

**For discussion  
on 23 October 2018**

**2018 Policy Address  
Policy Initiatives of  
Communications and Creative Industries Branch  
Commerce and Economic Development Bureau**

**Our Vision**

In the past year, Hong Kong sustained strong economic growth. In the first half of this year, our economy grew by 4.0% over a year earlier. The labour market remains favourable, with the latest unemployment rate maintained at 2.8%, the lowest level in more than 20 years. Favourable job and income conditions support consumer sentiment, and domestic demand expands visibly. The Government will continue to adopt a multipronged strategy to assist the trade in diversifying business activities and capitalising on the opportunities offered by the Guangdong-Hong Kong-Macao Greater Bay Area (Greater Bay Area) Development and the Belt and Road Initiative.

2. The multipronged strategy leverages our advantages under “One Country, Two Systems” and our unique status on external, economic and trade relations conferred on Hong Kong by the Basic Law, thereby further strengthening Hong Kong’s economic and trade position. Hong Kong will continue to capitalise on our advantages under “One Country, Two Systems”, and, together with our ideal geographical location, free and open market, highly efficient and transparent regulatory regimes, reputable legal system, as well as a business environment highly compatible with international standards, to seize the opportunities and tackle the challenges arising from the economic development of the world and our Motherland, with a view to achieving more significant economic growth.

3. Looking ahead, we need to strengthen external promotion on the unique advantages of Hong Kong, develop markets and establish partnership. We will also leverage the Belt and Road Initiative and the Greater Bay Area Development as the impetus to Hong Kong’s future economic development.

## **Creative Industries**

4. Pursuant to the blueprint for developing creative industries set out in the Chief Executive's 2017 Policy Address, we secured support in 2018 from the Finance Committee (FC) of the Legislative Council (LegCo) for a one-off \$1 billion injection into the CreateSmart Initiative (CSI)<sup>1</sup>, which promotes the development of seven of the eight creative sectors. For initiatives taken forward under the CSI and their implementation details, please see paragraphs 15 to 22 below. The film sector is supported by another dedicated funding scheme, the Film Development Fund (FDF).

### ***Promoting Further Development of the Film Industry***

5. The film industry is a unique sector amongst the eight creative sectors. The film sector is an important soft strength of Hong Kong. Apart from its contribution to the economy, "Hong Kong Films" has become a brand name in which we take pride. Over the past decades, our film industry has groomed a host of talent on stage and behind the scene including artistes, directors, producers, etc. Their productions and performances have won numerous film awards and accolades and a loyal following of audiences around the world. Since 2005, the Government has injected a total of \$540 million into the FDF to support various film productions and other film-related projects, which won more than 110 local and overseas awards. Among over 50 productions supported by the FDF, we have groomed more than 50 new directors and producers.

6. The local film market has undergone major changes in recent years, especially with the growth of multi-media and digital entertainment. The rise of the film industries in the Mainland and other Asian countries has also brought major challenges to the Hong Kong film industry. As compared to the 1980s and 1990s, the number and scale of local productions have shrunk significantly.

7. Notwithstanding the above, it is undeniable that the Hong Kong film industry has a good foundation, as evident by the fact that many creative and professional film talent groomed in Hong Kong and experienced film artistes are thriving in the Mainland market in recent years. We also see that many young people are pursuing a career in

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<sup>1</sup> CSI is the dedicated funding scheme for promoting the seven non-film creative sectors, including advertising, architecture, design, digital entertainment, music, printing and publishing, and television.

filmmaking with passion and enthusiasm. They all have the determination to continue the success stories of Hong Kong films. We are therefore convinced that Hong Kong films will have a bright future. To revitalise Hong Kong films, the Government and the industry need to work together to turn challenges into opportunities, be responsive to market changes, attract filmmakers to relocate their production bases back to Hong Kong, consolidate our unique advantages and enhance local film production, while riding on the opportunities brought by the Greater Bay Area Development and the Belt and Road Initiative to develop a new production ecosystem and to expand into new markets.

8. In order to support the long-term development of the industry and formulate measures to respond to market needs, we proposed in the 2017 Policy Address to review the operation of the FDF. The review has recently been completed. Taking into account the findings of the consultancy study and the views of the trade, we propose to make a one-off injection of \$1 billion into the FDF, along four strategic directions to provide support for our film industry, including nurturing talent, enhancing local production, market expansion and building audience. Details are as follows:

#### Nurturing Talent

9. Establishing a pool of diversified talent and nurturing the next generations of film makers are important to the industry's sustainability. The First Feature Film Initiative (FFFI) under the FDF has been very successful and widely supported by the trade since its launch in 2013. New film talent have produced high quality films with excellent reviews and box office results<sup>2</sup>. At present, there are in total three prizes (two prizes for the Higher Education Institution Group, with each winning team receiving \$3.25 million; and one prize for the Professional Group with the winning team receiving \$5.5 million). Without compromising the quality required of a winning project, we propose to enhance the FFFI by doubling the total number of winning teams from three to a maximum of six, and significantly raising the amount of prize sponsorship by about 50%. We will also arrange experienced filmmakers to provide more training to the winning teams. Apart from continuing with and expanding the training courses for different sectors within the film profession, including production and post-production-related work (such as film editors and visual effects designers), we will give particular focus on scriptwriting, which has been facing succession challenge but is

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<sup>2</sup> Such as "Weeds on Fire" and "Mad World".

considered most essential for quality productions. We will provide dedicated support such as enhancing scriptwriting training and launching script clinics to groom talent.

### Enhancing Local Production

10. The Film Production Financing Scheme (FPFS) is the longest standing film production scheme under the FDF and the most notable within the trade. At present, the FPFS supports films with a production budget of not more than \$25 million and the Government may co-finance up to a maximum of \$6 million<sup>3</sup>. The budget of \$25 million is far lower than the production standards required to meet the needs of the film markets nowadays. We propose to raise the budget limit (to around \$50 to 60 million) to cover mid-budget productions, and to increase the Government's maximum co-financing amount by about 50%, in order to attract film investors to increase their investment, enhance local production in terms of quality and quantity, and strengthen the competitiveness of Hong Kong films in the local and overseas markets.

11. In addition, in response to the diversified growth of the film industry and the ubiquity of multi-media platforms, we will explore with the trade to introduce a new short film production training scheme to equip young filmmakers with scriptwriting and other creative skills to make films of shorter lengths. This will enable them to tap opportunities brought by the rise of multi-media platforms by, for example, screening their productions on digital platforms. We will also encourage the trade to utilise local facilities and talent for high-end post-production services, thereby raising standards across the board.

### Market Expansion

12. To encourage the film industry to expand markets, especially in capturing the enormous opportunities arising from the Greater Bay Area Development and the Belt and Road Initiative, we will continue to collaborate with Mainland and overseas Hong Kong Economic and Trade Offices to stage or participate in film festivals and organise other promotional activities such as delegation visits, in order to promote the brand name of "Hong Kong Films" in the Mainland and overseas markets.

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<sup>3</sup> The Government's maximum co-financing amount is 40% of the production cost, and is capped at \$6 million per film.

13. We will also earmark funding for annual flagship events for the film industry such as the Hong Kong Film Awards and the Entertainment Expo; and the film financing platform in the Expo to match investors and filmmakers and to help Hong Kong filmmakers gain access to Mainland and international funding.

### Building Audience

14. Broadening the local audience base and recruiting young film-goers are important to sustain the long-term development of the local film industry. We will consider ways to cultivate cinema-going interest amongst young people and students, and encourage cinemas to screen more local film productions.

### ***Promoting Other Creative Industries***

15. As for the other seven creative sectors, we will continue to use no less than half of the CSI funding for nurturing talent. We will strengthen our collaboration with the trade in Hong Kong, the Mainland and overseas to provide more exchange and internship opportunities for young talent and facilitate their participation in more activities and competitions. Our objective is to help them gain more exposure and experience, and providing them with platforms to explore business opportunities and showcase their talent. Specific measures include launching in 2018 a new Design Graduates Employment Supporting Scheme and a Walt Disney Imagineering Asia Graduate Internship Programme. We will also continue organising and expanding the Fresh Graduate Support Schemes for digital entertainment and advertising disciplines and the cross-sectoral JUXTAPOSED Fashion X Music, etc.

16. We will continue to support the trade for participating in Mainland and overseas fashion weeks, book fairs, exhibitions, etc. to explore business opportunities and promote the “Hong Kong Brand” image of our creative industries. We will also continue to organise trade delegations to the “Belt and Road” regions to participate in trade fairs or organise activities such as exhibitions and seminars, etc.

17. Of the \$1 billion CSI injection, \$300 million have been earmarked for the Hong Kong Design Centre (HKDC), mainly for organising five annual signature events for a duration of three years starting from April 2019, namely, the Business of Design Week, DFA Awards, Knowledge of Design Week, Nurturing Programme of Hong

Kong Young Design Talents and Fashion Asia Hong Kong. Other on-going programmes include organising the Design Incubation Programme and Fashion Incubation Programme; and promoting design thinking in the community.

### ***Promoting Design Thinking***

18. We promoted design thinking as a problem-solving capability in the community and within the Government in the past year. For example, the Commerce and Economic Development Bureau (CEDB) has pioneered the application of design thinking in the process of setting up the Hong Kong exhibition area in the China International Import Expo 2018. The Leisure and Cultural Services Department, the Office of the Government Chief Information Officer and some public organisations such as the Ocean Park have also applied design thinking to improve their services.

19. In the coming year, we will continue to promote design thinking to the public and enterprises through local events and seminars, including organising a series of “Train the Trainers” courses for schools and setting up an event space in Wan Chai in collaboration with the HKDC to promote public awareness of design thinking and design.

20. Within the Government, the CEDB will continue to promote the use of design thinking in collaboration with the Efficiency Office and the Civil Service Training and Development Institute. We plan to promulgate early next year a set of guidelines to encourage government departments to apply design thinking in the procurement process to further enhance efficiency and meet the public’s needs.

### ***Sham Shui Po Design and Fashion Project***

21. The Government proposed in the 2017 Policy Address to make full use of the traditional base for apparel and fabrics in Sham Shui Po (SSP), to combine industry and tourism, promote fashion design, develop the local economy and enrich district tourism resources. With the assistance of various stakeholders, the proposal is being implemented step by step. Earlier this year, with the support the SSP District Council and the Urban Renewal Authority (URA), we have secured space in an URA redevelopment project in the district to develop the SSP Design and Fashion Project (the Project). The Project, with a total floor area of

3 600 m<sup>2</sup>, will be used to groom young designers to launch their career, connect academics and trade organisations, and link up the various creative sectors and professions to create synergy and enable crossovers.

22. Construction works of the Project will commence in 2019 and is expected to complete in 2023-24. In the interim, we will collaborate with the Hong Kong Tourism Board to organise promotion activities with elements of fashion design in SSP to transform the area into a focal point for creative industries and tourism with strong local flavours, and build up the momentum before the official commissioning of the Project.

## **Telecommunications and Broadcasting**

### ***Embracing the Fifth Generation Mobile Communications (5G) Era***

23. With the advent of the 5G era in Hong Kong, the market expects commercial 5G services to be available in around 2020. 5G will revolutionise mobile user experience by its technical capabilities of high speed, high capacity, high reliability and low latency, and it will open up vast potential for various commercial services as well as smart city applications. The Office of the Communications Authority will continue to monitor the work of the International Telecommunication Union closely, and assist interested parties to conduct technical trials to lay the groundwork for 5G.

### **Spectrum Supply and Assignment**

24. We have made early preparations to lay the foundation for the launch of 5G network and services. In terms of spectrum supply, a total of 4 500 MHz of frequency spectrum in various frequency bands have been made available for the development of 5G services. The amount is eight times of the spectrum currently assigned for public mobile services, making Hong Kong the first economy in the world to release such a significant amount of spectrum to support the development of 5G services. These spectrum will be assigned to mobile network operators in 2019 so that they can plan ahead for the building of 5G networks and launching of services in good time, and seize new market opportunities.

## Proactively Opening Up Suitable Government Premises for Mobile Operators to Install Base Stations

25. Since the roll-out of 5G networks will involve installing a larger number of base stations, it would be challenging for mobile network operators to put in place the infrastructure. In view of this, we will adopt more proactive measures to facilitate operators who are faced with difficulty in site searching by opening up suitable Government venues to the industry to build base stations. The Government plans to launch a pilot scheme in the first quarter of 2019 to proactively open up around 1 000 suitable Government premises for installation of base stations. A list of Government premises<sup>4</sup> will be provided at low rental for the operators' selection, and the application procedures will be streamlined to speed up the application and approval process to facilitate the operators in establishing 5G network as much as possible, thereby benefitting the end-users.

## Broadband Services in Remote Areas

26. We are implementing the subsidy scheme to extend fibre-based network to villages in remote locations in the New Territories and on the outlying islands. In the first half of 2018, we had consulted nine New Territories and Islands District Councils and 27 Rural Committees and obtained their support for the scheme. In July 2018, the FC of LegCo approved \$770 million for the project. We are now working on the details of the tender exercise and plan to invite tenders in the first half of 2019. Our aim is to extend the fibre-based network to about 300 remote villages in a timely manner.

## Re-assignment of Spectrum in the 900 MHz and 1 800 MHz Bands

27. The existing assignments of a total of 198.6 MHz of frequency spectrum in the 900 MHz and 1 800 MHz bands for the provision of mobile services will expire in January and September 2021 respectively. The Communications Authority (CA) and the Secretary for Commerce and Economic Development issued a Joint Statement in December 2017 to promulgate the adoption of a hybrid approach of administrative and market-based assignment, and the decision on the related spectrum utilisation fee. In September 2018, four mobile network operators accepted the CA's offer of the right of first refusal for re-assignment of a

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<sup>4</sup> Under the pilot scheme, around 1 000 suitable Government premises from the Leisure and Cultural Services Department, the Food and Environmental Hygiene Department and the Government Property Agency will be shortlisted.



total of 80 MHz of spectrum. The remaining 120 MHz of spectrum will be auctioned in mid-December this year, such that spectrum assignees will have around two years' time for preparation to ensure a smooth changeover upon the expiry of the current assignment period.

### Analogue Switch-off

28. Since the launch of Digital Terrestrial Television (DTT) services in 2007, the DTT coverage has reached 99% of the Hong Kong population and the penetration rate has achieved 88% (i.e. over 2.2 million households have received DTT services). The current working target of switching off analogue television broadcasting services in Hong Kong has been set as the end of 2020. The Government is now reviewing the target date taking full account of all factors, including the market situation, the DTT penetration rate, the frequency planning of vacated spectrum and the progress of discussion on frequency co-ordination with the Mainland authorities, etc. We plan to report the review outcome in the first quarter of 2019.

### ***Review of the Broadcasting Ordinance and the Telecommunications Ordinance***

29. Broadcasting and telecommunications technologies have been developing in leaps and bounds. The Government has embarked on an exercise to review and update the Broadcasting Ordinance (Cap. 562) (BO) and the Telecommunications Ordinance (Cap. 106) (TO). The Review is undertaken in two phases: Phase One focuses on regulation of the television (TV) and sound broadcasting regulatory framework in response to the changes and challenges brought about by the evolution of infotainment (BO Review); while Phase Two focuses on the telecommunications regulatory framework in response to the advancement of telecommunications technologies, in particular the advent of the 5G and Internet of Things (IoT) technologies (TO Review).

### BO Review

30. The Government completed a public consultation on proposals put forward under the BO Review in May 2018. Key stakeholders (including the CA, TV and sound broadcasting licensees, industry associations as well as political parties and LegCo Members) have submitted their views. In general, they supported the direction of the legislative proposals to relax obsolete statutory requirements and rationalise the regulatory arrangements. We will amend the BO to

suitably relax the restrictions and remove obstacles on three aspects (i.e. cross-media ownership restrictions, foreign control restrictions and the requirement of a licensee being a non-subsidiary company) with a view to creating a fairer competition environment for traditional broadcasters (see Annex for details).

31. We are currently undertaking the legislative drafting work, and aim to introduce an amendment bill into the LegCo in 2019.

32. Apart from the legislative amendments, a few stakeholders have recommended that further measures be introduced to modernise the broadcasting regulatory framework and reduce the industry's compliance cost.

33. One area mentioned by a number of stakeholders was indirect advertising in TV programme services. In July 2018, after reviewing the relevant codes of practice and considering the views collected from the industry and the public in a public consultation conducted by the CA in March and April this year, the CA decided to relax the regulation of indirect advertising in TV programme services and to lift the prohibition on the broadcast of advertisements for undertakers and associated services. Upon the relaxation, indirect advertising is permitted in TV programmes except for news programmes, current affairs programmes, children's programmes, educational programmes, religious services and other devotional programmes. In addition, broadcast of advertisements for undertakers or others associated with death or burial in licensed TV programme services and sound broadcasting services is allowed. The new measures have taken effect since 27 July 2018. Such measures will help the industry diversify their sources of advertising, provide a more conducive business environment for the industry while safeguarding viewers' interests.

34. Stakeholders have also made a number of other suggestions on relaxation of regulatory requirements and existing administrative arrangements such as streamlining reporting requirements imposed on licensees. We will invite the CA to consider such suggestions.

35. We will adopt a multipronged approach. Upon implementation of the above package of measures, covering legislative amendments, updating of codes of practice and refinement of administrative arrangements, we believe that the regulatory framework would be modernised and further enhanced, thus facilitating innovation, investment and the sustainable development of Hong Kong's broadcasting industry.

## TO Review

36. As mentioned in the 2018 Policy Address, with the BO Review going on track, we will proceed with the TO Review, with a view to ensuring that our laws and regulations dovetail with the latest developments in technologies, and to pave the way for early adoption and provision of innovative services. A three-month public consultation will be launched later in 2018 to seek the views of stakeholders and the general public. A number of proposals, seeking to update the statutory requirements under the TO to prepare for the arrival of 5G and IoT technologies and facilitate the operation of the telecommunications industry, will be put forward for consultation. We will arrange to brief this Panel to seek its views on our proposals after the consultation has been launched. It is our aim to introduce an amendment bill into the LegCo in 2019.

## ***Strengthening Regulation of Person-to-Person Telemarketing Calls (P2P calls)***

37. The proliferation of P2P calls in recent years has caused nuisance to many members of the public. There are growing voices demanding the strengthening of regulation of such calls. Further to a public consultation conducted by the Government in mid-2017, and the discussion at the meeting of this Panel on 9 April 2018, we propose that a statutory Do-not-call Register be set up, allowing individual phone users who do not wish to receive P2P calls to include their phone numbers in the Register. We are working on the details of the legislative framework, and plan to brief this Panel again in late 2018/early 2019. It is our target to introduce the bill into the LegCo within this legislative term.

38. Panel Members are invited to note the content of this paper.

**Communications and Creative Industries Branch  
Commerce and Economic Development Bureau  
10 October 2018**

We will proceed with the following legislative amendments to the Broadcasting Ordinance (BO):

(a) Cross-media Ownership Restrictions

To narrow the scope of “disqualified persons” (DPs) and “relative” under the definition of “associate” of DPs under the BO who are restricted from holding/exercising control of domestic free television programme service (free TV), domestic pay television programme service (pay TV) and sound broadcasting licences/licensees. As a result of the proposed amendments-

Categories of DPs retained:

- (i) Free TV licensee;
- (ii) Pay TV licensee; and
- (iii) Sound broadcasting licensee.

Categories of familial relations retained:

- (i) Spouse;
- (ii) Parent;
- (iii) Child, adopted child and stepchild; and
- (iv) Sibling.

(b) Foreign Control Restrictions

To adjust the threshold shareholdings in free TV licensees by non-Hong Kong residents that require the CA’s prior approval from “2%, 6%, 10% and above”, to “5%, 10%, 15% and above”.

(c) Requirement of Licensee Being a Non-subsidiary Company

To remove the requirement that free TV and sound broadcasting licensees must be non-subsidiary companies.

We consider that a number of existing requirements are still effective and applicable, and should be retained. These requirements include:

- (a) residency requirements on a licensee, a licensee's director, principal officers and quorum at directors' meetings;
- (b) the aggregate of the voting shares in a sound broadcasting licensee to or in which non-Hong Kong residents have shall not at any time exceed 49% of the total number of voting shares in the licensee;
- (c) attenuation of voting control at general meetings of free TV licensees exercised by non-Hong Kong resident shareholders to 49%;
- (d) the licensing framework under which the Chief Executive-in-Council and the Communications Authority grant/renew various broadcasting licences; and
- (e) exemption of Internet-based TV and radio programme services from licensing under the BO and the TO.