

# Langham Hospitality Investments And Langham Hospitality Investments Limited

3Q 2014



# Unique Exposure to the Attractive Hong Kong Hospitality Sector

## Long-term Favourable Macro Trends

- International trade / finance hub and popular shopping / tourist destination
- Structural growth in demand from mainland China
- Cyclical growth from recovery in the long-haul market

## Actively Managed Brands

- Internationally recognised
- Increasing global presence of Langham branded hotels
- Active manager with an “owner-manager” mentality

## Strategic Locations

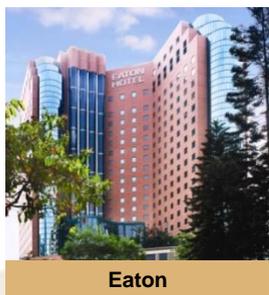
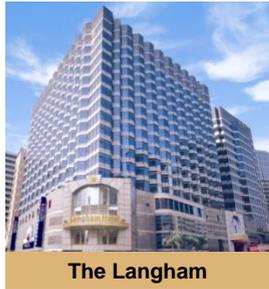
- Prime locations on the Kowloon peninsula
- Major infrastructure and commercial centres under development
- Limited current and forecast future supply

**LANGHAM**  
HOSPITALITY INVESTMENTS

- Our objective is to provide stable distributions with the potential for sustainable long term growth of such distributions and enhancement in the value of the hotel portfolio
- Accomplished through the lease structure, active asset management and ROFR from Great Eagle

# Our Hotels are Strategically Located on the Kowloon Peninsula in Hong Kong

## Kowloon Peninsula, Hong Kong



## Prime Shopping Destinations



- Close proximity of key tourist and shopping belts, existing and expanding commercial districts and future infrastructure
- Easily accessible via major roads, MTR stations, the Hong Kong International Airport and rail to mainland China

# The Langham



THE LANGHAM  
Hong Kong



# Langham Place Hotel

**LANGHAM PLACE**  
MONGKOK, HONG KONG





# High Quality Portfolio

## High Quality Langham Branded Hotels



### The Langham

Location : Tsim Sha Tsui, Kowloon  
 Year of commencement : 1994  
 HKTB rating : High Tariff A Hotel  
 GFA ('000 sq.ft.) : 375  
 Number of rooms : 498  
 Facilities : 5 restaurants, 1 ballroom,  
 4 meeting rooms, Jacuzzi,  
 health club, fitness centre



### Langham Place Hotel

Location : Mong Kok, Kowloon  
 Year of commencement : 2004  
 HKTB rating : High Tariff A Hotel  
 GFA ('000 sq.ft.) : 580  
 Number of rooms : 666  
 Facilities : 5 restaurants, 1 ballroom,  
 3 meeting rooms, Chuan  
 Spa, fitness centre



### Eaton Hotel

Location : Yau Ma Tei, Kowloon  
 Year of commencement : 1990  
 HKTB rating : High Tariff B Hotel  
 GFA ('000 sq.ft.) : 339  
 Number of rooms : 465  
 Facilities : 5 restaurants, 3 ballrooms,  
 2 meeting rooms, fitness  
 centre

## Selected Awards



“Top 25 Hotels in China” and “Top 25 Hotels for Service in China” by TripAdvisor Travellers’ Choice in 2013



Two-star Michelin award for T’ang Court



Best City Hotel – Hong Kong Award by TTTG Travel Awards in 2012



“Top 25 Hotels in China” by TripAdvisor Travellers’ Choice in 2012



One-star Michelin award for Ming Court



Condé Nast Gold List 2012



Spa Traveller Awards 2012



Best Eco Hotel 2012 in Hong Kong by HotelClub Hotel Awards (Hong Kong)



Capital Entrepreneur Green Enterprise Awards 2012 by Capital Entrepreneur



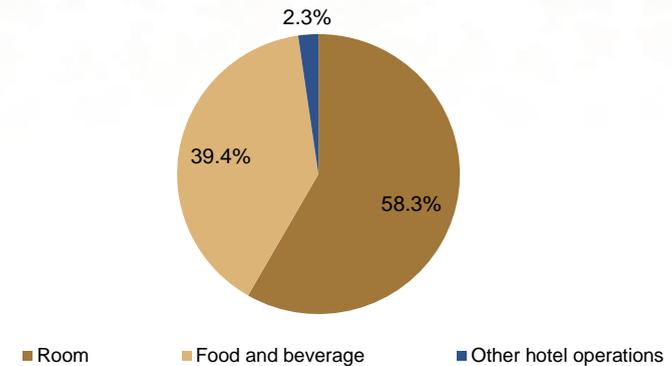
Three high quality Langham branded hotels with a combined 1,629 rooms strategically located on the Kowloon peninsula, Hong Kong

# ... and have a Balanced Mix of Room and Non-room Revenue

## Wide Range of Non-room Revenue Sources

- ✓ Range of award-winning facilities and services
  - Food and beverage
  - Banquet services
  - Meeting and conference facilities
  - Spa facilities
- ✓ Relatively stable even during the global financial crisis
- ✓ Strong demand from non-hotel customers
- ✓ Well positioned to benefit from Hong Kong's growing MICE market

## Balanced Revenue Contribution<sup>(1)</sup>



## Award-winning Restaurants



### Michelin star-rated restaurants



Ming Court (One-star Michelin),  
Langham Place Hotel



T'ang Court (two-star Michelin),  
The Langham

## Quality Ballroom and Conference Spaces



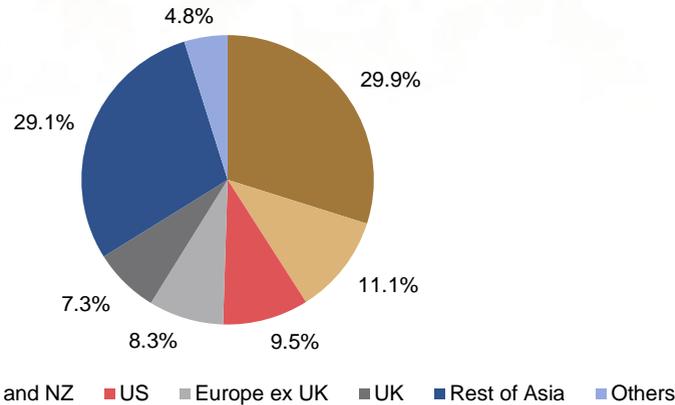
We believe that the majority of the Hotels' food and beverage revenue was derived from customers who were not staying at the Hotels

Note:

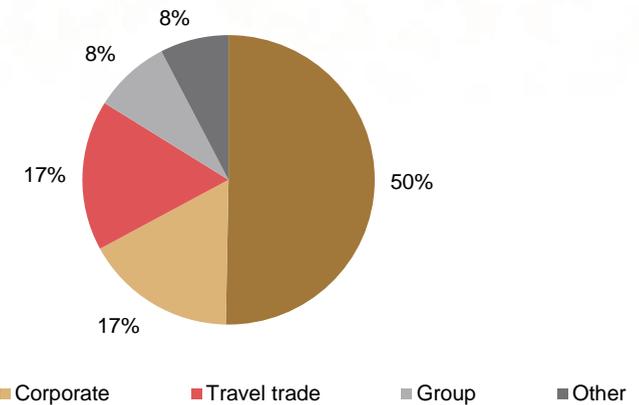
1. For the six month period ended 30 June 2014

# During 1H 2014, our Customers are Diversified in Terms of both Geography and Customer Segment...

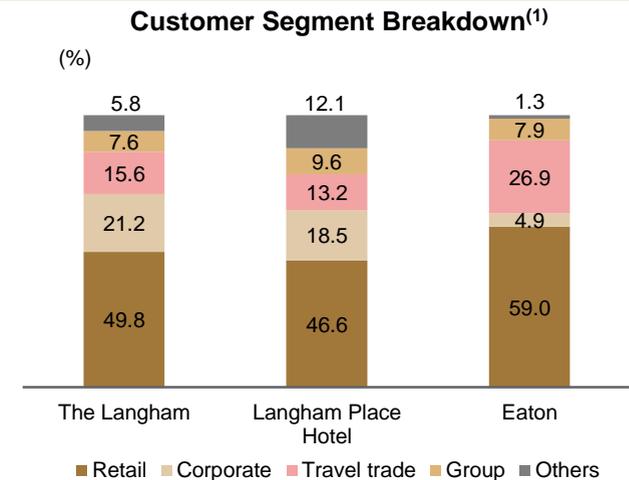
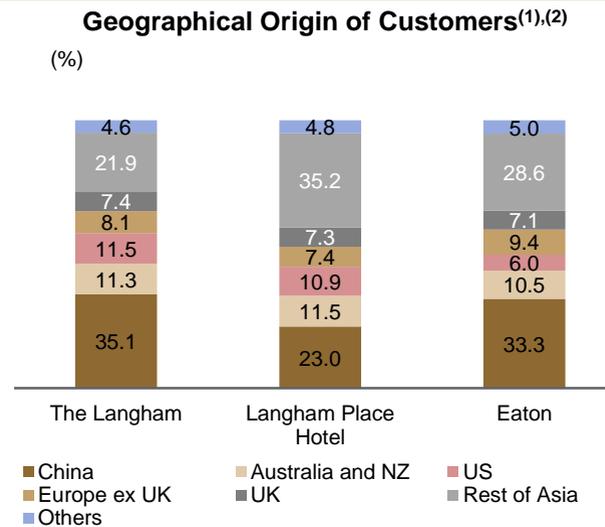
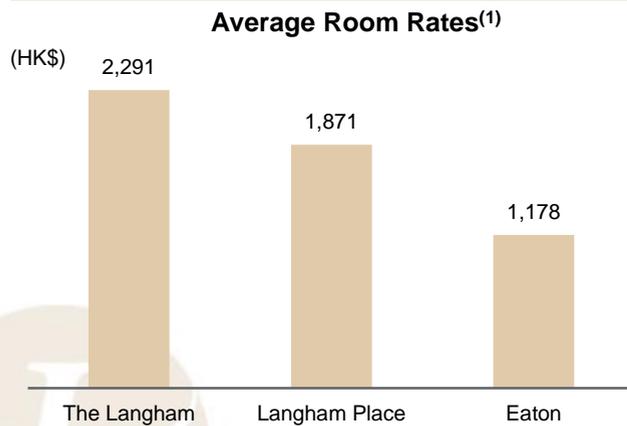
**Diversified Geographical Origin of Customers<sup>(1),(2)</sup>**



**Diversified Customer Segments<sup>(1)</sup>**



## Target Different Market Segments and Do Not Directly Compete with Each Other



Note:

- For the six months ended 30 June 2014
- Based on self-reported data collected at the time of guest registration and have not been subject to audit or review by an independent third party. Such data excludes room revenue derived from airline crew and others from unidentified countries and other miscellaneous revenue and service charges

# Our Hotels are Managed under the Internationally Recognised Langham Brands by the Hotel Manager, Langham Hotels International Limited

## Our Unique Position



**THE LANGHAM**  
Hotels and Resorts

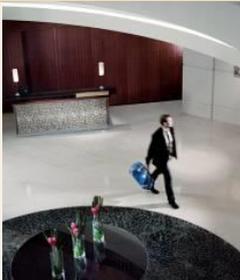
- Since 1865
- Unique style
- European heritage
- Classic charm
- Luxury bespoke service





**LANGHAM PLACE**  
HOTELS AND RESORTS

- Luxury in a modern setting
- “Young at heart” style of service
- Features all of the hallmarks of “The Langham” brand





**EATON**  
HOTELS INTERNATIONAL

- Since 1990
- Mid-scale to up-scale brand
- Embodies modern design
- Value for money philosophy



## Description of the Hotel Manager

- Langham Hotels International Limited is a wholly-owned subsidiary of Great Eagle
- An operating track record of over 20 years
- One of the largest luxury hotel operators in Hong Kong
- Local expertise and experience
- Increasing exposure to other worldwide gateway cities

## Selected Awards of Hotels Managed by the Hotel Manager



**We believe strong brand recognition is one of the factors that has enabled the Hotels to command prices at the high end of their competitive market segments**

# The Langham Brands have a Presence across Four Continents

## Hotels in Hong Kong and China



**The Langham, Hong Kong**  
Location: Hong Kong  
Total rooms: 498



**Langham Place, Ningbo Culture Plaza**  
Location: China  
Total rooms: 143



**Langham Place Hotel**  
Location: Hong Kong  
Total rooms: 666



**Langham Place, Xiamen**  
Location: China  
Total rooms: 327



**Eaton, Hong Kong**  
Location: Hong Kong  
Total rooms: 465



**The Langham, Xintiandi, Shanghai**  
Location: China  
Total rooms: 357



**Langham Place, Beijing Capital Airport**  
Location: China  
Total rooms: 372



**Eaton Luxe, Nanqiao, Shanghai**  
Location: China  
Total rooms: 204



**The Langham, Shenzhen**  
Location: China  
Total rooms: 352



**Eaton Luxe, Xinqiao, Shanghai**  
Location: China  
Total rooms: 212



**88 Xintiandi, Shanghai**  
Location: China  
Total rooms: 53



**Langham Place, Guangzhou**  
Location: China  
Total rooms: 500



### Future pipeline in China<sup>(1)</sup>

Langham Place, Datong (2014)  
Eaton Luxe, Qingdao (2014)  
The Langham, Haikou (2014)  
Langham Place, Haining (2014)

Langham Place, Qingdao (2015)  
Palm Jumeirah, Dubai (2015)  
Langham Place, Dalian (2016)  
The Langham, Jakarta (2017)

## Hotels in India



**Eaton Smart, New Delhi Airport**  
Location: India  
Total rooms: 93

## Hotels in Europe / America



**The Langham, London**  
Location: United Kingdom  
Total rooms: 378



**Eaton Chelsea**  
Location: Canada  
Total rooms: 1,590



**The Langham, Boston**  
Location: United States  
Total rooms: 318



**The Langham, Pasadena**  
Location: United States  
Total rooms: 411



**The Langham, Chicago**  
Location: United States  
Total rooms: 316



**Langham Place Fifth Avenue, New York**  
Location: United States  
Total rooms: 214

## Hotels in Australia / NZ



**The Langham, Auckland**  
Location: New Zealand  
Total rooms: 411



**The Langham, Melbourne**  
Location: Australia  
Total rooms: 388

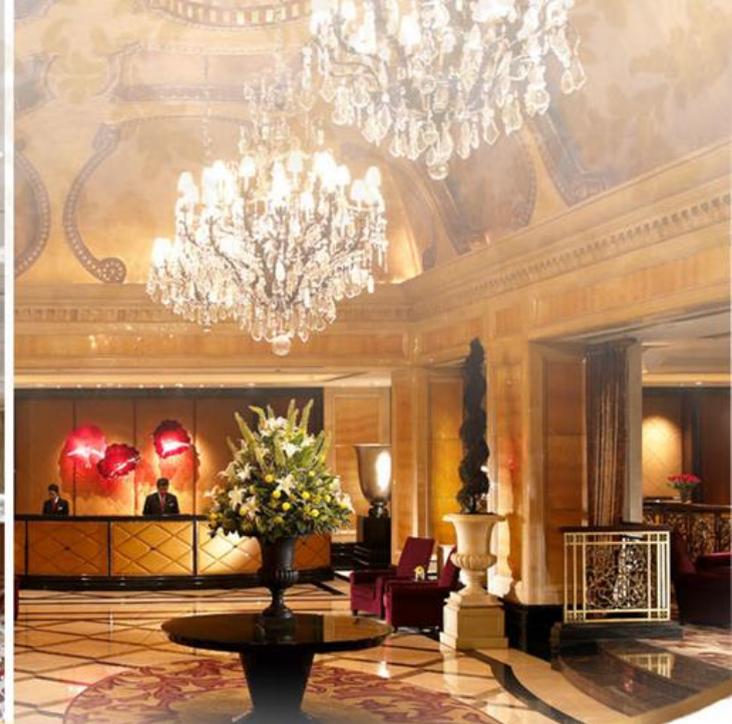


**The Langham, Sydney**  
Location: Australia  
Total rooms: 96

- Currently manages a portfolio of 22 hotels comprising over 8,000 rooms
- Pipeline of hotels to be opened in coming years<sup>(1)</sup>

Note:

1. Source: Great Eagle Holdings Company filings



## 2014 Interim Results

# Highlights of Interim Results 2014

**Average RevPAR growth of 5% in 1H 2014 vs. 3.8% in 1H 2013**

- Last year's first half RevPAR based on first six months of 2013
- Base on that, average RevPAR grew by 5% y-o-y in 1H 2014
- Which is faster than the growth of 3.8% achieved in 1H 2013

**As a result, variable rental income accounted for 69% of total**

- In addition to fixed rental income, variable rental income which is pegged to hotel performance accounted for 69% of total income
- Profit *excluding* revaluation gain came to HK\$188.4 million
- Distributable income reached HK\$272.6 million

**Resulting in steady Distribution**

- Distribution per share stapled unit for unit holders of HK14.6 cents
- Before the impact of distribution waived, distribution per share stapled unit for unit holders was HK\$13.5 cents
- Yield is already 4.1%, based on an unit price of HK\$3.60 per ssu

**Past trend & Outlook**

- Over the first six weeks of the second half of 2014, arrivals from China continued to grow, but arrival from majority of the long-haul markets have remained soft
- In terms of outlook, booking pace is encouraging, but booking window is short



# Hotels performance

## The Langham, Hong Kong

- Continued to accommodate more individual arrivals from Mainland China
- Witnessed softer demand from the USA, Australia and Europe

## Langham Place, Hong Kong

- There was actually a small single digit increase in arrivals from the Americas and the United Kingdom
- Hotel also saw a decline in demand for rooms from Australia

## Eaton Hotel, Hong Kong

- Witnessed the highest increase in arrivals from the Mainland China market
- The hotel also attracted budget travelers from some other markets

**LANGHAM**  
HOSPITALITY INVESTMENTS

- Revenue from food and beverage saw a decline of 2.1% to growth of 8.7% for the individual hotels, and all hotels saw weaker banqueting demand in the first half of 2014.
- EBITDA of the hotels grew at a slower rate than that of RevPAR.

## 2014 Interim Results

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	1H 2014	1H 2013
	(HK\$ '000)	(HK\$ '000)
Fixed Rental Income	111,576	19,726
Variable Rental Income	254,190	35,675
Rental Income from retail shops	2,521	422
<b>Gross Rental Income</b>	<b>368,287</b>	<b>55,823</b>
Property operating expenses	(16,363)	(2,725)
Services Fees (Including hotel management fee)	(46,578)	(6,875)
<b>Net Property Income</b>	<b>305,346</b>	<b>46,223</b>

Note:

1. For 1H 2013, period from listing date 30th May 2013 to the end of June 2013

## 2014 Interim Results

	1H 2014	1H 2013
	(HK\$ '000)	(HK\$ '000)
<b>Net Property Income</b>	<b>305,346</b>	<b>46,223</b>
Exchange gain/(loss)	(13,793)	-
Increase in fair value of investment properties	3,949	-
Trust and other expenses (including listing expense booked in 1H 2013)	( 5,301)	(35,882)
Net finance cost		
Finance cost	(64,841)	(11,405)
Interest income	9,767	201
<b>Profit before tax</b>	<b>235,127</b>	<b>(863)</b>
Income tax	(42,779)	(5,741)
<b>Profit attributable to holders of Share Stapled Units</b>	<b>192,348</b>	<b>(6,604)</b>
<b>Profit attributable to holders excluding the impact of fair value change</b>	<b>188,399</b>	<b>(6,604)</b>

Note:

1. For 1H 2013, period from listing date 30th May 2013 to the end of June 2013

## 2014 Interim Results

Adjustment to Distributable Income:	1H 2014	1H 2013
	(HK\$ '000)	(HK\$ '000)
Profit attributable to holders of share stapled units for the period	<b>192,348</b>	<b>(6,604)</b>
Listing expense	-	34,695
Hotel management fee and licence fee paid in share stapled units	37,064	5,462
Amortisation of debt upfront fee	17,000	3,016
Deferred tax	28,587	4,371
Depreciation	1	-
Cash contribution to FF&E reserve	(12,242)	(1,885)
Increase in fair value of investment properties	(3,949)	-
Non-cash net exchange loss	13,794	-
<b>Distributable income to Share Stapled Unitholders</b>	<b>272,603</b>	<b>39,055</b>
<b>Distribution per unit (HK\$) - after distribution waiver</b>	<b>0.146</b>	<b>0.021</b>
<b>Distribution per unit (HK\$) - before distribution waiver</b>	<b>0.135</b>	<b>0.020</b>

Note:

1. For 1H 2013, period from listing date 30th May 2013 to the end of June 2013

# 2014 Interim results

## Hotels operating performance for a six-month period

	Average Daily Rooms Available		Occupancy		Average Room Rate		RevPAR	
	1H 2014	1H 2013	1H 2014	1H 2013	1H 2014	1H 2013	1H 2014	1H 2013
The Langham, Hong Kong	<b>485</b>	495	<b>88.0%</b>	85.4%	<b>2,291</b>	2,254	<b>2,017</b>	1,924
Langham Place, Hong Kong	<b>650</b>	652	<b>92.5%</b>	87.7%	<b>1,871</b>	1,846	<b>1,731</b>	1,619
Eaton, Hong Kong	<b>465</b>	440	<b>95.7%</b>	93.3%	<b>1,178</b>	1,159	<b>1,127</b>	1,082
Y-o-y growth in 1H 2014	Occupancy		Average Room Rate		RevPAR		Food and Beverages	
	(in % pts)							
The Langham, Hong Kong	2.7		1.7%		4.9%		-2.1%	
Langham Place, Hong Kong	4.8		1.4%		7.0%		8.7%	
Eaton Smart, Hong Kong	2.4		1.7%		4.2%		2.6%	
<b>Respective markets</b>								
High Tariff A Hotels	2.0		3.3%		5.8%			
High Tariff B Hotels	3.0		3.1%		6.6%			

**Note:**

1. The Langham and Langham Place are classified as Tariff A hotels, whereas the Eaton is classified as a Tariff B hotel.

# Balance sheet

**Current Unit price  
implying a discount**

- The hotel properties were revalued at HK\$16,719 m, and NAV attributable to share stapled unitholders is HK\$5.24 per unit.
- Current unit price of LHI is implying a discount to NAV.

**Healthy financial  
position**

- As at 30 June 2014, the Trust Group's gearing was comfortable at 38.8% .
- With an adequate interest coverage ratio of around 5 times.

**Spread out maturities  
upon refinancing**

- A term loan of HK\$6,800 m was drawn on listing date, which will become mature in May 2016.
- Upon refinancing of the loan, the Group will try to spread out maturities to minimise refinancing risk in the long term.

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HOSPITALITY INVESTMENTS

- LHI 's financial position is healthy.

# Going forward, we have an i) Acquisition Growth Strategy,.....

## The Great Eagle ROFR – Initial Focus in Asia

- Completed standalone hotel in Asia which GE proposes to sell<sup>(1)</sup>
- Completed hotels in Asia which GE is offered opportunity to buy<sup>(1)</sup>
- Uncompleted hotels upon completion in Asia<sup>(2)</sup>
- Completed hotels to be branded under the Langham brands or other Eaton brands<sup>(1)</sup>

## LHI Strengths as an Acquirer

- ✓ Owner-operator
- ✓ Senior management's track record in acquisition and development
- ✓ Attractive initial core Hong Kong portfolio

### Acquisition criteria:

(a) Total return enhancing; (b) Initial focus on hotels in Asia; (c) Strong fundamentals, organic growth and asset enhancement potential

## Great Eagle's Remaining Global Portfolio<sup>(3)</sup>



The Langham, London



The Langham, Boston



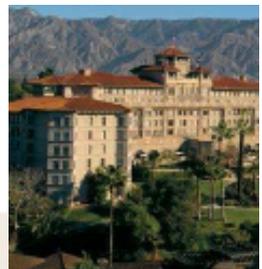
The Langham, Melbourne



The Langham, Sydney



The Langham, Auckland



The Langham, Pasadena



The Langham, Xintiandi



Eaton Chelsea, Toronto



Langham Place, New York



The Langham, Chicago

#### Note:

1. Which the Great Eagle Group owns an over 30% interest and that is being managed/proposed to be managed under the Langham Brands or Other Eaton Brands
2. Any uncompleted, stand-alone hotel development project in Asia to be operated under the Langham Brands or Other Eaton Brands on completion and any completed hotel to be segregated from the multi-purpose development of which it forms a part, and in which the Great Eagle Group owns an over 30% interest, provided that completion or segregation, as applicable, occurs prior to the expiry of the Great Eagle ROFR
3. These properties are not subject to the existing ROFR, except The Langham, Xintiandi and The Langham, Dalian, which are technically subject to ROFR
4. To be opened in 2017

### Pipeline hotels:

- ✓ The Langham, Dalian<sup>(4)</sup>

....as well as an ii) Active Asset Management Strategy to grow distributions for our share stapled unitholders

### **The Langham, Hong Kong**

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- ✓ Rooms renovation for 103 rooms are underway from mid June until late September 2014.
- ✓ Palm Court and Artesian Bar commenced refurbishments from mid July and will be back to operation mid September 2014.
- ✓ In conjunction, a Lobby touch up is planned to welcome guests with a fresh look.

### **Langham Place Hotel, Hong Kong**

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- ✓ Renovation of Lobby is scheduled from September till November 2014.
- ✓ Renovation of Portal Bar from October to mid December 2014
- ✓ Rooms renovation scheduled for January 2015.

### **Eaton, Hong Kong**

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- ✓ All the rooms at the Eaton have been refurbished in 2013 .
- ✓ Renovations of the Hotel entrance, lobby, ballroom and meeting place are being planned.
- ✓ Subject to finalisation, scheduled to start work in January 2015.

# Past examples of our Active Asset Management Strategy

## Growing Non-room Revenue



**Transformation of Eaton Retail Centre / Cinema into Catering and Ballroom Spaces**

## Identifying New Sources of Revenue



An empty, underutilised and unlicensed space was converted into “the backyard”



**Transformation of empty space into “the backyard”**

- The Hotel Manager has a proven track record of active asset management and asset enhancement
- We intend to work closely with the Hotel Manager to seek to identify other such opportunities

# To conclude, LHI is well positioned and will benefit from the Attractive Outlook of the Hong Kong Hospitality Sector

## Favourable Macro Trends

- Benefit from the potential demand versus supply gap. The Hong Kong Government expects Hong Kong to receive c. 70m and c. 100m tourists in 2017 and 2023 respectively (2013: 54.3m)

## Actively Managed Brands

- Global brand with an “owner-manager” mentality

## Strategic Locations

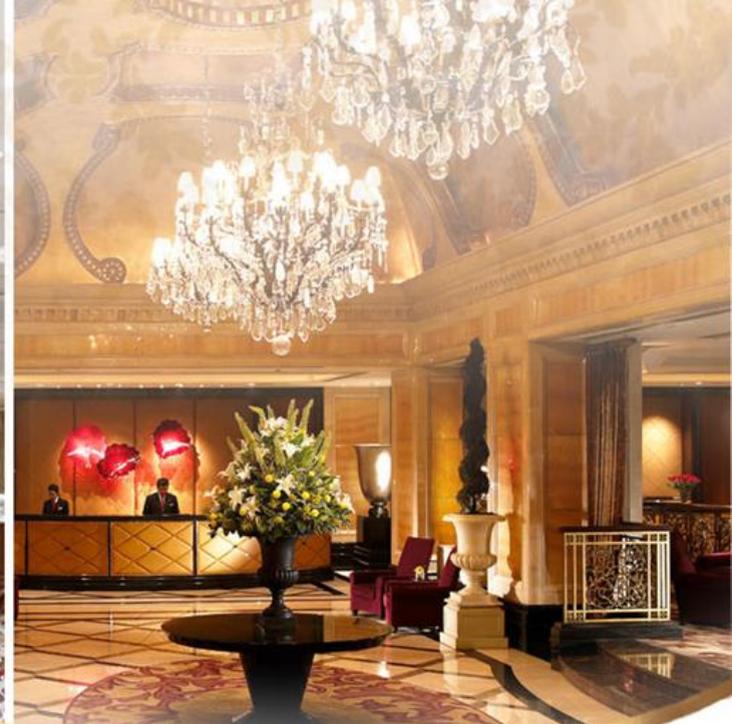
- Prime locations on the Kowloon peninsula

**LANGHAM**  
HOSPITALITY INVESTMENTS

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Thank You

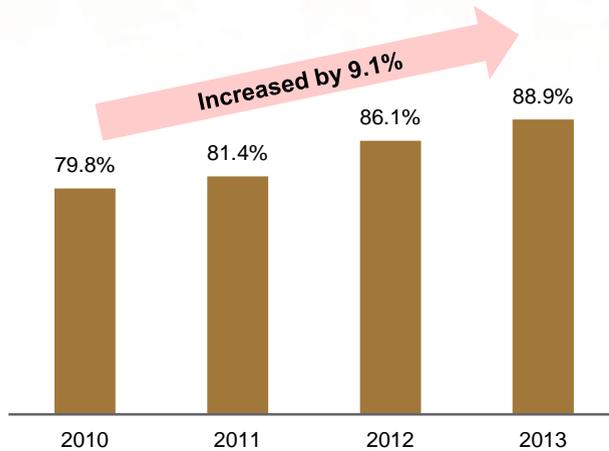




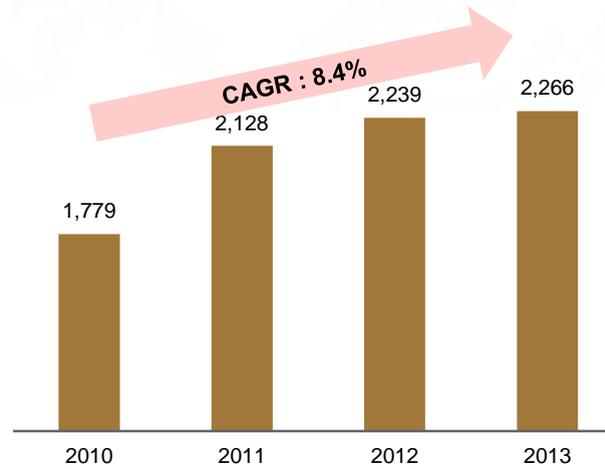
## Appendix

# The Langham – Historical Operating Performance

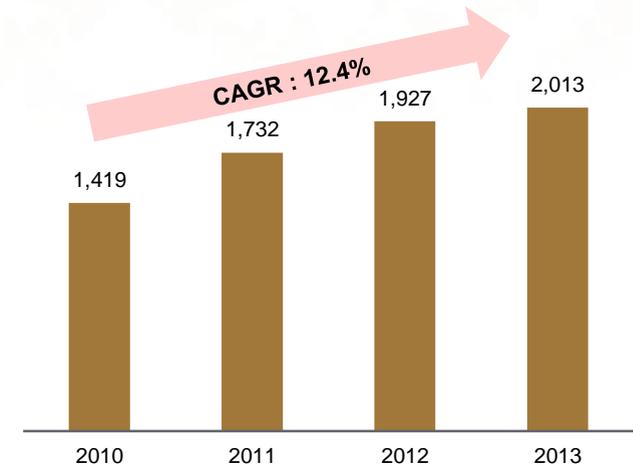
## Occupancy (%)



## Average Room Rate (HK\$)

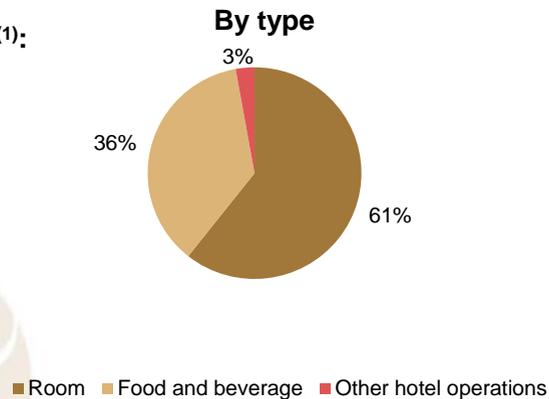


## RevPAR (HK\$)

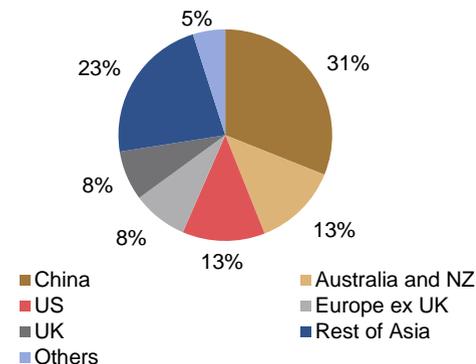


## Diversified Income and Customer Base

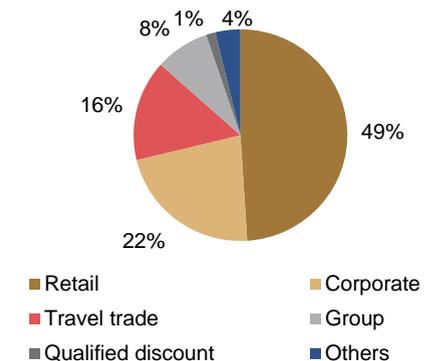
### Revenue contribution<sup>(1)</sup>:



### By origin of customers<sup>(2)</sup>



### By distribution channel<sup>(3)</sup>



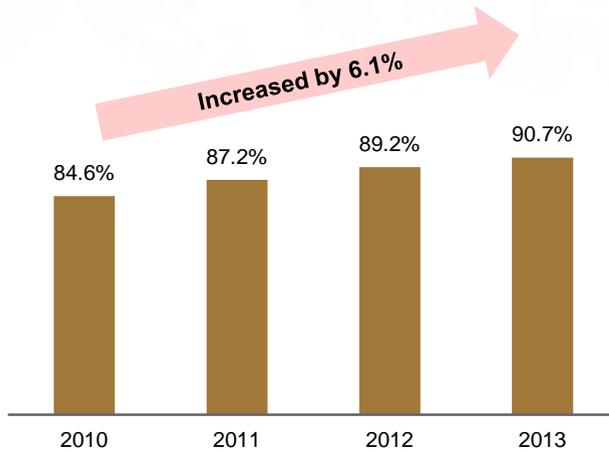
Note:

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- Excludes other miscellaneous revenue and service charges

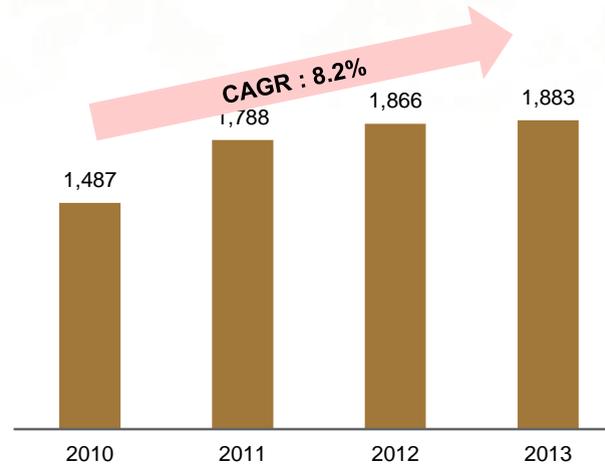
# Langham Place Hotel – Historical Operating Performance



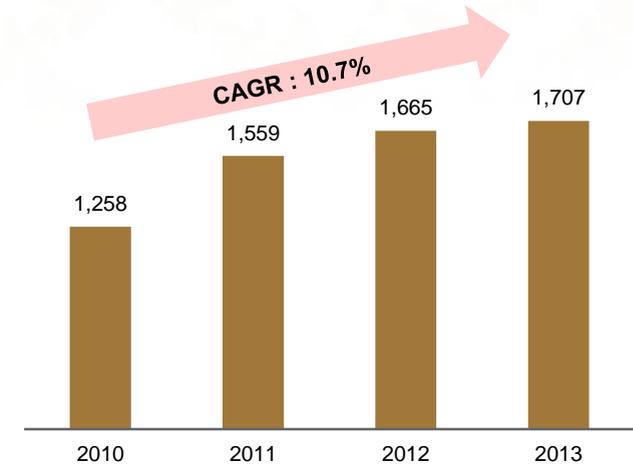
## Occupancy (%)



## Average Room Rate (HK\$)

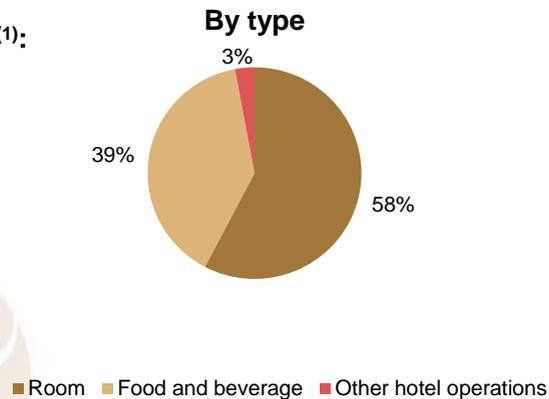


## RevPAR (HK\$)

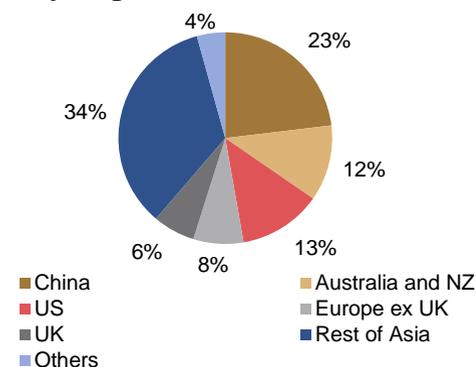


## Diversified Income and Customer Base

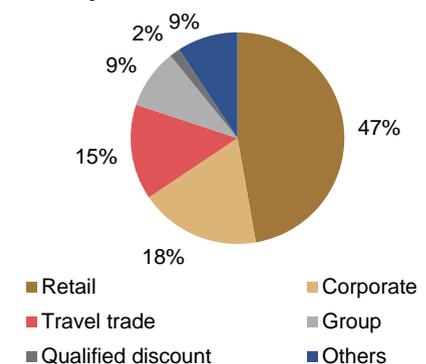
### Revenue contribution<sup>(1)</sup>:



### By origin of customers<sup>(2)</sup>



### By distribution channel<sup>(3)</sup>



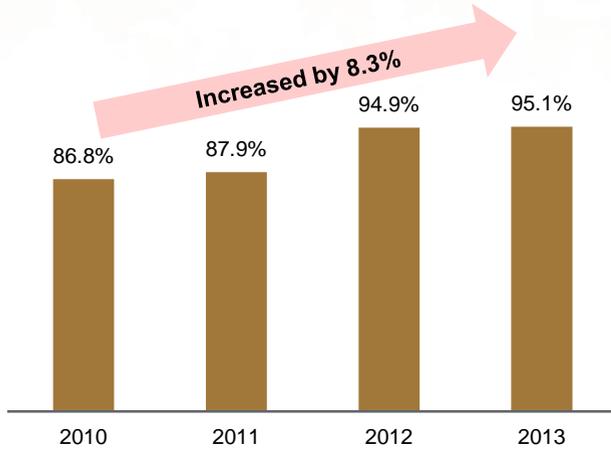
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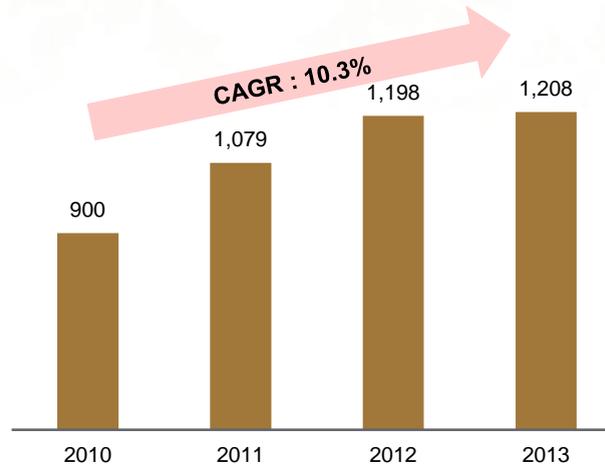
# Eaton – Historical Operating Performance



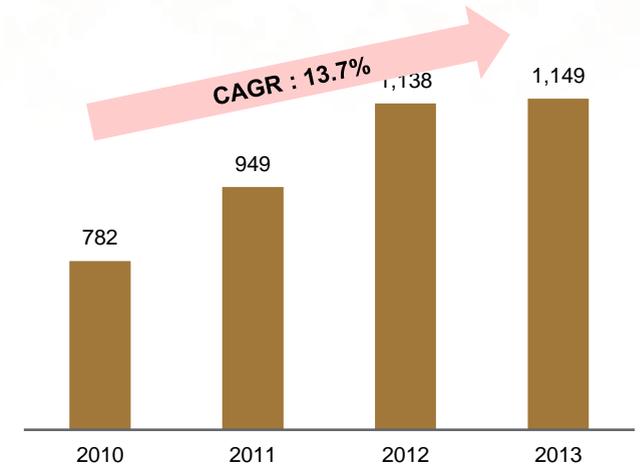
## Occupancy (%)



## Average Room Rate (HK\$)

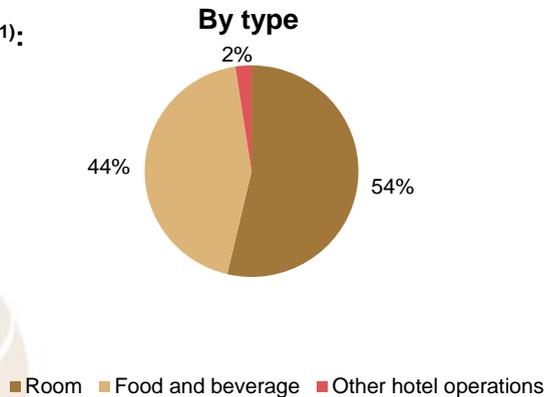


## RevPAR (HK\$)

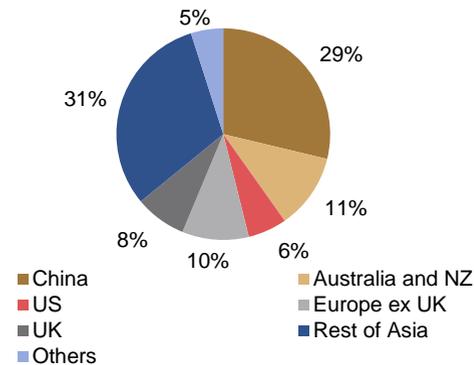


## Diversified Income and Customer Base

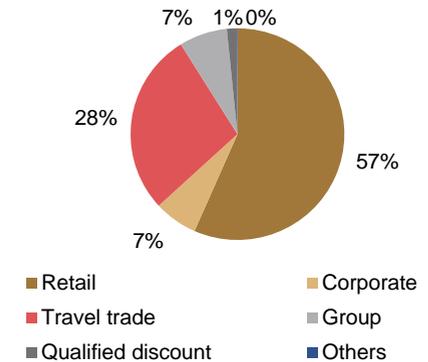
### Revenue contribution<sup>(1)</sup>:



### By origin of customers<sup>(2)</sup>



### By distribution channel<sup>(3)</sup>



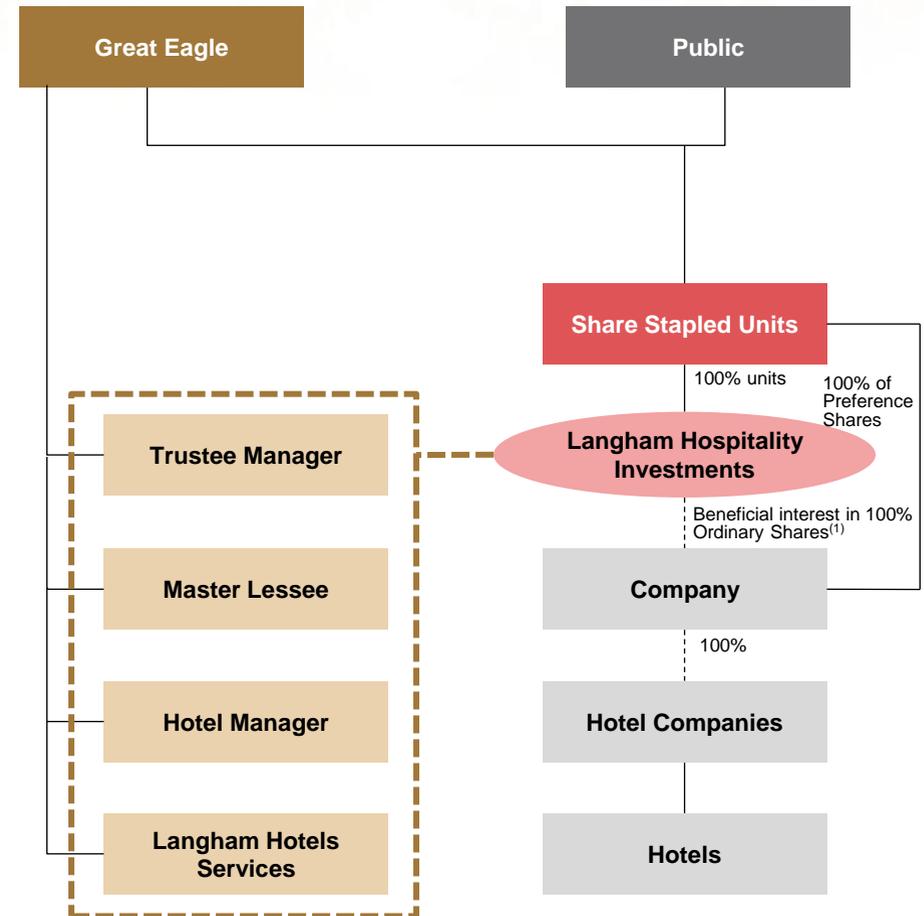
Note:

- For the year ended 31 December 2013
- Based on self-reported data collected at the time of guest registration and have not been subject to audit or review by an independent third party. Such data excludes room revenue derived from airline crew and others from unidentified countries and other miscellaneous revenue and service charges
- Excludes other miscellaneous revenue and service charges

# Overview of Langham Hospitality Investments

<b>Issuer</b>	Langham Hospitality Investments and Langham Hospitality Investments Limited
<b>Sponsor</b>	Great Eagle
<b>Investment Mandate</b>	Fixed single investment trust in Hong Kong with an initial focus on completed hotels in Asia
<b>Portfolio</b>	The Langham, Langham Place Hotel, Eaton
<b>Trustee Manager</b>	LHIL Manager Limited
<b>Master Lessee</b>	GE (LHIL) Lessee Limited
<b>Hotel Manager</b>	Langham Hotels International Limited
<b>Trademark License Agreement</b>	Between each Hotel Company, the Hotel Manager, the Trustee-Manager and LHIL
<b>Centralised Service and Marketing Agreement</b>	Between LHIL, each Hotel Company, Langham Hotels Services, the Master Lessee and the Trustee-Manager

## Simplified Structure of the Trust Group



1. As Langham Hospitality Investments is not a separate legal entity, all of the Trust Property, being the assets of Langham Hospitality Investments, will be held by the Trustee-Manager for the benefit of the Registered Holders of Units

# Master Lease Agreement

## Key Terms of the Master Lease Agreement

Duration	<ul style="list-style-type: none"> <li>• 14 years from the listing date</li> </ul>
Rental terms	<ul style="list-style-type: none"> <li>• From Listing date to 31 December 2019:             <ul style="list-style-type: none"> <li>– <b>Fixed base rent:</b> HK\$225 million p.a.</li> <li>– <b>Variable rent:</b> 70% of GOP before GMF</li> </ul> </li> <li>• From 1 January 2020 to the end of 14 years:             <ul style="list-style-type: none"> <li>– <b>Fixed base rent:</b> HK\$225 million p.a.</li> <li>– <b>Variable rent:</b> To be determined by independent valuer, to be appointed by the Company, to be reviewed for the period 1 January 2020 – 31 December 2023 and subsequently 1 January 2024 – the end of the 14-year lease<sup>(1)</sup></li> </ul> </li> </ul>
Guarantee	<ul style="list-style-type: none"> <li>• Great Eagle will guarantee to each of the Hotel Companies all amounts owed by the Master Lessee</li> </ul>

## Key Benefits

- ✓ The base rent will provide a stable source of revenue with downside protection and income stability
- ✓ The variable rent will provide with exposure to the performance of the Hotels, sharing a portion of any potential upside in the profitability, RevPAR growth and GOP growth
- ✓ The amount of the fixed base rent and the formula were determined with reference to the commercial range in similar arrangements adopted by other listed hospitality trusts
- ✓ 14 years duration of the Master Lease provides assurance for a long term stable source of revenue

Note:

1. Subject to independent shareholders' approval and terminates if the independent property valuer sets new variable rent at less than 70% of GOP before GMF

# Hotel Management Agreement, Trademark License Agreement and Centralised Services and Marketing Agreement

## Hotel Management Agreement

Duration	<ul style="list-style-type: none"> <li>30 years from listing date, with an option to extend for 10 years at the election of the Hotel Manager</li> <li>Thereafter, renewed for successive 10 years by mutual agreement</li> </ul>
Fee structure	<ul style="list-style-type: none"> <li><b>Base fee:</b> 1.5% of total revenue</li> <li><b>Incentive fee:</b> 5% of the Adjusted Gross Operating Profit (being Gross Operating Profit less the base fee and License Fees)</li> <li>Fees payable is in line with the rate of service fees charged by Great Eagle to other third party hotel owners</li> </ul>
Payment method	<ul style="list-style-type: none"> <li>From listing date to 31 December 2017:                             <ul style="list-style-type: none"> <li>Issue of share stapled units<sup>(1)</sup></li> </ul> </li> <li>1 January 2018 onwards:                             <ul style="list-style-type: none"> <li>Cash or issue of share stapled units or a combination of both</li> </ul> </li> </ul>
Key benefits	<ul style="list-style-type: none"> <li>Long term management contract minimise risks of disruption of hotel operation due to change in manager and give Group longer term visibility on and stability it its cost of operations</li> <li>Payment in units align interests of the Hotel Manager and Licensor and preserve cash that would enhance the distributions to unit holders</li> </ul>

Note:

- Subject to an annual cap of 1.5% of the total number of share stapled units

## Trademark License Agreement

Duration	<ul style="list-style-type: none"> <li>Same as the Hotel Management Agreement</li> </ul>
Fee structure	<ul style="list-style-type: none"> <li><b>License fee:</b> 1.0% of total revenue</li> <li>Fees payable is in line with the license fees charged by Great Eagle to other third party hotel owners</li> </ul>
Payment method	<ul style="list-style-type: none"> <li>Same as the Hotel Management Agreement</li> </ul>

## Centralised Services and Marketing Agreement

Duration	<ul style="list-style-type: none"> <li>Same as the Hotel Management Agreement</li> </ul>
Fee structure	<ul style="list-style-type: none"> <li><b>Global marketing fee:</b> 2.0% of room revenue</li> <li><b>Reimbursement of costs incurred on behalf of the Hotel:</b> at cost</li> <li><b>Reservation fees:</b> a fixed US\$ amount and percentage of revenue for each materialised reservation, depending on means through which reservation is made</li> <li>Fees payable is in line with the license fees charged by Great Eagle to other third party hotel owners</li> </ul>
Payment method	<ul style="list-style-type: none"> <li>In cash</li> </ul>

# Key Distribution Policies

<b>Payout ratio</b>	<ul style="list-style-type: none"> <li>• 100% of Trust Distributable Income (i.e. distributions received from LHI less trust level expenses)</li> <li>• LHIL to distribute:             <ul style="list-style-type: none"> <li>– 100% of the Group Distributable Income in respect of the period from the listing date to 31 December 2013 and each financial year ending 31 December 2014 and 2015</li> <li>– Not less than 90% of the Group Distributable Income in respect of each financial year thereafter</li> </ul> </li> </ul>
<b>Frequency</b>	<ul style="list-style-type: none"> <li>• Semi-annual basis<sup>(1)</sup>:             <ul style="list-style-type: none"> <li>– Interim distribution paid within four months after 30 June of each year</li> <li>– Annual distribution paid within six months after 31 December each year</li> </ul> </li> </ul>
<b>Distributable income</b>	<ul style="list-style-type: none"> <li>• Group Distributable Income refers to net profit after tax adjusted for certain items including but not limited to:             <ol style="list-style-type: none"> <li>a) unrealised revaluation gains/losses, including impairment provisions and reversals of impairment provisions</li> <li>b) impairment loss of goodwill/recognition of negative goodwill</li> <li>c) material non-cash gains/losses</li> <li>d) costs of any public offering of Share Stapled Units that are expensed through income statement but are funded by proceeds from the issuance of such Share Stapled Units</li> <li>e) depreciation and amortisation</li> <li>f) any difference in the accounting Base Rent and/or Variable Rent and the actual contractual Base Rent and/or Variable Rent paid in cash</li> <li>g) deferred tax charges and/or adjustments</li> <li>h) any difference between cash and accounting finance costs</li> <li>i) the portion of the fee(s) which is paid or payable for services provided in the form of Share Stapled Units</li> </ol> <p><b>Also at the discretion of the Directors</b>, amount set aside for the purposes of FF&amp;E reserve and capital expenditure, future debt repayments and/or for the purpose of complying with covenants in any credit facility agreement</p> </li> </ul>
<b>Asset disposal</b>	<ul style="list-style-type: none"> <li>• The Directors may, at their discretion, retain all or part of the proceeds from selling fixed assets or properties (including any amount retained for debt repayments and covenant compliance) for up to three years following such sale, to acquire other fixed assets or properties, FF&amp;E Reserve and/or capital expenditure. LHI is required to distribute such retained proceeds if it is not utilised within the three years (other than amounts retained for debt repayments and covenant compliance)</li> </ul>