**China-Australia “Feature Film - Development Investment” Opportunity**

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| **Industry Sector** | **Film Industry – feature films** |
| **Capital Sought** | **AU$1,200,000** |
| **Management Company**  **C:\Users\Stacey\Documents\Staceys new computer-Jan 2016\EAC website\Photos - EAC website\ljm-logo-web-1.png** | **LJM Productions Pty Ltd, QLD Australia**  Lesley Hammond, Director and Jennifer Walsh, Co-Producer have extensive experience in China over the past 25 years having produced nine televisions specials, a mini-series and a feature film. The development division of LJM specialises in the development of China story films. |
| **Industry Environment**  China Image for development brochure | The Chinese film market has been experiencing significant growth at a compound rate of 35% over the past few years, outperforming China’s traditional industries such as manufacturing.  Movie going is expanding rapidly in China with the rise of middle-class incomes. Currently, there are 30,000 screens in China verses 39,000 in the US with 22 being built every day. A trip to the cinema is an annual event in China vs four times a year in the US, so there is enormous further growth potential.  English language film scripts with China storylines that are suitable worldwide are in short supply. LJM Productions has developed the following Australia-China cross culture storylines and are seeking funding for further development:  **‘Beijing Cowboy’** - AU$259,000  - comedy set in Australia and Beijing  **‘Blood of the Dragon’** - AU$267,000  - adventure drama set in Yunnan (based on a true story)  **‘My Little Dumpling’** - AU$274,000  - romantic comedy set in Beijing and Australia  **‘Shanghai – the Musical’** - AU$400,000.  - musical blockbuster set in Shanghai  There is a film treaty between Australia and China for co-productions therefore these projects are not subject to the Chinese foreign films quota, being treated as domestic films enabling them to share in the Chinese box office.  Production investment totalling AU$47,700,000 for all four films is well underway with 40% raised and strong interest from China investors in the remaining AU$28,620,000. |
| **Use of Funding** | LJM Productions is looking to raise capital from Australian investor(s) to set up a Special Purpose Vehicle for development e i.e. **“Development SPV,”** which will fund the costs for getting the slate of four feature films ready for production.  This includes screen writers and script editors, composers and screenplay writers, production schedules and budget, setup up of SPVs for each film, documentation with co-production investors and partners, lodgement of documentation with the Australian and Chinese governments.  Development investors can also be included in the film credits, as well as have the option of becoming Production Investors.  *Separate investment opportunity for* ***“Feature Film - Production Investment”*** *for total of AU$28,620,000. LJM Productions is in advanced discussions with potential investors and has an LoI with co-production partner in China. (China co-production partners contract on completion of development.)* |
| **Investment Return Profile** | **Capital Return** – the “Development SPV” will sell the cost of development of each film to the respective production entities, which becomes part of each film’s production budget. This reimbursement will occur upon commencement of filming of each film with the same rights as the Production Investors. In addition, a 50% dividend will be paid on the capital.  *Note should insufficient Feature Film – Production Investment funds be raised, the Development Investors return will be initial capital invested, less any expenditure already incurred. Any unsold developed scripts will be put onto the international film production market for sale thereby limiting the risks for Production Investors.*  **Income Return** – 5% of the world-wide net royalties for each film will be pro-rated to “Development Investors.” |
| **Investment Timeframe** | |  |  |  | | --- | --- | --- | | Development Investment | Commence first  two films | Commence remaining two films | | $1.2M by March ‘17 | 2017 | 2018 | |  |  |  | |
| **Tax Implications** | The film producers receive a tax offset rebate of up to 40% of qualifying production costs upon completion of each film which is part of the financing arrangements.  There are no tax incentives for investors in Australian Films. Those considering subscribing for the Development Investment or Production Investment should seek their own tax advice in relation to their individual circumstances. |

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