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**Panel on Information Technology and Broadcasting**

**Meeting on 10 February 2014**

**Background brief on the work of Create Hong Kong in  
promoting the development of creative industries**

**Purpose**

This paper provides the background to the establishment of Create Hong Kong ("CreateHK") and also a summary of views and concerns expressed by Members in previous discussions on promoting the development of creative industries in Hong Kong.

**Background**

2. Apart from the four traditional pillar industries, the former Chief Executive announced in his 2009-2010 Policy Address the promotion of the development of creative industries, among the six major industries, to propel Hong Kong towards a knowledge-based economy.

3. Following the approval of the Finance Committee ("FC") on 22 May 2009, CreateHK was set up under the Communications and Technology Branch of the Commerce and Economic Development Bureau in June 2009 to spearhead Government's efforts in driving the development of creative industries and to provide one-stop services for the promotion of creative industries. With the vision to build Hong Kong into a regional creative capital and the mission to foster a conducive environment to facilitate the development of creative industries in Hong Kong, the Government drew up a development strategy covering seven strategic directions (**Appendix I**) based on the consultation with the Legislative Council and industries representatives.

To enhance synergy and ensure better coordination and cost-effective deployment of various funding resources, the existing funds and schemes, which have been scattered among different agencies and departments for the development of creative industries, are centralized under the management of CreateHK. This is to enable CreateHK to have a better focus on the industries' needs, and develop initiatives which best suit their needs.

4. According to the Administration, CreateHK is responsible for administering the Government's financial support to creative industries, covering the CreateSmart Initiative<sup>1</sup> ("CSI"), the DesignSmart Initiative<sup>2</sup> ("DSI"), the Film Development Fund<sup>3</sup> ("FDF"), the Film Guarantee Fund<sup>4</sup> ("FGF"), the grant to the Hong Kong International Film Festival Society ("HKIFFS"), the funding to support the operation of the Hong Kong Design Centre<sup>5</sup> ("HKDC") and the organization of its two flagship events of the Business of Design Week<sup>6</sup> ("BODW") and the HKDC Awards<sup>7</sup>, as well as the

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<sup>1</sup> The \$300 million CreateSmart Initiative ("CSI") was launched in June 2009 to provide financial support to initiatives that are conducive to the development and promotion of creative industries. Projects approved under the CSI include supporting the participation of local creative talent in international competitions; providing paid internship opportunities in creative sectors, including architecture, comics, digital entertainment, advertising, music and publication etc.; providing general and professional educational opportunities to nurture talents; assisting the trades in organizing activities in the Mainland and overseas to demonstrate the strength of our creative talents and establish platforms for promotion and facilitation of business and marketing activities; and organizing signature creative events to raise Hong Kong's profile as a creative hub in Asia.

<sup>2</sup> DesignSmart Initiative ("DSI") aimed at supporting and promoting design and related activities that offer industries and businesses the ability to differentiate themselves from their competitors, add value to their products or services, and increase their economic competitiveness. In May 2011, the Administration issued an information paper on the consolidation of DSI and CSI (CB(1)2134/10-11(01) issued on 9 May 2011). The Administration advised that with the exhaustion of funding under DSI, it would seek funding for the initiatives related to design to be considered under CSI. With effect from 1 June 2011, new design-related projects have been considered and funded under the CSI, with the exception of those projects funded under the Design-Business Collaboration Scheme ("DBCS") and the Design Incubation Programme.

<sup>3</sup> The \$320 million Film Development Fund finances the production of small-to-medium budget films, and provides funding support to the projects which are beneficial to the long-term and healthy development of the film industry.

<sup>4</sup> The Film Guarantee Fund was set up for the purpose of assisting local film production companies in obtaining loans from local participating lending institutions for producing films.

<sup>5</sup> The Hong Kong Design Centre was established in 2001 and is a non-profit making organization that seeks to serve a public mission of helping to promote the design sector in Hong Kong.

<sup>6</sup> Dedicated to design, branding and innovation, Business of Design Week brings the best of the design world to showcase in Hong Kong through its week-long programme of conferences, forums, awards presentation, outreach programmes, networking gatherings and a gala dinner.

<sup>7</sup> The HKDC Awards programme consists of design award judging and presentation, promotional programmes, exhibitions, etc. with the objectives of recognising excellent design as well as the achievements and contributions of design practitioners, business leaders, promising young designers and students.

administration of the Design Incubation Programme<sup>8</sup> ("DIP") managed by HKDC. A summary of the latest status of the CSI, DSI and FDF as well as DIP is at **Appendix II**.

## **Previous discussions**

### CreateSmart Initiative

5. At the meeting of the Panel on Information Technology and Broadcasting ("the Panel") on 11 March 2013, members were briefed on the proposal, which was subsequently approved by FC, to inject an additional \$300 million into the CSI and to expand the ambit of the CSI to cover the Design-Business Collaboration Scheme<sup>9</sup> ("DBCS"). Some Panel members urged the Administration to step up efforts to promote CSI funding scheme to small and medium sized enterprises ("SMEs"). Measures should also be taken to nurture talents and start-ups, in particular on the provision of overseas design training programmes to the young generation, and help them build their brands with international renown in areas such as fashion design. Some other Panel members urged the Administration to render support to local manufacturing industries and to accord priority to applicants under DBCS with factories operating in Hong Kong.

6. The Administration advised that it would continue to encourage and support local SMEs and designers in the development of creative industry. At the Panel's request, the Administration would amend the application form and template of the completion report for new DBCS projects for collection of information on where applicants' project deliverables were produced in future.

### Hong Kong Design Centre

7. At the Panel meeting on 27 May 2013, members discussed the work of HKDC. Some Panel members opined that economic indicators in terms of job opportunities or the value added to Hong Kong's Gross Domestic Product by

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<sup>8</sup> The Design Incubation Programme ("DIP") has been operated by the HKDC since 1 May 2012 with funding support from the Government. The DIP provides assistance for design start-ups through the provision of rental support, office facilities, training for business development, and other assistance such as mentorship, networking, etc.

<sup>9</sup> The Design-Business Collaboration Scheme provides matching grant to encourage small and medium-sized enterprises in using design services.

the Administration's effort in promoting design industry should be available to evaluate the work of HKDC. Some other members expressed concern about the lack of feedback from the stakeholders, such as the business sector, in assessing the work of HKDC. They urged the Administration to review the matter in future.

8. Some Panel members also expressed concern about the position of the local young design generation when compared to those in other overseas jurisdictions. These members urged the Administration to gauge views from the business sector and come up with some indicators for assessing the position of this generation in this regard.

#### First Feature Film Initiative, Film Guarantee Fund and Film Development Fund

9. At the Panel meeting on 27 May 2013, members were briefed on details of the competition under the First Feature Film Initiative ("FFFI"). The Panel noted that the competition under FFFI was divided into a Higher Education Institutions Group ("HEIG") and a Professionals Group ("PG"). HEIG would offer two prizes and PG would offer one. Directors in both groups should not have previously shot any commercial film with a running time of 80 minutes or longer. The FDF would make available funding to cover the full production costs of the films by the winning teams, which would be capped at \$2 million per film in HEIG and \$5 million per film in PG. The production company formed by the director and the producer of the winning team would enter into an agreement on funding, film copyright and distribution with the Government. Together with \$150,000 for promotion and \$800,000 for contingency, the total estimated expenditure for FFFI was \$9.95 million to be met by FDF.

10. Some Panel members were concerned about the measures to be taken by the Administration to monitor the use of funds by the winning teams. They were also concerned about the low production expense for the winning teams in HEIG. The Administration advised that CreateHK would engage an industry member with experience in film production as the project manager who would be responsible for monitoring the progress and financial positions of the film production as well as providing timely assistance. Prior to the announcement of FFFI, CreateHK had briefed relevant members of the film

industry and representatives of higher education institutions on the concept and content of FFFI, details of which were worked out having regard to their views expressed during the briefings. There were previous pilot films which had incurred a low production cost due to no involvement of big cast and crew members.

11. At the special meeting of the FC on 10 April 2013, Mr Martin LIAO commented that the film industry's response to the FGF was lukewarm as reflected by the small number of applications received in the past few years. He urged the Administration to introduce measures to promote the usage of the FGF by the film industry. He also urged the Government to consider merging the FGF and FDF to optimize the use of resources. Mr CHAN Chi-chuen also expressed concern about the small number of applications received under the FGF.

12. The Administration advised that the trade had generally turned to FDF for financing film production instead of applying for FGF, which was set up for the purpose of assisting local film production companies in obtaining loans from local participating lending institutions for producing films. The Administration would conduct a holistic review on the usage of the FDF and the way forward of the FGF by the end of 2013.

### **Recent development**

13. At the policy briefing of the Panel on 28 January 2014, members noted the new and ongoing initiatives to support the development of creative industries under the 2014 Policy Address. Details of the initiatives are at **Appendix III**.

### **Latest position**

14. The Administration will update the Panel on the latest work of CreateHK in promoting the development of creative industries in Hong Kong since the last update in February 2013.

**Relevant papers**

15. A list of the relevant papers with their hyperlinks is at:  
[http://www.legco.gov.hk/yr15-16/english/panels/itb/papers/itb\\_g.htm](http://www.legco.gov.hk/yr15-16/english/panels/itb/papers/itb_g.htm).

Council Business Division 4  
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**Development of creative industries**

**Development strategy**

**Strategic Direction: Seven strategic areas**

- (a) nurturing a pool of creative human capital which forms the backbone of Hong Kong's creative economy;
- (b) facilitating start-ups and development of creative establishments;
- (c) generating demand for innovation and creativity and expanding local market size for creative industries;
- (d) promoting creative industries on the Mainland and overseas to help explore outside markets;
- (e) fostering a creative atmosphere within the community;
- (f) developing creative clusters in the territory to generate synergy and facilitate exchanges; and
- (g) promoting Hong Kong as Asia's creative capital.

## Funding Schemes administered by Create Hong Kong and the Design Incubation Programme

### Funding schemes administered by Create Hong Kong

As of end December 2012, Create Hong Kong ("CreateHK") has committed \$470.95 million for the approved projects since its establishment in June 2009. The number of funding applications received and projects approved, as well as the total funding committed for the approved projects, is set out below –

Funding Scheme	Number of applications received	Number of approved projects	Total funding committed for the approved projects (\$ million)
CreateSmart Initiative	269	121	238.6
DesignSmart Initiative	295	194	62.32
Film Development Fund (film-related projects)	74	61	115.56
Film Development Fund (film productions)	45	19	54.47
Total	<b>683</b>	<b>395</b>	<b>470.95</b>

### Design Incubation Programme

2. The Design Incubation Programme ("DIP") at the InnoCentre has been operated by the Hong Kong Design Centre ("HKDC") since 1 May 2012 with funding support from the Government. Before that, the DIP was administered by the Hong Kong Science and Technology Parks Corporation with funding from the DesignSmart Initiative. The DIP provides assistance for design start-ups through the provision of rental support, office facilities, training for business development, and other assistance such as mentorship, networking, etc.



3. Up to end December 2012, the DIP has admitted 122 incubatees, of which 18 are incubatees admitted by the HKDC since May 2012. Over the years, the incubatees of the DIP have created 402 full-time and part-time jobs, and offered 242 student internship opportunities. They also filed 91 intellectual property rights (including three patents, 17 registered designs and 71 trademarks) for registration and attained 66 awards and public recognition, of which 17 were renowned international awards, such as iF Product Design Award and Red Dot Design Award.

4. The DIP enhances the competitiveness of the design start-ups at their early and critical stage of development and creates design-related jobs and student internship opportunities. Some successful incubatees have shown considerable expansion of their businesses in terms of the number of staff employed and annual revenue generated during the incubation period. 15 incubatees have so far become tenants at InnoCentre after graduation.

### **New and ongoing initiatives to support the development of creative industries under the 2014 Policy Address**

#### **New Initiatives**

##### ***Encourage cinema patronage for Hong Kong produced movies***

With the rapid development of the film production industry in the Mainland and the emergence of competitors in the region, the film industry of Hong Kong is facing ever keener competition. The Administration is formulating measures to encourage cinema patronage for Hong Kong-produced movies and build up an audience base which is supportive to local films in order to support the local film industry, as part of the ongoing review of the Film Development Fund ("FDF").

#### **On-going Initiatives**

##### ***Review of the Film Development Fund and the Film Guarantee Fund***

2. The Administration is reviewing, in consultation with the Film Development Council and relevant stakeholders, the way forward of the FDF and the Film Guarantee Fund ("FGF") as the means to support the development of the local film industry. The Administration kick-started the review in October 2013 with a view to completion by mid-2014.

##### ***Taking forward the First Feature Film Initiative***

3. To nurture new talents for the local film industry, the First Feature Film Initiative ("FFFI") was launched in March 2013 on a pilot basis. Following the announcement of the results of the screenplay and production proposal competition, the three winning film directors and their production teams have started working on the pre-production of the films. Principal photography of the films will commence in mid-2014 and it is anticipated that the films will be ready for theatrical release by the end of 2014. A review of the FFFI will be conducted by Create Hong Kong ("CreateHK") after theatrical release of the films.

### *Promoting the Comix Home Base and the PMQ*

4. The Comix Home Base ("CHB") at Wan Chai and the Police Married Quarters ("PMQ") at Hollywood Road, Central are two new additions to Hong Kong's creative landmarks. To tie in with the opening of the CHB in July 2013, CreateHK collaborated with the animation and comics sectors to present the "Hong Kong Ani-Com Summer 2013" in July and August with 14 programmes to engage members of the general public and ani-com lovers. The programme attracted over 900 000 participants in total. CreateHK will continue to support the promotion of the CHB as part of the efforts to drive the development of Hong Kong's animation and comics sectors.

5. The PMQ is being revitalised from the former PMQ on Hollywood Road for opening in the first half year of 2014. Upon completion, the PMQ will provide over 100 studios for designers and practitioners of creative industries to create, display and sell creative products, as well as space for organising exhibitions and activities on design and creativity. CreateHK will closely liaise with the operator of PMQ to assist in the promotion of the PMQ to the local and overseas communities. CreateHK will also explore supporting suitable events to be held at PMQ through the CreateSmart Initiative.