

**立法會**  
**Legislative Council**

LC Paper No. CB(1)1135/18-19(06)

Ref.: CB1/PL/ITB

**Panel on Information Technology and Broadcasting**

**Meeting on 10 June 2019**

**Updated background brief on the work of Create Hong Kong and  
Hong Kong Design Centre**

**Purpose**

This paper provides updated background information on the work of Create Hong Kong ("CreateHK") and Hong Kong Design Centre ("HKDC"), and summarizes the views and concerns expressed by members of the Panel on Information Technology and Broadcasting ("the Panel") on promoting the development of creative industries in Hong Kong.

**Background**

Create Hong Kong

2. CreateHK is a dedicated agency set up under the Commerce and Economic Development Bureau to lead, champion and drive the development of the creative economy in Hong Kong, through its three areas of focus on talent and start-up nurturing, market development and promotion of cross-sectional and cross-territorial collaboration. It provides support to the film sector, the design sector, the digital entertainment sector and other creative sectors through various funding schemes and initiatives.

*Dual funding schemes*

3. CreateHK administers and manages two funding schemes, namely the Film Development Fund ("FDF") and the CreateSmart Initiative ("CSI"). FDF

was set up in 1999 with an initial commitment of \$100 million<sup>1</sup> to support projects conducive to the long-term development of the local film industry. A total of \$1.52 billion had been committed for FDF since then.<sup>2</sup> CSI was launched in 2009 as a dedicated fund, of \$300 million in size initially, to provide funding support for promoting the seven non-film sectors of creative industries in Hong Kong.<sup>3</sup> Over the years, a total of \$2 billion had been injected into CSI.<sup>4</sup>

4. Permanent Secretary for Commerce and Economic Development (Communications and Creative Industries) is the Controlling Officer of both schemes and decides whether to approve the projects and disburse funds having regard to the recommendations of the Film Development Council ("FDC") or the Fund Vetting Committee ("FVC") (for FDF), and the CSI Vetting Committee (for CSI). Projects which merit Government's funding support in excess of \$10 million would be submitted to the Finance Committee ("FC") for approval. The aforementioned approval requirement does not apply to the dedicated funding support of \$300 million earmarked for HKDC for implementing the designated projects.

5. A consultancy study was completed in July 2018 to review the operation of FDF and the effectiveness of the existing support measures to the local film industry and film-related services. The consultancy study concludes that the various support measures and funding schemes of FDF had been effective in providing funding and support for the industry, and FDF could play an even more vital role in securing a thriving future for the film industry. Taking into account the findings of the consultancy study and views from FDC and other trade stakeholders, the Administration proposed to promote the development of the film industry through measures under four broad strategic directions,

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<sup>1</sup> The Film Development Fund ("FDF") was first approved vide FCR(98-99)47 by the Finance Committee ("FC") in November 1998 for setting up in April 1999 for a period of five years with a commitment of \$100 million to support projects conducive to the long-term development of the film industry of Hong Kong. In January 2003, FC approved vide FCR(2002-03)52 the establishment of the Film Guarantee Fund ("FGF") with an initial commitment of \$50 million, which was redeployed from the uncommitted balance of FDF at that time. In March 2005, FC approved vide FCR(2004-05)48 the revival of FDF by redeploying \$20 million from FGF.

<sup>2</sup> Subsequent injections were made in batches in 2007 (\$300 million), 2015 (\$200 million) and 2016 (\$20 million). A further funding allocation of \$1 billion was approved by the Legislative Council on 16 May 2019 in the context of the passage of the Appropriation Bill.

<sup>3</sup> Creative industries in Hong Kong are broadly defined into eight sectors, namely, advertising, architecture, design, digital entertainment, film, printing and publishing, television and music.

<sup>4</sup> Funding injections were made in batches in 2009 (\$300 million), 2013 (\$300 million), 2016 (\$400 million) and 2018 (\$1 billion).

namely, nurturing talent, enhancing local production, market expansion and building audience.

6. CSI adopts a "partnership approach" whereby the Administration defers to the industry to initiate and implement development and support programmes with funding support from the Government. It covers a wide range of development and support programmes that are conducive to the development of creative industries under three strategic foci, namely, nurturing talents and facilitating start-ups; exploring markets; and promoting Hong Kong as Asia's creative capital and fostering a creative atmosphere in the community. Funding is granted on a project-based and non-recurrent basis, but the industry is allowed to seek further funding support for worthwhile projects to be organized again in subsequent years.

*Support to the film sector*

7. CreateHK provides one-stop service for location filming in Hong Kong both for local and overseas films; promotes Hong Kong films locally and abroad; provides funding support to the industry's projects and activities through FDF; and handles licences and permits related to special effects materials.

*Support to the design sector*

8. In addition to the funding support through CSI, CreateHK helps nurture local design start-ups and budding fashion designers through the Design Incubation Programme and Fashion Incubation Programme respectively administered by HKDC. It also provides funding support to HKDC for promoting design as a value-added activity and establishing Hong Kong as a centre of design excellence.

*Support to the digital entertainment sector and other sectors*

9. CreateHK works in collaboration with the Digital Entertainment Industry Support Centre of the Hong Kong Productivity Council to assist local digital entertainment companies; and with the Comix Home Base to promote the development of animation and comics sectors. From time to time, CreateHK also organizes different promotion events, projects, as well as talent development initiatives for various creative sectors. Suitable industry initiatives may also apply for CSI funding.

## Hong Kong Design Centre

10. HKDC was established in 2001 by five designer associations<sup>5</sup> and its work covers the following five key areas:

- (a) publicity and promotion of Hong Kong's design works;
- (b) promotion of design leadership and continuous learning;
- (c) promotion of design excellence;
- (d) nurturing of design-entrepreneurs; and
- (e) implementation of Fashion Initiatives.

11. Programmes and activities undertaken by HKDC target a wide spectrum of audience including business leaders, entrepreneurs, brand owners, corporate executives, design professionals and students, and the public at large.

12. Since the establishment of HKDC in 2001, the Government had provided \$300 million in total to fund its operation, with the aim of nurturing design talents, as well as enhancing and promoting the image of Hong Kong's design industry in the region and around the world. HKDC also secured sponsorship from the non-governmental sector to organize design-related programmes. Among the new injection of \$1 billion into CSI for the three-year funding cycle starting from 2019-2020, around \$300 million had been earmarked for HKDC.

## **Previous discussions**

### Panel on Information Technology and Broadcasting

13. At the Panel meeting held on 9 July 2018, the Administration briefed members on the work of CreateHK and HKDC from 2017 up to end-March 2018. Members generally supported the work of CreateHK and HKDC. At the Panel meeting held on 8 January 2018, the Administration updated members on the latest funding operation of CSI and sought members' views on a proposal to inject \$1 billion into CSI to strengthen the Administration's support for the

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<sup>5</sup> The founding members of the HKDC are Hong Kong Federation of Design Associations, Hong Kong Designers Association, Hong Kong Interior Design Association, Hong Kong Fashion Designers Association, and Chartered Society of Designers.

development of the creative industries. At the Panel meeting held on 10 December 2018, the Administration briefed members on the findings of a consultancy study to review the operation and effectiveness of FDF and sought members' views on the proposal to inject \$1 billion into FDF to support the development of the film industry.<sup>6</sup> Members generally supported the work of the two funding schemes under CreateHK.

*Promoting cross-territorial collaboration and participation in the Belt and Road Initiative*

14. Some Panel members commented that the Administration should promote cross-territorial collaboration and participation in the Belt and Road ("B&R") Initiative among Hong Kong's creative industries. The Administration advised that CSI and FDF had funded exchange programmes with the Guangdong-Hong Kong-Macao Bay Area ("Greater Bay Area"), other Mainland cities or B&R countries. Moreover, regional or international events had also been organized in Hong Kong with a considerable number of international participants. The Administration's objectives were to bring in "high-value" customers to Hong Kong's creative industry market and to explore opportunities for export of Hong Kong's products and services.

*Funding schemes for the film industry*

15. Members asked if FDF would consider supporting films of a wider variety of genres, including short films, documentaries, non-feature films, films not intended for theatrical release, etc. Members also expressed concern over the low success rate of the terminated Film Production Grant Scheme. The Administration advised that a pilot subsidy scheme had been launched to invite applications from feature length film projects such as documentaries and animation. It would also explore with the industry to introduce targeted training for production of short films and keep the scope of FDF under review. Although the existing scope of FDF only covered films for theatrical release, productions distributed through other media platforms may apply for support from CSI. The Administration stressed that all applications for funding support under FDF were assessed by experts of the film industry and FVC under FDC in an independent and open manner.

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<sup>6</sup> The two funding proposals for CSI and FDF were approved by the Legislative Council on 10 May 2018 and 16 May 2019 respectively in the context of the passage of the Appropriation Bills.

*Nurturing film talents and market expansion*

16. The Administration informed Panel members of the support measures proposed in December 2018 to promote the development of local film industry. These included raising the production budget limit of the Film Production Financing Scheme, increasing the number of winning teams and raising the prize of the First Feature Film Initiative, as well as arranging experienced film-makers to provide more training to the winning teams.

17. Members appreciated that the Administration's initiatives should be conducive to grooming new talent for the long-term and sustainable development of the local film industry. Some Panel members suggested that the Administration should step up efforts to raise the competitiveness of the post-production sector including post-production digital effects and special effects services. There were also suggestions that the Administration should identify new opportunities of collaboration with other markets among the Greater Bay Area and B&R countries.

18. The Administration advised that it would continue to organize and participate in local film festivals in collaboration with the Hong Kong Economic and Trade Offices in the Mainland and overseas. Film elements would also be added to roadshows promoting Hong Kong's competitive edges. In addition, the Administration might also invite directors, cast members and crew members to participate in those festivals to exchange ideas with counterparts and meet with local audiences.

*Film release and number of cinemas*

19. Members enquired whether the Administration was still upholding the policy which required developers to include cinemas in their development projects as appropriate in the terms and conditions of the land lease. The Administration advised that provision of cinemas should largely be market-driven while the Administration would assume the role of a facilitator.

20. As regards film release, Panel members suggested that the Administration should facilitate the screening of local films during the more favourable release periods in the cinema or on the television channels of Radio Television Hong Kong to enhance their exposure among local audience. The Administration said it would explore with cinema operators the feasibility of providing more screening slots and opportunities for local film productions and consider sponsoring promotional campaigns for small-to-medium budget film productions. Apart from releasing films in cinemas, the concerned distributors

might also choose other channels for distribution of the production at will.

### *Supporting other creative industries*

21. Some members suggested that CreateHK should extend its support beyond the eight well-defined creative industries to other emerging industries, such as the application of artificial intelligence, or those sectors which contained creative elements, such as toy design. The Administration responded that by playing the role of facilitator in the development of the creative industries, it had provided training for practitioners from various creative industries and supported a number of start-up enterprises. The Administration was ready to support any sector of the creative industries wherever practicable proposals become available. In particular, while the scope of the CSI covered seven well-defined non-film sectors, CSI could also be used to support cross-sector collaborations in promoting creative industries.

22. Members also made a number of suggestions on some projects supported by CreateHK, such as providing resources for promoting the fashion design industry in Hong Kong, fostering collaboration between the fashion and film industries, and encouraging the development of street art, etc. The Administration replied that it was mindful of the importance of engaging the community and enhancing tourists' experience in the promotion of creative industries. It would continue to engage the fashion industry through suitable schemes including CSI, and maintain its strategy to foster cross-sectoral and cross-territorial collaboration to promote Hong Kong's creative industries.

### *Nurturing talent in the creative industries*

23. Noting that the number of people employed in the eight creative sectors had increased by 9% between 2009 and 2016, some Panel members had expressed concern that the growth of manpower in the creative sectors in Hong Kong was slow and they were worried that Hong Kong might lag behind in the regional competition.

### *Scale of the CreateSmart Initiative and its key performance indicators*

24. Some Panel members queried why the scale of injection for CSI in 2018 (i.e. \$1 billion) was much larger than the previous funding requests. Members also asked about the key performance indicators ("KPIs") of CSI as a whole and those of certain CSI-supported events such as the Business of Design Week ("BODW").

25. The Administration said that it was appropriate to increase the amount of funding injection because CSI's expenditure pattern in recent years had underlined the growing demand from the creative industry, and that CSI had demonstrated effectiveness in supporting the sectors. With about 45 000 out of the 140 000 participants of BODW coming from overseas, the Administration was of the view that it could be turned into a major event to promote tourism and attract overseas visitors to Hong Kong. The Administration expected that the proposed 50% increase in BODW expenditure would allow HKDC to further improve BODW and related events.

26. As regards KPIs, the Administration responded that the purpose of setting up KPIs was to ensure that public funds were properly expended through CSI. With the \$1 billion new injection, the Administration would measure the effectiveness of CSI with additional KPIs to gauge the degree of community awareness through measuring public participation and media coverage and to better quantify the benefits brought to the industry participants.

### **Finance Committee**

27. At the special FC meetings to examine the Estimates of Expenditure 2018-2019 and 2019-2020 held on 18 April 2018 and 10 April 2019 respectively, some members enquired about the work of CreateHK and HKDC, including the details of the applications for CSI and FDF. The Administration's replies are listed in the **Appendix**.

### **Latest position**

28. The Administration will brief the Panel on 10 June 2019 on the work of CreateHK in promoting development of Hong Kong's eight creative industries in 2018-2019, as well as the work of HKDC in 2018-2019 and work plan for 2019-2020 under the new funding cycle.



## List of relevant papers

Issued by	Meeting date/ Issue date	Paper
Panel on Information Technology and Broadcasting	8 January 2018	<p>Administration's paper on the funding proposal for the CreateSmart Initiative (<a href="#">LC Paper No. CB(4)429/17-18(05)</a>)</p> <p>Administration's follow-up paper on the discrepancy between the number of nurturing opportunities for creative talents and start-up and number of jobs created by the CreateSmart Initiative-funded programmes from June 2009 to end-September 2017 (<a href="#">LC Paper No. CB(4)485/17-18(01)</a>)</p> <p>Updated background brief (<a href="#">LC Paper No. CB(4)429/17-18(06)</a>)</p> <p>Minutes of meeting (<a href="#">LC Paper No. CB(4)699/17-18</a>)</p>
	9 July 2018	<p>Administration's paper on report on the work of Create Hong Kong and Hong Kong Design Centre (<a href="#">LC Paper No. CB(4)1337/17-18(01)</a>)</p> <p>Administration's power-point presentation materials (Chinese version only) (<a href="#">LC Paper Nos. CB(4)1351/17-18(01)</a> and <a href="#">CB(4)1351/17-18(02)</a>)</p> <p>Updated background brief (<a href="#">LC Paper No. CB(4)1337/17-18(02)</a>)</p> <p>Minutes of meeting (<a href="#">LC Paper No. CB(4)1596/17-18</a>)</p>

Issued by	Meeting date/ Issue date	Paper
Panel on Information Technology and Broadcasting	10 December 2018	<p>Administration's paper on review of and proposed funding injection to the Film Development Fund (<a href="#">LC Paper No. CB(4)283/18-19(07)</a>)</p> <p>Updated background brief (<a href="#">LC Paper No. CB(4)283/18-19(08)</a>)</p> <p>Minutes of meeting (<a href="#">LC Paper No. CB(1)558/18-19</a>)</p>
Special Finance Committee	18 April 2018	<p>Administration's replies to Members initial written questions (Reply Serial Nos. CEDB(CCI)003, CEDB(CCI)005, CEDB(CCI)010, CEDB(CCI)012, CEDB(CCI)015, CEDB(CCI)016, CEDB(CCI)021, CEDB(CCI)022, CEDB(CCI)024, CEDB(CCI)026, CEDB(CCI)028, CEDB(CCI)029, CEDB(CCI)038, CEDB(CCI)042 and CEDB(CCI)046) (<a href="https://www.legco.gov.hk/yr17-18/english/fc/fc/w_q/cedb-cci-e.pdf">https://www.legco.gov.hk/yr17-18/english/fc/fc/w_q/cedb-cci-e.pdf</a>)</p>
	10 April 2019	<p>Administration's replies to Members initial written questions (Reply Serial Nos. CEDB(CCI)001, CEDB(CCI)007, CEDB(CCI)008, CEDB(CCI)009, CEDB(CCI)010, CEDB(CCI)011, CEDB(CCI)012, CEDB(CCI)014, CEDB(CCI)017, CEDB(CCI)019, CEDB(CCI)020, CEDB(CCI)030, CEDB(CCI)031, CEDB(CCI)032, CEDB(CCI)035, CEDB(CCI)042, CEDB(CCI)043, CEDB(CCI)044 and CEDB(CCI)048) (<a href="https://www.legco.gov.hk/yr18-19/english/fc/fc/w_q/cedb-cci-e.pdf">https://www.legco.gov.hk/yr18-19/english/fc/fc/w_q/cedb-cci-e.pdf</a>)</p>

<b>Issued by</b>	<b>Meeting date/ Issue date</b>	<b>Paper</b>
Create Hong Kong	2017	CreateHK – Spearheading the Development of Hong Kong's Creative Industries ( <a href="https://www.createhk.gov.hk/publication/CreateHK_booklet.pdf">https://www.createhk.gov.hk/publication/CreateHK_booklet.pdf</a> )