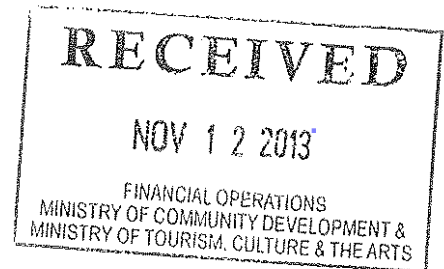


MINISTRY OF INTERNATIONAL TRADE AND
MINISTER RESPONSIBLE FOR THE
ASIA PACIFIC STRATEGY AND MULTICULTURALISM



DECISION NOTE

Cliff #: 12074

Date: 24 October 2013

PREPARED FOR: Ramona Soares, Assistant Deputy Minister

ISSUE: Payment of Office Lease Monthly Rent directly by TIR Representative Office in Korea

BACKGROUND: Since the establishment of the BC Trade and Investment office in Korea, office lease space in Seoul has been provided through an executive office company, The Executive Centre (TEC). Under the terms of the lease agreement, the Ministry pays rent in the amount of approximately CAD\$19,000 per month (KRW18,000,000, plus a 10% Value Added Tax, which is applied, given that the rent is paid from the BC Ministry and thus is considered to be coming from a foreign entity).

Upon updating the lease with the Executive Centre lease to reflect the change of Managing Directors in the Seoul office, Mr. Keun Saeng Park has proposed that the Province consider routing the TEC office rental payment through his TIR services company Pacific Coast Co Ltd, which would not be required to pay the VAT tax on rent, given that Pacific Coast is incorporated within Korea. This change would result in a savings of KRW 1,800,000 per month (approximately CAD\$1,720).

DISCUSSION: The Division Operations Branch of the Ministry has been consulted and is favorable to this proposed change. Division Operations has prepared the Amendment of the TIR contract to change the Table B-3: Budget Available for Office Lease/Rental Charges to allow Pacific Coast to pay the TEC directly (see attachment). The Executive Centre has confirmed that they are amenable to this change, given that it does not affect their receipt of monthly rental fees.

The change of the contracting party for office space rent - from the Ministry to Pacific Coast Co. Ltd - will result in an immediate cost saving of close to CAD\$9,000 between November and March 2014 when the current lease agreement expires.

As of April 2014, the BC Trade and Investment Representative would like to work with the Ministry to explore alternate direct leasing arrangements, rather than contracting with The Executive Centre, which could result in additional significant savings in rent in Seoul without compromising a prominent presence for the BC TIR office in Korea.

OPTIONS:

1. Sign the amendment of the TIR Service Contract to achieve an immediate costs savings of CAD\$1,720 per month by allowing Pacific Coast Co Ltd. to pay rent directly to The Executive Centre Seoul, thus avoiding the Value-Added Tax.

s13 s16 s17

RECOMMENDATION: It is recommended that the Ministry proceeds with the signing of the amendment.

ATTACHMENTS:

add Subject to Ministry reimbursement only after receipt of payment of rent by TIR contract

Approved / Not Approved	Date:
Comments:	

Prepared by: Sookyung Ahn, Senior Manager, Korea, International Market Development Branch
 Telephone: (office) 604 660 5916 (cell) s17

Reviewed by				
Dir: PI	ED: KB	ADM:	DM:	MIN:

DATE

30 August

2012

- (1) THE PORTMAN ESTATE NOMINEES (ONE)
LIMITED AND THE PORTMAN ESTATE
NOMINEES (TWO) LIMITED
- (2) HER MAJESTY THE QUEEN IN RIGHT OF THE
PROVINCE OF THE GOVERNMENT OF BRITISH
COLUMBIA as represented by the Minister of Jobs
Tourism and Innovation

LEASE OF PART

of Suite 1 (South East) Sixth Floor 1 Great Cumberland
Place London W1



FORSTERS



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London W1J 5LS

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Ref: MGJ/26061.499

PARTICULARS

Land Registry prescribed particulars

With the exception of LR13 and LR14 these particulars must not be deleted even if there is no information to put in them.

LR1. Date of Lease	30 August 2012
LR2. Title number(s)	LR2.1 Landlord's title number(s) NGL898456 LR2.2 Other title numbers
LR3. Parties to this Lease <i>Give full names and addresses of each of the parties. For UK incorporated companies and limited liability partnerships, also give the registered number including any prefix. For overseas companies, also give the territory of incorporation and if appropriate, the registered number in the United Kingdom including any prefix.</i>	Landlord THE PORTMAN ESTATE NOMINEES (ONE) LIMITED (Company Registration Number 5175327) and THE PORTMAN ESTATE NOMINEES (TWO) LIMITED (Company Registration Number 5175370) both of Ground Floor 40 Portman Square London W1H 6LT Tenant HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF THE GOVERNMENT OF BRITISH COLUMBIA as represented by the Minister of Jobs Tourism and Innovation whose address for service in England and Wales is Suite 1 (South East) Sixth Floor 1 Great Cumberland Place London W1
LR4. Property <i>Insert a full description of the land being leased or</i> <i>Refer to the clause, schedule or paragraph of a schedule in this Lease in which the land being leased is more fully described</i> <i>Where there is a letting of part of a registered title, a plan must be attached to this Lease and any floor levels must be specified.</i>	In the case of a conflict between this clause and the remainder of this Lease then, for the purposes of registration, this clause shall prevail. The premises as referred to in the Particulars and as defined in this Lease in Schedule 1.

<p>LR5. Prescribed statements etc.</p> <p><i>If this Lease includes a statement falling within LR5.1 insert under that sub-clause the relevant statement or refer to the clause, schedule or paragraph of a schedule in this Lease which contains the statement.</i></p>	<p>LR5.1 Statements prescribed under rules 179 (dispositions in favour of a charity), 180 (dispositions by a charity) or 196 (leases under the Leasehold Reform, Housing and Urban Development Act 1993) of the Land Registration Rules 2003</p> <p>None</p>
<p>LR6. Term for which the Property is Leased</p> <p><i>Include only the appropriate statement (duly completed) from the options.</i></p> <p><i>NOTE: The information you provide, or refer to, here will be used as part of the particulars to identify the Lease under rule 6 of the Land Registration Rules 2003</i></p>	<p>The Contractual Term as defined in this Lease in the Particulars</p>
<p>LR7. Premium</p> <p><i>Specify the total premium, inclusive of any VAT where payable.</i></p>	<p>None</p>
<p>LR8. Prohibitions or restrictions on disposing of this Lease</p> <p><i>Include whichever of the two statements is appropriate.</i></p> <p><i>Do not set out here the wording of the provision.</i></p>	<p>This Lease contains a provision that prohibits or restricts dispositions.</p>
<p>LR9. Rights of acquisition etc.</p> <p><i>Insert the relevant provisions in the sub-clauses or refer to the clause, schedule or paragraph of a schedule in this Lease which contains the provisions.</i></p>	<p>LR9.1 Tenant's contractual rights to renew this Lease, to acquire the reversion or another lease of the Property, or to acquire an interest in other land</p> <p>None</p> <p>LR9.2 Tenant's covenant to (or offer to) surrender this Lease</p> <p>None</p> <p>LR9.3 Landlord's contractual rights to acquire this Lease</p> <p>None</p>

<p>LR10. Restrictive covenants given in this Lease by the Landlord in respect of land other than the Property</p> <p><i>Insert the relevant provisions or refer to the clause, schedule or paragraph of a schedule in this Lease which contains the provisions.</i></p>	<p>None</p>
<p>LR11. Easements</p> <p><i>Refer here only to the clause, schedule or paragraph of a schedule in this Lease which sets out the easements.</i></p>	<p>LR11.1 Easements granted by this Lease for the benefit of the Property</p> <p>The rights set out in Schedule 2 Part 1</p> <p>LR11.2 Easements granted or reserved by this Lease over the Property for the benefit of other property</p> <p>The rights set out in Schedule 2 Part 2</p>
<p>LR12. Estate rentcharge burdening the Property</p> <p><i>Refer here only to the clause, schedule or paragraph of a schedule in this Lease which sets out the rentcharge.</i></p>	<p>None</p>
<p>LR13. Application for standard form of restriction</p> <p><i>Set out the full text of the standard form of restriction and the title against which it is to be entered. If you wish to apply for more than one standard form of restriction use this clause to apply for each of them, tell us who is applying against which title and set out the full text of the restriction you are applying for.</i></p> <p><i>Standard forms of restriction are set out in Schedule 4 to the Land Registration Rules 2003</i></p>	<p>None</p>
<p>LR14. Declaration of trust where there is more than one person comprising the Tenant</p> <p><i>If the Tenant is one person, omit or delete all the alternative statements.</i></p> <p><i>If the Tenant is more than one person, complete this clause by omitting or deleting all inapplicable alternative statements.</i></p>	

PARTICULARS

1.	DATE	30 August 2012
2.	LANDLORD	THE PORTMAN ESTATE NOMINEES (ONE) LIMITED (Company Registration Number 5175327) and THE PORTMAN ESTATE NOMINEES (TWO) LIMITED (Company Registration Number 5175370) both of Ground Floor 40 Portman Square London W1H 6LT
3.	TENANT	HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF THE GOVERNMENT OF BRITISH COLUMBIA as represented by the Minister of Jobs Tourism and Innovation whose address for service in England and Wales is Suite 1 (South East) Sixth Floor 1 Great Cumberland Place London W1
4.	PREMISES	The premises known as Suite 1 (South East) 1 Great Cumberland Place London more particularly described in Schedule 1
5.	CONTRACTUAL TERM	Seven years from and including 30 August 2012 to and including 29 August 2019
6.	BREAK DATE	25 March 2015 and 28 September 2018
7.	PRINCIPAL RENT	<p>From the 30 August 2012 to and including 29 January 2013³ peppercorn (if demanded)</p> <p>From 30 January 2013³ to and including 25 March 2015 ONE HUNDRED AND FOUR THOUSAND TWO HUNDRED AND TEN POUND per annum</p> <p>From 26 March 2015 to and including 25 April 2015 a peppercorn (if demanded)</p> <p>From 26 April 2015 to and including 29 August 2017 ONE HUNDRED AND FOUR THOUSAND TWO HUNDRED AND TEN POUND per</p>

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	annum and thereafter subject to review in accordance with Schedule 5
8. RENT COMMENCEMENT DATE	30 January 2013
9. RENT REVIEW DATES	The fifth anniversary of the commencement date of the Contractual Term
10. PERMITTED USE	As offices within B1(a) of the Schedule to the 1987 Order
11. INTERNAL DECORATION YEAR	The fifth year of the Term

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THIS LEASE is made on the date specified in the Particulars

BETWEEN:

- (1) the Landlord; and
- (2) the Tenant

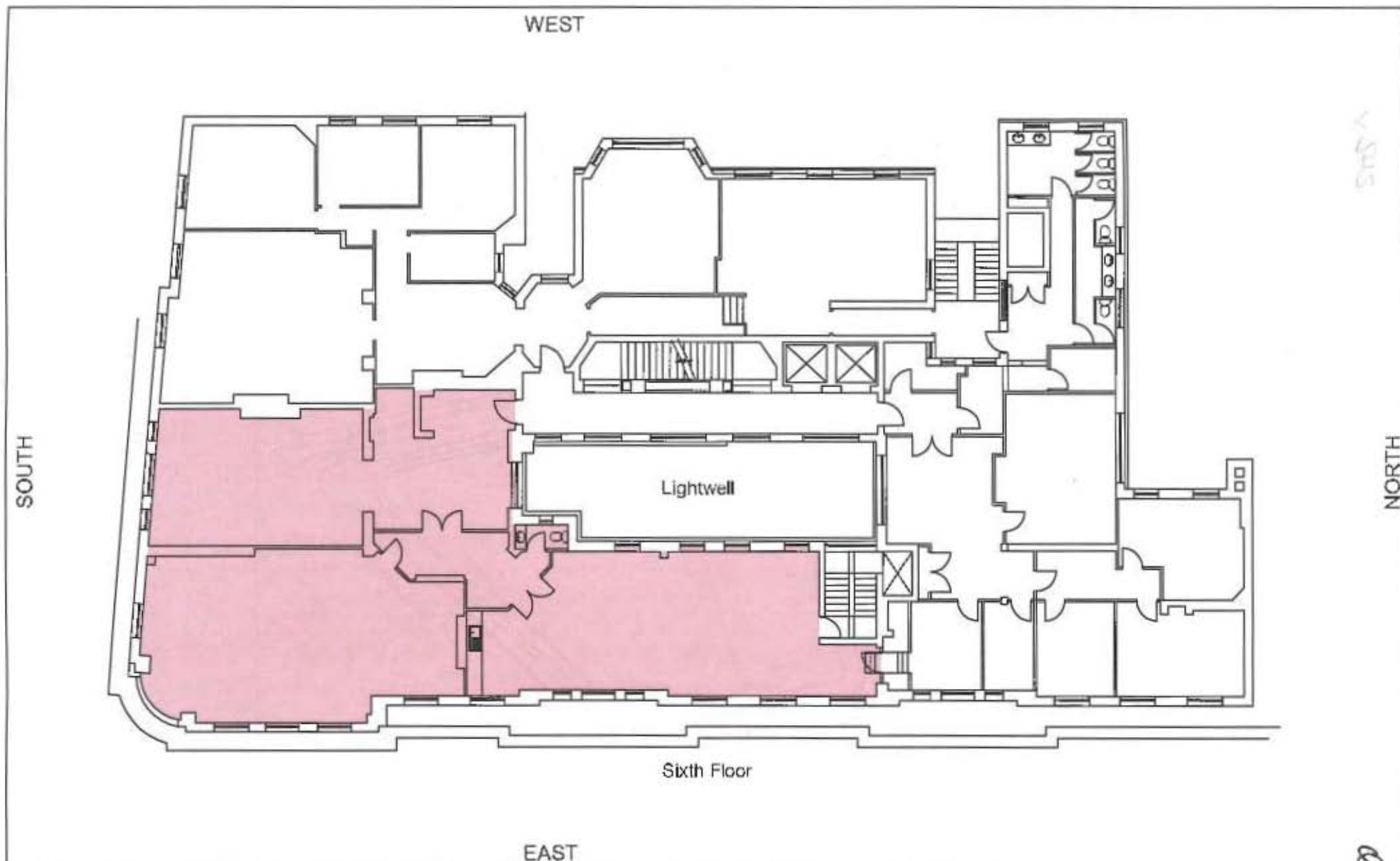
IT IS AGREED as follows:

1. **Definitions and Interpretation**

1.1 In this Lease:

1954 Act:	means the Landlord and Tenant Act 1954
1987 Order:	means the Town and Country Planning (Use Classes) Order 1987 (as at the date of this Lease)
1995 Act:	means the Landlord and Tenant (Covenants) Act 1995
Agent:	means the agent for the time being of the Landlord at the Portman Office, Ground Floor, 40 Portman Square, London W1H 6LT
Air Space:	means any air space above, below, or to the side of the Premises
Amenities:	means drainage, water, gas, electricity, telephone and all other services or amenities
Arbitration:	means arbitration in accordance with Clause 6.10
Authorised Guarantee Agreement:	means a deed of guarantee containing the provisions set out in Schedule 3 but omitting paragraphs 1.2 and 2.2
Base Rate:	means the base rate from time to time of National Westminster Bank PLC
Building:	means the building known as 1 Great Cumberland Place, London W1 shown edged red on Plan 2 of which the Premises form part
Common Parts:	means the areas and amenities made available from time to time by the Landlord for use in common by the tenants and occupiers of the Building including any pedestrian ways, forecourts, entrance halls, lobbies, landings, lifts, lift shafts, light wells, staircases, passages and corridors

Conducting Media:	means gutters, gullies, pipes, sewers, drains, watercourses, channels, ducts, sprinklers, flues, wires, aerials, cables, mains, cisterns, tanks and all other conducting media together with all meters and other apparatus used in connection with them
Costs:	means costs, charges, expenses, losses, liabilities, damages, claims, demands, proceedings and actions (as the context requires)
Estimated Service Charge:	<p><i>Excluded means the</i> means <i>unworn + wear & tear</i> POUNDS 60 Pence (£18,426.60) until 29 September 2012 and thereafter the sum calculated in accordance with Schedule 4</p>
Fire Escape:	means such means of escape in case of fire as the Landlord shall from time to time require for the benefit of the remainder of the Building and adjoining and neighbouring buildings which comply with all Legislation through and/or over the Premises and each and every part of them
Fixtures and Fittings:	means all fixtures and fittings (other than tenant's fixtures and fittings) in or upon the Premises including plant and machinery, lifts, boilers, central heating, air conditioning, lighting, plumbing, sanitary and sprinkler systems and any other apparatus from time to time in or upon the Premises
Group Company:	means a company that is a member of the same group within the meaning of section 42 of the 1954 Act
Insured Risks:	means fire, lightning, explosion, earthquake, storm, tempest, flood, impact, bursting or overflowing of water tanks and pipes, damage by aircraft and other aerial devices or articles dropped from them, riot and civil commotion, labour disturbance and malicious damage, terrorism, and such other risks at the date of this Lease covered under the Landlord's block insurance policy and such other risks as the Landlord decides to insure against from time to time
Interest Rate:	means interest at the rate of 4 per cent per annum above Base Rate (both before and after any judgment) such interest to be compounded with rests on the Quarter Days or if such base rate ceases to be published then such other comparable interest rate as the Landlord reasonably requires



Premises: Suite 1 1-4 Marble Arch and 1 Great Cumberland Place, London W1	Scale: 1:200	Date: December 2011	The Portman Estate 40 Portman Square London W1H 6LT
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Premises: No: 1-4 Marble Arch and 1 Great Cumberland Place London W1	Scale: 1:1250	Date: December 2011	The Portman Estate 40 Portman Square London W1H 6LT
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Quarter Days:	means 25 March, 24 June, 29 September and 25 December in every year and Quarter Day: means any one of them
Reinstatement Value:	<p>means the full cost of reinstating the Building including:</p> <ul style="list-style-type: none"> (a) temporarily making the Building safe and protecting any adjoining structures (b) debris removal, scaffolding, hoarding, demolition and site clearance (c) obtaining planning and any other requisite consents or approvals (d) complying with the requirements of any statute, order, instrument or regulation made under statute or by a government department or minister or by any local public regulatory or other authority (e) architects', surveyors' and other fees incurred by the Landlord in relation to the reinstatement (f) all construction costs (g) any VAT chargeable on any of the reinstatement costs (save where the Landlord is able to recover such VAT as an input in relation to supplies made by the Landlord)
Rents:	means the Principal Rent and all other sums payable by the Tenant to the Landlord under this Lease
Service Charge:	means the sum payable by the Tenant in accordance with the provisions of Schedule 4
Structure of the Building:	means the main structure of the Building including the roof, balustrading, balconies, foundations, external walls, internal load bearing walls, columns and the structural part of the roofs, ceilings and floors, windows, window sashes and window frames, all party structures, boundary walls, railings and fences and all exterior parts of the Building and all roads, pavements and pavement lights within the curtilage of or utilised by the Building
Tenant's Proportion:	means a fair and proper proportion attributable to the Premises such proportion to be conclusively determined by the Landlord (save in the case of manifest error)

Term:	means the Contractual Term
Termination Date:	means the date of expiration or sooner determination of the Term
Uninsured Damage:	means in relation to the Premises any damage or destruction which is caused other than by the Insured Risks but excluding any damage or destruction in respect of which the insurance is vitiated or voided by the Tenant
VAT:	means Value Added Tax or any equivalent tax which may be imposed in substitution for it or in addition to it

1.2 In interpreting this Lease:

- (a) the Particulars form part of this Lease and words and expressions set out in the Particulars are to be treated as defined terms;
- (b) references to Clauses and Schedules are to Clauses of and Schedules to this Lease and references to a paragraph are to a paragraph of the relevant Schedule unless stated otherwise;
- (c) the expression "Landlord" includes the person for the time being entitled to the immediate possession of the Premises on the expiry of the Term;
- (d) the expression "Tenant" includes the person in whom for the time being the Tenant's interest under this Lease is vested;
- (e) the expression "Guarantor" includes the personal representatives of the Guarantor and any other person who may from time to time guarantee the performance of the Tenant's obligations under this Lease other than pursuant to an Authorised Guarantee Agreement;
- (f) reference to a piece of legislation, unless stated otherwise, includes any statutory extension or modification, amendment, re enactment or replacement of that legislation and any subordinate legislation made under it;
- (g) references to a "person" include any individual, firm, unincorporated association or body corporate, words importing the singular number include the plural number and vice versa and words importing one gender include all genders;
- (h) if the Tenant or the Guarantor is more than one person, any reference to the Tenant or the Guarantor refers to each such person and any obligations of the Tenant or the Guarantor are joint and several;
- (i) references to an "act or default of the Tenant" include an act or default of any predecessor or any person deriving title under or through the Tenant, or their respective employees, agents, licensees or visitors;
- (j) a covenant by the Tenant not to do any act or thing includes a covenant not to permit or suffer such act or thing to be done;

- (k) the words "include(s)" and "including" are to be construed without limitation;
- (l) all references to Rents are exclusive of VAT;
- (m) the perpetuity period applicable to this Lease is eighty years from the date of this Lease;
- (n) the headings and contents are to be disregarded in interpreting this Lease.

2. Demise, Rents and Other Payments

- 2.1 The Landlord lets the Premises to the Tenant with Limited Title Guarantee for the Contractual Term together with the rights specified in Part 1 of Schedule 2 but except and reserving to the Landlord the rights specified in Part 2 of Schedule 2.
- 2.2 The Premises are let subject to the matters contained or referred to in the documents listed in Part 3 of Schedule 2.
- 2.3 The Tenant will pay by way of rent throughout the Term without any deduction, counterclaim or set off:
 - (a) the Principal Rent by equal quarterly payments in advance on the Quarter Days, the first such payment or a due proportion of it to the next Quarter Day becoming due on the Rent Commencement Date;
 - (b) the sums payable in connection with insurance set out in Clause 5.2;
 - (c) the Service Charge;
 - (d) all other sums (including VAT) due under this Lease from the Tenant to the Landlord.

3. Tenant's Covenants

The Tenant covenants with the Landlord:

3.1 Rent and Payments

- (a) to pay the Rents reserved by this Lease at the times and in the manner specified;
- (b) if required by the Landlord to pay the Rents by banker's standing order or otherwise as the Landlord reasonably requires;

3.2 Outgoings

- (a) to pay the Outgoings payable in respect of the Premises, its owner or occupier (except any payable by the Landlord (other than VAT) as a result of receipt of the Rents or arising on a dealing of the Landlord's interest in the Premises) and a fair and reasonable proportion of any such Outgoings payable in relation to the Premises and other property;
- (b) if the Landlord loses rating relief (or any similar relief or exemption) after the Termination Date because the relief has been allowed to the Tenant or anyone

else, within fourteen days of written demand to pay the Landlord a sum equal to the relief that the Landlord has lost;

- (c) not to agree the rateable value of or any revised rateable value for the Premises without the Landlord's Permission;
- (d) not to appeal against any rateable value which may be assessed or imposed in relation to the Premises without the Landlord's Permission;
- (e) if required by the Landlord acting reasonably and at the cost of the Tenant to appeal against any rateable value which may be assessed or imposed in relation to the Premises and to prosecute such appeal diligently;
- (f) to pay for the Amenities exclusively used by or available to the Premises (including all standing charges) and a fair and reasonable proportion of the cost of such Amenities payable in relation to the Premises and other property;
- (g) to pay to the Landlord within fourteen days of written demand a fair proportion (determined by the Landlord acting reasonably) of all costs, charges, fees and expenses incurred or expended by the Landlord in or in connection with decorating, cleansing, lighting, maintaining, repairing, building, rebuilding, repointing and reconstructing all buildings, walls (including party walls), fences (including party fences), forecourts, open areas, roads, ways, passages, pavements, structures (including party structures), roofs (including party roofs), Conducting Media and easements which may belong to or be used or be capable of being used by the Premises in common with any other premises in so far as not recovered as Service Charge;

3.3 Costs

to pay to the Landlord on demand and on an indemnity basis all Costs which may be properly incurred by the Landlord in connection with or in contemplation of:

- (a) the preparation and service of a notice under section 146 of the Law of Property Act 1925 and any proceedings under section 146 or section 147 of the Law of Property Act 1925 notwithstanding that forfeiture is avoided;
- (b) the preparation and subsequent service of a notice (including any schedule of dilapidations) or any other communication served under this Lease whether or not relating to the repair or condition of the Premises whether during the Term or after the Termination Date;
- (c) an application by the Tenant for any approval or consent required by this Lease including where the application is withdrawn or the approval or consent is lawfully refused save that the Tenant is not required to pay any Costs if the Landlord unreasonably withholds or delays consent or offers consent subject to an unreasonable or unlawful condition;
- (d) claiming or recovering any arrears of Rents or in connection with the enforcement or remedying of any breach of the Tenant's covenants in this Lease;

3.4 VAT

- (a) to pay any VAT chargeable upon the Rents;
- (b) where the Tenant has agreed to reimburse or indemnify the Landlord in respect of a payment made by the Landlord under the terms of or in connection with this Lease, also to reimburse any VAT paid by the Landlord on such payment;

3.5 Interest on Arrears

if any sums payable to the Landlord under this Lease are not paid within 7 days of the due date (whether demanded or not), or are tendered but the Landlord reasonably refuses to accept them so as to preserve its rights, to pay the Landlord (without prejudice to any right or remedy of the Landlord) interest at the Interest Rate on such sums from the due date until the date of actual payment inclusive of both dates;

3.6 Repair

- (a) to keep the Premises in good and substantial repair and condition (damage by Insured Risks or any Uninsured Damage excepted save to the extent that such insurance is vitiated or the policy monies are irrecoverable as a result of any act or default of the Tenant);
- (b) to replace and renew any Plant forming part of the Premises or any Fixtures and Fittings which in the reasonable opinion of the Landlord become at any time during or at the expiration of the Term in need of replacement with new ones of a substantially similar kind, quality and standard of performance;

3.7 Decoration

- (a) to decorate the Premises and the internal parts of any windows or window frames as often as reasonably necessary and in any event in every Internal Decoration Year and the last 6 months of the Term (however determined) provided that the Tenant is not obliged to decorate more than once in any 12 month period;
- (b) such decoration is to include preparing and painting all inside surfaces of the Premises usually painted with at least two coats of paint, stripping and repapering all such surfaces usually papered and restoring all other inside surfaces to their proper condition and appearance;
- (c) all decoration is to be carried out in a good and workmanlike manner with good quality materials and in the last six months of the Term using materials of quality, colour and finish previously approved in writing by the Landlord;
- (d) to keep the Premises fully carpeted with good quality contract standard carpet and which if different to the existing colour has the Landlord's prior written consent;
- (e) to keep any windows serving the Premises suitably glazed at all times;

3.8 Cleaning and Appearance

- (a) to keep the Premises in a clean and tidy condition and clear of all rubbish;

- (b) to clean at least once a month the inside and outside of the windows, window frames and all the glass (if any) in the doors of the Premises;
- (c) to procure that the windows of the Premises are suitably curtained or screened to the reasonable satisfaction of the Agent;
- (d) to keep the entrance doors to the Premises shut except for the purpose of access and egress;

3.9 Overloading

- (a) not to overload the floors, ceilings or structure of the Building or the Fixtures and Fittings;
- (b) not to overload or permit any deleterious, dangerous or harmful matter or substance or any other substance which may cause an obstruction, damage or injury to be discharged into the Conducting Media within the Building or serving the Premises and, in the event of such obstruction, damage or injury, immediately to remove and make good the damage caused to the reasonable satisfaction of the Landlord;

3.10 Access of Landlord

- (a) to permit the Landlord and all persons authorised by the Landlord (with or without equipment) at all times on 24 hours notice (save in emergency) to enter the Premises:
 - (i) to inspect the state of repair and condition of the Premises;
 - (ii) to take inventories of the Fixtures and Fittings and the Plant;
 - (iii) to determine whether the Tenant has complied with its obligations in this Lease and to remedy any breach of the Tenant's obligations;
 - (iv) to inspect the Premises for all purposes connected with any proposed action under the 1954 Act or the implementation of the provisions for rent review;
 - (v) to fix and retain without interference upon a suitable part of the Premises one or more notice boards for reletting (but no earlier than six months before the end of the Contractual Term) or selling the Landlord's reversionary interest in the Premises;
 - (vi) to view the Premises in connection with any dealing with or for any purpose connected with the Landlord's reversionary interest in the Premises or the reletting of the Premises;
 - (vii) to carry out any tests, inspections and surveys as the Landlord or a purchaser of the Landlord's reversionary interest in the Premises requires;
 - (viii) to inspect, erect, alter, improve, redevelop, refurbish, repair and maintain the Building and any adjoining or nearby premises;

- (ix) to inspect, clean, connect to, lay, repair, remove, replace, alter or execute any works to or in connection with the Conducting Media;
- (x) to construct, repair, maintain and alter the Fire Escape, and in the event only of fire or other similar emergency or for the purpose of drills to pass through the Premises in order to escape from any adjoining or neighbouring premises to a place of safety;
- (xi) to exercise the rights reserved by this Lease and to comply with the obligations of the Landlord under this Lease or with any Legislation insofar as it imposes an obligation on the Landlord; and
- (xii) to inspect, clean, connect to, install, repair, remove, replace, maintain or alter any meters, acrials, fire alarms or any other plant and equipment situated on the Property from time to time and used by any adjoining or neighbouring premises

provided that the Landlord causes as little damage inconvenience and interference as reasonably practicable to the Premises and the use by the Tenant and the Landlord will at its own expense make good to the Tenant's reasonable satisfaction as soon as reasonably practicable any damage to the Premises caused by the exercise of these rights;

- (b) The Landlord will procure and will adhere to the following conditions upon the exercise by any person of a right of entry granted or reserved to the Landlord or any other person under this Lease
 - (i) Such right of entry shall only be exercised where it is not reasonably practicable to achieve the required object without entering the Premises
 - (ii) The Landlord will procure that no permanent adverse effect is caused by the exercise of any such right to the Premises or the Tenant's use and enjoyment of them

3.11 Remedying of Breaches

- (a) to comply with every notice (including any schedule of dilapidations) given by the Landlord requiring the Tenant to remedy any breach of covenant;
- (b) if the Tenant fails to comply with any such notice within two months of the giving of such notice, or sooner if reasonably necessary, the Landlord and all persons authorised by the Landlord may (without prejudice to the Landlord's right of re entry) enter the Premises at all reasonable times to remedy any breach of covenant;
- (c) to pay to the Landlord upon demand as a contractual debt the costs and expenses incurred by the Landlord under this Clause 3.11;

3.12 Alterations

- (a) not to make any structural or external alterations or additions to the Premises;
- (b) not to merge the Premises or any part with any adjacent property;

- (c) not to change the external appearance of the Premises;
- (d) not to erect anything on or make any addition to the Premises which projects into the Air Space;
- (e) not to make any other alteration, addition or variation to the Premises without obtaining the Landlord's Permission given by way of Licence such permission not to be unreasonably withheld or delayed and the Landlord may as a condition of giving such permission require the Tenant to enter into such covenants as the Landlord reasonably requires regarding the execution of any such alterations and the reinstatement of the Premises before the Termination Date provided that the Tenant shall not require the Landlord's Permission for the installation variation and removal of internal demountable partitioning;
- (f) if the Tenant carries out any alterations without the Landlord's Permission or where any permission is withdrawn or lapses then at the Landlord's request forthwith to make good and reinstate the Premises;
- (g) not to commence any alterations or additions before all necessary licences, approvals, permissions and consents from all relevant government departments, local authorities and other competent authorities, the insurers and any other persons interested in the Premises have been produced to the Landlord and approved by it;
- (h) to carry out all alterations and additions in a good and workmanlike manner with suitable materials of good quality to the satisfaction of the Landlord strictly in accordance with all such licences, approvals, permissions and consents and the plans and specifications approved by the Landlord without causing any nuisance, damage or inconvenience to the Landlord or the owners or occupiers of any neighbouring property;
- (i) in relation to any works permitted under this Clause to procure that all Legislation is fully observed and to enter into such covenants regarding its observance as the Landlord requires;
- (j) to procure that all alterations and additions are carried out by contractors approved by the Landlord such approval not to be unreasonably withheld or delayed;
- (k) not to make any alteration or addition to any electrical installation other than in accordance with the terms and conditions laid down by the Institution of Electrical Engineers and the regulations of the electricity supply authority;

3.13 Signs and Aerials

not without the Landlord's written consent to affix to or display so as to be visible from outside the Premises any sign, signboard, advertisement, hoarding, fascia, poster, placard, bill, notice or other notification (except such notification as is required by law), pole, aerial or satellite dish;

3.14 Use

- (a) not to use the Premises or any part otherwise than for the Permitted Use;

- (b) not to use the Premises or any part:
- (i) in a manner which is noisy, noxious, offensive, dangerous, illegal or immoral;
 - (ii) in a manner which is a nuisance or causes damage or disturbance to the Landlord or the owners or occupiers of the remainder of the Building or other nearby premises;
 - (iii) to hold an auction, exhibition, public show or meeting, or for gambling activity (including participating in the promotion, administration or operation of any lottery made lawful by section 2 of the National Lottery Act 1993) or as an amusement arcade;
 - (iv) as sleeping accommodation or for residential purposes;
 - (v) as a restaurant, cafe or sandwich or coffee bar, or for the sale of food or drink (whether for consumption on or off the Premises);
 - (vi) as an undertakers, bank, building society, estate or letting agency, or travel or employment agency, or as an office for the hire of taxis or cars or for the provision of courier services or any other use which makes access to the premises available to members of the public without prior appointment;
 - (vii) as an abortion clinic (whether or not the abortions are performed upon the Premises), brothel, sauna or massage parlour, escort agency or for the sale of sex or marital aids;
 - (viii) for any religious or political purpose;
 - (ix) as a charity shop;
 - (x) for the sale or hire of pre-recorded video cassettes, DVDs, or other visual recording medium;
 - (xi) for the sale of discount and/or bankrupt stock;
 - (xii) as an Embassy or as a diplomat's residence or office;
 - (xiii) as an internet café;
 - (xiv) as a transmission system for the conveyance by the use of electrical magnetic or electro-magnetic energy of signals of any description provided wholly or mainly for the purpose of making electronic communications services available to members of the public;
 - (xv) for any other use which in the reasonable opinion of the Landlord may be or tend to be detrimental to the Portman Estate;
- (c) not to place or expose for sale outside the Premises anything or to solicit or tout for customers or transact any business upon the pavement outside the Building;

- (d) not to bring into or keep on the Premises any article or thing which is or might become dangerous, offensive, combustible, inflammable, radioactive, or explosive, or which might increase the risk of fire or explosion and not to burn any rubbish or refuse on the Premises;
- (e) not to leave the Premises continuously unoccupied for more than 20 days without first notifying the Landlord and providing such caretaking and security arrangements as the Landlord reasonably requires;

3.15 Statutory Obligations and Fire Escape

- (a) to comply with all Legislation affecting the Premises and their use;
- (b) to give written notice to the Landlord immediately on becoming aware of any defect or anything else on the Premises which might give rise to a duty of care being imposed on the Landlord;
- (c) not to obstruct the Fire Escape;

3.16 Planning and Environmental Matters

- (a) not to apply for planning permission for a change of the Permitted Use at the Premises;
- (b) not to apply for, vary or implement any other planning permission relating to the Premises without the Landlord's prior written consent;
- (c) to supply to the Landlord a copy of any planning permission relating to the Premises within five days after its receipt by the Tenant;
- (d) to pay and satisfy any charge that may be imposed under the Planning Acts relating to the Premises;
- (e) unless the Landlord otherwise directs, to carry out and complete before the Termination Date any development begun on the Premises and any works stipulated to be carried out to the Premises as a condition of any planning permission implemented by the Tenant during the Term irrespective of the date before which such works were required to be carried out;
- (f) not without the written consent of the Landlord to enter into an agreement or undertaking or to serve a notice under the Planning Acts relating to the Premises;
- (g) not to apply for any consent, licence or other authority under any environmental legislation relating to the Premises without the Landlord's prior written consent;

3.17 Notices

- (a) promptly following receipt to give to the Landlord a copy of any notice, direction, order, proposal or communication relating to the Premises or the Building;
- (b) at the request of the Landlord, but at the joint cost of the Landlord and the Tenant, to make or join with the Landlord in making such objections to or

representations or appeals against or in respect of such communication as the Landlord reasonably deems fit;

- (c) to take all steps required to comply with any such communication;

3.18 Dealings

(a) Assignments

- (i) not to assign part only of the Premises;
- (ii) not to assign the whole of the Premises without
 - (A) the Landlord's Permission (given by way of Licence) such permission not to be unreasonably withheld or delayed; and
 - (B) satisfying the circumstances specified for the purposes of section 19(1A) of the Landlord and Tenant Act 1927 and set out in Clause 3.18(a)(iii); and
 - (C) complying with the conditions specified for the purposes of section 19(1A) of the Landlord and Tenant Act 1927 and set out in Clause 3.18(a)(iv);
- (iii) the circumstances referred to in Clause 3.18(a)(iv) are that:
 - (A) all sums due from the Tenant under this Lease have been paid at the date of the application of the licence to assign;
 - (B) in the Landlord's reasonable opinion there are at the date of the application for the licence to assign no material outstanding breaches of any tenant covenant under this Lease or any personal covenants undertaken by the Tenant relating to the state and condition of the Premises;
 - (C) in the Landlord's reasonable opinion the proposed assignee is a person who at the date of the application for licence to assign is of appropriate financial standing and is likely to be able to comply with the tenant covenants of this Lease and is likely to continue to be such a person following the assignment;
 - (D) the proposed assignee is not entitled to claim immunity or exemption from complying with the tenant covenants of this Lease whether by reason of diplomatic or sovereign immunity or otherwise;
 - (E) the proposed assignee is a corporation registered in (or if an individual is resident in) a jurisdiction in which the order of a Court obtained in England and Wales will be enforced without any consideration of the merits of the case;
 - (F) in the case of an assignment to a Group Company the proposed assignee is in the Landlord's reasonable opinion a

person who at the date of the application for a licence to assign is no less likely than the Tenant was at the date of either the grant or the assignment of this Lease to the Tenant to be able to comply with the tenant covenants of this Lease and is likely to continue to be such a person following the assignment;

- (iv) the conditions referred to in Clause 3.18(a)(ii) are that:
 - (A) the Tenant enters into an Authorised Guarantee Agreement;
 - (B) the proposed assignee covenants with the Landlord to pay the Rents and observe and perform the Tenant's covenants in this Lease throughout the Term, or until released pursuant to the 1995 Act;
 - (C) if the Landlord reasonably requires the proposed assignee procures one or more guarantors reasonably acceptable to the Landlord who covenant with the Landlord by deed including the provisions set out in Schedule 3;
 - (D) if the Landlord reasonably requires the proposed assignee deposits in a bank account with a bank nominated by the Landlord a cash deposit of such amount as the Landlord reasonably requires and enters into a rent deposit deed in such form as the Landlord reasonably requires;
 - (E) all sums due from the Tenant under this Lease are paid before completion of the assignment;
- (v) nothing in this Clause shall prevent the Landlord from giving consent subject to any other reasonable condition, nor from refusing consent to an assignment in any other circumstance where it is reasonable to do so;

(b) Underlettings

- (i) not to underlet part only of the Premises;
- (ii) not to underlet the whole of the Premises without the Landlord's Permission (given by way of Licence) such permission not to be unreasonably withheld or delayed;
- (iii) not to underlet the whole of the Premises unless:
 - (A) the underlease:
 - (I) reserves a rent of not less than the open market rent for the Premises at the time of grant without a fine or premium or reverse premium;
 - (II) contains provisions for upwards only rent reviews to coincide with the rent reviews under this Lease;

- (III) contains a covenant by the undertenant not to underlet, part with or share possession or share occupation of the whole or any part or parts of the underlet premises, nor to assign or charge part only of the underlet premises such permission not to be unreasonably withheld or delayed;
- (IV) contains a covenant by the undertenant not to assign or charge the whole of the underlet premises without the Landlord's Permission (given by way of Licence);
- (V) contains a covenant by the undertenant not to do or omit to do any act or thing which would or might cause the Tenant to be in breach of its covenants in this Lease;
- (VI) is otherwise on the same terms (*mutatis mutandis*) as the terms of this Lease;
- (VII) is excluded from the operation of sections 24 to 28 of the 1954 Act;
- (B) before the grant of the underlease the Tenant procures a covenant from the undertenant and any guarantor of the undertenant with the Landlord to observe and perform the covenants on the part of the undertenant contained in the proposed underlease;
- (C) all sums due from the Tenant under this Lease are paid before completion of the underletting;
- (iv) not to vary the terms of any underlease without the Landlord's written consent;
- (v) not to accept a surrender of the whole or part of the underlet premises without the Landlord's written consent;
- (vi) to enforce the covenants of the undertenant under any underlease;
- (vii) to review the rent in accordance with the rent review provisions in any underlease, but not to agree or have determined the reviewed rent until the corresponding review under this Lease has been agreed or determined;
- (viii) not to agree the reviewed rent with the undertenant without the Landlord's Permission such permission not to be unreasonably withheld or delayed;
- (ix) to incorporate as part of its submissions or representations to a third party appointed to determine the reviewed rent such submissions or representations as the Landlord shall reasonably require;

- (x) to notify the Landlord of the reviewed rent under the underlease as soon as it has been agreed or determined;

(c) **Sharing Occupation**

not to share occupation of the whole or any part of the Premises except with a Group Company of the Tenant provided that:

- (i) no relationship of landlord and tenant is created;
- (ii) notice of such sharing, including the identity of the Group Company and its relationship to the Tenant, shall be given to the Landlord beforehand; and
- (iii) any such sharing shall cease immediately upon such company leaving the said group;

(d) **Charging**

- (i) not to charge part only of the Premises;
- (ii) not to charge the Premises as a whole without the Landlord's Permission (given by way of Licence);

(e) **Other Dealings**

except as expressly permitted by this Clause 3.18:

- (i) not to part with or share possession or share occupation of the whole or any part or parts of the Premises;
- (ii) not to hold the Premises or any part or parts of the Premises or this Lease on trust for another;
- (iii) not to permit the Premises or any part of the Premises to be occupied by or to be vested in any way (whether by assignment, subletting or any other means) in any person who is or may become entitled to claim immunity or exemption from complying with the tenant covenants of this Lease whether by reason of diplomatic or sovereign immunity or otherwise;

(f) **Notification of Dealings**

within one month after any assignment, underlease, assignment of an underlease, charge or other devolution of an interest under this Lease or any agreement for any of the same, to produce to the Landlord a certified copy of the relevant document and pay his reasonable registration fee which shall not exceed more than £50 plus VAT;

3.19 **Registration Requirements**

where the grant of this Lease or any dealing authorised by this Lease is required to be registered at the Land Registry, promptly following completion of this Lease or any assignment or underlease (as appropriate):

- (g) to lodge or procure that there is lodged at the Land Registry an application to register the relevant document;
- (a) to ensure that any requisitions raised by the Land Registry in connection with that application are dealt with promptly and properly;
- (b) to procure that within one month after completion of such registration a certified copy of the title information document is sent to the Landlord;

3.20 Yield Up

- (a) on the Termination Date:
 - (i) to yield up the Premises with vacant possession and repaired, decorated and otherwise in accordance with the Tenant's covenants contained in this Lease;
 - (ii) to remove all refuse, tenant's fixtures and fittings and signs from the Premises, making good any damage caused by their removal;
 - (iii) to deliver to the Landlord any records relating to the Premises as are required by any Legislation;
- (b) unless the Landlord notifies the Tenant in writing to the contrary at least three months prior to the Termination Date, to remove all alterations and additions made to the Premises during the Term and to make good any damage caused by their removal prior to the Termination Date;
- (c) within one month of the Termination Date (and notwithstanding that the Term has ended), where this Lease is registered at the Land Registry, to make an application to close the registered title of this Lease and to ensure that any requisitions raised by the Land Registry in connection with that application are dealt with promptly and properly and to keep the Landlord informed of the progress and completion of its application;

3.21 Rights of Light and Encroachments

not to obstruct any windows or openings belonging to the Premises

- (a) not to make any acknowledgement that the flow of light or air to the Premises is enjoyed with the consent of a third party;
- (b) if any easement enjoyed by the Premises is obstructed to notify the Landlord as soon as reasonably practicable and take all steps the Landlord reasonably requires to prevent or secure the removal of the obstruction;
- (c) not to permit any encroachment upon the Premises;

- (d) if any encroachment upon the Premises is made or attempted to be made to notify the Landlord as soon as reasonably practicable and take all steps the Landlord reasonably requires to prevent such encroachment;

3.22 Production of Information

to supply to the Landlord on request:

- (a) full details of the occupiers of and their interest in the Premises and the terms upon which they occupy it;
- (b) such evidence as the Landlord reasonably requires to satisfy itself that the tenant's covenants in this Lease have been complied with;
- (c) any information reasonably requested in relation to any proposed action under the 1954 Act or the implementation of the provisions for rent review;
- (d) all information that the Landlord reasonably requires from time to time to comply with the Landlord's obligations under any Legislation;

3.23 Indemnity

to indemnify the Landlord against all Costs arising directly or indirectly out of the use of the Premises or anything done or omitted to be done on them, or any breach of the Tenant's obligations in this Lease;

3.24 Superior Title

to observe and perform the matters (if any) contained or referred to in the documents listed in Part 3 of Schedule 2 so far as they are still subsisting and capable of taking effect and relate to the Premises;

3.25 Regulations

to comply with all reasonable regulations made by the Landlord from time to time for the management of the Building and notified to the Tenant in writing;

3.26 Non Obstruction of Common Parts

not to place on or within the Common Parts any goods or other items or cause any obstruction of the Common Parts;

4. Landlord's Covenants

The Landlord covenants with the Tenant:

4.1 Quiet Enjoyment

that subject to the Tenant paying the Rents reserved and observing and performing all its covenants contained in this Lease the Tenant may peaceably and quietly hold and enjoy the Premises during the Term without any interruption or disturbance by the Landlord or any person rightfully claiming through or under the Landlord;

4.2 Services

to observe and perform its obligations in Schedule 4.

5. Insurance

5.1 Landlord's Insurance Covenants

(a) Subject to Clause 5.1(b), the Landlord covenants with the Tenant:

(i) to insure:

- (A) the Building against loss or damage by the Insured Risks in such sum as from time to time the Landlord in its absolute discretion considers to represent the Reinstatement Value;
- (B) against loss of the Principal Rent arising from any of the Insured Risks for three years or such longer period as the Landlord reasonably considers appropriate having regard to the likely period for reinstating the Premises and calculated having regard to future rent reviews;
- (C) against public liability and property owner's liability in respect of the Building;

(ii) if requested in writing by the Tenant (but not more often than once in any year of the Term) to produce to the Tenant reasonable evidence of the terms of the relevant policy and of payment of the last premium paid.

(b) The Landlord:

(i) is not obliged to maintain such insurance if and to the extent that

- (A) cover is not obtainable on reasonable terms from the Landlord's insurers;
- (B) any excess, exclusion, condition or limitation is imposed by the insurers;
- (C) such insurance becomes void, in whole or in part, or renewal is refused due to an act or default of the Tenant; or
- (D) the Tenant has not informed the Landlord of the reinstatement cost of any alterations, additions or improvements to the Premises in accordance with Clause 5.2(c)(ii);

(ii) may effect such insurance through any agency that it decides;

(iii) may retain any commissions or other benefits for effecting or maintaining such insurance.

5.2 Tenant's Insurance Covenants

The Tenant covenants with the Landlord:

- (a) to pay within fourteen days of written demand:
 - (i) the Tenant's Proportion of the gross amount payable by the Landlord for the insurance specified in Clause 5.1 and if the Landlord effects such insurance under a policy covering the Building and other premises the certificate of the Agent acting reasonably as to the premium properly attributable to the Building shall be conclusive;
 - (ii) the Tenant's Proportion of the proper fees and expenses for professional valuations of the Building for the purpose of determining the Reinstatement Value and/or the level of loss of rent insurance (provided that the Tenant shall only pay towards one such valuation per year);
 - (iii) the Tenant's Proportion of any excess deducted by the insurers or underwriters in respect of a claim;
 - (iv) the Tenant's Proportion of the proper fees and expenses payable to professional advisers and consultants properly incurred in connection with any insurance claim;
 - (v) the cost of any increased or additional premium and all consequential expenses incurred by the Landlord as a result of a breach of Clause 5.2(b);
 - (vi) a sum equal to any irrecoverable insurance monies under any policies effected by the Landlord where such monies are wholly or partly irrecoverable due to an act or default of the Tenant;
- (b) not to do or omit to do anything which would or might invalidate or prejudice the insurance of the Building or any nearby property of the Landlord or which may cause an increased or additional premium for their insurance to be payable;
- (c) to notify the Landlord:
 - (i) as soon as reasonably practicable after becoming aware of any damage to or destruction of the Building or any part of it or any event that might affect any insurance policy relating to the Premises;
 - (ii) in writing of the reinstatement cost of any authorised alterations, additions or improvements to the Premises prior to them being carried out or installed by the Tenant or anyone authorised by the Tenant or anyone deriving title from the Tenant;
- (d) to comply with all the requirements and recommendations of the insurers of the Premises;
- (e) not to effect any insurance of the Premises against the Insured Risks, but if nevertheless the Tenant becomes entitled to the benefit of any insurance relating to the Premises to pay all insurance monies received to the Landlord as soon as reasonably practicable;

5.3 Suspension of Rent

If:

- (a) the Building or any part of it is destroyed or damaged by any of the Insured Risks or there is Uninsured Damage so that the Premises or any part of them are unfit for occupation and use or inaccessible; and
- (b) provided that the insurance effected by the Landlord is not invalidated or payment of the policy monies refused in whole or in part due to an act or default of the Tenant

then the Principal Rent and Service Charge, or a fair proportion according to the nature and extent of the damage, will be suspended to the extent (but not otherwise) that the insurers meet the Landlord's claim under the policy for loss of rent from the date of the damage or destruction (or in the case of Uninsured Damage from the date on which the Landlord issues an Election Notice pursuant to clause 5.6 until the Premises are again fit for occupation and use and are accessible or until the expiry of the period covered for loss of rent under the insurance policy effected by the Landlord (whichever period is the shorter).

5.4 Reinstatement

If:

- (a) the Building is damaged or destroyed by a risk against which the Landlord is obliged to insure; and
- (b) all necessary consents have been obtained (which the Landlord covenants with the Tenant that it shall use its reasonable endeavours to obtain); and
- (c) the Tenant has paid the Tenant's Proportion of any excess deducted by the Landlord's insurers or underwriters; and
- (d) the insurance has not been invalidated or payment refused in whole or in part due to an act or default of the Tenant; and
- (e) Clause 5.5 does not apply; and

the Landlord will use all insurance proceeds received (other than in respect of loss of rent, costs and fees) in rebuilding or reinstating the Building so far as reasonably practicable to the same or a reasonably equivalent state as before such damage or destruction provided that:

- (i) The landlord shall be liable to make good any insufficiency in such insurance except where such insufficiency is due to an act or omission of the Tenant; and
- (ii) if the Tenant fails to notify the Landlord when the Premises have been destroyed or damaged by an Insured Risk or to provide the information to enable a claim to be made the consequences of any failure by the insurers to meet such a claim in whole or in part shall be borne by the Tenant;

5.5 Determination of the Term

- (a) If during the last three years of the Contractual Term or the period of any holding over the Premises are destroyed or damaged by any of the Insured Risks or there is Uninsured Damage so as to be unfit for occupation and use the Landlord may by giving not less than three months' written notice determine the Term, and upon expiry of such notice the Term will immediately end, but without prejudice to the rights of the Landlord in respect of any prior breach of any obligation of the Tenant contained in this Lease and the Landlord is entitled to receive the whole of any insurance monies paid in respect of the Premises for the Landlord's own benefit.
- (b) The Tenant may terminate this lease by giving notice to the Landlord if, following damage or destruction of the Premises or the Common Parts by an Insured Risk, the Premises have not been reinstated so as to be fit for occupation and use or the Common Parts have not been reinstated so as to make the Premises accessible or useable within three years after the date of damage or destruction. On giving this notice this lease shall determine.
- (c) If the Lease is terminated pursuant to clause 5.5(a) the Landlord will reimburse the Tenant on the date the Lease is terminated any Rents paid in advance by the Tenant which relate to the period after the termination date

5.6 Option to determine following Uninsured Damage

- (a) If there is Uninsured Damage so that the Premises or any part of them or its accesses are incapable of occupation and/or use, the Landlord will by service of notice in writing (an "Election Notice") on the Tenant within 6 months following the date on which the Uninsured Damage occurs elect to either:
 - (i) rebuild or reinstate the Premises; or
 - (ii) forthwith determine this Lease.
- (b) If the Landlord serves an Election Notice to rebuild or reinstate the Premises the Landlord will (subject to all necessary consents being obtained) rebuild or reinstate the Premises to the same or a reasonably equivalent state as before such damage or destruction provided that if the Premises are not reinstated so far as reasonably practicable so as to be fit for occupation and use and accessible by the date 3 months prior to the third anniversary of the date such damage or destruction occurred then either the Landlord or the Tenant may by giving not less than 3 months written notice to the other at any time after such date determine the Term and upon expiry of such notice unless the Premises have been reinstated the Term will immediately end but without prejudice to the rights of either party against the other in respect of any prior breach of any obligation contained in this Lease.
- (c) If notice to determine the Lease is served pursuant to Clause 5.6(b) then this Lease shall forthwith determine but the determination shall be without prejudice to any right of action of either party in respect of any previous breach of this Lease by the other

5.7 Disputes

Any dispute under this Clause 5 will be referred to Arbitration.

6. **Provisos**

6.1 **Re Entry**

If:

- (a) the Rents or any part of them are unpaid for 14 days after becoming payable (whether formally demanded or not); or
- (b) the Tenant breaches any covenant or other term of this Lease; or
- (c) the Tenant has any distress or other execution levied on its goods at the Premises; or
- (d) any steps are taken in connection with a voluntary arrangement or any other composition scheme or arrangement with or assignment for the benefit of the Tenant's creditors; or
- (e) a corporate Tenant:
 - (i) passes a resolution or the Court makes an order for its winding up (other than a members' voluntary winding up of a solvent company for the purposes of amalgamation or reconstruction having the Landlord's Permission); or
 - (ii) has a receiver, administrator, administrative receiver or provisional liquidator appointed over it or any of its assets; or
 - (iii) is dissolved or struck off the Register of Companies or otherwise ceases to exist; or
 - (iv) is deemed unable to pay its debts within the meaning of section 123 of the Insolvency Act 1986; or

and the paragraphs above shall also apply in relation to a partnership or limited partnership (as defined in the Partnership Act 1890 and the Limited Partnership Act 1907 respectively) subject to the modifications referred to in the Insolvent Partnerships Order 1994 (SI 1994/2421) (as amended) and to a limited liability partnership (as defined in the Limited Liability Partnerships Act 2000) subject to the modification referred to in the Limited Liability Partnerships Regulations 2001 (SI 2001/1090)

- (f) an individual Tenant:
 - (i) has a bankruptcy petition presented or a bankruptcy order made against it; or
 - (ii) makes an application for an interim order under section 253 of the Insolvency Act 1986; or
 - (iii) has a receiver, or similar officer appointed over the whole or any part of its assets; or

- (iv) is unable (or has no reasonable prospect of being able) to pay its debts within the meaning of sections 267 and 268 of the Insolvency Act 1986.
- (g) any of the above events occur in relation to the Guarantor but only where the Tenant does not provide a substitute guarantor reasonably acceptable to the Landlord within 14 working days of such event

then the Landlord may re enter the Premises or any part of them in the name of the whole at which time this Lease will immediately end, but without prejudice to any right or remedy of the Landlord in respect of any breach of the Tenant's obligations contained in this Lease.

6.2 Service of Notices

- (a) Subject to this Clause 6.2, section 196 of the Law of Property Act 1925 applies to all notices which may be served under this Lease save that section 196 is deemed to be amended by deleting the final words of section 196(4) "at the time at [] be delivered" and substituting "on the third working day after posting".
- (b) If the receiving party consists of more than one person, a notice served upon one of them constitutes service upon all of them.
- (c) The Landlord's address for the service of any notice is the Portman Office, Ground Floor, 40 Portman Square, London W1H 6LT or such other address as the Landlord may from time to time notify to the Tenant in writing.
- (d) The Tenant's address for the service of process in England is Suite 1 (South East) Sixth Floor 1 Great Cumberland Place London W1.

6.3 Exclusion of Representations and Warranties

- (a) The Tenant acknowledges that this Lease has not been entered into in reliance wholly or partly on any statement or representation made by or on behalf of the Landlord except any such statement or representation that is expressly set out in this Lease or made by the Landlord's solicitors in written response to enquiries raised by the Tenant's solicitors in connection with the grant of this Lease.
- (b) The Landlord does not warrant that the Permitted Use is lawfully permitted under the Planning Acts.

6.4 No Compensation

Any statutory right of the Tenant or any undertenant to claim compensation from the Landlord on vacating the Premises is excluded to the extent allowed by law.

6.5 Rights and Easements

The operation of section 62 of the Law of Property Act 1925 is excluded from this Lease, the only rights granted to the Tenant are those set out in this Lease and the Tenant is not entitled to any other rights affecting the Building or any adjoining property.

6.6 Party Walls

Any walls which divide the Premises from any adjacent premises are deemed to be party walls within the meaning of section 38 of the Law of Property Act 1925.

6.7 Freedom of Landlord to Deal With Other Property

Nothing contained in this Lease or implied gives the Tenant the benefit of or the right to enforce or to have enforced or to prevent the release or modification of any covenant, agreement or condition entered into by any purchaser from or by any lessee or occupier of the Landlord in respect of property not demised by this Lease.

6.8 Disputes With Adjoining Occupiers

If any dispute arises between the Tenant and the tenants or occupiers of any adjoining property of the Landlord relating to any easement, right or privilege in connection with the Premises and any of that adjoining property, it is to be decided by the Landlord acting reasonably or in such manner as the Landlord directs.

6.9 Tenant's Property

If on the Termination Date any property of the Tenant remains in or on the Premises and the Tenant fails to remove it within seven days after being requested in writing by the Landlord to do so:

- (a) the Landlord may, as the agent of the Tenant, sell or otherwise dispose of such property and the Tenant will indemnify the Landlord against any liability incurred by it to any third party whose property shall have been sold by the Landlord in the mistaken belief held in good faith (which shall be presumed unless the contrary be proved) that such property belonged to the Tenant;
- (b) if the Landlord, having made reasonable efforts, is unable to locate the Tenant, the Landlord shall be entitled to retain the net proceeds of such sale absolutely unless the Tenant shall claim them within six months of the date upon which the Tenant vacated the Premises;
- (c) the Tenant must indemnify the Landlord against any damage occasioned to the Premises and any Costs caused by or related to the presence of such property in or on the Premises (and any monies due to the Landlord under this sub-clause may be deducted from the proceeds of sale of such property)

6.10 Arbitration

Where this Lease provides for reference to Arbitration then the arbitration will be conducted as follows:

- (a) reference will be made to an independent surveyor to be agreed upon by the Landlord and the Tenant and in the absence of agreement as nominated by the President for the time being of the Royal Institution of Chartered Surveyors (or his duly appointed deputy or a person authorised by him to make appointments on his behalf) upon the application of the Landlord or the Tenant made at any time;
- (b) if the appointed surveyor dies, delays unduly or becomes unwilling or incapable of acting then upon the application of the Landlord or the Tenant the

President of the Royal Institution of Chartered Surveyors may discharge him and appoint another surveyor in his place;

- (c) the arbitration will be conducted in accordance with the Arbitration Act 1996;
- (d) the fees of the arbitrator will be borne equally unless the arbitrator determines otherwise;
- (e) if the release of the arbitrator's award is delayed because the Tenant has not paid its share of the arbitrator's costs, the Landlord may pay the unpaid costs and the amount paid will be a debt due on demand from the Tenant to the Landlord.

6.11 Landlord's Option to Determine

- (a) If the Landlord provides to the Tenant reasonable evidence of its intention to redevelop or substantially refurbish the Building the Landlord may terminate this Lease on any Break Date by serving written notice on the Tenant not less than six months before the relevant Break Date and then immediately on the relevant Break Date this Lease will end but without prejudice to any rights or remedies that may have accrued.
- (b) If the Landlord exercises the option to terminate the Lease detailed in clause 6.11(a) the Landlord will reimburse the Tenant on the Break Date for any Rents paid in advance by the Tenant which relate to the period after the Break Date

6.12 Exclusion of Sections 24-28 Landlord and Tenant Act 1954

- (a) The Tenant hereby confirms that before the date of this Lease:
 - (i) The Landlord served on the Tenant a notice dated 20 August 2012 in relation to the tenancy created by this Lease ("the Notice") in a form complying with the requirements of Schedule 1 to the Regulatory Reform (Business Tenancies) (England and Wales) Order 2003 ("the Order")
 - (ii) The Tenant or a person duly authorised by the Tenant in relation to the Notice made a statutory declaration ("the Declaration") dated 29 August 2012 in a form complying with the requirements of Schedule 2 of the Order
- (b) The Tenant further confirms that where the Declaration was made by a person other than the Tenant the declarant was duly authorised by the Tenant to make the Declaration on the Tenant's behalf
- (c) The Landlord and the Tenant confirm that there is no Agreement for Lease to which this Lease gives effect
- (d) The Landlord and Tenant agree to exclude the provisions of sections 24 to 28 (inclusive) of the Landlord and Tenant Act 1954 in relation to the tenancy created by this Lease

6.13 Contracts (Rights of Third Parties) Act

A person who is not a party to this Lease has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Lease but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

6.14 Immunity

- (a) The Tenant hereby unconditionally agrees to waive immunity to the extent that such immunity may at any time exist whether on grounds of sovereignty or otherwise from suit, arbitration, proceedings, jurisdiction of any court, adjudication, enforcement of arbitration award, judgment, service of process upon it or any agent, execution on judgment, set off, attachment or other interim relief (including but not limited to, injunctive relief or order for specific performance for the recovery of any property whatsoever) prior to judgment or on judgment or other legal process, including, without limitation, the defences of "sovereign immunity" and "act of state" which the Tenant may now have or may in the future have. The Tenant agrees not to assert any such immunity or defences in any proceedings with respect to this lease or in the enforcement of any judgment or execution resulting therefrom. For the avoidance of doubt the Tenant irrevocably submits to the jurisdiction of any court where proceedings are brought by the Landlord for the purposes of this clause and undertakes not to raise any objection on the grounds of inconvenient forum
- (b) The Tenant covenants that the Premises shall at no time during the Term be designated as diplomatic premises or any similar designation which would have the effect of making the Premises inviolable

6.15 Governing Law and Jurisdiction

- (a) This Lease and any dispute or claim arising out of or in connection with it or its subject matter or formation (including noncontractual disputes or claims) shall be governed by and construed in accordance with the laws of England and Wales.
- (b) The parties hereby submit to the exclusive jurisdiction of the High Court of England and Wales in relation to any dispute or claim arising out of or in connection with this Lease or in relation to its existence or validity (including noncontractual disputes or claims)."

Executed as a deed by the parties on the date which first appears in this Lease.

SCHEDULE 1 Premises

All that land and buildings known as Suite 1 (South East) 1 Great Cumberland Place London London W1 shown coloured pink on Plan 1 and including:

1. all additions and improvements to them;
2. all Fixtures and Fittings;
3. the Plant situated in and exclusively serving the Premises;
4. all non load-bearing or non structural walls within the Premises and the inner half of the internal non load-bearing walls (if any) which divide the Premises from other parts of the Building;
5. the plaster or other finishes of all structural or load bearing walls and columns bounding the Premises but not any other part of such walls and columns;
6. the ceiling and floor finishes including false ceilings and raised floors (but not the beams or joists to which they are attached);
7. all doors, door furniture and door frames including any between the Premises and the Common Parts;
8. all Conducting Media exclusively serving the Premises;
but excluding:
9. the Structure of the Building;
10. the Conducting Media that do not exclusively serve the Premises;
11. the Air Space;

SCHEDULE 2

Part 1 Rights Granted To The Tenant

1. The right, subject to temporary interruption for repair, alteration or replacement, in common with the Landlord and all other persons having a like right, to the free passage and running of Amenities to and from the Premises to and from any other premises on the Portman Estate adjoining or near to the Premises through the Conducting Media which now or may during the Term be in or on such other premises.
2. The right, subject to temporary interruption for repair, alteration, rebuilding or replacement, for the Tenant and all persons expressly or by implication authorised by him, in common with the Landlord and all other persons having a like right, to use all appropriate areas of the Common Parts for access to and egress from the Premises at all times.
3. The right to affix a sign in a form and size first approved by the Landlord (such consent not to be unreasonably withheld or delayed) at the side of the entrance door to the Premises.

4. The right to support, shelter and protection from the Building
5. The right to enter the Common Parts or any other adjoining property so far as is reasonably necessary to carry out any works to the Premises required or permitted by this lease

Part 2 Rights Reserved To The Landlord

6. The rights of light, air, support, protection and shelter and all easements quasi-easements, privileges and rights which now or in future belong to or are enjoyed by other parts of the Building and any adjoining or neighbouring premises in under over or in respect of the Premises.
7. The rights of light which now or in future belong to or are enjoyed by the Premises.
8. The right to the free and uninterrupted passage and running of Amenities to and from other parts of the Building and any other premises on the Portman Estate adjoining or near to the Premises through the Conducting Media which now or may during the Term be in or on the Premises and the right to enter for the purpose of inspecting maintaining repairing renewing and cleaning the same
9. The right without obtaining consent from or making compensation to the Tenant to deal as the Landlord thinks fit with the Building or any land or premises adjoining or near to the Premises and to carry out any works on such land or to such premises even if doing so may affect the enjoyment of or the access of light and air to the Premises.
10. The right to erect scaffolding for any reasonable purpose connected with the Building or any adjoining or neighbouring premises even if it temporarily restricts or interferes with the access to or use and enjoyment of the Premises.
11. The rights of entry on the Premises as referred to in Clause 3.10.

Part 3 Agreements and Covenants Relating To The Premises

All those entries in the Property and Charges Registers to Title Number NG1.898456 save for financial charges.

SCHEDULE 3 Guarantor's Covenants

1. Guarantee

The Guarantor covenants with the Landlord as principal debtor that:

- 1.1 the Tenant will pay the Rents and observe and perform the Tenant's covenants contained in this Lease; and
- 1.2 the Tenant will observe and perform the obligations imposed on it under an Authorised Guarantee Agreement;

2. Indemnity

The Guarantor covenants with the Landlord as a primary obligation to indemnify the Landlord against all claims, losses, damages, liabilities, costs and expenses arising out of any default by the Tenant:

- 2.1 in paying the Rents or performing its obligations under this Lease; or
- 2.2 in performing its obligations under an Authorised Guarantee Agreement.

3. Liability of the Guarantor

The Guarantor's liabilities and obligations hereunder shall not be discharged or affected by any matter or thing which would have discharged such obligation or liability were it to be a secondary rather than a primary obligation hereunder, including:

- 3.1 the granting of time to the Tenant or waiver or failure to enforce payment of the Rents or the performance and observance of any of the terms of this Lease or of any Authorised Guarantee Agreement;
- 3.2 the Landlord refusing to accept rent tendered when the Landlord is entitled (or would have been entitled after service of a notice under section 146 Law of Property Act 1925) to re enter the Premises;
- 3.3 the terms of this Lease are varied by the Landlord and the Tenant (subject to section 18 of the 1995 Act);
- 3.4 the reversion to this Lease is transferred;
- 3.5 the surrender of any part of the Premises (provided that the guarantee shall then relate only to the part of the Premises not so surrendered);
- 3.6 the Tenant ceasing to exist;
- 3.7 an alteration to the structure, composition or powers of the Tenant or Guarantor;
- 3.8 any illegality or defect in the powers of the Tenant or the manner in which they are exercised or any limitation, disability or incapacity of the Tenant;
- 3.9 the release of any one or more of the Tenant or Guarantor (where there are two or more);
- 3.10 the insolvency or dissolution of the Tenant (which includes any corporate action, legal proceedings or other procedure or step taken in relation to the appointment of a liquidator, receiver, administrative receiver or administrator) or it becoming subject to any other procedure for the suspension of payments to or protection of creditors or similar proceedings and, for all purposes directly or indirectly connected with any voluntary arrangement under Part 1 of the Insolvency Act 1986 proposed in respect of the Tenant in circumstances where the voluntary arrangement seeks to restrict the Landlord's rights hereunder in respect of any such payments or liabilities for the purposes of any such voluntary arrangement.

4. Guarantor to take New Lease or make Payment

If this Lease is disclaimed or forfeited and if so required by the Landlord within six months of the forfeiture or the Landlord receiving notice of the disclaimer the Guarantor will (at the option of the Landlord):

- 4.1 at its own cost accept a new lease of the Premises for the residue of the Term to take effect from the date of the disclaimer or forfeiture at the same rent and on the same terms as this Lease (including the dates for rent review but as if this Lease had continued and

so that any outstanding matters relating to rent review or otherwise are to be determined between the Landlord and the Guarantor); or

- 4.2 pay to the Landlord on demand an amount equal to the Rents that would have been payable under this Lease but for the disclaimer or forfeiture until the expiry of the Term.

5. **Ranking of Claims**

- 5.1 The Guarantor shall not enforce its rights in respect of any sums it pays or liabilities it incurs under the Guarantor's covenants until after the date when the Guarantor's obligations under all such covenants to the Landlord have been observed, performed and discharged in full and the Guarantor shall not prior to such date:

- (a) seek to recover from the Tenant or any third party whether directly or by way of set off, lien, counter claim or otherwise or accept any money or other property or security or exercise any rights in respect of any sum which may be or become due to the Guarantor on account of the failure by the Tenant;
- (b) claim, prove for or accept any payment in any composition by or winding up or liquidation of the Tenant or any third party in competition with the Landlord for any amount owing to the Guarantor on any account; or
- (c) exercise any right or remedy in respect of any amount paid by the Guarantor under the Guarantor's covenants.
- (d) exercise any right or recourse, contribution, relief or subrogation against the Tenant in respect of or in connection with all payments made or to be made by the Guarantor under or pursuant to this Guarantee to the intent and effect that the Guarantor shall not be a creditor of the Tenant.

- 5.2 The Guarantor warrants to the Landlord that it has not taken and will not take any security from the Tenant or any third party in connection with the Guarantor's covenants and any such security so taken shall be held in trust for the Landlord as security for the respective liabilities of the Guarantor and the Tenant.

SCHEDULE 4 Services In and Repair of the Building and Service Charge

Part 1 Definitions and Provisos

1. In this Schedule the following definitions shall apply:

Accountant: means a Fellow or Associate of the Institute of Chartered Accountants appointed by the Landlord

Accounting Year: means subject to paragraph 2.1 a period of 12 months ending on the 24 March in each year of the Term or such other period as the Landlord shall from time to time notify to the Tenant

**Estimated Service Costs: and
Estimated Service Charge:** means the sums respectively estimated under Part 4 paragraph 1.1

Reserve Fund:	means a fund containing the sums received by the Landlord (and deemed by Part 1 paragraph 2.3 to have been received) as a contribution to the costs referred to in paragraph 4.1 including interest arising on such sums
Service Charge:	means a fair and proper proportion of the Service Costs as the Landlord acting reasonably from time to time considers fair
Service Costs:	means the total sum computed under Part 3
Service Document:	means an estimate served under Part 4 paragraph 1.1 or an account served under Part 4 paragraph 1

2. These provisos apply to this Schedule:
- 2.1 The Landlord shall be entitled to change the Accounting Year whenever the Landlord considers necessary and expedient and in such event the Landlord shall make all necessary resulting adjustments.
- 2.2 The Landlord shall be entitled to make such alterations as the Landlord considers necessary to the Common Parts and to the Plant not being Plant demised by this Lease (including the installation of Plant of a different type) and to suspend any service while any work to the Building or Plant is being carried out only to the extent that it is reasonably necessary to suspend such service.
- 2.3 If for the time being any part of the Building intended to be let is not let or is let on terms that the tenant of it is not liable to pay a sum corresponding to the Service Charge payable under this Lease a sum equal to the Service Charge attributable to that part shall be borne by the Landlord and shall be deemed to have been received 28 days after becoming due.
- 2.4 Payment by the Tenant of the Service Charge shall not give rise to any obligation on the part of the Landlord except those expressly set out in this Lease.
- 2.5 If the Tenant shall dispute any item in a Service Document:
 - (a) the Tenant shall within one month of the service of the Service Document (as to which period time shall be of the essence) serve on the Landlord a notice specifying the disputed item or items;
 - (b) any such dispute will be referred to Arbitration;
 - (c) the Tenant shall not be entitled to dispute any cost included in the Service Costs or the Estimated Service Costs on the ground that any work or service could be carried out or provided at a cost less than that in fact incurred by the Landlord or estimated in good faith;
 - (d) until the Surveyor's determination the Tenant shall not withhold payment of the Service Charge or any part thereof;
 - (e) if the Surveyor's determination shows that the Tenant has made an over payment in respect of the Service Charge the Landlord shall pay to the Tenant

the amount of such over payment within 28 days after receipt of the Surveyor's determination by the Landlord.

Part 2

The Landlord's Covenant

1. The Landlord covenants with the Tenant, subject to the Tenant paying the Service Charge and unless prevented by strike, lock out or other causes beyond the Landlord's control, to use reasonable endeavours:
 - 1.1 To repair and maintain the Structure of the Building, the Common Parts and any common Conducting Media.
 - 1.2 To maintain the Plant in the Common Parts in working order and when necessary renew or replace the Plant.
 - 1.3 To decorate the outside of the Building and the Common Parts therein in good and workmanlike manner and with appropriate materials of good quality as often as the Landlord reasonably considers necessary.
 - 1.4 To decorate, clean and light the Common Parts and keep all fittings and furnishings therein in good order and to replace the same as often as reasonably necessary.
 - 1.5 To keep any communal television aerial in good order and to replace the same as necessary.
 - 1.6 To provide heating at such times as the Landlord reasonably considers necessary and hot water through the Plant but not on Saturdays, Sundays or Public Holidays and normally only between 7.00 am and 11.00 pm.
 - 1.7 To provide an adequate supply of hot and cold water in any lavatory and water closet in the Common Parts.
 - 1.8 To keep any automatic door porter system in working order and to replace the same as necessary.
 - 1.9 To maintain the lawns, gardens or landscaped areas within the curtilage of the Building.
 - 1.10 To supply such further services as the Landlord reasonably considers it has become usual to supply in similar buildings.
 - 1.11 To do all such things as may be necessary to comply with all Legislation affecting the Structure of the Building, the Common Parts and any common Conducting Media.

Part 3

Service Costs

1. The Service Costs shall be the total in an Accounting Year of:
 - 1.1 An amount determined by the Landlord to be an appropriate contribution towards the estimated cost to the Landlord of compliance with such of the covenants in Part 2 as are likely to give rise to expenditure at intervals of more than one year.

- 1.2 The cost to the Landlord of compliance with the Landlord's covenants in Part 2 (including any sums payable by the Landlord to independent contractors) such costs to include:
- (a) the cost of and incidental to the carrying out by the Landlord of any work to the Building in pursuance of any requirement of any Act or of any authority;
 - (b) the cost of fuel, power, gas, electricity, water (but not any consumed directly by any tenant in the Premises) consumed in the supply of any service referred to in Part 2;
 - (c) the cost of materials and equipment for the cleaning of the Common Parts;
 - (d) the cost of renewal or replacement of bulbs, tubes and any other light fittings or equipment in the Common Parts;
 - (e) the cost of employing staff engaged in providing the services referred to in Part 2 including the cost of uniforms, working clothing, bonuses, national insurance contributions, pensions, gratuities and the cost of providing staff accommodation if any;
 - (f) the cost of any contracts in respect of the repairs and maintenance and running costs of the Plant;
 - (g) the amount of rates, taxes and outgoings of any nature payable in respect of the Building and paid by the Landlord;
 - (h) the cost of all arrangements for the security of the Building;
 - (i) the cost of insuring the Plant and the furnishings and fittings in the Common Parts against damage or destruction and any other risk that the Landlord reasonably considers necessary;
 - (j) the cost of the supply of any of tools, fire equipment and apparatus necessary for the Common Parts;
 - (k) the cost of and incidental to the disposal of refuse from the Building;
 - (l) any other costs reasonably and properly incurred by the Landlord in or incidental to the provision of the services referred to in Part 2.
- 1.3 The proper cost of preparation and auditing of accounts and certificates relating to the Service Costs and the Service Charge and of affording facilities to the Tenant or to any person authorised by Legislation to inspect and take copies of any document which may under such Legislation be inspected.
- 1.4 A management fee for the management and supervision of the Building and the carrying out of the matters referred to in Part 2 being either if the Landlord employs managing agents the proper fees of such managing agents or if such management or supervision is provided by the Landlord a sum equal to 12.5% of the costs referred to in Part 3.
- 1.5 The amount of Value Added Tax payable by or chargeable on the Landlord in respect of the supply to or by or on behalf of the Landlord of any of the matters referred to in Parts

2 and 3 or of any other tax payable by or chargeable on the Landlord in respect of those matters.

Part 4

Service Charge

1. The Service Charge shall be payable as follows:
 - 1.1 Not later than one month before the beginning of an Accounting Year the Landlord shall serve on the Tenant an estimate of the Service Costs and of the Service Charge payable by the Tenant during that Accounting Year and the Tenant shall pay the Estimated Service Charge by four equal payments in advance on the usual quarter days save that the Estimated Service Charge for the first Accounting Year of the Term shall be the sum notified by the Landlord to the Tenant.
 - 1.2 As soon as reasonably practicable after the end of each Accounting Year a summary of the Service Costs shall be prepared and certified by the Accountant as a fair summary complying with the requirements of Legislation and as being supported by accounts receipts and other documents produced to him.
 - 1.3 The Landlord shall as soon as reasonably practicable upon receipt of the certified summary serve on the Tenant a copy of the summary comprising:
 - (a) a calculation of the Service Charge;
 - (b) a statement of the amount if any by which the Service Charge exceeds or is less than the Estimated Service Charge;
 - (c) a statement showing the total of contributions to the Reserve fund made under Part 3 paragraph 1.1 (including interest if any added thereto) less the amount of such contributions applied by the Landlord in reducing his costs chargeable under Part 3 paragraph 1.2.
 - 1.4 Subject only to Part 1 paragraph 2.5, the calculation of the Service Charge shall be final and binding on the Tenant save for manifest error.
 - 1.5 If the Service Charge for any Accounting Year exceeds the Estimated Service Charge the amount of the excess shall be paid by the Tenant to the Landlord within 21 days of the written demand for the excess.
 - 1.6 If the Service Charge is less than the Estimated Service Charge the amount of the overpayment shall be credited to the Tenant against the next payment of the service charge following receipt of the account by the Tenant and in the case of the last year of the Term refunded upon demand.

SCHEDULE 5

Rent Review

1. Reviewed Rent

From and including every Rent Review Date the Principal Rent shall be the higher of:

- 1.1 the Market Rent on the Rent Review Date; and
 - 1.2 the Principal Rent reserved immediately prior to the Rent Review Date.
2. **Market Rent**
- 2.1 The expression "Market Rent" means the yearly rent at which the Premises might reasonably be expected to be let in the open market assuming that:
- (a) the Premises are available to let with vacant possession as a whole by a willing landlord to a willing tenant without the payment of a premium by either party;
 - (b) the letting is on the terms of this Lease save that:
 - (i) the term shall be a term equal to the unexpired residue of this Lease and that the rent commences to be payable on that date; and
 - (ii) the amount of the Principal Rent shall be disregarded, but it shall be assumed that the Principal Rent is subject to review on the terms of and at the same intervals as the Principal Rent under this Lease;
 - (c) the Premises are fully fitted out and equipped so as to be ready for immediate occupation and use by the willing tenant for the Permitted Use;
 - (d) the willing tenant has had the benefit of any rental concession, inducement or rent free period which might be offered in the open market at that time for fitting out purposes only;
 - (e) the Premises may lawfully be used for the Permitted Use;
 - (f) the obligations on the part of the Tenant and the Landlord in this Lease have been fully observed and performed;
 - (g) if the Premises or any other parts of the Building have been damaged or destroyed they have been fully reinstated;
 - (h) no works have been carried out by the Tenant, any undertenant, or their predecessors in title during or prior to the Term which have reduced the rental value of the Premises;
- but disregarding:
- (i) the goodwill attached to the Premises because of the carrying on there of the business of the Tenant, any undertenant, or their respective predecessors in title;
 - (j) any effect on rent of the fact that the Tenant, any undertenant, or their respective predecessors in title have been in occupation of the Premises;
 - (k) any effect on rent of any alteration or improvement carried out by the Tenant, any undertenant, or their respective predecessors in title during the Term in accordance with the terms of this Lease or under an agreement to grant this Lease and otherwise than in pursuance of an obligation to the Landlord; and

- (l) any adverse effect on rent of any temporary works operations or other activities on any neighbouring or adjoining property.

3. Determination of Market Rent

- 3.1 The Landlord and the Tenant may agree the Market Rent as at a Rent Review Date at any time.
- 3.2 In the absence of such agreement either party may at any time after the Rent Review Date by giving written notice to the other require the Market Rent to be determined by an independent surveyor who shall determine the rent at the option of the Landlord either acting as an expert or by Arbitration.
- 3.3 Where the independent surveyor is to act as an expert then the following provisions apply:
 - (a) reference will be made to an independent surveyor to be agreed upon by the Landlord and the Tenant and in the absence of agreement as nominated by the President for the time being of the Royal Institution of Chartered Surveyors (or his duly appointed deputy or a person authorised by him to make appointments on his behalf) upon the application of the Landlord or the Tenant made at any time;
 - (b) if the appointed surveyor dies, delays unduly or becomes unwilling or incapable of acting then upon the application of the Landlord or the Tenant the President of the Royal Institution of Chartered Surveyors may discharge him and appoint another surveyor in his place;
 - (c) he will afford to the Landlord and the Tenant an opportunity to make written representations and counter representations but his decision is final and binding;
 - (d) the fees and expenses of the expert, including the cost of his appointment, will be borne equally unless the expert determines otherwise;
 - (e) if the release of the expert's determination is delayed because the Tenant has not paid its share of the expert's costs, the Landlord may pay the unpaid costs and the amount paid will be a debt due on demand from the Tenant to the Landlord.

4. Rent Review Memorandum

The Landlord and the Tenant at their own cost will sign a memorandum in duplicate specifying the amount of the Market Rent within 28 days of its determination or agreement.

5. Rental Adjustments

If the Market Rent is not agreed or determined before a Rent Review Date then:

- 5.1 until it has been the Principal Rent must continue to be paid at the rate payable immediately before the Rent Review Date; and

5.2 within 14 days of the date the Market Rent is agreed or determined the Tenant will pay to the Landlord:

- (a) a sum equal to the amount by which the Market Rent exceeds the Principal Rent payable immediately prior to the Rent Review Date for the period from and including the Rent Review Date to and including the day before the next Quarter Day; and
- (b) interest at the Base Rate on each instalment of such sum from the date each instalment would have become due if the Market Rent had been agreed or determined on the Rent Review Date.

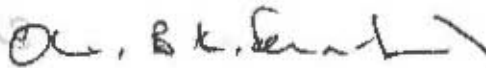
6. **Legislation**

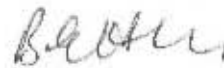
If the Landlord's right to review or recover any increase in the Principal Rent is prohibited or restricted by Legislation, the Landlord may elect that the day after any such restriction or prohibition is removed or varied is an additional Rent Review Date for the purposes of this Lease.

7. **Time Limits**

Time is not of the essence for the purposes of this Schedule.

EXECUTED as a deed by)
THE PORTMAN ESTATE)
NOMINEES (ONE) LIMITED)
acting by a director in the presence of:)

Signature 
Director

Signature of witness 

Name (in BLOCK CAPITALS)

Address
B.E. HILL
GROUND FLOOR
46 PORTMAN SQUARE
LONDON
W1H 6LT
TRUST SECRETARY

EXECUTED as a deed by)
THE PORTMAN ESTATE)
NOMINEES (TWO) LIMITED)
acting by a director in the presence of:)

Signature x *A. R. K. Smith*
Director

Signature of witness *B. E. Hill*

Name (in BLOCK CAPITALS)

Address

B.E. HILL
GROUND FLOOR
40 PORTMAN SQUARE
LONDON
W1H 6LT
TRUST SECRETARY

**NOTICE THAT SECTIONS 24 TO 28 OF THE LANDLORD AND TENANT ACT 1954
ARE NOT TO APPLY TO A BUSINESS TENANCY**

To: THE GOVERNMENT OF BRITISH COLUMBIA as represented by the Minister of Jobs Tourism and Innovation whose address for service in England and Wales is Suite 1 (South East) Sixth Floor 1 Great Cumberland Place London W1

[Name and address of tenant]

From: THE PORTMAN ESTATE NOMINEES (ONE) LIMITED (Company Registration Number 5175327) and **THE PORTMAN ESTATE NOMINEES (TWO) LIMITED** (Company Registration Number 5175370) both of Ground Floor 40 Portman Square London W1H 6LT

[Name and address of landlord]

Date: 20 August 2012

IMPORTANT NOTICE

You are being offered a lease without security of tenure. Do not commit yourself to the lease unless you have read this message carefully and have discussed it with a professional adviser.

Business tenants normally have security of tenure – the right to stay in their business premises when the lease ends.

If you commit yourself to the lease you will be giving up these important legal rights.

- You will have **no right** to stay in the premises when the lease ends.
- Unless the landlord chooses to offer you another lease, you will need to leave the premises.
- You will be unable to claim compensation for the loss of your business premises, unless the lease specifically gives you this right.
- If the landlord offers you another lease, you will have no right to ask the court to fix the rent.

It is therefore important to get professional advice – from a qualified surveyor, lawyer or accountant - before agreeing to give up these rights.

If you want to ensure that you can stay in the same business premises when the lease ends, you should consult your adviser about another form of lease that does not exclude the protection of the Landlord and Tenant Act 1954.

If you receive this notice at least 14 days before committing yourself to the lease, you will need to sign a simple declaration that you have received this notice and have accepted its consequences, before signing the lease.

But if you do not receive at least 14 days notice, you will need to sign a "statutory" declaration. To do so, you will need to visit an independent solicitor (or someone else empowered to administer oaths).

Unless there is a special reason for committing yourself to the lease sooner, you may want to ask the landlord to let you have at least 14 days to consider whether you wish to give up your statutory rights. If you then decided to go ahead with the agreement to exclude the protection of the Landlord and Tenant Act 1954, you would only need to make a simple declaration, and so you would not need to make a separate visit to an independent solicitor.

Landlord's Permission:	means the previous approval in writing of the Landlord or Agent (such approval not to be unreasonably withheld or delayed)
this Lease:	means this deed and any deed, document or agreement amending or supplemental to it
Legislation:	means any statute or any order, instrument or regulation made under it, or any notice or order issued by a government department, the legislative making institutions of the European Union, minister or local public regulatory or other authority
Licence:	means a licence granting the Landlord's Permission executed as a deed by the Landlord, the Tenant and any Guarantor and being duly dated and containing such covenants as the Landlord reasonably requires
Outgoings:	means all existing and future rates, taxes, duties, charges, assessments, utility costs and outgoings
Particulars:	means the page headed Particulars at the front of this Lease
Plan 1:	means the plan annexed to this Lease marked "Plan 1"
Plan 2:	means the plan annexed to this Lease marked "Plan 2"
Plan 3:	means the plan annexed to this Lease marked "Plan 3"
Planning Acts:	means the Town and Country Planning Act 1990, the Planning (Listed Buildings and Conservation Areas) Act 1990, the Planning (Hazardous Substances) Act 1990, the Planning (Consequential Provisions) Act 1990, the Planning and Compensation Act 1991, the Planning and Compulsory Purchase Act 2004 and any other Legislation of a similar nature in force at any time during the Term
Plant:	means all plant, apparatus, machinery and equipment including generators, boilers, lifts and all items relating to mechanical ventilation, heating, air conditioning, provision of hot and cold water, security systems, burglar alarms, sprinklers, fire alarms and other equipment relating to fire fighting and prevention, building management systems and installations
Portman Estate:	means the area shown edged red on Plan 3

DATE

30 August

2012

- (1) THE PORTMAN ESTATE NOMINEES (ONE) LIMITED AND THE PORTMAN ESTATE NOMINEES (TWO) LIMITED
- (2) HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF THE GOVERNMENT OF BRITISH COLUMBIA as represented by the Minister of Jobs, Tourism and Innovation

LEASE OF PART

of Suite 1 (South East) Sixth Floor 1 Great Cumberland
Place London W1



FORSTERS
J

Forsters LLP
31 Hill Street

London W1J 5LS

Tel: +4420 7863 8333

Fax: +4420 7863 8444

Email: enquiries@forsters.co.uk

Ref: MG/J/26061499

DATE

30 August

2012

- (1) THE PORTMAN ESTATE NOMINEES (ONE) LIMITED AND THE PORTMAN ESTATE NOMINEES (TWO) LIMITED
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Ref: MG/J/26061499

PARTICULARS

Land Registry prescribed particulars

With the exception of LR13 and LR14 these particulars must not be deleted even if there is no information to put in them.

LR1. Date of Lease	30 August 2012
LR2. Title number(s)	<p>LR2.1 Landlord's title number(s) NGL898456</p> <p>LR2.2 Other title numbers</p>
<p>LR3. Parties to this Lease</p> <p><i>Give full names and addresses of each of the parties. For UK incorporated companies and limited liability partnerships, also give the registered number including any prefix. For overseas companies, also give the territory of incorporation and if appropriate, the registered number in the United Kingdom including any prefix.</i></p>	<p>Landlord</p> <p>THE PORTMAN ESTATE NOMINEES (ONE) LIMITED (Company Registration Number 5175327) and THE PORTMAN ESTATE NOMINEES (TWO) LIMITED (Company Registration Number 5175370) both of Ground Floor 40 Portman Square London W1H 6LT</p> <p>Tenant</p> <p>HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF THE GOVERNMENT OF BRITISH COLUMBIA as represented by the Minister of Jobs, Tourism and Innovation whose address for service in England and Wales is Suite 1 (South East) Sixth Floor 1 Great Cumberland Place London W1</p>
<p>LR4. Property</p> <p><i>Insert a full description of the land being leased or</i></p> <p><i>Refer to the clause, schedule or paragraph of a schedule in this Lease in which the land being leased is more fully described.</i></p> <p><i>Where there is a letting of part of a registered title, a plan must be attached to this Lease and any floor levels must be specified.</i></p>	<p>In the case of a conflict between this clause and the remainder of this Lease then, for the purposes of registration, this clause shall prevail.</p> <p>The premises as referred to in the Particulars and as defined in this Lease in Schedule 1.</p>

<p>LR5. Prescribed statements etc.</p> <p><i>If this Lease includes a statement falling within LR5.1 insert under that sub-clause the relevant statement or refer to the clause, schedule or paragraph of a schedule in this Lease which contains the statement.</i></p>	<p>LR5.1 Statements prescribed under rules 179 (dispositions in favour of a charity), 180 (dispositions by a charity) or 196 (leases under the Leasehold Reform, Housing and Urban Development Act 1993) of the Land Registration Rules 2003</p> <p>None</p>
<p>LR6. Term for which the Property is Leased</p> <p><i>Include only the appropriate statement (duly completed) from the options.</i></p> <p><i>NOTE: The information you provide, or refer to, here will be used as part of the particulars to identify the Lease under rule 6 of the Land Registration Rules 2003.</i></p>	<p>The Contractual Term as defined in this Lease in the Particulars</p>
<p>LR7. Premium</p> <p><i>Specify the total premium, inclusive of any VAT where payable.</i></p>	<p>None</p>
<p>LR8. Prohibitions or restrictions on disposing of this Lease</p> <p><i>Include whichever of the two statements is appropriate.</i></p> <p><i>Do not set out here the wording of the provision.</i></p>	<p>This Lease contains a provision that prohibits or restricts dispositions.</p>
<p>LR9. Rights of acquisition etc.</p> <p><i>Insert the relevant provisions in the sub-clauses or refer to the clause, schedule or paragraph of a schedule in this Lease which contains the provisions.</i></p>	<p>LR9.1 Tenant's contractual rights to renew this Lease, to acquire the reversion or another lease of the Property, or to acquire an interest in other land</p> <p>None</p> <p>LR9.2 Tenant's covenant to (or offer to) surrender this Lease</p> <p>None</p> <p>LR9.3 Landlord's contractual rights to acquire this Lease</p> <p>None</p>

<p>LR10. Restrictive covenants given in this Lease by the Landlord in respect of land other than the Property</p> <p><i>Insert the relevant provisions or refer to the clause, schedule or paragraph of a schedule in this Lease which contains the provisions.</i></p>	None
<p>LR11. Easements</p> <p><i>Refer here only to the clause, schedule or paragraph of a schedule in this Lease which sets out the easements.</i></p>	<p>LR11.1 Easements granted by this Lease for the benefit of the Property</p> <p>The rights set out in Schedule 2 Part 1</p> <p>LR11.2 Easements granted or reserved by this Lease over the Property for the benefit of other property</p> <p>The rights set out in Schedule 2 Part 2</p>
<p>LR12. Estate rentcharge burdening the Property</p> <p><i>Refer here only to the clause, schedule or paragraph of a schedule in this Lease which sets out the rentcharge.</i></p>	None
<p>LR13. Application for standard form of restriction</p> <p><i>Set out the full text of the standard form of restriction and the title against which it is to be entered. If you wish to apply for more than one standard form of restriction use this clause to apply for each of them, tell us who is applying against which title and set out the full text of the restriction you are applying for.</i></p> <p><i>Standard forms of restriction are set out in Schedule 4 to the Land Registration Rules 2003</i></p>	None
<p>LR14. Declaration of trust where there is more than one person comprising the Tenant</p> <p><i>If the Tenant is one person, omit or delete all the alternative statements.</i></p> <p><i>If the Tenant is more than one person, complete this clause by omitting or deleting all inapplicable alternative statements.</i></p>	

PARTICULARS

1.	DATE	30 August 2012
2.	LANDLORD	THE PORTMAN ESTATE NOMINEES (ONE) LIMITED (Company Registration Number 5175327) and THE PORTMAN ESTATE NOMINEES (TWO) LIMITED (Company Registration Number 5175370) both of Ground Floor 40 Portman Square London W1H 6LT
3.	TENANT	HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF THE GOVERNMENT OF BRITISH COLUMBIA as represented by the Minister of Jobs, Tourism and Innovation whose address for service in England and Wales is Suite 1 (South East) Sixth Floor 1 Great Cumberland Place London W1
4.	PREMISES	The premises known as Suite 1 (South East) 1 Great Cumberland Place London more particularly described in Schedule 1
5.	CONTRACTUAL TERM	Seven years from and including 30 August 2012 to and including 29 August 2019
6.	BREAK DATE	25 March 2015 and 28 September 2018
7.	PRINCIPAL RENT	<p>From the 30 August 2012 to and including 29 January 2013³ a peppercorn (if demanded)</p> <p>From 30 January 2013³ to and including 25 March 2015 ONE HUNDRED AND FOUR THOUSAND TWO HUNDRED AND TEN POUND per annum</p> <p>From 26 March 2015 to and including 25 April 2015 a peppercorn (if demanded)</p> <p>From 26 April 2015 to and including 29 August 2017 ONE HUNDRED AND FOUR THOUSAND TWO HUNDRED AND TEN POUND per</p>

	annum and thereafter subject to review in accordance with Schedule 5
8. RENT COMMENCEMENT DATE	30 January 2013
9. RENT REVIEW DATES	The fifth anniversary of the commencement date of the Contractual Term
10. PERMITTED USE	As offices within B1(a) of the Schedule to the 1987 Order
11. INTERNAL DECORATION YEAR	The fifth year of the Term

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THIS LEASE is made on the date specified in the Particulars

BETWEEN:

- (1) the Landlord; and
- (2) the Tenant

IT IS AGREED as follows:

1. Definitions and Interpretation

1.1 In this Lease:

1954 Act:	means the Landlord and Tenant Act 1954
1987 Order:	means the Town and Country Planning (Use Classes) Order 1987 (as at the date of this Lease)
1995 Act:	means the Landlord and Tenant (Covenants) Act 1995
Agent:	means the agent for the time being of the Landlord at the Portman Office, Ground Floor, 40 Portman Square, London W1H 6LT
Air Space:	means any air space above, below, or to the side of the Premises
Amenities:	means drainage, water, gas, electricity, telephone and all other services or amenities
Arbitration:	means arbitration in accordance with Clause 6.10
Authorized Guarantee Agreement:	means a deed of guarantee containing the provisions set out in Schedule 3 but omitting paragraphs 1.2 and 2.2
Base Rate:	means the base rate from time to time of National Westminster Bank PLC
Building:	means the building known as 1 Great Cumberland Place, London W1 shown edged red on Plan 2 of which the Premises form part
Common Parts:	means the areas and amenities made available from time to time by the Landlord for use in common by the tenants and occupiers of the Building including any pedestrian ways, forecourts, entrance halls, lobbies, landings, lifts, lift shafts, light wells, staircases, passages and corridors

Conducting Media:	means gutters, gullies, pipes, sewers, drains, watercourses, channels, ducts, sprinklers, flues, wires, aeriats, cables, mains, cisterns, tanks and all other conducting media together with all meters and other apparatus used in connection with them
Costs:	means costs, charges, expenses, losses, liabilities, damages, claims, demands, proceedings and actions (as the context requires)
Estimated Service Charge:	means POUNDS (£ 18,426.60) until 29 <i>September 2012</i> and thereafter the sum calculated in accordance with Schedule 4
Fire Escape:	means such means of escape in case of fire as the Landlord shall from time to time require for the benefit of the remainder of the Building and adjoining and neighbouring buildings which comply with all Legislation through and/or over the Premises and each and every part of them
Fixtures and Fittings:	means all fixtures and fittings (other than tenant's fixtures and fittings) in or upon the Premises including plant and machinery, lifts, boilers, central heating, air conditioning, lighting, plumbing, sanitary and sprinkler systems and any other apparatus from time to time in or upon the Premises
Group Company:	means a company that is a member of the same group within the meaning of section 42 of the 1954 Act
Insured Risks:	means fire, lightning, explosion, earthquake, storm, tempest, flood, impact, bursting or overflowing of water tanks and pipes, damage by aircraft and other aerial devices or articles dropped from them, riot and civil commotion, labour disturbance and malicious damage, terrorism, and such other risks at the date of this Lease covered under the Landlord's block insurance policy and such other risks as the Landlord decides to insure against from time to time
Interest Rate:	means interest at the rate of 4 per cent per annum above Base Rate (both before and after any judgment) such interest to be compounded with rests on the Quarter Days or if such base rate ceases to be published then such other comparable interest rate as the Landlord reasonably requires

Landlord's Permission:	means the previous approval in writing of the Landlord or Agent (such approval not to be unreasonably withheld or delayed)
this Lease:	means this deed and any deed, document or agreement amending or supplemental to it
Legislation:	means any statute or any order, instrument or regulation made under it, or any notice or order issued by a government department, the legislative making institutions of the European Union, minister or local public regulatory or other authority
Licence:	means a licence granting the Landlord's Permission executed as a deed by the Landlord, the Tenant and any Guarantor and being duly dated and containing such covenants as the Landlord reasonably requires
Outgoings:	means all existing and future rates, taxes, duties, charges, assessments, utility costs and outgoings
Particulars:	means the page headed Particulars at the front of this Lease
Plan 1:	means the plan annexed to this Lease marked "Plan 1"
Plan 2:	means the plan annexed to this Lease marked "Plan 2"
Plan 3:	means the plan annexed to this Lease marked "Plan 3"
Planning Acts:	means the Town and Country Planning Act 1990, the Planning (Listed Buildings and Conservation Areas) Act 1990, the Planning (Hazardous Substances) Act 1990, the Planning (Consequential Provisions) Act 1990, the Planning and Compensation Act 1991, the Planning and Compulsory Purchase Act 2004 and any other Legislation of a similar nature in force at any time during the Term
Plant:	means all plant, apparatus, machinery and equipment including generators, boilers, lifts and all items relating to mechanical ventilation, heating, air conditioning, provision of hot and cold water, security systems, burglar alarms, sprinklers, fire alarms and other equipment relating to fire fighting and prevention, building management systems and installations
Portman Estate:	means the area shown edged red on Plan 3

Quarter Days:	means 25 March, 24 June, 29 September and 25 December in every year and Quarter Day: means any one of them
Reinstatement Value:	<p>means the full cost of reinstating the Building including:</p> <ul style="list-style-type: none"> (a) temporarily making the Building safe and protecting any adjoining structures (b) debris removal, scaffolding, hoarding, demolition and site clearance (c) obtaining planning and any other requisite consents or approvals (d) complying with the requirements of any statute, order, instrument or regulation made under statute or by a government department or minister or by any local public regulatory or other authority (e) architects', surveyors' and other fees incurred by the Landlord in relation to the reinstatement (f) all construction costs (g) any VAT chargeable on any of the reinstatement costs (save where the Landlord is able to recover such VAT as an input in relation to supplies made by the Landlord)
Rents:	means the Principal Rent and all other sums payable by the Tenant to the Landlord under this Lease
Service Charge:	means the sum payable by the Tenant in accordance with the provisions of Schedule 4
Structure of the Buildings:	means the main structure of the Building including the roof, balustrading, balconies, foundations, external walls, internal load bearing walls, columns and the structural part of the roofs, ceilings and floors, windows, window sashes and window frames, all party structures, boundary walls, railings and fences and all exterior parts of the Building and all roads, pavements and pavement lights within the curtilage of or utilised by the Building
Tenant's Proportion:	means a fair and proper proportion attributable to the Premises such proportion to be conclusively determined by the Landlord (save in the case of manifest error)

Term:	means the Contractual Term
Termination Date:	means the date of expiration or sooner determination of the Term
Uninsured Damage:	means in relation to the Premises any damage or destruction which is caused other than by the Insured Risks but excluding any damage or destruction in respect of which the insurance is vitiated or voided by the Tenant
VAT:	means Value Added Tax or any equivalent tax which may be imposed in substitution for it or in addition to it

1.2 In interpreting this Lease:

- (a) the Particulars form part of this Lease and words and expressions set out in the Particulars are to be treated as defined terms;
- (b) references to Clauses and Schedules are to Clauses of and Schedules to this Lease and references to a paragraph are to a paragraph of the relevant Schedule unless stated otherwise;
- (c) the expression "Landlord" includes the person for the time being entitled to the immediate possession of the Premises on the expiry of the Term;
- (d) the expression "Tenant" includes the person in whom for the time being the Tenant's Interest under this Lease is vested;
- (e) the expression "Guarantor" includes the personal representatives of the Guarantor and any other person who may from time to time guarantee the performance of the Tenant's obligations under this Lease other than pursuant to an Authorised Guarantee Agreement;
- (f) reference to a piece of legislation, unless stated otherwise, includes any statutory extension or modification, amendment, re enactment or replacement of that legislation and any subordinate legislation made under it;
- (g) references to a "person" include any individual, firm, unincorporated association or body corporate, words importing the singular number include the plural number and vice versa and words importing one gender include all genders;
- (h) if the Tenant or the Guarantor is more than one person, any reference to the Tenant or the Guarantor refers to each such person and any obligations of the Tenant or the Guarantor are joint and several;
- (i) references to an "act or default of the Tenant" include an act or default of any predecessor or any person deriving title under or through the Tenant, or their respective employees, agents, licensees or visitors;
- (j) a covenant by the Tenant not to do any act or thing includes a covenant not to permit or suffer such act or thing to be done;

- (k) the words "include(s)" and "including" are to be construed without limitation;
- (l) all references to Rents are exclusive of VAT;
- (m) the perpetuity period applicable to this Lease is eighty years from the date of this Lease;
- (n) the headings and contents are to be disregarded in interpreting this Lease.

2. Demise, Rents and Other Payments

- 2.1 The Landlord lets the Premises to the Tenant with Limited Title Guarantee for the Contractual Term together with the rights specified in Part 1 of Schedule 2 but except and reserving to the Landlord the rights specified in Part 2 of Schedule 2.
- 2.2 The Premises are let subject to the matters contained or referred to in the documents listed in Part 3 of Schedule 2.
- 2.3 The Tenant will pay by way of rent throughout the Term without any deduction, counterclaim or set off:
 - (a) the Principal Rent by equal quarterly payments in advance on the Quarter Days, the first such payment or a due proportion of it to the next Quarter Day becoming due on the Rent Commencement Date;
 - (b) the sums payable in connection with insurance set out in Clause 5.2;
 - (c) the Service Charge;
 - (d) all other sums (including VAT) due under this Lease from the Tenant to the Landlord.

3. Tenant's Covenants

The Tenant covenants with the Landlord:

3.1 Rent and Payments

- (a) to pay the Rents reserved by this Lease at the times and in the manner specified;
- (b) if required by the Landlord to pay the Rents by banker's standing order or otherwise as the Landlord reasonably requires;

3.2 Outgoings

- (a) to pay the Outgoings payable in respect of the Premises, its owner or occupier (except any payable by the Landlord (other than VAT) as a result of receipt of the Rents or arising on a dealing of the Landlord's interest in the Premises) and a fair and reasonable proportion of any such Outgoings payable in relation to the Premises and other property;
- (b) if the Landlord loses rating relief (or any similar relief or exemption) after the Termination Date because the relief has been allowed to the Tenant or anyone

else, within fourteen days of written demand to pay the Landlord a sum equal to the relief that the Landlord has lost;

- (c) not to agree the rateable value of or any revised rateable value for the Premises without the Landlord's Permission;
- (d) not to appeal against any rateable value which may be assessed or imposed in relation to the Premises without the Landlord's Permission;
- (e) if required by the Landlord acting reasonably and at the cost of the Tenant to appeal against any rateable value which may be assessed or imposed in relation to the Premises and to prosecute such appeal diligently;
- (f) to pay for the Amenities exclusively used by or available to the Premises (including all standing charges) and a fair and reasonable proportion of the cost of such Amenities payable in relation to the Premises and other property;
- (g) to pay to the Landlord within fourteen days of written demand a fair proportion (determined by the Landlord acting reasonably) of all costs, charges, fees and expenses incurred or expended by the Landlord in or in connection with decorating, cleansing, lighting, maintaining, repairing, building, rebuilding, repointing and reconstructing all buildings, walls (including party walls), fences (including party fences), forecourts, open areas, roads, ways, passages, pavements, structures (including party structures), roofs (including party roofs), Conducting Media and casements which may belong to or be used or be capable of being used by the Premises in common with any other premises in so far as not recovered as Service Charge;

3.3 Costs

to pay to the Landlord on demand and on an indemnity basis all Costs which may be properly incurred by the Landlord in connection with or in contemplation of:

- (a) the preparation and service of a notice under section 146 of the Law of Property Act 1925 and any proceedings under section 146 or section 147 of the Law of Property Act 1925 notwithstanding that forfeiture is avoided;
- (b) the preparation and subsequent service of a notice (including any schedule of dilapidations) or any other communication served under this Lease whether or not relating to the repair or condition of the Premises whether during the Term or after the Termination Date;
- (c) an application by the Tenant for any approval or consent required by this Lease including where the application is withdrawn or the approval or consent is lawfully refused save that the Tenant is not required to pay any Costs if the Landlord unreasonably withholds or delays consent or offers consent subject to an unreasonable or unlawful condition;
- (d) claiming or recovering any arrears of Rents or in connection with the enforcement or remedying of any breach of the Tenant's covenants in this Lease;

3.4 VAT

- (a) to pay any VAT chargeable upon the Rents;
- (b) where the Tenant has agreed to reimburse or indemnify the Landlord in respect of a payment made by the Landlord under the terms of or in connection with this Lease, also to reimburse any VAT paid by the Landlord on such payment;

3.5 Interest on Arrears

if any sums payable to the Landlord under this Lease are not paid within 7 days of the due date (whether demanded or not), or are tendered but the Landlord reasonably refuses to accept them so as to preserve its rights, to pay the Landlord (without prejudice to any right or remedy of the Landlord) interest at the Interest Rate on such sums from the due date until the date of actual payment inclusive of both dates;

3.6 Repair

- (a) to keep the Premises in good and substantial repair and condition (damage by Insured Risks or any Uninsured Damage excepted save to the extent that such insurance is vitiated or the policy monies are irrecoverable as a result of any act or default of the Tenant);
- (b) to replace and renew any Plant forming part of the Premises or any Fixtures and Fittings which in the reasonable opinion of the Landlord become at any time during or at the expiration of the Term in need of replacement with new ones of a substantially similar kind, quality and standard of performance;

3.7 Decoration

- (a) to decorate the Premises and the internal parts of any windows or window frames as often as reasonably necessary and in any event in every Internal Decoration Year and the last 6 months of the Term (however determined) provided that the Tenant is not obliged to decorate more than once in any 12 month period;
- (b) such decoration is to include preparing and painting all inside surfaces of the Premises usually painted with at least two coats of paint, stripping and repapering all such surfaces usually papered and restoring all other inside surfaces to their proper condition and appearance;
- (c) all decoration is to be carried out in a good and workmanlike manner with good quality materials and in the last six months of the Term using materials of quality, colour and finish previously approved in writing by the Landlord;
- (d) to keep the Premises fully carpeted with good quality contract standard carpet and which if different to the existing colour has the Landlord's prior written consent;
- (e) to keep any windows serving the Premises suitably glazed at all times;

3.8 Cleaning and Appearance

- (a) to keep the Premises in a clean and tidy condition and clear of all rubbish;

- (b) to clean at least once a month the inside and outside of the windows, window frames and all the glass (if any) in the doors of the Premises;
- (c) to procure that the windows of the Premises are suitably curtained or screened to the reasonable satisfaction of the Agent;
- (d) to keep the entrance doors to the Premises shut except for the purpose of access and egress;

3.9 Overloading

- (a) not to overload the floors, ceilings or structure of the Building or the Fixtures and Fittings;
- (b) not to overload or permit any deleterious, dangerous or harmful matter or substance or any other substance which may cause an obstruction, damage or injury to be discharged into the Conducting Media within the Building or serving the Premises and, in the event of such obstruction, damage or injury, immediately to remove and make good the damage caused to the reasonable satisfaction of the Landlord;

3.10 Access of Landlord

- (a) to permit the Landlord and all persons authorised by the Landlord (with or without equipment) at all times on 24 hours notice (save in emergency) to enter the Premises:
 - (i) to inspect the state of repair and condition of the Premises;
 - (ii) to take inventories of the Fixtures and Fittings and the Plant;
 - (iii) to determine whether the Tenant has complied with its obligations in this Lease and to remedy any breach of the Tenant's obligations;
 - (iv) to inspect the Premises for all purposes connected with any proposed action under the 1954 Act or the implementation of the provisions for rent review;
 - (v) to fix and retain without interference upon a suitable part of the Premises one or more notice boards for letting (but no earlier than six months before the end of the Contractual Term) or selling the Landlord's reversionary interest in the Premises;
 - (vi) to view the Premises in connection with any dealing with or for any purpose connected with the Landlord's reversionary interest in the Premises or the letting of the Premises;
 - (vii) to carry out any tests, inspections and surveys as the Landlord or a purchaser of the Landlord's reversionary interest in the Premises requires;
 - (viii) to inspect, erect, alter, improve, redevelop, refurbish, repair and maintain the Building and any adjoining or nearby premises;

- (ix) to inspect, clean, connect to, lay, repair, remove, replace, alter or execute any works to or in connection with the Conducting Media;
- (x) to construct, repair, maintain and alter the Fire Escape, and in the event only of fire or other similar emergency or for the purpose of drills to pass through the Premises in order to escape from any adjoining or neighbouring premises to a place of safety;
- (xi) to exercise the rights reserved by this Lease and to comply with the obligations of the Landlord under this Lease or with any Legislation insofar as it imposes an obligation on the Landlord; and
- (xii) to inspect, clean, connect to, install, repair, remove, replace, maintain or alter any meters, aerials, fire alarms or any other plant and equipment situated on the Property from time to time and used by any adjoining or neighbouring premises

provided that the Landlord causes as little damage inconvenience and interference as reasonably practicable to the Premises and the use by the Tenant and the Landlord will at its own expense make good to the Tenant's reasonable satisfaction as soon as reasonably practicable any damage to the Premises caused by the exercise of these rights;

- (b) The Landlord will procure and will adhere to the following conditions upon the exercise by any person of a right of entry granted or reserved to the Landlord or any other person under this Lease
 - (i) Such right of entry shall only be exercised where it is not reasonably practicable to achieve the required object without entering the Premises
 - (ii) The Landlord will procure that no permanent adverse effect is caused by the exercise of any such right to the Premises or the Tenant's use and enjoyment of them

3.11 Remedying of Breaches

- (a) to comply with every notice (including any schedule of dilapidations) given by the Landlord requiring the Tenant to remedy any breach of covenant;
- (b) if the Tenant fails to comply with any such notice within two months of the giving of such notice, or sooner if reasonably necessary, the Landlord and all persons authorised by the Landlord may (without prejudice to the Landlord's right of re entry) enter the Premises at all reasonable times to remedy any breach of covenant;
- (c) to pay to the Landlord upon demand as a contractual debt the costs and expenses incurred by the Landlord under this Clause 3.11;

3.12 Alterations

- (a) not to make any structural or external alterations or additions to the Premises;
- (b) not to merge the Premises or any part with any adjacent property;

- (c) not to change the external appearance of the Premises;
- (d) not to erect anything on or make any addition to the Premises which projects into the Air Space;
- (e) not to make any other alteration, addition or variation to the Premises without obtaining the Landlord's Permission given by way of Licence such permission not to be unreasonably withheld or delayed and the Landlord may as a condition of giving such permission require the Tenant to enter into such covenants as the Landlord reasonably requires regarding the execution of any such alterations and the reinstatement of the Premises before the Termination Date provided that the Tenant shall not require the Landlord's Permission for the installation variation and removal of internal demountable partitioning;
- (f) if the Tenant carries out any alterations without the Landlord's Permission or where any permission is withdrawn or lapses then at the Landlord's request forthwith to make good and reinstate the Premises;
- (g) not to commence any alterations or additions before all necessary licences, approvals, permissions and consents from all relevant government departments, local authorities and other competent authorities, the insurers and any other persons interested in the Premises have been produced to the Landlord and approved by it;
- (h) to carry out all alterations and additions in a good and workmanlike manner with suitable materials of good quality to the satisfaction of the Landlord strictly in accordance with all such licences, approvals, permissions and consents and the plans and specifications approved by the Landlord without causing any nuisance, damage or inconvenience to the Landlord or the owners or occupiers of any neighbouring property;
- (i) in relation to any works permitted under this Clause to procure that all Legislation is fully observed and to enter into such covenants regarding its observance as the Landlord requires;
- (j) to procure that all alterations and additions are carried out by contractors approved by the Landlord such approval not to be unreasonably withheld or delayed;
- (k) not to make any alteration or addition to any electrical installation other than in accordance with the terms and conditions laid down by the Institution of Electrical Engineers and the regulations of the electricity supply authority;

3.13 Signs and Aerials

not without the Landlord's written consent to affix to or display so as to be visible from outside the Premises any sign, signboard, advertisement, hoarding, fascia, poster, placard, bill, notice or other notification (except such notification as is required by law), pole, aerial or satellite dish;

3.14 Use

- (a) not to use the Premises or any part otherwise than for the Permitted Use;

- (b) not to use the Premises or any part:
- (i) in a manner which is noisy, noxious, offensive, dangerous, illegal or immoral;
 - (ii) in a manner which is a nuisance or causes damage or disturbance to the Landlord or the owners or occupiers of the remainder of the Building or other nearby premises;
 - (iii) to hold an auction, exhibition, public show or meeting, or for gambling activity (including participating in the promotion, administration or operation of any lottery made lawful by section 2 of the National Lottery Act 1993) or as an amusement arcade;
 - (iv) as sleeping accommodation or for residential purposes;
 - (v) as a restaurant, cafe or sandwich or coffee bar, or for the sale of food or drink (whether for consumption on or off the Premises);
 - (vi) as an undertakers, bank, building society, estate or letting agency, or travel or employment agency, or as an office for the hire of taxis or cars or for the provision of courier services or any other use which makes access to the premises available to members of the public without prior appointment;
 - (vii) as an abortion clinic (whether or not the abortions are performed upon the Premises), brothel, sauna or massage parlour, escort agency or for the sale of sex or marital aids;
 - (viii) for any religious or political purpose;
 - (ix) as a charity shop;
 - (x) for the sale or hire of pre-recorded video cassettes, DVDs, or other visual recording medium;
 - (xi) for the sale of discount and/or bankrupt stock;
 - (xii) as an Embassy or as a diplomat's residence or office;
 - (xiii) as an internet café;
 - (xiv) as a transmission system for the conveyance by the use of electrical magnetic or electro-magnetic energy of signals of any description provided wholly or mainly for the purpose of making electronic communications services available to members of the public;
 - (xv) for any other use which in the reasonable opinion of the Landlord may be or tend to be detrimental to the Portman Estate;
- (c) not to place or expose for sale outside the Premises anything or to solicit or tout for customers or transact any business upon the pavement outside the Building;

- (d) not to bring into or keep on the Premises any article or thing which is or might become dangerous, offensive, combustible, inflammable, radioactive, or explosive, or which might increase the risk of fire or explosion and not to burn any rubbish or refuse on the Premises;
- (e) not to leave the Premises continuously unoccupied for more than 20 days without first notifying the Landlord and providing such caretaking and security arrangements as the Landlord reasonably requires;

3.15 Statutory Obligations and Fire Escape

- (a) to comply with all Legislation affecting the Premises and their use;
- (b) to give written notice to the Landlord immediately on becoming aware of any defect or anything else on the Premises which might give rise to a duty of care being imposed on the Landlord;
- (c) not to obstruct the Fire Escape;

3.16 Planning and Environmental Matters

- (a) not to apply for planning permission for a change of the Permitted Use at the Premises;
- (b) not to apply for, vary or implement any other planning permission relating to the Premises without the Landlord's prior written consent;
- (c) to supply to the Landlord a copy of any planning permission relating to the Premises within five days after its receipt by the Tenant;
- (d) to pay and satisfy any charge that may be imposed under the Planning Acts relating to the Premises;
- (e) unless the Landlord otherwise directs, to carry out and complete before the Termination Date any development begun on the Premises and any works stipulated to be carried out to the Premises as a condition of any planning permission implemented by the Tenant during the Term irrespective of the date before which such works were required to be carried out;
- (f) not without the written consent of the Landlord to enter into an agreement or undertaking or to serve a notice under the Planning Acts relating to the Premises;
- (g) not to apply for any consent, licence or other authority under any environmental legislation relating to the Premises without the Landlord's prior written consent;

3.17 Notices

- (a) promptly following receipt to give to the Landlord a copy of any notice, direction, order, proposal or communication relating to the Premises or the Building;
- (b) at the request of the Landlord, but at the joint cost of the Landlord and the Tenant, to make or join with the Landlord in making such objections to or

representations or appeals against or in respect of such communication as the Landlord reasonably deems fit;

- (c) to take all steps required to comply with any such communication;

3.18 Dealings

(a) Assignments

- (i) not to assign part only of the Premises;
- (ii) not to assign the whole of the Premises without
 - (A) the Landlord's Permission (given by way of Licence) such permission not to be unreasonably withheld or delayed; and
 - (B) satisfying the circumstances specified for the purposes of section 19(1A) of the Landlord and Tenant Act 1927 and set out in Clause 3.18(a)(ii); and
 - (C) complying with the conditions specified for the purposes of section 19(1A) of the Landlord and Tenant Act 1927 and set out in Clause 3.18(a)(iv);
- (iii) the circumstances referred to in Clause 3.18(a)(iv) are that:
 - (A) all sums due from the Tenant under this Lease have been paid at the date of the application of the licence to assign;
 - (B) in the Landlord's reasonable opinion there are at the date of the application for the licence to assign no material outstanding breaches of any tenant covenant under this Lease or any personal covenants undertaken by the Tenant relating to the state and condition of the Premises;
 - (C) in the Landlord's reasonable opinion the proposed assignee is a person who at the date of the application for licence to assign is of appropriate financial standing and is likely to be able to comply with the tenant covenants of this Lease and is likely to continue to be such a person following the assignment;
 - (D) the proposed assignee is not entitled to claim immunity or exemption from complying with the tenant covenants of this Lease whether by reason of diplomatic or sovereign immunity or otherwise;
 - (E) the proposed assignee is a corporation registered in (or if an individual is resident in) a jurisdiction in which the order of a Court obtained in England and Wales will be enforced without any consideration of the merits of the case;
 - (F) in the case of an assignment to a Group Company the proposed assignee is in the Landlord's reasonable opinion a

person who at the date of the application for a licence to assign is no less likely than the Tenant was at the date of either the grant or the assignment of this Lease to the Tenant to be able to comply with the tenant covenants of this Lease and is likely to continue to be such a person following the assignment;

- (iv) the conditions referred to in Clause 3.18(a)(ii) are that:
 - (A) the Tenant enters into an Authorised Guarantee Agreement;
 - (B) the proposed assignee covenants with the Landlord to pay the Rents and observe and perform the Tenant's covenants in this Lease throughout the Term, or until released pursuant to the 1995 Act;
 - (C) if the Landlord reasonably requires the proposed assignee procures one or more guarantors reasonably acceptable to the Landlord who covenant with the Landlord by deed including the provisions set out in Schedule 3;
 - (D) if the Landlord reasonably requires the proposed assignee deposits in a bank account with a bank nominated by the Landlord a cash deposit of such amount as the Landlord reasonably requires and enters into a rent deposit deed in such form as the Landlord reasonably requires;
 - (E) all sums due from the Tenant under this Lease are paid before completion of the assignment;
- (v) nothing in this Clause shall prevent the Landlord from giving consent subject to any other reasonable condition, nor from refusing consent to an assignment in any other circumstance where it is reasonable to do so;
- (b) Underlettings
 - (i) not to underlet part only of the Premises;
 - (ii) not to underlet the whole of the Premises without the Landlord's Permission (given by way of Licence) such permission not to be unreasonably withheld or delayed;
 - (iii) not to underlet the whole of the Premises unless:
 - (A) the underlease:
 - (I) reserves a rent of not less than the open market rent for the Premises at the time of grant without a fine or premium or reverse premium;
 - (II) contains provisions for upwards only rent reviews to coincide with the rent reviews under this Lease;

- (III) contains a covenant by the undertenant not to underlet, part with or share possession or share occupation of the whole or any part or parts of the underlet premises, nor to assign or charge part only of the underlet premises such permission not to be unreasonably withheld or delayed;
- (IV) contains a covenant by the undertenant not to assign or charge the whole of the underlet premises without the Landlord's Permission (given by way of Licence);
- (V) contains a covenant by the undertenant not to do or omit to do any act or thing which would or might cause the Tenant to be in breach of its covenants in this Lease;
- (VI) is otherwise on the same terms (*mutatis mutandis*) as the terms of this Lease;
- (VII) is excluded from the operation of sections 24 to 28 of the 1954 Act;
- (B) before the grant of the underlease the Tenant procures a covenant from the undertenant and any guarantor of the undertenant with the Landlord to observe and perform the covenants on the part of the undertenant contained in the proposed underlease;
- (C) all sums due from the Tenant under this Lease are paid before completion of the underletting;
- (iv) not to vary the terms of any underlease without the Landlord's written consent;
- (v) not to accept a surrender of the whole or part of the underlet premises without the Landlord's written consent;
- (vi) to enforce the covenants of the undertenant under any underlease;
- (vii) to review the rent in accordance with the rent review provisions in any underlease, but not to agree or have determined the reviewed rent until the corresponding review under this Lease has been agreed or determined;
- (viii) not to agree the reviewed rent with the undertenant without the Landlord's Permission such permission not to be unreasonably withheld or delayed;
- (ix) to incorporate as part of its submissions or representations to a third party appointed to determine the reviewed rent such submissions or representations as the Landlord shall reasonably require;

- (x) to notify the Landlord of the reviewed rent under the underlease as soon as it has been agreed or determined;
- (c) **Sharing Occupation**
not to share occupation of the whole or any part of the Premises except with a Group Company of the Tenant provided that:
 - (i) no relationship of landlord and tenant is created;
 - (ii) notice of such sharing, including the identity of the Group Company and its relationship to the Tenant, shall be given to the Landlord beforehand; and
 - (iii) any such sharing shall cease immediately upon such company leaving the said group;
- (d) **Charging**
 - (i) not to charge part only of the Premises;
 - (ii) not to charge the Premises as a whole without the Landlord's Permission (given by way of Licence);
- (e) **Other Dealings**
except as expressly permitted by this Clause 3.18:
 - (i) not to part with or share possession or share occupation of the whole or any part or parts of the Premises;
 - (ii) not to hold the Premises or any part or parts of the Premises or this Lease on trust for another;
 - (iii) not to permit the Premises or any part of the Premises to be occupied by or to be vested in any way (whether by assignment, subletting or any other means) in any person who is or may become entitled to claim immunity or exemption from complying with the tenant covenants of this Lease whether by reason of diplomatic or sovereign immunity or otherwise;
- (f) **Notification of Dealings**
within one month after any assignment, underlease, assignment of an underlease, charge or other devolution of an interest under this Lease or any agreement for any of the same, to produce to the Landlord a certified copy of the relevant document and pay his reasonable registration fee which shall not exceed more than £50 plus VAT;

3.19 Registration Requirements

where the grant of this Lease or any dealing authorised by this Lease is required to be registered at the Land Registry, promptly following completion of this Lease or any assignment or underlease (as appropriate):

- (g) to lodge or procure that there is lodged at the Land Registry an application to register the relevant document;
- (a) to ensure that any requisitions raised by the Land Registry in connection with that application are dealt with promptly and properly;
- (b) to procure that within one month after completion of such registration a certified copy of the title information document is sent to the Landlord;

3.20 Yield Up

- (a) on the Termination Date:
 - (i) to yield up the Premises with vacant possession and repaired, decorated and otherwise in accordance with the Tenant's covenants contained in this Lease;
 - (ii) to remove all refuse, tenant's fixtures and fittings and signs from the Premises, making good any damage caused by their removal;
 - (iii) to deliver to the Landlord any records relating to the Premises as are required by any Legislation;
- (b) unless the Landlord notifies the Tenant in writing to the contrary at least three months prior to the Termination Date, to remove all alterations and additions made to the Premises during the Term and to make good any damage caused by their removal prior to the Termination Date;
- (c) within one month of the Termination Date (and notwithstanding that the Term has ended), where this Lease is registered at the Land Registry, to make an application to close the registered title of this Lease and to ensure that any requisitions raised by the Land Registry in connection with that application are dealt with promptly and properly and to keep the Landlord informed of the progress and completion of its application;

3.21 Rights of Light and Encroachments

not to obstruct any windows or openings belonging to the Premises

- (a) not to make any acknowledgement that the flow of light or air to the Premises is enjoyed with the consent of a third party;
- (b) if any easement enjoyed by the Premises is obstructed to notify the Landlord as soon as reasonably practicable and take all steps the Landlord reasonably requires to prevent or secure the removal of the obstruction;
- (c) not to permit any encroachment upon the Premises;

- (d) if any encroachment upon the Premises is made or attempted to be made to notify the Landlord as soon as reasonably practicable and take all steps the Landlord reasonably requires to prevent such encroachment;

3.22 Production of Information

to supply to the Landlord on request:

- (a) full details of the occupiers of and their interest in the Premises and the terms upon which they occupy it;
- (b) such evidence as the Landlord reasonably requires to satisfy itself that the tenant's covenants in this Lease have been complied with;
- (c) any information reasonably requested in relation to any proposed action under the 1954 Act or the implementation of the provisions for rent review;
- (d) all information that the Landlord reasonably requires from time to time to comply with the Landlord's obligations under any Legislation;

3.23 Indemnity

to indemnify the Landlord against all Costs arising directly or indirectly out of the use of the Premises or anything done or omitted to be done on them, or any breach of the Tenant's obligations in this Lease;

3.24 Superior Title

to observe and perform the matters (if any) contained or referred to in the documents listed in Part 3 of Schedule 2 so far as they are still subsisting and capable of taking effect and relate to the Premises;

3.25 Regulations

to comply with all reasonable regulations made by the Landlord from time to time for the management of the Building and notified to the Tenant in writing;

3.26 Non Obstruction of Common Parts

not to place on or within the Common Parts any goods or other items or cause any obstruction of the Common Parts;

4 Landlord's Covenants

The Landlord covenants with the Tenant:

4.1 Quiet Enjoyment

that subject to the Tenant paying the Rents reserved and observing and performing all its covenants contained in this Lease the Tenant may peaceably and quietly hold and enjoy the Premises during the Term without any interruption or disturbance by the Landlord or any person rightfully claiming through or under the Landlord;

4.2 Services

to observe and perform its obligations in Schedule 4.

5. **Insurance**

5.1 **Landlord's Insurance Covenants**

(a) Subject to Clause 5.1(b), the Landlord covenants with the Tenant:

(i) to insure:

- (A) the Building against loss or damage by the Insured Risks in such sum as from time to time the Landlord in its absolute discretion considers to represent the Reinstatement Value;
- (B) against loss of the Principal Rent arising from any of the Insured Risks for three years or such longer period as the Landlord reasonably considers appropriate having regard to the likely period for reinstating the Premises and calculated having regard to future rent reviews;
- (C) against public liability and property owner's liability in respect of the Building;

(ii) if requested in writing by the Tenant (but not more often than once in any year of the Term) to produce to the Tenant reasonable evidence of the terms of the relevant policy and of payment of the last premium paid.

(b) The Landlord:

(i) is not obliged to maintain such insurance if and to the extent that

- (A) cover is not obtainable on reasonable terms from the Landlord's insurers;
- (B) any excess, exclusion, condition or limitation is imposed by the insurers;
- (C) such insurance becomes void, in whole or in part, or renewal is refused due to an act or default of the Tenant; or
- (D) the Tenant has not informed the Landlord of the reinstatement cost of any alterations, additions or improvements to the Premises in accordance with Clause 5.2(c)(ii);

(ii) may effect such insurance through any agency that it decides;

(iii) may retain any commissions or other benefits for effecting or maintaining such insurance.

5.2 **Tenant's Insurance Covenants**

The Tenant covenants with the Landlord:

- (a) to pay within fourteen days of written demand:
 - (i) the Tenant's Proportion of the gross amount payable by the Landlord for the insurance specified in Clause 5.1 and if the Landlord effects such insurance under a policy covering the Building and other premises the certificate of the Agent acting reasonably as to the premium properly attributable to the Building shall be conclusive;
 - (ii) the Tenant's Proportion of the proper fees and expenses for professional valuations of the Building for the purpose of determining the Reinstatement Value and/or the level of loss of rent insurance (provided that the Tenant shall only pay towards one such valuation per year);
 - (iii) the Tenant's Proportion of any excess deducted by the insurers or underwriters in respect of a claim;
 - (iv) the Tenant's Proportion of the proper fees and expenses payable to professional advisers and consultants properly incurred in connection with any insurance claim;
 - (v) the cost of any increased or additional premium and all consequential expenses incurred by the Landlord as a result of a breach of Clause 5.2(b);
 - (vi) a sum equal to any irrecoverable insurance monies under any policies effected by the Landlord where such monies are wholly or partly irrecoverable due to an act or default of the Tenant;
- (b) not to do or omit to do anything which would or might invalidate or prejudice the insurance of the Building, or any nearby property of the Landlord or which may cause an increased or additional premium for their insurance to be payable;
- (c) to notify the Landlord:
 - (i) as soon as reasonably practicable after becoming aware of any damage to or destruction of the Building or any part of it or any event that might affect any insurance policy relating to the Premises;
 - (ii) in writing of the reinstatement cost of any authorised alterations, additions or improvements to the Premises prior to them being carried out or installed by the Tenant or anyone authorised by the Tenant or anyone deriving title from the Tenant;
- (d) to comply with all the requirements and recommendations of the insurers of the Premises;
- (e) not to effect any insurance of the Premises against the Insured Risks, but if nevertheless the Tenant becomes entitled to the benefit of any insurance relating to the Premises to pay all insurance monies received to the Landlord as soon as reasonably practicable;

5.3 Suspension of Rent

If:

- (a) the Building or any part of it is destroyed or damaged by any of the Insured Risks or there is Uninsured Damage so that the Premises or any part of them are unfit for occupation and use or inaccessible; and
- (b) provided that the insurance effected by the Landlord is not invalidated or payment of the policy monies refused in whole or in part due to an act or default of the Tenant

then the Principal Rent and Service Charge, or a fair proportion according to the nature and extent of the damage, will be suspended to the extent (but not otherwise) that the insurers meet the Landlord's claim under the policy for loss of rent from the date of the damage or destruction (or in the case of Uninsured Damage from the date on which the Landlord issues an Election Notice pursuant to clause 5.6 until the Premises are again fit for occupation and use and are accessible or until the expiry of the period covered for loss of rent under the insurance policy effected by the Landlord (whichever period is the shorter).

5.4 Reinstatement

If:

- (a) the Building is damaged or destroyed by a risk against which the Landlord is obliged to insure; and
- (b) all necessary consents have been obtained (which the Landlord covenants with the Tenant that it shall use its reasonable endeavours to obtain); and
- (c) the Tenant has paid the Tenant's Proportion of any excess deducted by the Landlord's insurers or underwriters; and
- (d) the insurance has not been invalidated or payment refused in whole or in part due to an act or default of the Tenant; and
- (e) Clause 5.5 does not apply; and

the Landlord will use all insurance proceeds received (other than in respect of loss of rent, costs and fees) in rebuilding or reinstating the Building so far as reasonably practicable to the same or a reasonably equivalent state as before such damage or destruction provided that:

- (i) The landlord shall be liable to make good any insufficiency in such insurance except where such insufficiency is due to an act or omission of the Tenant; and
- (ii) if the Tenant fails to notify the Landlord when the Premises have been destroyed or damaged by an Insured Risk or to provide the information to enable a claim to be made the consequences of any failure by the insurers to meet such a claim in whole or in part shall be borne by the Tenant;

5.5 Determination of the Term

- (a) If during the last three years of the Contractual Term or the period of any holding over the Premises are destroyed or damaged by any of the Insured Risks or there is Uninsured Damage so as to be unfit for occupation and use the Landlord may by giving not less than three months' written notice determine the Term, and upon expiry of such notice the Term will immediately end, but without prejudice to the rights of the Landlord in respect of any prior breach of any obligation of the Tenant contained in this Lease and the Landlord is entitled to receive the whole of any insurance monies paid in respect of the Premises for the Landlord's own benefit.
- (b) The Tenant may terminate this lease by giving notice to the Landlord if, following damage or destruction of the Premises or the Common Parts by an Insured Risk, the Premises have not been reinstated so as to be fit for occupation and use or the Common Parts have not been reinstated so as to make the Premises accessible or useable within three years after the date of damage or destruction. On giving this notice this lease shall determine.
- (c) If the Lease is terminated pursuant to clause 5.5(a) the Landlord will reimburse the Tenant on the date the Lease is terminated any Rents paid in advance by the Tenant which relate to the period after the termination date

5.6 Option to determine following Uninsured Damage

- (a) If there is Uninsured Damage so that the Premises or any part of them or its accesses are incapable of occupation and/or use, the Landlord will by service of notice in writing (an "Election Notice") on the Tenant within 6 months following the date on which the Uninsured Damage occurs elect to either:
 - (i) rebuild or reinstate the Premises; or
 - (ii) forthwith determine this Lease.
- (b) If the Landlord serves an Election Notice to rebuild or reinstate the Premises the Landlord will (subject to all necessary consents being obtained) rebuild or reinstate the Premises to the same or a reasonably equivalent state as before such damage or destruction provided that if the Premises are not reinstated so far as reasonably practicable so as to be fit for occupation and use and accessible by the date 3 months prior to the third anniversary of the date such damage or destruction occurred then either the Landlord or the Tenant may by giving not less than 3 months written notice to the other at any time after such date determine the Term and upon expiry of such notice unless the Premises have been reinstated the Term will immediately end but without prejudice to the rights of either party against the other in respect of any prior breach of any obligation contained in this Lease.
- (c) If notice to determine the Lease is served pursuant to Clause 5.6(b) then this Lease shall forthwith determine but the determination shall be without prejudice to any right of action of either party in respect of any previous breach of this Lease by the other

5.7 Disputes

Any dispute under this Clause 5 will be referred to Arbitration.

6. **Provisos**

6.1 **Re Entry**

If:

- (a) the Rents or any part of them are unpaid for 14 days after becoming payable (whether formally demanded or not); or
- (b) the Tenant breaches any covenant or other term of this Lease; or
- (c) the Tenant has any distress or other execution levied on its goods at the Premises; or
- (d) any steps are taken in connection with a voluntary arrangement or any other composition scheme or arrangement with or assignment for the benefit of the Tenant's creditors; or
- (e) a corporate Tenant:
 - (i) passes a resolution or the Court makes an order for its winding up (other than a members' voluntary winding up of a solvent company for the purposes of amalgamation or reconstruction having the Landlord's Permission); or
 - (ii) has a receiver, administrator, administrative receiver or provisional liquidator appointed over it or any of its assets; or
 - (iii) is dissolved or struck off the Register of Companies or otherwise ceases to exist; or
 - (iv) is deemed unable to pay its debts within the meaning of section 123 of the Insolvency Act 1986; or

and the paragraphs above shall also apply in relation to a partnership or limited partnership (as defined in the Partnership Act 1890 and the Limited Partnership Act 1907 respectively) subject to the modifications referred to in the Insolvent Partnerships Order 1994 (SI 1994/2421) (as amended) and to a limited liability partnership (as defined in the Limited Liability Partnerships Act 2000) subject to the modification referred to in the Limited Liability Partnerships Regulations 2001 (SI 2001/1090)

- (f) an individual Tenant:
 - (i) has a bankruptcy petition presented or a bankruptcy order made against it; or
 - (ii) makes an application for an interim order under section 253 of the Insolvency Act 1986; or
 - (iii) has a receiver, or similar officer appointed over the whole or any part of its assets; or

- (iv) is unable (or has no reasonable prospect of being able) to pay its debts within the meaning of sections 267 and 268 of the Insolvency Act 1986,
- (g) any of the above events occur in relation to the Guarantor but only where the Tenant does not provide a substitute guarantor reasonably acceptable to the Landlord within 14 working days of such event

then the Landlord may re enter the Premises or any part of them in the name of the whole at which time this Lease will immediately end, but without prejudice to any right or remedy of the Landlord in respect of any breach of the Tenant's obligations contained in this Lease.

6.2 Service of Notices

- (a) Subject to this Clause 6.2, section 196 of the Law of Property Act 1925 applies to all notices which may be served under this Lease save that section 196 is deemed to be amended by deleting the final words of section 196(4) "at the time at [] he delivered" and substituting "on the third working day after posting".
- (b) If the receiving party consists of more than one person, a notice served upon one of them constitutes service upon all of them.
- (c) The Landlord's address for the service of any notice is the Portman Office, Ground Floor, 40 Portman Square, London W1M 6LT or such other address as the Landlord may from time to time notify to the Tenant in writing.
- (d) The Tenant's address for the service of process in England is Suite 1 (South East) Sixth Floor 1 Great Cumberland Place London W1.

6.3 Exclusion of Representations and Warranties

- (a) The Tenant acknowledges that this Lease has not been entered into in reliance wholly or partly on any statement or representation made by or on behalf of the Landlord except any such statement or representation that is expressly set out in this Lease or made by the Landlord's solicitors in written response to enquiries raised by the Tenant's solicitors in connection with the grant of this Lease.
- (b) The Landlord does not warrant that the Permitted Use is lawfully permitted under the Planning Acts.

6.4 No Compensation

Any statutory right of the Tenant or any undertenant to claim compensation from the Landlord on vacating the Premises is excluded to the extent allowed by law.

6.5 Rights and Easements

The operation of section 62 of the Law of Property Act 1925 is excluded from this Lease, the only rights granted to the Tenant are those set out in this Lease and the Tenant is not entitled to any other rights affecting the Building or any adjoining property.

6.6 Party Walls

Any walls which divide the Premises from any adjacent premises are deemed to be party walls within the meaning of section 38 of the Law of Property Act 1925.

6.7 Freedom of Landlord to Deal With Other Property

Nothing contained in this Lease or implied gives the Tenant the benefit of or the right to enforce or to have enforced or to prevent the release or modification of any covenant, agreement or condition entered into by any purchaser from or by any lessee or occupier of the Landlord in respect of property not demised by this Lease.

6.8 Disputes With Adjoining Occupiers

If any dispute arises between the Tenant and the tenants or occupiers of any adjoining property of the Landlord relating to any easement, right or privilege in connection with the Premises and any of that adjoining property, it is to be decided by the Landlord acting reasonably or in such manner as the Landlord directs.

6.9 Tenant's Property

If on the Termination Date any property of the Tenant remains in or on the Premises and the Tenant fails to remove it within seven days after being requested in writing by the Landlord to do so:

- (a) the Landlord may, as the agent of the Tenant, sell or otherwise dispose of such property and the Tenant will indemnify the Landlord against any liability incurred by it to any third party whose property shall have been sold by the Landlord in the mistaken belief held in good faith (which shall be presumed unless the contrary be proved) that such property belonged to the Tenant;
- (b) if the Landlord, having made reasonable efforts, is unable to locate the Tenant, the Landlord shall be entitled to retain the net proceeds of such sale absolutely unless the Tenant shall claim them within six months of the date upon which the Tenant vacated the Premises;
- (c) the Tenant must indemnify the Landlord against any damage occasioned to the Premises and any Costs caused by or related to the presence of such property in or on the Premises (and any monies due to the Landlord under this sub-clause may be deducted from the proceeds of sale of such property)

6.10 Arbitration

Where this Lease provides for reference to Arbitration then the arbitration will be conducted as follows:

- (a) reference will be made to an independent surveyor to be agreed upon by the Landlord and the Tenant and in the absence of agreement as nominated by the President for the time being of the Royal Institution of Chartered Surveyors (or his duly appointed deputy or a person authorised by him to make appointments on his behalf) upon the application of the Landlord or the Tenant made at any time;
- (b) if the appointed surveyor dies, delays unduly or becomes unwilling or incapable of acting then upon the application of the Landlord or the Tenant the

President of the Royal Institution of Chartered Surveyors may discharge him and appoint another surveyor in his place;

- (c) the arbitration will be conducted in accordance with the Arbitration Act 1996;
- (d) the fees of the arbitrator will be borne equally unless the arbitrator determines otherwise;
- (e) if the release of the arbitrator's award is delayed because the Tenant has not paid its share of the arbitrator's costs, the Landlord may pay the unpaid costs and the amount paid will be a debt due on demand from the Tenant to the Landlord.

6.11 Landlord's Option to Determine

- (a) If the Landlord provides to the Tenant reasonable evidence of its intention to redevelop or substantially refurbish the Building the Landlord may terminate this Lease on any Break Date by serving written notice on the Tenant not less than six months before the relevant Break Date and then immediately on the relevant Break Date this Lease will end but without prejudice to any rights or remedies that may have accrued.
- (b) If the Landlord exercises the option to terminate the Lease detailed in clause 6.11(a) the Landlord will reimburse the Tenant on the Break Date for any Rents paid in advance by the Tenant which relate to the period after the Break Date

6.12 Exclusion of Sections 24-28 Landlord and Tenant Act 1954

- (i) The Tenant hereby confirms that before the date of this Lease:
 - (i) The Landlord served on the Tenant a notice dated 20 August 2012 in relation to the tenancy created by this Lease ("the Notice") in a form complying with the requirements of Schedule 1 to the Regulatory Reform (Business Tenancies) (England and Wales) Order 2003 ("the Order")
 - (ii) The Tenant or a person duly authorised by the Tenant in relation to the Notice made a statutory declaration ("the Declaration") dated 29 August 2012 in a form complying with the requirements of Schedule 2 of the Order
- (b) The Tenant further confirms that where the Declaration was made by a person other than the Tenant the declarant was duly authorised by the Tenant to make the Declaration on the Tenant's behalf
- (c) The Landlord and the Tenant confirm that there is no Agreement for Lease to which this Lease gives effect
- (d) The Landlord and Tenant agree to exclude the provisions of sections 24 to 28 (inclusive) of the Landlord and Tenant Act 1954 in relation to the tenancy created by this Lease

6.13 Contracts (Rights of Third Parties) Act

A person who is not a party to this Lease has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Lease but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

6.14 Immunity

- (a) The Tenant hereby unconditionally agrees to waive immunity to the extent that such immunity may at any time exist whether on grounds of sovereignty or otherwise from suit, arbitration, proceedings, jurisdiction of any court, adjudication, enforcement of arbitration award, judgment, service of process upon it or any agent, execution on judgment, set off, attachment or other interim relief (including but not limited to, injunctive relief or order for specific performance for the recovery of any property whatsoever) prior to judgment or on judgment or other legal process, including, without limitation, the defences of "sovereign immunity" and "act of state" which the Tenant may now have or may in the future have. The Tenant agrees not to assert any such immunity or defences in any proceedings with respect to this lease or in the enforcement of any judgment or execution resulting therefrom. For the avoidance of doubt the Tenant irrevocably submits to the jurisdiction of any court where proceedings are brought by the Landlord for the purposes of this clause and undertakes not to raise any objection on the grounds of inconvenient forum.
- (b) The Tenant covenants that the Premises shall at no time during the Term be designated as diplomatic premises or any similar designation which would have the effect of making the Premises inviolable.

6.15 Governing Law and Jurisdiction

- (a) This Lease and any dispute or claim arising out of or in connection with it or its subject matter or formation (including noncontractual disputes or claims) shall be governed by and construed in accordance with the laws of England and Wales.
- (b) The parties hereby submit to the exclusive jurisdiction of the High Court of England and Wales in relation to any dispute or claim arising out of or in connection with this Lease or in relation to its existence or validity (including noncontractual disputes or claims)."

Executed as a deed by the parties on the date which first appears in this Lease.

SCHEDULE 1 Premises

All that land and buildings known as Suite 1 (South East) 1 Great Cumberland Place London London W1 shown coloured pink on Plan 1 and including:

1. all additions and improvements to them;
2. all Fixtures and Fittings;
3. the Plant situated in and exclusively serving the Premises;
4. all non load-bearing or non structural walls within the Premises and the inner half of the internal non load-bearing walls (if any) which divide the Premises from other parts of the Building;
5. the plaster or other finishes of all structural or load bearing walls and columns bounding the Premises but not any other part of such walls and columns;
6. the ceiling and floor finishes including false ceilings and raised floors (but not the beams or joists to which they are attached);
7. all doors, door furniture and door frames including any between the Premises and the Common Parts;
8. all Conducting Media exclusively serving the Premises;
but excluding:
9. the Structure of the Building;
10. the Conducting Media that do not exclusively serve the Premises;
11. the Air Space;

SCHEDULE 2

Part 1 Rights Granted To The Tenant

1. The right, subject to temporary interruption for repair, alteration or replacement, in common with the Landlord and all other persons having a like right, to the free passage and running of Amenities to and from the Premises to and from any other premises on the Portman Estate adjoining or near to the Premises through the Conducting Media which now or may during the Term be in or on such other premises.
2. The right, subject to temporary interruption for repair, alteration, rebuilding or replacement, for the Tenant and all persons expressly or by implication authorised by him, in common with the Landlord and all other persons having a like right, to use all appropriate areas of the Common Parts for access to and egress from the Premises at all times.
3. The right to affix a sign in a form and size first approved by the Landlord (such consent not to be unreasonably withheld or delayed) at the side of the entrance door to the Premises.

4. The right to support, shelter and protection from the Building
5. The right to enter the Common Parts or any other adjoining property so far as is reasonably necessary to carry out any works to the Premises required or permitted by this lease

Part 2 Rights Reserved To The Landlord

6. The rights of light, air, support, protection and shelter and all easements quasi-easements, privileges and rights which now or in future belong to or are enjoyed by other parts of the Building and any adjoining or neighbouring premises in under over or in respect of the Premises.
7. The rights of light which now or in future belong to or are enjoyed by the Premises.
8. The right to the free and uninterrupted passage and running of Amenities to and from other parts of the Building and any other premises on the Portman Estate adjoining or near to the Premises through the Conducting Media which now or may during the Term be in or on the Premises and the right to enter for the purpose of inspecting maintaining repairing renewing and cleaning the same
9. The right without obtaining consent from or making compensation to the Tenant to deal as the Landlord thinks fit with the Building or any land or premises adjoining or near to the Premises and to carry out any works on such land or to such premises even if doing so may affect the enjoyment of or the access of light and air to the Premises.
10. The right to erect scaffolding for any reasonable purpose connected with the Building or any adjoining or neighbouring premises even if it temporarily restricts or interferes with the access to or use and enjoyment of the Premises.
11. The rights of entry on the Premises as referred to in Clause 3.10.

Part 3 Agreements and Covenants Relating To The Premises

All those entries in the Property and Charges Registers to Title Number NGL898456 save for financial charges.

SCHEDULE 3 Guarantor's Covenants

1. **Guarantee**
The Guarantor covenants with the Landlord as principal debtor that:
 - 1.1 the Tenant will pay the Rents and observe and perform the Tenant's covenants contained in this Lease; and
 - 1.2 the Tenant will observe and perform the obligations imposed on it under an Authorised Guarantee Agreement;
2. **Indemnity**
The Guarantor covenants with the Landlord as a primary obligation to indemnify the Landlord against all claims, losses, damages, liabilities, costs and expenses arising out of any default by the Tenant;

- 2.1 in paying the Rents or performing its obligations under this Lease; or
- 2.2 in performing its obligations under an Authorised Guarantee Agreement.

3. **Liability of the Guarantor**

The Guarantor's liabilities and obligations hereunder shall not be discharged or affected by any matter or thing which would have discharged such obligation or liability were it to be a secondary rather than a primary obligation hereunder, including:

- 3.1 the granting of time to the Tenant or waiver or failure to enforce payment of the Rents or the performance and observance of any of the terms of this Lease or of any Authorised Guarantee Agreement;
- 3.2 the Landlord refusing to accept rent tendered when the Landlord is entitled (or would have been entitled after service of a notice under section 146 Law of Property Act 1925) to re enter the Premises;
- 3.3 the terms of this Lease are varied by the Landlord and the Tenant (subject to section 18 of the 1995 Act);
- 3.4 the reversion to this Lease is transferred;
- 3.5 the surrender of any part of the Premises (provided that the guarantee shall then relate only to the part of the Premises not so surrendered);
- 3.6 the Tenant ceasing to exist;
- 3.7 an alteration to the structure, composition or powers of the Tenant or Guarantor;
- 3.8 any illegality or defect in the powers of the Tenant or the manner in which they are exercised or any limitation, disability or incapacity of the Tenant;
- 3.9 the release of any one or more of the Tenant or Guarantor (where there are two or more);
- 3.10 the insolvency or dissolution of the Tenant (which includes any corporate action, legal proceedings or other procedure or step taken in relation to the appointment of a liquidator, receiver, administrative receiver or administrator) or it becoming subject to any other procedure for the suspension of payments to or protection of creditors or similar proceedings and, for all purposes directly or indirectly connected with any voluntary arrangement under Part 1 of the Insolvency Act 1986 proposed in respect of the Tenant in circumstances where the voluntary arrangement seeks to restrict the Landlord's rights hereunder in respect of any such payments or liabilities for the purposes of any such voluntary arrangement.

4. **Guarantor to take New Lease or make Payment**

If this Lease is disclaimed or forfeited and if so required by the Landlord within six months of the forfeiture or the Landlord receiving notice of the disclaimer the Guarantor will (at the option of the Landlord):

- 4.1 at its own cost accept a new lease of the Premises for the residue of the Term to take effect from the date of the disclaimer or forfeiture at the same rent and on the same terms as this Lease (including the dates for rent review but as if this Lease had continued and

so that any outstanding matters relating to rent review or otherwise are to be determined between the Landlord and the Guarantor); or

- 4.2 pay to the Landlord on demand an amount equal to the Rents that would have been payable under this Lease but for the disclaimer or forfeiture until the expiry of the Term.
5. **Ranking of Claims**
- 5.1 The Guarantor shall not enforce its rights in respect of any sums it pays or liabilities it incurs under the Guarantor's covenants until after the date when the Guarantor's obligations under all such covenants to the Landlord have been observed, performed and discharged in full and the Guarantor shall not prior to such date:
- (a) seek to recover from the Tenant or any third party whether directly or by way of set off, lien, counter claim or otherwise or accept any money or other property or security or exercise any rights in respect of any sum which may be or become due to the Guarantor on account of the failure by the Tenant;
 - (b) claim, prove for or accept any payment in any composition by or winding up or liquidation of the Tenant or any third party in competition with the Landlord for any amount owing to the Guarantor on any account; or
 - (c) exercise any right or remedy in respect of any amount paid by the Guarantor under the Guarantor's covenants;
 - (d) exercise any right or recourse, contribution, relief or subrogation against the Tenant in respect of or in connection with all payments made or to be made by the Guarantor under or pursuant to this Guarantee to the intent and effect that the Guarantor shall not be a creditor of the Tenant.
- 5.2 The Guarantor warrants to the Landlord that it has not taken and will not take any security from the Tenant or any third party in connection with the Guarantor's covenants and any such security so taken shall be held in trust for the Landlord as security for the respective liabilities of the Guarantor and the Tenant.

SCHEDULE 4 Services in and Repair of the Building and Service Charge

Part 1 Definitions and Provisos

1. In this Schedule the following definitions shall apply:

Accountant:	means a Fellow or Associate of the Institute of Chartered Accountants appointed by the Landlord
Accounting Year:	means subject to paragraph 2.1 a period of 12 months ending on the 24 March in each year of the Term or such other period as the Landlord shall from time to time notify to the Tenant
Estimated Service Costs: and Estimated Service Charge:	means the sums respectively estimated under Part 4 paragraph 1.1

Reserve Fund:	means a fund containing the sums received by the Landlord (and deemed by Part 1 paragraph 2.3 to have been received) as a contribution to the costs referred to in paragraph 4.1 including interest arising on such sums
Service Charge:	means a fair and proper proportion of the Service Costs as the Landlord acting reasonably from time to time considers fair
Service Costs:	means the total sum computed under Part 3
Service Document:	means an estimate served under Part 4 paragraph 1.1 or an account served under Part 4 paragraph 1

2. These provisos apply to this Schedule:
- 2.1 The Landlord shall be entitled to change the Accounting Year whenever the Landlord considers necessary and expedient and in such event the Landlord shall make all necessary resulting adjustments.
- 2.2 The Landlord shall be entitled to make such alterations as the Landlord considers necessary to the Common Parts and to the Plant not being Plant demised by this Lease (including the installation of Plant of a different type) and to suspend any service while any work to the Building or Plant is being carried out only to the extent that it is reasonably necessary to suspend such service.
- 2.3 If for the time being any part of the Building intended to be let is not let or is let on terms that the tenant of it is not liable to pay a sum corresponding to the Service Charge payable under this Lease a sum equal to the Service Charge attributable to that part shall be borne by the Landlord and shall be deemed to have been received 28 days after becoming due.
- 2.4 Payment by the Tenant of the Service Charge shall not give rise to any obligation on the part of the Landlord except those expressly set out in this Lease.
- 2.5 If the Tenant shall dispute any item in a Service Document:
 - (a) the Tenant shall within one month of the service of the Service Document (as to which period time shall be of the essence) serve on the Landlord a notice specifying the disputed item or items;
 - (b) any such dispute will be referred to Arbitration;
 - (c) the Tenant shall not be entitled to dispute any cost included in the Service Costs or the Estimated Service Costs on the ground that any work or service could be carried out or provided at a cost less than that in fact incurred by the Landlord or estimated in good faith;
 - (d) until the Surveyor's determination the Tenant shall not withhold payment of the Service Charge or any part thereof;
 - (e) if the Surveyor's determination shows that the Tenant has made an over payment in respect of the Service Charge the Landlord shall pay to the Tenant

the amount of such over payment within 28 days after receipt of the Surveyor's determination by the Landlord.

Part 2

The Landlord's Covenant

1. The Landlord covenants with the Tenant, subject to the Tenant paying the Service Charge and unless prevented by strike, lock out or other causes beyond the Landlord's control, to use reasonable endeavours:
 - 1.1 To repair and maintain the Structure of the Building, the Common Parts and any common Conducting Media.
 - 1.2 To maintain the Plant in the Common Parts in working order and when necessary renew or replace the Plant.
 - 1.3 To decorate the outside of the Building and the Common Parts therein in good and workmanlike manner and with appropriate materials of good quality as often as the Landlord reasonably considers necessary.
 - 1.4 To decorate, clean and light the Common Parts and keep all fittings and furnishings therein in good order and to replace the same as often as reasonably necessary.
 - 1.5 To keep any communal television aerial in good order and to replace the same as necessary.
 - 1.6 To provide heating at such times as the Landlord reasonably considers necessary and hot water through the Plant but not on Saturdays, Sundays or Public Holidays and normally only between 7.00 am and 11.00 pm.
 - 1.7 To provide an adequate supply of hot and cold water in any lavatory and water closet in the Common Parts.
 - 1.8 To keep any automatic door porter system in working order and to replace the same as necessary.
 - 1.9 To maintain the lawns, gardens or landscaped areas within the curtilage of the Building.
 - 1.10 To supply such further services as the Landlord reasonably considers it has become usual to supply in similar buildings.
 - 1.11 To do all such things as may be necessary to comply with all Legislation affecting the Structure of the Building, the Common Parts and any common Conducting Media.

Part 3

Service Costs

1. The Service Costs shall be the total in an Accounting Year of:
 - 1.1 An amount determined by the Landlord to be an appropriate contribution towards the estimated cost to the Landlord of compliance with such of the covenants in Part 2 as are likely to give rise to expenditure at intervals of more than one year.

- 1.2 The cost to the Landlord of compliance with the Landlord's covenants in Part 2 (including any sums payable by the Landlord to independent contractors) such costs to include:
- (a) the cost of and incidental to the carrying out by the Landlord of any work to the Building in pursuance of any requirement of any Act or of any authority;
 - (b) the cost of fuel, power, gas, electricity, water (but not any consumed directly by any tenant in the Premises) consumed in the supply of any service referred to in Part 2;
 - (c) the cost of materials and equipment for the cleaning of the Common Parts;
 - (d) the cost of renewal or replacement of bulbs, tubes and any other light fittings or equipment in the Common Parts;
 - (e) the cost of employing staff engaged in providing the services referred to in Part 2 including the cost of uniforms, working clothing, bonuses, national insurance contributions, pensions, gratuities and the cost of providing staff accommodation if any;
 - (f) the cost of any contracts in respect of the repairs and maintenance and running costs of the Plant;
 - (g) the amount of rates, taxes and outgoings of any nature payable in respect of the Building and paid by the Landlord;
 - (h) the cost of all arrangements for the security of the Building;
 - (i) the cost of insuring the Plant and the furnishings and fittings in the Common Parts against damage or destruction and any other risk that the Landlord reasonably considers necessary;
 - (j) the cost of the supply of any of tools, fire equipment and apparatus necessary for the Common Parts;
 - (k) the cost of and incidental to the disposal of refuse from the Building;
 - (l) any other costs reasonably and properly incurred by the Landlord in or incidental to the provision of the services referred to in Part 2.
- 1.3 The proper cost of preparation and auditing of accounts and certificates relating to the Service Costs and the Service Charge and of affording facilities to the Tenant or to any person authorised by Legislation to inspect and take copies of any document which may under such Legislation be inspected.
- 1.4 A management fee for the management and supervision of the Building and the carrying out of the matters referred to in Part 2 being either if the Landlord employs managing agents the proper fees of such managing agents or if such management or supervision is provided by the Landlord a sum equal to 12.5% of the costs referred to in Part 3.
- 1.5 The amount of Value Added Tax payable by or chargeable on the Landlord in respect of the supply to or by or on behalf of the Landlord of any of the matters referred to in Parts

2 and 3 or of any other tax payable by or chargeable on the Landlord in respect of those matters.

Part 4

Service Charge

1. The Service Charge shall be payable as follows:
 - 1.1 Not later than one month before the beginning of an Accounting Year the Landlord shall serve on the Tenant an estimate of the Service Costs and of the Service Charge payable by the Tenant during that Accounting Year and the Tenant shall pay the Estimated Service Charge by four equal payments in advance on the usual quarter days save that the Estimated Service Charge for the first Accounting Year of the Term shall be the sum notified by the Landlord to the Tenant.
 - 1.2 As soon as reasonably practicable after the end of each Accounting Year a summary of the Service Costs shall be prepared and certified by the Accountant as a fair summary complying with the requirements of Legislation and as being supported by accounts receipts and other documents produced to him.
 - 1.3 The Landlord shall as soon as reasonably practicable upon receipt of the certified summary serve on the Tenant a copy of the summary comprising:
 - (a) a calculation of the Service Charge;
 - (b) a statement of the amount if any by which the Service Charge exceeds or is less than the Estimated Service Charge;
 - (c) a statement showing the total of contributions to the Reserve fund made under Part 3 paragraph 1.1 (including interest if any added thereto) less the amount of such contributions applied by the Landlord in reducing his costs chargeable under Part 3 paragraph 1.2.
 - 1.4 Subject only to Part 1 paragraph 2.5, the calculation of the Service Charge shall be final and binding on the Tenant save for manifest error.
 - 1.5 If the Service Charge for any Accounting Year exceeds the Estimated Service Charge the amount of the excess shall be paid by the Tenant to the Landlord within 21 days of the written demand for the excess.
 - 1.6 If the Service Charge is less than the Estimated Service Charge the amount of the overpayment shall be credited to the Tenant against the next payment of the service charge following receipt of the account by the Tenant and in the case of the last year of the Term refunded upon demand.

SCHEDULE 5

Rent Review

1. Reviewed Rent

From and including every Rent Review Date the Principal Rent shall be the higher of:

- 1.1 the Market Rent on the Rent Review Date; and
- 1.2 the Principal Rent reserved immediately prior to the Rent Review Date.
2. **Market Rent**
- 2.1 The expression "Market Rent" means the yearly rent at which the Premises might reasonably be expected to be let in the open market assuming that:
- (a) the Premises are available to let with vacant possession as a whole by a willing landlord to a willing tenant without the payment of a premium by either party;
 - (b) the letting is on the terms of this Lease save that:
 - (i) the term shall be a term equal to the unexpired residue of this Lease and that the rent commences to be payable on that date; and
 - (ii) the amount of the Principal Rent shall be disregarded, but it shall be assumed that the Principal Rent is subject to review on the terms of and at the same intervals as the Principal Rent under this Lease;
 - (c) the Premises are fully fitted out and equipped so as to be ready for immediate occupation and use by the willing tenant for the Permitted Use;
 - (d) the willing tenant has had the benefit of any rental concession, inducement or rent free period which might be offered in the open market at that time for fitting out purposes only;
 - (e) the Premises may lawfully be used for the Permitted Use;
 - (f) the obligations on the part of the Tenant and the Landlord in this Lease have been fully observed and performed;
 - (g) if the Premises or any other parts of the Building have been damaged or destroyed they have been fully reinstated;
 - (h) no works have been carried out by the Tenant, any undertenant, or their predecessors in title during or prior to the Term which have reduced the rental value of the Premises;
- but disregarding:
- (i) the goodwill attached to the Premises because of the carrying on there of the business of the Tenant, any undertenant, or their respective predecessors in title;
 - (j) any effect on rent of the fact that the Tenant, any undertenant, or their respective predecessors in title have been in occupation of the Premises;
 - (k) any effect on rent of any alteration or improvement carried out by the Tenant, any undertenant, or their respective predecessors in title during the Term in accordance with the terms of this Lease or under an agreement to grant this Lease and otherwise than in pursuance of an obligation to the Landlord; and

- (l) any adverse effect on rent of any temporary works operations or other activities on any neighbouring or adjoining property.

3. Determination of Market Rent

- 3.1 The Landlord and the Tenant may agree the Market Rent as at a Rent Review Date at any time.
- 3.2 In the absence of such agreement either party may at any time after the Rent Review Date by giving written notice to the other require the Market Rent to be determined by an independent surveyor who shall determine the rent at the option of the Landlord either acting as an expert or by Arbitration.
- 3.3 Where the independent surveyor is to act as an expert then the following provisions apply:
 - (a) reference will be made to an independent surveyor to be agreed upon by the Landlord and the Tenant and in the absence of agreement as nominated by the President for the time being of the Royal Institution of Chartered Surveyors (or his duly appointed deputy or a person authorised by him to make appointments on his behalf) upon the application of the Landlord or the Tenant made at any time;
 - (b) if the appointed surveyor dies, delays unduly or becomes unwilling or incapable of acting then upon the application of the Landlord or the Tenant the President of the Royal Institution of Chartered Surveyors may discharge him and appoint another surveyor in his place;
 - (c) he will afford to the Landlord and the Tenant an opportunity to make written representations and counter representations but his decision is final and binding;
 - (d) the fees and expenses of the expert, including the cost of his appointment, will be borne equally unless the expert determines otherwise;
 - (e) if the release of the expert's determination is delayed because the Tenant has not paid its share of the expert's costs, the Landlord may pay the unpaid costs and the amount paid will be a debt due on demand from the Tenant to the Landlord.

4. Rent Review Memorandum

The Landlord and the Tenant at their own cost will sign a memorandum in duplicate specifying the amount of the Market Rent within 28 days of its determination or agreement.

5. Rental Adjustments

If the Market Rent is not agreed or determined before a Rent Review Date then:

- 5.1 until it has been the Principal Rent must continue to be paid at the rate payable immediately before the Rent Review Date; and

5.2 within 14 days of the date the Market Rent is agreed or determined the Tenant will pay to the Landlord:

- (a) a sum equal to the amount by which the Market Rent exceeds the Principal Rent payable immediately prior to the Rent Review Date for the period from and including the Rent Review Date to and including the day before the next Quarter Day; and
- (b) interest at the Base Rate on each instalment of such sum from the date each instalment would have become due if the Market Rent had been agreed or determined on the Rent Review Date.

6. **Legislation**

If the Landlord's right to review or recover any increase in the Principal Rent is prohibited or restricted by Legislation, the Landlord may elect that the day after any such restriction or prohibition is removed or varied is an additional Rent Review Date for the purposes of this Lease.

7. **Time Limits**

Time is not of the essence for the purposes of this Schedule.

EXECUTED as a deed by)
THE PORTMAN ESTATE)
NOMINEES (ONE) LIMITED)
acting by a director in the presence of:)

Signature

Director

Signature of witness

Name (in BLOCK CAPITALS)

Address

EXECUTED as a deed by)
THE PORTMAN ESTATE)
NOMINEES (TWO) LIMITED)
acting by a director in the presence of:)

Signature

Director

Signature of witness

Name (in BLOCK CAPITALS)

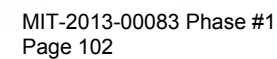
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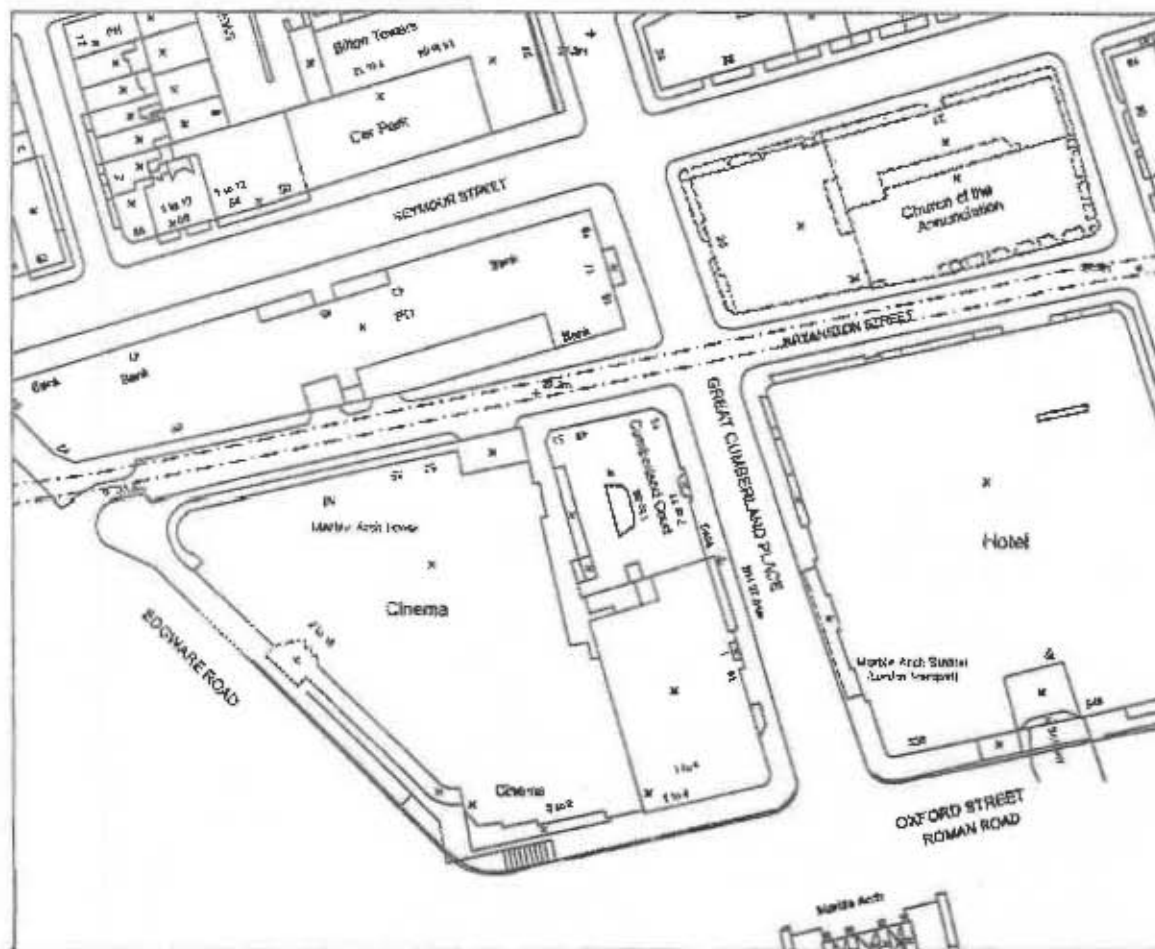
SIGNED on behalf of HER MAJESTY)
THE QUEEN IN RIGHT OF THE)
PROVINCE OF BRITISH COLUMBIA by)
a duly authorised representative of the)
Minister for Jobs, Tourism and Innovation)
in the presence of)

(Witness)

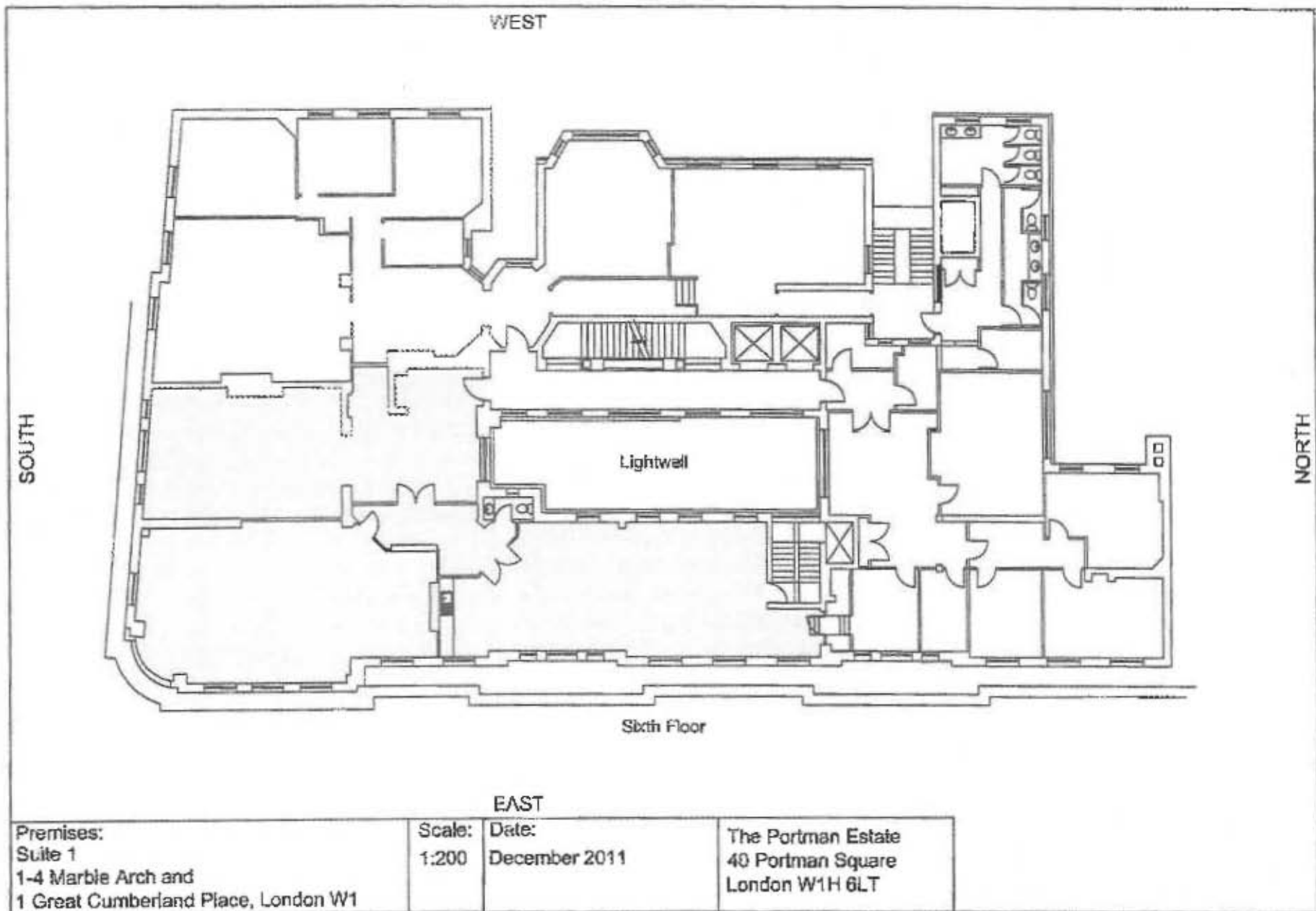
For the Minister of Jobs, Tourism and Innovation





Premises: Nos. 1-4 Marble Arch and 1 Great Cumberland Place London W1	Scale: 1:1250	Date: December 2011	The Portman Estate 40 Portman Square London W1H 6LT
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License Agreement

Date: 10/18/12



The Executive Centre Guangzhou Limited

☐ TaiKoo Hui Centre Location

Level 7, TaiKoo Hui, Tower 1, 385 Tianhe Road,
Tianhe District, Guangzhou 510620
P. R. China

☒ HNA Centre Location

Level 10, 8 Linhe Zhong Road,
Tianhe District, Guangzhou 510610,
P. R. China

Deposit	RMB	0
Monthly License Fee	RMB	66,500

Commencement Date of Initial Term	12/1/2012
End Date of Initial Term	11/30/2013

This agreement shall automatically roll over for successive periods equal to the first period unless either party gives written notice to terminate 2-months prior to the end of the current license period.

The Client shall have the right to use the items in the Accommodation specified in the following inventory:

Desks with Pedestal	16		
Managers Chairs	16	Filing Cabinets	6
Waste paper baskets	16	Other	

Internet and Telecommunications

Standard Rate (not including outgoing call fee)	RMB	16,000
Discount Rate (applies for the initial term of this agreement only)	RMB	11,200

Client - Registered Address

Company Name	BC Trade and Investment Representative Office c/o Ministry of Technology, Trade and Economic Development
Contact:	Jason Si
Address:	730-999 Canada Place Vancouver BC V6C 3E1, Canada
ROC Number:	
Telephone:	1604 660 5911
Fax:	1604 775 2197
Email:	Jianye.Si@gov.bc.ca

Client - Invoicing Address (if different from above)

Company Name	
Contact:	Henry Han
Address:	
Telephone:	1604 660-5888
Fax:	
Email:	Henry.Han@gov.bc.ca

Accommodation in the Centre (the Unit)

Room(s): 31, 32, 33 & 35

Additional Provisions

For EFT/TT transactions, please wire Bank: China Merchants Bank Guangzhou Linhe Branch 招商银行广州林和路支行
Address: The Concordia A, Linhe Street No.27, Tianhe District, Guangzhou (510610), China 中国广州市天河区林和街27号中怡城市花园A栋首层
Account Name: THE EXECUTIVE CENTRE GZ LTD 广州德时行信息咨询服务服务有限公司
A/C: s15 Swift Code: s15

For and on behalf of TEC

Name (printed):	Deborah Tan
Title:	General Manager - South China
Signature:	

For and on behalf of the Client

Name (printed):	Henry Han
Title:	Director, Greater China
Signature:	

This Agreement is made between TEC and the Client (as specified above) and the Client confirms that the Client has read and understood the Terms and Conditions overleaf and agrees to be bound by them and TEC agrees to provide the services and facilities as mentioned overleaf.

TERMS AND CONDITIONS

FACILITIES AND SERVICES

1. In consideration of the payment by the Client of the License Fee specified overleaf, TEC permits the Client to share with TEC the use of the Unit.
2. TEC agrees to provide Business Services and the Unit from the Term Commencement Date specified overleaf until terminated in accordance with the provisions of this Agreement.
3. Business Services
 - (a) TEC shall provide the following Business Services which shall be for the use of the Client on a 24 hours basis on all days:
 - The Workspace and furniture as per details specified overleaf;
 - Voicemail with call forwarding functions; and
 - Office lighting and electricity for power sockets
 - (b) TEC shall provide the following Business Services to The Client during normal operating hours of the Centre excluding weekends and public holidays:

• Receptionist, waiting area and café	• Coffee and selection of teas
• Daily cleaning service Monday to Friday	• 5 day free use of a workstation per month in any TEC location except for the city detailed on the front of this agreement.
• Office hour air-conditioning	
• Mail delivery to Unit	
 - (c) The following additional Business Services are available in accordance with TEC's published rates updated from time to time. It is clarified that these Services are available to all Clients on an optional basis.

Dedicated secretarial, accounting, errands or other business services	Car parking
Food and beverage services	Business Licensing Assistance
Courier services	Office supplies
Photocopying and scanning	Video conferencing
Translations	Meeting and conference rooms
	Other services
 - (d) The following Business Services are provided by TEC to the Client and are included in the Connectivity Package specified overleaf:
 - I Internet: LAN port to the office (one per desk), 24-hour Internet connectivity and office hour maintenance of the Internet connection.
 - II Telecommunications: Telephone handset (one per desk), telephone number (1 per handset), maintenance, voicemail and telephone answering. Usage/pulse costs are charged in addition to the monthly fee.
 - (e) In the event the Client receives a discount on the Connectivity Charge during the initial term and this agreement rolls over for subsequent term(s) the Connectivity Charge shall revert to the standard rate for the subsequent term(s) of this agreement.
4. The Client shall, for the duration of this License prior to the first working day of each month, pay to TEC whether demanded or not (and by monthly direct debit if required) the License Fee, Connectivity Charge specified overleaf, the first proportionate payment to be made on the signing of this Agreement in respect of the period from the Term Commencement Date. In the event that the Client does not pay the total amount as stated on an invoice TEC shall be entitled to:
 - I Require the Client to vacate the Unit within 7 (seven) days
 - II Withdraw and stop partial or all services provided by TEC including, but not limited to telephone and internet services
 - III Enter the Unit and change the lock without prior notice
 - IV Claim all costs including legal fees associated with recovering all monies owed to TEC from the Client
 - V Register the company name and its Directors with credit rating agencies if monies remain outstanding for more than 30 days.
 - VI Claim all outstanding invoices and the costs of recouping those monies against the personal assets of the Directors.
- (a) Pay on demand to TEC (by monthly direct debit if required) the Business Services rendered by TEC to the Client for all telecommunication and other Business Services relating to the Unit and for the use of facsimile, photocopying, secretarial, conference facilities, internet facilities, car parking and other Business Services of which use is made by the Client.
- (b) Pay to TEC interest at the rate of 0.05% per day on any sum payable under this License which remains unpaid for 7 days from the due date. Interest in that event will be calculated from the due date to the date of payment receipt.
- (c) Pay all sums due to TEC under this License without any deduction or set off.
- (d) Pay for all bank charges, exchange rate differences and other such charges related to the invoice.
5. Deposit
 - (a) The Client shall pay to TEC no later than 5 business days the Deposit specified overleaf ("the Deposit") as security against all obligations entered into by the Client in this License. Such Deposit is to be returned to the Client provided that the Client has complied with its obligations under this License and subject to the deduction of an amount in respect of any outstanding invoices or deductions, and will be refundable upon confirmation in writing of the client bank details no less than 60 days after the end day of this License. Neither the giving of the security deposit nor any deduction from it by TEC shall relieve the Tenant from any of its obligations under this License or otherwise limit the Landlord's right to recover against the Tenant for any breach of this License. Should the Deposit not be received by TEC within 5 working days of the signing of the License Agreement, the License shall be considered null and void.
 - (b) In the event of any withdrawal from the Deposit by TEC due to any default of the Client, the Client shall replace any such sum withdrawn within 14 days of being notified of such withdrawal.
6. Termination
 - (a) The Client will be released from their obligations under this License and allowed to terminate prior to the end date of this License subject to the Client paying TEC the full license fee for the unexpired term together with all other outstanding invoices. Upon settlement of these terms, the Deposit will then subsequently be refunded to the Client.
 - (b) This License may be terminated forthwith in the event of any breach of the obligations within this License on the part of the Client and in the event that TEC terminates this License due to such breach the Client shall be required to pay to TEC the full license fee of the unexpired term together with all other outstanding invoice(s). TEC shall be entitled (but not obliged) to retain any furniture, personal effects or other belongings of the Client until all arrears owed to TEC have been paid or other loss made good and in the event of non-payment within 14 days TEC shall be entitled to dispose of any goods retained in settlement of any arrears and any costs of disposal.
 - (c) At the time of termination the costs of restoration of the Unit and make good of the premises to the condition at the time of move in will be charged to the client; this restoration includes but is not limited to security, supervision, approvals, and cleaning of the Unit, furniture, equipment and common areas. It will be carried out by TEC's contractors and personnel, and time taken for restoration after the end date of this License will be charged to the Client at the License Fee and Connectivity Fee rates stated on the front of this agreement. TEC does not accept any responsibility for personal or other belongings left in the Unit and has the right to dispose of such property.

- (d) On or before the expiry of this License the Client must return to TEC all keys and other means of access to the Unit and the Centre and whenever any key or other means of access is lost to report such loss forthwith to TEC and to pay on demand the cost of replacing such key or other means of access and the cost of replacing any lock changed by TEC.
 - (e) If the Client fails to demand the refund of the Deposit within 360 days after the date of Termination of this Agreement, the Deposit shall be deemed forfeited to TEC.
 - (f) On or before the expiry of this License the Client must deregister with all the relevant government bureaux, departments, agencies or other government entities the address allocated to the Unit located within the Premises as stated overleaf. A fee of 50% of one month's License Fee will be charged to the Client per month from the expiry of this License until the deregistration process has been completed.
 - (g) TEC shall have the right to terminate this agreement without notice if the client breaches the national or local laws in which the centre is located or if the Client is declared bankrupt, is wound up or put under receivership.
 - (h) At the time of termination the Client shall pay a call handling and administrative fee equivalent TEC's Business Address and Communications fee for a period of 3 months from the date of termination of this agreement at RMB 850 per month.
- ## CLIENT'S RIGHTS AND RESPONSIBILITIES
7. The Client shall be entitled:
 - (a) To use (in common with other clients of the Centre) the corridors, café and rest rooms.
 - (b) To have access to the Unit 24 hours a day, each day of the year.
 8. The Client shall not:
 - (a) Impede or interfere with TEC's right of possession and control of the Unit.
 - (b) Use the Unit otherwise than for the Client's business.
 - (c) Install furniture or equipment in the Unit without prior written approval of TEC.
 - (d) Alter the Unit, its partitioning or any fixtures or fittings.
 - (e) Interfere with the conduct of TEC's business and during the term of this License and for six months thereafter shall not offer employment to or hire directly or indirectly any staff of TEC. Without prejudice to any rights or remedies that TEC may have for any breach of the foregoing if the Client shall employ directly or indirectly any member of TEC's staff during such period the Client shall pay to TEC within 7 days of the said member of staff commencing his or her new employment or hire a recruitment fee equal to 50% of the said first year gross salary or hire costs including guaranteed bonuses or benefits in kind.
 - (f) By way of commission payable to TEC by the Client, the Client agrees that, in the event that the Client entices, convinces or otherwise causes an existing client of TEC to vacate the Premises to pay to TEC a commission equal to 12-month's rental of the company that has been enticed or convinced to vacate the premises.
 - (g) Damage any of the decorations, fixtures and fittings or other equipment in the Unit.
 - (h) Be entitled to any compensation as a result of any failure of data security or computer systems or as a result of TEC failing to provide any of the services in accordance with this License as a result of any breakdown or strike or delay or failure of any staff, manager or caretaker to perform their duties.
 - (k) The Client shall not install third party telephone products or services including video conferencing telephones, IP telephones or other communication devices to the telephone lines, Internet ports or LAN ports within the office without TEC's prior written permission. The Client shall have the right to install a photocopier or a multi-function device with the ability to photocopy within their office at a fee of RMB 390 per month.
 - (l) Use any services in the Unit other than those offered by TEC.
 9. The Client shall:
 - (a) Observe and adhere to all the rules and regulations updated from time to time made by TEC for the management of the Unit and the Centre.
 - (b) Indemnify TEC and its respective officers, employees and agents, from all claims, liability, or loss, and all damages and costs incurred by TEC which arise out of the use of the Unit. The Client shall be required to maintain sufficient public liability insurance for the duration of this agreement. TEC shall have the right to obtain a copy from the Client of such insurance upon request.
 - (c) TEC is not responsible for the theft of or damage to any equipment, chattels or goods whilst the Client is a tenant of TEC. Further, the Client shall immediately notify TEC of any damage, accident or defects to or in the Unit or any theft or loss of keys to the Unit, Premises or Building.
- ## OWNER'S RIGHTS AND RESPONSIBILITIES
- ### 10. TEC shall:
- (a) Keep the centre facilities in the Centre in working order and properly cleaned and equipped.
 - (b) Not be under liability for failure to have any of the Centre facilities available for the Client because of use by any other person within the Centre and TEC shall not be liable to the Client if for any temporary reason the Client shall be unable to obtain access to the Unit.
 - (c) Provide the Client with an alternative unit of equal or better value/quality than the Unit should TEC require the client to move during the term or subsequent terms of this License.
 - (d) Have the right at any time to enter the Unit to inspect it, to provide services, to make repairs and alterations and provide cleaning, subject to prior verbal approval by the client except in the case of an emergency where no such verbal approval need be obtained.
- ### GENERAL
11. This License is personal and is not assignable by the Client and the Client shall not share or part with possession of the Unit.
 12. The Client confirms that it did not rely upon any warranty or representation made by TEC except those that are expressly set out in this License.
 13. All notices must be in writing or by email. Notices to the Client will be considered served if handed personally or emailed to the legal representative or authorized representative of the company who is the signatory to this License. Notices to TEC will be considered served if mailed by registered or recorded mail, postage prepaid, to TEC at TEC's address shown overleaf, or such other address as TEC shall designate to the Client in writing.
 14. The invalidity or unenforceability of any provision of this License shall not affect or impair the validity of any other provision. No waiver of any default of the Client shall be implied from any failure by TEC to take action with respect to such default.
 15. Where the Client comprises more than one individual such individuals shall be jointly and severally liable to observe and perform the Client's obligations under this License.
 16. This License supersedes any prior agreements and embodies the entire License between the Client and TEC and may not be modified, changed or altered in any way except as agreed by both parties in writing. This License shall be interpreted and enforced in accordance with the national and local laws in which the Centre is located.
- The Client confirms having read and agreed to all the terms and conditions of this License

Sign



Date

Oct 19/2012

License Agreement

Date: **29-Apr-13** (dd/mm/yy)



The Executive Centre Korea Ltd (TEC)	
<input type="checkbox"/>	21/F Seoul Finance Center Taepyeongro 1-ga, Jung-gu Seoul 100-768 Korea Tel: (82 2) 3782 4500 Fax: (82 2) 3782 4555
<input checked="" type="checkbox"/>	41/F Gangnam Finance Center 737 Yeoksam-dong, Gangnam-gu, Seoul 135-984 Korea Tel: (82 2) 2008 4500 Fax: (82 2) 2008 4555

Deposit	Waived
Monthly License Fee	KRW 18,000,000 plus 10% VAT

Commencement Date	1-Apr-13	(dd/mm/yy)
End Date	31-Mar-14	(dd/mm/yy)

This agreement shall automatically roll over for successive periods equal to the first period unless either party gives written notice to terminate 2-months prior to the end of the current license period.

Inventory

The Client shall have the right to use the items in the Accommodation specified in the following inventory:

Desks with Pedestal	5	Cupboard	7
Managers Chairs	6	Filing Cabinets	
Round Table	1	waste paper baskets	5

Client will be given furniture credit equivalent to 18 standard workstations.

Connectivity Charge

Monthly Fee	Up to four (4) complimentary telephone lines and four (4) internet connections.
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Client - Registered Address (Client)	
Company Name:	BC Trade and Investment Representative Office c/o Ministry of Technology, Trade and Economic Development
Contact:	Mr. Kyung Suk KIM
Address:	730-999 Canada Place Vancouver, BC V6C 3E1, Canada
BR (ID) Number	
Telephone:	1 604 775 2217
Fax:	1 604 775 2197
Email	kskim@bcinternational.ca

Client - Invoicing Address (if different from above)	
Company Name:	British Columbia Ministry of Economic Development
Contact:	Steven Michon
Address:	770 - 999 Canada Place Vancouver, BC V6C 3E1, Canada
Telephone:	1 604 660 1817
Fax:	
Email	Steven.Michon@gov.bc.ca

Accommodation in the Centre (the Unit)

Unit #37, #38, #39 and #40

Room(s): Four (4)

Additional Provisions

1) This License Agreement supercedes all previous Agreements including the License Agreement completed between BC Trade and Investment Representative Office c/o Ministry of Technology, Trade and Economic Development and The Executive Centre dated on April 8, 2009.

2) This Agreement is supplemented by "Agreement Supplementing", agreed between BC Trade and Investment Division of the Ministry of Technology, Trade and Economic Development, Ocean Blue Marketline Inc. and The Executive Centre.

For EFT/TT transactions, please wire the payment to Bank: The HongKong & Shanghai Banking Corporation Limited, Acct#: S15 Account Name: The Executive Centre Korea Ltd., Address: 25 Bongrae-dong 1-ka, Chung-gu, Seoul, South Korea, Reference: Clients' information.

For and on behalf of TEC

Name (printed):	Alicia Song
Title:	Head of Business Development
Signature:	

For and on behalf of the Client

Name (printed):	Klaus Buttner
Title:	Executive Director
Signature:	

This Agreement is made between TEC and the Client (as specified above) and the Client confirms that the Client has read and understood the Terms and Conditions overleaf and agrees to be bound by them and TEC agrees to provide the services and facilities as mentioned overleaf.

TERMS AND CONDITIONS

FACILITIES AND SERVICES

1. In consideration of the payment by the Client of the License Fee specified overleaf, TEC permits the Client to share with TEC the use of the Unit.
2. TEC agrees to provide Business Services and the Unit from the Term Commencement Date specified overleaf until terminated in accordance with the provisions of this Agreement.
3. Business Services
 - (a) TEC shall provide the following Business Services which shall be for the use by the Client on a 24 hours basis on all days:
 - The workspace and furniture as per details specified overleaf;
 - Voicemail with call forwarding functions; and
 - Office lighting and electricity for power sockets
 - (b) TEC shall provide the following Business Services to the Client during normal operating hours of the Centre excluding weekends and public holidays:

• Receptionist, waiting area and café	• Coffee and selection of teas
• Daily cleaning service Monday to Friday	• 5 (five) day complementary use of a workstation per month in any of the locations in which TEC is present except for the city detailed on the front of this agreement.
• Office hour air-conditioning	
• Mail delivery to Unit	
- (c) The following additional Business Services are available in accordance with TEC's published rates updated from time to time. It is clarified that these Services are available to all Clients on an optional basis.

• Dedicated secretarial, accounting, errands or other business services	• Car parking
• Food and beverage services	• Business Licensing Assistance
• Courier services	• Office supplies
• Photocopying and scanning	• Video conferencing
• Translations	• Meeting and conference rooms
	• Other services
- (d) The following Business Services are provided by TEC to the Client and are included in the Connectivity Package specified overleaf.
 - I Internet: LAN port to the office (one per desk), 24-hour Internet connectivity and office hour maintenance of the Internet connection.
 - II Telecommunications: Telephone handset (one per desk), telephone number (1 per handset), maintenance, voicemail and telephone answering. Usage/pulse costs are charged in addition to the monthly fee.

PAYMENT, DURATION AND TERMINATION

4. The Client shall, for the duration of this License, prior to the first working day of each month, pay to TEC whether demanded or not (and by monthly direct debit if required) the License Fee, Connectivity Charge specified overleaf, the first proportionate payment to be made on the signing of this Agreement in respect of the period from the Term Commencement Date. In the event that the Client does not pay the total amount as stated on an invoice, TEC shall be entitled to:
 - I Require the Client to vacate the Unit within 7 (seven) days
 - II Withdraw and stop partial or all services provided by TEC including, but not limited to telephone and internet services
 - III Reclaim the Unit and terminate client access without prior notice
 - IV Claim all costs including legal fees associated with recovering all monies owed to TEC from the Client
 - V Register the company name and its Directors with credit rating agencies if monies remain outstanding for more than 30 days.
 - VI Claim all outstanding invoices and the costs of recouping those monies against the personal assets of the Directors.
- (a) Pay on demand to TEC (by monthly direct debit if required) the Business Services rendered by TEC to the Client for all telecommunication and other Business Services relating to the Unit and for the use of facsimile, photocopying, secretarial, conference facilities, internet facilities, car parking and other Business Services of which use is made by the Client.
- (b) Pay to TEC, interest at the rate of 1.5% per month on any sum payable under this License which remains unpaid for 7 days from the due date. Interest in that event will be calculated from the due date to the date of payment receipt.
- (c) Pay all sums due to TEC under this License without any deduction or set off.
- (d) Pay for all bank charges, exchange rate differences, currency adjustments and other such charges related to invoices.
5. Deposit
 - (a) The Client shall pay to TEC no later than 10 business days of completing this Agreement, the Deposit specified overleaf ("the Deposit") as security against all obligations entered into by the Client in this License. Such Deposit to be returned to the Client provided that the Client has complied with its obligations under this License and subject to the deduction of an amount in respect of any outstanding invoices or deductions, and will be refundable upon confirmation in writing of client bank details no less than 60 days after the end day of this License. Neither the giving of the security deposit nor any deduction from it by TEC shall relieve the Client from any of its obligations under this License or otherwise limit TEC's right to recover against the Client for any breach of this License. Should the Deposit not be received by TEC within 10 working days of the signing of the License Agreement, the License shall be considered null and void.
 - (b) In the event of any withdrawal from the Deposit by TEC due to any default of the Client, the Client shall replace any such sum withdrawn within 14 days of being notified of such withdrawal.
6. Termination
 - (a) The Client will be released from their obligations under this License and allowed to terminate prior to the end date of this License subject to the Client paying TEC the full License Fee for the unexpired term together with all other outstanding invoices. Upon settlement of these terms, the Deposit will then subsequently be refunded to the Client.
 - (b) This License may be terminated forthwith in the event of any breach of the obligations within this License on the part of the Client and in the event that TEC terminates this License due to such breach, the Client shall be required to pay to TEC the full License Fee of the unexpired term together with all other outstanding invoice(s). TEC shall be entitled (but not obliged) to retain any furniture, personal effects or other belongings of the Client until all arrears owed to TEC have been paid or other loss made good. In the event of non-payment within 14 days, TEC shall be entitled to dispose of any goods retained, in settlement of any arrears and any costs of disposal.
 - (c) At the time of termination, the costs of restoration of the Unit and make good of the premises to the same condition as the time of move in will be charged to the client; this restoration includes but is not limited to security, supervision, approvals, and cleaning of the Unit, furniture, equipment and common areas. Restoration will be carried out by TEC's contractors and personnel. The License Fee and Connectivity Fee for the period taken to restore the Unit, furniture, equipment and or common areas will be charged to the Client at the rate stated on the front of this agreement. TEC does not accept any responsibility for the Clients' personal effects or other belongings left in the Unit and have the right to dispose of such property, the costs of such disposal being the responsibility of the Client.

- (d) On or before the expiry of this License, the Client must return to TEC all keys and other means of access to the Unit and the Centre and whenever any key or other means of access is lost, to report such loss forthwith to TEC and to pay on demand the cost of replacing such key or other means of access, including the cost of replacing any lock changed by TEC.
- (e) If the Client fails to demand the refund of the Deposit within 360 days after the date of Termination of this Agreement, the Deposit shall be deemed forfeited to TEC.
- (f) On or before the expiry of this License, the Client must deregister with all the relevant government bureaux, departments, agencies or other government entities the address allocated to the Unit located within the Premises as stated overleaf. A fee of 50% of one month's License Fee will be charged to the Client per month from the expiry of this License until the deregistration process has been completed.
- (g) TEC shall have the right to terminate this agreement without notice if the Client breaches the national or local laws in which the centre is located or if the Client is declared bankrupt, is wound up or put under receivership.
- (h) At the time of termination, the Client shall be required to pay a call handling and administrative fee equivalent to TEC's Corporate Identity Plan fee for a period of 3 months from the date of termination of this agreement.

CLIENT'S RIGHTS AND RESPONSIBILITIES

7. The Client shall be entitled:
 - (a) To use (in common with other clients of the Centre) the corridors, café and rest rooms.
 - (b) To have access to the Unit, 24 hours a day, each day of the year.
8. The Client shall not:
 - (a) Impede or interfere with TEC's right of possession and control of the Unit.
 - (b) Use the Unit otherwise than for the Client's business.
 - (c) Install furniture or equipment in the Unit without prior written approval from TEC.
 - (d) Alter the Unit, its partitioning or any fixtures or fittings.
 - (e) Interfere with the conduct of TEC's business and during the term of this License and for six months thereafter shall not offer employment to or hire directly or indirectly any staff of TEC. Without prejudice to any rights or remedies that TEC may have for any breach of the foregoing, if the Client shall employ directly or indirectly any member of TEC's staff during such period, the Client shall pay to TEC within 7 days of the said member of staff commencing his or her new employment or hire, a recruitment fee equal to 50% of the said first year gross salary or hire costs, including guaranteed bonuses or benefits in kind.
 - (f) By way of commission payable to TEC by the Client, the Client agrees that, in the event that the Client entices, convinces or otherwise causes an existing client of TEC to vacate the Premises, to pay to TEC a commission equal to 12-month's rental of the company that has been enticed or convinced to vacate the premises.
 - (g) Damage any of the decorations, fixtures and fittings or other equipment in the Unit.
 - (i) Be entitled to any compensation as a result of any failure of data security or computer systems or as a result of TEC failing to provide any of the services in accordance with this License as a result of any breakdown or strike or delay or failure of any staff, manager or caretaker to perform their duties.
 - (k) The Client shall not install third party telephone products or services including video conferencing telephones, IP telephones or other communication devices to the telephone lines, Internet ports or LAN ports within the office without TEC's prior written permission. The Client shall have the right to install a photocopier or a multi-function device with the ability to photocopy within their office at a fee of KRW 50,000 per month.
- (l) Use any services in the Unit other than those offered by TEC.
9. The Client shall:
 - (a) Observe and adhere to all the rules and regulations updated from time to time by TEC for the management of the Unit and the Centre.
 - (b) Indemnify TEC and its respective officers, employees and agents, from all claims, liability, or loss, and all damages and costs incurred by TEC which arise out of the use of the Unit. The Client shall be required to maintain sufficient public liability insurance and maintain adequate insurance to cover all fixtures and equipment belonging to TEC within the Unit. TEC shall have the right to obtain a copy from the Client of such insurance upon request.
 - (c) TEC is not responsible for the theft of or damage to any equipment, chattels or goods of the Client. Further, the Client shall immediately notify TEC of any damage, accident or defects to or in the Unit or any theft or loss of keys to the Unit, Premises or Building.

OWNER'S RIGHTS AND RESPONSIBILITIES

10. TEC shall:
 - (a) Keep the centre facilities in the Centre in working order and properly cleaned and equipped.
 - (b) Not be under liability for failure to have any of the Centre facilities available for the Client because of use by any other person within the Centre and TEC shall not be liable to the Client if for any temporary reason the Client shall be unable to obtain access to the Unit.
 - (c) Provide the Client with an alternative accommodation of equal or better value/quality than the Unit should TEC require the Client to move during the term or subsequent terms of this License.
 - (d) Have the right at any time to enter the Unit to inspect it, to provide services, to make repairs and alterations and provide cleaning, subject to prior verbal approval by the Client except in the case of an emergency where no such verbal approval need be obtained.

GENERAL

11. This License is personal and is not assignable by the Client and the Client shall not share the Unit with any other parties, other than TEC.
12. The Client confirms that it has not relied upon any warranty or representation made by TEC except those that are expressly set out in this License.
13. All notices must be in writing or by email. Notices to the Client shall be considered served if handed personally or emailed to the legal representative or authorized representative of the company who is the signatory to this License. Notices to TEC will be considered served if mailed by registered or recorded mail, postage prepaid, to TEC at TEC's address shown overleaf, or such other address as TEC shall designate to the Client in writing.
14. The invalidity or unenforceability of any provision of this License shall not affect or impair the validity of any other provision. No waiver of any default of the Client shall be implied from any failure by TEC to take action with respect to such default.
15. Where the Client comprises more than one individual, such individuals shall be jointly and severally liable to observe and perform the Client's obligations under this License.
16. This License supersedes any prior agreements and embodies the entire License between the Client and TEC and may not be modified, changed or altered in any way except as agreed by both parties in writing. This License shall be interpreted and enforced in accordance with the national and local laws in which the Centre is located.

The Client confirms having read and agreed to all the terms and conditions of this License

Sign



Date

임 대 차 계 약 신 고 서 (License Agreement Report)		처 리 기 간
신 청 인 Applicant	상호 및 대표자 성명 (Name of company & Representative)	BC Trade and Investment Representative Office c/o Ministry of Technology, Trade and Economic Development Mr. Kyung Suk KIM (Signature) 
	주 소(소재지) (Address)	(Address) 770 - 999 Canada Place Vancouver, BC V6C 3E1, Canada
	업 종(직 업) (Type of Business)	Government
신 청 내 역 D E T A I L	임 대 인 (Licensor)	(Name) The Executive Centre Korea Ltd, 41/f Gangnam Finance Center, 737 Yeoksam dong, Gangnam gu, Seoul, 135-984 (Address) (Tel) 82-2-2008-4500
	임 차 인 (Licensee)	(Name) BC Trade and Investment Representative Office c/o Ministry of Technology, Trade and Economic Development (Address) 770 - 999 Canada Place, Vancouver, BC V6C 3E1, Canada (Tel) 1 604 775 2217
	임 대 차 물 종 류 /사무실 번호 (type/room number)	Office/#37,38,39 & 40
	소 재 지 (Address)	41/f Gangnam Finance Center, 737 Yeoksam dong, Gangnam gu, Seoul, 135-984, Korea
	수 량 (Quantity)	Four (4)
	임 대 차 물 가 액 (Rent Fee)	(Monthly Rent Fee) KRW 18,000,000 VAT excluded
	임 대 차 기 간 (Period)	12 months(2013.4.1 ~ 2014.3.31)
	임 대 차 사 유 (Reason for lease)	Setup of Office
<p>외국환거래법 제18조의 규정에 의하여 위와 같이 신고합니다. (We report according to article 18 of Exchange Transaction Law.)</p> <p style="text-align: right;">April 29, 2013</p> <p>한국은행총재 귀하</p> <p>(외국환은행의 장) signature: </p>		
신 고 번 호		
신 고 일 자		
<p>신고기관 : 한국은행총재 (외국환은행의 장)</p>		

License Agreement

Date: 04/24/12 (dd/mm/yy)



The Executive(Shanghai)Business Services Co.,Ltd	
Beijing Dongcheng Branch Company	
<input checked="" type="checkbox"/>	China Resources Building Location
1201 China Resources Building 8 Jianguomenbei Avenue Beijing 100005, China	
Contact details	
Tel: (8610) 5811 1888 Fax: (8610) 5811 1999	

Deposit	RMB	0
Monthly License Fee	RMB	212,400

Commencement Date of Initial Term	1-Jul-12
End Date of Initial Term	30-Jun-14

This agreement shall automatically roll over for successive periods equal to the first period unless either party gives written notice to terminate 3-months prior to the end of the current license period.

The Client shall have the right to use the items in the Accommodation specified in the following inventory:			
Desks with Pedestal	36	Cupboard	
Managers Chairs	36	Filing Cabinets	14
Waste paper baskets	36	Other	

Internet and Telecommunications	
Standard Rate (not including outgoing call fee)	RMB 54,000
Discount Rate (applies for the initial term of this agreement only)	RMB 27,600

Client - Registered Address	
Company Name	Government of British Columbia, Canada
Contact:	Marcus Evert-Johns
Address:	730-999 Canada Place Vancouver BC V6C 3E1, Canada
ROC Number:	
Telephone:	604 418 6330
Fax:	604 775 2197
Email:	marcus.johns@gov.bc.ca

Client - Invoicing Address (if different from above)	
Company Name	
Contact:	Henry Han
Address:	
Telephone:	604 775 2157
Fax:	
Email:	henry.han@gov.bc.ca

Accommodation in the Centre (the Unit)	
Customized Office Area with total 36 workstations	
Room(s):	1238, 1239, 1240, 1241, 1242 & 1245, 1246

Additional Provisions	
1) While keeping the existing space of Unit 1238, 1239, 1240, 1241, 1242, Client is to rent additional office space of Unit 1245, 1246 from 1-July-12. The net area of Unit 1245 and 1246 is 113.5 sqm (gross 170.19 sqm). Please see attached floor plan.	
2) Client is allowed to renovate Unit 1245, 1246 as per their own request by employing TEC appointed fitting-out company. The renovation cost and furniture cost shall be borne 50% by the Client and 50% by TEC. The reinstatement cost shall be borne fully by the Client. Please see the attached renovation quotation which doesn't include cabling cost.	
3) TEC will pay the cost of carpet for 1245 and 1246.	
4) The Additional Provision stated in the Licence Agreement (9-Sep-10) shall continue to be valid and binding to this Licence Agreement.	

For EFT/TT transactions, please wire Bank: Industrial and Commercial Bank of China Beijing Municipal Branch Wangfujing Sub-branch Huarun Building Branch,
Address: G104-106 Huarun Building, No.8 North Road, Jianguomen, Dongcheng District, Beijing 100005, PRC. A/C: s15
Account Name: THE EXECUTIVE (SHANGHAI) BUSINESS SERVICES CO, LTD. BEIJING DONGCHENG BRANCH OFFICE

For and on behalf of TEC	
Name (printed):	Jane Ding
Title:	Head of Beijing
Signature:	

For and on behalf of the Client	
Name (printed):	Marcus Evert-Johns
Title:	Executive Director
Signature:	

This Agreement is made between TEC and the Client (as specified above) and the Client confirms that the Client has read and understood the Terms and Conditions overleaf and agrees to be bound by them and TEC agrees to provide the services and facilities as mentioned overleaf.

TERMS AND CONDITIONS

FACILITIES AND SERVICES

1. In consideration of the payment by the Client of the License Fee specified overleaf, TEC permits the Client to share with TEC the use of the Unit.
2. TEC agrees to provide Business Services and the Unit from the Term Commencement Date specified overleaf until terminated in accordance with the provisions of this Agreement.
3. Business Services
 - (a) TEC shall provide the following Business Services which shall be for the use of the Client on a 24 hours basis on all days:
 - The Workspace and furniture as per details specified overleaf;
 - Voicemail with call forwarding functions; and
 - Office lighting and electricity for power sockets
 - (b) TEC shall provide the following Business Services to The Client during normal operating hours of the Centre excluding weekends and public holidays:

<ul style="list-style-type: none"> • Receptionist, waiting area and café • Daily cleaning service Monday to Friday • Office hour air-conditioning • Mail delivery to Unit 	<ul style="list-style-type: none"> • Coffee and selection of teas • 5 day free use of a workstation per month in any TEC location except for the city detailed on the front of this agreement.
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 - (c) The following additional Business Services are available in accordance with TEC's published rates updated from time to time. It is clarified that these Services are available to all Clients on an optional basis.

<ul style="list-style-type: none"> • Dedicated secretarial, accounting, errands or other business services • Food and beverage services • Courier services • Photocopying and scanning • Translations 	<ul style="list-style-type: none"> • Car parking • Business Licensing Assistance • Office supplies • Video conferencing • Meeting and conference rooms • Other services
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 - (d) The following Business Services are provided by TEC to the Client and are included in the Connectivity Package specified overleaf:
 - I Internet: LAN port to the office (one per desk), 24-hour Internet connectivity and office hour maintenance of the Internet connection.
 - II Telecommunications: Telephone handset (one per desk), telephone number (1 per handset), maintenance, voicemail and telephone answering. Usage/pulse costs are charged in addition to the monthly fee.
 - (e) In the event the Client receives a discount on the Connectivity Charge during the initial term and this agreement rolls over for subsequent term(s) the Connectivity Charge shall revert to the standard rate for the subsequent term(s) of this agreement.

PAYMENT, DURATION AND TERMINATION

4. The Client shall, for the duration of this License prior to the first working day of each month, pay to TEC whether demanded or not (and by monthly direct debit if required) the License Fee, Connectivity Charge specified overleaf, the first proportionate payment to be made on the signing of this Agreement in respect of the period from the Term Commencement Date. In the event that the Client does not pay the total amount as stated on an invoice TEC shall be entitled to:
 - I Require the Client to vacate the Unit within 7 (seven) days
 - II Withdraw and stop partial or all services provided by TEC including, but not limited to telephone and internet services
 - III Enter the Unit and change the lock without prior notice
 - IV Claim all costs including legal fees associated with recovering all monies owed to TEC from the Client
 - V Register the company name and its Directors with credit rating agencies if monies remain outstanding for more than 30 days.
 - VI Claim all outstanding invoices and the costs of recouping those monies against the personal assets of the Directors.
- (a) Pay on demand to TEC (by monthly direct debit if required) the Business Services rendered by TEC to the Client for all telecommunication and other Business Services relating to the Unit and for the use of facsimile, photocopying, secretarial, conference facilities, internet facilities, car parking and other Business Services of which use is made by the Client.
- (b) Pay to TEC interest at the rate of 1.5% per month on any sum payable under this License which remains unpaid for 7 days from the due date. Interest in that event will be calculated from the due date to the date of payment receipt.
- (c) Pay all sums due to TEC under this License without any deduction or set off.
- (d) Pay for all bank charges, exchange rate differences and other such charges related to the invoice.
5. Deposit
 - (a) The Client shall pay to TEC no later than 5 business days the Deposit specified overleaf ("the Deposit") as security against all obligations entered into by the Client in this License. Such Deposit is to be returned to the Client provided that the Client has complied with its obligations under this License and subject to the deduction of an amount in respect of any outstanding invoices or deductions, and will be refundable upon confirmation in writing of the client bank details no less than 60 days after the end day of this License. Neither the giving of the security deposit nor any deduction from it by TEC shall relieve the Tenant from any of its obligations under this License or otherwise limit the Landlord's right to recover against the Tenant for any breach of this License. Should the Deposit not be received by TEC within 5 working days of the signing of the License Agreement, the License shall be considered null and void.
 - (b) In the event of any withdrawal from the Deposit by TEC due to any default of the Client, the Client shall replace any such sum withdrawn within 14 days of being notified of such withdrawal.
6. Termination
 - (a) The Client will be released from their obligations under this License and allowed to terminate prior to the end date of this License subject to the Client paying TEC the full license fee for the unexpired term together with all other outstanding invoices. Upon settlement of these terms, the Deposit will then subsequently be refunded to the Client.
 - (b) This License may be terminated forthwith in the event of any breach of the obligations within this License on the part of the Client and in the event that TEC terminates this License due to such breach the Client shall be required to pay to TEC the full license fee of the unexpired term together with all other outstanding invoice(s). TEC shall be entitled (but not obliged) to retain any furniture, personal effects or other belongings of the Client until all arrears owed to TEC have been paid or other loss made good and in the event of non-payment within 14 days TEC shall be entitled to dispose of any goods retained in settlement of any arrears and any costs of disposal.
 - (c) At the time of termination the costs of restoration of the Unit and make good of the premises to the condition at the time of move in will be charged to the client; this restoration includes but is not limited to security, supervision, approvals, and cleaning of the Unit, furniture, equipment and common areas. It will be carried out by TEC's contractors and personnel, and time taken for restoration after the end date of this License will be charged to the Client at the License Fee and Connectivity Fee rates stated on the front of this agreement. TEC does not accept any responsibility for personal or other belongings left in the Unit and has the right to dispose of such property.
 - (d) On or before the expiry of this License the Client must return to TEC all keys and other means of access to the Unit and the Centre and whenever any key or other means of access is lost to report such loss forthwith to TEC and to pay on demand the cost of replacing such key or other means of access and the cost of replacing any lock changed by TEC.
 - (e) If the Client fails to demand the refund of the Deposit within 360 days after the date of Termination of this Agreement, the Deposit shall be deemed forfeited to TEC.

- (f) On or before the expiry of this License the Client must deregister with all the relevant government bureaux, departments, agencies or other government entities the address allocated to the Unit located within the Premises as stated overleaf. A fee of 50% of one month's License Fee will be charged to the Client per month from the expiry of this License until the deregistration process has been completed.
- (g) TEC shall have the right to terminate this agreement without notice if the client breaches the national or local laws in which the centre is located or if the Client is declared bankrupt, is wound up or put under receivership.
- (h) At the time of termination the Client shall pay a call handling and administrative fee equivalent TEC's Business Address and Communications fee for a period of 3 months from the date of termination of this agreement.

CLIENT'S RIGHTS AND RESPONSIBILITIES

7. The Client shall be entitled:
 - (a) To use (in common with other clients of the Centre) the corridors, café and rest rooms.
 - (b) To have access to the Unit 24 hours a day, each day of the year.
8. The Client shall not:
 - (a) Impede or interfere with TEC's right of possession and control of the Unit.
 - (b) Use the Unit otherwise than for the Client's business.
 - (c) Install furniture or equipment in the Unit without prior written approval of TEC.
 - (d) Alter the Unit, its partitioning or any fixtures or fittings.
 - (e) Interfere with the conduct of TEC's business and during the term of this License and for six months thereafter shall not offer employment to or hire directly or indirectly any staff of TEC. Without prejudice to any rights or remedies that TEC may have for any breach of the foregoing if the Client shall employ directly or indirectly any member of TEC's staff during such period the Client shall pay to TEC within 7 days of the said member of staff commencing his or her new employment or hire a recruitment fee equal to 50% of the said first year gross salary or hire costs including guaranteed bonuses or benefits in kind.
 - (f) By way of commission payable to TEC by the Client, the Client agrees that, in the event that the Client entices, convinces or otherwise causes an existing client of TEC to vacate the Premises to pay to TEC a commission equal to 12-month's rental of the company that has been enticed or convinced to vacate the premises.
 - (g) Damage any of the decorations, fixtures and fittings or other equipment in the Unit.
 - (h) Be entitled to any compensation as a result of any failure of data security or computer systems or as a result of TEC failing to provide any of the services in accordance with this License as a result of any breakdown or strike or delay or failure of any staff, manager or caretaker to perform their duties.
 - (i) The Client shall not install third party telephone products or services including video conferencing telephones, IP telephones or other communication devices to the telephone lines, Internet ports or LAN ports within the office without TEC's prior written permission. The Client shall have the right to install a photocopier or a multi-function device with the ability to photocopy within their office at a fee of RMB 600 per month.
 - (j) Use any services in the Unit other than those offered by TEC.
9. The Client shall:
 - (a) Observe and adhere to all the rules and regulations updated from time to time made by TEC for the management of the Unit and the Centre.
 - (b) Indemnify TEC and its respective officers, employees and agents, from all claims, liability, or loss, and all damages and costs incurred by TEC which arise out of the use of the Unit. The Client shall be required to maintain sufficient public liability insurance for the duration of this agreement. TEC shall have the right to obtain a copy from the Client of such insurance upon request.
 - (c) TEC is not responsible for the theft of or damage to any equipment, chattels or goods whilst the Client is a tenant of TEC. Further, the Client shall immediately notify TEC of any damage, accident or defects to or in the Unit or any theft or loss of keys to the Unit, Premises or Building.

OWNER'S RIGHTS AND RESPONSIBILITIES

10. TEC shall:
 - (a) Keep the centre facilities in the Centre in working order and properly cleaned and equipped.
 - (b) Not be under liability for failure to have any of the Centre facilities available for the Client because of use by any other person within the Centre and TEC shall not be liable to the Client if for any temporary reason the Client shall be unable to obtain access to the Unit.
 - (c) Provide the Client with an alternative unit/centre of equal or better value/quality than the Unit should TEC require the client to move during the term or subsequent terms of this License.
 - (d) Have the right at any time to enter the Unit to inspect it, to provide services, to make repairs and alterations and provide cleaning, subject to prior verbal approval by the client except in the case of an emergency where no such verbal approval need be obtained.

GENERAL

11. This License is personal and is not assignable by the Client and the Client shall not share or part with possession of the Unit.
12. The Client confirms that it did not rely upon any warranty or representation made by TEC except those that are expressly set out in this License.
13. All notices must be in writing or by email. Notices to the Client will be considered served if handed personally or emailed to the legal representative or authorized representative of the company who is the signatory to this License. Notices to TEC will be considered served if mailed by registered or recorded mail, postage prepaid, to TEC at TEC's address shown overleaf, or such other address as TEC shall designate to the Client in writing.
14. The invalidity or unenforceability of any provision of this License shall not affect or impair the validity of any other provision. No waiver of any default of the Client shall be implied from any failure by TEC to take action with respect to such default.
15. Where the Client comprises more than one individual such individuals shall be jointly and severally liable to observe and perform the Client's obligations under this License.
16. This License supersedes any prior agreements and embodies the entire License between the Client and TEC and may not be modified, changed or altered in any way except as agreed by both parties in writing. This License shall be interpreted and enforced in accordance with the national and local laws in which the Centre is located.
17. The governing law of this Agreement is the law of the People's Republic of China. All disputes in relation to this Agreement shall be sought to be resolved through friendly consultation between both Parties. In the case that any dispute is unable to be resolved, the dispute shall be submitted to the People's Court.
18. This Agreement shall take effect upon the execution by the authorized representatives and being affixed with the company seals of the Parties.
19. This Agreement is in duplicate, TEC and Client holds one copy respectively, which have same force of law.

The Client confirms having read and agreed to all the terms and conditions of this License

Sign

Date

APR 26/2012

License Agreement

Date: 6-Dec-12 (dd/mm/yy)



THE EXECUTIVE CENTRE

The Executive Centre Central Limited (TEC)

Two Exchange Square

☐ Level 7, 8 Connaught Place, Central

☒ Level 8, 8 Connaught Place, Central

Contact details

Tel: (852) 2297 0222

Deposit	HKD	N/A
Monthly License Fee	HKD	136,000

Commencement Date	14-Jan-13	(dd/mm/yy)
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End Date	31-Mar-14 13-Jan-15	(dd/mm/yy)
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This agreement shall automatically roll over for successive periods equal to the first period unless either party gives written notice to terminate 2-months prior to the end of the current license period.

Inventory

The Client shall have the right to use the items in the Accommodation specified in the following inventory:

Desks with Pedestal	10	waste paper baskets	10
Managers Chairs	10	Filing Cabinets	6

Internet and Telecommunications

Connectivity Package	HKD	7,500
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Client - Registered Address (Client)

Company Name:	BC Trade and Investment Representative Office c/o Government of British Columbia
Contact:	Mr. Henry Han
Address:	Asia Pacific Business Centre Suite 288 - 800 Hornby Street Vancouver, BC V6Z 2C5 CANADA
BR Number:	
Telephone:	+1 604 660-5888
Fax:	
Email:	henry.han@gov.bc.ca

Client - Invoicing Address (if different from above)

Company Name:	
Contact:	
Address:	
Telephone:	
Fax:	
Email:	

Accommodation in the Centre (the Unit)

Unit 820, 821, 823

Room(s):	Three
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Additional Provisions

1. The service guides applies for services rendered from TEC to client. Prices are subjected to changes at any time.
2. Monthly Connectivity Package includes 5 sets of CISCO handsets and access.
3. License Fee free period applies from 1 - 28 Feb 2013, 14 and 1 - 30 Sept 2013, (Only applicable on License Fee)
4. Additional requirement will be charged according to in-house service guide.
5. This agreement is supplemented by "Agreement supplementing", agreed between BC Trade and Investment Division of the Ministry of Jobs, Tourism and Innovation and The Executive Centre.
6. BC could get access from Jan 1 2013 onwards for renovation

For EFT/TT transactions, please wire the payment to Bank: The HongKong & Shanghai Banking Corporation Limited, Address: G/F, Hutchison House, 10 Harcourt Road, Central, Hong Kong. A/C: s15 Account Name: The Executive Centre (Central) Limited

For and on behalf of TEC

Name (printed):	Wendy Lam
Title:	Head of Hong Kong
Signature:	



For and on behalf of the Client

Name (printed):	Henry Han
Title:	Director, Priority Market - China
Signature:	

This Agreement is made between TEC and the Client (as specified above) and the Client confirms that the Client has read and understood the Terms and Conditions overleaf and agrees to be bound by them and TEC agrees to provide the services and facilities as mentioned overleaf.

TERMS AND CONDITIONS

FACILITIES AND SERVICES

1. In consideration of the payment by the Client of the License Fee specified overleaf, TEC permits the Client to share with TEC the use of the Unit.
 2. TEC agrees to provide Business Services and the Unit from the Term Commencement Date specified overleaf until terminated in accordance with the provisions of this Agreement.
 3. Business Services
 - (a) TEC shall provide the following Business Services which shall be for the use of the Client on a 24 hours basis on all days:
 - The Workspace and furniture as per details specified overleaf;
 - Voicemail with call forwarding functions; and
 - Office lighting and electricity for power sockets
 - (b) TEC shall provide the following Business Services to the Client during normal operating hours of the Centre excluding weekends and public holidays:
 - Receptionist, waiting area and café
 - Daily cleaning service Monday to Friday
 - Office hour air-conditioning
 - Mail delivery to Unit
 - Coffee and selection of teas
 - 5 day free use of a workstation per month in any TEC location except for the city detailed on the front of this agreement.
 - (c) The following additional Business Services are available in accordance with TEC's published rates updated from time to time. It is clarified that these Services are available to all Clients on an optional basis.

<ul style="list-style-type: none"> • Dedicated secretarial, accounting, errands or other business services • Food and beverage services • Courier services • Photocopying and scanning • Translations 	<ul style="list-style-type: none"> • Car parking • Business Licensing Assistance • Office supplies • Video conferencing • Meeting and conference rooms • Other services
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 - (d) The following Business Services are provided by TEC to the Client and are included in the Connectivity Package specified overleaf:
 - I Internet: LAN port to the office (one per desk), 24-hour Internet connectivity and office hour maintenance of the Internet connection.
 - II Telecommunications: Telephone handset (one per desk), telephone number (1 per handset), maintenance, voicemail and telephone answering. Usage/pulse costs are charged in addition to the monthly fee.
 - (e) In the event the Client receives a discount on the Connectivity Charge during the initial term and this agreement nulls over for subsequent term(s) the Connectivity Charge shall revert to the standard rate for the subsequent term(s) of this agreement.
- PAYMENT, DURATION AND TERMINATION**
4. The Client shall, for the duration of this License prior to the first working day of each month, pay to TEC whether demanded or not (and by monthly direct debit if required) the License Fee, Connectivity Charge specified overleaf, the first proportionate payment to be made on the signing of this Agreement in respect of the period from the Term Commencement Date. In the event that the Client does not pay the total amount as stated on an invoice TEC shall be entitled to:
 - I Require the Client to vacate the Unit within 7 (seven) days
 - II Withdraw and stop partial or all services provided by TEC including, but not limited to telephone and internet services
 - III Enter the Unit and change the lock without prior notice
 - IV Claim all costs including legal fees associated with recovering all monies owed to TEC from the Client
 - V Register the company name and its Directors with credit rating agencies if monies remain outstanding for more than 30 days.
 - VI Claim all outstanding invoices and the costs of recouping those monies against the personal assets of the Directors.
 - (a) Pay on demand to TEC (by monthly direct debit if required) the Business Services rendered by TEC to the Client for all telecommunication and other Business Services relating to the Unit and for the use of facsimile, photocopying, secretarial, conference facilities, internet facilities, car parking and other Business Services of which use is made by the Client.
 - (b) Pay to TEC interest at the rate of 1.5% per month on any sum payable under this License which remains unpaid for 7 days from the due date. Interest in that event will be calculated from the due date to the date of payment receipt.
 - (c) Pay all sums due to TEC under this License without any deduction or set off.
 - (d) Pay for all bank charges, exchange rate differences and other such charges related to the invoice.
- 5. Deposit**
- (a) The Client shall pay to TEC no later than 5 business days the Deposit specified overleaf ("the Deposit") as security against all obligations entered into by the Client in this License. Such Deposit is to be returned to the Client provided that the Client has complied with its obligations under this License and subject to the deduction of an amount in respect of any outstanding invoices or deductions, and will be refundable upon confirmation in writing of the client bank details no less than 60 days after the end day of this License. Neither the giving of the security deposit nor any deduction from it by TEC shall relieve the Tenant from any of its obligations under this License or otherwise limit the Landlord's right to recover against the Tenant for any breach of this License. Should the Deposit not be received by TEC within 5 working days of the signing of the License Agreement, the License shall be considered null and void.
 - (b) In the event of any withdrawal from the Deposit by TEC due to any default of the Client, the Client shall replace any such sum withdrawn within 14 days of being notified of such withdrawal.
- 6. Termination**
- (a) The Client will be released from their obligations under this License and allowed to terminate prior to the end date of this License subject to the Client paying TEC the full license fee for the unexpired term together with all other outstanding invoices. Upon settlement of these terms, the Deposit will then subsequently be refunded to the Client.
 - (b) This License may be terminated forthwith in the event of any breach of the obligations within this License on the part of the Client and in the event that TEC terminates this License due to such breach the Client shall be required to pay to TEC the full license fee of the unexpired term together with all other outstanding invoice(s). TEC shall be entitled (but not obliged) to retain any furniture, personal effects or other belongings of the Client until all arrears owed to TEC have been paid or other loss made good and in the event of non-payment within 14 days TEC shall be entitled to dispose of any goods retained in settlement of any arrears and any costs of disposal.
 - (c) At the time of termination the costs of restoration of the Unit and make good of the premises to the condition at the time of move in will be charged to the client; this restoration includes but is not limited to security, supervision, approvals, and cleaning of the Unit, furniture, equipment and common areas. It will be carried out by TEC's contractors and personnel, and time taken for restoration after the end date of this License will be charged to the Client at the License Fee and Connectivity Fee rates stated on the front of this agreement. TEC does not accept any responsibility for personal or other belongings left in the Unit and has the right to dispose of such property.

- (d) On or before the expiry of this License the Client must return to TEC all keys and other means of access to the Unit and the Centre and whenever any key or other means of access is lost to report such loss forthwith to TEC and to pay on demand the cost of replacing such key or other means of access and the cost of replacing any lock changed by TEC.
 - (e) If the Client fails to demand the refund of the Deposit within 360 days after the date of Termination of this Agreement, the Deposit shall be deemed forfeited to TEC.
 - (f) On or before the expiry of this License the Client must deregister with all the relevant government bureaux, departments, agencies or other government entities the address allocated to the Unit located within the Premises as stated overleaf. A fee of 50% of one month's License Fee will be charged to the Client per month from the expiry of this License until the deregistration process has been completed.
 - (g) TEC shall have the right to terminate this agreement without notice if the client breaches the national or local laws in which the centre is located or if the Client is declared bankrupt, is wound up or put under receivership.
 - (h) At the time of termination the Client shall pay a call handling and administrative fee equivalent TEC's Business Address and Communications fee for a period of 3 months from the date of termination of this agreement.
- CLIENT'S RIGHTS AND RESPONSIBILITIES**
7. The Client shall be entitled:
 - (a) To use (in common with other clients of the Centre) the corridors, café and rest rooms.
 - (b) To have access to the Unit 24 hours a day, each day of the year.
 8. The Client shall not:
 - (a) Impede or interfere with TEC's right of possession and control of the Unit.
 - (b) Use the Unit otherwise than for the Client's business.
 - (c) Install furniture or equipment in the Unit without prior written approval of TEC.
 - (d) Alter the Unit, its partitioning or any fixtures or fittings.
 - (e) Interfere with the conduct of TEC's business and during the term of this License and for six months thereafter shall not offer employment to or hire directly or indirectly any staff of TEC. Without prejudice to any rights or remedies that TEC may have for any breach of the foregoing if the Client shall employ directly or indirectly any member of TEC's staff during such period the Client shall pay to TEC within 7 days of the said member of staff commencing his or her new employment or hire a recruitment fee equal to 50% of the said first year gross salary or hire costs including guaranteed bonuses or benefits in kind.
 - (f) By way of commission payable to TEC by the Client, the Client agrees that, in the event that the Client entices, convinces or otherwise causes an existing client of TEC to vacate the Premises to pay to TEC a commission equal to 12-month's rental of the company that has been enticed or convinced to vacate the premises.
 - (g) Damage any of the decorations, fixtures and fittings or other equipment in the Unit.
 - (h) Be entitled to any compensation as a result of any failure of data security or computer systems or as a result of TEC failing to provide any of the services in accordance with this License as a result of any breakdown or strike or delay or failure of any staff, manager or caretaker to perform their duties.
 - (i) The Client shall not install third party telephone products or services including video conferencing telephones, IP telephones or other communication devices to the telephone lines, Internet ports or LAN ports within the office without TEC's prior written permission. The Client shall have the right to install a photocopier or a multi-function device with the ability to photocopy within their office at a fee of HKD 390 per month.
 9. Use any services in the Unit other than those offered by TEC.
 10. The Client shall:
 - (a) Observe and adhere to all the rules and regulations updated from time to time made by TEC for the management of the Unit and the Centre.
 - (b) Indemnify TEC and its respective officers, employees and agents, from all claims, liability, or loss, and all damages and costs incurred by TEC which arise out of the use of the Unit. The Client shall be required to maintain sufficient public liability insurance for the duration of this agreement. TEC shall have the right to obtain a copy from the Client of such insurance upon request.
 - (c) TEC is not responsible for the theft of or damage to any equipment, chattels or goods whilst the Client is a tenant of TEC. Further, the Client shall immediately notify TEC of any damage, accident or defects to or in the Unit or any theft or loss of keys to the Unit, Premises or Building.
- OWNER'S RIGHTS AND RESPONSIBILITIES**
10. TEC shall:
 - (a) Keep the centre facilities in the Centre in working order and properly cleaned and equipped.
 - (b) Not be under liability for failure to have any of the Centre facilities available for the Client because of use by any other person within the Centre and TEC shall not be liable to the Client if for any temporary reason the Client shall be unable to obtain access to the Unit.
 - (c) Provide the Client with an alternative unit of equal or better value/quality than the Unit should TEC require the client to move during the term or subsequent terms of this License.
 - (d) Have the right at any time to enter the Unit to inspect it, to provide services, to make repairs and alterations and provide cleaning, subject to prior verbal approval by the client except in the case of an emergency where no such verbal approval need be obtained.
- GENERAL**
11. This License is personal and is not assignable by the Client and the Client shall not share or part with possession of the Unit.
 12. The Client confirms that it did not rely upon any warranty or representation made by TEC except those that are expressly set out in this License.
 13. All notices must be in writing or by email. Notices to the Client will be considered served if handed personally or emailed to the legal representative or authorized representative of the company who is the signatory to this License. Notices to TEC will be considered served if mailed by registered or recorded mail, postage prepaid, to TEC at TEC's address shown overleaf, or such other address as TEC shall designate to the Client in writing.
 14. The invalidity or unenforceability of any provision of this License shall not affect or impair the validity of any other provision. No waiver of any default of the Client shall be implied from any failure by TEC to take action with respect to such default.
 15. Where the Client comprises more than one individual such individuals shall be jointly and severally liable to observe and perform the Client's obligations under this License.
 16. This License supersedes any prior agreements and embodies the entire License between the Client and TEC and may not be modified, changed or altered in any way except as agreed by both parties in writing. This License shall be interpreted and enforced in accordance with the national and local laws in which the Centre is located.

The Client confirms having read and agreed to all the terms and conditions of this License

Sign



Date

Dec 13/2012

License Agreement

Date: 29-2-12 (dd/mm/yy)



The Executive Centre Shanghai

☒ 20/F The Center

No. 989 Changle Road,
Shanghai 200031

☐ 35/F Citic Square

No. 1168 Nanjing Road (West)
Shanghai 200041

☐ 5/F Xintiandi

No. 159 Madang Road
Shanghai

☐ 8/F International Finance Centre

Level 8, Shanghai International Finance Centre, Tower 2,
Century Avenue, Pudong, Shanghai

☐ 12/F Chongqing Finance Center

No. 288 Nanjing Road (West)
Shanghai

Contact details

Tel: (86 21) 5252 4618 Fax: (86 21) 5252 4616

Deposit N/A

Monthly License Fee RMB 188,600

Commencement Date of Initial Term 19-3-12 (dd/mm/yy)

End Date of Initial Term 31-3-14 (dd/mm/yy)

This agreement shall automatically roll over for successive terms equal in length to the initial term unless either party gives written notice to terminate Two (2) months prior to the end of the active term.

Inventory

The Client shall have the right to use the items in the Accommodation specified in the following inventory:

Desks with Pedestal	28	Cupboard	
Managers Chairs	28	Filing Cabinets	5
Round Table		Waste paper bins	29

Connectivity Package

Standard Rate (not including outgoing call fee) RMB 32,400

Discount Rate (applies for the initial term of this agreement only)

Client - Registered Address (Client)

Company Name: BC Trade and Investment Representative Office c/o Government of British Columbia

Contact: John McDonald

Address: No. 989 Changle Road
Shanghai 200041

ROC Number N/A

Telephone: (+86 21) 5116 6860

Fax: (+86 21) 5116 6861

Email: jmcDonald@britishcolumbia.ca

Client - Invoicing Address (if different from above)

Company Name: Same as above

Contact: Henry Han

Address: 288-800 Hornby
Vancouver BC

Telephone: 001 604 660 5888

Fax: 001 604 660 2251

Email: Henry.Han@gov.bc.ca

Accommodation in the Centre (the Unit)

External office

Room(s): 2082/81/89/55/53

Additional Provisions

1. Other service charges may occur in the monthly bill: please refer to the standard service rate card for details

2. Five days free office usage in any of The Executive Centre Shanghai locations per month (one workstation).

3. The Executive Centre shall space out the expansion space to commence the renovation as of 19 March, 2012.

4. The Executive Centre shall assist in fitting out for the expansion space (see Appendix); The client shall bear the renovation cost which is stated in Appendix.

5. This License Agreement supercedes all previous Agreements including the License Agreement completed between BC Trade and Investment Representative Office c/o Ministry of Technology, Trade and Economic Development and The Executive Centre dated on January 5, 2010.

6. This Agreement is supplemented by "Agreement Supplementing", agreed between BC Trade and Investment Division of the Ministry of Technology, Trade and Economic Development, Keemax Asia Limited and The Executive Centre.

For T/T transactions, please wire the payment to Bank: The Hongkong & Shanghai Banking Corporation Limited Shanghai Branch, Address: 1st Floor, HSBC Building, 1000 Lujiazui Ring Road, Pudong, Shanghai 200120. A/C: SERVICES CO, LTD. s15 Account Name: THE EXECUTIVE (SHANGHAI) BUSINESS

For and on behalf of TEC

Name (printed): Cherry Jiang

Title: Head of Shanghai

Signature:

For and on behalf of the Client

Name (printed): MARCUS EWERT - JOHNS

Title: Executive Director

Signature:

This Agreement is made between TEC and the Client (as specified above) and the Client confirms that the Client has read and understood the Terms and Conditions overleaf and agrees to be bound by them and TEC agrees to provide the services and facilities as mentioned overleaf.

TERMS AND CONDITIONS

FACILITIES AND SERVICES

1. In consideration of the payment by the Client of the License Fee specified overleaf, TEC permits the Client to share with TEC the use of the Unit.
 2. TEC agrees to provide Business Services and the Unit from the Term Commencement Date specified overleaf until terminated in accordance with the provisions of this Agreement.
 3. Business Services
 - (a) TEC shall provide the following Business Services which shall be for the use of the Client on a 24 hours basis on all days:
 - The Workspace and furniture as per details specified overleaf;
 - Voicemail with call forwarding functions; and
 - Office lighting and electricity for power sockets
 - (b) TEC shall provide the following Business Services to The Client during normal operating hours of the Centre excluding weekends and public holidays:

• Receptionist, waiting area and café	• Coffee and selection of teas
• Daily cleaning service Monday to Friday	• 5 (five) day complementary use of a workstation per month in any of the locations in which TEC is present except for the city detailed on the front of this agreement
• Air-conditioning	• Mail delivery to Unit
• Maintaining client office when out of town	
 - (c) The following additional Business Services are available in accordance with TEC's published rates updated from time to time. It is clarified that these Services are available to all Clients on an optional basis.

Dedicated secretarial, accounting, errands or other business services	Car parking
Food and beverage services	Business Licensing Assistance
Courier services	Office supplies
Photocopying and scanning	Video conferencing
Translations	Meeting and conference rooms
	Other services
 - (d) The following Business Services are provided by TEC to the Client and are included in the Connectivity Package specified overleaf.
 - I Internet: LAN port to the office (one per desk), 24-hour Internet connectivity and office hour maintenance of the Internet connection.
 - II Telecommunications: Telephone handset (one per desk), telephone number (1 per handset), maintenance, voicemail and telephone answering. Usage/pulse costs are charged in addition to the monthly fee.
 - (e) In the event the Client receives a discount on the Connectivity Charge during the initial term and this agreement rolls over for subsequent term(s) the Connectivity Charge shall revert to the standard rate for the subsequent term(s) of this agreement.
- ## PAYMENT, DURATION AND TERMINATION
4. The Client shall, for the duration of this License prior to the first working day of each month, pay to TEC whether demanded or not (and by monthly direct debit if required) the License Fee, Connectivity Charge specified overleaf, the first proportionate payment to be made on the signing of this Agreement in respect of the period from the Term Commencement Date. In the event that the Client does not pay the total amount as stated on an invoice TEC shall be entitled to:
 - I Require the Client to vacate the Unit within 7 (seven) days
 - II Withdraw and stop partial or all services provided by TEC including, but not limited to telephone and internet services
 - III Enter the Unit and change the lock without prior notice
 - IV Claim all costs associated with recovering all monies owed to TEC from the Client
 - V Register the company name and its Directors with credit rating agencies if monies remain outstanding for more than 30 days.
 - VI Claim all outstanding invoices and the costs of recouping those monies against the personal assets of the Directors.
 - (a) Pay on demand to TEC (by monthly direct debit if required) the Business Services rendered by TEC to the Client for all telecommunication and other Business Services relating to the Unit and for the use of facsimile, photocopying, secretarial, conference facilities, internet facilities, car parking and other Business Services of which use is made by the Client.
 - (b) Pay to TEC interest at the rate of 0.5% per day on any sum payable under this License which remains unpaid for 7 days after the due date. Interest in that event will be calculated from the due date to the date of payment receipt.
 - (c) Pay all sums due to TEC under this License without any deduction or set off.
 - (d) Pay for all bank charges, exchange rate differences, currency adjustments and other such charges related to rental and services.
 5. Deposit
 - (a) The Client shall pay to TEC no later than 5 business days the Deposit specified overleaf ("the Deposit") as security against all obligations entered into by the Client in this License. Such deposit is to be returned to the Client provided that the Client has complied with its obligations under this License, and subject to the deduction of an amount in respect to any outstanding invoices or deductions. Subject to the above conditions being met the security deposit shall be refundable once the Client provides the request in writing with the bank details of where the deposit shall be refunded. Should the Deposit not be received by TEC within 5 working days of the signing of the License Agreement, the License shall be considered null and void.
 - (b) In the event of any withdrawal from the Deposit by TEC due to any default of the Client, the Client shall replace any such sum withdrawn within 14 days of being notified of such withdrawal.
 6. Termination
 - (a) The Client will be released from their obligations under this License and allowed to terminate prior to the end date of this License subject to the Client paying TEC the full license fee for the unexpired term together with all other outstanding invoices. Upon settlement of these terms, the Deposit will then subsequently be refunded to the Client.
 - (b) This License may be terminated forthwith in the event of any breach of the obligations within this License on the part of the Client and in the event that TEC terminates this License due to such breach the Client shall be required to pay to TEC the full license fee of the unexpired term together with all other outstanding invoice(s). TEC shall be entitled (but not obliged) to retain any furniture, personal effects or other belongings of the Client until all arrears owed to TEC have been paid or other loss made good and in the event of non-payment within 14 days TEC shall be entitled to dispose of any goods retained in settlement of any arrears and any costs of disposal.
 - (c) At the time of termination the costs of restoration of the Unit and make good of the premises to the same condition at the time of move in will be charged to the client, this restoration includes but is not limited to security, supervision, approvals, and cleaning of the Unit, furniture, equipment and common areas. It will be carried out by TEC's contractors and personnel, and time required for restoration of the unit after the end date of this License will be charged to the Client at the License and Connectivity rates stated on the front of this agreement. TEC does not accept any responsibility for the client's personal effects or other belongings left in the Unit and reserve the right to dispose of such items.
 - (d) On or before the expiry of this License the Client must return to TEC all keys and other means of access to the Unit and the Centre and whenever any key or other means of access is lost to report such loss forthwith to TEC and to pay on demand the cost of replacing such key or other means of access and the cost of replacing any lock changed by TEC.
 - (e) If the Client fails to demand the refund of the Deposit within 360 days after the date of Termination of this Agreement, the Deposit shall be deemed forfeited to TEC.
 - (f) On or before the expiry of this License the Client must deregister with all the relevant government bureaus, departments, agencies or other government entities the address allocated to the Unit located within the

Premises as stated overleaf. A fee of 50% of one month's License Fee will be charged to the Client per month from the expiry of this License until the deregistration process has been completed.

- (g) TEC shall have the right to terminate this agreement without notice if the client breaches the national or local laws in which the centre is located or if the Client is declared bankrupt, is wound up or put under receivership.
- (h) At the time of termination the Client shall pay a call handling and administrative fee equivalent to TEC's Corporate Identity Plan fee for a period of 3 months from the date of termination of this agreement.

CLIENT'S RIGHTS AND RESPONSIBILITIES

7. The Client shall be entitled:
 - (a) To use (in common with other clients of the Centre) the corridors, café and rest rooms.
 - (b) To have access to the Unit 24 hours a day, each day of the year.
8. The Client shall not:
 - (a) Impede or interfere with TEC's right of possession and control of the Unit.
 - (b) Use the Unit otherwise than for the Client's business.
 - (c) Install furniture or equipment in the Unit without prior written approval of TEC.
 - (d) Alter the Unit, its partitioning or any fixtures or fittings.
 - (e) Interfere with the conduct of TEC's business and during the term of this License and for six months thereafter shall not offer employment to or hire directly or indirectly any staff of TEC. Without prejudice to any rights or remedies that TEC may have for any breach of the foregoing if the Client shall employ directly or indirectly any member of TEC's staff during such period the Client shall pay to TEC within 7 days of the said member of staff commencing his or her new employment or hire a recruitment fee equal to 50% of the said first year gross salary or hire costs including guaranteed bonuses or benefits in kind.
- (f) By way of commission payable to TEC by the Client, the Client agrees that, in the event that the Client entices, convinces or otherwise causes an existing client of TEC to vacate the Premises to pay to TEC a commission equal to 12-month's rental of the company that has been enticed or convinced to vacate the premises.
- (g) Damage any of the decorations, fixtures and fittings or other equipment in the Unit.
- (h) Be entitled to any compensation as a result of any failure of data security or computer systems or as a result of TEC failing to provide any of the services in accordance with this License as a result of any breakdown or strike or delay or failure of any staff, manager or caretaker to perform their duties.
- (k) The Client shall not install third party telephone products or services including video conferencing telephones, IP telephones or other communication devices to the telephone lines, Internet ports or LAN ports within the office without TEC's prior written permission. The Client shall have the right to install a photocopier or a multi-function device with the ability to photocopy within their office at a fee of RMB 390 per month.
- (l) Use any services in the Unit other than those offered by TEC.
9. The Client shall:
 - (a) Observe and adhere to all the rules and regulations updated from time to time made by TEC for the management of the Unit and the Centre.
 - (b) Indemnify TEC and its respective officers, employees and agents, from all claims, liability, or loss, and all damages and costs incurred by TEC which arise out of the use of the Unit. The Client shall be required to maintain sufficient public liability insurance and maintain adequate insurance to cover all fixtures and equipment belonging to TEC within the Unit. TEC shall have the right to obtain a copy from the Client of such insurance upon request.
 - (c) TEC is not responsible for the theft of or damage to any equipment, chattels or goods whilst the Client is a tenant of TEC. Further, the Client shall immediately notify TEC of any damage, accident or defects to or in the Unit or any theft or loss of keys to the Unit, Premises or Building.
10. In the event that this Agreement is for 10 or more workstations the Client shall have the opportunity to transfer any portion, up to and including the entire value of the remaining contract, to any of TEC's other centres. Clients may use the funds to open a new office or book-end the amount on an existing Agreement subject to the:
 - I Client providing at least 90-day's advanced written notice of the transfer.
 - II Required number of workstations being available at the required centre(s).
 - III. New deal value being the same value or greater than the amount being transferred.
 - IV. Transferred contract value being realized within 12 months of the effective transfer date.

OWNER'S RIGHTS AND RESPONSIBILITIES

11. TEC shall:
 - (a) Keep the centre facilities in the Centre in working order and properly cleaned and equipped.
 - (b) Not be under liability for failure to have any of the Centre facilities available for the Client because of use by any other person within the Centre and TEC shall not be liable to the Client if for any temporary reason the Client shall be unable to obtain access to the Unit.
 - (c) Provide the Client with an alternative accommodation of equal or better value/quality than the Unit should TEC require the client to move during the term or subsequent terms of this License.
 - (d) Have the right at any time to enter the Unit to inspect it, to provide services, to make repairs and alterations and provide cleaning, subject to prior verbal approval by the client except in the case of an emergency where no such verbal approval need be obtained.
- GENERAL
 12. This License is personal and is not assignable by the Client and the Client shall not share or part with possession of the Unit.
 13. The Client confirms that it not relied upon any warranty or representation made by TEC except those that are expressly set out in this License.
 14. All notices must be in writing or by email. Notices to the Client will be considered served if handed personally or emailed to the legal representative or authorized representative of the company who is the signatory to this License. Notices to TEC will be considered served if mailed by registered or recorded mail, postage prepaid, to TEC at TEC's address shown overleaf, or such other address as TEC shall designate to the Client in writing.
 15. The invalidity or unenforceability of any provision of this License shall not affect or impair the validity of any other provision. No waiver of any default of the Client shall be implied from any failure by TEC to take action with respect to such default.
 16. Where the Client comprises more than one individual such individuals shall be jointly and severally liable to observe and perform the Client's obligations under this License.
 17. This License supersedes any prior agreements and embodies the entire License between the Client and TEC and may not be modified, changed or altered in any way except as agreed by both parties in writing. This License shall be interpreted and enforced in accordance with the national and local laws in which the Centre is located.

The Client confirms having read and agreed to all the terms and conditions of this License

Sign _____ Date 12-Mar-12

Please fill in *-field blanks.

License Agreement

Date: 10-2-12 (dd/mm/yy)

Agreement No.: SJG20120206-39



The Executive Centre Japan K.K.	
<input type="checkbox"/> Sanno Park Tower Location	
3rd Floor, Sanno Park Tower 2-11-1 Nagata-cho, Chiyoda-ku, Tokyo, 100-6162 Japan Tel: +81 (0)3 6205 3000 Fax: +81 (0)3 6205 3100	
<input checked="" type="checkbox"/> Tokyo Bankers Club Bldg. Location	
15th Floor, Tokyo Bankers Club Building 1-3-1 Marunouchi, Chiyoda-ku, Tokyo, 100-0005 Japan Tel: +81 (0)3 3216 7200 Fax: +81 (0)3 3216 7210	
<input type="checkbox"/> Cerulean Tower Location	
15th Floor, Cerulean Tower 26-1, Sakuragaoka-cho, Shibuya-ku, Tokyo, 150-8512 Japan Tel: +81 (0)3 5456 5510 Fax: +81 (0)3 5456 5511	

Deposit	Waived
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Monthly License Fee	JPY 2,100,000 plus 5% TAX
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Commencement Date	1-Mar-12 (dd/mm/yy)
End Date	31-Mar-14 (dd/mm/yy)

This Agreement shall be automatically renewed for an additional period equal to the license period as set forth in this Agreement unless written notice is made to terminate or for change of terms and conditions made thereof by either TEC or Client, two (2) months prior to the expiration date of the current license period. The same conditions shall apply to all subsequent renewals.

Inventory			
The Client shall have the right to use the items in the Accommodation specified in the following inventory:			
Desks with Pedestal	20	Coat Stand	1
Managers Chairs	20	Filing Cabinets	6
Round Table (Fees apply)	0	Waste paper baskets	20

Connectivity Charge	
Rate	JPY 158,000 plus 5% TAX

*Client - Registered Address	
Company Name:	BC Trade and Investment Representative Office c/o Government of British Columbia
Contact:	Avrom Salsberg
Address:	15th Floor, Tokyo Bankers Club Building 1-3-1 Marunouchi, Chiyoda-ku Tokyo, 100-0005 Japan
Company Certificate:	
Telephone:	(+81 3) 3216 7180
Fax:	(+81 3) 3216 7292
Email:	asalsberg@britishcolumbia.ca

*Client - Invoicing Address (if different from above)	
Company Name:	BC Trade and Investment Representative Office c/o Government of British Columbia
Contact:	Paul Irwin, Director, North Asia
Address:	288-800 Hornby Vancouver, BC
Telephone:	(+1 604) 660-5906
Fax:	(+1 604) 660-2251
Email:	Paul.Irwin@gov.bc.ca

Accommodation in the Centre (the Unit)
Unit #38, 39, 40, 41 and 42

Additional Provisions
1) This License Agreement supercedes all previous Agreements including the License Agreement completed between BC Trade and Investment Representative Office c/o Ministry of Technology, Trade and Economic Development and The Executive Centre dated on May 31, 2010.
2) This Agreement is supplemented by "Agreement Supplementing", agreed between BC Trade and Investment Division of the Ministry of Technology, Trade and Economic Development, Vanguard AP and The Executive Centre.

For EFT/TT transactions, please wire the payment to Bank: Sumitomo Mitsui Banking Corporation, Shibuya Ekimae branch
SWIFT: s15 A/C: s15 Account Name: The Executive Centre Japan K.K.

Invoice issued date: 20th of every month (License Fee: for the following month, Connectivity Charge: for the present month, Service Charges: for the period from 20th of the previous month to 19th of the present month) Payment due: the last business day of every month Other

For and on behalf of TEC	
Name (printed)	Junko Tanaka
Title	Director, Business Development
Signature	

*For and on behalf of the Client	
Name (printed)	Marcus Ewert-Johns
Title	Executive Director
Signature	

This Agreement is entered into by and between TEC and the Client (as specified above) with respect to the accommodation in the centre (the unit) as set forth above and as per the terms and conditions as set forth overleaf.

TERMS AND CONDITIONS

FACILITIES AND SERVICES

1. In consideration of the payment by the Client of the License Fee specified overleaf, TEC permits the Client to share with TEC the use of the Unit.
2. TEC agrees to provide the Unit from the Term Commencement Date specified overleaf until terminated in accordance with the provisions of this Agreement.
3. Office Services
 - (a) TEC shall provide the following services during normal operating hours:

Furnished office suites	Self service refreshments (coffee and tea)
Receptionist, waiting area and café	Maintaining client office when out of town
24-hour access and utilities	Mail handling
Daily cleaning service	Building Management Fees
Office hour Air-conditioning	
 - (b) The following services are available in accordance with our published rates updated from time to time.

Dedicated secretarial, accounting, errands or other business services	Car parking
Food and beverage services	Business Licensing Assistance
Courier services	Office supplies
Photocopying and scanning	Telephone Answering
Translations	Meeting and conference rooms
	Other services
 - (c) The following services are provided by TEC to the Client and are included in the connectivity charge specified overleaf:
 - I Internet: LAN port to the office (one per desk), Internet connection and maintenance of the Internet connection.
 - II Telecommunications: Telephone handset (one per desk), telephone number (1 per handset), maintenance, voicemail. Usage/pulse costs are charged in addition to the monthly fee.
4. **PAYMENT, DURATION, TERMINATION AND RENT REVIEW**
 - (a) The Client shall, for the duration of this License prior to the first working day of each month, pay to TEC whether demanded or not (and by monthly direct debit if required) the License Fee, Connectivity Charge specified overleaf, the first proportionate payment to be made on the signing of this Agreement in respect of the period from the Term Commencement Date. In the event that the Client does not pay the total amount as stated on the invoice TEC shall be entitled to:
 - I Require the Client to vacate the Unit within 7 (seven) days
 - II Withdraw and stop all services provided by TEC's choice including, but not limited to telephone and internet services
 - III Enter the Unit and change the lock without prior notice
 - IV Claim all costs associated with recovering all monies owed to TEC from the Client
 - V Register the company name and its Directors with credit rating agencies if monies remain outstanding for more than 30 days.
 - VI Claim all outstanding invoices and the costs of recouping those monies against the personal assets of the Directors.
 - (b) Pay on demand to TEC (by monthly direct debit if required) the charges rendered by TEC to the Client for all voice and data telecommunication services relating to the Unit and for the use of facsimile, photocopying, secretarial, conference facilities, internet facilities, car parking and other services in the Centre of which use is made by the Client.
 - (c) Pay to TEC interest at the rate of 1.5% per month on any sum payable under this License which remains unpaid for 7 days from the due date. Interest in that event will be calculated from the due date to the date of payment receipt.
 - (d) Pay all sums due to TEC under this License without any deduction or set off.
 - (e) Pay for all bank charges, exchange rate differences, currency adjustments and other such charges related to rental and services.
5. Deposit
 - (a) The Client has paid to TEC the Deposit specified overleaf ("the Deposit") as security against all obligations entered into by the Client in this License, such Deposit to be returned to the Client within sixty days of the expiry of this License provided that the Client has complied with its obligations under this License and subject to the deduction of an amount in respect of any damage and the cost of returning the Unit and the items on the Inventory to the same condition as they were in at the commencement of the term.
 - (b) If the cost of the monthly services provided to the Client by TEC from time to time exceeds 50% of the Deposit, if required by TEC, the Client shall increase the Deposit by up to 50% of such sum on demand.
 - (c) In the event of any withdrawal from the Deposit by TEC due to any default of the Client, the Client shall replace any such sum withdrawn within 14 days of being notified of such withdrawal.
6. Termination
 - (a) The Client will be released from their obligations under this License and allowed to terminate prior to the end date of this License subject to the Client paying TEC the full license fee for the unexpired term together with all other outstanding invoices. Upon settlement of these terms, the Deposit will then subsequently be refunded to the Client.
 - (b) This License may be terminated forthwith in the event of any breach of the obligations within this License on the part of the Client and in the event that TEC terminates this License due to such breach, the Client shall be required to pay to TEC the full license fee of the unexpired term together with all other outstanding invoice(s). TEC shall be entitled (but not obliged) to retain any furniture, personal effects or other belongings of the Client until all arrears owed to TEC have been paid or other loss made good and in the event of non-payment within 14 days, TEC shall be entitled to dispose of any goods retained in settlement of any arrears and any costs of disposal.
 - (c) The Unit must be vacated on or before the end date of this License in the same condition as it was found at the beginning of the Term. Where the Unit is not returned in the same condition, TEC shall organize to repair the Unit at the Client's cost to the same condition as at the Commencement Date of the License. TEC does not accept any responsibility for any item of furniture, personal effects or other belongings left in the Unit and have the right to dispose of such property, the costs of such disposal being the responsibility of the Client.
 - (d) On or before the expiry of this License the Client must return to TEC all keys and other means of access to the Unit and the Centre and whenever any key or other means of access is lost to report such loss forthwith to TEC and to pay on demand the cost of replacing such key or other means of access and the cost of replacing any lock changed by TEC.
 - (e) On or before the expiry of this License the Client must deregister with all the relevant government bureaux, departments, agencies or other government entities the address allocated to the Unit located within the Premises as stated overleaf. A fee of 50% of one month's license

fee will be charged to the Client per month from the expiry of this License until the deregistration process has been completed.

- (f) TEC shall have the right to terminate this agreement without notice if the Client is declared bankrupt, is wound up or put under receivership.
- (g) If the client wishes to not enter into TEC's Virtual Office Services, the Client's direct dial instruction will be cancelled and any post received on behalf of the Client shall be held at the Centre for a period of up to two weeks and thereafter (at the discretion of TEC) shall be returned to the sender.

CLIENT'S RIGHTS AND RESPONSIBILITIES

7. The Client shall be entitled:
 - (a) To use (in common with other clients of the Centre) the corridors, café and sanitary facilities.
 - (b) To have access to the Unit 24 hours a day, each day of the year.
8. The Client shall not:
 - (a) Impede or interfere with TEC's right of possession and control of the Unit.
 - (b) Use the Unit otherwise than for the Client's business and in any event shall not permit the Unit to be used for any illegal activity.
 - (c) Install furniture or equipment in the Unit without prior written approval of TEC.
 - (d) Alter the Unit, its partitioning or any fixtures or fittings.
 - (e) Interfere with the conduct of TEC's business and during the term of this License and for six months thereafter shall not offer employment to or hire directly or indirectly any staff of TEC. Without prejudice to any rights or remedies that TEC may have for any breach of the foregoing if the Client shall employ directly or indirectly any member of TEC's staff during such period the Client shall pay to TEC within 7 days of the said member of staff commencing his or her new employment or hire a recruitment fee equal to 50% of the said first year gross salary or hire costs including guaranteed bonuses or benefits in kind.
 - (f) Damage any of the decorations, fixtures and fittings or other equipment in the Unit.
 - (g) Be entitled to any compensation as a result of any failure of data security or computer systems or as a result of TEC failing to provide any of the services in accordance with this License as a result of any breakdown or strike or delay or failure of any staff, manager or caretaker to perform their duties.
 - (h) The Client shall not install third party telephone products or services including video conferencing telephones, IP telephones or other communication devices to the telephone lines, Internet ports or LAN ports within the office without TEC's prior written permission. The Client shall have the right to install a photocopier within their office at a fee of JPY6,300 per month.
 - (i) Use any services in the Unit other than those offered by TEC.
9. The Client shall:
 - (a) Observe and adhere to all the rules and regulations updated from time to time made by TEC for the management of the Unit and the Centre.
 - (b) Indemnify TEC and its respective officers, employees and agents, from all claims, liability, or loss, and all damages and costs incurred by TEC which arise out of the use of the Unit. The Client shall be required to maintain sufficient public liability insurance and maintain adequate insurance to cover all fixtures and equipment belonging to TEC within the Unit. TEC shall have the right to obtain a copy from the Client of such insurance upon request.
 - (c) TEC is not responsible for the theft of or damage to any equipment, chattels or goods whilst the Client is a tenant of TEC. Further, the Client shall immediately notify TEC of any damage, accident or defects to or in the Unit or any theft or loss of keys to the Unit, Premises or Building.

OWNER'S RIGHTS AND RESPONSIBILITIES

10. TEC shall:
 - (a) Keep the centre facilities in the Centre in working order and properly cleaned and equipped
 - (b) Not be under liability for failure to have any of the Centre facilities available for the Client because of use by any other person within the Centre and TEC shall not be liable to the Client if for any temporary reason the Client shall be unable to obtain access to the Unit.
 - (c) Provide the Client with an alternative unit of equal or better value than the Unit should TEC require the client to move to a different unit within the Centre during the term or subsequent terms of this Lease.
 - (d) Have the right at any time to enter the Unit to inspect it, to provide services, to make repairs and alterations and provide cleaning, subject to prior verbal approval by the client except in the case of an emergency where no such verbal approval need be obtained.

GENERAL

11. This License is personal and is not assignable by the Client and the Client shall not share or part with possession of the Unit.
12. The Client confirms that TEC has not made any representation or warranty as to the fitness and suitability of the Unit or the services provided by TEC for any particular purpose of the Client.
13. The Client confirms that in entering into the License the Client has not relied upon any warranty or representation made by TEC except those that are expressly set out in this License.
14. All notices must be in writing or by email. Notices to TEC will be considered served if mailed by registered or recorded mail, postage prepaid, to TEC at TEC's address shown overleaf, or such other address as TEC shall designate to the Client in writing.
15. The invalidity or unenforceability of any provision of this License shall not affect or impair the validity of any other provision. No waiver of any default of the Client shall be implied from any failure by TEC to take action with respect to such default.
16. Where the Client comprises more than one individual such individuals shall be jointly and severally liable to observe and perform the Client's obligations under this License.
17. This License supersedes any prior agreements and embodies the entire License between the Client and TEC and may be modified, changed or altered in any way except as agreed by both parties in writing. This License shall be interpreted and enforced in accordance with the national and local laws in which the Centre is located.

The Client confirms having read and agreed to all the terms and conditions of this License

Sign

Date

March 1, 2012



British Columbia and India

Opportunities in agribusiness food & beverages

2013

India – An Overview

India is a federation composed of 28 states and 7 union territories and with a population of more than 1.2 billion, India is the world's largest democracy. Over the past decade, the country's integration into the global economy has been accompanied by impressive economic growth. India has now emerged as a global player with the world's fourth-largest economy in purchasing power parity terms.

India's growing economy is placing huge demands on critical infrastructure – power, roads, railways, ports, transportation systems, food and agriculture, water supply and sanitation.

While the government has raised its investments in both infrastructure and agriculture, the investment gap remains daunting with an estimated \$1 trillion required to meet the country's resource needs over the next five years. Accordingly, India is encouraging private participation in infrastructure and agribusiness development in the country.

The country is also undergoing a massive urban transformation. By 2030, the urban areas will be home to 40 % of the country's people – doubling the urban population within a span of thirty years.

Market Overview

India is one of the largest countries in the world, with a growing population of 1.2 billion people. India's GDP was USD 1,538 billion in 2010 and USD 1,847 billion in 2012. GDP is expected to continue growing at rates around 8–9 % per annum for the next few years.

There has been a discernible increase in purchasing Power in many parts of the country and rising affluence in many urban pockets. Changes such as economic growth, globalization, urbanization, the relaxation of import policies, the growth of organised retailing, the impact of visual media, along with changing lifestyles and food habits have opened the doors for imported food products from across the globe.

With rising incomes, Indian urban consumers now have the willingness and means to try new products. However, the income distribution in India remains uneven between a wealthy urban population and a low income rural population. Almost a quarter of the population is living on less than US\$1 per day, even though GDP per capita is US\$3,787.

The income split essentially means that India has two separate consumer segments, which are further split by strong regional differences. Throughout India there are 20 official languages, 3 main religions and 14 main cuisine styles. Consumption of food and beverages was approximately US\$343.9 billion in 2010. This figure is expected to grow 6.7 % in 2011 to US\$366.8 billion. Consumption of meat, fish, fruit and vegetables per person are all increasing.

India is one of the world's largest food producers and has a large agriculture industry. Food Industry creates more employment opportunities per unit investment than any other sector. This, combined with a cultural preference for fresh food, means that India supplies the majority of its own food for consumption. However, India is a growing market for processed food imports which are becoming more popular with the younger population, especially in urban areas.

India's Food Processing Industry is estimated to be around USD 67 billion of the USD 180 billion. India's strong agricultural base and accelerating economic growth holds a significant potential for the Food Processing Industry that provides a strong link between agriculture and consumers. Government also has accorded a high priority to the sector and has provided many fiscal incentives.

An enviable share of the world's agri-produce and diverse agro-climatic regions coupled with changing demographic patterns, food habits and rise in income levels opens up numerous opportunities in the sector – India as a large consumer market and India as a potential sourcing hub to the world.

Yet India's share in the global food trade is just around 1.5 percent!!!

Market Drivers

There are a number of trends driving growth in the food and beverage industry.

- **Rising Incomes:** India's strong economic growth is increasing consumers' incomes. It is estimated that by 2025, India will have 583 million people living on incomes of above US\$4,380 (around US\$23,530 after accounting for the purchasing power parity). Furthermore, around 65 percent of the population are under the age of 35, which means there is an increasing number of people who are capable of earning and 4/ Exporter Guide | INDIA | Food & Beverage| August 2011 have rising disposable incomes. Rising incomes are also driving up demand for specialty and value-added food products.
- **Urbanisation:** The typical Indian lifestyle is becoming more urbanised and Western. This is leading to higher consumption of processed, packaged, branded and value-added food and beverage products. Urban consumers are increasingly willing to pay for premium products. However, the majority of the population is still located in rural areas and consumes only subsistence foods such as cereals and breads.
- **Diet Diversification:** Indian consumers, particularly the younger population, are becoming more accepting of different food and drink products. There is increased demand for product variety, as well as products from different countries. The number of imported food products is increasing in retail stores. This trend is evident not only in organised retail, but also in the small family-owned stores which dominate the market.
- **Globalization:** Globalization has caused international food products to be adapted to suit Indian consumers. For example, McDonald's in India provide vegetarian rather than beef burgers and pizza chains serve pizzas with Indian toppings such as curry. This has resulted in greater acceptance and increased demand for international food and beverage products in India.
- **Meal Portions & Timings:** With busier lifestyles, Indian consumers are moving away from the traditional three meals per day schedule. Smaller and more frequent meals are becoming common, resulting in higher demand for convenient products and snacks.
- **Health Consciousness:** Indian consumers are becoming more careful about their health. Nutrition is starting to become an important consideration when purchasing food. In general, older and female consumers tend to be the most health conscious when making purchase decisions

Business Opportunities for B C in India

1. **Agriculture and Agri-Infrastructure**
(Farming Solutions and Techniques, Irrigation solutions, storage and handling solution, Fresh Produce Supply chain, cold chain logistics, resource planning and advanced management systems, Warehousing)
2. **Food Processing and Packaging**
3. **Dairy and Dairy Management**
4. **Marine/ Seafood**
5. **Non-alcoholic and alcoholic beverages (Energy Drinks, Juices, Wine and Beer)**
6. **Franchising** (related to food, consumer products)

Seafood

Imported seafood is emerging as a preferred choice for many consumers who are experimenting with foreign varieties such as salmon, lobster, tuna and sea bass. Frozen shrimp and prawn are the largest imported category, followed by Atlantic salmon and processed seafood. The Hotels and Restaurants sector enjoy duty exemption on products imported and is the largest single market segment for high quality imported seafood. Fish consumption is currently low due to low incomes. However, as incomes rise, the consumption of fish is expected to increase 17 percent by 2015. The challenge for fish consumption growth is that it is not traditionally part of Indian cuisine and, similar to meat, Indians primarily prefer fresh fish so inland areas tend not to consume it.



Nutraceuticals

It is estimated that higher disposable incomes and greater awareness on health have buoyed the \$C 380 million Nutraceuticals market in the country which is growing at about 40%. Customers are aware of health-related products available globally, as they probably have been exposed to such products on their overseas visits. The Indian market is focusing on products such as diet drinks with low calories and high fiber, energy drinks with vitamins and minerals, meal replacer with high calories and high fiber, etc.



Processed Food

The food processing industry is still in its nascent stage. Rising income levels, education and a global exposure have contributed to the evolution of the India middle class in purchasing and shopping habits maturing as a result. The long term opportunities for B C companies with product offerings include canned products (seafood in particular), maple syrup, sauces & condiments, gourmet specialty products, ice wine, juices, confectionary, ready-to-eat meals which can substitute home based processing. Bakery, processed cereals, and pasta categories are under developed and under-penetrated. As more women join the work force and households become smaller, packaged and processed products such as ready to eat meals, canned foods and snacks will be in higher demand.



Pulses (beans, chickpeas, lentils and field peas)

Due to domestic production shortfall, it is estimated that India's pulse imports will increase. There is no import duty applicable on import of pulses and private trade is permitted by the Government to supplement domestic availability. B C's suppliers need to visit the market and meet with individual buyers in order to have an on-the-spot assessment of the Indian needs. Indian buyers should be invited by the suppliers to showcase their products and to build awareness of their supplies capabilities among Indian buyers.

Canola Oil

Currently, India is the largest importer of edible oils in the world, wherein 55% of edible oil available in India is imported. The Indian consumer is discerning in dietary habits and moving away from conventional edible oils to those with Omega-3 Fatty acid considered good for health. An opportunity for exporting Canola oil to India exists, targeting upper middle class and the rich populace - who are conscious of healthy, nutritious oil.



Non-alcoholic beverage

Includes carbonated beverages, sparkling beverages, still beverages like distilled water, fruit juices, fruit based drinks, energy and sports drinks, sodas, hot beverages like tea and coffee and other drinks that have no alcohol content. Carbonated or aerated drinks account for about 30 per cent of the total non-alcoholic beverage market. Growing at a CAGR of about 20 per cent, this sector is currently pegged at \$C 1.1 Billion, with the domestic consumption currently at about 17,500 crore (1 crore ~ 10 Million) litres and is likely to double by 2015. Emerging wellness trends, higher expenditure for healthy lifestyle by India's rising middle class and overall strong domestic economy are certain key factors growing the market in India. In India, tea is one of the only beverage products that have a mature market. Other beverages such as coffee, carbonated drinks and functional drinks all are experiencing high growth. Coffee consumption is expected to grow 20–30 percent per year for the next few years. Demand for wine is also growing, but the market is captured mostly by domestic suppliers due to high tariffs on imported wines. The domestic wine production in India grew almost 300 percent in the past 10 years.



Wine Market in India

India's wine consumption is rapidly increasing and is forecasted to grow at a compounded annual growth rate of 27 percent from 2010-12. India has emerged as one of the fastest growing markets for wine consumption on the global map. With a population base of over 1.1 billion, the consumption of wine is growing fast, indicating vast potential for future growth. Besides growing consumption level, various factors such as increasing disposable income, amplified wine marketing and influence of western cultures have given a new turn to the wine consumption pattern in India.



The Indian Wine market is largely dominated by domestically produced wine and imports account for a less share in the total consumption. The sales of domestic wines will continue to dominate the

Indian wine market over the forecast period, but high growth will also be seen in the consumption of imported wine. The consumption of imported wines will rise at a CAGR of around 33 per cent during 2010-2012, well above the industry's overall growth.

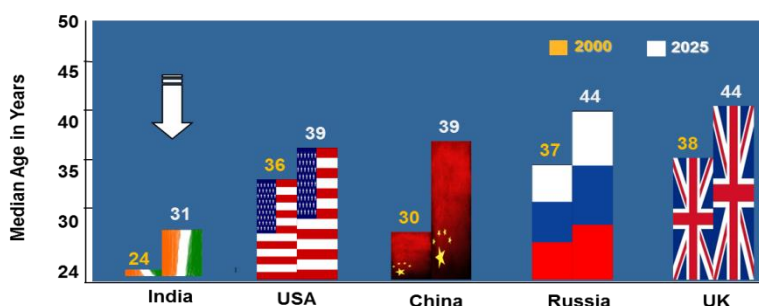
The wine market in India today is still in its nascent stage. The industry is just over one million cases of wines manufactured in India and 0.15 to 0.2 million cases of imported wines. The value of the Indian wine market is around 2 per cent of the total alcohol beverage industry. A lot needs to be done in terms of education, awareness and demystifying wine as a product.

The scenario is changing rapidly: A large number of Indians have the right consumer profile to embrace wine as a lifestyle beverage. Once the privilege of the educated elite, today potential lies among the growing middle-class who enjoying increasing disposable income, tourism and women consumers.

The rise in consumption can also be attributed to factors including the perception of health benefits produced by wine, the fact that wine is lower in alcohol than spirits, in addition to the 'lifestyle' image. India is switching from whiskey to wine and beer. Also big retail chains in certain states are now allowed to sell wines.

More and more people are drinking wine, every new restaurant that opens in cities has a wine list, and awareness is growing fast. Women are drinking in much bigger numbers, and often their first choice beverage is wine. The movies reflect this change, with Bollywood actresses routinely seen drinking wine! The wine consumption is expected to grow at a rate of 30 per cent in the next 10 years. This growth is not only sustainable, but could even be conservative if duties were lowered. In the next ten years the wine consumption could reach more than 10 million cases. Cheers!

Presently most of the imported wine comes from France, Italy, Australia, Chile, USA, South Africa and New Zealand. France has the biggest market share of approximately 40 per cent followed by Italy (15%) and Australia (12%).

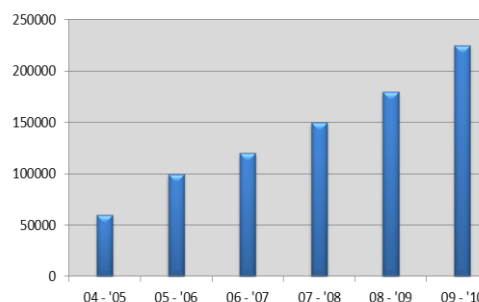


Up to 80 per cent of wine is consumed in the major Indian cities: Mumbai (39%), Delhi (23%), Bengaluru (9%) and the foreign tourist dominated state of Goa (9%); the remaining 20 per cent are sold in the rest of India. The Red wine consumption is pegged at 45 per cent followed by white wine with 40per cent sparkling wine 13 per cent and Rosé wine by two per cent.

Wine - Market Size

- 1.250 million Cases of 9 litres (11.250 million litres)
- Domestic Wine: 1 million cases (9 million litres)
 - 565,000 entry level domestic wine &
 - 435,000 cases quality domestic wine
- Imported Wine : 250,000 cases
 - (2.250 million litres)

Imported Wine Sales (Cases)



- Increased from 60,000 cases in 2003-04 to 250,000 cases in 2010-11.
- Higher than a 300 % growth in the last 7 years.

Expected Wine market size, according to industry, is expected to touch 10 million cases by 2017 out of which imported wines will be 2 million cases.

Wine - Target Market

- Retail (25% of market)
- Hospitality sector – Hotels, restaurants (75% of market – due to Government allowing duty free import by hotels up to 5% of their foreign exchange earnings)

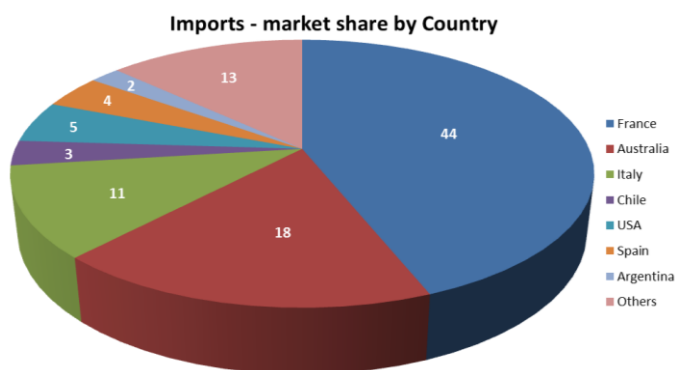
Wine – Market Growth Drivers

- Increased exposure to western influence through international travel & media.
- Increasing disposable income. India adds 20 million to its middle class of 300 million every year!
- There are 30 million Indians with an ability to spend > US\$30,000/ year (PPP Terms)
- Youngest population in the world coupled with availability of wines has resulted in accelerating growth, as the millennium generation takes to wines rather whisky.
- Youngest population in the world - Median age of 24 yrs.
- 65% of population below 35 years of age.
- Wines are attractive to Indian consumers as suppliers have experimented with blending of varietals, labels are relatively easier to understand and the young generation can relate with the fun and feel of the wines.

Wine – Industry Competition

France with 44% market share is still the largest exporter to India. But its share has dropped from around 80% in 1999, being inched out by the New World.

Presently, the estimated market share figures are France (44%), Australia (18%), Italy (11%), Chile (3%), and USA (5%), Spain (4%), Argentina (2%) and others (13%).



Potential areas for B. C.'s collaboration with India

1. Agriculture

- Precision farming techniques
- Soil management
- Irrigation solutions
- Postharvest management
- Grain Storage and handling solutions



2. Fresh Produce (Fruits & Vegetables)

- Production operations & management to improve yields



- New fruit & vegetable varieties amenable to processing



- Post-harvest management expertise in sorting, grading, packaging



3. Dairy, Dairy Management and Livestock

- Dairy cattle nutrition and rearing

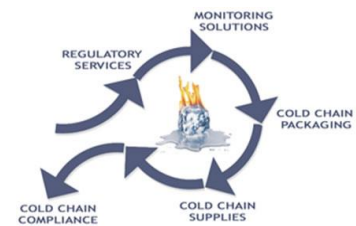


- Turn-key consultancy in Integrated dairy operation

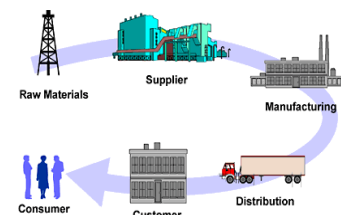


4. Cold chain / Supply chain Management

- Opportunity to introduce multi product capabilities, multi temperature facilities & controlled atmosphere provisions



- Long haul fresh produce supply chain management solutions



5. Education and Training

- Vocational Education in pre & post farm gate operations



- Formal training in wine grape cultivation, manufacturing of quality wines, wine blending techniques and marketing of wines



Key Players in the Market

Retail Channels

The food and beverage retail market is primarily made up of small and independent family owned stores, which held 65.4% of market share in 2009. However, modern retail formats such as hypermarkets, supermarkets and convenience stores are starting to take away market share from the smaller stores.

Independent, Convenience & Gas Station Stores

The majority of small retailers are independent family owned stores. It is estimated that India has eight million independent neighborhood stores. These stores offer fresh food and are easy to access for consumers. With the exception of stores located in wealthy urban areas, these small retailers typically do not sell imported products.

Large Retailers

Hypermarkets, supermarkets and discount stores had 1.3% of market share in 2009. Large retailers are growing as they are able to benefit from economies of scale and offer lower prices. These retailers cater to consumers who want variety in products and are able to store food in their homes by owning a fridge. Large retailers primarily operate in urban areas where around 20 percent of the population shop with them.

Food & Drink Specialists

In 2009, food and drink specialists had 32.9 % of market share. Food specialists typically operate in niche markets so that they do not need to compete on price.

Leading Retail Companies

Pantaloons Retail (India) Ltd is the flagship company of Future Group and the largest Indian retail conglomerate. The company operates around 1000 retail stores and recorded sales of US\$1.3 billion in 2009. Pantaloons are a diverse company, operating multiple retail formats in different industries. In the food and beverage industry, Pantaloons operates the

Following brands:

- **Brew Bar:** Provides beer (domestic and imported), snacks and set meals.
- **Cafe Bollywood:** Fast food retail chain that provides street food, burgers, pizzas and juices.
- **Chamosa:** Provides Indian counter snacks in high traffic areas.
- **Big Bazaar:** Hypermarket stores.
- **Food Bazaar:** Supermarket stores.
- **Sports Bar:** Sports oriented bar that provides domestic and imported alcoholic beverages.
- **Food Hall:** High end food supermarket that has several varieties of higher end imported food and beverage products. Bharti Retail operates convenience stores and hypermarkets under the brand Easy day. The company currently operates around 12 stores and is in a joint venture with Wal-Mart.

- **Reliance Retail** is a publicly listed company that operates a variety of retail operations. Food retail formats operated by Reliance include supermarkets, mini-marts and neighborhood stores. The company had a net profit of US\$3.27 billion in 2009.
- **Spencer's Retail** is a multi-format retail company that operates different sized stores. Spencer's Retail's hyper stores sell both food and non-food items. The company operates in 66 Indian cities and is one of the largest retailers in the country.
- **Spar** currently has 7 stores across India, with a focus on the South Indian markets. They have plans to double their stores this financial year. All stores operate under the hypermarket format.
- **Tata Trent** - Tesco has entered into a deal with Trent, the retail arm of the Tata Group, to supply products, services and expertise to its hypermarket business, under the brand Star Bazaar.
- **Aditya Birla Retail** launched its first supermarket 'More' in 2007. Since its launch the group has aggressively rolled out new stores, totaling over 640 stores across India.

Hotels, Restaurants & Institutions (HRI)

India's hospitality sector is worth US\$23 billion and investments into the sector for 2011 – 2012 are expected to total US\$11 billion. The sector is forecast to be worth US\$42 billion by 2018. Due to Indian consumers having a preference for fresh food products, the HRI sector is the primary market that buys chilled or frozen foods.

Hotels

The hotel industry is dominated by the top end of the market (5 star hotels) which account for 65 percent of revenues. These premium hotels are primarily located in major cities such as New Delhi and Mumbai, but are starting to expand to medium sized cities and popular tourist destinations. Customers of this segment are mainly business people and international tourists. Premium hotels import their food and beverage products through agents that work with consolidators in Dubai, Amsterdam, Singapore and Australia.

Fast Food Outlets

The fast food industry in India is populated by chains and franchises of both Indian and international companies. Outlets attract consumers by adapting food to suit Indian culture and tastes. The fast food industry buys mainly local ingredients, but they do import certain products such as cheese, meat, fish, flavors and condiments.

Restaurants

Indians have a culture of eating home cooked meals or at least, eating at home, so the restaurant sector is small. Indian consumers will prefer to order a takeout meal to eat at home rather than dining out. Restaurant meals tend to be perceived as less healthy and more expensive than home cooked meals

Strategic Issues for B. C. Exporters to consider

While India is a growing market and is open to most new products, it is essential to recognize that achieving high sales volumes and brand recognition can take at least a year. Allocating more funds to advertising, marketing, promotions and sales will help achieve targets.

It is worthwhile spending time to find the right importers and distributors initially, as they have good knowledge of the local customs and import regulations and it can be difficult dealing with the bureaucracy and red tape. An experienced partner will also have a national network. It is important to note that logistics in India are at a nascent stage and cold storage facilities and transportation are lacking.

1. Distribution Channels

In India, most domestic and imported food and beverage products go through several Intermediaries:

- **Clearing & Forwarding Agents**
Clearing and forwarding agents (CFA) typically work with exporters to aid transactions with stockists (distributors). CFA will transport goods to stockists, invoice them and receive payments on behalf of the exporters.
- **Stockists**
These are distributors that typically operate in their own exclusive geographical area. Stockists also usually have a sales force that works with wholesalers and large retailers.
- **Wholesalers**
Wholesalers distribute products to rural retailers who are not large enough to purchase from stockists.

Currently, retailers have a preference for buying from distributors or wholesalers rather than directly importing products themselves. However, the distribution channels vary based on the type of product imported into India.

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A lack of cold storage facilities and transportation means that some products get air-freighted in India, which is expensive. Large retail chains are trying to develop their own logistics and distribution channels to ensure products reach the end consumer in a good condition.

2. Pricing

India is a very price sensitive market. The market is open to exports from several countries and there is no shortage of competitive products. A long-term pricing strategy is essential to sustained competition in the market.

The mark ups at each stage of the distribution process are around the following rates:

- **Clearing & Forwarding Agents:** 2 – 2.5 percent
- **Stockists:** 3 – 9 percent
- **Wholesalers:** 5 – 30 percent

The whole distribution process usually represents 10 – 20 percent of the final retail price

Barriers for Market Entry

- Food processing models need to be remodelled. Processing levels are substantially lower than most emerging developed economies with only 6% of agricultural produce being properly processed
- High tariffs, low initial volumes and competing on price with suppliers from around the world ~ mainly from Australia, UK, France, Italy, China and South East Asia
- Price is one of the most important considerations for choice of food so the price-value equation has to be carefully evaluated before any product launch.
- The investment in brand building, increasing awareness, advertising and promotion can be significantly higher for the initial years
- Lack of an efficient cold supply chain system
- Food producers considering the Indian market need to be aware of local cultural preferences and consumer habits that can vary between regions
- A large number of Hindus do not eat beef due to religious taboos and the same applies with pork for Muslims
- About 25-30% of Indians are strict vegetarians, while most others practice some form of vegetarianism. This non-meat ethic is often strictly adhered to and can extend to an avoidance of any food that contains the slightest trace of animal products, including eggs

Recommendations

- Position B C as a leading and quality source for grains, packaged foods, ingredients and technology.
- Raise the profile of B C's food & beverage products, technology & services, introduce them to potential Indian buyers & decision makers, and facilitate business alliances / partnerships.
- Promote B C wines & gourmet processed foods to the premium hospitality / retail sectors in India
- R&D collaborations - Facilitate joint-collaborations between advanced education and research institutions between the two geographies.
- Ensure Brand B C's strength, capability and innovations are communicated through trade and investment promotion + market outreach activities in India.
- Advice and encourage Indian entities to invest in B C ~ vineyards, food processing facilities and food trading / retailing.

Key Industry Events and Campaigns in India

	India International food and Wine Show	February 2013	New Delhi
	Fine Food Expo	2013	New Delhi
	Agritech India	August 25 – 27, 2013	Bangalore
	Aahar International Food and Hospitality Fair	March 14 – 18, 2013	New Delhi
	Agro Tech	December 6 – 9, 2013	Chandigarh
	Okanagan Wine Festival	Jan, May and August 2013	British Columbia
	Annapoorna – World of Food India	September 23 – 25, 2013	Mumbai

Trade and Invest British Columbia (TAIBC)

Helping B C's businesses to do business with India

We are the trade and investment facilitation agency of the Provincial Govt. of British Columbia (Canada), focused on adding value through,

- Facilitating Strategic alliances / joint ventures / technology transfers / business partnerships between organisations in British Columbia and India
- Promoting Imports from British Columbia into India - the best / niche of innovative products, technologies and services, spanning multiple industry sectors, and
- Encouraging Investments by Indian organisations in British Columbia, and by British Columbian organisations in India

We provide the required assistance / advice, for British Columbian entities' market entry / business expansion in India. We are well positioned in-market, to provide customised services to suit specific business needs and objectives – from accessing regional demand chains to partnering with innovative technology companies. Our services include (but not limited to),

- Thorough understanding of the B C organisation's needs and the business dynamics, to provide customised assistance / advice as required
- Identification and qualification of prospective business partners / customers in India
- Assistance with Market Entry / Business Expansion strategies to promote products and services in India, in addition to sharing market insights and business opportunities
- Access to Industry, Government and Business networks in India
- Provide up-to-date, pragmatic market intelligence / knowledge / research spanning multiple industry sectors
- On-ground support (within India ~ including meeting arrangements and localised help) + in-market relationship management
- Facilitating business missions and industry delegations between India and British Columbia; B C Company's visits to India, participation in seminars and trade events, etc.
- Utilisation of the B C Business Accelerator facility in our office at Bangalore – India, subject to qualification
- Any other business development related help and assistance, as feasible

Every market is unique and TAIBC's advisors are well positioned to provide in-market intelligence, advice and practical support. In a market like India, wherein access to the right industry contacts and Government officials can be difficult to achieve, a meaningful dialogue usually results only after a period of time in which a level of mutual trust and confidence is established. A high proportion of market information is not publicly available and is obtainable only through personal contacts and established networks.

Within this environment, TAIBC's team in India is in a unique position to give B C companies a head start in the market by providing insights into business and cultural barriers and making highly regarded business introductions, towards fructifying the organization's business endeavors in India.

Contact Us

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Market Overview – India; Alcoholic Beverages
July, 2013

I Size and growth of the Indian market :

The Indian alcohol market is estimated at around USD 15 billion. Nearly 75 percent of this market comprises spirits; the balance is accounted by beer, wines and flavoured beverages. Whisky, brandy, rum, vodka and gin manufactured in India, are referred to as 'Indian made foreign liquor' (IMFL). The branded spirits IMFL market is estimated at nearly 225 million cases (nine bulk litres each). Brown spirits (whisky, brandy and rum) account for around 96 percent of the Indian industry.

Whisky is the largest-selling alcoholic beverage in India with a 56 percent share of the IMFL market while brandy (23 percent) and rum (14 percent) represent the other large segments. The Indian spirits industry grew 8 percent in 2011-12.

The Indian IMFL industry is regulated, marked by duties, fees, customs, taxes and restrictions by state and central governments. Intelligent marketing and innovative packaging techniques by some companies have portrayed alcohol as a lifestyle product and an integral part of most social events.

India is a lucrative destination for multinational alcoholic beverage brands, being under-penetrated compared with the mature markets of Europe and the US. Country liquor enjoys a commanding presence in North Indian states. However, its share is expected to decline by FY15, replaced by IMFL on the back of rising incomes and awareness.

South Indian States, specifically Tamil Nadu and Andhra Pradesh, are the key IMFL consumption centres, accounting around 35 percent of the total IMFL volumes consumed in India. IMFL consumption in the Southern States is higher than North India because of a ban on country liquor in the South.

The Indian brandy market is the second-largest segment of the IMFL industry. Over five years, the brandy market grew at a 13.8 percent CAGR. The per capita brandy consumption was pegged at 0.3 litres in FY10, which has grown in five years at a CAGR of 12.2 percent. Growth is propelled by an increasing consumption in South India where brandy is very popular.

Vodka is the fastest-growing IMFL segment in India, catalyzed by increased consumption in pubs, hotels, restaurants as well as an evolving nightlife and consumer preferences. Vodka consumption grew 44 percent CAGR over the past five years.

Category wise breakdown of Global & Indian alcoholic beverages

Category	Global		Indian	
	Volume (billion litres)	% of total	Volume (million litres)	% of total
Beer	185	78.4	1,510	46.1
Wine	27	11.2	1,750	53.4
Spirits	19	8.1	10	0.3
RTD's/ high strength premixes	4	1.7	6	0.2
Cider/ Perry	1.5	0.6	0	0
Total	236	100.0	3,277	100.0

II SPIRITS TRENDS IN INDIA

The regulatory environment for alcohol in India has changed a great deal in the last two years. The Indian spirit segment is very fragmented, with country, IMFL and international players serving the market, about 86% of the market is catered by few major players like United Spirits Limited (USL), Radico, Jagatjit and Mohan Meakin. The Indian whiskey has the largest market share in India. Some of the popular brands are Officer's Choice, MacDowell's No 1, Bagpiper, Royal Stag, Old Tavern and Original Choice. The emerging drink is vodka which is marking its popularity among youth in metro cities and tier 2 and tier 3 cities as well. Brandy is an old spirit and is popular among aged group population of the country.

Many international brands are entering India through mergers, tie ups and acquisitions. Key trends in the liquor industry are noted below:

- Direct alcohol advertising has been banned in India, along with drinking in public places. Hours of trading alcohol have been limited by many state governments.
- Imported spirits segment is growing 25% yearly to soar to five million cases by 2015. Greater exposure to the media and travels abroad at a young age has led to an increase in people's knowledge of international liquor products
- 88% of alcohol consumption in India is spirits, while 10% comes from beer and only 2% from wine.
- Whisky remains the most widely consumed imported spirit in India. A minimum price has recently been placed on vodka, doubling the price of the cheapest brands.
- Rum has potential to attract new drinkers, being the drink of choice for young adults who wish to seem rebellious.
- 'Premiumisation' of brands and increasing consumption / spending patterns of youth in India driving sales in liquor market.
- Legal Environment –
 - Regulated industry – local movement and prices of intermediate goods (molasses, ethanol, etc) tightly controlled – state government exercise considerable influence
 - Subject to licensing under Industrial (Development and Regulation) Act, 1956
 - Lots of duties and taxes from bottling to sales stage, varying from state to state
- Market mergers and acquisitions - Diageo (world's largest liquor company) acquired a total of 53.4% stake in United Spirits as of March 2013.

Competitive landscape of liquor companies in Indian market:

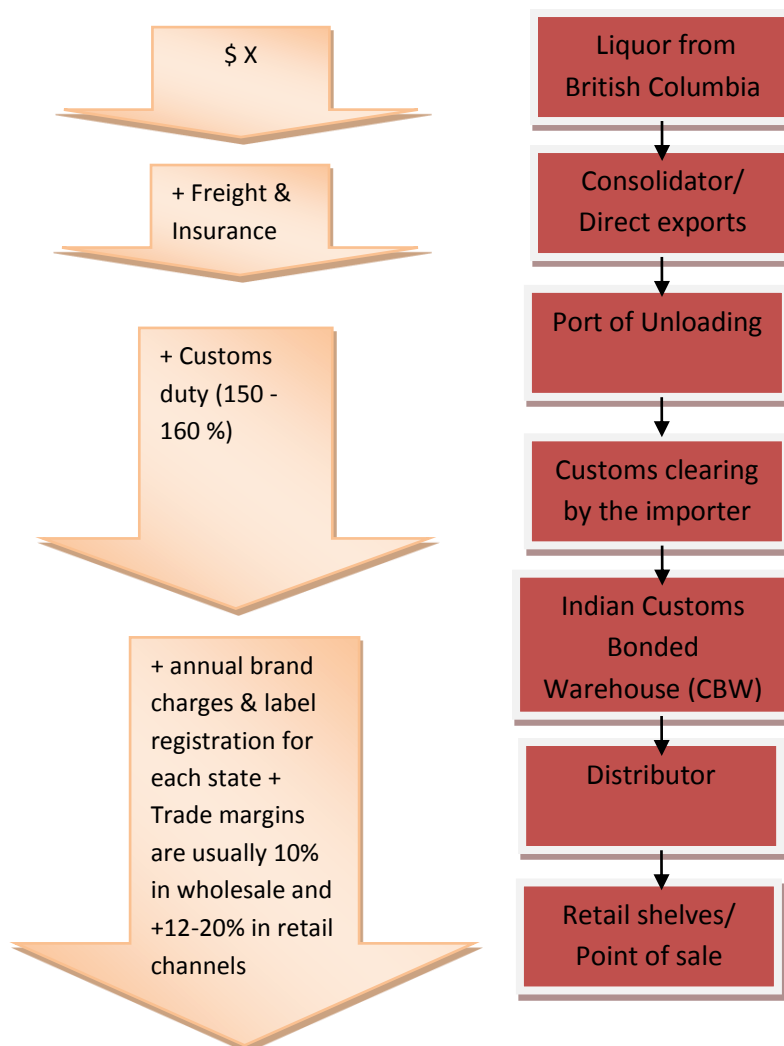
International players	Indian Players
Diageo	United Spirits Ltd
Pernod Ricard	United Breweries
Bacardi	Radico Khaitan Ltd
Brown-Forman	Som Distilleries & Breweries Ltd.
Fortune Brands (Beam Global)	Tilaknagar Industries Ltd.
LVMH (Moët Hennessy)	Jagajit Industries (Kapurthala Punjab) – Aristocrat
Thai Beverage	Globus Spirits Ltd.
Belvédère	Khoday India
William Grant	IFB Agro Industries Ltd.
Campari	Mohan Meakin Ltd

III Entry routes & distribution channels in India:

When a British Columbian company will look at exporting in India there are two specific routes through which customers can be reached.

1. By selling to license traders/ importers who would pay customs duty by and respective state taxes.
2. Secondly by selling directly to 5 star hotels & duty free shops at airports where no customs duty need to be paid but registration charges by each state will be payable.

The entry routes for British Columbian companies by selling to licensed trade is demonstrated in the below diagram with time lines and price escalation on an average basis.



IV Opportunities & Threats for British Columbian Companies:

a. Opportunities in the market:

- Sale of imported spirits, including the duty-free travel trade in India, is likely to cross the five-million cases mark and reach about 55 million litres by 2015. The Indian import market is currently estimated at about 28 million litres and about 3.1 million cases. Growing at a CAGR of about 25 per cent.
- Around 700 m individuals in India are in the drinking age group (equal to 21 years of age), representing one of the largest consumption pools in the world. There are about 370 million people below 21 years of age (legal drinking age), which is expected to add 15-18 million people annually to the drinking age group over 10-12 years.
- Imported spirits has been gaining acceptance in India's social culture as consumption of alcoholic beverages at parties, marriages and business conferences is gaining social acceptance. Consumption growth is also evident by increased number of hospitality outlets like bars, clubs, pubs, restaurants and hotels. The hospitality industry is fuelled by rising income levels, increasing young population, and growing number of working women, increasing media penetration and expanding exposure to western lifestyle.
- Entry markets should be Kerala, Maharashtra and Punjab as 30% of all liquor is consumed in these three states. Followed by Andhra Pradesh, Haryana, Himachal Pradesh, Karnataka, Rajasthan, Tamil Nadu and West Bengal are other leading liquor-consuming states, in that order, accounting for another 40 per cent of all the liquor consumed in India. The Union Territories of Chandigarh and Pondicherry also record high consumption levels

b. Potential threats in the market:

- The Imported spirits is highly regulated by individual state government particularly with regards to storage and distribution. An all India permit is non-existent; each state (currently India has 28 states and 7 Union territories) maintains their own separate system for taxation. Hence each state in India should be treated as a separate market and not India as a market on a whole.
- As not being the early entrants in the market, the lack of exposure and knowledge of Canadian spirits may possess a challenge to enter the market, particularly with premium hotels that have existing business relations with certain brands.
- The recent development on India – EU free trade agreement, India has offered to cut the custom duties on wines and spirit to 40% from the current 150% is an important wait and watch agreement. If this agreement goes through British Columbian Wine exporters may find it difficult to compete on pricing and the only viable option will be through the premium hotels.



V Recommendations / Next Steps:

Prima facie the market for Alcoholic beverages seems to be growing with the populace accepting the tastes. Price is an important decision making factor in India. Therefore, the situation should be addressed carefully through a strategy that offers value to the consumer, customised to suit Indian conditions. Products that are perceived as qualitatively better are well received and at times easily acceptable at a premium over existing competition.

Companies from B C could initially carve a niche by offering unique products by targeting specific segments and benefit from effective market positioning. Forming a strategic alliance with the right Indian importer, is perhaps, one of the effective methods to identify a niche and assist them in the planning and distribution processes, resulting in the appreciation of the market's characteristics. Partner affiliation also helps considerably in developing and nurturing relationships in the market, adapting to the local business culture, keeping abreast of vital market intelligence and in dealing with local issues.

It is suggested that B C companies seek comprehensive inputs from the Indian market, prior to entry. TAIBC will be glad to assist through the development of an effective market entry strategy, after understanding the relevant organisation's interests in greater detail.

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China 2013:

Developments in the Tourism Sector

Implications for British Columbia

August 2013

Executive Summary

China is the largest outbound tourism market in the world, valued at USD 102 billion in 2012, and is expected to continue to grow. Over the past decade, China's outbound tourists have increased by 730%, from 10 million outbound travelers in 2000 to 83 million in 2012. By 2015, it is estimated that there will be 100 million outbound Chinese travelers.

Approximately 91% of outbound Chinese tourists travel to neighboring Asian countries due to proximity, cultural similarities and relatively affordable costs. Outside of Greater China, the top destinations are South Korea, Malaysia and Japan

Chinese tourists s13, s16 **prefer services catered to their needs,** such as Chinese food and Mandarin language services and tour groups. However, Chinese tourists are increasingly adventurous and are more willing to travel independently and seek out unique experiences.

Leisure interests of Chinese tourists are generally focused on shopping and sightseeing. However, as Chinese tourists gain experience, they may be willing to try more diverse activities such as local cultural or outdoor activities. This is especially true of younger travelers.

Within Canada, British Columbia leads the country in attracting Chinese tourists and will continue to benefit from this inflow as Vancouver positions itself as a major hub from Asia to North America.

While Chinese government policy initiatives related to tourism are generally designed to increase domestic or inbound tourism, **policies designed to increase the number of holidays and employee paid leave days will benefit outbound tourism to Canada.** British Columbia could also work with the Ministry of Foreign Affairs to lobby for more relaxed visa approval procedures to facilitate Chinese tourists coming to Canada.

I. China's Outbound Tourism Market

China is the largest outbound tourism market in the world, spending a combined USD 102 billion in 2012, a 40% year-on-year increase from 2011. In 2012, there were 83 million outbound travelers from China, an increase of 730% from the 10 million in 2000. In 2005, China ranked seventh in expenditures, but due to growing middle and upper classes and an appreciating currency, China has since surpassed Germany and the US to become the largest international tourism spender.

In 2012, Chinese international tourists spent an average USD 1,227 on each trip, a year-on-year increase of 18%. This total trails the United States at USD 1,381 and Japan at USD 1,520. However, Chinese tourists outspent their German counterparts, who only spent a per trip total of USD 837.

Growth Forecast

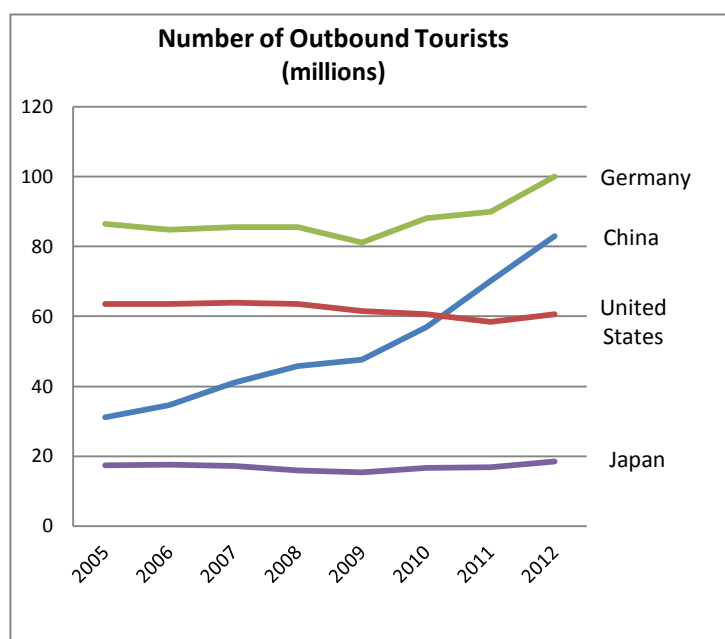
According to the most recent World Tourism Organization (UNWTO) estimates, by 2015, there will be 100 million outbound Chinese tourists, a 20% increase from 2012 levels. It is expected that over the next decade, there will be 25 million Chinese first time overseas travelers every year.

Preferred Destinations

Approximately 91% of outbound Chinese tourists travel to neighboring Asian countries due to proximity, cultural similarities and relatively affordable costs. However, as incomes have risen in recent years, Chinese tourists have expanded the size and scope of tourism activities, traveling further afield to Europe and North America. It should be noted that official Chinese government statistics include Hong Kong, Macao and Taiwan as outbound tourist destinations, which combined attracted 49.8 million visits, equal to 70.8% of all outbound trips.

Top Outbound Tourism Markets (2012)

1. China—USD 102 billion
2. Germany—USD 83.8 billion
3. United States—USD 83.7 billion
4. United Kingdom—USD 52.3 billion
5. Russia—USD 42.8 billion
6. France—USD 38.1 billion
7. Canada—USD 35.2 billion
8. Japan—USD 28.1 billion
9. Australia—USD 27.6 billion
10. Italy—USD 26.2 billion



Top Destinations for Outbound Chinese Tourism in 2011 (in millions)*

1. Hong Kong—28.3	2. Macao—19.7	3. South Korea—2.3	4. Taiwan—1.8
5. Malaysia—1.7	6. Japan—1.6	7. Thailand—1.5	8. United States—1.3
9. Cambodia—1.2	10. Vietnam—1.1	11. Singapore—1.0	12. Russia—0.8
13. Australia—0.65	14. Indonesia—0.57	15. Italy—0.38	16. UK—0.37
17. Canada—0.36	18. Germany—0.33	19. Mongolia—0.32	20. France—0.32

*Source: China National Tourism Administration. Official statistics for 2012 have yet to be published

Characteristics of Outbound Chinese Tourists

Outbound Chinese tourists can be divided into three distinct categories in terms of their mode of travel, occupation and income level.

Mode of Travel

Tour Groups

Generally, Chinese tourists prefer to travel in tour groups. In 2010, 66% of all outbound Chinese tourists traveled in tour groups. Tour groups are preferred due to lower costs via travel packages, reduced language and cultural barriers, and more convenient visa application procedures. Tour groups are most preferred by senior and first-time travelers.

Free Independent Travel

However, free independent travel is becoming more commonplace as Chinese tourists are more exposed to English language and foreign culture and begin to seek deeper experiences with more local contact and activities suited to personal interests.

Occupation

The professions of outbound Chinese tourists can be classified into, but are not limited to, three major types:

Seniors

Top Markets for Chinese Tour Groups (2011)

1. Hong Kong
2. Macao
3. Taiwan
4. Thailand
5. South Korea
6. Singapore
7. Malaysia
8. Japan
9. Vietnam
10. France

- Recent retirees in their 50s who mostly travel in tour groups or with younger family members due to inexperience and language and culture barriers.
- Prefer services catered to their needs, such as Chinese language services and Chinese meals.
- More inclined to travel to well-known destinations, visit family or shop.

Professionals

- Budget-oriented, prefer to travel independently or with significant other.
- Likely to travel during national holidays, and stay within Asia, unless for business or extended travel such as honeymoons.
- Have varying degrees of English proficiency. Primarily interested in leisure travel and are more willing to try local cuisine.

Students

- High school or college age. Prefer to travel independently, with friends, or as part of summer study or intern abroad programs.
- Likely to spend parents' money and prefer major well-known destinations.
- More proficient in English and may be interested in local cultural activities, in addition to sightseeing and shopping.

Income Level

Luxury Tourists

- Big spenders that prefer to travel independently.
- Likely to make multiple trips overseas each year. According to Chinese luxury magazine Hurun, in 2012, Chinese USD millionaires made an average 2.8 trips overseas, while USD billionaires made an average 3.4 trips overseas.
- Primarily interested in luxury experiences such as vacation resorts, high-end shopping or medical care.

Mass Tourists

- More budget-oriented, may travel either independently or as part of a group.
- Varying levels of travel experience with diverse interests and needs.

Chinese Traveler Preferences¹

Chinese outbound tourism can take many forms, which are not mutually exclusive and often overlap. Generally speaking, Chinese tourists prefer to travel to well-known locations, enjoy shopping and document their travels through photographs to share with friends on social media sites. While leisure tourism is the most common form of travel for Chinese tourists, Chinese tourist preferences are increasingly diverse as they accumulate travel experience and pursue more unique destinations and modes of leisure.

Leisure Tourism

Destination Tourism

- One of the most popular modes of tourism for Chinese, more commonly done in tour groups.
- The focus of destination tourism is sightseeing in world renowned locations, such as heritage sites, or major cities like Paris, New York City or Tokyo.
- Viewed as a prestige experience by Chinese travelers, especially those with less overseas travel experience.
- Documented through photos shared with friends on social media sites.
- Tourists are more likely to conduct multiple city tours as opposed to staying in one location for a significant period of time.

Shopping Tourism

- Shopping is a major interest for Chinese travelers and is driven by luxury goods.
- About 27% of global luxury purchases are made by Chinese and 63% of luxury customers have reported to have made purchases abroad.
- Compared with the European and North American markets, luxury goods in China are 20-70% more expensive, creating a major incentive for Chinese tourists to buy abroad.
- The practice of *daigou*, purchasing products on behalf of others which are either expensive or unavailable in the domestic market, is a major feature of shopping tourism.
- While many shopping tourists prefer to go to Hong Kong for shopping tourism due to proximity, shopping is a must-do for Chinese tourists whenever they go abroad.

¹ As statistics for specific traveling preferences are not officially released, Chinese traveling preference are determined through analyzing media reports on Chinese tourist trends and habits.

Adventure Tourism

- Adventure tourism is becoming increasingly popular as Chinese tourists seek new experiences that others cannot obtain.
- To facilitate tourists looking for adventures, Chinese tourism agencies are looking to provide more “off the beaten path” offerings such as trips to the South Pole, North American national park tours and African safaris.
- Chinese who are interested in adventure tourism are generally younger, more experienced and affluent travelers.
- However, as adventure tourism is associated with a certain degree of risk taking and physical exertion, Chinese tourists have yet to widely accept adventure tourism.

Business Tourism

- Chinese business tourism is growing as a result of the emerging trend of Chinese companies “going abroad” to develop overseas business operations.
- Destinations for business tourism are likely to be areas significantly developed for business purposes, such as Singapore or Dubai.
- Chinese business tourists generally travel as part of business meetings, conferences or expos in addition to company training and retreats.
- Chinese business tourists may be limited by company policies in terms of which airlines they can take and which hotels they are able to stay in.

Medical Tourism

- An aging population and rising incomes have increased the demand for medical and healthcare products and services throughout China.
- Many Chinese patients view western medical care as higher in quality due to better services and technologies. In 2011, over 60,000 outbound Chinese tourists traveled abroad for medical services.
- The most popular destinations for medical tourism are Japan, South Korea, Singapore, the US and Hong Kong.
- Chinese medical tourists generally travel overseas for cosmetic surgery, to give birth and for treatment of chronic diseases.

Red Tourism

The Chinese government promotes trips to places of historical significance to Chinese communism. While this is generally confined to domestic tourism, it has expanded to sites overseas as well.

Notably, revered for his service to the Chinese Communist Party in the 1930s, Canadian doctor Norman Bethune’s hometown in Gravenhurst, Ontario has become a major site for Chinese tourists, attracting over 15,000 Chinese visitors each year.

- Medical tourism is generally conducted through professional organizations, which provide packages including health services, hotel, food, air tickets and sightseeing.

Educational Tourism

- Study and work abroad programs are a major driver for Chinese outbound tourists, as China is the world's largest source of overseas students.
- In 2011, there were 340,000 Chinese students studying abroad, with the United States, United Kingdom, Australia and Canada being the top destinations for study.
- In addition, students who study or work abroad may opt for short term or summer exchange programs, and packages include sightseeing, exposure to local culture, the opportunity to gain work experience and language training.

Special Needs and Challenges for Chinese Tourists

Chinese tourists differ compared with other tourist groups in terms of their needs s13, s16

s13, s16 Chinese tourists, especially seniors, may not have proficient English levels, and therefore prefer having Chinese language services available for them, such as Mandarin speaking staff or brochures in Chinese. Many Chinese also prefer hotels that provide Chinese food options, slippers and in-room hot water for drinking.

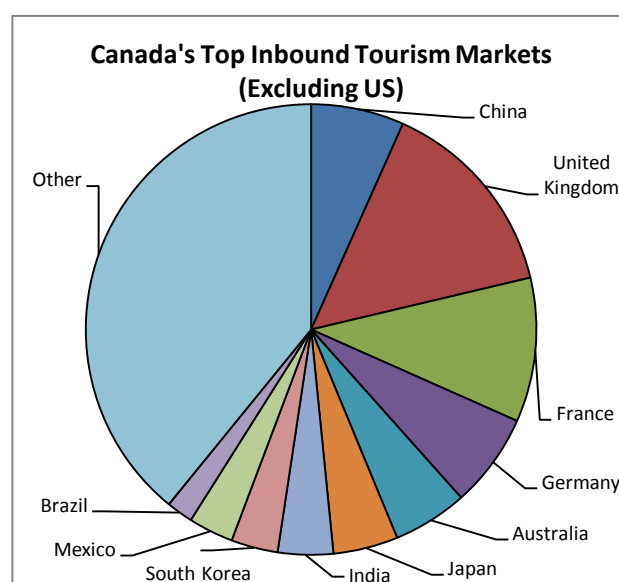
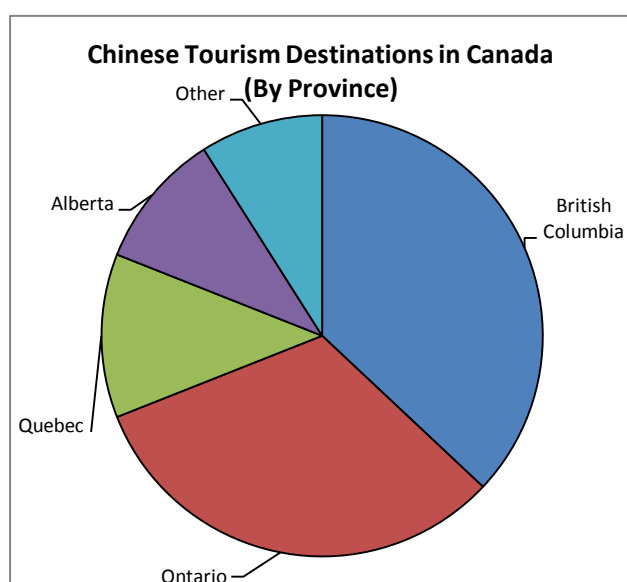
Chinese tourists also place a high priority on Wi-Fi services, as they enjoy sharing tourism experiences through social media. Additionally, companies in the tourism industry should accept Union Pay, which is China's only domestic bank card organization, and is accessible in Canada through Interac-supported ATMs.

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Chinese Travelers to Canada and British Columbia

In 2012, 273,000 Chinese tourists visited Canada, a 15.5% year-on-year increase². China is Canada's fifth largest inbound tourist market, behind the United States (11.8 million visits), the United Kingdom (597,000), France (421,000) and Germany (276,000). Official estimates expect an additional 25% growth in the number of Chinese tourists to Canada in 2013. According to official statistics, Chinese tourists spend an average USD 1,600 per trip in Canada.³

British Columbia is the most popular destination in Canada for Chinese tourists, accounting for 37% of all Chinese tourist visits to Canada in 2011. Currently, there are 75 weekly flights to Vancouver from China, which are expected to carry up to 204,000 passengers from China to British Columbia in 2013. The most popular activity among Chinese travelers while in Canada was shopping, followed by sightseeing and visiting friends or relatives.



² Note that according to [China National Tourism Administration](http://www2.news.gov.bc.ca/news_releases_2013-2017/2013PREM0079-001120.htm) figures, in 2011, 369,800 Chinese tourists visited Canada. However, [Canadian Tourism Commission](http://www2.news.gov.bc.ca/news_releases_2013-2017/2013PREM0079-001120.htm) figures state that for 2011, 236,700 Chinese tourists visited Canada.

³ http://www2.news.gov.bc.ca/news_releases_2013-2017/2013PREM0079-001120.htm

II. Policy

Chinese government policies related to outbound tourism are designed to increase the number of days of paid leave for employees, increase the number of approved travel destinations and make receiving foreign visas more accessible for citizens. While policy directives are generally aimed at encouraging growth in the domestic tourism sector, as China develops a stronger policy environment for tourism, outbound tourism will also benefit as a result.

The Outline for National Tourism and Leisure (2013-2020)

Released in February 2013, *The Outline for National Tourism and Leisure (2013-2020)* is China's comprehensive plan for developing China's tourism sector. As part of the plan, the government will implement a new paid annual leave system by 2020 to encourage tourism. Previously, China's system for taking annual leave constrained tourism and created bottlenecks during national holidays. The plan encourages companies to provide employees with more annual leave days. While the total number of official holidays will not change, universities and local governments will be given more flexibility in how they plan holidays. Paid annual leave in the public sector is also expected to become more flexible. Guaranteed annual leave and more convenient holiday breaks should increase the accessibility and frequency of travel.

Approved Destination Status (ADS)

Approved Destination Status (ADS) is the Chinese government's policy of official approval for destination countries. Countries which obtain ADS designation are able to be actively promoted by Chinese travel agencies and receive organized group tours from China. Currently, there are 140 destinations around the world that have signed bilateral tourism agreements with China. In 2010, China granted ADS to Canada. Previously, only individual travel was allowed for Chinese tourists to Canada.

China's National Holiday System

China currently has seven official national holidays, totaling 11 days. Established in 1999 as official holidays and lasting for a whole week respectively, National Day and the Chinese New Year are the two most important holidays, and most pertinent for overseas travel due to their length. Generally, either the previous weekend or following weekend will be considered a "working weekend", and those days will be taken off during the week to form a longer vacation period. In 2013,

China's National Holiday Schedule 2013

New Year's Day: January 1 (1 day off)

Spring Festival: February 10 (3 days off)

Qingming: April 4 (1 day off)

May Day: May 1 (1 day off)

Dragon Boat: June 12 (1 day off)

Mid-Autumn: September 19 (1 day off)

National Day: October 1 (3 days off)

the Chinese New Year holiday was February 9-15, while the National Day holiday will be held from October 1-7., In 2008, China added the traditional festivals of Tomb Sweeping (Qingming), Dragon Boat and Mid-Autumn as official holidays and shortened the May Day holiday from one week to three days.

Paid Leave

Current policy provides paid annual leave to all public and private sector employees after one year of consecutive work. One to ten years of service entitles an employee to five days of leave; between ten and twenty years of service allows for ten days of leave; and more than twenty years of service provides employees with fifteen days of annual leave. Statutory national holidays, such as National Day and Chinese New Year, are not included in annual leave calculations. As mentioned, by 2020 a new annual leave system should be in place, which will help ensure annual leave time is actually used by employees.

Passport and Visa Laws

Currently, China has mutual visa exemption agreements with 50 countries, though the majority are for diplomatic visas. China has agreements with San Marino, Seychelles and Sri Lanka for tourists with ordinary passports; and with Moldova, Turkmenistan, Belarus, Russia, Georgia and Azerbaijan for tour groups. In addition, there are approximately 50 countries, primarily located in Asia and Africa, that allow Chinese citizens to enter the country without a visa, or obtain a visa on arrival.

Chinese citizens are required to gain special permission to travel to Hong Kong, Macao and Taiwan. s13, s16

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III. Stakeholders

Private Stakeholders

Tourism Boards and Travel Agencies

As of 2011, China has 23,960 officially recognized travel agencies, with combined assets of over USD 11.5 billion. In 2011, 20.2 million Chinese travelers booked overseas trips through travel agencies, representing a year-on-year increase of 21.5% and over 25% of all travel agency business. Out of these, 12.6 million tourists were bound for areas outside of Greater China⁴, a year-on-year increase of 44.0%.

Airlines

China's civil-aviation market is dominated by three state-owned carriers: Air China, China Southern Airlines and China Eastern Airlines. Major provincial airlines include Hainan Air, Sichuan Airlines and Xiamen Airlines.

As mentioned, there are currently 75 weekly flights from China to Vancouver. of which, Air China connects with Vancouver via Beijing, while China Southern connects via Guangzhou and China Eastern connects via Shanghai. In addition, Sichuan Airlines connects to Vancouver via Shenyang. Air Canada also provides services from Beijing and Shanghai to Vancouver. Outside of Vancouver, in addition to Air Canada, Hainan Air connects Toronto and Beijing.

Regulatory Bodies

State Council

Wang Yang is Vice Premier and oversees China's tourism portfolio. Since his appointment in March 2013, Wang has made high level comments on the moral character and actions of Chinese tourists overseas.

Yang Jiechi is a State Councilor and is considered China's leading official on foreign affairs. As such, he is significantly involved in issues related to passports, visas and the safety of Chinese citizens abroad.

China National Tourism Administration

China National Tourism Administration (CNTA) is China's top regulatory body in the tourism sector and is responsible for the development of China's domestic, inbound and outbound tourism through relevant regulations and schemes. CNTA is responsible for communicating and coordinating with foreign governments in tourism and is therefore the leading body in approving ADS countries. As a non-ministerial body, CNTA reports directly to the State Council. CNTA is headquartered in Beijing and has 15 overseas offices known as National

⁴ Refers to Hong Kong, Macao and Taiwan, which are included in official Chinese figures for outbound travel.

Tourism Offices (CNTO), including an office in Toronto.

Shao Qiwei is the Director of CNTA and has held this position since 2005. Shao has called for Canada to simplify the visa process for Chinese tourists, in addition to adding signs in Chinese and Chinese TV channels in hotels. Shao regularly meets with overseas tourism boards.

Ministry of Foreign Affairs

The Ministry of Foreign Affairs (MFA) is responsible for formulating foreign policies, decisions, foreign affairs documents, and statements. The MFA oversees the issuing of passports to Chinese nationals and visas to foreigners.

Wang Yi is the Minister of Foreign Affairs, having been appointed in March 2013. As Minister of Foreign Affairs, Wang Yi regularly meets with foreign government officials, recently signing a cooperation agreement with Thailand on tourism.

Civil Aviation Administration of China

The Civil Aviation Administration of China (CAAC) oversees China's aviation and reports to the Ministry of Transport; as such it is responsible for developing civil aviation agreements with other aviation authorities.

Li Jiaxiang has been the Director of CAAC since 2008, and concurrently holds the position of Vice Minister of Transport. From 2004-2008, Li was Board Chairman of Air China. In 2012, Li met with David Emerson, former Canadian Minister of International Trade to discuss civil aviation cooperation between China and Canada.

IV. Implications

The number of Chinese tourists to Canada will continue to grow. In 2013, it is expected that the number of Chinese tourists to Canada will increase by 25%. By 2015, the number of Chinese tourists going abroad will increase by 20% and many of these will travel to Canada.

As Vancouver improves its positioning as the gateway to North America, British Columbia could benefit in attracting more Chinese tourists. British Columbia is the largest destination in Canada for Chinese tourists, having surpassed Ontario in part due to the success of connecting Vancouver with Chinese airlines.

British Columbia should continue to work with travel agencies to attract Chinese tourists. Over 15% of all outbound trips by Chinese tourists are arranged through travel agencies. Estimates show there will be 25 million new Chinese first time overseas travelers every year over the next decade, and many will travel through agencies.

Chinese tourists are becoming more experienced, and will likely have increasingly diverse travel preferences. While shopping and sightseeing will continue to dominate the preferences of Chinese tourists, other modes of leisure will become more popular such as adventure tourism as the number of younger, more experienced travelers increases.

As Chinese tourists prefer services catered to their needs, British Columbia should work with stakeholders such as hotels, restaurants and shopping centers to ensure that Chinese-friendly services are available, such as Union Pay and Mandarin speaking staff to accommodate Chinese tourists.

Fewer visa restrictions on Chinese tourists could increase the number of tourists visiting British Columbia. As visas are a major concern for Chinese tourists, ease of access is a high priority in choosing tour destinations.

Pages 154 through 166 redacted for the following reasons:

s13, s16, s17

British Columbia Trade and Investment Office

Chinese Investment in Canadian Fossil Fuels

Prospects for British Columbia's Natural Gas Sector

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White Paper

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Disclaimer

This paper was prepared as the result of work done by an intern for the British Columbia Trade and Investment Office. It does not necessarily represent the views of the British Columbia Trade and Investment Office, its employees, or the government of the Province of British Columbia.

Even before the last spike of the Canadian Pacific Railway (CPR) was hammered in at Craigellachie, British Columbia (BC) in 1885, the visionaries of the CPR had bigger plans in mind. George Stephen, then-president of the CPR did not attend the official end of the railway's construction because he was imploring Prime Minister John A. Macdonald to focus eastward, petitioning, "The CPR is not completed until we have an ocean connection with ... China."¹ Furthermore, with over 15 000 workers contracted by the CPR, it seemed that Sino-Canadian relations were intertwined at an early stage. Over a century later – despite a few setbacks – the bond across the Pacific remains tried and true. While the days of the steam locomotive are gone, energy is still on the mind and Canada has a unique opportunity to engage the growing powerhouse that is China. Additionally, more and more corporations are now looking away from §13, §16 and towards the cleaner gas that British Columbia has to offer.

Canada's Oil Sands

Canada is the third most oil-rich country in the world, trailing only Saudi Arabia and Venezuela. Before discussing the available shale gas, we must touch upon Canada's most well known fossil fuel sink; the Athabasca oil sands are a large deposit of bitumen that lies beneath the province of Alberta and they hold an established 170.8 billion barrels worth of oil, which equates to roughly 12% of the global reserve.² With relatively recent technological advancements that allowed for

¹ Yuan Pau Woo, *Preparing for the Long Haul: The Rise of Asia and its Impact on North American Transportation Logistics*, 7.

² Alberta Energy, *Facts and Statistics*.

the extraction, treatment, and distribution of bitumen to be profitable, many global players began entering the Wild Rose Country and the Chinese state-owned enterprises (SOEs) were no exception.

China's State-owned Enterprises

The hydrocarbon sector in China is controlled by three players: China National Petroleum Corporation (CNPC), China Petroleum and Chemical Corporation (Sinopec), and China National Offshore Oil Corporation (CNOOC). CNPC, the largest of the three and wholly owned by the Chinese government, in turn owns 90% of PetroChina, a key player in oil and gas production as well as an important supplier of natural gas. Sinopec is only partially owned by the Chinese state but the 55% hold gives the government a controlling share of the company that specialises in petrochemicals and also serves as the largest refiner of gasoline, diesel, and jet fuel. Recent agreements have also made Sinopec a key player in natural gas. CNOOC, the last of the three SOEs, and one that is 70% owned by the state, is the leader in offshore operations and has recently focused much effort into the natural gas sector.³ One other company of note in the sector: the provincially owned Shaanxi Yanchang rounds out the Big Four in China and in fact it is the only company other than the three SOEs to possess exclusive exploration and mining rights. It is a fast growing company and its annual production growth rate recently surpassed that of the three national competitors.⁴ Out of these four companies, all

³ Trey McArver, *China 2013: Development in Natural Gas*, 4.

⁴ Gabe Collins, *Shaanxi Yanchang Petroleum: The Biggest Chinese Oil Company You Probably Never Heard Of*.

but Shaanxi Yanchang – whose interests are mainly around Shaanxi Province – have invested significant resources and capital into the Canadian fossil fuels market.

Overview of Chinese Investments in the Canadian Oil Sands

As expected, the initial surge in investment was directed towards the Athabasca oil sands following advancements in technology that made bitumen extraction economically feasible. Following is a list of selected large investments in chronological order:

- The first major investment from a Chinese company came in 2005 from CNOOC when they paid \$122 million⁵ for a 16.7% stake in Calgary-based MEG Energy, a pure play oil sands developer in Northern Alberta.
- In the same year, Sinopec purchased a 40% interest in the Northern Lights oil sands project, owned by Total SA for \$105 million; four years later, Sinopec acquired an additional 10% stake in the project.
- In 2009, PetroChina made its first big move into the Canadian oil sands by purchasing a 60% stake in two undeveloped properties owned by Athabasca Oil Sands Corporation; a year later PetroChina announces a buyout of the rest of the stake in the oil sands projects making them the first Chinese SOE to wholly own a Canadian oil sands project.⁶
- In 2010, Sinopec and ConocoPhillips reach a deal to give the Chinese SOE a 9% stake in Syncrude Canada, the largest oil sands project, for \$4.65 billion,

⁵ Please note all currency will be denoted in USD; exchange rates will depend on the time each cited document was written.

⁶ Reuters, *Timeline: Chinese Ownership in Canada's Oil Patch*, The Globe and Mail.

marking, at the time, the highest amount invested by a Chinese company in the Canadian oil sands.⁷

- At the end of 2012, CNOOC's \$15.1 billion acquisition of Calgary-based Nexen was finally approved after much scrutiny from many different parties – this deal marked the largest-ever foreign takeover by any Chinese company.

The CNOOC/Nexen deal prompted Canada to change the way they review takeovers to make sure any future deals will have Canadian interests at the forefront. Furthermore, the country announced that it would prohibit future state-owned acquisitions in the oil sands barring “exceptional circumstances.”⁸ Although this may put a damper on future deals in the oil sands, it does not spell an end to Chinese investment in the Canadian energy sector, namely British Columbia's natural gas.

Incentives to Develop British Columbia's Natural Gas Sector

There are many reasons why British Columbia should be expanding their natural gas sector and should do so quickly. Although natural gas is used to heat homes and fuel stoves in BC, the province also exports much of the product. The problem is that, currently, the United States is essentially the sole buyer and recent trends have shown that the US is heavily expanding their domestic production of oil and gas. Some predict that they will surpass Saudi Arabia as the largest oil producer

⁷ Edward Klump, *Sinopec Agrees to Buy ConocoPhillips's Stake in Syncrude for \$4.65 Billion*.

⁸ Michael Erman and David Ljunggren, *Canada OK's Foreign Energy Takeovers, but Slams Door on Any More*.

within the decade and become energy self-sufficient in 2035.⁹ The decline in American demand, though, does not spell an end to the sector because Chinese demand is predicted to not only replace, but also surpass that of the United States. However, in order to logistically transport the natural gas to abroad, the product must go through a cooling process that brings the temperature down to -160°C and converts the gas into a liquid form, also known as liquefied natural gas (LNG).¹⁰ Therefore, new infrastructure will have to be built for the liquefaction process, but there are still many reasons why the province should pursue LNG. The stall in the development of Enbridge's Northern Gateway twin-pipeline from Bruderheim, Alberta to Kitimat, British Columbia and the official opposition of the project by the British Columbian government hinders the possibility of diluted bitumen being transported from North America to Asia in the near future.¹¹ As such, many of the Chinese SOEs that have operations in the Albertan oil sands are now looking at other options – LNG is becoming an increasingly attractive alternative. This would also be beneficial to British Columbia because the province would receive a large share of royalties if the LNG sector were to proliferate; this was a key problem with the Northern Gateway because BC would take much of the environmental hazard, while gaining little in return for the transport of diluted bitumen through its borders.¹² Regarding the environmental hazards, LNG is also a better option

⁹ Michael McCullough and Joe Castaldo, *What Happens When America Doesn't Need Our Oil?*, 13.

¹⁰ Ministry of Energy and Mines, *Liquefied Natural Gas: A Strategy for B.C.'s Newest Industry*, Government of British Columbia, 3.

¹¹ CBC News, *B.C. Officially Opposes Enbridge Northern Gateway Pipeline*.

¹² CBC News, *B.C. and Alberta Take Pipeline Fight to Premiers' Conference*.

because it is non-toxic, odourless, and non-corrosive. Additionally, if an accident were to occur LNG would warm, rise and dissipate into the atmosphere whereas a bitumen spill could take months to complete a very costly clean up.¹³

Competition in the LNG Sector

It is imperative to stress the tight time frame that exists to exploit Canada's natural gas resources. There are many competitors that have been exporting LNG for years with well-developed infrastructure and established trade logistics. Of those, Qatar and Australia are the biggest and the fastest growing LNG exports markets, respectively. Indonesia and Malaysia are also big players in the field and the USA is predicted to be an up-and-coming power. Qatar began LNG ventures in 1997 and is by far the largest supplier, responsible for 31% of global exports – the second and third spots follow: Malaysia at 10%, and Indonesia at 9%.^{14, 15} Although Qatar is the biggest supplier, it does not seem to be the largest competitor for BC LNG. Qatar is currently only China's fourth largest supplier of LNG, behind Australia, Indonesia, and Malaysia, though it must be noted that they recently started exploring contract options with China.^{16, 17} Furthermore, the Qatari LNG sector has witnessed a bottlenecking effect, slowing down production and government has stated that it is unlikely to build anymore LNG facilities in the near

¹³ Ministry of Energy and Mines, *Liquefied Natural Gas: A Strategy for B.C.'s Newest Industry*, Government of British Columbia, 3.

¹⁴ International Gas Union, *World LNG Report 2011*, 8.

¹⁵ Please refer to Appendix, Item I.

¹⁶ International Gas Union, *World LNG Report 2011*, 14.

¹⁷ Please refer to Appendix, Item II.

future.¹⁸ Malaysia is the second largest exporter and their oil and gas sector is dominated by state-monopoly, Petronas. Petronas owns a majority of the Malaysia International Shipping Corporation (MISC), which controls the single largest LNG tanker fleet in the world. Petronas also owns a controlling share of the Bintulu facility, the largest LNG complex in the world; largely financed by Japan, it is likely much of Malaysian exports will end up there.¹⁹ Indonesia is the third largest player and currently supplies much of Japan's needs. Due to ageing infrastructure and the focus of the government to supply domestic needs, it is unlikely that Indonesia will grow their Chinese exports significantly in the next few years.²⁰ The main competition for Chinese business, however, is the development of Australia's LNG sector. The country is already a global player with 8% of total LNG exports and China's biggest supplier. Last year, China imported 3.89 million tons from Australia – the second largest supplier, Indonesia, only supplied 1.94 million tons.²¹ The concern lies in the Oceanian country's projected growth. Australia currently has 61 million tons per annum of liquefaction capability under construction.²² To break it down, the Australia government has committed \$200 billion to 8 approved LNG projects and another \$150 billion for expansion of current facilities. Overall, 70% of global LNG capacity under construction at the moment is in Australia.²³ On the other hand, a large problem the Australian LNG sector is facing is the increasing

¹⁸ Energy Information Administration, *Qatar*, U.S. Department of Energy.

¹⁹ Energy Information Administration, *Malaysia*, U.S. Department of Energy.

²⁰ Energy Information Administration, *Indonesia*, U.S. Department of Energy.

²¹ International Gas Union, *World LNG Report 2011*, 8 and 14.

²² *Ibid.*, 20.

²³ Vittorio Hernandez, Forecast: Australia to Rise as World's Largest LNG Exporter by 2018.

costs of each new project. Labour costs in Australian resources projects have recently increased by roughly 30-50% while productivity is on a decline.²⁴ Regardless, since Australia's LNG export capabilities are developing so fast, it is imperative for BC to surge forward with the projects in plan to prevent Australia from inundating the Chinese market.

British Columbia's Competitive Qualities

Although not the only destination looking to export LNG, British Columbia possesses all the right means for the propagation of the LNG sector.²⁵ The Premier of British Columbia, Christy Clark, is dedicated to the BC Jobs Plan. Her platform is designed to "[leverage] our competitive advantages to benefit British Columbians."²⁶ To achieve her goal, she is expected to focus heavily on the LNG sector as well as increase an already strong bond with China and the Pacific Rim. This can be seen in the BC Jobs and Trade Mission and her recent visit to Beijing, Shanghai, and Guangzhou. To reinforce dedication to the sector, the province also recently instated a new Minister of Natural Gas Development. The provincial government is also proving long-term commitment by investing in skills training as well as the post-secondary education system to deliver targeted training in regards to the LNG sector. BC also has a unique opportunity to attract Chinese investment due to the large population of overseas Chinese in the province catalysed by the historical connection, personal *guanxi*, and common language that are likely prevalent. Many

²⁴ Fatih Birol and Andrew Smith, *\$100 Billion in LNG Investment at Risk in Australia*.

²⁵ Hugh Stephens, *Getting Canadian Gas to Asian Markets*.

²⁶ Ministry of Energy and Mines, *Liquefied Natural Gas: A Strategy for B.C.'s Newest Industry*, Government of British Columbia, 1.

wealthy Chinese are also looking to move to Canada and these investment opportunities give them an extra incentive. Furthermore, British Columbia is strategically located on the Pacific coast; its geographic location allows it to be the closest large North American port to Asia. In fact, sailing times between Vancouver and the world's largest port in Shanghai is close to three days quicker than when compared to sailing times between the port of Los Angeles and Shanghai.²⁷ It is also a great time for BC to expand their LNG export capacity because at the moment, Canadian companies can take advantage of a large price arbitrage. Currently, the market price for LNG in China is six times more expensive than in North America; though it is unlikely to last into the long-term, the initial profits may help offset the start-up costs of such ventures.²⁸ Although China will be a significant importer of LNG when BC's facilities are up and running, there are other buyers to be mentioned as well. Due to the earthquake and tsunami in Japan on 11 March 2011, and the resulting disaster at the Fukushima Daiichi nuclear plant, many Japanese have recently supported a "zero option" on nuclear energy, with many plants already being phased out. Furthermore, Japan recently rolled out an \$11 billion incentive scheme to encourage national companies to invest in North America in order to secure low-cost LNG.²⁹ South Korea and Taiwan are also very feasible buyers for

²⁷ Sea Rates, *Transit Time / Distance Calculator*.

²⁸ Michael McCullough, *A Race Fueled by Natural Gas*, 14.

²⁹ Reuters, *Japan Offers \$11 Billion in Loans to Help Secure Lower-cost LNG*, Office of the Federal Coordinator.

Canadian LNG.³⁰ Efforts should be focused on China, however, and there are numerous reasons why.

China's Growing Demand

With a population of 1.35 billion and an average yearly GDP growth rate of 8% over the past four years, it is no wonder that China is becoming a huge consumer – natural gas is no exception.^{31, 32} Although China does have abundant domestic reserves of natural gas, demand well exceeds supply. It is predicted that 40% of China's natural gas consumption will have to come from imported sources by 2020. By current estimates, that equates to roughly 22.6 billion cubic metres (bcm) of imported LNG.³³ There is a reason for this reliance on natural gas in a country that is currently the second largest consumer of crude oil, with an 81% increase in the past decade – the country needs another option.³⁴ Pollution has hit record levels this year and the public has largely been voicing their opinions and putting significant pressures on the government to reform their environmental policies. China's focus on natural gas has the potential to be incredibly effective as LNG emits 97% less CO₂ and 72% less hydrocarbons than gasoline.³⁵ During the 12th Five Year Plan, announced in 2012, the government set targets to consume 260bcm of natural gas by 2015, doubling the numbers of 2011. By meeting these targets, natural gas

³⁰ Michael McCullough, *A Race Fueled by Natural Gas*, 14.

³¹ Central Intelligence Agency, *The World Factbook*.

³² The World Bank and OECD, *GDP Growth (Annual %)*.

³³ Wensheng Lin, Na Zhang, & Anzhong Gu, *LNG (Liquefied Natural Gas): A Necessary Part in China's Future Energy Infrastructure*, 4384.

³⁴ Trey McArver, *China 2013: Developments in the Refined Fuels Sector*, 3.

³⁵ Jack Perkowski, *Natural Gas Vehicles in China*.

consumption would equate to 10% of the Chinese national energy mix.³⁶ As a part of utilising this large influx of imported LNG, the country has been focused on LNG for use in transportation.

Converting just one heavy-duty truck from diesel to natural gas has the same effect as taking 325 cars off the road.³⁷ Furthermore, LNG is a good comparable to gasoline or diesel because LNG fuelling stations require less land and do not require large-scale power equipment and therefore suitable to urban environments. LNG also has an advantage over compressed natural gas (CNG) because it can almost triple the distance a vehicle can drive before a fill up.³⁸ As an added incentive, LNG prices are currently lower than the prices set by the Chinese government on gasoline. The government has already started this push for natural gas vehicles; in Chongqing, Shanghai, and other large cities, over 85% of their taxi and bus fleets have already converted to LNG. Other reports indicate that the number of LNG-powered heavy-duty trucks in China will increase fivefold in the next two years.³⁹ In addition, municipal governments are pledging to build more natural gas refilling stations in order to ameliorate interest from the public for natural gas-fuelled passenger cars. This is a huge step for a country with 100 million cars on the road, a number that will keep expanding to solidify their lead as the largest car market in the world. There are already some people in China that are buying natural gas

³⁶ Trey McArver, *China 2013: Developments in the Refined Fuels Sector*, 10.

³⁷ Ministry of Energy and Mines, *Liquefied Natural Gas: A Strategy for B.C.'s Newest Industry*, Government of British Columbia, 7.

³⁸ Wensheng Lin, Na Zhang, & Anzhong Gu, *LNG (Liquefied Natural Gas): A Necessary Part in China's Future Energy Infrastructure*, 4386.

³⁹ Jack Perkowski, *Natural Gas Vehicles in China*.

conversion kits for their cars to save on fuel costs, but what will really make a difference is if Volkswagen and Audi market their natural gas vehicles – models which are already sold in other country – to China.

LNG can also play a role in other sectors in China. In fact the fastest growing sector in natural gas consumption is the residential sector. Its share in natural gas consumption increased from 19% in 2000 to 25% in 2007 and is expected to keep on growing.⁴⁰ Much of the gas consumed is in the southern and western part of China where natural gas is abundant and transferred to homes by pipes, but the importation of LNG will provide the densely populated east with the possibilities of using re-gasified LNG to heat their homes and fuel their stoves. Overall, China's commitment to natural gas – specifically imported LNG – can be seen by their development of terminals and re-gasification centres. China's import capacity reached 29bcm in 2012, and another 23bcm of capacity is under construction. The country's first re-gasification terminal is in Guangdong and could feasibly take shipments from BC as soon as our infrastructure permits. Other completed terminals include operations in Fujian, Shanghai, Jiangsu, and Liaoning, while terminals are under construction in Zhejiang, Guangzhou, Hainan, Hebei, and Shandong.^{41, 42}

Chinese SOEs Shift to LNG

⁴⁰ Nobuyuki Higashi, *Natural Gas in China: Market Evolution and Strategy*, 14.

⁴¹ Trey McArver, *China 2013: Developments in the Refined Fuels Sector*, 10.

⁴² Please refer to Appendix, Item III.

To satisfy China's growing imported-LNG needs – coinciding with the disruption to the planned Northern Gateway – Chinese oil and gas companies are turning some of their attention to the natural gas that is available in the northeast corner of British Columbia. With the aforementioned CNOOC buyout of Nexen, the Chinese SOE acquired BC natural gas assets in the deal as well. Nexen's first move into BC shale gas, however, began in 2006 when they bought large plots of land in the Horn River Basin; this land is prospected to yield between four trillion and 15 trillion cubic feet of recoverable resources (113bcm and 425bcm, respectively). In 2010, the company expanded their venture by purchasing land in the Cordova and Liard Basins. The land held in the latter two assets hold potentially more than the Horn River projects – prospective resources measure in at five trillion to 23 trillion cubic feet (142bcm to 651bcm).⁴³ Sinopec has also recently reached a deal with a Canadian company. In a \$2 billion takeover of Daylight Energy – which marked the first outright takeover of a North American oil and gas company – Sinopec now owns significant holdings in the Montney Shale Formation and in the Deep Basin area, which both straddle the BC-Alberta border. To give a sense of scale, Daylight Energy produced 140 million cubic feet (0.004bcm) of natural gas per day in the second quarter of 2011.⁴⁴ Although the other two have acquired Canadian assets, PetroChina is the first Chinese oil and gas SOE to directly invest into a LNG project. Shell Canada Limited, Korea Gas Corporation (KOGAS), Mitsubishi Corporation, and PetroChina announced in May 2012, a joint venture for a LNG export facility near Kitimat, British Columbia. The project will construct and operate natural gas

⁴³ Nexen, *Northeastern British Columbia, Canada*.

⁴⁴ Stephen Ewart, *Sinopec Buys Calgary-based Daylight Energy*.

treatment facilities, LNG liquefaction and storage facilities, marine terminal facilities, an interconnecting cryogenic LNG transfer pipe, and supporting infrastructure. The project, when completed, will have an expected capacity of 2 billion cubic feet (0.6bcm) per day with options to expand.⁴⁵ As for running ventures, PetroChina has also recently bought a 20% stake in Royal Dutch Shell PLC's shale gas Groundbirch property in northeast BC that currently produces 180 million cubic feet (0.005bcm) of gas per day.⁴⁶

British Columbia's LNG Developments

While investment from Chinese companies is pouring in, the British Columbian government is taking steps to ensure that BC LNG is competitive and that the province will attain exporting capabilities within the next few years. To distance itself from other competitors, BC is planning to introduce the first LNG liquefaction terminals in the world that will run on hydroelectricity. This facility in Kitimat, BC will be Canada's first commercial LNG exporting facility and it is set to be complete in 2015. Furthermore, the government has already approved a 20-year export licence for this facility. There are another two LNG facilities that are to be operational by 2020 as well.⁴⁷ To complement these facilities, many pipeline projects are also in the works. Some projects, like LNG Canada will have already included pipelines, but there are many more projects that will be needed to be connected shale gas fields to the export facilities on the Pacific Coast. Two of the

⁴⁵ Invest in Northwest British Columbia, *LNG Canada*.

⁴⁶ Shawn McCarthy, *PetroChina Takes Stake in Shell Gas Field in B.C.*

⁴⁷ Ministry of Energy and Mines, *Liquefied Natural Gas: A Strategy for B.C.'s Newest Industry*, Government of British Columbia, 2 and 4.

biggest include the Pacific Trails Pipeline and the Coastal GasLink. The \$1.3 billion Pacific Trails will connect Summit Lake in northern BC to the Kitimat terminal for export to the Asian market. Coastal GasLink, predicted to cost \$4 billion, will provide a link between the Dawson Creek area and the LNG Canada facility, which will also export to Asia.⁴⁸

Benefits and Risks

Overall, the development of a new LNG sector in British Columbia has the potential to greatly benefit the province. The three LNG terminals alone are projected to attract over \$20 billion in new direct investment. The three projects combined are also anticipated to provide 9 000 temporary jobs, 800 permanent jobs, as well as thousands of additional spinoff job. Furthermore, the economic activity that will result is projected to bring over \$1 billion a year in additional government revenue.⁴⁹ These numbers do not even include the many other pipeline projects that are also in the works. There are also benefits from diversifying our energy sources, and bolstering our exports as well, to protect from negative economic shocks. On the other hand, there are risks that need to be discussed. First of all, these projects face a lot of pressure from green advocates due to the unsustainable nature of exploiting a non-renewable fossil fuel source. Others have expressed concern for the safety of the public over the use of liquefied natural gas, but this may be due to a lack of knowledge. As mentioned before, LNG does not pose

⁴⁸ Kitimat, *Major Projects*.

⁴⁹ Ministry of Energy and Mines, *Liquefied Natural Gas: A Strategy for B.C.'s Newest Industry*, Government of British Columbia, 4.

much threat to the masses. The main concerns would be for the workers because, although not explosive, the gas is flammable; the fact that it is cooled to -160°C may also pose a risk to those closely dealing with the material. As many projects have done before, some of these LNG ventures encroach onto the land of the First Nations. Although many peoples like the Haisla of the north have approved the construction of the Kitimat LNG Terminal, there is always a risk that projects could be halted due to their objections. Another concern may arise from the proprietary nature of the LNG terminals. Powering the liquefaction process requires an immense amount of energy. To fulfil the power needs, BC Hydro will have to divert resources away from consumer and commercial properties. Although the crown corporation and provincial government are dedicated to keeping consumer prices of, and availability for, hydroelectricity at the same level, sceptics have voiced concern and doubt. At the moment, BC Hydro seems confident that they can supply the biggest project, the Kitimat LNG, as well as the much smaller Douglas Channel Energy Partnership, but prospects are more hesitant if a third plant requests service.⁵⁰ This will be a challenge with many more projects in the works and a promise to the citizens to keep energy bills at a reasonable cost.

s13

⁵⁰ Wendy Stueck, *BC Hydro Forecasts Enough Energy for Two LNG Facilities*.

Rise of Chinese Companies

As mentioned before, the three Chinese SOEs dominate almost all the oil and gas activities in China. A recent change, allowed for some other players to enter the sector. The Ministry of Land and Resources recently auctioned off the rights to explore shale gas resources – these sixteen companies that won the rights have already invested over \$2 billion in the projects.⁵² These are worth mentioning because it may give Canadian companies an opportunity to use their expertise to help these Chinese companies. Although the Chinese companies are not small, they may not be specialised in shale gas extraction. As such, many are looking to international companies for experience in the field to help with steps ranging from assessment of resources to extraction or transportation. Investments mentioned in this paper have been generally one-sided with Chinese companies investing in Canada, but this may give an opportunity to provide an opposite flow, thereby increasing the connection across the Pacific. This mutual connection will hopefully be beneficial to all parties involved.

Conclusions

Regardless of the potential barriers to development, the LNG sector in British Columbia is likely to advance largely due to provincial government's support and the influx of investment that has, and will continue to flow in. As such it is imperative that the province pushes for the speedy development of these projects in

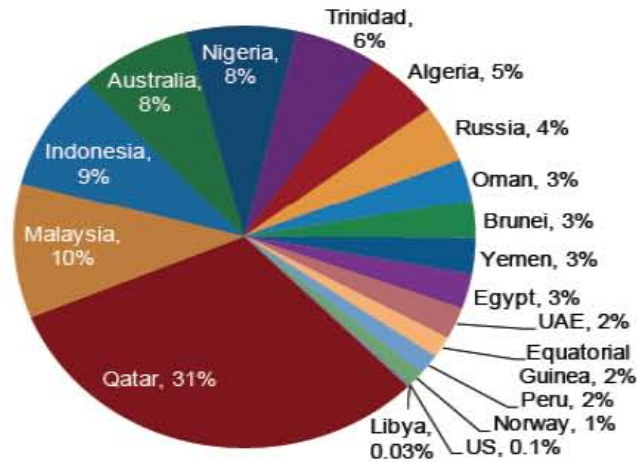
⁵² Reuters, *Second-round Bidders for Chinese Shale Gas Rights Pledge \$2 bln Investment – Report*, Chicago Tribune.

order to satisfy the current Chinese need for the commodity in order to take full advantage of the price arbitrage and commence a positive rapport with various companies. Furthermore, if we do not develop the sector soon, the investments that the province and Canadian companies have already injected may not pay off due to the already prevalent or developing LNG exporting capabilities of Australia, Malaysia, Indonesia, Qatar, and the like that may usurp China's business. In developing the field, it may also help offset the federal monetary loss that is currently growing due to the lag in the Northern Gateway project. Lastly, if Canadian companies advance their natural gas expertise it may give them the opportunity to provide services to others such as the companies in China who are gaining rights to shale gas expeditions. Overall, the benefits that can be leached by the province are available, but it will all depend on the next moves that BC will make. To ensure competitiveness in this newly developing field, the province will have to act quickly to make the correct decisions regarding liquefied natural gas. It is now the province's chance to further George Stephen's plan to connect with Asia. At the end of the day, it seems rather fitting that the Canadian Pacific Railway just recently made a purchase for LNG-powered locomotives.

Appendix

I.

FIGURE 2: LNG EXPORTS BY COUNTRY, 2011



Sources: Waterborne LNG Reports, US DOE, PFC Energy

II.

TABLE 4: LNG TRADE VOLUMES BETWEEN COUNTRIES, 2010, MT

Importer	Argentina	Belgium	Brazil	Canada	Chile	China	Dom Rep	France	Greece	India	Italy	Japan	Korea	Kuwait	Mexico	Portugal	Spain	Taiwan	Turkey	UAE	UK	US*	Total
Exporter																							
Algeria					0.18			4.68	0.71		1.20	0.06					3.54		2.78		0.95		14.1
Australia						3.89				0.06		13.35	0.98	0.06				0.83					19.2
Belgium			0.06									0.06	0.07	0.07			0.06		0.07				0.4
Brunei												5.93	0.72										6.7
Egypt		0.13			0.36			0.46	0.06	0.06	0.44	0.43	0.80	0.21	0.12		2.10	0.13	0.19		0.12	1.46	7.1
Eq. Guinea			0.02		1.17	0.07			0.06	0.12	0.06	0.54	1.44	0.19				0.39					4.1
Indonesia						1.04						12.75	5.57		1.38			1.97					23.6
Libya																	0.25						0.2
Malaysia						1.19						13.89	5.02	0.13				2.96					23.2
Nigeria		0.06	0.62			0.21		2.82		0.25		0.58	0.88	0.06	1.76	2.06	5.71	0.81	1.08		0.31	0.86	18.1
Norway		0.06		0.06				0.33			0.12		0.13				1.33	0.05	0.12		0.70	0.54	3.5
Oman												2.86	4.65	0.11			0.12	0.38					8.7
Peru		0.08	0.12	0.12									0.07		0.18		0.49					0.34	1.4
Qatar	0.18	4.51	0.38	0.18	0.12	1.27		1.77	0.03	8.05	4.56	7.91	7.58		0.72	0.06	4.20	2.88	1.46	0.12	10.57	0.94	57.5
Russia						0.38						6.29	3.39	0.07				0.51					10.6
Trinidad	1.10	0.06	0.68	1.16	0.37	0.05	0.59	0.24	0.06	0.48	0.24	0.11	0.66	0.29		0.13	2.50	0.37	0.18		1.29	4.45	15.0
UAE			0.04									5.10	0.19	0.18				0.33					5.8
US			0.06									0.63	0.26				0.09				0.14		1.2
Yemen					0.06	0.48		0.07		0.28		0.12	1.88	0.14	0.13		0.13				0.20	0.80	4.3
Re-exports		-0.39																				-0.60	-1.0
Total	1.28	4.51	1.98	1.54	2.26	9.47	0.59	10.35	0.92	9.30	6.63	70.61	34.28	2.09	4.29	2.25	20.52	11.63	5.87	0.12	14.28	8.79	223.6

Sources: Waterborne LNG Reports, US DOE, PFC Energy

*Includes Puerto Rico

III.

Table 1: China's LNG Import Terminals					Unit: m tonnes/year	
Project	Capacity		Location	Owner	Status	Time of Operation
	Phase I	Phase II				
Dapeng LNG terminal	3.7	7	Dapeng Bay, Guangdong	CNOOC	In operation	2006
Putian LNG terminal	2.6	6	Meizhou Bay, Fujian	CNOOC	In operation	2008
Shanghai LNG terminal	3	6	Yangshan, Shanghai	Shenergy	In operation	2009
Rudong LNG terminal	3.5	6.5	Rudong, Jiangsu	PetroChina	In operation	2011
Dalian LNG terminal	3	6	Dalian, Liaoning	PetroChina	In operation	2012
Ningbo LNG terminal	3	9	Ningbo, Zhejiang	CNOOC	Trial operation	2012
Jinwan LNG project	3.5	7	Zhuhai, Guangdong	CNOOC	Under Construction	2013
Caofeidian LNG project	3.5	6.5	Caofeidian, Hebei	PetroChina	Under Construction	2013
Qingdao LNG project	3	6	Qingdao, Shandong	Sinopec	Under Construction	2013/2014
Hainan LNG project	2	3	Yangpu, Hainan	CNOOC	Under Construction	2014

Table 1: China's LNG Import Terminals					Unit: m tonnes/year	
Project	Capacity		Location	Owner	Status	Time of Operation
	Phase I	Phase II				
Shenzhen LNG project	2	4	Shenzhen, Guangdong	CNOOC	Approved	2015
Yuedong LNG project	2	4	Jieyang, Guangdong	CNOOC	Approved	2015
Tianjin floating LNG terminal	2.2	6	Tianjin	CNOOC	Applied for approval	2013
Tianjin LNG project	3	5	Tianjin	Sinopec	Applied for approval	2015
Tieshangang LNG project	3	5	Tieshan'gang, Guangxi	Sinopec	Applied for approval	2015
Yuxi LNG project	2	3	Zhanjiang, Guangdong	CNOOC	Applied for approval	2015
Wenzhou LNG project	3	N/A	Wenzhou, Zhejiang	Sinopec	Preliminary stage	N/A
Yancheng floating LNG project	2.6	3.5	Yancheng, Jiangsu	CNOOC	Preliminary stage	2013
Yantai floating LNG project	1.5	N/A	Yantai, Shandong	CNOOC	Preliminary stage	2013
Ningde LNG project	3	6	Ningde, Fujian	CNOOC	Preliminary stage	N/A
Longhai LNG project	3	6	Longhai, Fujian	CNOOC	Preliminary stage	N/A
Shenzhen LNG project	3	6	Dachan Bay, Guangdong	PetroChina	Preliminary stage	N/A

III, cont.

Lianyungang LNG project	N/A	N/A	Lianyungang, Jiangsu	Sinopec	Preliminary stage	N/A
Guangxi LNG project	4	N/A	Qinzhou, Guangxi	PetroChina	Preliminary stage	N/A
Yingkou LNG project	N/A	10	Yingkou, Liaoning	CNOOC	Preliminary stage	N/A
Qinhuangdao LNG project	2	1	Qinhuangdao, Hebei	CNOOC	Under planning	N/A
Xiamen LNG project	N/A	N/A	Xiamen, Fujian	PetroChina	Under planning	N/A
Jinxi LNG project	N/A	N/A	Jinxi, Liaoning	PetroChina	Under planning	N/A
Macao LNG project	3	6	Huangmaodao, Zhuhai	Sinopec	Under planning	N/A
Maoming LNG project	N/A	N/A	Maoming, Guangdong	Sinopec	Under planning	N/A

Table 1: China's LNG Import Terminals					Unit: m tonnes/year	
Project	Capacity		Location	Owner	Status	Time of Operation
	Phase I	Phase II				
Shantou Sailuo LNG project	1.5-3	N/A	Shantou, Guangdong	Sailuo Gas/China Guodian	Under planning	N/A
Guanghui Qidong LNG project	0.9-1.15	N/A	Qidong, Jiangsu	Guanghui Energy	Under planning	N/A

Source: ICIS C1 Energy

Source: Sabrina Huang, Key Accounts Manager at ICIS Consulting

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Pages 196 through 232 redacted for the following reasons:

s13, s16, s17

s13, s17