



VIA EMAIL: [digital21review@citb.gov.hk](mailto:digital21review@citb.gov.hk)

## H2H Group Limited – Digital Division Response to CTB’s Consultation Paper on the 2004 Digital 21 Strategy

Dear Mr. Francis Ho,

H2H Group is pleased to have the opportunity to respond to the Consultation Paper on the 2004 Digital 21 Strategy. We support CTB’s and the Government’s initiatives to promote the benefits of IT in Hong Kong to emphasize Hong Kong’s status as the leading digital city in the region.

In particular, our company would like to comment on paragraph 14 of the Paper, entitled, *“the development of the digital entertainment and broadcasting sectors as creative industries”*.

Hong Kong is the prominent hub of the film industry in Asia, including production, broadcasting and advertising as well as hosting many internationally renowned film industry conventions (i.e. Film Art, and the Hong Kong-Asia Film Financing Forum) as well as award ceremonies, such as Hong Kong Film Awards. The local film production industry is also one of Asia’s most vibrant and prolific, with major and growing international exposure.

While Hong Kong still remains a commercial and financial hub where international and regional capital can be raised for deployment of digital equipment, it is interesting to note that today none of the 160 movie screens are digitally equipped. In comparison, theatres in China, Singapore, Japan, South Korea and India are all digitally equipped.

As the film industry gradually awakens to the benefits of distribution and exhibition of digital films and alternative entertainment content in Asian theaters and in Hong Kong in particular, we believe it is critical that the Government help foster the interests of various market participants from the film exhibitors, the distributors, marketers and the producers as well as the broadband providers to help to position Hong Kong as a center of gravity for digital cinema distribution in Asia.

As your Consultation Paper indicates, the steps you will take to develop the local digital entertainment industry include reviewing and implementing recommendations published in the IIAC’s report of its Working Group on Digital

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and second, to set up a digital media centre in the Cyberport and to ITF to fund hardware, software, technical and marketing support to industry in computer graphics and animation and in the production of films and games.

However, we would like to make some specific recommendations that will help to facilitate the adoption of digital cinema technology as following:

(1) Establishing a Digital Cinema Demonstration Site

A movie-theatre venue equipped with the latest technology could serve as both a commercial theatre venue as well as a demo/instruction site. Multiple vendors can consecutively provide their own equipment, on a rollover basis, which would help provide a full and fair opportunity to the Hong Kong based leading equipment vendors and to maintain a functional demonstration site for a long period. This demonstration site could be based at the Cyperport location, for example. A digital cinema hub based in Hong Kong will serve to attract customers for (1) equipment or service purchases from Hong Kong based companies; (2) booking of digitally formatted films from local Hong Kong producers; and (3) purchase of broadband services to deliver the content.

A Hong Kong -based digital cinema demonstration site will constitute, for all participating parties, a convenient and effective cornerstone between customers, equipment vendors, content providers and investors alike. Moreover, the digital site will serve as an effective educational and vocational tool for students who are either involved in technology or performing arts fields.

(2) Marketing Campaign for Digital Cinema

We believe it is critical for the government to launch a campaign to encourage the adoption of digital cinema infrastructure in terms of marketing, working with trade associations and making use of public funding to promote the benefits the digital cinema can provide – such as:

- (1) **Lower Production Costs.** Today's cost to master a movie onto film is around \$15,000 for each copy. Digital copies are a fraction of the cost, thereby enabling independent film producers to release films on a small budget.
- (2) **More Efficient Distribution Channel.** Digital movies do not need to be converted to 35mm film reels. Therefore, the films can be distributed to theatres more quickly and more efficiently through satellite, high-speed data networks, the Internet, DVD-ROMs or digital tape.

- (3) **Access to Alternative Content.** Currently, movie theaters have a somewhat small window of time in which they can do business. Matinee showings and private screenings are about the only way to produce revenue outside of normal business hours. Digital Cinema enables theatres to access to alternative content, such as sporting events, musical concerts or digital advertising resulting in other sources of revenue.
- (4) **Piracy Protection.** In digital cinema, movies also do not have to be physically shipped, stored or returned. Movies cannot get lost or stolen. Digital copies of movies are released with stringent copy protection and watermarking. Unlike the copy protection systems used with consumer electronics, digital movie distribution is strong, proprietary and bi-directional. The likelihood of a movie's being shown or copied without authorization would be negligible.
- (5) **Ability to Easily Modify Content.** With digital cinema, the movie studios and theatres have the ability to modify their content whenever it is found desirable. Movies can be changed even after they are released. Anything from language to scene selection can be controlled based on market demand.

## **Conclusion**

For the most part, a chicken-and-egg scenario has hindered the adoption digital cinema in Hong Kong. If enough theatres are not digitally equipped, producers won't release digital prints. On the other hand, if theatres cannot get access to digital films, they are not as inclined to upgrade their equipment from 35mm to digital. H2H believes that Government support (which has been provided in other countries, such as Singapore) is therefore critical in terms of assisting the transition process through the establishment of an operational demonstration site and the provision of marketing support for the multiple Hong Kong firms who are helping to thrust the entertainment industry into the digital era.

H2H believes that the above recommendations will contribute to the success of establishing Hong Kong as a digital focal point in Asia. H2H supports in principle the Government's proposals on 2004 Digital 21 Strategy and believe that it plays an important role to industry and consumers.

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