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Panel on Information Technology and Broadcasting

Meeting on 10 December 2018

Updated background brief on the Film Development Fund

Purpose

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

Background

2. The Government is committed to providing a favourable environment conducive to the long-term and healthy development of the Hong Kong film industry. FDF was first established in April 1999 with an approved commitment of \$100 million to support a wide range of projects and activities for promoting the development of the Hong Kong's film industry.

3. The objectives of FDF include part-financing the production of small-to-medium budget films, enhancing efforts to promote Hong Kong films in the Mainland and overseas; enhancing initiatives to train talents in various aspects of film production and distribution, and enhancing local audience's interest and appreciation of Hong Kong films.

4. The Hong Kong Film Development Council ("FDC") was set up in April 2007 to advise the Government on the policy, strategy and institutional arrangements for the promotion and development of the film industry. FDC and the Fund Vetting Committee ("FVC") formed under FDC is responsible for vetting funding applications submitted to FDF.

5. Since the early 2000s, FDF has been sponsoring local films which have received nominations to participate in international film festivals. The amounts of sponsorship ranged from \$50,000 to \$1 million. As at September 2017, FDF has financed a total of 119 films to take part in 41 international film festivals.

6. FDF also funds a variety of projects and activities that are conducive to the overall development of the film industry, including the Entertainment Expo Hong Kong, Hong Kong-Asia Film Financing Forum and Hong Kong Film Awards. FDF also offers places of film-related training programmes to groom frontline film production and post-production talents and provides internship places for overseas training for outstanding talents in the post-production sector.

Previous fund injections

7. On 6 July 2007, Finance Committee ("FC") approved an injection of \$300 million into FDF. FDF's scope was also expanded with the introduction of the Film Production Financing Scheme ("FPFS") to provide part-financing of up to \$6 million to small-to-medium budget films (films with a production budget of not more than \$25 million each). As at September 2017, FPFS has financed the production of a total of 31 film projects.

8. In May 2015, the Administration further injected \$200 million into the FDF and introduced the Film Production Grant Scheme ("FPGS"), on a pilot basis, under FDF to provide subsidy of at most 20% of the approved production budget or actual production budget or \$2 million to low-budget films (films with a production budget of not more than \$13 million each). As at September 2017, six film projects have been funded under FPGS. The pilot period of the FPGS ended on 28 February 2018.

9. Firstly launched on a pilot basis in March 2013, 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. A winning team in the Higher Education Institution Group would be awarded a maximum cash grant of \$3.25 million, and that in the Professionals Group would be \$5.5 million. FFFI has supported a total of seven film projects till November 2017.

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 sales and distribution ("S&D") expenses incurred by Hong Kong-produced Cantonese films for distribution in the Mainland.

Review of the Film Development Fund

11. Create Hong Kong ("CreateHK") has 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.

12. To ensure that FDF continues to provide effective support to the industry, the Administration commissioned a consultant to undertake another review in 2017 on FDF. The consultant had, among others, evaluated the effectiveness of the existing support measures through FDF, particularly in the area of promoting local film production for commercial release and talent nurture, and identify new niches of the local film industry and film-related services in the next five years or so in the light of the latest developments such as those brought about by the Belt and Road Initiative. The consultancy study had been completed in mid-2018.

New initiatives

13. In her Policy Address 2018, the Chief Executive announced that an one-off injection of \$1 billion would be made to FDF to support initiatives for boosting the development of Hong Kong's film industry in the next few years. Specific measures include:

- (a) nurturing talents through enhancing FFFI by increasing the number of winning teams and the prize sponsorship, providing more comprehensive nurturing and training programmes for various film disciplines and providing targeted support to address gaps of skill in scriptwriting and script production;
- (b) enhancing local production through expanding the scope of FDF to cover mid-budget films and raising the Government's investment ceiling; encouraging content production of different genres and different lengths; and encouraging the industry to utilise Hong Kong's facilities and talent for post-production services;
- (c) expanding market through promoting the brand of "Hong Kong Films" through film festivals and other publicity activities in the

Mainland and overseas markets; and establishing a platform for film financing; and

- (d) building audience through cultivating cinema-going habits among young people and students; and encouraging more cinemas to screen local film productions.

Previous discussions

Panel on Information Technology and Broadcasting

14. The Administration briefed the Panel on Information Technology and Broadcasting ("the Panel") at its meeting held on 13 November 2017 on the FDF review.

Eligibility for support under the Film Development Fund

15. Some members queried whether financial support could be provided for small-scale and low-budget microfilms which could not benefit from FDF as the thresholds for subsidies or financing film productions were quite high. The Administration explained that film financing under FDF was available for eligible small-to-medium budget film projects with a production budget of not more than \$25 million each, whereas subsidies could be offered for film projects with a production budget of not more than \$13 million each.

16. A few members pointed out that some film productions were only released on the Internet instead of being screened in cinemas. They have suggested that theatrical exhibition should not be the sole key eligibility factor for FDF. The Panel noted that FDF had been set up to support films intended for commercial theatrical release in Hong Kong; microfilms distributed mainly through the Internet might not fit into this policy framework and funding scope. The Administration would however, consider if there was a case for expanding the scope of FDF to cover microfilms and/or other productions which were distributed on other platforms after incorporating views of various stakeholders. Members were also informed that a film project would meet the existing criterion of "commercial theatrical release" if it was screened in cinemas for at least five sessions in a week.

Supporting local productions

17. In response to members' enquiry about Administration's strategy on supporting local films to participate in international film competitions/festivals

and the selection mechanism in selecting local film projects for support to participate in international film competitions/festivals, the Administration advised Panel members that local films participating in international film competitions/festivals were funded under FDF according to the tier of the particular film festivals which the Hong Kong participants were invited to attend. Candidates for more prominent festivals would be granted a higher reimbursement. When FDF's FVC assessed and selected the film projects, members would look into whether there were creative elements, whether the production budgets were reasonable, their market value and the presence of local elements in the films; the potential box office receipt was not the major consideration.

18. Regarding members' suggestion for releasing the funded film projects through the television channels of Radio Television Hong Kong after they had been screened in local cinemas, in order to increase their exposure among local audience, the Administration responded that how a local production should be screened was a matter for the corresponding distributors or directors to decide. The Administration would not interfere with the films' distribution.

Nurturing film talents

19. Some members commented that more resources from FDF should be allocated on film production, including talent nurturing, rather than on marketing and promotion. The Administration advised that funding had been provided through the Film Professional Training Programme ("FPTP") and the Young Film Professionals Overseas Training Program. Members were informed that FPTP would offer professional training places including for frontline workers of the film industry, overseas training opportunities in advanced film industries to develop their skills.

Expanding new markets

20. Some members had asked how the Administration would promote Hong Kong's film industry among countries along the Belt and Road route and in the Guangdong-Hong Kong-Macao Bay Area ("Bay Area") market. Members suggested that the Administration should review the process of vetting and approving the funding for films co-produced by Hong Kong and the Mainland, with a view to simplifying the application procedures.

21. The Administration advised that CreateHK had organized visits in 2017 with the film production sector to Iran and Malaysia, being countries along the Belt and Road route, to promote Hong Kong's post-production and special effects services. The Administration aimed at exporting techniques, especially

in action, stunt and visual effects, to countries like Iran and Malaysia. In addition, the Administration had set up platforms for regular dialogue and cooperation on films and television productions with stakeholders in Guangdong and Macao. The consultant undertaking the 2017 review on FDF had been tasked to identify new opportunities for the local film industry in the Bay Area and the Belt and Road countries.

22. Some other members commented that the Administration should identify new opportunities for collaboration with other markets, and help the sector to explore new themes for film productions and develop new services. Some members queried how the Administration would secure Cantonese-speaking markets in the Bay Area and Guangxi province. The Administration advised that a Memorandum of Understanding had been signed between Hong Kong and Guangdong Province to strengthen mutual cooperation in co-production and financing of film productions. There was a close relationship and cooperation across the Pearl River Delta region, where Hong Kong had the talents, Guangdong provided the market and Macao had the platform for financing productions.

23. Members also expressed views that the local film industry should remain externally-oriented and should direct towards producing films with local characteristics to reach out to Chinese markets in the Mainland and Southeast Asia while opening up new markets in the countries along the Belt and Road route.

Finance Committee

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

24. 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.

25. Some FC members expressed concerns 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 for the purpose. 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.

26. 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.

Vetting of application by the Fund Vetting Committee

27. Some Members expressed concerns 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 FVC in an independent, open and transparent process. 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.

Evaluating the effectiveness of sales and distribution subsidies

28. Some FC members queried whether FDF was effective, how far 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 FPFS 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 Administration would seek the industry's views on the effectiveness of the subsidy when determining whether the scheme should continue.

29. Some FC members enquired whether there were other restrictions on the application for subsidy to cover S&D expenses. 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

30. At the special meeting of the FC on 18 April 2018, 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. Some members asked the possibility to expand the scope of FDF to finance films of different types in addition to those for theatrical release. Members also asked whether the Administration would review the operation of FDF and measures to encourage more eligible members of the industry to make applications for the FDF. There were also queries on the reasons of refusing some of the FDF applications. Upon members' requests, the Administration provided the required information. The Administration's replies are in Reply Serial Nos. CEDB(CCI)003, CEDB(CCI)004, CEDB(CCI)006, CEDB(CCI)013, CEBD(CCI)032, CEBD(CCI)037, CEBD(CCI)041 and CEBD(CCI)043.

Latest position

31. The Administration will brief the Panel on 10 December 2018 on the FDF review outcome and funding proposal.

Relevant papers

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

Appendix

List of relevant papers

Issued by	Meeting date/ Issue date	Paper
Panel on Information Technology and Broadcasting	13 November 2017	<p>Administration's paper on Film Development Fund Review (LC Paper No. CB(4)187/17-18(02))</p> <p>Updated background brief on Film Development Fund Review (LC Paper No. CB(4)187/17-18(03))</p> <p>Minutes of meeting (LC Paper No. CB(4)575/17-18)</p>
Finance Committee	10 June 2016	<p>HEAD 55 – GOVERNMENT SECRETARIAT: COMMERCE ANDECONOMIC 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	18 April 2018	Administration's replies to Members initial written questions (Reply Serial Nos. CEDB(CCI)003, CEDB(CCI)004, CEDB(CCI)006, CEDB(CCI)013, CEBD(CCI)032, CEBD(CCI)037, CEBD(CCI)041 and CEBD(CCI)043)
Hong Kong Film Development Council	N/A	Overview