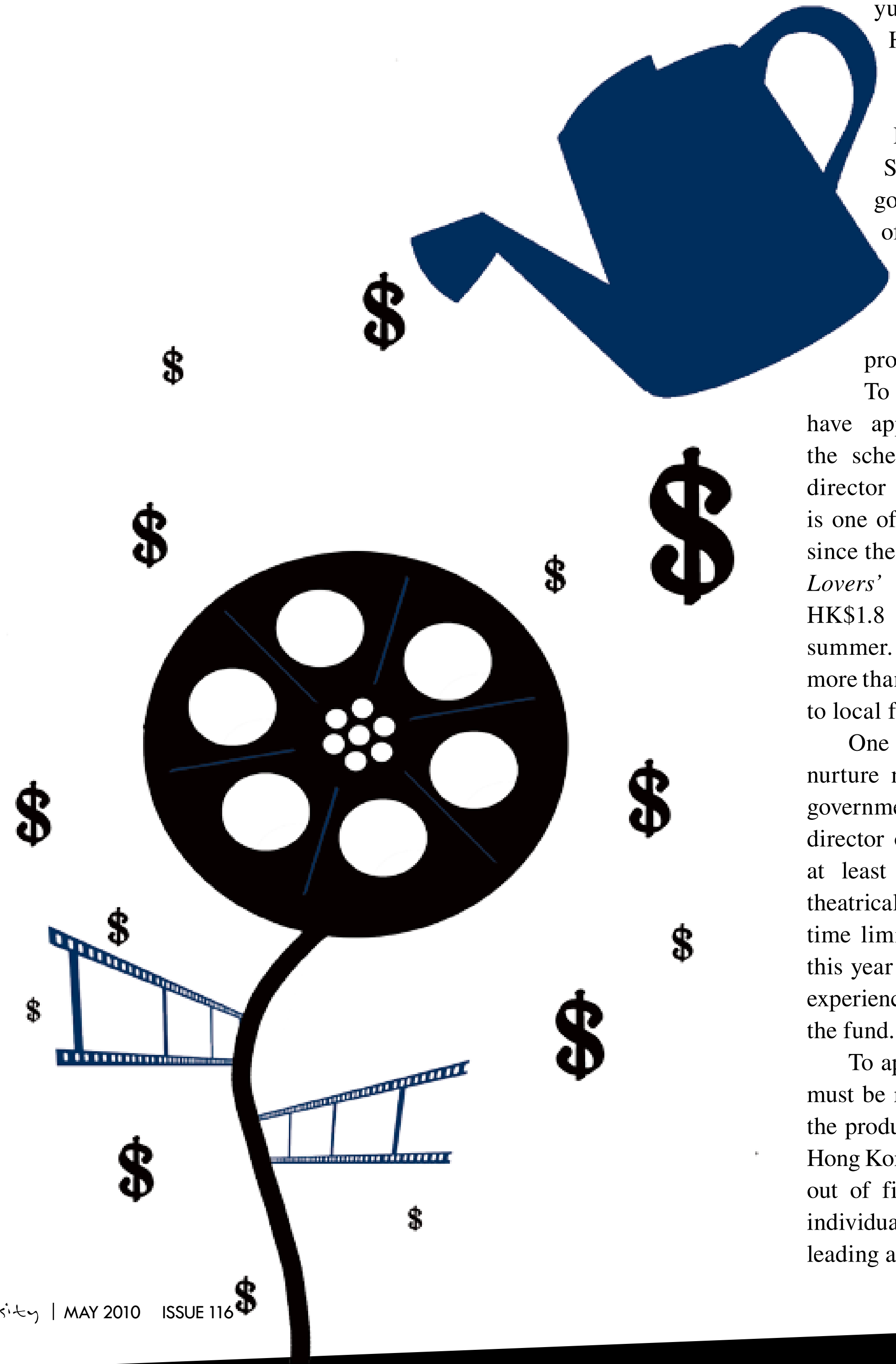
A **lifeline** for Hong Kong films

by Crystal Chui Tsz-ying and Rebecca Wong Wing-yan

It takes more than a dream, a compelling script and a perfect cast to shoot a feature film; it also takes money.

When the local film *Echoes of the Rainbow* won the Crystal Bear award for Best Film at the Berlinale in February this year, the government's Hong Kong Film Development Fund (FDF) attracted much attention. The movie, directed by Alex Law Kai-yui, was funded to the tune of HK$3.5 million by the fund.



The FDF was set up in 1999 under the Film Development Financing Scheme, and in 2007, the government injected a one-off sum of HK$300 million into the fund. Successful applicants can get up to around a third of a film's production costs.

To date, at least 23 filmmakers have applied for funding through the scheme. First-time feature film director Derek Tsang Kwok-cheung is one of the 14 who were successful since the fund was launched. His film *Lovers' Discourse* which received HK$1.8 million, will be shown this summer. So far, the FDF has provided more than HK$38 million in financing to local films.

One of the fund's aims is to help nurture new talent. Yet, initially the government required that a film's director or producer must have made at least two films for commercial theatrical release within 10 years. The time limit was eliminated in January this year and Tsang partnered with an experienced film producer to apply for the fund.

To apply, the production company must be registered in Hong Kong and the production has to hire at least one Hong Kong permanent resident in three out of five categories: film director, individual film producer, scriptwriter, leading actor and leading actress.

Tsang applied for the FDF after consulting his major private investors. He says the fund is a way to get more resources for a shoot and can encourage private investors to invest in new directors' movies.

"The FDF reduces the burden of the major investor as there will be one more party to share the risk. I think many (private) investors like this idea," he says.

But it is not always plain sailing.

Tsang says he was shocked at first by how quickly the government wanted applicants to repay its contribution to a production.

"Private investors would not set a limit for a payback period," says Tsang. "Also everyone in the industry understands that revenue from film production comes very slowly. Besides the box office abroad, we have to wait for the income from the sales of TV rights, video rights, etc."

He explains that normally revenue from a film first passes through the key investors, film production companies. However, for productions which are partially financed through the FDF, a third party called a 'collection agent', who can be any professional accounting firm, is employed to collect the revenue and distribute it to investors, including the government.

The government sees its role as an investor rather than a provider of subsidies or loans.

> **"Just because of this tiny little detail, we had to forgo their investment."**

Given this role, the financial viability of a film project becomes an important factor in the funding process. Productions have to be commercial, meaning they should make profits or at least break even. Applicants must state estimated sales and projects with forecasted losses are "unfeasible" and will not be approved.

Five applications have been rejected so far for various reasons, including unreasonable budgets, exaggerated sales forecasts, unclear legal documents and incomplete forms.

While some applications have been rejected, others have been withdrawn. Alfred Cheung Kin-ting is an example of a filmmaker who withdrew an application. The local film industry veteran, who has more than 80 films under his belt, applied for funding for his 2008 film *Love at Seventh Sight*.

Cheung gave up on government financing after the fund refused to accept the Chinese-language contracts he had previously signed with the production team, which included mainland actors.

"Cast members from the mainland were anxious about being asked to sign an additional contract, because of the legal responsibilities," he explains. "Even if they could hand the contract to others to check, they were still afraid there could be loopholes."

He complains that it is difficult to collaborate with the government when it does not provide Chinese-language contracts. "Just because of this tiny little detail, we had to forgo their investment."

According to Wellington Fung Wing, the Secretary General of the Hong Kong Film Development Council (HKFDC), Chinese-language contracts were later provided to Cheung and the legal contracts are now available in English and Chinese versions.

Fung was one of the founders of the Media Asia Group and worked in the film industry for more than 30 years before joining the civil service team. He explains the need for stringent legal documentation.

CRYSTAL CHUI TSZ-YING

Wellington Fung Wing explains the stringent application requirements.

"It is about government money," he says. "We are afraid that people may take advantage of the government, so tight protection of the fund is needed." Apart from contracts and budgets, applicants need to provide a ready-to-shoot script, business registration proof and partnership proof.

After the required documents are handed in, applications must go through two rounds of screening involving a total of 18 people from the film industry.

In the first round, the six examiners are chosen randomly by the council. Three evaluate the feasibility of the production budget and three do a market assessment to see if the production will be profitable.

Then, results from the first round are submitted to the Fund Vetting Committee for further evaluation. The 12 members of this committee are appointed by the

CRYSTAL CHUI TSZ-YING

Joe Cheung Tung-joe is a critic of the fund.

council and will ultimately decide whether the application is approved or not.

With such rigorous procedures, many filmmakers expect the government to be subsidising film productions instead of investing in them. However, Fung says that the government does not want to compete with the private sector. He adds public money is being used and there is no reason to subsidise commercial activities.

"We focus on the film industry, rather than film culture or film arts."

"It's not that the government wants to make a film, what the government wants is to help out directors in difficult times," he says.

Asked whether the government should be granting loans instead, Fung says this would be troublesome and dismisses the possibility of the government becoming a creditor.

" (As a creditor) if the film loses money, the government still has to ask for the money. But as an investor, even if it loses money, the government has to bear the risks and share the consequences. Which do you think is better?" says Fung.

While the government may share the fate of the productions it invests in, it does not share their promotional costs.

Joe Cheung Tung-joe, a well-known director and honorary president of the Hong Kong Film Directors' Guild, calls the government "arrogant" as it treats its funding as an investment but omits print and advertising costs in the financing.

"The government does not consider the promotion cost when contributing from the fund. However it is entitled to the 35 per cent of the films' total revenue. Isn't it taking advantage of the applicants?" says Cheung.

In the face of criticisms such as Cheung's, the government has increased the maximum production budget for an applicant's project from HK$12 million to HK$15 million. Also, the fund's upper limit was raised from 30 to 35 per cent of the production costs, and even up to 40 per cent in exceptional cases.

The HKFDC says it has limited the increase to 5 per cent and not more because it does not want to be the largest investor and restrict directors' creativity. However, Joe Cheung says the government has to review its limit.

"30 to 35 per cent? Bullshit," he says. Cheung describes himself as a facilitator for the fund's establishment and its constant critic. He suggests the government should increase the limit to 49 per cent while other investors bear 51 per cent to maintain diversity and creativity in film productions.

Director Casey Chan Lai-chan, who entered the film industry in the early 1990s, echoes Cheung's call for more support from the government.

"On the one hand, the government says it wants to foster the growth of this industry. But on the other hand, it does not provide any financial support. They are not helping us," says Chan.

Chan, who submitted a project involving a three dimensional (3D) movie production to the government fund, suggests the government learn from other regional governments.

According to the director, the Korean government subsidises its local film industry rather than invests in it. Its film fund covers almost all production-related expenses, including promotional costs and the cost of securing releases in theaters. Chan also cites the case of Taiwan, where the government can grant up to half of a film's total production costs. "These places are able to preserve their local culture, with films helping to record the local colours," says Chan. "These things are part of a country's wealth."

Chan says Hong Kong film faces extinction and the HKFDC should fully invest in films telling Hong Kong stories within a budget of HK$5 million. She says this could help to preserve Hong Kong films.

However, the current fund, which states that two of its aims are to enhance the number of Hong Kong film productions and promote Hong Kong films as a brand, gives no preference to such a type of film.

The scripts submitted for applications need not be based on stories set in Hong Kong.

"We focus on the film industry, rather than film culture or film arts," says Wellington Fung Wing, the secretary general of the Council.

However, successful applicant Derek Tsang disagrees with this approach.

"Then films with Hong Kong colour will be overlooked… These are films that the fund should help," he says.