



Canadian
Heritage

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The Film and Television Market in Hong Kong

*prepared by
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Canada

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1. MARKET OVERVIEW

The film industry in Hong Kong is one of the most vibrant and dynamic in Asia. In recent years, Hong Kong films are becoming more and more popular even in non-Chinese speaking countries across Europe and North America. The industry experienced a boom period in the early 1990s, peaking in 1992 with all-time high box office revenues of US\$199 million¹, but went through a painful downturn in the second half of the 1990s largely triggered by the 1997 Asian financial crisis.

At the same time, the industry was challenged by the boom of low-cost, in-home entertainment options, especially VCDs and DVDs. These digital disc technologies, lending themselves very well to mass replication, became particularly popular in Asia, far surpassing the use of predecessor technology VHS.

The drop in the box office shrank the pool of capital available for movie producers. Since 1993, the advance or seed capital – generally from overseas investors – has dropped from a high of 30% of production costs to just 5%. Many independent producers, lacking the backing of major production houses, faced financial difficulty and eventually ceased operation. The movie industry in Hong Kong has therefore been in a state of crisis for some years and in a sense has largely lost its former glory.

Moving forward, the film industry is expected to recover, albeit slowly, given the region's continued recovery from the financial crisis and strong government support. The local industry produced 77 titles in 2003, 2% of the global total, which puts it on the world top 20 countries. Total box office revenues in 2004 reached US\$118 million², a 6.7% increase from 2003.

Television (TV) is a substantial market in Hong Kong with an estimated customer base of 2.2 million households³ (at 99% TV penetration rate). There are currently over 200 local and regional TV channels (mainly pay-TV channels), broadcasting primarily in Cantonese, Mandarin and English. The TV broadcast market consists of terrestrial, cable, satellite and broadband providers but is dominated in terms of viewership by domestic terrestrial TV, with TVB being the key player.

Showing movies on TV is regarded as the 'Third Window' for movie producers and investors (the 'First Window' being cinemas and the 'Second Window' being VCD/DVD sales). Since the late 1990s, cable TV and video on demand (VOD) have become a welcome new platform for the movie business, in addition to the terrestrial TV stations. Movies on TV are a big audience draw and have become an important marketing tool for both terrestrial and pay-TV operators.

¹ Census and Statistics Department, Hong Kong, 2004.

² Ibid.

³ Industry interviews, 2005.

The most recent developments in the media entertainment industry are the digitization of audio-visual content, including advances in animation, and multimedia convergence, ie. the increasing use of new channels such as the Internet and mobile phones to distribute audio-visual content and make it more customizable by the viewer. Hong Kong claims to have the best design and multimedia capabilities in the region. For example, the Hong Kong digital animation house Imagi International worked with DreamWorks on its movie Shrek 2 and its animated US TV series Father of the Pride.

These trends are opening up new business opportunities, for example international contracts for special effects in foreign movies, and, locally, paid-for content developed especially for mobile phones. Such opportunities will likely give the industry a strong boost in the near future.

The Hong Kong economy has continued to show consecutive positive growth for the last two years, with GDP growing by 8.2%⁴ in third quarter 2005. The growth is broad based, driven by exports growth, increasing consumer spending spurred on by the improving employment market and general positive sentiment, as well as higher foreign direct investment. The official GDP growth forecast for 2005 has been revised to 7%⁵. Moving forward, the economy is expected to continue to grow but at a more sustainable rate of 4-4.5% in 2006⁶, in line with slightly slower projected real growth in China.

Hong Kong's population was 6.9 million⁷ in 2004, of which 95% are ethnic Chinese. There are over 500,000 foreigners residing in Hong Kong; of which the three largest foreign nationalities are Filipinos, Indonesians and Americans. Cantonese is the official local language spoken by the majority of the population. English is generally understood, except in lower socio-economic groups, but less widely spoken.

1.1 Key Factors Shaping Market Growth

FILM

Government support: The Hong Kong government has been actively supporting and promoting the film industry since 1998, notably by setting up the Film Services Office (FSO) to facilitate film production and the Film Guarantee Fund to provide financial aid to film production companies registered in Hong Kong. (Companies must have produced two films in the past 10 years to qualify for the aid). Government efforts will likely continue as the country aims to maintain its reputation as Asia's major film producing centre.

⁴ Census and Statistics Department, Hong Kong, 2005.

⁵ Ibid.

⁶ Economist Intelligence Unit forecasts, 2005.

⁷ Census and Statistics Department, Hong Kong, 2005.

Opportunities from CEPA: CEPA is a free trade agreement with China which allows Hong Kong to have unrestricted access to the Chinese market. CEPA has opened a whole new world of possibilities for Hong Kong film companies, including marketing and distributing films in China directly. Canadian and other foreign companies can now therefore also enjoy the benefits of the opening Chinese market by partnering with Hong Kong companies for Chinese language productions and distribution of Hong Kong-made content (purely foreign films are still restricted).

Increased industry confidence due to opening of promising Chinese market: According to a survey commissioned by the Hong Kong Trade Development Council at FILMART 2005 (an annual film event) among exhibitors and visitors, over 70% of companies⁸ say that China is the most promising market for Hong Kong's film industry; and the majority of companies plan to expand either in Hong Kong or into China. This confidence could potentially encourage further inflow of investment for the film industry in Hong Kong.

Hong Kong talent gaining increasing worldwide recognition: Some Hong Kong films, directors and actors are beginning to gain recognition in the international scene for creativity and quality production. The film *Crouching Tiger, Hidden Dragon*, which utilized heavily Hong Kong industry talent, received several Oscar awards and achieved unprecedented box office success in the US. This has the potential to fuel future demand for Hong Kong films.

Piracy: While growth prospects may look promising given the various drivers, the issue of piracy is a key growth restraint. Piracy remains a rampant problem for the film and television industry in Hong Kong and in the region. For films, pirated VCDs and DVDs of the latest movies are easily and cheaply available; as elsewhere in the world, movies and TV series are also downloaded illegally via peer-to-peer networks utilizing the Internet. Legal enforcement to protect the intellectual property rights of films and television programs is crucial to ensure that growth prospects are compromised as little as possible.

TV

Increasing advertising revenues: Advertising is a key source of revenue for the television industry. Terrestrial TV as a medium accounts for some 35% of total advertising expenditure of all media; pay TV accounts for 6.6%. Expenditure on terrestrial TV and pay TV combined reached US\$2.1 billion in 2004⁹, a 9.5% increase from 2003. While advertising on terrestrial TV remained relatively stable, cable TV enjoyed a 63% increase in advertising revenue due to the increasing number of subscribers. The positive growth outlook in advertising expenditure, as the economy continues to recover, is expected to give the TV industry a boost in the coming years.

⁸ Hong Kong Trade Development Council, 2005.

⁹ Nielsen Media Research, 2005.

Program sponsorships: Apart from the air time revenue from advertising, the local TV industry has lobbied aggressively for more TV program sponsorships. The Hong Kong government relaxed sponsorship restrictions for drama programs and financial advertising on TV programs in 2004. This has led to the robust growth and increases in the non air time revenue for the TV stations. The new sponsorship provisions enable new business opportunities, more diversified program genres, and additional revenue for the TV stations, enabling them to spend more on content and marketing. This increase in income and spending is expected to broaden the selection of programs which should in turn increase the viewership of the programs.

Opportunities from CEPA: Under CEPA, restrictions on quantity and broadcasting time will be lifted for China-Hong Kong co-produced TV programs.

Piracy: The illegal use of cable TV services in Hong Kong contributed to an estimated revenue loss of US\$24.3 million¹⁰ in 2004.

1.2 Opportunities for Canadian companies

FILM

The liberalization of the China market means that demand for films is going to grow. There are new business opportunities for partnerships with CEPA-qualified firms in Hong Kong. Film companies can now not only enter the Hong Kong market, but also use Hong Kong as a potential gateway into the Chinese market. The Hong Kong government particularly welcomes foreign partnerships in this respect, strongly encouraging creativity and talent inputs from abroad.

However, it is important to note that films from the US or Hollywood movies are the most popular among the local audience. It has been a challenge for British, German and French films to be distributed in Hong Kong because of the lower demand. The German and French consulates are promoting their films in a more niche market through film festivals organized by the Film Program Office of the Leisure and Cultural Services Department.

TV

Hong Kong's TV viewing habits tend to gravitate towards the locally produced programs (largely Cantonese programs) and soap operas from other Asian nations. The two key local terrestrial broadcasters are obliged under regulations to transmit one English channel each. But because majority of the population speak Cantonese and not English, the English channels are not popular. Movie content on television (particularly Hollywood blockbusters) usually draws the highest ratings among English language television programs.

¹⁰ Cable and Satellite Broadcasting Association of Asia (CASBAA), 2005.

Local preferences and language are therefore two key considerations for foreign content providers. Perhaps the best prospects are in co-production, exports and financing.

Several global and regional pay TV programs have their Asia regional headquarters in Hong Kong, which provides another potential avenue of opportunity for Canadian companies. These include BBC, National Geographic Channel, STAR TV, Turner and Walt Disney/Buena Vista, The other main centre for regional pay TV companies' Asia headquarters is Singapore.

1.3 Actual and Planned Projects

A five-part TV documentary co-produced by Rogers OMNI Television and the Hong Kong Economic and Trade Office, Canada (HKETO), in conjunction with the Hong Kong Tourism Board was scheduled to run from October 28, 2005 till November 27, 2005 at 9 pm on Toronto's OMNI Television.

The series, "The Hong Kong Connection – Canada and the New China", combines footage shot in Hong Kong, China and Canada, highlighting the burgeoning 'tripartite' economic and cultural relationships between the countries.

This TV documentary is hosted by Toronto Star's Tony Wong for the English version and veteran news anchor David Wang for the Cantonese version and covers such topic areas as:

- ◆ Canada's contributions to the economic development of both Hong Kong and China;
- ◆ Hong Kong's position as one of the world's leading economic and business centers;
- ◆ Hong Kong's tourism and entertainment trades; and
- ◆ Various industries that are not only prospering in their homeland but also having an impact on Canadian society.

2. COMPETITIVE ENVIRONMENT

2.1 Local Capabilities

FILM

In 2003, Hong Kong produced 77 films¹¹. During the boom period of the early 1990s, Hong Kong produced as many as 300 films a year.

The top genres in terms of volume are (1) action/kung fu; (2) comedy; (3) animation; and (4) drama.

¹¹ Census and Statistics Department, Hong Kong, 2004.

Despite the downturn in the industry and decline in film output in recent years, Hong Kong films still retain much of their distinctive luster, cultural identity and characters. More and more local films and talents are enjoying unprecedented commercial success on the international scene. Directors and actors such as Ann Hui, Wong Kar Wai, John Woo, Chow Yun Fat and Jackie Chan are gaining increasing recognition.

The local film sector is very fragmented and entrepreneurial in nature. This is seen as a strength in terms of innovation and getting things done, but can also be a weakness in terms of market power, funding and resources.

TV

There are two key terrestrial free-to-air broadcasters in Hong Kong: Television Broadcasts Limited (TVB) and Asia Television Limited (ATV). TVB is the dominant producer of local Cantonese TV programs. ATV also produces its Cantonese programs in-house but to a lesser extent. Both broadcasters air programs such as news, documentary, current affairs, drama series, arts and cultural programs and programs for children. TVB is estimated to account for 70% of total terrestrial viewership.

There are very few independent production companies which produce content for TV.

2.2 Linkages with mainland China

Hong Kong has signed the Closer Economic Partnership Agreement (CEPA) with China, which took effect from January 1, 2004. CEPA is a free trade agreement which allows Hong Kong to have unrestricted access to the Chinese market across a variety of products and services (audio-visual included), eliminating various previous quota systems in advance of China's WTO commitments.

CEPA has opened a whole new world of possibilities for Hong Kong film companies. There have already been two phases of implementation (CEPA I and CEPA II), with more liberalization measures for CEPA III still scheduled to be rolled out in January 2006. To date, some key benefits of CEPA for Hong Kong's film industry include:

- ◆ Hong Kong companies will now be allowed to market and distribute films in China directly.
- ◆ Chinese language films produced by Hong Kong are free from any import quota. (Global quota of 20 foreign films a year still stands for other foreign films)
- ◆ Hong Kong companies will be allowed to construct and renovate cinema theatres in China on a wholly owned basis. (Other foreign investors can form joint ventures to construct or renovate cinemas in China with ownership of up to 49 percent only.)
- ◆ Hong Kong-China co-productions will be considered domestic even when filming takes place outside of China.
- ◆ Joint productions are no longer required to have a China focus for stories.

Also under CEPA, restrictions on quantity and broadcasting time will be lifted for China-Hong Kong co-produced television programs. Hong Kong companies engaged in the operation of cable TV networks can now choose to provide professional technical services related to cable TV network in Guangdong. This means more employment opportunities in the TV industry. When CEPA III is implemented in 2006, television dramas co-produced by China and Hong Kong companies will be subject to similar standards (e.g. on the number of episodes) as those applicable to China's locally produced dramas.

TVB currently sells programs to leading terrestrial broadcasters and cable TV channel operators. It has also formed a joint venture in China with China Central Television (CCTV), China's national TV network which dominates the industry, for the buying, selling and distributing of global and Greater China TV programs.

ATV has obtained the legal landing rights in Guangdong province in 2002 to broadcast two channels – ATV Home and ATV World. ATV now covers nine major cities of 80 million viewers in China.

2.3 Foreign Competition

FILM

Foreign imported films are a significant feature in Hong Kong. Total box office revenues of Western imports constituted as much as 54% of the total box office revenues of US\$108 million¹² in 2004. In fact, box office revenues of imported films have surpassed those of locally produced Cantonese films since 1997.

Films from the US constitutes approximately 80% of total foreign film imported¹³ in Hong Kong and are favored because of the large budgets, strong story plots, universal themes, well known actors and directors, and advanced audio and visual effects. US blockbuster films are very popular in Hong Kong, with three of the top five biggest box office hits being American films in 2004. South Korea, Japan and France are the other main sources of foreign content acquired.

In recent years, South Korean films and television dramas are gaining popularity in Hong Kong and also in the region. Hong Kong is likely to import more South Korean productions in the coming years.

TV

Although a large proportion of the terrestrial TV programming is produced locally (primarily by TVB), many programs are imported from abroad by pay TV providers.

¹² Census and Statistics Department, Hong Kong, 2005.

¹³ Ibid.

Typical program themes imported include: news, entertainment, sports and documentary. Most foreign English programs are obtained from Australia, US and UK. Animated programs are largely imported from Japan and some from Taiwan.

Given that the mother tongue of the population is Cantonese, some imported programs may have to be dubbed into Cantonese or subtitled in Chinese characters (traditional, not the simplified version that is used in the Chinese mainland).

2.4 Regional and international trends

The most recent development in the media entertainment industry is the digitization in film and broadcasting. This will not only affect how content is produced but also how it will be distributed. Digitization makes recording, storing and transmitting information easier, faster and cheaper.

Going digital is part of the Hong Kong government's plans to advance the territory's position as the media hub for Asia. The government has required TVB and ATV to launch digital terrestrial television (DTT) by 2007.

3. CUSTOMERS

3.1 Industry structure

FILM

In the film industry, the main players are the film producers, film distributors and cinema operators. There are 153 local film production companies¹⁴ registered with the Film Services Office (<http://www.fso-tela.gov.hk/dir/index.cfm>). Most local film producers deal directly with the cinema chains for local screening on a revenue-sharing basis. Rights can also be sold to distribution companies for other forms of release including tape, VCDs and DVDs (as well as television broadcasting).

There are 57 cinemas with 198 screens¹⁵ in Hong Kong. Currently, foreign films are mainly screened at United Artists, Broadway and Panasia Circuit. Local films are released mainly through Newport Circuit and Gala Film Distribution. Broadway is the largest cinema circuit in Hong Kong with 12 cinemas across the territory.

There are 112 film distributors in Hong Kong registered with Film Services Office.

Foreign producers' earnings from distributing a movie in Hong Kong vary hugely depending on the title and the film's popularity.

¹⁴ Hong Kong Film Services Office (FSO), 2005.

¹⁵ Ibid.

TV

In the TV market, the main players are the producers, distributors and broadcasters.

Foreign TV content is distributed through channel package operators or local marketing and distribution representatives of the channel broadcasting companies. STAR TV, owned by News Corp., is one of the largest program distributors in the region, controlling over 25,000 hours of content and offering a variety of choices in entertainment, sports, movies, music, news and documentaries in eight languages.

There are also video distributors which distribute films and TV content on VCDs and DVDs. This channel provides a second revenue source for the film and TV producers.

For broadcasting, there are currently four categories of TV program service license for broadcasters: (1) domestic free TV program service intended or available for reception by more than 5,000 domestic premises free of charge in Hong Kong and primarily target Hong Kong; (2) domestic pay TV program service intended or available for reception by more than 5,000 domestic households or hotel rooms in Hong Kong on payment of a subscription and primarily target Hong Kong; (3) non-domestic TV program service services not limited to Hong Kong but are required to comply with minimum local standards; and (4) other licensable TV program service.

A list of all TV service licensees can be found on the Broadcasting Authority's website at www.hkba.hk/en/.

Broadcasters (TVB and ATV) would typically pay US\$5,000 to US\$15,000 per episode for a foreign series such as a six-part, one hour per episode documentary. For outsourced production, broadcasters and programmers pay in the region of five to ten times those figures, or more if for example sophisticated animation or well-known talent are required.

3.2 List of companies

Cinema Groups

Three major cinema companies control around 75% of the movie screens in Hong Kong and operate as distributors:

1. *United Artists*

UA Cinemas, owned by Lark International, operates 9 cinemas with a total of 63 screens. UA also has cinemas in China.

2. *Broadway*

Operated by Edko Films Ltd., Broadway has 12 cinemas and 57 screens across the territory.

3. *Golden Harvest*

Golden Harvest is a film producer, distributor and cinema operator. It has 6 cinemas and 26 screens.

Hong Kong cinema operators, 2005	Sites	Screens
Broadway	12	57
UA Cinemas	9	63
Golden Harvest (Gala Circuit)	6	26
Chinachem	6	16
Newport	10	13
AMC	1	11
Multiplex Cinema Ltd.	4	9
Others	14	29
Total	57	197

Source: MPIA, Census and Statistics Department, 2005

Major film production companies

1. *Applause Pictures*

Started in 2000, Applause Pictures has produced eight successful films, notably *The Eye* (co-produced with Singapore's MediaCorp Raintree Pictures) which was sold overseas to 25 countries.

Contact: Ms. Patricia CHENG
 Tel: (852) 2366 1622
 Email: mail@applausepictures.com
 Website: www.applausepictures.com

2. *Cine-Century Company*

Established in 1989, the company specializes in movie and TV drama series production. The company enjoys established working relationships with major production and distribution companies in mainland China by supplying overseas programs to them.

Contact: Mr. Ricky K. K. WONG
 Tel: (852) 2345 2983
 E-mail: cinecentury@on-nets.com
 Website: www.cinecentury.com.hk

3. *China Star Entertainment*

The company focuses on feature films, TV programs and documentary production and distribution targeted at both Chinese and expatriate communities in Asia.

Contact: Ms. Tiffany CHEN, Mrs. Ann HUNG, Ms. Ada LAM
Tel: (852) 2313 1888
Email: movie@chinastar.com.hk
Website: www.chinastar.com.hk

4. *Columbia Pictures Film Production*

Columbia Pictures specializes in film production.

Contact: Ms. Zerlina CHIU, Mrs. Ann HUNG, Ms. Ada LAM
Tel: (852) 2105 8888
Email: zerlina_chiu@spe.sony.com
Website: www.corporate.spe.sony.com

5. *Edko Films*

The company focuses on production and distribution of movies, production of commercials and owns the Broadway Circuit.

Contact: Ms. Audrey LEE
Tel: (852) 2529 3898
Email: ekdofilm@hkstar.com

6. *Emperor Multimedia*

A division of the Emperor Group and a listed company with the Hong Kong Stock Exchange, the company produces feature films, TV series and other programs targeted at Hong Kong, Asia as well as the international markets.

Contact: Mr. Albert LEE
Tel: (852) 2835 6688
Website: www.emp-hk.com

7. *Film Power Co. Ltd.*

Established in 2000, Film Power is a subsidiary of the Shaw Brothers (HK) Ltd. It is listed with the Stock Exchange of Hong Kong. It's the only movie production company in Hong Kong equipped with a studio and in-house post-production facilities available for hiring in Hong Kong.

Contact: Mr. Lawrence Ka-hee WONG
Tel: (852) 2335 5111
E-mail: distribution@shawbrothers.com.hk

8. *Fortissimo Films*

Established in 1991. Fortissimo Film Sales is an international film, television and video sales organization specializing in the production, presentation, promotion and distribution of unique, award winning and innovative feature films from independent film makers from all over the world. Headquartered in Amsterdam, the company also has offices in Hong Kong, London and agents in Sydney, New York, Tokyo, and Beijing. As of August 2005, Fortissimo represents nearly 200 films from around the globe, includes feature films, feature-length documentary films, animated films and short subjects.

Contact: Mr. Wouter BARENDRECHT (co-chairman), Mr. Michael Wener (co-chairman), Ms. Winnie LAU (VP, International Sales)

Tel: (852) 2311 8081

Email: info@fortissimo-hk.com

Website: www.fortissimofilms.com

9. *IFD Films and Arts Ltd.*

Established in 1973. As a member of 'Independent Film & Television Alliance' of the US, the company finances, produces and distributes films, television series and animation features, as well as specializes in worldwide distribution of action films and children animations with English soundtracks. IFD Films has owned and produced over 200 titles of feature films, TV programs and animations for worldwide distribution.

Contact: Mr. Joseph LAI, CEO

Tel: (852) 2730 0048

Email: ifd@ifdfilms.com

Website: www.ifdfilms.com

10. *Media Asia*

Established in 1994, Media Asia specializes in film and video production and distribution of Chinese language movies. The Group has produced or co-financed over 50 Chinese language films and owns a film library of 20 Chinese language films produced from 2001 onwards. In addition, it also distributes a portfolio of 269 Chinese language films owned by third-party copyright owners. The clientele of sub-distributors and licensees spread over 30 countries worldwide.

Contact: Mr. Jerry Wing-Leung LIU (CEO), Mr. John Koon-Nam CHONG

Tel: (852) 2314 4288

Email: jerryliu@mediaasia.com

Website: www.mediaasia.com

11. *Salon Films*

Salon Films is active in local and overseas production of motion pictures. The company produces feature films, commercials, corporate videos and films as well as documentaries.

Contact: Mr. Charles WANG, Mr. Fred WANG
Tel: (852) 2338 0505 / 2338 6311 / 2336 6663
Email: salohq@salonmedia.com
Website: www.salonmedia.com

Top film distributors

1. *Applause Pictures*

Contact: Ms. Patricia CHENG
Telephone: (852) 2366 1622
Email: mail@applausepictures.com

2. *Celestial Pictures*

A subsidiary of Astro All Asia Networks plc., Celestial is a regional cross-media operator in pay TV, theatrical exhibition, radio, publishing, leisure, satellite operations, and telecommunications. This diversified entertainment company focuses on Asia language film and TV content production, distribution and the operation of TV channels. The company owns the Shaw Brothers film library which boasts of the world's largest film collection and is currently restoring the Shaw Brothers movies for worldwide cinema and video distribution. Celestial Pictures launched the "Celestial Movies", a 24-hour global Chinese movie channel for Hong Kong, Malaysia, Singapore, Brunei, Indonesia, and Australia.

Contact: Mr. William Pfeiffer (CEO), Mr. Patrick CHOW
Tel: (852) 2927 1111
Email: enquiry@celestialpictures.com
Website: www.celestialpictures.com

3. *Edko Films*

Contact: Ms. Audrey LEE
Tel: (852) 2529 3898
Email: ekdofilm@hkstar.com

4. *Gala Film Distribution*

A subsidiary of Golden Harvest Group, Gala is a listed company in the Stock Exchange of Hong Kong. The company focuses on the distribution of Chinese films in its cinema circuit.

Contact: Ms. Belinda TANG
Tel: (852) 2352 8222
Email: belinda_tang@goldenharvest.com
Website: www.goldenharvest.com

5. *Intercontinental Film Distributor*

Intercontinental, established in 1969, is one of the first distributors of foreign movies in Hong Kong. The company is the sole agent for distributing Disney movies and video products in Hong Kong. Partnering with Kadokawa Holdings (Japanese entertainment giant), Intercontinental explores the opportunity in co-production of movies in the region and projects in China under the CEPA. To support the iCinema initiative, Intercontinental would release one movie per month for the legal download services. Most of the films available are niche movies with no commercial screening in local cinemas.

Contact: Mr. Ringo Jesu (Managing Director), Mr. Perry Tung-leung YUNG,
(Director of Business Development), Ms. Nan WONG
Tel: (852) 2481 6693
Email: ifdl@intercontinental.com.hk

6. *Mei Ah Entertainment*

Established in 1984 and listed in the Stock Exchange of Hong Kong in 1993, Mei Ah is the one of the largest video distributors in Hong Kong and has released several thousand titles in video and disc formats. The company is one of the largest film producers in Hong Kong with more than 100 titles since 1997. With over 1,000 popular titles in the film library, Mei Ah is actively engaged in film sub-licensing to overseas distributors and TV operators. The group is actively engaged in exploring the business opportunity in providing content for broadband IPTV for Hong Kong, Taiwan, and mainland China. Currently, the company supplies the movie channel MATV for NOW TV of PCCW. Mei Ah launched a trial project, M@TV, for legal download and distribution of movies to compete in the entertainment market.

Contact: Mr. Patrick TONG
Tel: (852) 2751 3388
Email: meiah@meiah.com
Website: www.meiah.com

7. *My Way Film Co. Ltd*

Established in 1986. My Way Film Co., Ltd. focuses on the production and distribution of Hong Kong films and foreign movies. The company has produced over 200 commercial films that include action adventure, dramas, thrillers and erotica, as well as over 200 hours of television series production on Chinese legends for worldwide distribution.

Contact: Mr. Jeremy K. CHEUNG
Tel: (852) 2397 7632
Email: myway@mywayfilm.com.hk
Website: www.mywayfilm.com.hk

8. *Panasia Films / Golden Harvest Entertainment Co. Ltd.*

A subsidiary of Golden Harvest Group and a listed company in the Stock Exchange of Hong Kong, the company focuses on the distribution of foreign films in its cinema circuit.

Contact: Ms. Belinda TANG
Tel: (852) 2352 8222
Email: belinda_tang@goldenharvest.com
Website: www.goldenharvest.com

9. *UIP International Services B V*

UIP focuses on the distribution of Paramount and Universal Studio films in Hong Kong.

Contact: Ms. Belinda TANG
Tel: (852) 2352 8222
Email: belinda_tang@goldenharvest.com
Website: www.goldenharvest.com

10. *Warner Bros.*

The company focuses on the distribution of Warner Brothers films in Hong Kong.

Contact: Ms. Erlina SUHARJONO
Tel: (852) 3128 1200
Website: www.warnerbros.com

The film industry is represented by two major industry associations:

The Movie Producers and Distributors Association of Hong Kong Ltd (MPDA)

Contact: Mr. Raymong WONG, Chairman
Tel: (852) 2710 9377

The Hong Kong, Kowloon & New Territories Motion Picture Industry Association Limited (MPIA).

Contact: Mr. Raymond CHOW, Chairman
Tel: (852) 2311 2692

Domestic free-to-air TV broadcasters

1. Television Broadcasts Limited (TVB)

Privately owned by Sir Run Run Shaw and the Kerry Group, the company generates profits exceeding US\$40 million¹⁶ each year. TVB broadcasts one Cantonese channel, TVB Jade, and one English channel, TVB Pearl. TVB also produces its own Cantonese programs. Its free-to-air broadcast license is renewed till 2015.

Contact: Mr. Ting Kwan HO (Director & Group GM), Mr. Shin Keung CHEONG (GM for Broadcasting)
Tel: (852) 2335 9123
Email: info@tvb.com
Website: www.tvb.com

2. Asia Television Limited (ATV)

Broadcasts one Cantonese channel, ATV Home, and one English channel, ATV World. ATV purchases most of the drama series from Taiwan, South Korea and Japan. Its free-to-air broadcast license is renewed till 2015.

Contact: Wing Kee CHAN (CEO)
Tel: (852) 2992 8888
Email: atv@atv.com.hk
Website: www.hkatv.com.hk

¹⁶ Museum of Broadcast Communications, 2005.

Domestic pay TV program operators

1. i-Cable Communications

i-Cable, previously known as Hong Kong Cable Television (HKCTV), is an integrated communication company with the only cable TV operator license in Hong Kong. It currently has the largest subscriber base of 702,000 customers. i-Cable transmits over 90 channels via its hybrid fibre coaxial cable network. Most of its broadcast programs are imported content. Its pay TV service license is valid till 2017.

Contact: Mr. Stephen Tin-hoiNG (Chairman and CEO)
Mr. Siuming Y. M. Tsui (Executive Director, Programming Services)
Tel: (852) 2112 6868
Website: www.i-cablecomm.com

2. PCCW NOW Broadband TV

PCCW's NOW Broadband TV transmits a multi-channel television service over its telephone network using ADSL technology to approximately 500,000 subscribers, offering a variety of interactive programs and pay-per-view plans. In August 2004, PCCW signed a three-year contract with Star Group to secure exclusive rights to ESPN and Star Sports. NOW TV gained the long-term exclusive rights from STAR for popular western movie channels such as Star Movies, HBO, and Cinemax. Star becomes the single largest content provider by providing 14 channels exclusively to NOW. With more than 15 free channels and 57 pay channels, NOW depends on overseas content provider with only 30% of programming in the Chinese language. NOW is aggressively expanding into its own original content production by setting up a 24-hour Chinese language financial news channel. In next 12 months, NOW is offering a trial of high-definition TV, a network-based personal video recorder, video on demand, online transactions, and casual gaming. NOW TV has also announced plans to explore business opportunities in international markets, for example with Spain through Telefonica.

Contact: Mr. Alexander Anthony ARENA (Group Chief Financial Officer)
Mr. Paul BERRIMAN (Head of Strategic Market Development)
Tel: (852) 2888 2888
Website: www.nowbroadbandtv.com

3. Galaxy Satellite Broadcasting Limited

A new player since 2004, Galaxy offers 35 channels transmitted over satellite. Galaxy plans to deliver its services via broadband network in the near future.

Contact: Mr. Danny Ying-chiu CHEUNG (Senior Manager)
Tel: (852) 2352 2461
Email: enquiry@gsb.com.hk
Website: www.supersun.com.hk

4. *Phoenix Satellite Television Holdings*

Phoenix TV is a Hong Kong based and publicly listed satellite TV broadcaster offering new, information and entertainment within the Greater China region, Southeast Asia, Australasia, Europe and the US. Phoenix is a joint venture of STAR TV, Today's Asia Ltd., and China Wise International Ltd. It reaches 42 million households or 140 million viewers. Phoenix broadcasts in Mandarin Chinese catering to the Chinese population in mainland China and expatriate community over the world. It offers a mix of programming in political and economic news, current affairs, talk shows, mini-series, music and movies of Chinese and foreign origins through 5 channels.

Contact: Mr. Changle LIU (Chairman and CEO), Mr. Keung CHUI (Executive Director and Deputy CEO)

Tel: (852) 2621 9888

Email: info@phoenixtv.com

Website: www.phoenixtv.com

Non-domestic TV program service

1. *Starvision Hong Kong Limited (Star TV)*

Starvision offers four channels in Hong Kong via a master satellite antenna system. It is the first non-domestic TV program service operator in Hong Kong. There are currently 13 other such operators in Hong Kong.

Tel: (852) 2621 8888

Email: csmail@startv.com

Pay TV programmers

Pay TV providers offer no less than 200 channels in Hong Kong. At the end of 2004, there was a total of 987,000 pay TV subscribers¹⁷.

International programmers such as Bloomberg, BBC Worldwide Ltd., CNN International, China Entertainment Television Broadcasting, CNBC Asia, Discovery Asia, Walt Disney Television International, MTV Asia, National Geographic Channel Asia and Turner have all set up local offices in Hong Kong, though some of their regional headquarters are in Singapore.

¹⁷ Fusion Consulting/Television Asia pay-TV operators survey report, 2004.

3.3 Government organizations involved

Hong Kong Television and Entertainment Licensing Authority is the regulatory agency that is in charge of monitoring broadcasting programs, film censorship and licensing approvals.

The Broadcasting Authority (BA) is an independent statutory board established to oversee the regulation of the broadcasting industry in Hong Kong. BA's role is to facilitate broadcasters and industry players and to ensure that the community receives a wide variety of programs and quality services which meet international standards.

3.4 Programming purchased from the West

For films, Hong Kong imports mostly from the US. Action movies and comedies are popular genres.

For TV, TVB's English channel, TVB Pearl, purchases most of the news, drama, movies, documentaries and sports programs from Hollywood studios, American television networks and the BBC. ATV's English channel, ATV World, broadcasts talk shows, documentaries, sports and entertainment programs also mainly from Hollywood studios, American TV networks and the BBC. The majority of TVB Pearl's prime time slots are occupied by American reality shows, drama series, and movies. ATV World on the other hand broadcasts more documentaries.

4. MARKET LOGISTICS

4.1 Channels of Distribution

Foreign films are typically distributed through small and independent film distribution outfits. These distributors will obtain the exclusive rights to a film and then approach the cinema operators for commercial screening.

TV content is typically sold direct to the terrestrial operators such as TVB, and pay TV programmers such as National Geographic Channel.

Traditional channels of distribution to the consumer for films are cinemas, home video (VCDs and DVDs), TV and cable/satellite. Distribution for TV programs to the consumer is mainly through terrestrial TV and cable/satellite.

In keeping with global trends, multimedia convergence, fueled by digital technology, is creating new channels of distribution for films and television programs in Hong Kong. The internet medium is becoming increasingly popular for distributing entertainment, especially films and music, as the uptake of broadband internet increases. PCCW's NOW Broadband is the first real example of commercial success in this area.

3G technology has been launched in Hong Kong, and although the uptake has been slower than it was hoped by the key player Hutchison (“3” brand), mobile phones are emerging as a new distribution channel for both films and TV. TV broadcasters can transmit their popular content through the mobile platform to reach a broader customer base.

TVB has already announced a joint venture with Nokia to beam its signal to Nokia handsets. Bloomberg has agreed to provide financial news to mobile subscribers and CNBC currently provides business news and other information contents.

4.2 Market-entry Considerations

Western content has been well received in Hong Kong, especially films from Hollywood. Genres such as experiential and philosophy are less popular among distributors and cinema operators. However, some independent establishments have distributed several critically acclaimed films out of the mainstream successfully.

Canadian film producers should consider selling relatively lower budget films directly to the TV stations, which are in need of new and diversified content.

Other than selling to the cinema operators, Canadian film producers should sell distribution rights to Hong Kong agents for distribution both in Hong Kong and Asia. This will minimize potential copyright infringement by limiting the number of samples sent out.

4.3 Suggested Business Practices

Hong Kong is an international city and business can be conducted in English, especially with larger companies. For most foreign content, direct contact with distributors or TV stations is the norm.

Business cards are exchanged at every opportunity and should be accepted and given with both hands. When receiving a business card it should be read carefully and placed on the meeting table, rather than put in a pocket or file. Business cards should be printed with a Chinese translation on the reverse if possible (using full-form characters as in Taiwan, not the simplified characters that are used in mainland China).

The dress code in Hong Kong is formal business attire, with jacket, preferably in dark colours.

Appointments should be made well in advance (several weeks if possible) and it is important to be on time for meetings. Apologies should be made for lateness.

At first meeting, the family name preceded by “Mr” or “Ms” should be used. Chinese names start with the family name, eg. Kwong Wing Lam, who would be addressed as “Ms Kwong”. Many younger Hong Kong residents have adopted an English first name. A certain amount of small talk is normal before launching into the business at hand. The ‘hard sell’ approach will not find a welcome audience in Hong Kong.

More etiquette tips can be found at www.executiveplanet.com/business-etiquette/Hong+Kong.html.

4.4 Import Regulations

As one of the freest economies in the world, the Hong Kong government does not impose any restriction or quota on any country for importing films or TV programs. There is also no tariff on films or TV programs.

4.5 Local Standards, Certificates or Regulations

The Board of Review, established under the Film Censorship Ordinance, is a statutory body which reviews and classifies films. There are three film classifications:

- ◆ Category I: suitable for all ages
- ◆ Category II:
 - IIA: not suitable for children
 - IIB: not suitable for young children
- ◆ Category III: for above 18 years of age only

The Broadcasting Authority (BA) is established to regulate broadcasters in Hong Kong. No entity may broadcast without a license approved by the authority. There are codes and guidelines set out to ensure that standards are observed in programming and advertising. (Detailed codes and guidelines can be found at www.hkba.hk/en/.)

5. PROMOTIONAL EVENTS

Event / Description	Organizer
<p>FILMART (Hong Kong International TV and Film Market)</p> <p>Annual event in June A convention that attracts more than 1,000 trade buyers from over 40 countries and regions to develop partnerships, conduct business deals and discuss latest market trends.</p>	<p>Trade Development Council, Hong Kong Services Promotion Department</p> <p>Address: 38/F Office Tower, Convention Plaza 1 Harbour Rd, Wanchai Hong Kong Tel: (852) 2584 4242 Fax: (852) 2824 024</p>
<p>Hong Kong International Film Festival (HKIFF)</p> <p>Annual event every Easter A 16 day event showcasing films from all over the world.</p>	<p>Hong Kong International Film Festival Office</p> <p>Address: 21/F, Sunshine Plaza 353 Lockhart Road, Wan Chai Hong Kong Tel: (852) 2970 3300 Fax: (852) 2970 3011 Email: info@hkiff.org.hk</p>

6. GOVERNMENT CONTACTS

Television and Entertainment Licensing Authority

Address: 39/F, Revenue Tower
5 Gloucester Road
Wan Chai
Hong Kong
Tel: (852) 2594 5883
Fax: (852) 2507 3880
Email: enquiry@tela.gov.hk

Broadcasting Authority Secretariat c/oTelevision and Entertainment Licensing

Address: 39/F, Revenue Tower
5, Gloucester Road, Wanchai
Hong Kong

Tel: (852) 2507 2219
Fax: (852) 2594 5721

Film Services Office (FSO)

Address: 40/F, Revenue Tower
5 Gloucester Road, Wan Chai
Hong Kong
Tel: (852) 2594 5745
Fax: (852) 2824 0595
Email: info@fso-tela.gov.hk