

# Funding Guideline to the “2<sup>nd</sup> Future Animation - AI-assisted Animation Production Support Scheme”

*NOTE: HKDEA is applying for funding from the Cultural and Creative Industries Development Agency (CCIDA). Details and implementation of the funding and related subsidy of the 2<sup>nd</sup> Future Animation - AI-assisted Animation Production Support Scheme is pending final approval of CCIDA. Applicants are advised to get latest information from our official website, [www.futureanimation.com.hk](http://www.futureanimation.com.hk) regularly.*

## **Funding Guideline (“Guideline”) to the “2<sup>nd</sup> Future Animation - AI-assisted Animation Production Support Scheme” (“The Scheme”)**

### Background

- Artificial Intelligence (“AI”) is becoming more popular, bringing opportunities and challenges to various industry. Experts predict that AI will bring impactful changes to digital entertainment industry, including animation sector. As of today, how AI will impact animation production is yet to be tested. Applying AI to animation requires technical know-how and proper set up, including many trials and errors, pioneering / first movers may benefit most in this global Art-Tech race.
- This project is a support scheme to subsidize and assist selected companies to create animation contents with the assistance of AI to explore the full potential of AI application to the animation sector. Key learnings of participants will be disseminated so that industry practitioners can benchmark on the best practices learnt during the process. The portfolio work will be showcased in HK and promoted overseas, such as the Annecy International Film Festival in France, to showcase the creativity and technical capabilities of HK’s digital entertainment companies.
- The 12-month project will have below deliverables:
  - Online industry seminar on potential of AI-assisted animation.
  - Funding scheme guideline and agreement.
  - Forming vetting committee to select up to 6 participating animation companies.
  - Mentoring program to help applicants on AI-assisted animation production.
  - Training on potential topics such as intellectual property created using AI and its legal risks, latest AI tools and trends related to animation production.
  - 2-days practical workshop on pitching techniques.
  - Internship program to assist applicants on AI-assisted animation production.
  - Production of up to 6 short animation content assisted by use of AI.
  - An experience sharing seminar by participating companies to showcase the 6 short animations assisted by use of AI and share the lessons learnt in project to the industry.
  - A HK pavilion will be organized in the Annecy International Film Festival to promote these works and help participating animation companies to explore opportunities.

## Objectives

The objectives of the scheme are:

- To encourage creative animation content creation assisted by use of AI.
- To help promote Hong Kong’s animation companies in the Annecy International Film Festival to explore overseas markets.
- To facilitate knowledge sharing and skills transfer on AI-assisted animation production after the projects.
- To promote the created animation content to the industry and general public via social media and website platform; and

## Funding amount, coverage and procurement procedures

- Each of the selected companies will be subsidized to produce an AI- assisted animation work of 15-20 minutes, with an amount of funding not exceeding HK\$850,000, which includes \$600,000 of manpower and production costs and \$250,000 of technical service costs (such as technical consultancy, hardware rental and software license). The selected companies under the Scheme are hereafter referred to as “Fund Recipients”. Fund Recipients shall ensure that under no circumstances is the funding used to cover the purchase of any hardware/equipment, or any other non-allowable cost items (please refer to Chapter XI of CreateSmart Initiative Guide at [https://www.createsmart.gov.hk/egrantcpubres/eng/CSI\\_Guide.pdf](https://www.createsmart.gov.hk/egrantcpubres/eng/CSI_Guide.pdf) for the unallowable costs).
- For calculating manpower cost on the AI- assisted animation work under the Scheme, signed timesheet must be documented and submitted as a proof by the Fund Recipients at project completion for auditing.
- The Fund Recipients should follow the procurement procedures when incurring technical service expenses as stated below:

For expenses **more than \$5,000 and less than \$10,000**, at least **two** quotations in writing should be obtained for the purpose of selecting the vendor. For expenses **equal or more than \$10,000 and less than \$100,000**, at least **three** quotations in writing are needed. All quotations and invoices for all expenses must be submitted at project completion for auditing and kept by the Fund Recipients for 7 years for auditing by the representative(s) of the Scheme and/or CCIDA. HKDEA reserves the right to refuse the claim for reimbursement of other expenses without proper record of quotations and invoices.

- In the event that the actual amount for disbursement of funding is less than the amount of funding already received by Fund Recipients concerned, the Fund Recipients are obliged to return the unused amount to HKDEA.

#### Who are eligible to apply?

An enterprise will be eligible to apply for funding to produce an AI- assisted animation work if:

- It is a local business holding valid business registration certificate, and
- It is a business with a key focus on animation, digital advertising, CG or digital entertainment content

#### Implementation agent

- The Scheme is organized by HKDEA with funding from CCIDA's CreateSmart Initiative (hereafter referred to as "CSI"). HKDEA has appointed a Project Director to run the Secretariat Office to be responsible for the overall administration of the Scheme.

- The Secretariat Office will process all applications submitted, monitor the progress of each approved application, and arrange funding release to Fund Recipients in four instalments upon the satisfactory completion of each milestone and the overall production progress has no major lag behind as stated below and acceptance of the appropriate documentary proof of the expenses.

#### Application form and deadline

- The application form and the template of proposal can be obtained from the Secretariat Office directly or downloaded from the project website at [www.futureanimation.com.hk](http://www.futureanimation.com.hk) as from September 2024. All sections of the application form have to be completed with supporting documents wherever required. Before filling in an application form, please read this Guideline carefully.
- Applications should be submitted online via the programme website (<http://www.futureanimation.com.hk>) on or before 4<sup>th</sup> October 2024.
- The soft copy of completed and signed application forms should be submitted online via the programme website (<http://www.futureanimation.com.hk>). Supplementary Documents and PowerPoint should be uploaded to a secure cloud storage platform with a URL for the secretariat to download the files. Please write down the URL link in the online application (<http://www.futureanimation.com.hk>). Enquiries: Telephone: 3594 6722, Fax: 3594 6720 and email [futureanimationhk@gmail.com](mailto:futureanimationhk@gmail.com).

## **Vetting Mechanism**

### Materials to be submitted

- The applicant should fill in the application form with details of its enterprise and provide a copy of an effective Hong Kong business registration certificate, a portfolio including past animation work, past job reference of animation work of at least 30-60 seconds in length produced with assistance of AI and details on how AI has been applied, a full creative and technical proposal including a storyboard of at least 40-frame, a technical production plan (detailing how they will apply AI in overall animation production processes) and its expected outcome and benefits.
- The applicant should submit a sample shot (around 10-20 seconds) produced with assistance of AI and explain how AI has been used in the production process. These sample shots should reflect the creative style and final quality of proposed animation to be produced for vetting panel's consideration.
- For applicants submitting more than one application, they should submit separate applications with respective creative proposal, character design, storyline, script, storyboard, adaptation of AI and production plan etc. Applicants should note that only one quota will be allocated to any applicant to benefit as many companies as possible.

### Vetting procedures

- Upon receipt of an application, the Secretariat Office will conduct a preliminary screening on the eligibility of the applicant and may seek clarification or supplementary information from the applicant. The eligible applications will be submitted to a vetting committee (the "Committee") to be responsible for vetting applications and monitoring the progress of the selected applications.

- The Committee comprising industry experts, academia and association representatives in the animation field will provide the necessary creative, commercial, and technical inputs in the vetting and monitoring processes. The membership list of the Committee can be obtained from the Secretariat Office.
- Officer(s) in-charge of the project from the applicant may be required to attend vetting meeting(s) to introduce their enterprise, present the creative and technical proposal and answer queries from the Committee.

### Vetting criteria

In evaluating an application, due consideration will be given to, inter alia, the following wherever applicable:

- The applicant should have track records in digital media or animation production and can demonstrate its technical capability of mastering AI on the required animation production. Award(s) won by the applicant in local and/or regional competitions is not a pre- requisite but will be considered.
- The portfolio, creative and technical proposal submitted by the applicant will be considered and judged by the Committee with judging criteria below:

Part A (50%) - *Based on submitted creative works (story board, character design, script/concept art etc) produced with assistance of AI.*

- Creativity and originality
- Design and artistic quality
- Storytelling ability / Visual Impact

Part B (50%) - *Based on company profile, show-reel or portfolio, and technical proposal (on how AI will be applied) submitted.*

- Company's track record (portfolio work)
- Capability of producing the proposed work
- Technical capability of mastering AI on production
- Commitment to the program

- The proposed AI- assisted animation work needs to cater to the interest of the public of Hong Kong and comply with the local broadcast standard, as the finished work may be aired on local TV channel(s) or other public venue(s). The contents must comply with the overall general standards of television broadcasting in Hong Kong, including but not limited to such contents not being: hindering society benevolent customs; disturbing public order; political arguments; defamation; of indecent, obscene or disgusting taste; any material which may result in any person or group to be subjected to hatred, fear, denigration or insult due to ethnicity, nationality, race, gender, sexual orientation, religion, age, social status, physically or mentally unsoundness or any other reasons; harmful language or metaphor; sex and nudity; visual shots causing severe mental unease; creepy sound effects presaging or simulating death or heavy injury; supernatural or superstitious matters causing high anxiety or fear; abuse or brutalization of children or animals; any matter which may cause hysterical reaction, nightmares or emotional distress from children; use of foul language; etc.



#### Avoidance of conflict of interest

- To avoid conflict of interest, members of the Committee who are directly or closely related to an applicant will not have access to the application information on the applicant concerned and will be required to refrain from discussions of that application. This will apply to members who are management, advisory team member, shareholder, paid staff or consultant of the applicant, or close family member or close friend of any key personnel of the applicant.

#### Notification of result

- The Secretariat Office will notify successful applicants of the vetting result within two months from the deadline of application.

#### Formal agreement

- Applicants selected by the Committee to be Fund Recipients will be required to sign a formal agreement with the HKDEA to comply with all the terms and conditions laid down in the formal agreement, this Guideline and all instructions and correspondences issued by the Secretariat Office from time to time in respect of the Scheme.

### **Funding Release Procedures**

#### Schedule and condition of funding release:

- To ensure proper use of the funding, the Scheme will release the funding to Fund Recipients by four instalments after the endorsement of committee on milestones achieved by Fund Recipients as below:

Instalment payment	Funding release %	Milestones (Documents to be submitted)
1st (Around November 2024)	20%	Upon signing of agreement based on approved creative and technical proposal
2nd (Around January 2025)	30%	The full story line, script / storyboard and revised character design generated with assistance of AI, are satisfactorily produced by applicant with vetting committee's endorsement
3rd (Around May 2025)	30%	After submission of full animation approved by the vetting committee
Final (Expected to be Q2 2026)	20%	After completed work is released to general public and approval of HKDEA's audited statement and project completion report by CCIDA

Copyright of produced AI-assisted animation work

- The copyright of AI-assisted animation works produced under the Scheme shall belong to the respective Fund Recipients.

Deadline of funding release

- Submission of funding request from the Fund Recipient later than **4 July 2025** will NOT be processed, unless written consent is obtained from the Vetting Committee, the granting or rejection of which is at the entire discretion of the Vetting Committee.

## Other Administrative Highlights

### Suspension or termination of funding support

- HKDEA on the recommendation of the Committee may terminate any selected application or suspend the funding release at any time for reasons which include, in the sole opinion of the Committee, inter alia,
  - (I) lack of progress of the proposed AI- assisted animation work by the Fund Recipients concerned; change of the company or business status of the selected applicant concerned and the change is considered to have impact on the original proposal; failure of the Fund Recipients to remedy some faults or breach of the agreed terms and conditions; or any other circumstances which the Committee or the CSI sees fit to terminate the selected application in view of public interest.
  - (II) Fund Recipients' failure to comply with the laws of Hong Kong, including the law on safeguarding national security in Hong Kong in implementing the project.
  - (III) If the Fund Recipients has engaged or is engaging in acts or activities that are likely to constitute or cause the occurrence of offences endangering national security or which would otherwise be contrary to the interest of national security or the continued engagement of the Recipients or the continued performance of the Agreement is contrary to the interest of national security; or HKDEA / CCIDA reasonably believes that any of the events mentioned above is about to occur.
  - (IV) the Fund Recipient's failure to manage its procurement to ensure that it can disqualify a tenderer/terminate a contract if the appointed Tenderer / Contractor has engaged or is engaging in acts or activities that are likely to constitute or cause the occurrence of offences endangering national security or which would otherwise be

contrary to the interest of national security; or the continued engagement of the Contractor or the continued performance of the contract is contrary to the interest of national security, or the Fund Recipient reasonably believes that any of the events mentioned above is about to occur. HKDEA / CCIDA shall not be responsible for any claim, legal proceeding, liability, loss, damages or any cost or expense, suffered or incurred by the Recipient arising out of or in relation to such termination.

(V) In such cases, HKDEA can terminate the agreement by giving the Fund Recipients not less than two weeks' prior written notice and reserves the right to require Fund Recipients to return the subsidy, in whole or in part, to the CSI via HKDEA.

Modifications or amendments to the AI-assisted animation work or change of company or business status

- The endorsed AI-assisted animation work of the selected applicant should be carried out in accordance with its original creative and technical proposal. Any modification or amendment must be approved by the Committee before implementation, otherwise it could be treated as a breach of the agreement.
- Fund Recipients must inform HKDEA via the Secretariat Office in writing for any change of its company or business status, officer(s) in-charge of the project, management structure, project commencement or completion dates, etc. HKDEA reserves the right to terminate the project agreement with the Fund Recipients and to seek remedies from the Fund Recipients if, in the sole opinion of HKDEA, these changes are considered to have affected the eligibility of the Fund Recipients under the Scheme.

Participation in promotion of the Scheme

- HKDEA will promote the finished AI-assisted animation works by Fund Recipients under the Scheme at local sharing seminar, project website and at exhibitions, and

to enroll the finished AI- assisted animation works in various local and regional award activities. By signing the project agreement, Fund Recipients agree to publicize their finished AI-assisted animation work under the Scheme at the discretion of HKDEA and shall assist HKDEA in the publicity activities that are related to the Scheme.

#### Acknowledgement of support and disclaimer

- Fund Recipients shall acknowledge that the “2<sup>nd</sup> Future Animation - AI-assisted Animation Production Support Scheme” is funded by CCIDA, in the AI-assisted animation work produced under this Scheme and in all related publicity / media events as well as publications of the AI-assisted animation work concerned. Fund Recipients are required to seek the approval of the Secretariat Office of the Scheme for the contents of the acknowledgement prior to its production.
- In addition to the acknowledgement, the following disclaimer should be included in all publicity / media events and publications of the animation work concerned:

“The Government of the Hong Kong Special Administrative Region provides funding support to the project only, and does not otherwise take part in the project. Any opinions, findings, conclusions or recommendations expressed in these materials/events (or by members of the project team) are those of the project organisers only and do not reflect the views of the Government of the Hong Kong Special Administrative Region, the Culture, Sports and Tourism Bureau, the Cultural and Creative Industries Development Agency, the CreateSmart Initiative Secretariat or the CreateSmart Initiative Vetting Committee.”

### Project Evaluation

- For evaluation propose, Fund Recipients are obliged to provide feedback on the effectiveness of the Scheme, including but not limited to the figures of business contacts and deals made / negotiated through the Scheme. Individual Fund Recipient's information is collected purely for statistical purpose and will not be divulged in the evaluation exercise.

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