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Panel on Information Technology and Broadcasting

Meeting on 7 April 2009

**Background brief on
the update on Film Development Fund**

Purpose

This paper provides the background to the implementation of Film Development Fund (FDF) and also a summary of views and concerns raised by Members and the Panel on Information Technology and Broadcasting (the Panel).

Background

2. The film industry is the flagship of the creative industries in Hong Kong. It contributes significantly to the development of our services industries as well as tourism, and enhances the international and cultural image of Hong Kong. However, there has been a substantial decrease in the number of film productions, particularly small-to-medium budget films, as well as box office revenues in recent years. With a shrinking film market and decreasing number of local productions, the film industry is facing a difficult time, plagued with talent drought.

3. The Government is committed to providing a favourable environment conducive to the long-term and healthy development of the Hong Kong film industry, and has established the new high-level Hong Kong Film Development Council (FDC) in April 2007 to replace the Film Development Committee. Mainly comprising members from the film industry, the FDC is responsible for advising the Secretary for Commerce and Economic Development (SCED) on the policy, strategy and institutional arrangement for the promotion and development of the film industry.

4. Following consultation with the Panel, the Administration submitted a funding proposal seeking an injection of \$300 million into the FDF. The proposal was approved by the Finance Committee (FC) on 6 July 2007. The

Administration also obtained FC approval to expand the scope of FDF to provide financial support for the production of small-to-medium budget films, and to continue to finance projects which were beneficial to the long-term and healthy development of the film industry. According to the expanded FDF, the Government's contribution is capped at 30% of the production budget of not more than \$12 million, while the remaining 70% is expected to be funded by private investors. The eligibility and assessment criteria for financing film productions and funding film-related projects under the expanded FDF are set out in **Appendices I and II**.

5. With the injection of \$300 million and the expansion of scope, the FDF aims to fund projects and activities which contribute towards the sustainable development of the film industry, including:

- (a) providing funding support for small-to-medium budget film productions;
- (b) enhancing efforts to promote Hong Kong films in the Mainland and overseas;
- (c) enhancing initiatives to train talents in the various aspects of the film production and distribution work; and
- (d) enhancing the interest and appreciation of the local audience in respect of Hong Kong films.

Previous discussions

6. At the Panel meeting on 14 April 2008, members relayed to the Administration the concerns raised by a number of film professionals and industry players about the cumbersome application procedures of the FDF, with over-emphasis on commercial considerations, and the complicated Production Finance Agreement. Members requested the Administration to simplify the procedures and the eligibility criteria for the FDF. The Administration advised that by taking the lead in providing financial support for small-to-medium budget films and other film-related projects, and by encouraging funding applicants to adopt international best practices, the funding scheme would be successful in the long run in enhancing the standard of the local movie industry and boosting private investors' confidence in local film production. The Administration assured members that it would continue to monitor the implementation of the FDF and liaise with the industry on the application procedures.

7. Some Panel members called for a higher degree of industry involvement in the vetting and approval of funding applications. In this respect, the Panel noted that detailed procedures and guidelines had been drawn up for selection of Examiners to assess an application. A mechanism was also set up for declaration

of interests for members of the FDC, the Fund Vetting Committee (FVC) and the Panel of Examiners. A register on members' profile, including their professional and business interests, was maintained by the FDC Secretariat and was open to the public. The Panel suggested that the register should be posted on the relevant website for public reference.

8. In view of the shrinking film market and dwindling number of local productions, in particular small-to-medium budget films, the Panel suggested that the FDF should place emphasis on the nurturing of film talents and the training of new entrants in various aspects of film production and distribution work, as well as providing a favourable environment and opportunities for new entrants for their debut breakthrough.

9. The Panel noted that the FDF had approved a sum of \$3,008,200 for the 27th Hong Kong Film Awards Presentation Ceremony (HKFA). Some members considered it unfair to indirectly subsidize the exclusive broadcast of the ceremony by the Television Broadcasts Limited (TVB), given that the HKFA was an important annual event in the entertainment field and the telecast of the ceremony could generate substantial advertising income for the broadcaster. Members called on the Administration to review the funding arrangements of the future HKFA, such as considering underwriting the whole production for broadcast by all licensed broadcasters.

10. The Administration assured the Panel that it would monitor closely the progress of the FDF and conduct a review in consultation with the film industry to assess the effectiveness of the FDF two years after its implementation.

11. Hon Paul CHAN Mo-po raised a question on FDF at the Council meeting on 11 March 2009. The Hon Member expressed concern about the limited funding support for small-to-medium budget film productions on the conditions of lost recoupment and profit sharing. He urged the Administration to review the effectiveness of the FDF and consider adjusting the ceiling of funding support to small-to-medium film producers.

Latest position

12. The Administration will brief the Panel on 7 April 2009 on the progress of the implementation of the FDF. Relevant stakeholders have been invited to attend the meeting to present their views on the subject.

Relevant papers

Information paper provided by the Administration for the Finance Committee meeting on 6 July 2007

<http://www.legco.gov.hk/yr06-07/english/fc/fc/papers/f07-30e.pdf>

Minutes of the Finance Committee meeting on 6 July 2007

<http://www.legco.gov.hk/yr06-07/english/fc/fc/minutes/fc070706a.pdf>

Information paper provided by the Administration for the Information Technology and Broadcasting Panel meeting on 14 April 2008

<http://www.legco.gov.hk/yr07-08/english/panels/itb/papers/itb0414cb1-1200-5-e.pdf>

Minutes of Information Technology and Broadcasting Panel meeting on 14 April 2008

<http://www.legco.gov.hk/yr07-08/english/panels/itb/minutes/itb080414.pdf>

Hon Paul Chan Mo-po's question on Film Development Fund at the Council meeting on 11 March 2009 and the Administration's reply

<http://www.info.gov.hk/gia/general/200903/11/P200903110156.htm>

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Eligibility and Assessment Criteria for Financing Film Productions under the Expanded Film Development Fund

The Film Development Fund with an expanded scope will adopt the following eligibility and assessment criteria for financing film productions –

- (a) The applicant should be a film production company formed and registered under the Companies Ordinance (Cap. 32) that should normally have produced at least two films in the past ten years for commercial theatrical release in Hong Kong. For companies without such track record, the producer or director of the film project in question should normally have produced or directed at least two films in the past ten years for commercial theatrical release in Hong Kong;
- (b) Generally, an applicant is allowed to receive funding for not more than two film projects at any one time. For this purpose, if a producer is currently involved in two approved film projects which are under production, any applications involving this producer will not be considered. However, if a film director is currently involved in one approved film project which is under production, any applications involving this director will not be considered;
- (c) The film project must –
 - (i) be in the form of a full script to produce a feature film intended for commercial theatrical exhibition in Hong Kong with a production budget of not more than \$12 million;
 - (ii) be identifiable as commercially viable and have secured some form of third-party financing of, for example, 50% of production budget; and
 - (iii) constitute at least 50% of the main cast and film crew with Hong Kong permanent residents.

**Eligibility and Assessment Criteria for Funding Film-related Projects
under the Expanded Film Development Fund**

The Film Development Fund with an expanded scope will adopt the following eligibility and assessment criteria for funding film-related projects other than film productions –

- (a) An applicant should normally be a locally registered institution/organisation engaged in film business or a related body. The Secretariat of the Film Development Council 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) In general, funds approved can only be used for non-recurrent expenditure;
- (f) Funds approved cannot be used to create any civil service posts;
- (g) 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 expenditures (such as salaries and other administrative expenses), the period required for such expenditures and whether the project can be self-financing after a certain period of time.
