

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

**Measures to facilitate the development of  
the local film industry**

**Purpose**

This paper briefs Members on the measures taken by the Government to facilitate and sustain the development of the local film industry.

**Background**

2. At the Panel meeting held in March 2003, we briefed Members on the Government's response to the proposals made in the Federation of Hong Kong Film Workers' "Revitalising Hong Kong Film Industry" Report (the Report). At the Panel's request, the Administration undertook to update Members on issues relating to the development of the film industry in a year's time.

3. The Government's policy is to strive to promote the long-term and healthy development of the local film industry, and to maintain Hong Kong as an international film production centre. In the past few years, we have implemented various measures to promote and facilitate the development of the film industry. These include the establishment of the Film Services Advisory Committee (FSAC) in 1998, which consists of experts from different sectors of the film industry; the setting up of the Film Services Office (FSO) under the Television and Entertainment Licensing Authority (TELA) to provide one-stop support services to the film industry; and the establishment of the Film Development Fund and the Film Guarantee Fund in 1999 and 2003 respectively to provide appropriate financial support to the film industry.

## **Latest Developments**

4. In the past year, due to the outbreak of SARS only 79 local films were screened in Hong Kong, representing a 14% decrease from the figure 92 in 2002. With the gradual recovery of the economy and the signing of the “Mainland and Hong Kong Closer Economic Partnership Arrangement” (CEPA), the local film industry has become active again and is preparing for expansion into the vast Mainland market.

5. To enable the industry to better prepare for the opportunities ahead, we will, on the basis of the foundation laid, continue to promote and facilitate the development of the local film industry. The measures taken or to be taken by the Government can be classified into the following categories :

- (a) to establish a film financing infrastructure;
- (b) to provide financial support to projects which are beneficial to the long-term development of the film industry;
- (c) to strengthen manpower training and enhance technological capabilities;
- (d) to protect intellectual property rights of the film industry;
- (e) to explore the Mainland market;
- (f) to enhance the international status and image of the local film industry;
- (g) to provide post-production facilities; and
- (h) to strengthen the support for location filming.

6. To ensure that the above measures meet the practical needs of the industry, we have consulted the FSAC and liaised closely with the relevant film organisations in mapping out the details of the measures.

### **(A) *Establish a film financing infrastructure***

7. To encourage the establishment of a local film financing infrastructure, the Government has set aside \$50 million from the Film Development Fund (FDF) to set up a Film Guarantee Fund (FGF) on a pilot basis for two years in April 2003. The purpose is to provide loan

guarantee to participating lending institutions offering loan facilities to film productions that have secured film completion arrangement. We hope the FGF will help promote the establishment of a film financing infrastructure in Hong Kong, thereby laying a strong foundation for the long-term development of the film industry. The FGF has so far received five applications and all of them have been approved. The total approved loan guarantee is over \$11.2 million and the total budget of the films involved is around \$40 million.

8. To promote the FGF and encourage more film companies to submit applications, we organized an experience sharing session on 26 February 2004 during which the successful FGF applicants shared their experience in obtaining loan guarantee and making film completion arrangement with other industry practitioners. We will also review the operation of the FGF before the end of this year and report the findings to the Panel.

9. To tie in with the launch of the FGF, the Government has, through the FDF, funded the compilation of the “Step By Step Legal Documentation Guide on Film Financing and Production”. The purpose is to provide the film industry with a set of sample legal documents for use in film financing and production.

***(B) Provide financial support to projects which are beneficial to the long-term development of the film industry***

10. The \$100 million FDF, which was established by the Government in April 1999, operates for a period of five years until 31 March 2004. The FDF seeks to support projects which are conducive to the healthy and long-term development of the film industry in Hong Kong. The objectives of and the funding criteria for the Fund are set out at **Annex 1**. Following the redeployment of \$50 million from FDF in January 2003 to set up the FGF, the revised commitment of the Fund is \$50 million.

11. Up to January 2004, the FDF has allocated a total of \$48.4 million to support 69 projects. All applications have to be vetted by the Projects Vetting Committee, which comprises members from the film industry, before funding approval is given. Upon completion of the projects, the

FDF-funded organisations would need to submit reports to the Projects Vetting Committee for approval before the release of the remaining balance. FDF-funded projects can be classified into six major categories, including award schemes, training courses, seminars, data compilation, research and surveys as well as participation in film festivals. A table setting out the details of each category is at **Annex 2**.

12. The FSO has conducted an initial assessment of the projects sponsored by the FDF over the past five years. In general, the sponsored projects were initiated by the industry to meet their actual needs and are vital to raising the quality and professional level of the local film productions. For example, the FDF has sponsored 14 training courses with over 1 000 participants, of which some 750 attended courses on the application of digital techniques in film production, animation and special visual effects. These participants continue to work in the film industry upon completion of the courses. On film financing, the FDF has sponsored a consultancy study and the compilation of the documentation guide on film financing, which are again beneficial to the long-term development of the industry. Furthermore, the FDF has sponsored many local films to participate in overseas film festivals, which has helped raise the profile of Hong Kong films in the international arena.

13. The FDF will cease to operate on 31 March 2004. We consider it imperative to consolidate the work done in the past five years and review areas which need to be further strengthened. Given the resources constraint faced the Government, we consider that we should devote the limited resources available to those most needed and pressing projects so as to achieve the best results. After consulting the industry and the FSAC, we propose to sponsor three specific types of activities in the next three years (from 2004-05 to 2006-07) :

- (a) the 2005 Hong Kong Film Awards (HKFA) Presentation Ceremony – as the three major local film events (that is FILMART, Hong Kong International Film Festival (HKIFF) and HKFA Presentation Ceremony) will be jointly held in March 2005, we will continue to provide sponsorship to the 2005 HKFA Presentation Ceremony so that it can create the best synergy effect with the other two activities. Nevertheless,

we have invited the organiser of the HKFA Presentation Ceremony to identify other income sources to fund future presentation ceremonies;

- (b) organize training courses for film workers on the application of advanced digital techniques to create visual effects in film production so as to enhance their technical and professional standards; and
- (c) conduct feasibility studies on the registration systems for film scripts and film titles and for box office records as proposed by the industry (please see paragraphs 16 and 17 below).

Funding for the above activities will be provided through internal redeployment of resources from the Commerce, Industry and Technology Bureau (CITB).

**(C) *Strengthen manpower training and enhance technological capabilities***

14. In order to make the operations of the local film industry more systematic and professional, a structured manpower training programme is very important. In the past, most of the junior workers in the film industry have not received proper training. Coupled with the downturn of the film industry in the past few years, the problem of manpower wastage is quite serious. To address the problem, we will, together with the industry and the Institute of Vocational Education (IVE) of the Vocational Training Council (VTC), organise a three-year “Training Programme for Film Workers”, which will commence in April 2004. The programme aims to train 240 participants each year, thereby churning out about 720 new entrants upon its completion to meet the manpower needs of the industry. The FDF has allocated \$1.2 million for the purchase of equipment required for the training programme. IVE of VTC will also redeploy resources amounting to about \$1.5 million each year to support this programme.

15. The programme will initially provide training for the following six categories of film workers :

- (1) producers – assistant producers;
- (2) deputy directors – script supervisors, deputy directors;
- (3) art department – artwork, costume;
- (4) gaffer – cinematographers, lighting, film stills;
- (5) editing – film and computer editing; and
- (6) post-production – live sound recording, post-production sound recording, sound mixing, dubbing, dark room technique.

Under the programme, students are enrolled in three batches. Each one-year course comprises studies at elementary, intermediate and advanced levels. The elementary level in turn comprises a common and a specialised component. The specialised component caters for the special positions under the six categories of film workers mentioned above. The enrolment of the first batch of students started in mid-February 2004 and the response has been very encouraging.

***(D) Protect intellectual property rights of the film industry***

16. In its Report, the film industry pointed out that there was still room for improvement in the investment environment in Hong Kong, in particular in respect of the protection of intellectual property rights such as registration of film scripts and film titles. The Government keeps an open mind on the proposal and agrees that detailed examination is required. The FSO is now collecting relevant information on the mechanism for registration of film scripts and film titles overseas, and will later consult the film industry on the outcome of the study.

17. Besides, some industry practitioners opined that the credibility of local box office records could be further enhanced. They suggested that there should be an intermediary organisation to compile and publish box office records so as to maintain neutrality. We will, together with the industry, examine the existing mechanism in respect of box office records and collect relevant information from overseas. We will also consult the industry with a view to enhancing the credibility and transparency of the relevant data.

***(E) Explore the Mainland market***

18. Audiovisual services is one of the 18 industries covered by trade in services under CEPA. Starting from 1 January 2004, Hong Kong audiovisual service suppliers can enjoy the following benefits under CEPA :

- (i) to provide, in the form of joint venture (majority shareholding allowed), distribution services of videos and sound recording products;
- (ii) to construct, renovate and operate, in the form of joint venture (majority shareholding allowed) or contractual joint venture, cinema theatres;
- (iii) Chinese language motion pictures produced in Hong Kong may be imported for distribution in the Mainland on a quota-free basis; and
- (iv) motion pictures jointly produced by Hong Kong and the Mainland are treated as Mainland motion pictures for the purpose of distribution in the Mainland. CEPA has also relaxed the restrictions previously imposed on the proportion of Hong Kong-based principal creative personnel and the story content.

Provisions relating to audiovisual services under CEPA are set out at **Annex 3**.

19. The industry warmly welcomes the enormous business opportunities brought about by CEPA. According to the optimistic projection of the industry, there will be as many as 140 motion pictures produced locally this year, representing a more than 70% increase over the 79 motion pictures produced in 2003.

20. As motion pictures produced in Hong Kong may be imported for distribution in the Mainland on a quota-free basis, the Hong Kong film industry can take advantage of CEPA to explore the Mainland market, which shares essentially the same culture with us and has great potential for development. CEPA also relaxes the restrictions on motion pictures

jointly produced by Hong Kong and the Mainland, hence further encourage co-productions. As estimated by the industry, around 100 motion pictures will be co-produced by Hong Kong and the Mainland this year, representing an increase of 150% over the 40 co-productions in 2003. As motion pictures jointly produced by Hong Kong and the Mainland are treated as Mainland motion pictures for the purpose of distribution in the Mainland, box office receipts are expected to be very considerable. In fact, some individual co-produced motion pictures have recorded box office receipts of Renminbi 10 to 30 million yuan in the Mainland.

21. CEPA allows Hong Kong enterprises to construct, renovate and operate cinema theatres on an equity joint venture or contractual joint venture basis and the percentage of shares held by Hong Kong enterprises can be up to 75%. In recent years, Hong Kong enterprises are active in investing in cinema services in the Mainland. With the implementation of CEPA, it is expected that more local companies will plan to invest in cinemas in the Mainland.

22. Hong Kong enterprises are allowed to provide, in the form of joint venture, videos and sound recording products distribution services in the Mainland under CEPA, and the percentage of shares held by Hong Kong enterprises can be up to 70%. Encouraged by this favourable treatment, some local companies are actively considering making investment in videos and sound recording products distribution services in the Mainland. In fact, two companies from Hong Kong have already formed joint ventures with their Mainland counterparts to provide videos and sound recording products distribution services.

23. We are vigorously promoting the contents and implementation details of CEPA, both locally and overseas. TELA has organized briefing sessions on the CEPA benefits on audiovisual services for the film industry. Besides, the Hong Kong Trade Development Council has also organized a series of activities, including a “Seminar on the Development of Film and Television Industries in the Mainland and Hong Kong” and the “Chinese Mainland-Hong Kong-Overseas Tripartite Cooperation Forum” during the FILMART in September 2003. These activities have provided the film industry with a better understanding of CEPA and encouraged them to explore the Mainland market. In addition, Invest Hong Kong and the



Hong Kong Economic and Trade Offices (HKETOs) have assisted in promoting the CEPA benefits on audiovisual services to overseas investors. CITB and TELA will continue to consult the industry on the implementation and related initiatives of CEPA. We will also assess the impact of CEPA on the local film industry in due course.

***(F) Enhance the international status and image of the local film industry***

***(i) To promote abroad Hong Kong's position as a major film production centre in Asia***

24. To attract overseas film companies to conduct location shooting in Hong Kong, TELA participates in the Locations Expo in Los Angeles, U.S.A., every year. We have been able to attract an average of over 400 film producers to the Hong Kong booth every year in the past five years. Moreover, we have received several awards from the Expo organiser, such as the most informative booth in 2000, the marketing excellence award in 2001, the most creative booth (first runner-up) and the champion of marketing in 2002. Besides, TELA also participated in the Cannes Film Festival in France in 2001 and 2002, and the Pusan International Film Festival in South Korea in 2002 and 2003, so as to promote Hong Kong as an ideal place for location shooting. TELA will continue its efforts in this area.

25. Since 2000, a total of 625 film crews from overseas and the Mainland have carried out location shooting in Hong Kong, including the film crews producing Hollywood mega-movies which attracted worldwide attention like "Lara Croft Tomb Raider: the Cradle of Life" and "Rush Hour 2". "Ultra Violet", a Hollywood movie, is being shot on location in Hong Kong from February to May 2004. We will do our best to render assistance to the film crew, including facilitating applications in relation to traffic and crowd control. Apart from bringing considerable revenue to our economy and increasing short-term job opportunities, these filming activities will also help promote Hong Kong overseas and boost our tourism industry.

(ii) *To help organising Hong Kong Film Festivals in the Mainland and abroad*

26. TELA has been actively assisting HKETOs to organise Hong Kong Film Festivals in various parts of the world. Since 1998, we have assisted in organising 29 Hong Kong Film Festivals in 16 overseas cities, which include Washington and Los Angeles in U.S.A.; London in the U.K.; Rome and Milan in Italy; Brussels and Antwerp in Belgium; Paris in France; Berlin in Germany; Sydney, Melbourne and Brisbane in Australia; Vancouver, Toronto and Calgary in Canada; and Seoul in South Korea. HKETOs will organise Hong Kong Film Festivals in Washington, Toronto, Calgary, London and some non-French-speaking European cities in 2004. TELA will continue to play an important role in assisting the organisation of more activities to promote Hong Kong films.

(iii) *To help the industry to organise the mega film events in 2005*

27. FILMART, organised by the Hong Kong Trade Development Council, will be held in late March starting from 2005, concurrent with the HKFA Presentation Ceremony and the HKIFF. This arrangement is set to attract more overseas participants and create greater synergy effects. CITB and TELA will render appropriate assistance to these mega film events.

(G) *Provide post-production facilities*

28. To provide the industry with state-of-the-art film production facilities to further enhance the quality of films, the Government has made available two sites in Tseung Kwan O for the construction of a large film studio by the private sector. The film studio, which is scheduled for completion in 2004, will make available state-of-the-art post-production facilities for use by the industry. In addition, the Digital Media Centre (DMC) at the Cyberport, which will be equipped with state-of-the-art digital equipment, will provide the much needed software, hardware and technical support services for the post-production of films. The DMC is scheduled for completion in late March 2004. After the commissioning of the above facilities, we will monitor their utilization and review their actual benefits for the industry before considering whether further measures are required to facilitate the development of infrastructural facilities for the

film industry.

***(H) Strengthen the support for location filming***

29. Through the coordinated efforts of various departments, the FSO provides one-stop support services for location shooting in Hong Kong. The FSO strives to offer new services in the past six years, such as providing more venues for film shooting, streamlining application procedures for leasing/borrowing venues for film shooting purposes, striving to reduce the charges for leasing/borrowing Government premises and land for film shooting purpose, and formulating measures to facilitate location shooting.

30. After consulting the Hong Kong Police Force, Transport Department, Highways Department and Tsing Ma Management Limited, the FSO formulated a set of internal guidelines on applications for location shooting on Tsing Ma Bridge in 2003. The FSO assumes a coordinating role among the departments concerned in vetting the applications. In 2003, the FSO processed nine applications which were all approved. Besides, in consultation with the Transport Department and the Hong Kong Police Force, the FSO published a set of guidelines to facilitate the application for parking of filming vehicles on roads in December 2003. The FSO will continue to implement measures to facilitate the location shooting of films.

**Conclusion**

31. Looking ahead, we will continue to strengthen our support for the film industry and assist the industry in making its operations more systematic and professional, so as to grasp the opportunities arising from the recovery of the local film industry and CEPA, and to further promote Hong Kong as an international film production centre.

Commerce, Industry and Technology Bureau  
March 2004

**Film Development Fund**

I. Objectives

- (a) Enhance the professional and technological capabilities of the local film industry;
- (b) Improve the professional skills of the industry's workforce;
- (c) Encourage the production of more creative and diversified films;
- (d) Facilitate the industry in the mastering and application of advanced technology so as to enhance the audio and visual effects of films;
- (e) Stimulate further improvement in the quality of local film production and services; and
- (f) Improve the production and operating environment of the industry.

II. Funding Criteria

- (a) An applicant should normally be a locally registered institution/organisation engaged in film business or a related body. The Film Services Office can also apply for funding.
- (b) Projects under application must be beneficial to the overall development of the local film industry, such as enhancing the competitiveness of the local film industry.
- (c) Benefits accrued from the projects must serve the interests of the entire film industry, and not just an individual private company or a consortium of private companies.

- (d) Projects should mainly be non-profit making by nature. Special consideration could be given for projects that can ultimately be self-financing.
- (e) Funds approved cannot be used to create any civil service posts.
- (f) In examining an application, the following must be taken into consideration :
  - (i) the benefits that a project may bring to the local film industry;
  - (ii) the need for such a project;
  - (iii) the technical and project management capabilities of the applicant institution/organisation;
  - (iv) whether the implementation schedule of the proposed project is well planned and whether the time required for implementation is reasonable;
  - (v) whether the proposed budget is reasonable and realistic;
  - (vi) whether there is/will be any duplication in terms of the work carried out by other institutions; and
  - (vii) for a project involving recurrent expenditure (such as salaries and other administrative expenses), the period required for such expenditure and whether the project can be self-financing after a certain period of time.

## Annex 2

### Major categories of projects sponsored by the Film Development Fund (From April 1999 to January 2004)

Categories of projects	Award schemes	Training courses	Seminars	Participation in film festivals	Data compilation	Research and surveys	Total
Number of projects	7	14	5	37	4	2	69
Funding (\$million)	16.76	12	7.29	7.57	3.14	1.64	48.4
	34.6%	24.8%	15.1%	15.6%	6.5%	3.4%	100%

**Mainland and Hong Kong  
Closer Economic Partnership Arrangement  
Provisions of the agreement relating to audiovisual services**

(1) Videos, sound recording products distribution services

- To allow Hong Kong service suppliers to provide, in the form of joint venture, videos and sound recording products (including motion picture products) distribution services in the Mainland. (In undertaking distribution services in the Mainland in respect of videos and sound recording products, Hong Kong service suppliers should comply with the relevant laws, regulations and requirements of the review system in the Mainland.)
- To allow majority shareholding, not exceeding 70%, for Hong Kong service suppliers.

(2) Cinema theatre services

- To allow Hong Kong service suppliers to construct, renovate and operate cinema theatres on an equity joint venture or contractual joint venture basis.
- To allow majority shareholding, not exceeding 75%, for Hong Kong service suppliers.

(3) Chinese language motion pictures and motion pictures jointly produced

- Chinese language motion pictures produced in Hong Kong may be imported for distribution in the Mainland on a quota-free basis, after vetting and approval by the relevant Mainland authority.

- Chinese language motion pictures produced in Hong Kong refer to those motion pictures made by production companies which are set up or established in accordance with the relevant laws of the Hong Kong Special Administrative Region, and which own more than 75% of the copyright of the motion pictures concerned. Hong Kong residents should comprise more than 50% of the total principal personnel in the motion pictures concerned. Principal personnel includes personnel performing the roles of director, screenwriter, leading actor, leading actress, supporting actor, supporting actress, producer, cinematographer, editor, art director, costume designer, action choreographer, and composer of the original film score.
- Motion pictures jointly produced by Hong Kong and the Mainland are treated as Mainland motion pictures for the purpose of distribution in the Mainland. Translated versions of the motion pictures in languages of other Chinese ethnic groups and Chinese dialects, which are based on the Putonghua version, are allowed to be distributed in the Mainland.
- For motion pictures jointly produced by Hong Kong and the Mainland, there is no restriction on the percentage of principal creative personnel from Hong Kong (major creative personnel refers to personnel performing the roles of director, screenwriter, cinematographer and leading artistes. Leading artistes refer to leading actor, leading actress, leading supporting actor and leading supporting actress), but at least one-third of the leading artistes must be from the Mainland; there is no restriction on where the story takes place, but the plots or the leading characters must be related to the Mainland.