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LEGISLATIVE COUNCIL BRIEF

FACILITATING CINEMA DEVELOPMENT

INTRODUCTION

At the meeting of the Executive Council on 28 February 2017, the Council ADVISED and the Chief Executive ORDERED that, to facilitate cinema development and to increase convenience to local movie-goers –

(a) insofar as cinema developments in major cultural and entertainment development areas are concerned, the Commerce and Economic Development Bureau (CEDB) should continue to discuss with bureaux and departments concerned and the West Kowloon Cultural District Authority (WKCDA) the feasibility of accommodating a cinema complex at the Tourism Node (TN) in the Kai Tak Development (KTD) and earmarking space for cinema development in the West Kowloon Cultural District (WKCD);

(b) insofar as new commercial developments on government land sale sites are concerned, a cinema requirement on the provision of a minimum number of cinema seats should be incorporated in the land sale conditions of two government land sale sites. Any subsequent application for lease modifications to change the cinema portion of these sites into other uses or reduce the minimum number of cinema seats requires policy support from CEDB, with land premium payment to be assessed in accordance with the prevailing policy. Such lease modifications should not be considered by CEDB within the first seven years of the operation of the cinema on these two sites; and

(c) the arrangement in paragraph (b) above should be reviewed in due course after the operation of the cinema following the sale of the two government land sale sites and a steer from the Chief Executive in Council should be sought before extending the cinema requirement to additional government land sale site(s).

JUSTIFICATIONS

Current Cinema Provision

2. The cinema industry has undergone significant change since 1990s as a result of the fast-changing social-economic ecology globally and locally and the emergence of different media entertainments. In line with the worldwide trend of multiplexing as a major form of cinema development, multi-screen cinemas [1] have sprung up to replace conventional standalone single-screen cinemas in Hong Kong. Partly as a result of such mode of cinema development, the number of cinemas [2] in Hong Kong decreased from 119 in 1993 to 47 in December 2015, while the number of seats dropped from around 122 000 to about 38 000 during the same period. The number of cinema screens per hundred thousand population of Hong Kong ranks among the lowest in Asia. Territory-wise, cinema seats are not evenly distributed - some 28% (10 334/36 531 seats) are currently located in Yau Tsim Mong district, and the second highest is Kwun Tong with
A some 4 300 seats. Details are set out at **Annex A**.

Policy on Local Film Industry and Cinema Development

3. It has been the Government's policy to promote the development of the local film industry which could help raise Hong Kong's international and regional profile as a film hub and bring

[1] Multiplex cinemas offer greater flexibility in screening movies on multiple screens at multiple time slots.

[2] For the purpose of the policy set out in this paper, cinema refers to a place of public entertainment principally used for cinematograph or laser projection display activities conducted on a commercial-oriented and profit-making basis.

in tourists to boost the local economy. It also brings about a clustering effect for other relevant creative disciplines such as design, animation, advertising, special effects production, etc. In 2015, we had close to 41 000 establishments with close to 214 000 practitioners working in various domains of cultural and creative industries[3], creating some 5.7% of the total employment of Hong Kong and generating a value added of nearly HK$ 109 billion to our economy, which is about 4.7% of our Gross Domestic Product[4].

4. In order to sustain the healthy development of the local film industry, the Chief Executive (CE) announced in the 2015 Policy Address that the Government would continue to adopt a four-pronged strategy. Some of the initiatives undertaken by the Government in
B recent years are highlighted at **Annex B**. One of the pillars of this four-pronged strategy is audience development, which seeks to promote film appreciation among students and young people[5]. Facilitating cinema development will be conducive to building up a film-literate society, which will provide the film industry with new film talents and encourage more film production activities. This supports the development of the local film industry in the long run.

5. Cinema going is indeed a unique experience whereby audiences instantly share movie-watching experiences with each other in an enclosed setting. It is only at cinemas where audiences can see projection of images on screens beyond the perspective of normal perception, and the atmospheric experience inside a cinema can hardly

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[3] Hong Kong's cultural and creative industries comprise 11 component domains as follows: art, antiques and crafts; cultural education and library, archive and museum services; performing arts; film, video and music; television and radio; publishing; software, computer games and interactive media; design; advertising; architecture; and amusement services. By division of labour within the Hong Kong Special Administrative Region Government, CEDB is responsible for creative sectors, namely advertising, architecture, design, digital entertainment, film, music, television, and printing and publishing.

[4] This also represents an average annual growth of 7.6% in nominal terms over 2005, outpacing the average annual growth of 5.4% for the nominal Gross Domestic Product of Hong Kong during the same period.

[5] The other three pillars of the four-pronged strategy are: (i) encouraging more local film production; (ii) nurturing production talent; and (iii) showcasing and promoting the brand of "Hong Kong Films" in the Mainland, Taiwan and overseas market, facilitating the participation of local films in international film festivals, and helping drive Hong Kong's development as a film financing platform in Asia.

be replicated in a home setting or through mobile entertainment. In addition, film appreciation activities held at cinemas, such as face-to-face encounter with film directors/actors and post-screening sharing sessions, further generate interests for movie-watching.

6. On the supply side, cinema is an important distribution channel for movies because theatrical exhibition contributes to the publicity of movies and helps increase their marketability in the post-exhibition sale of DVD and television rights in both local and overseas markets. Furthermore, the development of more cinemas may provide more screening slots for a greater variety of movies, thus making available more screening opportunities for local films and generating more income for local filmmakers. This would encourage more film productions, hence boosting the development of the local film industry.

7. In this regard, the CE announced in the 2015 Policy Address that the Government would continue to promote the development of the film industry through considering reserving space for cinemas in major cultural and entertainment development areas, and would explore ways to facilitate cinema development through land sale and planning. The CE further announced in the 2016 Policy Address that the Government was actively considering the option of requiring developers to include cinemas in their development projects as appropriate in the terms and conditions of the land lease.

Facilitating Cinema Development in Commercial Complexes

8. Nowadays, instead of standalone purpose-built structures, cinemas are usually found within commercial developments that are easily accessible by mass transport and with abundant provisions of retail, dining and entertainment facilities, so that cinema operators could tap on the retail customer flow and vice versa. However, it is worth noting that cinemas, unlike other commercial outlets or eateries found in shopping malls, require special building requirements/layout, such as entrances and exits, large floor area and high ceilings. As a result, it is necessary for commercial developers to decide/plan at an early stage if the development concerned were to incorporate provisions

for cinemas. Post hoc addition of cinemas in commercial developments is technically difficult (if not impossible) and costly and hence rare. Therefore, if the Government is to facilitate cinema provision in commercial complexes, measures should be taken to target new developments so that the developers will incorporate cinemas in projects at the planning stage.

9. According to findings of a consultancy study commissioned by CEDB in 2013, cinema location ranked high among the factors affecting people's decision of cinema-going [6]. Convenient transportation is also an important factor influencing decisions in this regard. The findings further revealed that although young people and the middle-aged (as versus the elderly) were more likely to opt for cinema-going near their home, a local cinema would encourage a significant proportion of the elderly who rarely go or have not been to cinemas to opt for cinema-going[7].

10. The cinema trade has suggested that cinema provision be incorporated in the planning of new public and private development projects in those District Council (DC) districts which lack cinemas, as well as railway property development projects. The trade has also expressed a wish that the planning of the WKCD and Kowloon East would take into account the need for cinema development.

Major Considerations in Formulating Policy and Implementation Proposals

11. In devising the policy for facilitating cinema development in Hong Kong, we are mindful that firstly, cinema provision in itself is

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[6] According to the consultancy study, cinema location ranks after ticket price and factors intrinsic to the movie itself as well as companionship as the most important factors affecting the decision of cinema-going. About 65% of the respondents chose convenient transportation as a major reason for watching movies at cinemas. Convenient cinema location ranks after ticket price as the second most important factor influencing which cinemas movie-goers will choose.

[7] Some 70% of respondents in the younger population group (aged 13-34) and some 50% of respondents in the middle-aged population group (aged 35-54) are interested in going to cinemas near their homes, while only about 25% of the elderly (aged 55 or above) are interested in doing so. However, some 70% of the elderly who have never watched a movie in cinema or did not watch a movie in the past 12 months would opt for cinema-going if there is a cinema in the neighbourhood.

largely market-driven (or demand-driven), yet without any facilitative measure by Government, the private sector might not give priority to developing cinemas as versus other alternative commercial uses that might generate better returns. Hence, we see merits in preserving our existing market-led ecology while implementing the new policy in a targeted manner through a site-specific approach. Secondly, for ease of planning and implementation, we propose to target new government land sale sites instead of private development/redevelopment pursued by private developers on their existing sites. Thirdly, given the fast-moving development in the existing 18 administrative districts in terms of the provision of cinemas, the new policy will adopt an anticipatory approach and focus on commercial projects in major cultural and entertainment districts as well as government land sale sites, where developers will be required to provide a minimum number of cinema seats as appropriate.

Implementation Proposals

(A) Cinema developments in major cultural and entertainment development areas

12. We have identified WKCD and TN in the KTD as major cultural and entertainment development areas in which cinema development should be facilitated. WKCD is a major cultural project which will include arts and cultural facilities for hosting a variety of cultural events, while the TN will be developed into a tourism, entertainment and leisure hub. We foresee synergies between cinemas and the cultural and/or entertainment facilities at both locations, which would enhance the overall experience of local visitors and tourists.

13. While the size of the TN site is relatively small (5.93 hectare) and the inclusion of a large-scale cineplex as a mandatory facility of the site may affect the flexibility for the future developer/operator of the TN project to propose suitable entertainment and leisure facilities therein, we are prepared to explore the cineplex be made an optional feature of the TN site.

14. As for WKCD, while it would not be possible to accommodate a cinema as part of the retail, dining and entertainment facilities of the Artist Square Development Area given technical constraints and other considerations, the WKCDA will further explore the possibility of incorporating cinema development in later stages of the development of WKCD.

(B) Cinema development in new developments on government land sale sites

15. We also see a case to facilitate cinema development in suitable new commercial developments (including commercial portion of a commercial-cum-residential site or a Comprehensive Development Area site) on government land sale sites in areas such as the Northeast New Territories (i.e. Kwu Tung North/Fanling North), Tung Chung New Town Extension and Hung Shui Kiu, in anticipation of the population growth in such areas.

16. It takes time to make ready those sites in the aforementioned new developments for sale. We seek to identify suitable government land sale sites available for sale in the next few years for incorporating a cinema requirement as appropriate. The detailed site selection criteria, which are also in line with those adopted by the existing cinema operators as we understand from the trade, are set out below –

(a) sites falling within zonings which readily allow the accommodation of cinemas;

(b) sites which are located within a short travelling distance of the major public transport network and/or medium to high density residential sites;

(c) sites with commercial developments which are large enough to reasonably accommodate at least a small-to-medium scale multiplex cinema plus suitable retail and dining facilities; and

(d) sites in areas without a large supply of cinemas relative to demand.

17. Applying the above site search criteria, we have initially identified two sites, one in Kai Tak and one in Sha Tin. Their suitability for incorporating cinemas requires more detailed assessment. Subject to further discussions with relevant departments and consultation with stakeholders, we will finalise the choice of two government land sale sites for incorporating a cinema requirement on the provision of a minimum number of cinema seats.

18. The successful bidder of the lot, and any subsequent owner, should not be allowed to change the cinema into other uses or reduce the minimum number of seats within the first seven years of operation of the cinema. This is to guard against any attempt of the successful tenderer seeking to nullify the policy objective by asking for modification to remove the requirement not too long after the commencement of operation of the cinema, and to make clear Government's position at the outset. After the first seven-year period of cinema operation, any such lease modification applied by the lot owner would be subject to approval of the Lands Department, which would only approve the application with CEDB's policy support for such a change on the basis that cinema provision is no longer appropriate or necessary on the lot or on other grounds as determined by the Government. Land premium for the modification would be assessed and chargeable in accordance with the prevailing policy.

19. In view of the possibly rapid change in market situation and community aspirations, we will review the arrangement in due course after the operation of the cinema following the sale of the first two sites to assess the effectiveness of the policy, refine it as necessary, and seek a steer from the Chief Executive in Council before extending the cinema requirement to additional government land sale site(s).

IMPLICATIONS OF THE PROPOSAL

20. The proposal has economic and financial and civil service
C implications as set out in **Annex C**. The proposal is in conformity with the Basic Law, including the provisions concerning human rights. The proposal itself has no productivity, environmental and gender

C implications; no significant family implications; and no sustainability implications other than those set out in **Annex C**.

PUBLIC CONSULTATION AND PUBLICITY

21. We have taken into account the views of the Film Development Council on ways to facilitate cinema development. We will issue a press release on 13 March 2017. A spokesman will be made available to answer media enquiries. We will also brief the Legislative Council Panel on Information Technology and Broadcasting.

ENQUIRIES

22. Enquiries on this brief may be directed to Mr Patrick Lee, Principal Assistant Secretary for Commerce and Economic Development (Communications and Creative Industries) at telephone number 2810 2713.

Commerce and Economic Development Bureau
13 March 2017

Annex A

Total number of cinemas, screens and seats by year between 1993 and 2015

Year	Number of cinemas	Number of screens	Number of seats
1993	119	188	121 885
1994	112	179	125 231
1995	104	177	103 504
1996	100	181	95 468
1997	89	183	77 844
1998	77	172	73 407
1999	70	185	75 092
2000	63	178	69 237
2001	62	184	57 372
2002	60	179	57 376
2003	60	188	52 440
2004	57	197	51 340
2005	57	207	50 686
2006	48	181	42 530
2007	48	190	41 332
2008	48	192	40 635
2009	49	201	40 906
2010	49	208	41 157
2011	48	204	40 033
2012	48	206	39 485
2013	45	194	35 937
2014	47	208	37 781
2015	47	209	37 779

Number of cinemas, cinema seats and screens in Hong Kong as at 30 September 2016

District	Cinema	Number of cinemas	Number of screens	Number of seats
Hong Kong Island				
Central and Western	PALACE ifc	-	5	544
	AMC Pacific Place	-	6	604
	Sub-total	***2***	***11***	***1 148***
Wan Chai	Cine Times	-	5	898
	MCL JP Cinema	-	2	658
	Grand Windsor Cinema	-	3	246
	President Theatre	-	2	428
	agnes b. Cinema	-	1	121
	Sub-total	***5***	***13***	***2 351***
Eastern	UA Cityplaza	-	7	1 088
	MCL Kornhill Cinema	-	5	792
	Sunbeam Theatre	-	2	1 373
	L Cinema	-	2	174
	Sub-total	***4***	***16***	***3 427***
Southern	Broadway Cyberport	-	4	827
	MCL South Horizons Cinema	-	3	552
	Sub-total	***2***	***7***	***1 379***
Kowloon				
Yau Tsim Mong	Cine Moko	-	5	757
	UA iSQUARE	-	5	979
	Broadway Cinematheque	-	4	460
	Broadway MongKok	-	5	895

District	Cinema	Number of cinemas	Number of screens	Number of seats
	Broadway The ONE	-	6	822
	Grand Ocean	-	1	456
	the sky	-	6	975
	The Grand Cinema	-	12	1 566
	Newport Theatre	-	2	402
	Dynasty Theatre	-	2	1 920
	Cinema City Langham Place	-	6	1 102
	Sub-total	***11***	***54***	***10 334***
Sham Shui Po	AMC Festival Walk	-	8	1 196
	Sub-total	***1***	***8***	***1 196***
Kowloon City	GH Whampoa	-	4	1 266
	Lux Theatre	-	1	363
	Sub-total	***2***	***5***	***1 629***
Wong Tai Sin	Broadway Hollywood	6	6	1 614
	Sub-total	**1**	**6**	**1 614**
Kwun Tong	UA MegaBox	-	7	825
	PALACE apm	-	6	875
	MCL Telford Cinema	-	6	819
	The Metroplex @ Kowloon Bay	-	9	1 129
	Cine-Art House	-	3	696
	Sub-total	***5***	***31***	***4 344***
New Territories				
Kwai Tsing	Broadway Kwai Fong	-	5	616
	GH Tsing Yi	-	5	684
	Sub-total	***2***	***10***	***1 300***

District	Cinema	Number of cinemas	Number of screens	Number of seats
Tsuen Wan	Broadway Tsuen Wan	-	4	771
	GH Citywalk	-	5	668
	Sub-total	***2***	***9***	***1 439***
Tuen Mun	UA tmtplaza	-	4	571
	Hyland Theatre	-	3	712
	Paris London New York Milano Cinema	-	4	1 046
	Sub-total	***3***	***11***	***2 329***
Yuen Long	Broadway Kingswood Ginza	-	4	608
	Yuen Long Cinema	-	3	323
	Sub-total	***2***	***7***	***931***
North	**GH Fanling**	1	2	228
	Sub-total	***1***	***2***	***228***
Tai Po	-	-	-	-
Sha Tin	UA Shatin	-	2	453
	Ma On Shan Classics Cinema	-	4	503
	Sub-total	***2***	***6***	***956***
Sai Kung	MCL Metro City Cinema	-	7	950
	STAR Cinema	-	6	626
	Sub-total	***2***	***13***	***1 576***
Island	UA IMAX Theatre @ Airport	-	1	350
	Sub-total	***1***	***1***	***350***
Overall		**48**	**210**	**36 531**

Comparison with some major cities in Asia

City (Year)	Number of screens	Size of population (million)	Number of screens per 100 000 persons
Taipei (2014)	183	2.7	6.8
Seoul (2015)	511	10.3	5.0
Shenzhen (2014)	527	10.8	4.9
Singapore (2015)	223	5.5	4.0
Shanghai (2014)	765	24.3	3.2
Hong Kong (2015)	**209**	**7.3**	**2.9**
Tokyo (2015)	358	13.5	2.6

Annex B

Initiatives undertaken by the Government to promote the development of the film industry

Encouraging film production

The Government provides nurturing opportunities for professional filmmakers by helping them participate in the production of feature-length films intended for commercial release in cinemas. Since 2007, the Film Development Fund (FDF) has offered co-financing to small-to-medium budget films. 28 titles of the 30 FDF financed film projects have been commercially released and aggregated a total box office of some $303 million in Hong Kong, Mainland, Taiwan, Malaysia, Singapore and other places. It is estimated that these 30 productions created over 1 900 jobs for Hong Kong film production crews.

2. The Government launched the new Film Production Grant Scheme under the FDF in November 2015 to provide cash subsidy to low-budget films with production budget not exceeding $10 million per film. The aim is to absorb part of the risks of undertaking film production projects and hence encourage more film productions, which would create nurturing opportunities for practitioners of the film industry. Five applications have so far been approved.

3. The Government has also provided dedicated support to those film professionals or graduates who have had no experience of commercial filmmaking but have already demonstrated their potential through a competition on screenplay and production proposals. The First Feature Film Initiative was launched in 2013 and has so far provided full funding support to seven film projects. Such projects have created over 300 jobs most of whom were new on-screen talents and first-timer recruits to film production crews.

Nurturing production talents

4. The film productions partially financed or subsidised 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 partially financed 30 film productions, of which 17 directors and 17 producers take up such roles for the first time in commercial film productions.

5. The Government has also over the years provided funding support to various film-related projects that are conducive to nurturing production talent. Examples of these projects include a training programme for local projectionists on the use of digital projection systems; a professional training programme which grooms participants for taking up professional jobs in different fields of film production and post-production; and training programmes on film music scoring, script writing and film producing, etc.

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

6. The Government has supported initiatives to showcase and promote the brand of Hong Kong films locally and overseas. 71 Hong Kong films have been sponsored to participate in various international film festivals, exhibitions, and competitions. In addition, the FDF is the major sponsor of significant film awards and film financing events in Hong Kong, such as Hong Kong Film Awards, Hong Kong Asia Film Financing Forum, as well as trade promotional events at Hong Kong International Film & TV Market (FILMART). These activities have helped enhance the profile of the film industry of Hong Kong not only in Asia, but also in Europe and the Americas.

7. The Government has also since July 2016 enhanced support for Hong Kong-produced Cantonese movies distributed in the Mainland in order to encourage local filmmakers to tap into the Mainland market, particularly the Guangdong Province. Eligible films will receive cash subsidies of up to $500,000 per film under the FDF to cover the sales and distribution expenses incurred for distribution and publicity conducted in the Mainland.

Promoting film appreciation among young people to build up audiences

8. 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 cultivate an interest in watching movies among the local population, the FDF has funded film appreciation programmes which target the young audience. The FDF has also provided funding support for the improvement works of a cinema managed by the Hong Kong Arts Centre, which serves as a venue for showing films of different genres. Furthermore, the Government has also provided funding support to the Hong Kong International Film Festival Society for launching an audience development programme to encourage more audience participation in the Hong Kong International Film Festival, and for the provision of screening facilities at the North District Town Hall to facilitate film screening activities by different organisations and promote movie-going in the community, in particular among students and young people.

Annex C

FINANCIAL AND CIVIL SERVICE IMPLICATIONS

The incorporation of a cinema requirement in the land sale conditions of two government land sale sites will constrain the scope of development and will likely have negative impact on the land premium offered by the developers. The revenue implication depends on the difference in value of the floor space being used as a cinema versus other commercial uses. It is not possible to estimate the magnitude of impact on land premium at this juncture given the lack of market transactions or information relating to cinema development in the areas concerned.

2. In the event that the lot owner applies for lease modification after the first seven years of operation of the cinema, land premium for the modification would be assessed and chargeable in accordance with the prevailing policy.

3. The implementation of the policy on facilitating cinema development will require no additional financial and civil service resources. The Commerce and Economic Development Bureau will absorb the additional workload involved from its existing manpower resources.

ECONOMIC IMPLICATIONS

4. The incorporation of the requirement for the provision of cinema in the land sale conditions of two commercial sites will increase the number of cinemas and provide more choices for consumers. This will help facilitate cinema-going and promote film appreciation. Nonetheless, imposing a restriction on land use may result in a less efficient use of land resources, which would in turn be reflected in the negative impact on land premium as also stated above in the financial implications section.