctors and editors who would improve the scripts
- A cohesive strategy for building career paths for young film talent is a clear current gap

Film Development Fund Initiatives

- As with many successful film ecologies, the substantial range of economic benefits that a healthy film industry delivers has been recognised in Hong Kong
- This includes the fact that film and television drama productions spend substantial amounts in other creative industries, thus acting as an engine of economic growth across the creative sectors
- It is also clear that the kinds of creative job the industry generates are those that are unlikely to be replaced in future by the developments in robotics and Artificial Intelligence – the creative sectors provide true “jobs of the future”
- It is evident from our research, surveys, consultations, and analysis that the range of measures offered by the FDF provides valuable funding and skills support to the sector
- The First Feature Film Initiative (FFFI) in particular is seen as highly important in stimulating the development of new talent
- The FDF could play an even more vital role in securing a thriving future for the industry
- The rationale for further funding can be seen in the success of the Hong Kong-Asia Film Financing Forum's (HAF's) Operation Greenlight, where four of 2017's successful projects had previously been unsuccessful in applying for the FFFI
- The FDF's Other Film-related Projects are also considered relevant. It is acknowledged that the scale of some measures could be further expanded; for

example, the support provided through this scheme to the HAF, and to various training programmes and master classes, were noted as valuable by the sector

- Questions have, however, been raised about the appropriateness of some of the FDF's administrative and regulatory practices to the reality of the sector
- This was particularly the case with regard to the recoupment requirements of the Film Production Financing Scheme (FPFS), where the standard contract requires participants to accept terms in distribution and collections which run against industry norms
- The FPFS's present HKD25 million budget cap for productions is also rather low given the needs of the Hong Kong film sector in terms of the desired mid-budget productions
- This being said, the FPFS is an important scheme for the Hong Kong market, and we recommend reform, rather than replacement

Future Opportunities

- There is a major opportunity in using the Greater Bay Area as an expanded Cantonese-film market and as a gateway into the Southern Chinese Mainland
- Hong Kong could act as a hub of expertise, helping this market expand, and increasing its demand for Hong Kong films
- This area represents the heartland of Cantonese-speaking China, and consists of major cities such as Shenzhen and Guangzhou which have strong cultural links to Hong Kong – it should form a natural market for Hong Kong's film productions
- Compared with Hong Kong which has only 7 million population, the Greater Bay Area is a possible 70 million population market for Cantonese films, though the exact scale and potential of the market is yet to be fully unleashed
- Research results suggest that any potential opportunities offered by the Greater Bay Area, and by the Belt and Road Initiative, are not yet generally understood by the Hong Kong film industry, therefore offering a role to CreateHK to assist in exploring this potential by expanding the Film Development Council (FDC)'s current outreach scope and through the use of the FDF-funded initiatives
- Many Belt and Road countries have well established film festivals where their industry and audiences gather, presenting an opportunity to use these as part of a long-term programme to develop international links for the Hong Kong film sector
- The FDF has already successfully developed a model for taking Hong Kong industry expertise to such festivals helping to create new export markets
- Such an approach would also place Hong Kong as a film production hub in the minds of filmmakers in those countries, helping to create business opportunities as their industries develop
- Our analysis has strongly underlined the mid-budget production space as being the one in which Hong Kong's film industry has the greatest chance for success but which the market is struggling to produce, and the Greater Bay Area, as well as Belt and Road countries, could be target markets for such enhanced value films

1.3. Main Recommendations

To fulfil its mandate and enable the Hong Kong film industry to reach its potential, we recommend that the focus of the FDF should be arranged under the following core strategic initiatives:

- **Revitalise** Hong Kong's film industry for a long-term and healthy development, encourage production of Hong Kong films

- **Diversify** the talent pool by putting in place a continual talent nurturing plan
- **Expand** the Mainland and international market for Cantonese films and Hong Kong productions
- **Develop** Hong Kong and other market audiences

Revitalise Local Film Production

- The FDF should enhance the First Feature Film Initiative by raising the number of winners each year and raising the amount of subsidy
- The Film Production Grant Scheme, launched in 2015 on a pilot basis and ended in February 2018, provided production subsidy for films with a cap of HKD2 million but has not proved to deliver against its aims, hence resources should be transferred to the following scheme
- The Film Production Financing Scheme should invest more into mid-budget productions which have the greatest potential
- Currently it supports films with a production budget of not more than HKD25 million. This limit should be altered to provide support to films with a higher production budget (of HKD50-60 million) so as to attract film investors to increase their investment in film productions
- Similarly the financing maximum (currently capped at 40%, or HKD6 million, of the film production budget) should also be raised. While the share cap of 40% may remain unchanged so that the Government would not obtain control of the film project as a majority investor, the cap of HKD6 million may be increased to HKD9 million, with a view to attracting and encouraging more commercial investment in film productions
- The FDF should develop a new rebate incentive for Hong Kong expenditure on post-production, animation and visual effects work at the 20% level in order to secure more lucrative business in these areas
- Further funding should also be created specifically for the development of animation content, another under-resourced sector with substantial local and export potential

Diversify the Talent Pool

- In order to develop the sector, and to provide a pathway for new entrants, a clear career ladder for film talent should be created – this would see to the development of a cohesive, all-round industry strategy for career advancement
- To implement this, the FDF and associated stakeholders should create diversified training programmes with more international exposure for new entrants
- Exchange schemes for those at tertiary education facilities should be encouraged, to create exposure to other industries, generate contacts, and facilitate professional development
- A structured scheme of internships at major Hong Kong film companies should be created, to help talent get a start in the Hong Kong film industry
- The FDF should support new competitions and events aimed at encouraging short videos and micro films including for online distribution
- Upskilling courses and on-the-job training for those already in the market should be implemented, to develop the skills of those already in work

Expand the Mainland and International Market

- A special focus should be placed on the Greater Bay Area with a 70 million population, a common language, and a shared cultural sensibility
- The Hong Kong SAR Government should strive for further relaxations on market access to the Mainland under the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA)
- The Hong Kong SAR Government should also strive for the provision of national treatment to Hong Kong films in the Greater Bay Area as a first step, and removing restrictions on film productions and distributions
- For example, it would be helpful to the sector to remove or relax, for co-productions of Hong Kong and Greater Bay Area, the requirement that the major cast shall comprise one-third of Mainland talents
- Apart from the Mainland market, the international market for Hong Kong films should also continue to be explored, particularly those in the Belt and Road regions, such as through the organisation of filming activities of Hong Kong films, support for Hong Kong productions to join international film festivals, and promotion of Hong Kong's post-production services

Develop Audiences in Hong Kong and Other Markets

- The concept of funding agencies to use suitable venues for exhibiting Hong Kong films should be expanded
- In doing this, the FDF should support the exhibition of different film types, e.g. animations, micro/short films, documentaries and music films for the local audience
- In order to help bring new voices, and connect content makers more directly with consumers, filmmakers should be offered a role in hiring and programming these spaces
- For overseas audiences, periodic thematic screening of Hong Kong films should be organised with the assistance of Economic and Trade Offices of the Hong Kong SAR Government, and supported by the active participation of the film industry such as film directors and actors to interact with the local audience, with a view to building an overseas audience base, and expanding the market for Hong Kong films

9. MAJOR RECOMMENDATIONS

9.1. Overview

This chapter provides a number of recommendations for the future development of the FDF, reflecting the FDF's mission statement to provide funding support for projects which would benefit the long-term and healthy development of the Hong Kong film industry.

In order to do this better, it is recommended that the Fund focus on a number of specific areas:

- **Revitalise** Hong Kong's film industry for a long-term and healthy development, and encourage production of Hong Kong films;
- **Diversify** Hong Kong's talent pool by putting in place a continual talent nurturing plan, including:
 - A clear career ladder for film talent – college to in-service; and
 - Diversified training programmes and more international exposure;
- **Expand** the market for Cantonese films and Hong Kong productions, with a special focus on the Greater Bay Area's 70 million population;
- **Support** development of talent through the expansion of the First Feature Film Initiative;
- **Extend** the financing scope from low budget films (below HKD25 million) to medium budget films (up to HKD50-60 million); and
- **Develop** the local audience through:
 - Support for exhibition of different film types, e.g. animations, micro/short films, documentaries and music films; and
 - The identification of suitable venues for exhibiting different film types.

9.2. Talent Nurturing

Talent is the bedrock of any successful film sector but in recent years, the transition from emerging talent to industry mainstay has become more difficult. In order to address this, it is recommended that FDF should aim to enhance and broaden the talent pool of the film industry.

The key recommendation is to address the present gap which exists between the tertiary education sector and the present lowest rung of funding in Hong Kong, exemplified by the Freshwave Scheme, First Feature Film Initiative, and Operation Greenlight. Three specific programmes are proposed:

- Exchange schemes for those at tertiary education facilities, to create exposure to other industries, generate contacts, and facilitate professional development;
- A structured scheme of graduate and non-graduate internships at major Hong Kong film companies, to help talent to get a start in the Hong Kong film industry; and,
- A new programme of funding competitions or events involving short and micro films

These various schemes should be supported with cross-sector collaboration onto platforms such as OTT and free TV services, to build interest in emerging talent, helping to support the development of an audience as the filmmakers move to full feature film production. The FDC may identify a collaborator in this space that can both provide a platform for work, and can provide creators with a breakdown of their audience demographics, allowing them to target their next projects to market demand.

The emergence of a talent ladder is critical as, at present, there is no set career structure for the new filmmakers, contributing to the impression that it is not a sustainable career choice.

This range of nurturing support will enrich the experience of the young film talent, widen their exposure, and to build up a clear career ladder for them to go from tertiary education to the full Hong Kong film industry.

9.2.1. Continuing Professional Development

Alongside career support for filmmakers, there should also be greater support for technical careers, for example sound post-production. Best practice in this space is to provide short Continuing Professional Development courses, of the kind the Hong Kong Film Academy provides in a number of vocations, to avoid individuals having to take too much time off, which is seen as a major negative by freelancers. On-the-job training, which will also be of value for some vocations – particularly the more technical crew jobs – should also be adopted where appropriate.

9.3. New Markets

9.3.1. Greater Bay Area

Although historically, Hong Kong was a major film producer for the Chinese market worldwide, the emergence of successful film industries in traditional export destinations (such as Korea and Singapore), as well as the Mainland, have led to the diminution of the industry in Hong Kong. As a result of this, many Hong Kong films are now small, locally-focused productions without much export potential.

In order to address this, local film producers should be encouraged to develop a larger market outside of the SAR, of which the Greater Bay Area is the obvious target. This is a 70 million-strong market, 10-times the size of Hong Kong, with a shared linguistic and cultural sensibility. Government-to-Government actions (see below) will be required to facilitate this development.

9.3.2. Belt and Road

The Belt and Road Initiative also provides a major opportunity for the Hong Kong film industry to export its products and services, and we recommend the use of film festivals to facilitate this.

As we note in Chapter 6, many of the Belt and Road Initiative countries have film festivals, 14 of which already collaborate with the Shanghai International Film Festival in Belt and Road-related projects. Such festivals provide a ready audience of those interested in cinema, and can thus be used to build interest in Hong Kong films. Developing a slate of new and classic Hong Kong films to show at film festivals in Belt and Road countries is recommended to achieve this.

Many Belt and Road countries also have emerging film production markets, and here Hong Kong is well set to export skills and talent. As the Hong Kong film brand is readily recognised internationally, it is recommended to take key talent to these festivals to sell Hong Kong as a skill and production partner. Promotion of Hong Kong's visual and special effects expertise in these countries should be a major focus.

9.4 Existing Funding Schemes

Three existing funding schemes from the FDF have been analysed in depth in this Study, and our conclusions are as follows.

9.4.1. First Feature Film Initiative

As affirmed by the surveys and consultations discussed above, the industry's response to the First Feature Film Initiative since it was launched in 2013 have been very positive. The Initiative forms a key step in the development of new talent for the Hong Kong film industry, and has supported a number of well-received projects since its launch, despite a tight budget. The number of projects applying for this support historically greatly exceeds the number which can be supported, and the rejected films' subsequent success through Operation Greenlight at the Hong Kong Film Festival exemplifies the further potential of the FFFI.

Reflecting our overall recommendation in relation to the development of a talent ladder, we propose increasing the support provided through this scheme, to accelerate the further development of the Hong Kong film industry. The FDF may consider achieving this through raising the number of winners to be selected each year, raising the amount of subsidy given, or both.

9.4.2. Film Production Grant Scheme

The Film Production Grant Scheme was launched in 2015 on a pilot basis, and ended in February 2018, having provided production subsidy for films with a cap of HKD2 million per project. The scheme supported a relatively small number of films over the time of its existence, having received only 25 applications in the two full years during which it existed (2016 and 2017).

As discussed above, one of the major challenges in Hong Kong is the lack of mid-budget productions, and as such, the availability of a low-budget production fund which the industry does not heavily used must be questioned. The research we have conducted (especially through consultations and the survey) leads us to suggest that FDF closes this scheme but considers whether other forms of support might be more suitable in this regard, and whether the funding through the Grant Scheme could be better directed elsewhere.

9.4.3. Film Production Financing Scheme

As revealed by the survey in relation to market trends in Hong Kong, the availability of finance is among the areas where things have deteriorated in the last 10 years. As such, FDF may consider expanding the Film Production Financing Scheme, which is the most long-standing film production funding scheme of FDF, and which is well-regarded by the sector.

Currently, the scheme supports films with a production budget of not more than HKD25 million, but as we note above, this is very low by the standards and needs of the Hong Kong film industry. As such, the limit might be relaxed to provide support to films with a higher production budget, for example those with a budget of not more than HKD50-60 million, so as to attract film investors to increase their investment in film productions.

Similarly, the financing level of the Government, presently capped at 40% (or HKD6 million) of the film production budget, might also be raised with a view to attracting and encouraging more commercial investment in film productions.

9.4.4. Other Film-related Projects

The Other Film-related Projects strand provides a useful, flexible way for the FDF to support the sector. It has supported a range of valued initiatives for the sector, including expos, participation in international events, and training and master classes for the industry.

As a result of this, it is recommended that this element of the FDF be increased, to cover programmes such as the talent nurturing programmes, and Belt and Road market visits we

note above. This would provide a way for the FDF to respond to market demand in these areas.

9.5. New Funding Schemes and Initiatives

9.5.1. Post-Production, Animation and VFX Incentive

Consultations with the film sector in Hong Kong have indicated the development of a larger post-production, VFX and animation sector as an area of interest. However, our survey and consultations with the industry underlines the difficulty of this, both given the limited production spend in these areas within the Hong Kong market, and the high personnel and rents costs for companies in this industry.

While it may not fall entirely within the scope of the FDF, in order to ameliorate these challenges, the Government may consider introducing incentives for the post-production sector. References could be made to the model of Australia's Post, Digital and VFX (PDV) Offset, under which a set percentage rebate on the audited production spend of VFX and animation work would be provided.

To ensure that such spending is confined to production activities within Hong Kong only, it may be desirable to adopt elements of Canadian-style tax credits, specifically incentivising only local payroll and freelance labour costs through the incentive.

Such an incentive would help level the playing field with South Korea, which provides major government support to VFX studios, but consultees have advised that technical and creative skills in South Korea are lower than those in Hong Kong.

Whereas there has been concern raised that such incentives would violate the SAR's agreements to the WTO, we note that most countries with incentives are WTO members, with similar schedules of commitments to Hong Kong. We therefore strongly suggest that specialists in Hong Kong should be consulted in order to get specific legal advice on this issue.

9.5.2. Development Funding for Animation

Compared to most forms of production, animation is one of the trickiest due to the long duration required for the development and pre-production of projects. Unlike the development of a script, this process for animation also requires the development of an art style for the project, with storyboarding being a highly labour-intensive and long process.

As a result of this, additional funding is required to develop a sustainable animation sector, in particular development funding to ensure that the industry is able to generate projects of a suitable quality to receive market funding. We recommend that the FDF consider this need, and whether additional funding in this space may be desirable to help develop the market.

9.5.3. Data

Data on the private sector's film production, distribution, and exhibition are a critical issue in many markets, particularly for investors who are looking to understand the potential return they can achieve from their work. Finding reliable data was a major challenge for this assignment as well, and we recommend that to address this, the FDF works with the Hong Kong Government and other stakeholders in the industry to explore if there are ways for collecting and publishing such data having regard to the commercial sensitivities involved.

9.6. Government-to-Government Actions

Other than funding or support programmes by the FDF, Government-to-Government negotiations and actions can also assist the development of Hong Kong film industry. Noting that it may take time for further liberalisation measures benefitting the Hong Kong film

industry in the Mainland (e.g. to remove or relax, for co-productions, the requirement that the major cast shall comprise one-third of Mainland actors/actresses) to materialise, Hong Kong Government may propose for these measures to be applied in the Greater Bay Area as a trial programme first. Within the Greater Bay Area, it would also be helpful to the industry to provide a mechanism to ensure Cantonese-language films can be released, as the impression in the Hong Kong production industry is that Mandarin is now strongly preferred.

Such negotiations would also increase the confidence in the Hong Kong film industry to increase contacts with the Greater Bay Area, supporting the further development of Hong Kong feature films.

**Terms of Reference and Membership List
of the Film Development Council (FDC)**

Terms of reference

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;
- the use and allocation of public funds in support of the film industry;
- the planning, co-ordination and implementation of publicly funded activities related to the film industry;
- the merits of applications for public funding under the relevant funding schemes;
- the manpower and training needs of the film industry; and
- the promotion of film literacy in the community.

Membership list of the FDC

Term: 1 April 2017 - 31 March 2019

Chairman: Hon MA Fung-kwok, S.B.S., J. P.

Vice Chairmen:

- Permanent Secretary for Commerce and Economic Development (Communications and Creative Industries)
- Dr. Wilfred WONG Ying-wai, G.B.S., J. P.

Members:

- Mr Enoch CHAN Chi-to
- Prof. CHEUK Pak-tong
- Ms Amy CHIN Siu-wai
- Mr CHONG Man-keung, M.H
- Mr CHU Chung-on (CHU Chen-on)
- Mr Percy FUNG
- Mr Jason LAM Kee-to

- Mr Stephen LAM Ping-kwan
- Ms Connie LAM Suk-yee, M.H.
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- Mr Stephen SHIN Kei-yin
- Ms Belinda TANG
- Mr Patrick TONG Hing-chi
- Ms June WONG Bo-chu
- Mr Adam WONG Sau-ping
- Ms Bonnie WONG Tak-wei
- Executive Director of the Hong Kong Trade Development Council or her representative

Membership list of the Fund Vetting Committee

- Dr. Wilfred WONG Ying-wai, G.B.S., J.P.
- Prof. CHEUK Pak-tong
- Ms Amy CHIN Siu-wai
- Mr CHONG Man-keung, M.H
- Mr CHU Chung-on (CHU Chen-on)
- Mr Albert LEE
- Ms Belinda TANG
- Mr Patrick TONG Hing-chi
- Mr Adam WONG Sau-ping
- Ms Bonnie WONG Tak-wei