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**Panel on Information Technology and Broadcasting**

**Meeting on 9 February 2015**

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

**Purpose**

This paper provides background information on the establishment of Create Hong Kong ("CreateHK") and also a summary of views and concerns expressed by the Panel on Information Technology and Broadcasting ("the Panel") 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 initiatives to creative industries, covering the CreateSmart Initiative<sup>1</sup> ("CSI"), which includes the Design-Business Collaboration Scheme<sup>2</sup> ("DBCS") previously funded by the DesignSmart Initiative<sup>3</sup> ("DSI"), the Film Development Fund<sup>4</sup> ("FDF"), the Film Guarantee Fund<sup>5</sup> ("FGF"), the grant to the Hong Kong International Film Festival Society, the funding to support the operation of the Hong Kong Design Centre<sup>6</sup> ("HKDC") and the organization of its two flagship events of the Business of Design Week<sup>7</sup> ("BODW") and the HKDC Awards<sup>8</sup>, as well as the administration of the Design Incubation Programme<sup>9</sup> ("DIP") managed by HKDC.

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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 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> The Design-Business Collaboration Scheme ("DBCS") provides matching grant to encourage small and medium-sized enterprises in using design services.

<sup>3</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 CSI, with the exception of those projects funded under DBCS and the Design Incubation Programme ("DIP").

<sup>4</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>5</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>6</sup> The Hong Kong Design Centre ("HKDC") 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>7</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>8</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.

<sup>9</sup> DIP has been operated by the HKDC since 1 May 2012 with funding support from the Government. 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.

## Previous discussions

### Panel on Information Technology and Broadcasting

#### *Effectiveness of initiatives and nurturing talents and design start-ups*

5. At the Panel meeting on 10 February 2014, some Panel members considered that the Administration should carry out on-going assessment of the effectiveness of the various initiatives of CreateHK in promoting the creative industry, and draw reference from overseas countries in promoting their creative industries. Information on concrete performance indicators such as the actual benefits brought to the local creative industry in terms of income as a percentage of the Gross Domestic Product of Hong Kong, and the number of jobs and companies created in the industry over the past five years, should be made available to evaluate the effectiveness of the initiatives. The Administration subsequently provided information (vide LC Paper No. CB(4)722/13-14(01) issued on 26 May 2014) including the economic contribution of the local creative industries from 2008 to 2012 (**Appendix II**).

6. On nurturing talents, some Panel members opined that CreateHK should work with the Education Bureau in the design of the curriculum to better meet the needs of the creative industry of Hong Kong. The Commerce and Economic Development Bureau should foster coordination among various Bureaux and parties engaging in nurturing talents for the creative industry so as to achieve synergy of the various initiatives and avoid overlapping of resources. In addition, there should be closer coordination among the different incubation programmes organized by the various parties.

7. Some Panel members urged the Administration to step up effort in facilitating the local film and publishing industries in tapping the Mainland market, including effort undertaken under the Mainland and Hong Kong Closer Economic Partnership Arrangement, and help nurture independent television production houses in Hong Kong. Some other members opined that the Administration should provide assistance to start-ups in the creative industry in the commercialization of inventions and tapping new markets outside Hong Kong. The Administration assured members that CreateHK would continue to facilitate the various sectors of Hong Kong's creative industry in tapping the Mainland market.

#### *Hong Kong Design Centre*

8. At the Panel meeting on 8 December 2014, members were briefed on the progress of work of HKDC and its future plans. Some Panel members raised concerns about training for the civil service and use of information technology in design business, publicity efforts outside Hong Kong,

collaboration with Police Married Quarters, Hong Kong Tourism Board and Hong Kong Trade Development Council and nurturing design-entrepreneurs. Details of the deliberation were recorded in the minutes of meeting issued to members vide LC Paper No. CB(4)405/14-15 on 3 February 2015.

9. Panel members noted that the non-recurrent funding approved by FC to support the basic operation of HKDC, BODW, HKDC Awards and DIP would either lapse or become fully committed in the next few months. The Government was considering the future funding arrangement for HKDC and would consult the Panel on the way forward in due course.

### **Recent development**

10. At the policy briefing of the Panel on 19 January 2015, members noted the new and ongoing initiatives to support the development of creative industries under the 2015 Policy Address. Details of the initiatives, including the funding support for HKDC, are at **Appendix III**. As advised by the Administration, details of the findings and recommendations of the review on FDF and FGF completed in 2014 and the funding proposal for injection into FDF will be provided to the Panel for discussion at its meeting on 9 March 2015.

### **Latest position**

11. The Administration will update the Panel on 9 February 2015 on the latest work of CreateHK in promoting the development of creative industries in Hong Kong. The Administration will also brief the Panel on the funding proposal to support the continued operation of HKDC.

### **Relevant papers**

12. 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).

**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.

## Appendix II

### Latest statistics of creative industries in Hong Kong

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
(a) Value-added as a percentage of the Gross Domestic Product of Hong Kong	3.4%	3.5%	3.9%	4.0%	4.1%
(b) Number of persons engaged	155 380	152 990	153 300	155 570	161 480
(c) Number of establishments	24 260	24 790	26 490	28 000	28 840

Notes: The figures above are based on the information provided by the Census and Statistics Department on the latest statistics of cultural and creative industries in Hong Kong in the March 2014 edition of the Hong Kong Monthly Digest of Statistics. The figures above cover the following creative sectors –

- (a) advertising;
- (b) architecture;
- (c) design;
- (d) film, video and music;
- (e) television and radio;
- (f) publishing; and
- (g) software, computer games and interactive media.

### **New and ongoing initiatives to support the development of creative industries under the 2015 Policy Address**

#### **New Initiatives**

##### ***Funding support for the Hong Kong Design Centre***

The Hong Kong Design Centre ("HKDC") has been the Government's key partner in promoting the development of the local design sector and nurturing design talents and start-ups. HKDC has been in operation for 14 years and has established itself as the focal point for information on design know-how and business networking, as well as an active organizer of design-related events, which benefit designers, the business sector, students and the general public. Over the years, the focus of HKDC's programmes has been evolving to address the needs of the local design sector and in response to the changing global and regional design landscapes. In the past two and a half years, HKDC has spent considerable efforts in raising the profile of the Hong Kong design sector both internationally and in the Mainland, in providing opportunities for young design talents, in nurturing design start-ups through the Design Incubation Programme ("DIP"), and in raising the standards of practitioners through a series of executive and professional training programmes. Efforts were also made in enhancing awareness of the business sector in the importance of design through signature events like the Business of Design Week ("BODW").

2. The Government has since the establishment of HKDC in 2001 provided funding to support the basic operation of HKDC, covering the organization of some basic activities such as designer-business networking activities, seminars, workshops, etc. The funding support for HKDC will lapse in end June 2015.

3. In recognition of the public services provided by HKDC and the merits of HKDC's work over the years, the Administration propose allocating \$80 million to support the basic operation of HKDC from July 2015 to March 2019 so as to provide continuous support for the trade. As in the past, the Government will enter into a funding agreement with HKDC. Disbursement of funding to HKDC will be subject to Government's acceptance of HKDC's annual plans, operational reports, budgets and audited financial statements. The Administration will

commence a review on the financial position and the long-term funding arrangement for HKDC in 2016.

4. The Administration will include and reflect the above proposed time-limited funding support for HKDC in the 2015-2016 Draft Estimates of the Communications and Technology Branch of the Commerce and Economic Development Bureau. The Administration will also provide details of the funding proposal for discussion at the meeting of the Panel on Information Technology and Broadcasting in February 2015.

### ***Funding injection into the Film Development Fund***

5. The Government set up the Film Development Fund ("FDF") in 1999 to finance projects conducive to the long-term development of the film industry. The scope of FDF was expanded in 2007 to provide financial support for the production of small-to-medium budget films. A review on FDF completed in 2014 concluded that FDF was effective in encouraging local film productions, nurturing film talents and promoting Hong Kong films locally and abroad. Since 2007, FDF has partially financed 30 film productions, of which 16 directors and 13 producers take up such roles for the first time in commercial film productions. Furthermore, FDF has provided funding support to 121 other film-related projects which include assisting Hong Kong films in participating in international film festivals. The continued support from FDF will be beneficial for encouraging more Hong Kong film production, nurturing talent, and promoting Hong Kong films. Members of the Film Development Council ("FDC") were briefed on the review findings in June 2014. As the funding of FDF is expected to be exhausted in mid-2015, the Administration proposes injecting another \$200 million into FDF to sustain its operation.

6. With the injected funding, the Administration will introduce a new Film Production Grant Scheme under FDF to provide a grant, capped at \$2 million per film project, to subsidize low-budget film productions with a production budget not exceeding \$10 million per film. The proposed new scheme seeks to encourage more commercial investment in film productions, create employment opportunities for nurturing talents in the production and post-production sectors of the local film industry. The grant will cover, among others, salary cost of the film production crew who are Hong Kong permanent residents.

7. The Administration will enhance the existing mechanism of FDF for financing film-production projects by raising the upper limit of the



production budget of a film project to be partially financed by FDF from \$15 million to \$25 million. It is envisaged that the expanded scope of the budgetary eligibility criterion will help boost the production volume of local films.

8. The First Feature Film Initiative ("FFFI"), which was launched in March 2013 on a pilot basis to identify new film talents and support them in producing commercial movies, has successfully groomed new filmmakers and their production teams. The Administration will launch FFFI again in 2015 and raise the level of cash grant as appropriate in order to help the winning teams cope with the rising cost of film production.

9. As in the past, the Government will put in place suitable control and review measures and assess individual applications having regard to the recommendations of FDC or its Fund Vetting Committee.

10. The Administration will include and reflect the proposed injection into FDF in the 2015-2016 Draft Estimates of the Communications and Technology Branch of the Commerce and Economic Development Bureau. The Administration will also provide details of the funding proposal for discussion at the meeting of the Panel on Information Technology and Broadcasting in March 2015.

### ***Encouraging the development of cinemas***

11. The Administration cherishes the important roles played by cinemas. Cinemas provide venues for social and entertainment activities, cultivate audience for movies, and foster a creative atmosphere within the community. In addition, they bring rippling effects for the neighbouring economic activities by capturing high consumer traffic. The Government will consider reserving space for cinemas in major cultural and entertainment development areas, and will explore ways to facilitate cinema development through land sale and planning.

### **On-going Initiatives**

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

12. The Administration will provide funding support to the Hong Kong International Film Festival Society for continuing to host the Cine Fan Club Programme, which consists of screenings and discussion forums. The programme seeks to attract more young audience to

patronize cinema and watch local and foreign classic films, so as to groom their knowledge and interest in film.

***Supporting and encouraging the trade to organize programmes at the Comix Home Base and PMQ***

13. 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 promote CHB and facilitate development of the local animation and comics industries, the Administration has provided funding under the CreateSmart Initiative ("CSI") for trade bodies to host promotional activities at CHB. Create Hong Kong ("CreateHK") has so far supported four exhibitions held at CHB. In 2015, CreateHK will sponsor an animation exhibition and a series of comic exhibitions and workshops held at CHB.

14. Since the opening of PMQ in June 2014, CreateHK has sponsored through CSI various programmes held at PMQ, including the Knowledge of Design Week 2014 organized by HKDC and DETOUR 2014 organized by PMQ. Riding on the success of these programmes, CreateHK will continue encouraging the trade to organize more programmes at PMQ.