DATE_____2013

THE GOVERNMENT OF
THE HONG KONG SPECIAL ADMINISTRATIVE REGION

and

[_____*(ProdCo)*_____]

FILM DEVELOPMENT FUND SCHEME FOR FINANCING FILM PRODUCTION

PRODUCTION FINANCE AGREEMENT

"_____*(Film Title)*_____"

(Case No. CHK/FDF/FP__/2013)

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PRODUCTION FINANCE AGREEMENT

DATED this _____ day of _____ 2011

BETWEEN:

(1) THE GOVERNMENT OF THE HONG KONG SPECIAL ADMINISTRATIVE REGION OF THE PEOPLE'S REPUBLIC OF CHINA as represented by the Head of Create Hong Kong of 40/F., Revenue Tower, 5 Gloucester Road, Wanchai, Hong Kong ("the Government"); and

(2) _____*(name of ProdCo)*_____ (Certificate of Incorporation No: _____), a limited liability company incorporated and existing under the laws of Hong Kong and having its registered office at _____*(ProdCo's address)*_____ ("ProdCo" which expression shall include its successors in title and assigns).

RECITALS

(A) The Government has agreed to contribute to the part-financing of the Production of the Film on the terms of this Agreement including the standard terms attached as Schedule 1 of this Agreement ("Standard Terms") and the special terms set out below ("Special Terms").

(B) All capitalised expressions used in this Agreement (including the Recitals) not otherwise defined in the Special Terms shall have the meanings given to them in the Master Definitions Schedule signed by or on behalf of the Government and ProdCo ("Master Definitions Schedule").

IT IS HEREBY AGREED AS FOLLOWS:

SPECIAL TERMS

1. Main Elements

Film:	"_____"
Production Budget Amount:	HK$ _____
Screenplay:	An original Screenplay by _____ , received by the Government on _____ and including all revisions, amendments and polishes thereto;
Scriptwriter:	_____
Work on which the Screenplay is based:	_____
Film Director:	_____
Film Producer(s):	_____
Co-Producer (s):	_____
Executive Producer(s):	_____
Director of Photography:	_____
Editor:	_____
Production Designer:	_____
Stills Photographer:	_____
Costume Designer:	_____
Hair & Makeup Designer:	_____
Composer:	_____
Leading Cast: Leading Actor:	_____
Leading Actress:	_____
Other Financier(s):	_____("_____")
Sales Agent:	_____
HK Distributor:	_____
Distributor For Areas Outside HK:	_____
Collection Agent:	_____
Auditor:	_____, which shall be a practice unit as defined under the Professional Accountants Ordinance (Cap. 50 of the Laws of Hong Kong).
Laboratory:	_____
Contingency:	HK$ _____
Production Fee:	HK$_____ (inclusive of all professional fees for Film Producer(s) services stated in the Production Budget, Production services fees, positive costs, negative costs, overhead fee, development fee, insurance premia, audit fee, employee and contractor salaries, fees and expenses, general and

	administrative expenses, equipment costs, expendable supplies and parts costs for the Production and Approved Overages of the Film)
Duration:	Between _____ minutes and _____minutes
Aspect Ratio:	_____
Stock:	_____
Location(s):	_____
Film Certificate:	Certificate for Public Exhibition in Hong Kong under the Film Censorship Ordinance (Cap. 392 of the Laws of Hong Kong)

Dates:

Commencement Date of Pre-Production:	_____
Commencement Date of Principal Photography:	_____
Commencement Date of Post-Production:	_____
Completion Date of Rough Cut:	_____
Completion Date of Final Cut:	_____
Delivery Date:	_____

ProdCo shall not make any changes to any of the Main Elements without the approval of the Government.

2. Government Finance

2.1 In consideration of ProdCo undertaking to produce the Film in accordance with the terms of this Agreement and subject always to satisfaction of the Conditions Precedent, the Government shall provide a sum of HK$_____ to partly finance the Production and Completion of the Film (the "**Government Finance**"). The Government Finance shall be advanced by the Government into the Production Account in accordance with the Cashflow Schedule and upon the terms and conditions set out in this Agreement. Before each instalment is advanced, ProdCo shall issue a drawdown notice in the form set out in Appendix C.

2.2 Details of the Production Account for the Film are as follows:
____*(name of Bank)*_____, _____*(Bank's address)*_____
Account Number: _____
Account Signatories: _____
_____

2.3 Details of the Collection Account for the Film are as follows:
____*(name of Bank)*_____, _____*(Bank's address)*_____
Account Number: _____
Account Name: _____

2.4 The Government may (but is not obliged to) pay:-

2.4.1 20% (twenty percent) of the Government Finance 14 days before the Commencement Date of Pre-Production specified in Clause 1 above;

2.4.2 25% (twenty-five percent) of the Government Finance 14 days before the Commencement Date of Principal Photography specified in Clause 1 above;

2.4.3 25% (twenty-five percent) of the Government Finance *(Create Hong Kong to insert the exact date)*

2.4.4 20% (twenty percent) of the Government Finance 14 days before the Commencement Date of Post-Production specified in Clause 1 above;

2.4.5 7.5% (seven and a half percent) of the Government Finance after it has notified ProdCo in writing of its acceptance of the Delivery Materials; and

2.4.6 2.5% (two and a half percent) of the Government Finance after it has notified ProdCo in writing of its acceptance of the Audited Statement.

3. Other Finance

ProdCo undertakes to procure the balance of finance for the Film as set out in the finance plan below:

3.1	**[*insert name of Financier*]** (" _____")	HK$_____
3.2	[*insert name of Financier*] ("_____")	HK$_____
3.3	[*insert name of Financier*] ("_____")	HK$_____
3.4	[*insert name of Financier*] ("_____")	HK$_____
	Total Other Finance	**HK$_____**

4. Recoupment

4.1 ProdCo shall ensure that Gross Revenues (save for such parts of Gross Revenues which may be withheld in accordance with the Collection Account Management Agreement) shall be credited to and held in the Collection Account. Further, ProdCo shall ensure that Gross Receipts shall be applied in accordance with the terms of the Recoupment Schedule.

5. Conditions Precedent

5.1 The Government's commitment to advance the Government Finance is subject to fulfilment of all of the following conditions:

5.1.1 delivery to and approval by the Government of the Production Budget;

5.1.2 approval by the Government of the Main Elements;

5.1.3 delivery to and approval by the Government of a completed and comprehensive Production Schedule;

5.1.4 delivery to and approval by the Government of the Cashflow Schedule;

5.1.5 approval by the Government of the Recoupment Schedule;

5.1.6 delivery to and approval by the Government of the Chain of Title for the Film, the Screenplay and the Music together with appropriate legal opinions (in the form and substance as approved by the Government) where any persons through which rights pass are in Hong Kong or otherwise and/or any Chain of Title agreements which are governed by laws of Hong Kong or otherwise;

5.1.7 delivery to the Government of the original signed Inducement Letter and other inducement letters (in the form as determined by the Government) as required by the Government;

5.1.8 delivery to the Government of the original fully executed Government Charge (in the form as determined by the Government) given in favour of the Government by ProdCo together with a written notice of such Government Charge to the bank at which the Production Account is held together with an acknowledgement from such bank;

5.1.9 delivery to and approval by the Government of:

(a) the original fully executed Bank Mandate;

(b) an original fully executed bank no-set-off letter (in a form approved by the Government);

5.1.10 approval by the Government of the balance of finance for the Film as set out in the finance plan in Clause 3 of the Special Terms and delivery to and approval by the Government of:

(a) a copy of the fully executed _____'s financing document (if any);

(b) a copy of the fully executed _____'s charge (if any);

5.1.11 delivery to and approval by the Government of an original fully executed Laboratory Pledgeholder's Agreement;

5.1.12 delivery to and approval by the Government of an original fully executed Inter-party Agreement;

5.1.13 approval by the Government of the identity of the Collection Agent and delivery to and approval by the Government of the original fully executed Collection Account Management Agreement;

5.1.14 delivery to and approval by the Government of copies of the fully executed agreements under which the services of the Scriptwriter(s), Film Director, Film Producer(s), Executive Producer(s), Leading Cast, Composer and all heads of department (as listed in the Main Elements) are engaged;

5.1.15 delivery to and approval by the Government of:

(a) copies of the Insurance Policies; and

(b) evidence of payment of the premia relating to the Insurance Policies;

5.1.16 approval of the identity of the Sales Agent and delivery to and approval by the Government of copy of the fully executed agreement between the Sales Agent and ProdCo;

5.1.17 delivery to and approval by the Government of the Sales Estimates;

5.1.18 delivery to and approval by the Government of the fully executed copy of the HK Distribution Agreement; and distribution agreement for the Film in at least one major international territory; and

5.1.19 delivery to the Government of:

(a) a certified copy of the Certificate of Incorporation of ProdCo;

(b) the Memorandum and Articles of Association of ProdCo; and

(c) a board resolution of ProdCo authorising the execution of this Agreement and all other agreements referred to in this Clause 5 to which ProdCo is a party.

5.2. ProdCo acknowledges that no part of the Government Finance will be advanced to ProdCo or the Production Account prior to the satisfaction of all Conditions Precedent and therefore if ProdCo proceeds with Pre-Production, Production and Post-Production before fulfilment of all Conditions Precedent, then it is doing so at its own risk.

5.3 Notwithstanding the above, if the Government in its absolute discretion elects to advance to ProdCo any part of the Government Finance before all of the Conditions Precedent have been satisfied, the Government shall not be deemed to have waived such Conditions Precedent which must still be satisfied by ProdCo without any delay. Without prejudice to Clauses 26.1.2 and 26.1.3 of the Standard Terms, if in the Government's opinion any such Conditions Precedent cannot or will not for any reason be met, the Government shall automatically be entitled to demand immediate repayment by ProdCo of all sums advanced by the Government to ProdCo under this Agreement together with interest at HIBOR (computed by reference to an interest period selected by the Government) plus 1.5 percent per annum on those sums from but excluding the date of advance to and including the date of actual payment by ProdCo calculated on a daily basis.

6. Approvals

ProdCo shall obtain the Government's approval over the following:

6.1 any changes to the Main Elements including any revisions to the Screenplay;

6.2 any changes to the Production Budget;

6.3 any changes to the Cashflow Schedule;

6.4 any changes to the Production Schedule;

6.5 any changes to the Film title (as set out in Clause 20 of the Standard Terms) ;

6.6 transfers of money in any of the Bank Accounts to any other accounts (as set out in accordance with Clause 6.5 of the Standard Terms);

6.7 the Audited Statement (as set out in Clause 19 of the Standard Terms);

6.8 Final Cut of the Film (as set out in Clause 12 of the Standard Terms);

6.9 all credits on the Film or relating to the Film (as set out in Clause 10 of the Special Terms);

6.10 the identity of all Other Financiers and the business terms of financing the Production of the Film, the financing and Production structure of the Film and all associated agreements (the finance plan set out in Clause 3 of the Special Terms is hereby agreed);

6.11 the amounts and recoupment position of any deferments, bonus and commission(s), and interest on any financing of the Film by any of the Financiers; and

6.12 the Sales Agent's commissions and expenses (including print and advertising expenses) and all sales below the minimum Sales Estimates.

7. Government Representative

The Government shall appoint a Government Representative to liaise with ProdCo and the Film Producer in respect of the Film. The Government Representative shall be Mr Peter Ma, Chief Executive Officer (Film Development), Create Hong Kong or any other person as the Government may authorize from time to time to act as the Government's representative or on his behalf for the purpose of this Agreement.

8. Principal Photography

8.1 ProdCo shall commence the Principal Photography of the Film within a period of 90 days from the Commencement Date of Principal Photography set out in Clause 1 of the Special Terms and thereafter shall adhere to the Production Schedule for the carrying out of the Principal Photography.

8.2 If ProdCo fails to commence the Principal Photography of the Film to the satisfaction of the Government within a period of 90 days from the Commencement Date of Principal Photography set out in Clause 1 of the Special Terms in accordance with Clause 8.1 above, ProdCo shall, not later than 3 days after the expiry of the above-mentioned 90-day period, apply to the Government in writing:-

8.2.1 for an extension of time for the Commencement of the Principal Photography of the Film; and

8.2.2 (if necessary) for the revision of the Commencement Date of Post-Production, and the Completion dates of Rough Cut and Final Cut, and Delivery Date set out in Clause 1 of the Special Terms as well as the Production Schedule.

8.3 The Government has the sole discretion to approve or reject the application referred to in Clause 8.2 above and, if it approves the application, to impose such terms and conditions to the approval as it considers appropriate.

8.4 If any of the following events occur, subject to Clause 29 of the Standard Terms (Force Majeure), the Government may by written notice to ProdCo terminate this Agreement with immediate effect and in such event, Clauses 27.2 to 27.5 of the Standard Terms shall apply mutatis mutandis:-

8.4.1 ProdCo fails to observe Clauses 8.1 and 8.2 above, or

8.4.2 ProdCo fails to observe Clause 8.1 above and ProdCo's application made pursuant to Clause 8.2 above is rejected by the Government, or

8.4.3 ProdCo fails to observe Clause 8.1 above and ProdCo's application pursuant to Clause 8.2 above is approved by the Government, but ProdCo fails to commence the Principal Photography within the extended period approved by the Government or to comply with any terms or conditions imposed by the Government.

9. Underspend

Underspend, if any, in respect of the Film shall be held by ProdCo on trust for the Government absolutely and be paid to the Government in accordance with Clause 17.2 of the Standard Terms.

10. Credits

10.1 The Government will receive a main title credit (which shall be preceded by the logos of the Film Development Fund and Create Hong Kong) on a separate card and an end credit followed by the logos of the Film Development Fund and Create Hong Kong in the form set out in paragraphs 1 and 2 and 5 of Appendix A on all copies of the Film.

10.2 A copyright notice acknowledging the Government's copyright ownership shall, having been approved by the Government, appear on the Film as illustrated in paragraph 6 of Appendix A.

10.3 Additionally the Government will receive a block of credits for such additional persons up to five (5) as may be designated by the Government in the end credits.

10.4 ProdCo shall procure that in all advertising and promotional material for the Film including posters, press releases, video sleeves and soundtrack album covers the credits and copyright notice set out in the Special Terms shall appear in the billing block of such material followed by the logos of the Film Development Fund and Create Hong Kong (as amended from time to time) and the copyright notice (all as illustrated in paragraph 7 of Appendix A).

10.5 The Government will have the right to approve all credits on the Film and ProdCo shall submit a draft of all proposed credits to the Government for approval prior to including such credits on any copy of the Film. The forms of the logos of the Film Development Fund and Create Hong Kong are as set out in Appendix A or as otherwise notified to ProdCo by the Government.

10.6 ProdCo shall ensure that each of the Government credits and logos as specified in this Clause 10 will be no smaller or less prominent than those of any other Financier.

10.7 ProdCo shall contractually require that the Sales Agent, all Distributors and any other third parties responsible for the marketing of the Film accord the Government the credits listed in this Clause 10 (as illustrated in Appendix A) without omission or alteration. No failure by any third party to accord such credit shall be deemed a breach of this Agreement by ProdCo provided that:-

10.7.1 in the event that ProdCo has knowledge that any breach is likely to occur, ProdCo shall use best endeavours to prevent such breach; and

10.7.2 in the event of any breach, ProdCo shall use best endeavours to remedy such breach without delay.

11. Press Release and Publicity

ProdCo shall not issue or authorise the issue of any press release or make any public announcements or issue any form of publicity regarding the Film and/or ProdCo's or the Government's involvement therein, or use (whether expressly or impliedly) the Government's name or the name of any Government departments in any document, publication, advertisement or publicity material without the approval of the Government except pursuant to ProdCo's performance of its obligations under this Agreement and to the extent that the relationship between the Government and ProdCo in relation to the Film is public knowledge.

12. Government Legal Fees

If required by the Government, ProdCo shall make provision in the Production Budget of the Film for legal fees not exceeding HK$100,000 towards settlement of the Government's legal fees which ProdCo shall pay to the Government on demand.

13. Other Matters

ProdCo shall ensure that any deferments, bonus and commission(s), and interest on any financing of the Film by any of the Financiers shall be subject to the Government's approval.

14. Conflict

In the event of a conflict or inconsistency between the Special Terms and the Standard Terms, the terms of the Special Terms shall prevail to the extent of such conflict or inconsistency.

END OF SPECIAL TERMS

SCHEDULE 1

STANDARD TERMS

1. Definitions and Interpretation

1.1 Definitions

In this Agreement the capitalized expressions shall have their respective meanings in the Master Definitions Schedule, except where the context otherwise requires.

2. Rights Granted

2.1 ProdCo hereby with full title (save for and subject to the rights and (as the case may be) security created in respect of the Charged Property by the Government Charge, the Inter-party Agreement and save for and subject to the rights of the Distributors) irrevocably assigns or otherwise transfers and shall assign or otherwise transfer to the Government absolutely ProdCo's right, title and interest (including Intellectual Property Rights) (whether vested, future or contingent) in and to:

2.1.1 the Film and all its underlying, ancillary and secondary rights including the Screenplay, the Original Music, characters, images, story, plots, dialogues, sound effects and all other things and materials acquired or to be acquired by ProdCo in respect thereof

2.1.2 the Production Materials, the Master Materials, the Delivery Materials and all marketing materials relating to the Film and all other things and materials acquired or to be acquired by ProdCo in respect thereof

for the Government and _____ to hold as tenants in common in the proportions **35%** to the Government and **65%** to _____ throughout the world for the full period of the Intellectual Property Rights and any and all renewals, revivals, reversions and extensions of the same and thereafter so far as is possible in perpetuity.

2.2 ProdCo hereby with full title irrevocably assigns or otherwise transfers to the Government the Delivery Materials so that the Government will be entitled to the absolute ownership and possession of the Delivery Materials.

2.3 For the avoidance of doubt, ProdCo may not exercise or authorise the exercise of all or any part of rights in relation to the underlying, ancillary or secondary rights materials in respect of the Film without the Government's consent.

2.4 The Government hereby grants to ProdCo ***[**an exclusive**] *[**a non-exclusive**]** royalty-free licence of all of its rights in respect of the Film which are necessary for the Production, distribution, exploitation and marketing of the Film, subject to:

2.4.1 the terms of this Agreement (including the Government's interests as tenants in common under Clause 2.1 of the Standard Terms) and to the extent required to enable ProdCo to enter into agreements with the Sales Agent and/or any Distributor; and

2.4.2 the condition that ProdCo shall have obtained a licence (on the same terms as those provided in sub-clause (2.4.1)) from each of the other co-owners specified in Clause 2.1 of the Standard Terms of all of their respective rights in respect of the Film, on or before ProdCo's Production, distribution, exploitation or marketing of

the Film in accordance with the terms of this Agreement.

** Please delete if inappropriate.*

2.5 The parties acknowledge that the Government shall be entitled to use the Delivery Materials to publicise by any means the Government's involvement in the Film, for its own internal purposes, and to deposit any of the Delivery Materials at the office of Create Hong Kong.

3. Music

3.1 Without prejudice to Clause 2 above, prior to the Completion of the Film ProdCo shall procure an assignment to it of all rights (including the Intellectual Property Rights) in the Original Music included in the Film to enable ProdCo to exploit such Music by all means and in any media throughout the world for the full period of the Intellectual Property Rights and any renewals, revivals, reversions and extensions of the same and thereafter so far as is possible in perpetuity.

3.2 Prior to the Completion of the Film ProdCo hereby shall obtain a non-exclusive licence to incorporate all Source Music included in the Film and to exploit it by all means and in any media throughout the world for the full period of the Intellectual Property Rights and any renewals, revivals, reversions and extensions of the same and thereafter so far as is possible in perpetuity. The Government acknowledges that the above non-exclusive licence may not cover any "out-of context" use for the Source Music.

4. Production of the Film

4.1 ProdCo hereby undertakes to produce the Film to a first-class technical and pictorial standard in accordance with the Screenplay, Main Elements, the Production Schedule, the Cashflow Schedule and the Production Budget, and to complete and deliver the Film in accordance with the terms of this Agreement and the Required Documents.

4.2 ProdCo shall ensure that the Film will be:

4.2.1 fully synchronised as to dialogue, Music and effects;

4.2.2 produced in the Chinese language unless the Government otherwise agrees; and

4.2.3 feature length, fully-edited, main and end-titled, and free from scratches and blemishes.

5. Production Budget

5.1 The Production Budget (which should, if possible, be prepared using a spreadsheet) shall include:

5.1.1 a Contingency of HK$_____;

5.1.2 provision for the costs of obtaining the Insurance Policies;

5.1.3 provision for use fees, repeat fees and residuals sufficient to ensure the exploitation of the Film throughout the world by any and all means and in all media now existing or hereafter created in perpetuity (including the use of extracts and clips from the Film in promotional videos, trailers, an electronic press kit, behind the scenes programming and "making of" films and for use on any website produced in connection with the Film);

5.1.4 provision for adequate unit publicity including electronic press kits and provision for test screenings (where required);

5.1.5 provision for HK$100,000 as may be required by the Government under Clause 12 of the Special Terms towards settlement of the Government's legal fees; and

5.1.6 the costs of creating and delivering the Delivery Materials.

5.2 ProdCo must obtain the Government's consent to any changes to any line items in the Production Budget and to any re-allocations in the Production Budget.

6. Bank Accounts

6.1 The Government shall not advance any part of the Government Finance until ProdCo:

6.1.1 has established the Production Account in a form satisfactory to the Government; and

6.1.2 has provided the Government with an executed copy of the Bank Mandate including a written acknowledgement of such Bank Mandate from the bank at which such Production Account is held.

6.2 ProdCo shall nominate at least 2 (two) signatories to the Production Account. All signatories to the Production Account shall be approved in advance by the Government.

6.3 All sums in the Production Account shall only be expended according to the Production Budget and this Agreement.

6.4 ProdCo shall not deposit its own money in any of the Bank Accounts other than its investment in the Film or as required pursuant to this Agreement.

6.5 ProdCo shall not transfer money standing to the credit of any of the Bank Accounts to any other accounts without the approval of the Government save for:-

6.5.1 any transfers in accordance with the Cashflow Schedule which represent payment of fees due to ProdCo and included in the Production Budget; or

6.5.2 any payments of the approved items as specified in the Production Budget.

Transactions, arrangements, agreements or undertakings (whether or not having legal effect and whether in a series or singly) which have or purport to have the purpose or effect of avoiding the need to obtain the requisite approval from the Government under this Clause shall be absolutely prohibited, void and of no legal effect.

6.6 ProdCo shall provide to the Government immediately on request, copies of each bank statement for the Bank Account(s) and/or Production Account.

6.7 Any interest accruing on money in the Production Account or any other Bank Account shall firstly be applied towards the Production Expenses and any excess shall be considered Underspend and applied in accordance with Clause 17 of the Standard Terms.

6.8 The Production Account shall be closed by ProdCo without any delay upon receipt of written notification from the Government that it has received, and approved, the Audited Statement or at such later date as the Government may agree.

7. Foreign Currency

7.1 If ProdCo is or will be required to make payments in a currency other than Hong Kong dollars or will use money payable in a currency other than Hong Kong dollars to meet the

Production Budget Amount, ProdCo shall, by insurance hedging or similar arrangements, ensure that it has sufficient money to make those payments from the Production Budget in such currency or that such currency when aggregated with the other investments is sufficient to meet the Production Budget Amount.

7.2 ProdCo shall pay any gain, saving or benefit realised from currency movements into the Production Account. Any such gains shall, with the Government's consent, be treated as part of the Production Budget and may be expended on the Production Expenses and any excess shall be considered Underspend and applied in accordance with Clause 17 of these Standard Terms.

8. VAT/GST (if any)

8.1 The Government Finance is exclusive of VAT/GST (if any).

8.2 Where ProdCo has provided a taxable supply to the Government in return for funding from the Government under this Agreement and the Government subsequently becomes entitled to participate in the revenues generated by the Film, the Government may invoice ProdCo for VAT/GST (if any) on amounts recouped by the Government under this Agreement as set out in the Recoupment Schedule, and ProdCo shall promptly pay all VAT/GST (if any) due on such amounts.

9. Insurances

9.1 ProdCo shall effect and maintain the following insurance policies (in such amount, kind and form and on such terms and conditions as approved by the Government) from the start of Pre-Production of the Film (unless otherwise agreed by the Government) with reputable insurance underwriters or companies approved by the Government:

9.1.1 crew and cast insurance;

9.1.2 insurance against loss, theft or destruction of the master tape, original negative or sound track of the Film or of the sets, props, wardrobe and equipment used in connection with the Production of the Film;

9.1.3 comprehensive general and automobile liability insurance;

9.1.4 third party damage insurance;

9.1.5 if requested by any Distributor or the Government, ProdCo's errors and omissions insurance;

9.1.6 if necessary, worker's compensation insurance for the benefit of all individuals employed by ProdCo in connection with the Film; and

9.1.7 such other types of insurance in such amounts which are generally accepted or entered into internationally in the motion picture and television industry and which the Government may reasonably request from time to time and such policies shall provide that in the event any of the perils insured against materialize, the insurance proceeds will be sufficient to permit the full recovery of the loss including any required re-shooting for the Completion of the Film.

ProdCo agrees that the insurances referred to in sub-clauses 9.1.1 to 9.1.7 above shall have limits of liability of (a) not less than HK$25,000,000 in the aggregate (with no exclusions whatsoever unless approved by the Government) if the Production Budget does not exceed HK$7,500,000; and (b) not less than HK$35,000,000 in the aggregate (with no exclusions whatsoever unless approved by the Government) if the Production Budget exceeds HK$7,500,000.

9.2 ProdCo shall provide the Government with a copy of each of the Insurance Policies and the certificates of renewal thereof within one month from signing of the Agreement and the Insurance Policies shall be maintained in full force and effect for such periods as the Government may reasonably (in the opinion of the Government) require.

9.3 ProdCo shall ensure that the Government shall be named as an additional insured party on all Insurance Policies in respect of the Film.

9.4 Unless the Government agrees otherwise, ProdCo shall observe and perform all terms and conditions required under the Insurance Policies and pay all premia by no later than the earlier of the Commencement Date of Principal Photography of the Film or the due date by which the premia must be paid to the insurer under the Insurance Policies.

9.5 If any event occurs which could give rise to a claim on any of the Insurance Policies, ProdCo must immediately notify the Government and the insurers and shall consult with the Government regarding the settlement of any insured losses and shall obtain the Government's approval over any settlement to be reached with the relevant insurers. ProdCo undertakes to pursue any such claim promptly and do all things and take all such actions as may reasonably be expected of ProdCo in connection with the claim.

9.6 Subject to the Government Charge and the Inter-party Agreement, ProdCo shall ensure that the proceeds of any claims under any of the Insurance Policies shall be paid into the Production Account (unless the Production Account is closed in which case the Collection Account) and be applied:

9.6.1 first, towards payment of all costs and expenses in making such claims;

9.6.2 second, in repayment of any advances made by any of the Financier(s) in respect of any losses in connection with the claim incurred by ProdCo;

9.6.3 third, to settle the Production Expenses; and thereafter

9.6.4 as Underspend and applied in accordance with this Agreement.

10. <u>Reports</u>

10.1 Unless the Government agrees otherwise, ProdCo shall provide the Government with such information as it reasonably requires in relation to its investment (including financing of) in the Film including written costs reports: (a) monthly during Pre-Production; (b) monthly during Principal Photography; (c) monthly during Post-Production to the end of the sound mix; and (d) monthly until delivery of the Audited Statement. Further, upon the request of the Government, the Film Producer shall, promptly or within such period as may be specified by the Government, provide the Government with such information as the Government may require to enable the Government to address specifically any issues that are, in the Government's reasonable opinion, of public concern, or to enable the Government to respond specifically to any request for information from the Legislative Council of Hong Kong, the Director of Audit, or any independent inquiry commissions (or such body performing similar functions) that investigate or may investigate into, examine, inquire, or audit the arrangements which are the subject matter of this Agreement, or the transactions contemplated by this Agreement, or matters that are relevant to the subject matter of this Agreement or the transactions contemplated by this Agreement.

10.2 ProdCo shall ensure that cost reports shall be in a format acceptable to the Government and shall contain a narrative showing movement since the last cost report, full explanations of

any variances from the Production Budget in each cost area, and finance and expenditure statements. Cost reports shall be sent by ProdCo to the Government.

10.3 Unless the Government agrees otherwise, ProdCo shall supply the Government with the Production Schedule and any revisions thereto whenever updated, and with daily call sheets and daily reports during Principal Photography in the manner as requested by the Government.

11. Government Access and Rushes

11.1 Unless the Government agrees otherwise, ProdCo shall permit a Government representative to attend any stage of Pre-Production and Production of the Film including attendance at meetings, script read-throughs and make-up tests and ProdCo shall give the Government reasonable advance notice of the same. During and after Principal Photography of the Film ProdCo shall on request allow the Government and its representatives access to the sets and the place where the pre-production, Production or post-production of the Film takes place and shall allow the Government to examine and view all rushes and cut sequences together with the original sound recording(s). Further ProdCo shall give the Government access to the sound mix, ADR sessions, music recordings, grading and telecine of the Film and an opportunity to view the Film at all stages of the editing process. ProdCo shall also invite the Government to any screenings of the Film for any other Financier or third party.

11.2 ProdCo shall, if requested by the Government, promptly deliver to the Government a videotape (or DVD) copy of all rushes on a daily basis, or at such other frequency as the Government may agree.

11.3 Unless the Government agrees otherwise, ProdCo shall take the Government's comments and suggestions (if any) into account at any stage including those stages referred to in Clause 11.1 above and ProdCo shall, if requested by the Government, consult fully with the Government during Production of the Film and shall notify the Government of any delays or interferences with the Production Schedule for the Film.

12. Final Cut

12.1 ProdCo shall:

12.1.1 carry out all changes the Government may require in order for the Film to meet the requirements of the Broadcasting Authority of Hong Kong and Television and Entertainment Licensing Authority (TELA) and secure a certificate for public exhibition in Hong Kong under the Film Censorship Ordinance (Cap. 392 of the Laws of Hong Kong) and/or comply with any warranty, representation or other contractual specification relating to the Film and/or to conform to any legal advice received by the Government; and

12.1.2 give full consideration in good faith to all suggestions and comments made by the Government in respect of all cuts of the Film.

12.2 Notwithstanding the above, the Government shall have a right of approval over the Final Cut of the Film.

12.3 The costs of any changes or editing shall be borne by ProdCo from the Production Budget and carried out within the time constraints of the Government's approved Post-Production schedule.

13. Laboratory and Facilities House

13.1 ProdCo shall cause the Laboratory to execute and deliver the Laboratory Pledgeholder's Agreement in the form approved by the Government and shall pay all sums due to the Laboratory for services rendered by the Laboratory.

13.2 ProdCo shall deliver all Master Materials to the Laboratory for processing by the Laboratory and shall procure that all processing and copying of all material for the Film is carried out by the Laboratory.

13.3 In order to combat counterfeiting, piracy and misuse of the Film or the Master Materials, ProdCo shall use best endeavours to conduct all due diligence inquiries as may be appropriate on the persons to be engaged or their respective Associates, Associated Persons and affiliates for the Post-Production of the Film (including the Laboratory, facilities houses, couriers etc.) before selecting them to carry out such Post-Production (or parts thereof) in Hong Kong.

14. Production Materials

14.1 ProdCo shall maintain all Production Materials in good condition, allowing for fair wear and tear, in relation to their condition at the time of purchase, hire or lease, and shall take all reasonable precautions to prevent loss, damage, deterioration or theft of the Production Materials.

14.2 When the Production Materials are no longer required for the Production of, or in connection with, the Film or any sequel, prequel, remake or TV spin off of the Film, ProdCo may sell the Production Materials for the best price reasonably obtainable. ProdCo shall ensure that the proceeds of sale of the Production Materials shall be paid into the Production Account immediately on receipt and treated as part of the Production Budget.

15. Intellectual Property Rights Protection / Piracy

15.1 The Government is committed to tackling issues relating to film piracy and the nature and extent of the problem, and to identify a possible solution for the Hong Kong film industry. As such, the Government includes the following obligations in this Agreement which are intended for the benefit of ProdCo and the Financiers.

15.2 Without prejudice to ProdCo's warranties contained herein, ProdCo shall use best endeavours to protect the Film (including for this purpose each and every part thereof) against piracy and unauthorised copying and shall use best endeavours (technical, contractual and otherwise) to ensure that no unauthorised copies of the Film are made and/or distributed by any party.

15.3 Save as may be approved by the Government, ProdCo shall not allow or authorise any person to make copies of the Film for any purpose. For the avoidance of doubt, ProdCo shall obtain the Government's approval over any person that may be engaged to create copies of the Film by or under authority of ProdCo.

15.4 ProdCo shall keep a written record of all copies of the Film which have been made and, in each case, to whom such copies have been sent and shall, provide the Government with a copy of such record promptly upon request (and in any event shall include such record in the delivery paperwork to the Government).

15.5 ProdCo shall immediately notify the Government upon becoming aware of the existence of any unauthorised copies of the Film and/or any breach of ProdCo's undertakings herein and/or any infringement of the Government's or any other party's rights in and to the Film.

15.6 All references in this Clause 15 to "the Film" shall be deemed to include and shall be applicable to the soundtrack thereof, all original materials in respect thereof and all sound recordings in connection therewith.

15.7 ProdCo shall ensure that in any and all agreements with cast and/or crew and/or any third party whereby such cast and/or crew member and/or third party is entitled to a copy of the Film, the wording in such agreements shall limit the making available of such copies to any such party on or after the date when copies of the Film become commercially available for sale in Hong Kong.

16. Overspend

ProdCo shall be responsible for and shall meet the Overspend (if any).

17. Underspend

17.1 Subject to ProdCo not being in breach of any provisions of this Agreement, the Underspend (if any) shall be applied by ProdCo as set out in the Special Terms.

17.2 ProdCo shall account for and pay over any Underspend on or prior to delivery of the Audited Statement.

18. Delivery Materials

18.1 ProdCo shall deliver the Delivery Materials to the Government on or before the Delivery Date. ProdCo shall ensure that the cost of providing the Delivery Materials shall be included in the Production Budget.

18.2 ProdCo acknowledges that the Delivery Materials have been requested by the Government as part of its remit to reach the broadest possible audience for the Film.

19. Accounting

19.1 ProdCo shall keep the Accounting Records and shall ensure that the Accounting Records are prepared and maintained in accordance with the Companies Ordinance (Cap. 32 of the Laws of Hong Kong) and generally accepted accounting principles.

19.2 ProdCo shall ensure that the Accounting Records demonstrate a true, up to date and objective view of all transactions in respect of the Film and the financial position of ProdCo.

19.3 The Government and/the Commissioner for Audit and their respective authorized representatives shall have the right at any time during the continuation of this Agreement and for a period of up to 5 (five) years from the expiry or termination of this Agreement to access the premises in the possession of or under the control of ProdCo or its Associates, Associated Persons or affiliates and inspect and make copies of (a) the Accounting Records; and (b) any documentation relating to the Production of the Film, by giving reasonable notice to ProdCo except in the case of emergency.

19.4 ProdCo shall engage the Auditor to audit the Accounting Records and shall within 3 (three) months of the Delivery Date prepare and deliver to the Government the Audited Statement.

19.5 The Audited Statement shall include the following:

19.5.1 all income and expenditure relating to the Production and Delivery of the Film and a comparison of those sums with the Production Budget on an item by item basis;

19.5.2 reconciliations of the Production Account;

19.5.3 details of the assets, liabilities and investments of ProdCo and the Financiers relating to the Film;

19.5.4 settlement of all debtors and creditors of the Production;

19.5.5 disposal of the Production Materials at a fair and reasonable price;

19.5.6 details of the application of any Overspend or Underspend;

19.5.7 interest accrued on sums standing to the credit of the Production Account;

19.5.8 any gain realised or loss incurred from foreign currency movements;

19.5.9. fulfilment of the procurement requirements set out in Clause 31 of the Standard Terms of this Agreement; and

19.5.10. the balance of the Production Account.

19.6 Until the Government has notified ProdCo in writing of its acceptance of the Audited Statement, the Government will retain a minimum of 2.5% (two and a half percent) of the Government Finance.

20. Film Title

The title of the Film is specified in the Special Terms. Any changes to the title shall be subject to the Government's approval.

21. Credits and Copyright Notice

ProdCo shall accord the Government the credits set out in the Special Terms and a copyright notice shall appear as set out in the Special Terms.

22. Film Certification and Qualification

ProdCo shall in producing the Film undertake to ensure that the Film is capable of obtaining a certificate for public exhibition in Hong Kong under the Film Censorship Ordinance (Cap. 392 of the Laws of Hong Kong).

23. Distribution and Marketing

23.1 ProdCo shall obtain the Government's approval over:

23.1.1 the identity of the Sales Agent and the HK Distributor and any replacements thereof; and

23.1.2 the terms of the agreements appointing such Sales Agent and HK Distributor.

23.2 ProdCo shall procure that, within 3 (three) months from the Delivery Date, the Film is registered with all relevant collection agencies worldwide (including those in Hong Kong) for the collection of fees or royalties due in respect of the Film and shall notify the Government of all such registrations.

23.3 ProdCo shall, and shall procure that the Sales Agent and/or any Distributor(s) shall, obtain the Government's approval in respect of any sale or distribution of the Film in any territory below the minimum Sales Estimates and the terms thereof.

23.4 Each agreement entered into by ProdCo and/or the Sales Agent for the distribution of the Film shall contain a right for ProdCo and/or its designees, including the Government and the Commissioner for Audit and the Collection Agent, to audit the books and records of each Distributor and ProdCo shall exercise such right at the Government's request.

23.5 ProdCo shall obtain the Government's approval in respect of any marketing strategy and marketing budget(s) for the Film proposed by the Sales Agent or the Distributors and any key artwork, publicity or advertising materials used by ProdCo and/or Sales Agent and/or the HK Distributor in connection with the Film.

23.6 ProdCo shall provide the Government with copies of all executed deal memos and distribution agreements relating to the distribution of the Film throughout the world, together with all statements and reports provided by Distributors.

23.7 ProdCo shall advise the Government when it delivers the Film to the Sales Agent and any Distributor and shall make full and timely Delivery as required by such Sales Agent and Distributors.

23.8 ProdCo shall advise the Government of any non-compliance or delay by any Distributor in making any payment in accordance with their distribution agreements.

23.9 ProdCo shall take and shall procure that the Sales Agent and/or Distributors take all reasonable steps to maintain, prosecute and defend any and all Actions. ProdCo shall notify the Government immediately if ProdCo becomes aware of any Action and ProdCo may not settle any Action without the Government's consent.

23.10 The Government may at its option and in its sole discretion assume control of any Action commenced by ProdCo, in which case ProdCo shall co-operate fully with the Government's conduct of such Action.

24. Gross Receipts

24.1 ProdCo shall, and shall procure that the Sales Agent and, where necessary, the Financier(s), shall, issue irrevocable instructions to all sub-sales agent(s), Distributor(s) and sub-distributor(s) to pay Gross Revenues directly into the Collection Account.

24.2 ProdCo shall ensure that Gross Receipts shall be distributed in accordance with the terms of the Recoupment Schedule and the Collection Account Management Agreement.

25. Warranties

25.1 ProdCo represents, warrants and undertakes to the Government that:

25.1.1 it has the absolute right and authority to enter into and fully perform this Agreement and to grant and assign to the Government and the Financiers all rights granted and assigned pursuant to this Agreement and has not previously granted or assigned any rights so as to derogate from the grant of rights under this Agreement;

25.1.2 it owns or has the exclusive right to acquire the rights including the Intellectual Property Rights in the Work on which the Screenplay is based and the Screenplay that are necessary for the Production of the Film and there are no defects in the documents comprising the Chain of Title;

25.1.3 it is a company in good standing, duly organised and validly existing under the laws of Hong Kong and the execution and delivery of this Agreement will not violate the provisions of its Memorandum or Articles of Association or any agreement to which it is a party;

25.1.4 the Production Budget is a comprehensive and bona fide estimate of all expenditure likely to be incurred in the course of the Production of the Film including all fees payable by reference to any use or exploitation of the Film (save only for those fees (if any) payable in relation to the public performance of the Music) and including the costs of such materials as may be required by other financing or distribution agreements relating to the Film and ProdCo will use its best endeavours to prevent any Overspend occurring;

25.1.5 it will pay or procure the timely payment of all sums due to all persons and parties who are entitled to payment in respect of services supplied or rights granted in connection with the Film;

25.1.6 it has not allowed and nor will it allow the creation of any mortgage, pledge, lien, charge, encumbrance, option, third party security, interest or other arrangement of any kind, nor will it allow any creditor or secured party to have its claim(s) satisfied in priority to other creditors or secured parties from other assets in respect of:

(a) the Film and all its underlying, ancillary and secondary rights materials including the Screenplay, the Music, characters, images, story, plots, dialogues, sound effects and all other things and materials acquired or to be acquired by ProdCo in respect thereof; and

(b) the Production Materials, the Master Materials, the Delivery Materials and all marketing materials relating to the Film and all other things and materials acquired or to be acquired by ProdCo in respect thereof, other than as set out in this Agreement, the Government Charge and the Inter-party Agreement;

25.1.7 there is no claim or litigation pending or threatened against or relating to ProdCo, any persons set out in the Main Elements, the Screenplay or the Film or otherwise which might adversely affect either ProdCo's ability to produce, complete and deliver the Film in accordance with the terms of this Agreement, or the ability of the Sales Agent or any Distributor to exploit the Film in accordance with the terms of their respective agreements with ProdCo;

25.1.8 other than in respect of the performing right in any Music controlled by Composers and Authors Society of Hong Kong Limited (CASH) or any similar collection society or agency in any other country, it will secure assignments or irrevocable assignable licences (including synchronisation licences in respect of the Music and licences in respect of library or other film material incorporated in the Film (if any)) entitling ProdCo and persons deriving title through it without further payment to record, reproduce, broadcast, transmit, perform, play, show, include in cable program, make available and exploit all the Intellectual Property Rights materials incorporated in the Film by any means and in any and all media now known or

hereafter devised, including for the avoidance of doubt through the internet, throughout the world in perpetuity;

25.1.9 it will obtain all necessary consents, grants, rights and waivers (including consents to carry out, and to authorize the carrying out of, the "acts restricted by the copyright" under the CO, moral rights waivers pursuant to Division IV of Part II of the CO and performers' rights pursuant to Division I of Part III of the CO) to enable ProdCo to make the Film and to exploit it by any means and in any and all media throughout the world in perpetuity and that the exercise of such rights will not infringe any rights of privacy or personal proprietary or other rights or any Intellectual Property Rights of any person. The Government acknowledges that the above consents, grants, rights and waivers may not cover any "out-of-context" use in respect of the Source Music;

25.1.10 nothing will be included in the Film in breach of any contract or duty of confidence nor will anything in the Film breach any common law or statutory rights of any kind, including any broadcasting regulations;

25.1.11 the Screenplay is original to the Scriptwriter(s) and does not infringe the rights (including the Intellectual Property Rights) of any person;

25.1.12 the balance of finance of the Film referred to in Clause 3 of the Special Terms will be advanced into the Production Account in accordance with the Inter-party Agreement;

25.1.13 it owns all rights and benefits (including the Relevant IPRs and other Intellectual Property Rights) in the Film which enable it to grant the rights under Clause 2.1 of the Standard Terms;

25.1.14 other than as provided in the Government Charge and the Inter-party Agreement, there are and will on Delivery of the Film be no claims, liens or encumbrances of any nature affecting the Film or any part thereof;

25.1.15 the Screenplay and/or the Film do not and shall not, under the laws of any jurisdiction in the world, contain anything libellous, defamatory, obscene or blasphemous or in any other way unlawful;

25.1.16 the Film will on Delivery comply with the rules and guidelines published from time to time by TELA and the Film Censorship Authority and will satisfy the qualification requirements for a certificate for public exhibition in Hong Kong under the Film Censorship Ordinance (Cap. 392 of the Laws of Hong Kong);

25.1.17 no contract or commitment for any rights or services, which involves consideration or compensation measured in whole or in part by a share or percentage of Gross Revenues or of Gross Receipts earned from the Film, shall be made without the Government's approval;

25.1.18 it shall comply with and perform all provisions of all distribution, financing, security and licence agreements and all other agreements, undertakings and commitments entered into by or notified to it as such provisions relate to the Production of the Film or any services to be rendered by it in connection with the Production and Delivery of the Film;

25.1.19 it will be able to pay its debts as and when they fall due;

25.1.20 it will produce the Film in accordance with all applicable laws, ordinances and rules (including in relation to tax, immigration and health and safety);

25.1.21 all items shown in the Production Budget are exclusive of VAT/GST (if any) chargeable on such items;

25.1.22 no Event of Default has occurred;

25.1.23 all written information provided by or on behalf of ProdCo to the Government (including all information contained in the application form for the Government Finance and supporting documents and all written information relating to this

Agreement or the Film provided by or on behalf of ProdCo to the Government) is up-to-date, true, accurate and complete in all material respects as at the date it was given and is not misleading in any respect;

25.1.24 it will provide all necessary documentary evidence to prove a satisfactory Chain of Title for the Film;

25.1.25 it will ensure that all Production Materials which are funded (whether in full or in part) by the Government Finance shall be used exclusively for the purposes of Production, Completion, marketing and promotion of the Film and for no other purposes; and

25.1.26 the exercise by the Government, its authorized users, assigns and successors-in-title of any of the rights granted under this Agreement does not and will not infringe any Intellectual Property Rights of any person.

25.2 All representations, warranties and undertakings made pursuant to this Agreement shall survive the expiry or termination of this Agreement and shall continue in full force or effect notwithstanding such expiry or termination and shall be deemed repeated by ProdCo on the date of each drawdown of the Government Finance and on Delivery of the Film.

25.3 ProdCo shall indemnify and keep the Government fully and effectively indemnified from and against all claims, actions, investigations, judgments, proceedings, demands, losses, damages, costs, charges and expenses (including legal fees and expenses and VAT/GST (if any) thereon) or liabilities of whatsoever nature arising directly or indirectly as a result of or relating to:-

25.3.1 any breach by ProdCo of any provisions of this Agreement or the wilful misconduct, breach of statutory duty, omission, recklessness or negligence of ProdCo or any of its officers, employees, agents or subcontractors; and

25.3.2 any allegation of or claim for infringement of the Intellectual Property Rights of any persons arising from or in any way related to the Production or Delivery of the Film or the use or possession at any time (whether before or after the execution of this Agreement) of the Film or any of its underlying, ancillary and secondary rights materials, the Production Materials, the Master Materials, the Delivery Materials, the marketing materials or any other things or materials relating to the Film by the Government.

This Clause shall survive the expiry or termination of this Agreement and shall continue in full force and effect notwithstanding such expiry or termination.

26. <u>Events of Default</u>

26.1 If any of the following events occur (whether within the control of ProdCo or not) they shall be considered Events of Default for the purposes of this Agreement:

26.1.1 ProdCo commits a breach of any provisions of this Agreement or the Government Charge which shall not be capable of being remedied, or a breach of a provision of this Agreement which is capable of being remedied, but ProdCo fails to remedy such breach within 7 (seven) days of receipt of a written notice from the Government specifying the breach and requiring its remedy;

26.1.2 any of the Conditions Precedent set out under Clause 5.1 of the Special Terms (other than those set out under Clause 5.1.18 of the Special Terms) remain unsatisfied 3 (three) months from the date of this Agreement;

26.1.3. any of the Conditions Precedent set out under Clause 5.1.18 of the Special Terms remain unsatisfied after the Completion date of the Final Cut;

26.1.4 ProdCo is in breach of any provisions of any Required Documents (other than this Agreement and the Government Charge) and, if such breach is capable of being remedied, is not remedied within 7 (seven) days or such later time as may be agreed by the Government;

26.1.5 any representation or warranty made by ProdCo to the Government (including those made pursuant to the Government Charge) is untrue or becomes untrue or inaccurate;

26.1.6 ProdCo declares or agrees to declare a moratorium or fails generally to pay its debts as and when they become due, or is deemed unable to pay its debts within the meaning of Section 178 of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong), or any creditor of ProdCo becomes entitled to declare any debt due and payable prior to its stated maturity, or any mortgage, charge, lien or other security interest which may for the time being affect any of the assets of ProdCo becomes enforceable;

26.1.7 a meeting is convened for the purposes of considering a resolution or any petition is presented or any other step taken for the purpose of making an administration order against or for the winding up or dissolution of ProdCo (other than for the purpose of solvent amalgamation or reconstruction of which the Government has received prior written notice);

26.1.8 the appointment of a receiver, manager, controller, administrator, trustee or similar officer over all or any part of the assets or undertakings of ProdCo or any subsidiary or holding company of ProdCo;

26.1.9 ProdCo enters or resolves to enter any arrangement, composition or compromise with or assignment for the benefit of its creditors generally or any class of its creditors;

26.1.10 any judgment or order made against ProdCo is not complied with within 14 (fourteen) days or any execution, distress, sequestration or other process is levied or enforced upon or sued against any of the assets of ProdCo and is not discharged within 14 (fourteen) days;

26.1.11 ProdCo ceases or threatens to cease carrying on the whole or any material part of its business;

26.1.12 any Potential Event of Default occurs;

26.1.13 Control of ProdCo is acquired by any person not having Control of it as at the date of this Agreement;

26.1.14 any Required Document entered into by ProdCo in respect of the Film is terminated or becomes void, illegal, invalid or unenforceable as to its terms;

26.1.15 the Film is not completed and delivered by the Delivery Date;

26.1.16 any material part of the assets or revenues of ProdCo is sold or disposed of or threatened to be sold or disposed of otherwise than in the normal course of trading whether in a single transaction or a number of transactions;

26.1.17 any other event or series of events occurs (including any adverse change in the business, assets or financial condition of ProdCo) which in the Government's reasonable opinion is likely materially and adversely to affect the ability of ProdCo to perform all or any of its obligations according to this Agreement or any of the Required Documents; or

26.1.18 if anything analogous or having substantially similar effect to any of the events specified in this Clause 26.1 happens under the laws of any applicable jurisdiction.

26.2 ProdCo shall immediately notify the Government in writing upon the happening of any Event of Default.

27. Termination

27.1 Subject to Clause 29 below, if an Event of Default occurs which, in the Government's opinion, is incapable of being remedied or if ProdCo fails to remedy an Event of Default within the time limits specified in Clause 26.1, the Government may by written notice to ProdCo, terminate this Agreement with immediate effect.

27.2 Any termination of this Agreement shall not affect any of the obligations, rights and/or remedies which may have accrued to either the Government or ProdCo prior to the date of termination or the rights granted and assigned to the Government in respect of the Film (whether pursuant to this Agreement or not) which shall remain vested in the Government.

27.3 In the event of any termination provided under this Agreement:

27.3.1 The Government shall be under no obligation to advance any further monies to the Production Account;

27.3.2 the Government may in its absolute discretion take over Production or abandon Production of the Film; and

27.3.3 if the Government takes over the Production, ProdCo shall irrevocably appoint the Government as ProdCo's agent for all purposes relating to the Production of the Film and authorise the Government to exercise any rights of ProdCo under any contract and to transfer and assign any rights to any third parties, to act as agent for ProdCo and to act and refrain from acting in any other way on behalf of ProdCo without liability to ProdCo. Such appointment shall survive the expiry or termination of this Agreement.

27.4 If the Government terminates this Agreement pursuant to Clause 27.1 above or Clause 29 below, then without prejudice to any of the Government's other rights and remedies, and subject to the terms of the Government Charge and the Inter-party Agreement, ProdCo shall:

27.4.1 immediately return the balances of the Bank Accounts to the Government and, as applicable, the Financiers, and any Distributors who have provided advances or licence fees to ProdCo, in proportion with their respective advances and licence fees up to the point of termination;

27.4.2 to the extent required by the Government, assign to the Government (or its nominee):

(a) the rights of ProdCo in all distribution agreements entered into by ProdCo; and

(b) ProdCo's right, title and interest (including Intellectual Property Rights) whether vested, future or contingent in and to:-

(i) the Film and all its underlying, ancillary and secondary rights including the Screenplay, the Music, characters, images, story, plots, dialogues, sound effects and all other things and materials acquired by ProdCo in respect thereof; and

(ii) the Production Materials, the Master Materials, the Delivery Materials and all marketing materials relating to the Film and all other things and materials acquired by ProdCo in respect thereof;

27.4.3 deliver to the Government or its nominee, the Production Materials and the Master Materials in the possession or control of ProdCo;

27.4.4 deliver to the Government all bank books, bank statements, cheque books, cash withdrawal cards and any other materials relating to the Production Accounts in the possession or control of ProdCo and ProdCo and ProdCo's signatories shall cease to

operate the Production Accounts and ProdCo shall deliver to the Government any necessary forms to remove ProdCo's signatories from the Production Accounts;

27.4.5 deliver to the Government all records, books, invoices, time sheets, accounts, agreements, deal memos, and other documents relating to the Production and distribution of the Film in the possession or control of ProdCo;

27.4.6 execute all documents and do everything reasonably required by the Government to vest in and secure to the Government the rights granted to ProdCo and terminated according to this Agreement.

27.5 In the event of any termination, if the Government elects to abandon the Production of the Film (as it may under its absolute discretion pursuant to Clause 27.3.2 above), ProdCo shall immediately repay to the Government all amounts spent by the Government under or in relation to this Agreement up to the date of termination including all amounts advanced by the Government to ProdCo under this Agreement, together with

27.5.1 interest thereon calculated at HIBOR (computed by reference to an interest period selected by the Government) plus 1.5 percent per annum on such sums from but excluding the date of advance to and including the date of actual payment by ProdCo calculated on a daily basis; and

27.5.2 all reasonable costs and expenses incurred by the Government under or in relation to this Agreement.

28. Confidentiality

28.1 ProdCo shall not, during the continuance of this Agreement or at any time thereafter, disclose to any person (except to legal and compliance personnel and Auditors of ProdCo and then only on a need-to-know basis) any Confidential Information, provided that the restrictions on disclosure contained in this Clause shall not apply:

(a) to the disclosure of any information to Company Directors, officers, employees or agents of ProdCo in circumstances where such disclosure is necessary for the performance of ProdCo's duties and obligations under this Agreement;

(b) to the disclosure of any information already known to the recipient other than as a result of disclosure by a breach of the confidentiality obligation of ProdCo, its Associates or Associated Persons, Company Directors, officers, employees, agents or its sub-contractors including without limitation professional advisers;

(c) to the disclosure of any information which is or becomes public knowledge other than as a result of disclosure by a breach of the confidentiality obligation of ProdCo, its Associates or Associated Persons, Company Directors, officers, employees, agents or its sub-contractors including without limitation professional advisers;

(d) to the disclosure of any information in circumstances where such disclosure is required pursuant to any law, regulation, rule of any relevant stock exchange, or order of a court or arbitral authority of competent jurisdiction;

(e) to the disclosure of any information to ProdCo's sub-contractors, professional advisers, Company Directors, officers, employees or agents where such disclosure is necessary for the performance of ProdCo's duties and obligations under this Agreement; or

(f) to the disclosure of any information with the consent of the Government.

The Government shall have the right to determine in good faith at any time whether any information is within that described in (b) (c) or (e) above and ProdCo shall comply with that determination. For the purpose of (e), if at any time the Government discloses the information to ProdCo, the Government does not expressly state that the information cannot be distributed to the persons named in (e), the Government shall be deemed to have

consented to the disclosure of that information to those persons but such disclosure shall be strictly limited to the performance of ProdCo's duties and obligations under this Agreement.

28.2 Any disclosure permitted under Clause 28.1 above shall be in strict confidence and shall extend only so far as may be necessary for the purpose specified in Clause 28.1 above and ProdCo shall ensure the confidentiality of any such disclosure by taking all appropriate action to restrain or restrict any further disclosure.

28.3 ProdCo shall not make use of or reproduce any Confidential Information including any information, report, chart, document, plan, software, data or other particulars or information whatsoever relating to this Agreement furnished by or on behalf of the Government other than in the performance of its obligations under this Agreement and shall not make use of the materials or computer models produced or created in relation to the performance of its obligations under this Agreement other than in the performance of its obligations under this Agreement or with the consent of the Government.

28.4 ProdCo shall not without the consent of the Government publish, either alone or in conjunction with any other person, in any newspaper, magazine, periodical, film, video, or other medium, any Confidential Information (including without limitation the advice provided by it or the duties undertaken by it under this Agreement).

28.5 ProdCo shall inform every person to whom any Confidential Information including any information, report, chart, document, plan, software, data or other particulars or information whatsoever relating to this Agreement is disclosed pursuant to this Clause of the restrictions on reproduction and disclosure attaching to such information and ProdCo shall require such a person to notify the same restrictions to any other person to whom it makes any such disclosure.

28.6 ProdCo shall procure its Associates and Associated Persons, its sub-contractors, its professional advisers, Company Directors, officers, employees and agents referred to in Clause 28.1(e) above to execute a legally binding written undertaking in favour of ProdCo and the Government jointly and severally in a form prescribed by the Government agreeing not to disclose any such confidential information and ProdCo shall provide the original or certified true copies of all such undertakings to the Government as may be required by the Government. ProdCo further agrees that, if so required by the Government, it shall take all such steps as are lawful and necessary to enforce such undertakings or to co-operate with the Government in their enforcement.

28.7 For the purpose of this clause, "Confidential Information" means the information contained in the Transaction Documents.

28.8 This Clause 28 shall survive the expiry or termination of this Agreement and shall continue in full force and effect notwithstanding such expiry or termination.

29. Force Majeure

29.1 A party prevented by an event or events of Force Majeure is entitled to be excused from performance of the obligations under this Agreement for so long as such event or events shall continue. The affected party shall as soon as possible give notice in writing to the other party of the occurrence of the event or events of Force Majeure.

29.2 Should performance by ProdCo of its obligations under this Agreement be prevented by Force Majeure for 28 (twenty-eight) days (either consecutive or in the aggregate) or longer, the Government shall be entitled, at the expiration of such period, to terminate this Agreement by not less than 14 (fourteen) days' notice in writing to ProdCo.

29.3 Subject to Clause 29.2 of the Standard Terms, in the event that performance of obligations under this Agreement is delayed by Force Majeure, the parties shall diligently endeavour to achieve expeditiously the normal pursuit of this Agreement and to make up for the time lost. The Delivery Date shall be extended by the number of days of delay actually caused by such event of Force Majeure unless a different extension shall be agreed between the parties. In all other respects the obligations of the parties under this Agreement shall be unaffected.

30. Conflict of Interest

30.1 ProdCo shall during the period of this Agreement and for 6 (six) months thereafter:

(a) ensure that it (including its Associates and Associated Persons, each of its employees, agents and sub-contractors and their Associates and Associated Persons) shall not undertake any service, task or job or do anything whatsoever for or on behalf of ProdCo or any third party (other than in the performance of this Agreement) which conflicts, or which may be seen to conflict with ProdCo's duties to the Government under this Agreement unless and to the extent the Government permits otherwise and before giving such permission, the Government has been fully informed by ProdCo in a timely fashion of all the circumstances in which the permission is sought; and

(b) immediately notify the Government in writing of all or any facts which may reasonably be considered to give rise to a situation where the financial, professional, commercial, personal or other interests of ProdCo or any of its employees, agents and sub-contractors, or any of their respective Associates or Associated Persons, conflict or compete, or may conflict or compete, with ProdCo's duties to the Government under this Agreement.

30.2 ProdCo shall notify the Government in writing immediately upon knowing of any financial, professional, commercial, personal or other interests (whether actual or potential, direct or indirect) that ProdCo or any of its employees, agents and sub-contractors, or any of their Associates or Associated Persons may have in, or of any association or connection which ProdCo or the aforesaid persons may have with, any person, product, service or equipment proposed or recommended by ProdCo under this Agreement.

30.3 Unless the Government otherwise approves, ProdCo shall procure its Associates and Associated Persons, its professional advisers, Company Directors, officers, employees, agents and sub-contractors who are involved in the Production of the Film to execute a legally binding written undertaking in favour of ProdCo and the Government jointly and severally in a form prescribed by the Government agreeing to observe Clause 30.1 and Clause 30.2 above and ProdCo shall provide the original or certified true copies of all such undertakings to the Government as may be required by the Government. ProdCo further agrees that, if so required by the Government, it shall take all such steps as are lawful and necessary to enforce such undertakings or to co-operate with the Government in their enforcement.

30.4 ProdCo shall ensure that each of its Associates and Associated Persons, each of its employees, agents and sub-contractors and their Associates and Associated Persons shall

keep themselves informed and shall inform ProdCo and keep it informed regularly of all facts which may reasonably be considered to give rise to a situation where the financial, professional, commercial, personal or other interests of such persons, conflict or compete, or may conflict or compete, with ProdCo's duties to the Government under this Agreement.

30.5 ProdCo shall not, and shall procure that its Company Directors, employees, sub-contractors and agents shall not commit an offence under the Prevention of Bribery Ordinance or any subsidiary legislation made thereunder or any law of a similar nature in relation to this Agreement or any other Government contracts.

31. Procurement

31.1 With the objectives of ensuring openness, fairness and value for money, ProdCo shall ensure that all purchases of all goods and services of any value in relation to or for the purposes of the Production of the Film are made on an open, arms' length and competitive basis, in accordance with prudent commercial principles and only from suppliers who are not Associates or Associated Persons of ProdCo, unless the Government agrees otherwise. Without prejudice to the strict observance of these objectives and requirements, ProdCo shall adhere to the following additional procurement procedures and practices unless the Government agrees otherwise:-

(a) for every procurement of goods or services or both in relation to or for the purposes of the Production of the Film whose aggregate value is more than HK$50,000 but not exceeding HK$500,000, ProdCo shall obtain quotations in writing from at least 2 (two) suppliers;

(b) for every procurement of goods or services or both in relation to or for the purposes of the Production of the Film whose aggregate value is HK$500,000 or more, an open tendering process shall be used by ProdCo.

ProdCo shall select the supplier that meets the procurement requirements and has submitted the lowest bid. If the lowest bid is not selected by ProdCo, full justification must be given and properly recorded by ProdCo for subsequent auditing purpose by the Government. Fragmentation of orders or bids with the purpose or effect of avoiding the need to obtain quotations or abusing the open tendering process shall be absolutely prohibited.

31.2 For every procurement of goods or services or both in relation to or for the purposes of the Production of the Film, the unit cost of which is over HK$10,000, ProdCo shall make payment by cheque, bank transfer or visa card only.

31.3 All quotations and tendering documents in relation to or for the purposes of the Production of the Film and all bank statements, invoices and receipts in respect of the payment referred to in Clause 31.2 above shall be kept by ProdCo for a period of at least three (3) years after the Completion of the Film or termination of this Agreement and shall be made available for inspection by the Government, the Director of Audit, the Commissioner of the Independent Commission Against Corruption and their authorized representatives at all reasonable times during the continuation of this Agreement and the abovementioned 3-year period.

32. Late Interest

If any sum due for payment in accordance with this Agreement is not paid by ProdCo to the Government on the due date for payment, ProdCo shall pay Late Interest on that sum from but excluding the date it is due to and including the date of actual payment calculated on a daily basis.

33. Miscellaneous

33.1 ProdCo undertakes to execute all documents and do all such acts as may be reasonably required by the Government in order to perfect, protect or enforce any rights granted to the Government or otherwise arising under this Agreement, including all rights arising under Clause 27 above, and, if ProdCo fails so to do within 14 (fourteen) days of receipt of a notice from the Government, the Government shall have the right to do so in the name and on behalf of ProdCo for which purposes ProdCo hereby irrevocably appoints the Government as its lawful attorney and ProdCo hereby undertakes and warrants that it will confirm and ratify all of the actions of the Government pursuant to this Clause 33.1 above and such authority and appointment shall take effect as an irrevocable appointment pursuant to the Powers of Attorney Ordinance (Cap. 31 of the Laws of Hong Kong).

33.2 Nothing contained or implied by this Agreement is intended to or will create a partnership, joint venture, or association of any kind between any of the parties. No party shall hold itself out as the agent of any other party except as expressly provided in this Agreement and nothing in this Agreement shall make one party the agent of the other with the power to bind the other in respect of any of the rights and duties in this Agreement.

33.3 No failure, delay or other indulgence by any of the parties in exercising any right, power or privilege constitutes a waiver of that right, power or privilege or of that party's right to enforce that or any other provision of this Agreement.

33.4 The rights and obligations of the parties do not merge on completion of any transaction contemplated by this Agreement and all representations and warranties survive completion.

33.5 Any notice required to be given under this Agreement shall be in writing, addressed to the recipients at the following addresses:

ProdCo
At the address set out at the head of this Agreement
For the attention of: _____
Fax no.: (852) _____

The Government
At the address set out at the head of this Agreement
For the attention of: Executive Officer (Film Development)
Fax no.: (852) 2824 0595

Notices shall be deemed to have been received:

33.5.1 where delivered by hand – upon delivery;

33.5.2 where sent by facsimile transmission – upon despatch (provided that a valid transmission report is received);

33.5.3 where sent by first-class, prepaid, recorded or special delivery post to an address within the country of posting – 2 (two) business days from the date of posting;

33.5.4 where sent by second class post to an address within the country or by airmail if to an address outside the country – 5 (five) business days from the date of posting;

and a notice given or served on a Saturday, Sunday or public holiday or outside normal business hours at the place where it is received shall not be deemed given or served until the

next commencement of normal business hours there.

33.6 This Agreement sets out the entire agreement between the parties and replaces and supersedes all previous arrangements and understandings, representations or agreements between the parties relating to the subject matter hereof, whether expressed or implied in relation to the Film.

33.7 No variation to any terms or conditions of this Agreement may be made unless such variation is agreed in writing and signed by each of the parties to this Agreement.

33.8 This Agreement may be executed in any number of counterparts and those counterparts taken together shall constitute one Agreement. If this Agreement is executed by any party and transmitted by facsimile transmission to the other parties, execution is deemed effective on and from the execution by the other parties of counterparts where the party executing and transmitting the Agreement by facsimile promptly sends the Government the original counterparts of the Agreement duly executed by that party.

33.9 The invalidity, illegality or unenforceability of any provision of this Agreement shall not affect the validity, legality or enforceability of any other provision of this Agreement, so that each provision is severable from each other provision.

33.10 (a) Save as provided in this Agreement (including sub-clause 33.10 (b)below), ProdCo shall not, either in a single transaction or in a series of transactions, whether related or not, assign, sell, lease, license, sub-license, delegate, transfer, charge, create interests, options or right of pre-emption in respect of or destroy or permit to lapse or expire or dispose of any of its interests, rights, benefits or obligations under this Agreement (whether in whole or in part).

(b) ProdCo may, subject to the approval of the Government, engage the services of independent contractors to assist it with its duties hereunder provided that ProdCo:

(i) shall not be relieved from any of its obligations hereunder by engaging any such independent contractor and shall remain fully liable to the Government for the performance of such obligations;

(ii) shall remain liable for any act or omission of any such independent contractor as if such act or omission were its own; and

(iii) shall secure binding obligations from any such independent contractor so as to ensure that ProdCo complies with its obligations under this Agreement.

33.11 This Agreement shall be governed by and construed in accordance with the laws of Hong Kong and each party irrevocably submits to the exclusive jurisdiction of the courts of Hong Kong.

SCHEDULE 2

PRODUCTION BUDGET

SCHEDULE 3

CASHFLOW SCHEDULE

SCHEDULE 4

DELIVERY MATERIALS

The Government will require delivery of the following items (the cost of which must be contained in the Production Budget for the Film):

A. ON OR BEFORE THE DELIVERY DATE

1. Film and video elements

1.1 1 (one) set of HD Betacam Tape containing the Hong Kong theatrical release version of the Completed Film with feature dialogue, music and sound effect tracks, and subtitles; and

1.2 1 (one) copy of DVD or Blue-ray Disc of item 1.1 above

2. Publicity Materials

2.1. 4 (four) copies of the Film posters;

2.2. a copy of the master set of Production stills taken from the Film on CD Rom;

2.3. an electronic press kit (including interviews with actors/actresses and other persons connected with the Film) (if available); and

2.4. a written publicity pack (including biographies of the Leading Actor and the Leading Actress, Film Producer(s), Film Director, Scriptwriter(s) and the other main film crew, Production information, interviews with actors/actresses and other persons connected with the Film, feature stories and news releases).

3. Documents

3.1. a final shooting script signed by the Film Director for deposit at the office of Create Hong Kong.

B. WITHIN 3 (THREE) MONTHS OF THE DELIVERY DATE

1. Other Materials

1.1. the Audited Statement;

1.2. the certificate for public exhibition in Hong Kong under the Film Censorship Ordinance (Chapter 392 of the Laws of Hong Kong); and

1.3. the certified true copies of the Hong Kong and (if applicable) international marketing plans for the Film.

C. WITHIN 1 (ONE) MONTH FROM THE COMMENCEMENT DATE OF THE MARKETING OF THE COMPLETED FILM:

1. 1 (one) copy of original soundtrack album; and

2. 1 (one) copy of DVD or Blue-ray Disc containing the Hong Kong theatrical release version.

SCHEDULE 5

PRODUCTION SCHEDULE

	Schedule	From	To
(a)	Pre-production	_____	_____
(b)	Principal photography	_____	_____
(c)	Post-production	_____	_____
(d)	Completion Date of Rough Cut	_____	_____
(e)	Completion Date of Final Cut	_____	_____
(f)	Delivery Date of Completed Film	_____	_____

SCHEDULE 6

RECOUPMENT SCHEDULE

Gross Receipts shall be distributed by the Collection Agent in the following manner and order and in payment of the following amounts (to the extent the said amounts have not already been paid from any other sources including any sections hereof):

(i) to the Collection Agent in payment of its fees, commissions and expenses; and thereafter

(ii) to the Sales Agent in payment of its fees and commissions (including fees and commissions of all sub-sales agent(s), Distributor(s), and sub-distributor(s)) in relation to the Film (which shall be capped at 15% of the Gross Receipts); and all Sales Agent's Expenses in relation to the Film (which shall be capped at HK$1 million or 15% of the Production Budget (whichever is the greater) or such greater amount as may be approved by the Government); and thereafter

(iii) 100% pro rata pari passu to the Financiers towards and until recoupment of the Government Finance and the investment of other Financiers provided for and in respect of the Production and Completion of the Film; and thereafter

(iv) the balance shall form net profits which shall be applied pro rata *pari passu* to the Financiers having regard to their respective contribution to the total finance for the Production and Completion of the Film.

APPENDIX A

GOVERNMENT CREDIT REQUIREMENTS
(Subject to further confirmation by the Government in respect of The logos of the Film Development Fund and Create Hong Kong)

A. On all copies of the Film

Front Credits

1. The logos of the Film Development Fund and Create Hong Kong in a format to be supplied by Create Hong Kong;

2. The Government presentation credit as follows:
   "*Name of other financers* and the Film Development Fund of Hong Kong present"

3. ProdCo credit: "A _____ Production"

End Credits

4. A Government block naming such additional persons up to 5 (five) as may be designated by the Government in the end credits.

5. The following credit to be included immediately before the copyright credit:
   Made with the support of the Film Development Fund of Hong Kong and Create Hong Kong

The logos will be supplied by the Government. They may be used in colour(s) and should have a clear space half the width of the crossed fingers on all sides.

6. Copyright notice in the form below as approved by the Government shall appear on the Film:
   © "*Name of other financers*/the Government of the Hong Kong Special Administrative Region __/2013

B. Billing Block

7. "_____*(name of other financers)*_____ and the Film Development Fund present a _____*(name of ProdCo)*_____ Production"

   and the following logos of the Film Development Fund and Create Hong Kong and copyright notice shall also appear at the end of the billing block:

The logos will be supplied by the Government. They may be used in colour(s) and should have a clear space half the width of the crossed fingers on all sides].

© "*Name of other financers*/the Government of the Hong Kong Special Administrative Region __/2013

APPENDIX B

INDUCEMENT LETTER

(for Film Producer)

Date:

To: The Government of the Hong Kong Special Administrative Region
c/o The Head of Create Hong Kong
40/F, Revenue Tower,
5 Gloucester Road, Wanchai,
Hong Kong
Attn: Executive Officer (Film Development)

Dear Sir/Madam

"____*(Film Title)*___" (the "Film")

As one of the Conditions Precedent under Clause 5.1 of the Special Terms of the Production Finance Agreement (the "Agreement") between you and _____("ProdCo") relating to the Film and in consideration of your payment of HK$1(one) (if demanded), I hereby:

1. warrant that I have read and understood the Agreement *〔 that I am a 〔Company Director〕〔Shareholder〕] of ProdCo which is a company incorporated in and validly existing under the laws of Hong Kong and consent and agree to the execution and delivery to you of the Agreement;

2. warrant that ProdCo is and will at all times material to the Agreement be entitled to my services as "Film Producer" of the Film and to grant to you the rights, consents and benefits granted to you under the Agreement and is the absolute owner of the products of my services;

3. warrant the truth of all matters as to which any representation or warranty on the part of ProdCo is made or given in the Agreement;

4. undertake to render my services as Film Producer of the Film in accordance with the agreement I have entered into with____ *(Name of Applicant)*____("Applicant") dated _____ which the Applicant has assigned his rights and obligations under that Agreement to ProdCo on _____. I further undertake to continue to be bound by and duly to perform and observe those terms of that Agreement requiring performance or compliance on my part;

5. undertake at all times to use my best endeavours to procure that ProdCo observes and performs all its obligations under the Agreement;

6. irrevocably and unconditionally waive for the benefit of you, your successors-in-title and licensees, with regard to the products of my services in relation to the Film the benefit of any provision of law known as "moral rights" (including without limitation any of my rights under Division IV of Part II of the Copyright Ordinance (Cap. 528 of the Laws of Hong Kong) (in particular, sections 89 and 92 thereof) or any similar laws of any jurisdiction;

7. undertake to look solely to ProdCo for all compensation for my services in connection with the Film or rendered under the Agreement;

8. undertake to continue to fulfil my obligations hereunder so long as you fulfil your obligations to ProdCo and notwithstanding any breach by ProdCo of any of its obligations to me;

9. undertake that until Delivery of the Film in accordance with the Agreement I will not without your consent transfer, charge or dispose of any shares or other interest in ProdCo or resign any office with ProdCo or take any other steps which might diminish my ability to procure that ProdCo observes and performs all the terms of the Agreement; and

10. warrant that I have read and understood "Guide to Application - Film Development Fund Scheme for Financing Film Production" ("Guide") (in particular, paragraph 18 thereof) and hereby consent to the disclosure of my name by the Government to the public for the purposes provided in paragraph 18.1 of the Guide.

Yours faithfully

_____

Name: _____

Remark: Please delete those parts with an asterisk if the signatory is not a Company Director or Shareholder of ProdCo.

APPENDIX C

DRAWDOWN NOTICE

From: _____ ("**ProdCo**")

To: The Government of the Hong Kong Special Administrative Region ("**Government**")

Copy To: _____

Date: _____

Dear Sirs,

Film Development Fund Scheme for Financing Film Production

Production Finance Agreement dated _____ and made between ProdCo and the Government ("Production Finance Agreement")

"_____" ("Film")
(Case No. CHK/FDF/FP __/2013)

Drawdown Notice for instalment to be made *14 days before the Commencement Date of Pre-Production specified in Clause 1 of the Special Terms of Production Finance Agreement / *14 days before the Commencement Date of Principal Photography specified in Clause 1 of the Special Terms of Production Finance Agreement]/ *on *Create Hong Kong to specify a milestone which ties in with a date stated in the Production Schedule* *14 days before the Commencement Date of Post-Production specified in Clause 1 of the Special Terms of Production Finance Agreement / *upon Government's acceptance of the Delivery Materials submitted by ProdCo / * upon Government's acceptance of audited statement submitted by ProdCo

We refer to the Production Finance Agreement (including the Cashflow Schedule), and hereby give notice that we wish to draw _____% of the Government Finance representing a sum of HK$ in respect of paragraph _____ of the Cashflow Schedule at Schedule 3.

This notice is irrevocable.

The proceeds of this Drawdown are to be used exclusively for the purposes specified in the Production Finance Agreement and in accordance with the terms of the Transaction Documents.

The proceeds of this drawdown shall be credited to the Production Account provided in Clause 2.2 of the Special Terms of the Production Finance Agreement, details of which are reproduced below for ease of reference:-

_____, _____
Account Number: _____
Account Signatories: _____

We confirm that:-

(a) the representations, warranties and undertakings set out in Clause 25.1 of the Standard Terms of the Production Finance Agreement, repeated with reference to the facts and circumstances subsisting at the date of this notice, remain true and correct in all material aspects;

(b) no Event of Default has occurred which remains unwaived or unremedied or would result from the making of this Drawdown;

(c) the amount and timing of this Drawdown is in accordance with the Cashflow Schedule approved by the Government; and

(d) simultaneous with the issue of this Drawdown Notice, we are requesting _____(name of other financers) to disburse funds for financing the Production of the Film against the above milestone in accordance with the Inter-party Agreement.

Terms defined in the Production Finance Agreement have the same meanings when used in this notice, unless indicated otherwise.

**** Please delete as appropriate.***

For and on behalf of

_____

_____

SIGNATURE PAGE

SIGNED BY)
Mr Wellington FUNG)
Assistant Head of Create Hong Kong (2)) _____
for and on behalf of THE GOVERNMENT OF THE)
HONG KONG SPECIAL ADMINISTRATIVE REGION)

in the presence of :

_____ (Witness's signature)

Name : _____

Address : _____

SIGNED BY)
)
)
_____) _____
for and on behalf of _____) (signature(s) of ProdCo's authorized signatory(ies))
_____)
)
)
) _____
(ProdCo's Chop)

in the presence of :

_____ (Witness's signature)

Name : _____

Address : _____