

# INDUSTRY OVERVIEW

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## FILM INDUSTRY IN HONG KONG

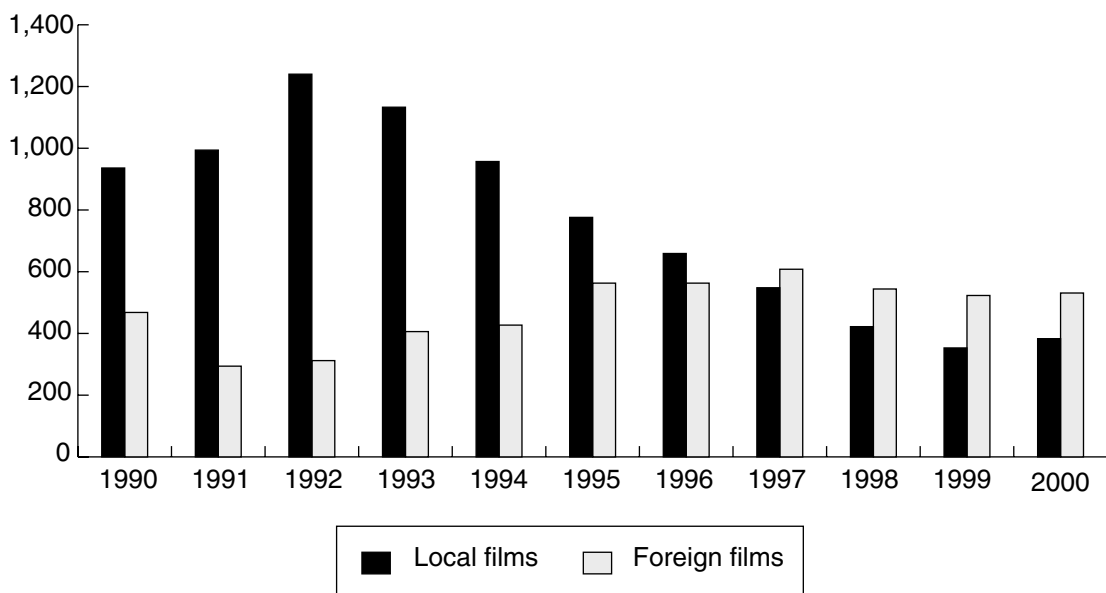
### As production centre

The film industry in Hong Kong is one of the largest and most dynamic in the world. The first film was brought to Hong Kong by the movie founder, the Lumiere brothers, in 1896 and the first local film, named “莊子試妻”, was produced in 1913. Since then, the Hong Kong film industry is continuously evolving, from silent to surround sound, from black and white to colour, from local to international. The culture of production and norms for Hong Kong film industry, which was established during the 1960s and 1970s, is the emphasis on short production schedules, the opportunistic use of locations, and the establishment of a distinctive Hong Kong genre and aesthetic that is associated with action and martial arts.

After the boom in the early 1990s, the Hong Kong film industry experienced a difficult time, with a precipitous decline in output and investment in the second half of the 1990s, especially after the Asian economic crisis. The brutal downturn in the Hong Kong film industry caused the number of films released locally and their total box office revenues to slide as much as 70% compared to the booming years.

### Box Office, 1990-2000

HK\$' million



Source: MPIA, Census and Statistics Department

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Currently, the Hong Kong film industry, with the support of the Hong Kong government and the continuing recovery in the region, is undergoing a resurgence. Moreover, the boom in Asian cable and satellite channels over the last few years has provided a ready market for the film producers within the region. The increase in output reflected the upbeat mood in the local market as well as very strong international interests in Hong Kong films. In 2000, Hong Kong ranked as the fourth largest film producing economy, behind India, the US and Japan. In terms of per capita production, Hong Kong is at the top of the world.

Moreover, Hong Kong films, as well as many Hong Kong directors and actors, have gained increasing recognition from the international film industry, including winning major prizes in international film festivals. Peter Pau and Tim Yip won the Oscars for cinematography and art direction respectively through the film *Crouching Tiger, Hidden Dragon*, which achieved raving critics and unprecedented box office success in the US market.

The film industry in Hong Kong is represented by one of the industry associations, MPIA. MPIA is a non-government private organization in Hong Kong responsible for registration of copyright of films produced by its members in Hong Kong and maintained a database of copyrights of the relevant films which are accessible by members.

### **MPIA**

MPIA is mainly focused on the development and advancement of Hong Kong motion pictures industry.

On 31st January, 2002, MPIA launched an online copyright database. The online copyright database of MPIA is the first online film copyright database in Hong Kong which is designed to provide services to both the public and the law enforcement authorities. The database has been made available to Customs and Excise Department of the Hong Kong government.

According to MPIA, with the assistant of the online platform, both local and overseas copyright enforcement authorities, during their course of investigation, can obtain important copyright information immediately through Internet.

On the other hand, MPIA stated the online copyright database can also be used to promote local film industry. According to MPIA, with information of more than 3000 local films in Hong Kong, covering from 1950's to recent films releases, on the database, people from local or overseas such as researchers, students, film distributors, buyers or plain film enthusiasts can gain access to accurate information such as identity of copyright owner, cast and crew, box office statistics, film release date and film industry correspondence list.

Registration with MPIA is not compulsory for players in the film production industry and that registration with MPIA may not, in any event, assist film producers nor is beneficial to film producers in Hong Kong. MPIA do not have any statutory authority to enforce copyright of movies owned by its members.

### **As distribution hub**

Most local film companies deal directly with cinema chains for local screenings on a revenue-sharing basis. Rights will then be sold to distribution companies in other forms of release, including video/laser rental and sales, and television broadcasting.

According to an article issued by the Hong Kong Trade Development Council in January 2002, Hong Kong is among the world's largest film exporters, capturing a significant share in the film markets of South East Asia, Taiwan and South Korea. Most Hong Kong films are intended for both local and overseas screening, while some are produced exclusively for the overseas markets. Hong Kong's film industry as a whole is reliant on overseas revenues, given the limited size of the domestic market.

According to MPIA, more than half of the income of a locally produced film is normally derived from overseas sales, of which Asia accounts for approximately 70%. Films are exported in various forms, ranging from the tradition mediums of theatrical release, video cassette (VHS), VCD and DVD to licensing to overseas broadcasters, free television operators and pay-per-view operators. Notably, there is an increase in popularity of Hong Kong films among traditional non-Chinese speaking countries following the recent international recognition of some of the Hong Kong films.

### **SUPPORT FROM GOVERNMENT**

The entrepreneurial push and creative talent of the local film industry professionals are the real drivers behind the success of film production in Hong Kong. To nurture this entrepreneurship and creativity, the Hong Kong government has explored dynamic ways to help the growth of the Hong Kong film industry.

### **Film Services Office**

The Film Services Office ("FSO") was established in April 1998 under the Television and Entertainment Licensing Authority to examine regulations in the Hong Kong film industry, to promote the development of the industry and to help the industry to overcome some fundamental difficulties in film production. The vision of FSO is to maintain Hong Kong's status as a major film production centre and to enhance Hong Kong's position as a film trading and service hub in the Asia-Pacific region.

To facilitate film production and in particular location shooting in Hong Kong, FSO provided assistance to 26 local film production companies in 115 applications for location shooting and to six overseas film production companies in 54 applications for location shooting in 2001. FSO also made 221 location suggestions and provided assistance to location shooting in 90 occasions.

## **Film Development Fund**

The Film Development Fund of HK\$100 million was established in April 1999 to support projects which are beneficial to the healthy and long term development of the Hong Kong film industry. The Film Development Fund aims to enhance the professional and technological capabilities of the Hong Kong film industry; to improve professional skills of the industry's workforce; to encourage the production of more creative and diversified films; to facilitate the industry in the mastering and application of advanced technology; to stimulate further improvement in the quality of local film production and services; and to improve the production and operation environment of the industry.

Since its operation in April 1999, the Film Development Fund had received 96 applications and approved 35 applications with total funding of approximately HK\$31 million as at 15th December, 2001.

## **Hong Kong International Film and TV Market ("Filmart")**

The Hong Kong Trade Development Council has been organising annual Filmarts since 1997. The annual event is to promote Hong Kong movies, Chinese-language films and TV programmes and to strengthen Hong Kong's lead as an international entertainment production and distribution hub. Filmart has become an annual gathering for industry players. The success on Filmart underscores its growing importance as the premier international market place for films and TV programmes.

For Filmart 2001, the three-day event attracted a total of 1190 buyers. Out of the 1190 buyers attended, 735 attendants were from 42 countries and regions, including the PRC, Singapore, Taiwan, Japan, Thailand, the US, Korea, Indonesia, France and the United Kingdom.

## **Anti-piracy**

The Customs and Excise Department defends the interests of legitimate intellectual property rights owners and traders. The department enforces the Copyright Ordinance, the Prevention of Copyright Piracy Ordinance and is responsible for the investigation and prosecution of copyright offences relating to cinematographic films. In June 2001, the Customs and Excise Department established a 157-strong special task force to combat copyright piracy activities.

For the eleven months ended 30th November, 2001, the Customs and Excise Department seized approximately 2.9 million VCD valued at approximately HK\$45 million and approximately 0.4 million MD valued at approximately HK\$21 million.

The effectiveness of the enforcement of the Custom and Excise Department is derived from the strength of the Hong Kong legislative framework. Copyright offences are incorporated into the Organized and Serious Crimes Ordinance for the purpose of attracting heavier penalties. The

new law also provides anti-piracy enforcement officers of the Custom and Excise Department with special investigative powers, including the investigation of financial assets of suspects for the eventual purpose of confiscating the pirate's proceeds. Moreover, new amendments to the copyright law have been enacted, making unauthorised recordings in cinemas an offence.

### **Entertainment Special Effects Ordinance**

Previously, the use of dangerous goods for producing special effects in films was governed by the Dangerous Goods Ordinance and the Gas Safety Ordinance. Since the two Ordinances were not specifically designed to meet the operational needs of the film and entertainment industry and were enforced by five different departments, the previous regulatory system was time-consuming and not user-friendly and the industry encountered considerable difficulties in complying with the relevant requirements. In view of this, the Entertainment Special Effects Ordinance, which come into effect on 16th March, 2001, is introduced to strike a balance between meeting the operational needs of the film industry and protecting public safety.

Under the new regulatory system, a one-stop licensing authority, the Entertainment Special Effects Licensing Authority, is established to regulate the use of special effects materials in the production of entertainment special effects, making the system more efficient and user-friendly. The new system not only streamlines many of the cumbersome regulatory measures and enhances efficiency in the production of films in Hong Kong, but also is expected to raise the professional expertise of local special effects operators and to promote the safe production of special effects scenes for entertainment purposes.

### **Film studio site**

Two sites in Cheung Kwan O were put out for tender to encourage infrastructural investment in film production and in advanced post-production technologies, strengthening the film production capabilities of Hong Kong and making Hong Kong a post-production service centre in Asia. The tender was assessed on the basis of several factors including the premium offered, the business plan as well as the likely contributions the development can bring to the film industry in Hong Kong.

The first site, which was awarded to Hong Kong Movie City Company Limited, an independent third party, in August 1998, occupies an area of 29,800 square metres and can be developed to a gross floor area of 59,600 square metres, while the second site, which was awarded to Hong Kong Digital Movie City Company Limited, an independent third party, in August 2000, occupies an area of 14,600 square metres and can be developed to a gross floor area of 29,200 square metres. Both consortia have pledged to build state-of-the-art film studio with advanced post-production facilities.

## TECHNOLOGY DEVELOPMENT IN FILM INDUSTRY

With digital revolution in filmmaking, directors from Hollywood to the East End are embracing the new digital technologies. The biggest Hollywood endorsement for digital film is *Star Wars: Episode I - The Phantom Menace* which has used digital technologies extensively for special effects. The next one in the series, *Star Wars: Episode II*, is fully digitised. There are so many benefits to the new technologies that it is an unstoppable trend. The number of digital films made is increasing everyday and mainstream directors are digitising too.

### Production

The production of digital film is relatively cost-effective and flexible than that of traditional 35mm film.

Digital cameras are relatively small and lightweight as compared to 35mm cameras, enabling shooting at innovative position and where there is limited space. Moreover, digital cameras usually come with an image stabilisation device, allowing them to move around smoothly. Thus, panning and tracking in digital filmmaking can be done without expensive dolly tracks or Steadicams (which are specialised stabilisation rigs) in 35mm filmmaking.

Digital movie also overcomes the problems associated with the 35mm negative. A roll of 35mm negative is generally sufficient for shooting of approximately four to five minutes. The frequent need of changing negatives in 35mm film is time-consuming and makes shooting unsuitable under certain circumstances such as underwater and for documentary purposes. Moreover, extreme weather will affect the stabilities of the chemicals on 35mm negative, hence, affecting the quality of the film shot in extreme conditions. As compared to 35mm movies, digital movies using digital tapes can usually shoot films for 30 to 270 minutes and offer greater flexibility to directors in location and environment selection, and the cost of hiring an assistant for changing negatives can be saved.

One of the major comparative advantages of digital film is in re-taking. For conventional 35mm filmmaking, re-takes are expensive, time-consuming and sometime impossible. Before deciding whether re-takes are needed, the negatives have to be developed to pictures. To re-take, the original background has to be set up again, which may be impossible for an explosion shoot or at restricted locations. Compared to 35mm filmmaking, re-takes are easy and cost almost nothing to digital film pictures are immediately available and the same digital tape can be overwritten time and time again until satisfactory pictures have been made.

In addition, digital camera reproduces a broader range of colours faithfully and films with a higher resolution. Although 35mm film is usually with greater contrast, strong light is required to produce such better quality. In contrast, digital film delivers satisfactory pictures under weak lighting, without the light technician.

## **Post-production and special effects**

Computer editing and digital special effects are becoming the norm in the film industry as computerised procedures are becoming simpler and easier. For example, virtual setting means shooting in front of a blue screen background and keying in digitised photos or background location in post-production only.

Lab processing and telecine transfer from 35mm roll into digital tape are required for computer editing and special effects of 35mm film which costs extra. As compared to 35mm film, digital film which is in digital format and ready for computer editing and special effects is simpler and more cost efficient.

Moreover, the processes of splicing reels, developing negatives and processing opticals of traditional 35mm films are dirty, toxic and expensive while the digital processes are clean, easy and simple to learn. Film editing in the past needed proper celluloid cutting and editing deck or a highly specialised proprietary editing software which costs a fortune.

## **Distribution and storage**

Screening of digital film in cinema is easy and cost-saving. The print of an average traditional 35mm format film usually comprises of approximately 8,000 feet of film and will be divided into more than 5 “boxes”. The heavily weighted and bulky “boxes” are difficult to distribute, increasing the transporting expenses. As compared to traditional 35mm film, each print of a digital film approximates the size of a video tape and is lightweight, and thus, convenient and cheap to distribute especially to overseas.

For storage, the prints of digital film are convenient to store while the bulk size of 35mm film occupy much more storing spaces. Moreover, the quality of digital film remained unchanged as time passes while the 35mm film stock fades with age.

## **Drawback**

One major drawback of digital film is that there are only limited number of cinemas equipped to screen films in DV format, most of which are located in Japan. Thus, digital films aiming for general release have to be converted into 35mm film at extra cost, and at the cost of a loss in picture quality in most cases.

In addition, even though the advance in technologies allows digital film to challenge 35mm film for quality, digital film still cannot deliver the kind of contrast and depth achieved in conventional 35mm film.

## FILM CENSORSHIP RULES

According to the Film Censorship Ordinance (Chapter 392 of the Laws of Hong Kong) in 1988, films intended for public exhibition in Hong Kong are subject to the approval by the Film Censorship Authority. In considering whether the film portrays, depicts or treats, cruelty, torture, violence, crime, horror, disability, sexuality or indecent or offensive language or behaviour, films are classified under the following 3-tier classification system:

Category I	suitable for all age
Category II subdivided into:	
Category IIA	not suitable for children
Category IIB	not suitable for young persons and children
Category III	only for persons who have attained the age of 18 years

In 2000, the Film Censorship Authority has classified 1,296 films.

To ensure that the film classification standards are in line with the community standards, the Hong Kong government conducts regular surveys of community views and consults the statutory panel of advisers. The panel comprises more than 250 members drawn from a wide cross-section of the community, giving their views to the film censors on the appropriate classification of a film.