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**Panel on Information Technology and Broadcasting**

**Meeting on 9 March 2015**

**Updated background brief on the Film Development Fund  
in supporting the development of film industry**

**Purpose**

This paper provides background information on the Film Development Fund ("FDF") in supporting the development of the film industry. It also summarizes the views and concerns expressed by Members in previous discussions.

**Background**

2. The film industry is the flagship of the creative industries in Hong Kong. It contributes significantly to the development of local 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. According to the Government, it is committed to providing a favourable environment conducive to the long-term and healthy development of the Hong Kong film industry. The Government first established FDF in April 1999 with an approved commitment of \$100 million to support a wide range of projects such as training of film personnel, overseas promotion of local films, etc. In addition, the Film Guarantee Fund ("FGF"), a revolving loan guarantee facility with a

commitment of \$30 million, was established by redeployment of funds from FDF. The Government further submitted a funding proposal seeking an injection of \$300 million into FDF, which was approved by the Finance Committee ("FC") on 6 July 2007. The Government also 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, FDC is responsible for advising the Secretary for Commerce and Economic Development on the policy, strategy and institutional arrangement for the promotion and development of the film industry.

4. Following the review of FDF in December 2009, the Administration proposed measures to improve the operation of the film production financing scheme. These included raising the upper limit of the production budget of a film project supported by FDF from \$12 million to \$15 million, raising the upper limit of Government's contribution per approved film project from 30% to 40% and removing the 10 years' time-limit for relevant film-making experience in respect of the applicant, the film director or producer.

5. Since 2007, FDF had partially financed 30 film productions, of which 16 directors and 13 producers took up such roles for the first time in commercial film productions. Furthermore, FDF had provided funding support to 121 other film-related projects which included assisting Hong Kong films in participating in international film festivals.

## **Previous discussions**

### Panel on Information Technology and Broadcasting

6. At the meeting of the Panel on Information Technology and Broadcasting ("the Panel") on 12 November 2012, the Panel discussed and supported in principle the Administration's proposal to create a new civil service one-rank grade of Secretary-General of the FDC to accommodate a permanent civil service post of SG(FDC)(D2) in Create Hong Kong ("CreateHK"). The Panel also discussed the Government's long-term policy in support of the film industry. Some members opined that the Administration should approve FDF applications submitted by filmmakers who wished to explore certain experimental or taboo themes.

### *First feature film Initiative*

7. At the Panel meeting on 27 May 2013, the Panel was briefed on the policy objective of 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. 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. FDF would make available funding to cover the full production costs of the films by the winning teams. The production expenses for the winning teams in HEIG would be capped at \$2 million per film while that for the winning team in PG would be capped at \$5 million. 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.

8. Some Panel members were concerned about measures to be taken by the Administration to monitor the use of funds by the winning teams. The Administration advised that to ensure completion of film production on schedule, within budget and at a standard meeting the requirements of commercial films, 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.

9. Some other Panel members were concerned about the low production expense for the winning teams in HEIG, which would be capped at \$2 million per film. The Administration advised that 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.

#### *Funding injection*

10. At the policy briefing for the Panel on 19 January 2015, members noted that the Chief Executive had announced in his 2015 Policy Address that the Administration proposed to inject funds into FDF to sustain its operation.

11. With the injected funding, the Administration would 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 Administration would also enhance the 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 with a view to boosting the production volume of local films. In addition, the Administration would launch FFFI again in 2015 and raise the level of cash grant as appropriate to help the winning teams cope with the rising cost of film production.

12. Members also noted that the Government would consider reserving space for cinemas in major cultural and entertainment development areas, and would explore ways to facilitate cinema development through land sale and planning. Some members expressed doubt whether the Government's suggestion could help boost the local film industry.

13. The Panel noted that CreateHK, the dedicated Government agency for driving the development and promotion of Hong Kong's creative industries, had, in consultation with FDC and the relevant stakeholders, reviewed the use of FDF to support the film industry starting from the second half of 2013. CreateHK had also taken the opportunity to review FGF. The review on FDF and FGF was completed in January 2015.

#### *Reinvigorating Hong Kong's film industry*

14. At the Panel meeting on 9 February 2015, some members enquired about CreateHK's strategy for reinvigorating Hong Kong's film industry. The Administration advised that CreateHK had continued to promote the development of the film sector in consultation with FDC in accordance with the four-pronged strategy, i.e. encouraging more local film production, nurturing production talent, promoting film appreciation among students and young people to build up audiences, and showcasing and promoting the brand of "Hong Kong Films".

15. Some other members also urged the Administration to provide funding support under FDF for local film makers to produce more films of new genres catering to the taste of the local audience. The Administration advised that assistance had been provided to local vis-à-vis overseas production crews for location shooting in Hong Kong, including location scouting, giving permission for location filming in public or private premises, land closures, etc.

## Finance Committee

16. At the special FC meeting to examine the Estimates of Expenditure 2014-2015 on 2 April 2014, Hon CHAN Chi-chuen and Hon Martin LIAO raised questions on the reasons for the few applications received under FGF in recent years and whether the Administration would retain FGF. The Administration advised that while most of the applications had been diverted to FDF, FGF was retained as an alternative to FDF at the request of the industry.

17. Hon Regina IP enquired about the relevant plans and resources allocated to facilitate location filming. The Administration advised that CreateHK had recommended filming locations to production crews and providing relevant information, arranged production crews to visit the filming locations, assisted production crews to obtain necessary approvals or permits, and liaised with relevant government departments on matters relating to lane/road closure and parking of filming vehicles. In addition, CreateHK had prepared information on government and private premises available for location filming and published reference materials on location filming in Hong Kong for local and overseas film crews.

## **Latest position**

18. The Administration will brief the Panel on 9 March 2015 on the proposal to provide additional funding for FDF and the recommendations of the review on FDF and FGF.

## **Relevant papers**

19. 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)

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