

Film Guarantee Fund

Frequently Asked Questions

- Q1 How is the relevant experience of a film director/producer of a new company to be calculated?
- A1 The relevant experience of a film director/producer is to be calculated on the basis that he has directed/produced at least 2 films in the past ten years before applying for guarantee under the scheme. In other words, he must have directed or produced 2 films by himself. As the requirement is meant to be an indicator of experience in producing commercial films, pooling of experience of different individuals is not acceptable.
- Q2 What is bad loan?
- A2 For the purpose of the Fund, bad loan refers to one of the following records in respect of an applicant within 12 months before an application is submitted:
- Loan overdue for more than 3 months
 - Restructured Loan
 - Loan that causes loss to a lender
- Q3 Can a company receive loan guarantee for more than one film at the same time?
- A3 No. The film production company, the producer and the director of a film will be treated as one single entity. For example, after an application of a film production company is approved, neither the relevant company directors nor the producer or director of the film project in question is allowed to submit any further loan guarantee application in the name of other companies.
- Q4 How do Participating Lending Institutions (PLIs) obtain professional advice on the budget and production matters of a film?
- A4 A list of advisors on film production and distribution has been drawn up by the film industry. This list is uploaded to the website of the Film Services Office. PLIs may approach any of the advisors as they see fit.

Q5 The applicant is required to provide equity equivalent to 30% of the film budget. How is this 30% to be paid?

A5 The 30% of budget borne by the applicant should be provided in the form of cash or other assets of the investor who owns the copyright of the film. Expected revenues such as deposits from pre-sale agreements, theatrical release rights or sponsorship should not be included.

Q6 What forms of film completion arrangements are acceptable to the Fund?

A6 The Fund will accept completion bond, engaging a completion agent or any other measures acceptable to the lender to ensure completion of the film. However, the agent providing the completion arrangement cannot be an associate of the film production company.

Q7 How to determine which of the ten designated categories of major cast and film crew has met the requirement of Hong Kong permanent residents?

A7 If there is one Hong Kong permanent resident in a category, this category will be regarded as a “Local” category. The Fund will only provide guarantee to film project proposals with at least 50% of categories being “Local”.

Q8 Is changing of members in the major cast and film crew allowed?

A8 Before an application is approved, any changes to the major cast and film crew should be reported to the PLI concerned as it may affect the approval of a loan. After a guarantee is issued, any change that may affect the applicant’s eligibility should be reported to the PLI and the Fund. If the change renders the applicant ineligible for the Fund, the Fund may withdraw its guarantee to any undrawn loan.

Q9 Will the Fund charge any fee for processing a loan guarantee application?

A9 No. But the PLIs may charge fees for processing loan applications or require applicants to pay deposits.

- Q10 Can the applicant make prints of the proposed film as he wants?
- A10 No. The applicant must seek approval from the PLI concerned before making any prints of the film. This is a measure to control the distribution of the film and to ensure that proceeds derived from the film will be used for repayment of the loan.
- Q11 Is there any special arrangement for films with a production budget exceeding \$7.5m?
- A11 The Fund only sets a limit for the size of the guaranteed loan, not the budget. If the application concerned involves a loan exceeding \$5.25m due to its high budget, the maximum loan guarantee will be capped at \$2.625m. For a loan exceeding \$5.25m, it has to be split into two portions:
- Portion A: a \$5.25m loan, which the Fund will provide a 50% guarantee. This portion is entitled to first call on the proceeds.
- Portion B: a loan covering the remaining sum without guarantee. This portion is not entitled to first call on the proceeds.
- Q12 Is there any restriction on the repayment schedule?
- A12 Repayment can be made by instalments, but repayment of the principle has to start within 7 months after the first drawdown, and the maximum interval between two instalments must not exceed 3 months.
- Q13 Under what circumstances will a case be regarded as a default case? What will the Government do to deal with such cases?
- A13 If a film production company fails to make repayment 60 days after the payment due date, the PLI concerned may deem it a “default case”. In case of default upon calling of guarantee payment by the PLI, the amount of guarantee to be released by the Government will be determined by the amount of outstanding principle repayment and the risk-sharing ratio between the Fund and the PLI. Any amount eventually recovered from the film project and the film production company, less the administrative cost incurred, will be shared between the Government and the PLI according to the risk-sharing ratio.

Q14 In a default case, will the liability of the borrower be limited to 30% (which is the amount of equity he has put in)?

A14 No. The liability of the borrower will not be limited to the 30% equity he has put in. As the loan is provided to the borrower by the PLI, the borrower is liable for the repayment of all outstanding loans to the PLI. The Fund only provides a 50% guarantee to the loan offered by the PLI. It does not in any way discharge the repayment liability of the borrower.

The Film Services Office
Create Hong Kong
June 2009