

**For discussion
on 9 March 2015**

**Legislative Council Panel on
Information Technology and Broadcasting
Funding Support for the Film Development Fund**

Purpose

This paper briefs Members on the findings of the review on the Film Development Fund (FDF) and the Film Guarantee Fund (FGF), and seeks Members' views on the proposal to inject \$200 million into the FDF.

Background

2. In 2012, the film industry generated value added of \$2.5 billion, or 0.1% of Hong Kong's Gross Domestic Product. In 2013, 1 771 establishments engaged about 8 300 persons in motion picture, video and television programme production activities¹. Key statistics of the aforementioned production activities from 2008 to 2013 are at **Annex 1**.

3. Local film talents and professionals have benefitted from the phenomenal growth of the film market of the Mainland in the past decade. The landscape of the Hong Kong's film industry has become closely intertwined with that of the Mainland after the introduction of preferential market access measures² under the Mainland-Hong Kong Closer Economic Partnership Arrangement (CEPA). The number of Mainland-Hong Kong co-production titles has increased from about 10 per year before 2004 to about 30 in recent years. In 2014, two out of the top ten domestic box office hits in the Mainland were Hong Kong-Mainland co-productions.

4. The Government is committed to promoting the long-term and

¹ *Motion picture, video and television programme production activities* cover production of theatrical and non-theatrical motion pictures whether on film, video tape, DVD or other media (such as digital distribution), for direct projection in theatres or for broadcasting on television; supporting activities such as film editing, cutting, dubbing, etc.; distribution of film productions (video tapes, DVDs, etc.) to other industries as well as their projection. Buying and selling of motion picture or any other film production distribution rights is also included.

² CEPA allows the import of Hong Kong movies into the Mainland on a quota-free basis and the distribution of Hong Kong-Mainland co-productions as Mainland movies.

healthy development of the film industry. A host of support measures such as funding support (such as the FDF and the FGF), promotion (such as participation in trade fairs to promote Hong Kong's film industry) and trade facilitation measures to open up the Mainland market for Hong Kong films (such as the CEPA) have been introduced.

5. In July 2007, the Government increased the commitment of the FDF by \$300 million to \$320 million, and expanded the scope of the funding scheme to provide financial support for the production of small-to-medium budget films while continuing to finance film-related projects, which include those promoting Hong Kong films in the Mainland and overseas; training talents in various aspects of film production and distribution; and enhancing the interest and appreciation of Hong Kong films by the local audience.

6. Two sub-schemes have been set up under the FDF to help open up overseas and Guangdong markets for Hong Kong movies. The FDF provides subsidies ranging from \$40,000 to \$1 million per movie for participation in international film competitions or exhibitions. The FDF also provides a subsidy on a reimbursement basis, capped at \$0.25 million per film, to cover the sales and distribution expenses of the Hong Kong-produced Cantonese movies which are distributed in the Guangdong Province under the CEPA.

7. In accordance with the terms of the FDF approved by the Finance Committee of the Legislative Council vide FCR(2007-08)30, there was no pre-set ratio between film production and film-related projects. The number of projects supported by the FDF is entirely market-led. Since 2007, the FDF has supported 30 film production projects and 121 film-related projects with total approved funding of \$82.6 million and \$208.9 million respectively. A breakdown of these projects is at **Annex 2**. Highlights of the achievements of the FDF are at **Annex 3**.

8. As for the FGF, it was set up in 2003 to provide guarantee to local film production companies for obtaining loans from lending institutions for producing films. The FGF operates on a revolving basis. Once the loan guarantee provided is discharged, it will be ploughed back into the Fund for providing guarantee to new applications. Between 2003 and 2007, the FGF has provided loan guarantee with a total accumulated commitment of \$23.7 million for 11 films. There has been no application under the FGF since July 2007 and the number of enquiries in connection with the FGF has dropped significantly in recent years.

Review of the FDF and the FGF

9. Create Hong Kong (CreateHK) has completed a review on the operation and effectiveness of the FDF and the FGF in consultation with the Film Development Council (FDC)³. CreateHK conducted a questionnaire survey and five consultative sessions to gauge the views of key stakeholders, which include some major film-related trade bodies of Hong Kong⁴.

10. The review concludes that the FDF has been effective in encouraging local film productions, nurturing film talents, and promoting Hong Kong films locally and abroad. The trade generally agreed on the need to enhance the Government's support for the film industry through the FDF. Specifically, while the film financing mechanism of the FDF has helped small-to-medium film productions, there are views that the upper limit of the production budget (i.e. \$15 million) as one of the eligibility criteria should be increased in view of the rising production cost. The trade also suggests that the Government consider introducing an alternative mode of funding support for small-budget productions by way of a grant so as to encourage more commercial investments in such movies, which tend to provide more opportunities for less experienced practitioners of the film industry. The film industry has also been very supportive of the First Feature Film Initiative in that it helps groom new filmmakers and provides them with opportunities to demonstrate their creativity and learn how to produce a commercial movie.

11. All in all, the review concludes that the FDF should be retained and strengthened as a tool to support the development of the local film industry albeit with a need to refine certain aspects, particularly in relation to simplifying the application procedures and reporting requirements. While the applicants generally consider it reasonable for the Government to maintain a mechanism to monitor the use of public funds, the applicants have indicated that they had difficulties in submitting a large number of contractual documents and cost or progress reports as required.

12. As for the FGF, members of the trade indicate that they prefer seeking film financing support from the FDF, which is a more direct means of support, rather than securing a loan guarantee from the FGF for making subsequent applications to banks for loans. Moreover, filmmakers have

³ The FDC is a non-statutory advisory body appointed by the Chief Executive to advise the Government on the policy, strategy, and institutional arrangement for promotion and development of the film industry, as well as the use of public funds to support the industry. The FDC is chaired by a non-official and comprises mainly members of the film industry. The Permanent Secretary for Commerce and Economic Development (Communications and Technology) is the vice-chairperson of the FDC.

⁴ The trade parties consulted include the Federation of Hong Kong Filmmakers, the Hong Kong Motion Picture Industry Association, the Hong Kong Theatre Association, the Movie Producers and Distributors Association of Hong Kong, etc.

opined that banks are still quite risk-averse as far as provision of loan financing for film productions is concerned, and that banks' preference for tangible collaterals has to some extent deterred filmmakers from securing loan financing. In view of the demonstrated lack of interest in the FGF, the Government has accepted the FDC's recommendation that the FGF should cease operation.

Proposed injection into the FDF

Justifications

13. Although the local film sector is relatively small in size and its economic contribution may not be as significant as that of other economic sectors, the film industry commands a unique position in Hong Kong. Hong Kong film is an important part of our culture. The film industry serves as a cradle for artistes and pop stars, and engages the services of other creative sectors such as design, animation, special effects production, etc. Homegrown film talents and professionals have made their names outside Hong Kong. Our exciting style of action cinema has also inspired some Hollywood productions. Over the past decade, Hong Kong films and talents have won over 300 awards at major international film festivals. For example, in recent years, "*Echoes of the Rainbow*" won the "Crystal Bear for the Best Feature Film" at the Berlin International Film Festival, "*Bends*" won the "Best Actress" in the Osaka Asian Film Festival, and "*The Way We Dance*" won the "Fukuoka Audience Award" at the Fukuoka International Film Festival. There is little doubt that our movie industry enhances the image of Hong Kong, raises our international profile and helps bring in tourists.

14. However, the drop in local film production activities in recent years, as shown in the table below, has reduced opportunities for local film talents to perform and for other professionals to learn and master their skills. The number of Hong Kong-Mainland co-productions also peaked in 2011, as more investors seem inclined to opt for producing and distributing movies as Mainland domestic production rather than co-producing with Hong Kong filmmakers. It is foreseeable that the Mainland film industry will become more mature with less reliance on Hong Kong's filmmaking expertise. Given the relatively low level of film production activities carried out in Hong Kong as well as the receding impact of co-productions, our film industry is facing difficulties in recruiting new blood, resulting in succession gap.

Year	Total number of Hong Kong produced or co-produced movies which have been theatrically released	Hong Kong-produced movies	Hong Kong-Mainland co-productions
2008	55	27	28
2009	56 (including 3 movies co-financed by the FDF)	30	26
2010	53 (including 3 movies co-financed by the FDF)	22	31
2011	55 (including 5 movies co-financed by the FDF)	16	39
2012	53 (including 3 movies co-financed by the FDF)	19	34
2013	43 (including 5 movies co-financed by the FDF)	19	24
Total	315 (including 19 movies co-financed by the FDF)	133	182

15. The Chief Executive announced in the 2015 Policy Address that the Government would continue to promote the development of the film industry through a four-pronged strategy. The Government will –

- (a) encourage more local film productions;
- (b) nurture production talent;
- (c) promote film appreciation among students and young people to build up audiences; and
- (d) showcase and promote the brand of “Hong Kong Films” in the Mainland, Taiwan and overseas markets, facilitate the participation of local films in international film festivals, and help drive Hong Kong’s development as a film financing platform in Asia.

Such holistic strategy aims at stimulating the development of the film industry through supply-side and demand-side measures.

16. The FDF has proved to be effective in encouraging local film productions, nurturing film talents, and promoting Hong Kong films locally and abroad, as set out in **Annex 3**. We consider there are merits to continue the operation of the FDF as a tool to sustain our support for the development of the local film industry. The Chief Executive also announced the proposed injection into the FDF in the 2015 Policy Address. As at end January 2015, the uncommitted balance of the FDF was about \$19 million. We expect that the FDF will be fully committed by mid-2015. Taking into account the past spending pattern of the FDF and the funding requirements for taking forward the proposed measures as explained below, there is a need to provide additional funding for the FDF so as to sustain its operation.

17. We propose to inject an additional \$200 million into the FDF. With the injected funding, the Government will enhance the existing Film Production Financing Scheme, roll out a new Film Production Grant Scheme, and re-launch the First Feature Film Initiative on a longer-term basis. The FDF will also continue to fund film-related projects.

Enhancing the operation of the Film Production Financing Scheme (FPFS)

18. We will enhance the existing mechanism for financing small-to-medium film productions under the FPFS by raising the upper limit of the production budget of a film project from \$15 million to \$25 million. The Government's contribution of financing support per approved film will be up to 40% of the approved budget or the actual production cost, whichever is the lower, and capped at \$6 million per movie. As indicated above, the FDF has contributed to a steady supply of small-to-medium budget movies since 2009. On the other hand, the accumulated inflation of production cost is about 30% during the same period. This could have made some potential film projects ineligible for the FDF's co-financing support if the cap on the production budget of each movie remains unchanged at \$15 million in future. It is envisaged that the expanded scope of the budgetary eligibility criterion will enable more film projects to seek co-financing support from the FDF, thus boosting the production volume of local films. Although by the very nature of this scheme, the prospect of recouping our investment in such film projects is limited, this revised scheme is expected to be beneficial to the continued development of our film industry. The revised eligibility criteria of the FPFS are at **Annex 4**.

19. In addition, we will streamline the operational requirements of the FPFS to better suit the needs of the film industry and facilitate submission of funding applications. For example, requirements for

submission of cost/progress reports would be simplified. Instead of submitting monthly reports during the course of film production, the film production company will only be required to submit cost reports at three junctures, i.e. upon signing of the production financing agreement; upon completion of the principal photography; and upon completion of post-production work. We will also reduce the amount of documents which a production company needs to submit for execution of the production financing agreement, with a view to shortening the time required for releasing Government funding to the production company and addressing the latter's cashflow challenge. In streamlining the operational requirements of the FPFs, the Government will ensure that the monitoring of the film production projects will not be compromised.

Introduction of a Film Production Grant Scheme (FPGS)

20. Considering that film producers are generally less inclined to take risks for small-budget film productions because of their lack of commercial elements such as named cast, professionally choreographed action scenes, spectacular special visual effects, etc., we will introduce a new scheme under the FDF to provide a grant to subsidise small-budget film productions. The objective of the new scheme is to reduce film producers' uncertainty when investing in less proven film projects, particularly those developed by younger and/or less experienced filmmakers; encourage more commercial investment in such movies; and create nurturing opportunities for new talents in the production and post-production sectors of the local film industry.

21. Under the FPGS, a grant at 20% of the approved production budget or actual production cost, whichever is the lower, and capped at \$2 million per film project will be provided to subsidise low-budget film productions with production budget not exceeding \$10 million per film. The grant cover, among others, salary cost of the production crew who are Hong Kong permanent residents. There will be a firewall between the FPGS and the FPFs: approved film production projects under the FPGS will not be considered for financing support under the FPFs, and vice-versa. The eligibility criteria of the FPGS are set out at **Annex 5**.

22. The FPGS will be implemented on a pilot basis for two years, after which a review will be conducted to assess its effectiveness in increasing small-budget film productions and nurturing local film talents.

Implementation of the First Feature Film Initiative (FFFI) on a longer-term basis

23. The FFFI was launched in March 2013 on a pilot basis to

identify through a competition on screenplay and production proposals new filmmakers from among tertiary students and practitioners of the film industry who have no previous experience in directing commercial films. Winning teams of the Higher Education Institution Group (HEIG) and the Professionals Group (PG) are able to produce their first feature films fully funded by the FDF and receive assistance from CreateHK in film promotion and distribution. The two winning teams of the HEIG and the winning team of the PG have already completed film shooting. We expect that the three films will be ready for theatrical release in late 2015 or early 2016.

24. To strengthen the momentum of the FFFI, we will launch the FFFI again in 2015 and implement it on a longer-term basis with at least one round of competition each year. In view of the rising costs of film production and taking into account the expected scale of the projects, we will raise the level of cash grant for the winning team in the HEIG from \$2 million to \$3.25 million and that for the PG from \$5 million to \$5.5 million. As the FFFI is no longer run on a pilot basis, we will treat it as a sub-scheme under the FDF and no longer fund it as a film-related project, as we did when we launched the FFFI as a pilot scheme in 2013. The eligibility criteria of the FFFI are set out at **Annex 6**.

Film-related projects

25. Apart from funding film productions, the FDF will continue to fund film-related projects that contribute to nurturing production talent, promoting audience development as well as showcasing and promoting Hong Kong films in both local and overseas markets. These include subsidising projects such as seminars for film professionals to update their knowledge and skills, training workshops for young people who wish to join the film industry, organisation of Hong Kong film festivals overseas and also subsidising Hong Kong films to compete and participate in international film festivals, etc. The eligibility criteria for funding film-related projects under the FDF are listed at **Annex 7**.

Expected benefits

26. With the proposed funding injection, we expect that the FDF will encourage more Hong Kong film productions, nurture film talent, and promote Hong Kong films.

27. The expanded scope of budgetary eligibility of the FPFS and the new FPGS are expected to help increase the production volume of local films and the relevant economic activities. It is also envisaged that the cash grant of the FPGS will incentivise film investors to launch more small-budget movies, which will in turn provide opportunities for the

practitioners of the local film industry, including on-screen artistes and behind-the scene creative talents, to master their skills through the making of commercial movies. As for the FFFI, it will address the succession gap of the local film industry by identifying and grooming a new generation of film talents. The film production projects funded by the FDF will help achieve items (a) and (b) of the four-pronged strategy as mentioned in paragraph 15 above.

28. The film-related projects funded by the FDF will continue to promote Hong Kong movies and cultivate film audience, in support of items (c) and (d) of the strategy as mentioned in paragraph 15 above. As in the past, the FDF will continue to support the promotion of individual movies in international film festivals and subsidise the sales and distribution expenses of the Hong Kong-produced Cantonese movies released in Guangdong, with a view to helping the film industry expand their markets beyond Hong Kong and raising its profile regionally and internationally.

Control mechanism

29. The Permanent Secretary for Commerce and Economic Development (Communications and Technology) (PSCT) will continue to be the Controlling Officer of the FDF and decide whether to approve the applications and disburse funds having regard to the recommendations of the FDC or the Fund Vetting Committee (FVC) of the FDC, as the case may be. PSCT will be the approving authority for all film production projects under the FPFS, FPGS and FFFI as well as those film-related projects which require Government's funding support of not more than \$10 million. For projects which merit Government's funding support but require more than \$10 million, they will be referred to the Finance Committee of the Legislative Council for approval.

30. Regarding the FPFS, FPGS, and FFFI, the FVC⁵ will, with the assistance of a Panel of Examiners (applicable to FPFS and FPGS)⁶ or an Assessment Panel (applicable to FFFI)⁷, evaluate the merits of the applications and make recommendations to PSCT. As for the film-related projects, the FDC will assess the applications having regard to considerations such as the benefits brought by the projects for the local film industry, reasonableness of proposed budgets, project management

⁵ The FVC comprise some members of the FDC.

⁶ The Panel of Examiners consists of professionals with experience in film production, financing, etc. The Panel advises the Fund Vetting Committee of the FDC on the commercial viability and creativity of the film project, reasonableness of the proposed budget, etc.

⁷ The Assessment Panel mainly consists of representatives of professional film bodies, including the Hong Kong Film Directors' Guild, Hong Kong Screen Writers' Guild, Hong Kong Film Critics' Association, Hong Kong Film Critics Society and Hong Kong Chamber of Films.

capabilities of applicants, etc., and make recommendations to the PSCT.

31. As in the past, the Government will put in place a suitable control and monitoring mechanism to ensure proper use of Government's funding. In fact, the Government has already fully responded to the recommendations of the Audit Commission on the Government's support to the film industry, which partly covers the operation of the FDF, as set out in Chapter 5 of Director of Audit's Report No. 59. CreateHK has taken appropriate follow-up actions to improve the assessment, administration and monitoring of film production projects under the FDF. Internal procedures and guidelines have been revised with regard to, for example, acceptance of supporting documents for funding applications, expeditious execution of production finance agreements, compliance of collection agents with the terms and conditions of the collection account management agreement on collection and distribution of revenue, etc. As far as film-related projects are concerned, CreateHK has also responded to the Audit Commission's recommendations by ensuring that appropriate follow-up actions are taken to ascertain the actual project incomes and determine the need of grantees to return surpluses, if any, to the Government, as well as expeditious execution of funding agreements.

32. Regarding the FPGS to be rolled out, CreateHK will require applicants to submit audited account, service contracts, quotations and payment receipts for production work, payment receipts for production crew's remuneration, etc. for vetting upon completion and commercial release of their film projects. Only the actual amount spent on recognised items will be covered by the grant provided by the Government.

Financial implications

33. The indicative cashflow requirements of the injection of \$200 million into the FDF are as follows –

	2015-16	2016-17	2017-18	2018-19	2019-20	Total
	(\$' 000)	(\$' 000)	(\$' 000)	(\$' 000)	(\$' 000)	(\$' 000)
(a) FPFS	9,000	9,000	9,000	9,000	9,000	45,000
(b) FPGS	14,000	14,000	14,000	14,000	14,000	70,000
(c) FFFI	9,000	9,000	9,000	9,000	9,000	45,000
(d) Film-related projects	8,000	8,000	8,000	8,000	8,000	40,000
Total	40,000	40,000	40,000	40,000	40,000	200,000

CEDB will continue to support the operation of the FDF within the existing resources.

Way forward

34. The proposed additional funding support for the FDF has been included and reflected in the 2015-16 Draft Estimates of the Communications and Technology Branch of the Commerce and Economic Development Bureau. Subject to approval of the Draft Estimates, we will introduce the enhanced measures for the FPFS on the approval date of the Draft Estimates, and the FPGS will be rolled out in the third quarter of 2015. As for the FFFI, we aim at launching the competition in late March 2015⁸.

35. We will also cease to accept new application under the FGF with effect from 1 July 2015.

Advice sought

36. Members are invited to comment on the proposed additional funding support for the FDF.

Communications and Technology Branch
Commerce and Economic Development Bureau
March 2015

⁸ Existing resources have already been earmarked for launching the 2015 edition of the FFFI, which will be funded as a film-related project under the FDF.

Annex 1

Motion picture, video and television programme production activities				
Year	Number of establishments	Number of persons engaged	Value added (\$ million)	Contribution to GDP at basic prices
2008	1 204	7 146	1 980	0.1%
2009	1 242	7 227	1,636	0.1%
2010	1 421	6 945	1,679	0.1%
2011	1 560	7 249	1,970	0.1%
2012	1 671	7 895	2,522	0.1%
2013	1 771	8 237	Not available	Not available

Annex 2

Film Projects co-financed by the Film Development Fund (FDF)	Government's co-financing support (\$ million)
McDull Kungfu Ding Ding Dong*	3.6
Claustrophobia*	1.6
Coweb*	3.0
Strawberry Cliff*	3.0
Give Love*	2.4
Lover's Discourse*	1.9
Echoes of the Rainbow*	3.6
Break Up Club*	1.8
La Comédie humaine*	2.5
37*	2.8
Beach Spike*	2.8
Lost in Wrestling	3.7
MicroSex Office*	1.7
The Killer Who Never Kills*	3.0
Love Lifting*	2.7
The Bounty*	2.6
Love Expert	3.0
Mama Eva	4.1
The Way We Dance*	2.1
A Complicated Story*	3.0
CJ7 The Cartoon 2	4.2
Bends*	4.0
Doomsday Party*	3.4
The True Love	1.6
The Seventh Lie*	1.8
Kick Ass Girls*	2.3
The Midnight After*	5.3
Twilight Online*	1.5
Wonder Mama	1.6
The Merger	2.0
Total	82.6

Note: Those films marked with an asterisk have already been theatrically released.

Examples of film-related projects supported by the FDF	Number of projects supported	Approved funding support (\$ million)
<p><u>Promotion of Hong Kong movies</u></p> <ul style="list-style-type: none"> ● 54 Hong Kong films nominated to participate in film festivals overseas ● Sponsorship for Hong Kong films (Cantonese Version) distributed in Guangdong Province ● 8 editions of Entertainment Expo Hong Kong ● 8 editions of Hong Kong-Asia Film Financing Forum ● 6 editions of Asian Film Awards ● 2 editions of Promotion Zone for Hong Kong Films at Cannes Film Market ● Hong Kong in Focus at the Paris Cinema International Film Festival 2012 ● Production of Short Film to Promote Hong Kong Films 	83	100.6
<p><u>Nurturing talent</u></p> <ul style="list-style-type: none"> ● First Feature Film Initiative ● The Hong Kong Filmmakers Code of Practice and Safety Manual ● Provision of Filmmaking Equipment for the Academy of Film of the Hong Kong Baptist University ● Introducing Animation Film Arts to the New Senior Secondary Curriculum ● Digital Cinema System Training Programme ● Film Professional Training Programme 2010 ● 2 editions of Indie Film Producer Workshop ● 2 editions of Greater China Film Directors' Forum ● Cross-Strait Screenwriters' Summit ● Film appreciation programmes of the Asian Film Awards Academy 	16	36.4

<p><u>Enhance audience's interest in and appreciation of Hong Kong movies</u></p> <ul style="list-style-type: none"> ● 8 editions of Hong Kong Film Awards Presentation Ceremony ● Documentary on the life of Bruce Lee ● Placement of memorial plaques at six locations with special significance to Bruce Lee's life or film career ● Digital Cinema Exchange Pilot Programme ● Improvement works for the cinema of the Hong Kong Arts Centre ● 2 editions of Hong Kong International Film Festival Society – Cine Fan Programme ● Consultancy Study on the Cinema Facilities of Hong Kong ● The Ultimate Guide to Hong Kong Film Directors 	<p>16</p>	<p>66.2</p>
<p><u>Other projects</u></p> <ul style="list-style-type: none"> ● Hong Kong Motion Picture Post Production Exhibition Pavilion 2010 ● Hong Kong Film Copyright Online Database – Enhancement of Hardware and Software Systems ● Hong Kong Box Office Archive Data ● Full Profile of the Hong Kong Post Production Industry 	<p>6</p>	<p>5.7</p>
<p>Total</p>	<p>121</p>	<p>208.9</p>

Achievements of the Film Development Fund

Stakeholders of the film industry generally agree that the effectiveness of the Film Development Fund (FDF) in supporting the development of the local film industry does not lie in the economic returns of the films financed, but in the provision of practical opportunities for the new generation of film professionals to continue the development of the Hong Kong film industry. The trade generally agrees that the FDF has been successful in the following four aspects.

Encouraging film production

2. To nurture professional filmmakers, it is imperative to provide adequate opportunity for newcomers to participate in the production of feature-length films intended for commercial release in cinemas. In this regard, FDF offers co-financing to those film projects which encounter difficulties in securing sufficient financing. From 2007 to 2014, 23 titles of the 30 FDF financed film projects were commercially released and aggregated a total box office of over \$285 million in Hong Kong, the Mainland of China, Taiwan, Malaysia and Singapore. It is estimated that these 30 productions created over 2 000 jobs for Hong Kong film production crews in the past seven years. Furthermore, the three films produced under the First Feature Film Initiative in 2014 created over 150 jobs, most of whom were new on-screen talents and first-timer recruits to film production crews.

Nurturing production talents

3. The low-budget film productions partially financed by the FDF have provided ample opportunities for new talents and film crew to get on board. These young talents will mature through demanding hands-on work. The FDF has supported 30 film productions, of which 16 directors and 13 producers take up such roles for the first time in commercial film productions.

4. FDF has also provided funding support to many worthwhile film-related projects that are conducive to nurturing production talent, such as –

- the “Introducing Animation Film Arts to the New Senior Secondary Curriculum” project, under which a teaching kit was developed and provided to over 230 secondary schools in Hong Kong to inspire students in film appreciation, production of short films, and general knowledge on animation techniques;
- the Digital Cinema System Training Programme, under which over 300 local projectionists were provided with training on the use of digital projection systems, which are now widely used in 47 local cinema complexes with 204 screens equipped with the modern technology;

- the Film Professional Training Programme 2010, under which 113 trainees received a nine-month intensive and hands-on training involving various disciplines of film production. Participants are groomed for taking up roles such as assistant director; assistant production manager; camera and lighting assistant; special visual effects assistant, assistant editor; and martial artistes. About 80 graduates have so far taken up professional jobs in various fields of film production and post-production; and
- the First Feature Film Initiative, which was launched in 2013. Three new film directors, namely Chang King-wai, Steven Chan and Wong Jun, were identified through a competition on screenplay and production proposals. They were consequently provided with the opportunities to make their first feature-length films. All the three movies have already completed film shooting. It is planned that show-reels of their works will be screened during FILMART 2015 to give the three new directors exposure to the potential film distributors.

Showcasing and promoting the brand of Hong Kong films locally and overseas

5. FDF has made valuable contribution in showcasing and promoting the brand of Hong Kong films locally and overseas by sponsoring 54 Hong Kong films to participate in various international film festivals, exhibitions, and competitions. In addition, FDF is the major sponsor of significant film awards and film financing events in Hong Kong, such as seven editions of Hong Kong Film Awards, Hong Kong Asia Film Financing Forum and Hong Kong FILMART. These activities have been effective in maintaining the status of Hong Kong film not only in Asia, but also in Europe and the Americas.

Promoting film appreciation among young people to build up audiences

6. Domestic market is an important home base for locally produced films; a thriving film industry in Hong Kong requires a sizable local audience. In order to stimulate demand for Hong Kong films, the FDF has funded projects targeted at young audience. In this regard, three key elements are required, i.e. a film exhibition venue, film programming and guidance in film appreciation. FDF has provided funding support for the improvement work of the cinema managed by the Hong Kong Arts Centre, the organisation of the Cine Fan Programme by the Hong Kong International Film Festival Society and the Hong Kong Film Salon by the Hong Kong Film Culture Centre.

Revised Eligibility Criteria for the Film Production Financing Scheme

The Film Development Fund adopts the following eligibility criteria for financing film productions –

- (a) The applicant must be a film production company formed and registered under the Companies Ordinance (Cap.622). The applicant, film producer, film director or any combination of them must have produced a total of at least two released films immediately preceding the date of the application;
- (b) An applicant may only receive financial support from the Government for up to two approved film projects at any one time.
- (c) The applicant must not have obtained other financial support (whether in the form of equity or loan financing, grant or sponsorship or any other form) from the Government for the film project; and
- (d) The film project must –
 - (i) be in the form of a full script to produce a drama feature film intended for commercial theatrical exhibition in Hong Kong with a production budget of not more than \$25 million¹;
 - (ii) be identifiable as commercially viable and have secured third-party financing² to the satisfaction of the Government;
 - (iii) must employ at least one permanent resident of Hong Kong in any three of the following categories of the main film crew and cast: (i) the film producer; (ii) the film director; (iii) the scriptwriter; (iv) the leading actor; and (v) the leading actress;
 - (iv) be potentially capable of qualifying for a certificate for public exhibition in Hong Kong under the Film Censorship Ordinance (Cap.392); and
 - (v) not have commenced the principal photography of any part prior to the applicant being notified in writing of the result of the application by the Government.

¹ The upper limit of the production budget for a film project applying for financing support is proposed to be raised to \$25 million from the existing level of \$15 million.

² The scope of third-party financing covers but is not limited to the financing pledged by the applicant itself.

Eligibility Criteria for the Film Production Grant Scheme

It is proposed that the following eligibility criteria be adopted for the Film Production Grant Scheme –

- (a) The applicant must be a film production company formed and registered under the Companies Ordinance (Cap.622). The applicant, film producer, film director or any combination of them must have produced a total of at least two released films immediately preceding the date of the application;
- (b) The applicant must not have obtained other financial support (whether in the form of equity or loan financing, grant or sponsorship or any other form) from the Government for the film project; and
- (c) The film project must –
 - (i) be in the form of a full script to produce a drama feature or documentary or animation film intended for commercial theatrical exhibition in Hong Kong with a production budget of not more than \$10 million;
 - (ii) be potentially capable of qualifying for a certificate for public exhibition in Hong Kong under the Film Censorship Ordinance (Cap.392); and
 - (iii) not have commenced the principal photography of any part prior to the applicant being notified in writing of the result of the application by the Government.

Eligibility Criteria for the First Feature Film Initiative

It is proposed that the following eligibility criteria be adopted for the First Feature Film Initiative –

- (a) Each participating team shall comprise at least a director, a producer and a scriptwriter. The director and the producer shall not be the same person.
- (b) The director(s) of a participating team shall not have previously shot¹ any commercial film² with a running time of 80 minutes or longer and shall be a Hong Kong permanent resident aged 18 years or above. The producer must have previously worked in at least two publicly exhibited films in Hong Kong as a producer or line producer and shall be a Hong Kong permanent resident aged 18 or above.
- (c) The director(s) of a participating team in the Higher Education Intuition Group shall be a student or graduate of not more than ten years from film/TV production or similar disciplines of a higher education institute or a professional school. A participating team shall be nominated by one of the following institutions:
 - (i) The Hong Kong Academy for Performing Arts;
 - (ii) Hong Kong Baptist University;
 - (iii) The Hong Kong Polytechnic University;
 - (iv) City University of Hong Kong;
 - (v) The Open University of Hong Kong;
 - (vi) Hong Kong Institute of Vocational Education;
 - (vii) Hong Kong Design Institute; and
 - (viii) The Savannah College of Art and Design (Hong Kong).
- (d) The director(s) of a participating team in the Professional Group shall be a member of the local film industry who possesses filmmaking or related experiences. A participating team shall be nominated by one of the following film associations/bodies:
 - (i) Federation of Hong Kong Filmmakers and its member bodies;
 - (ii) Hong Kong Motion Picture Industry Association;
 - (iii) Movie Producers and Distributors Association of Hong Kong;
 - (iv) Hong Kong Chamber of Films;
 - (v) The Hong Kong International Film Festival Society;
 - (vi) Ying E Chi; and

¹ Only those who have not shot any commercial film as a director, co-director or executive director are eligible for becoming director(s) of the participating team.

² “Commercial film” means a fictional narrative that has been shown at local commercial cinemas.

- (vii) Hong Kong Arts Centre.
- (e) Apart from film director and producer, there shall be at least one Hong Kong permanent resident in each of the following ten positions: scriptwriter, leading actor, leading actress, cinematography, action design, art direction, costume design, editing, sound effect and visual effect.

Eligibility Criteria for Funding Film-related Projects

The Film Development Fund adopts the following eligibility criteria for funding film-related projects –

- (a) An applicant should normally be a locally registered institution/organisation engaged in film business or a related body. The Film Services Office of Create Hong Kong, which serves as 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.