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EAGLE HOSPITALITY TRUST

Comprising:

EAGLE HOSPITALITY REAL ESTATE INVESTMENT TRUST (a real estate investment trust constituted on 11 April 2019 under the laws of the Republic of Singapore) managed by Eagle Hospitality REIT Management Pte. Ltd.	EAGLE HOSPITALITY BUSINESS TRUST (a business trust constituted on 11 April 2019 under the laws of the Republic of Singapore) managed by Eagle Hospitality Business Trust Management Pte. Ltd.
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Update Announcement – Utilisation of Funds to Preserve and Protect Portfolio

1. Introduction

Eagle Hospitality REIT Management Pte. Ltd., as manager (the “**REIT Manager**”) of Eagle Hospitality Real Estate Investment Trust (“**EH-REIT**”), and Eagle Hospitality Business Trust Management Pte. Ltd., as trustee-manager (the “**Trustee-Manager**”, collectively with the REIT Manager, the “**Managers**”) of Eagle Hospitality Business Trust (“**EH-BT**”, collectively with EH-REIT, “**EHT**”) wish to provide an update to stapled securityholders (the “**Stapled Securityholders**”) on the status of the funds and the intention to utilise funds to preserve and protect the portfolio of EHT.

References are made to (i) the announcement “Notice of Record Date and Distribution Payment Date” dated 17 February 2020 (the “**17 February 2020 Announcement**”); (ii) the announcement “Request for Voluntary Trading Suspension” dated 24 March 2020 (the “**24 March 2020 Announcement**”); (iii) the announcement “Update Announcement – Special Committee Established” dated 1 April 2020 (the “**1 April 2020 Announcement**”); (iv) the announcement “Update Announcement and Response to the SGX-ST’s Queries” dated 20 April 2020 (the “**20 April 2020 Announcement**”); (v) the announcement “Update Announcement – Appointment of

DBS Bank Ltd. was the sole financial adviser and issue manager for the initial public offering of Eagle Hospitality Trust.

Chief Restructuring Officers and other Updates” dated 24 April 2020 (the “**24 April 2020 Announcement**”); (vi) the announcement “Update Announcement – Appointment of Financial Adviser and Implementation of Temporary Caretaker Arrangements at Certain Hotels” dated 28 April 2020 (the “**28 April 2020 Announcement**”); (vii) the announcement “Update Announcement – (1) Termination of Interest Rate Swap Agreement, (2) Discovery of Interested Person Transactions, and (3) Liabilities of Master Lessees” dated 15 May 2020 (the “**15 May 2020 Announcement**”); and (viii) the announcement “Unaudited Financial Statements and Distribution Announcement for the First Quarter ended 31 March 2020” dated 15 May 2020 (the “**1Q Results Announcement**”, together with the 24 March 2020 Announcement, the 1 April 2020 Announcement, the 20 April 2020 Announcement, the 24 April 2020 Announcement, the 28 April 2020 Announcement, the 15 May Announcement and the 1Q Results Announcement, the “**Earlier Announcements**”).

Unless otherwise defined, all capitalised terms used and not defined herein shall have the same meanings as given to them in the Earlier Announcements (as the context requires).

2. Utilisation of Funds to Preserve and Protect Portfolio

Background

- 2.1 The Managers had previously announced the distribution of US3.478 cents per stapled security in EHT (the “**Stapled Security**”) for the period from 24 May 2019 (being the listing date of EHT) to 31 December 2019 (the “**Distribution**”) in the 17 February 2020 Announcement, on the basis of net income being available for this purpose.
- 2.2 As further disclosed in the Earlier Announcements, whilst as at 17 February 2020, it was considered that there were sufficient funds to pay out the Distribution in full, in light of (a) the notice of default and acceleration issued by the Administrative Agent in relation to the Facilities Agreement and the restrictions against payment of the Distribution following the receipt of such notice; and (b) the key condition to the temporary forbearance by the Administrative Agent and the Lenders being that the payment of the Distribution must be suspended whilst discussions with the Administrative Agent and the Lenders are ongoing during the temporary forbearance period, the Managers did not process the payment of the Distribution which was originally scheduled to be paid to Stapled Securityholders on 30 March 2020.
- 2.3 Importantly, as was stated in the 15 May 2020 Announcement, the Managers were informed by FTI and have since discovered that there are significant liabilities incurred by the Master Lessees under the Hotel Management Agreements in respect of EHT’s properties which remain to date outstanding. The liabilities include substantial outstanding payables to third parties necessary and critical to preserve and maintain the underlying value of the properties in EHT’s portfolio (the “**Portfolio**”), such as taxes, utilities, and payables to essential goods and services providers.
- 2.4 As stated in Paragraph 10 of the 1Q Results Announcement, even whilst the Managers and the REIT Trustee continue with the Strategic Review, it may be necessary and in the interest of EHT to enter into arrangements to protect the properties so as to safeguard the asset value of its Portfolio. This may result in utilising EHT’s resources, such as its cash and cash equivalents (including restricted cash subject to the rights and remedies of the Administrative Agent and the Lenders under the Facilities Agreement, as well as the cash which were originally considered to have been available to fund the payment of the Distribution).

Utilisation of Funds for property expenses to preserve and protect Portfolio

- 2.5 The Managers and the REIT Trustee have since been further advised that, in order to preserve and protect the underlying asset value of EHT’s properties in the best interests of EHT, there is now an urgent need to fund necessary and critical expenses of EHT and its underlying Portfolio to protect and safeguard the asset value of EHT’s Portfolio (“**Portfolio Value**”) including from waste, damage and/or deterioration and reduce losses experienced at the property level during the COVID-19 pandemic. Such expenses, in addition to some of the outstanding payables referred to in paragraph 2.3 above, include other essential payments in relation to insurance policies, municipal fees, ground rent, maintenance and repair costs, and costs and expenses to be incurred

in order to implement temporary caretaker arrangements at certain hotels in EHT's Portfolio, and other necessary costs and expenses incurred by EHT to safeguard the Portfolio Value (collectively, the "**Portfolio Preservation Expenses**"). It is difficult for the Managers and the REIT Trustee to meaningfully ascertain the quantum and extent to which the available funds of EH-REIT would be utilised to fund the Portfolio Preservation Expenses at this juncture, as the quantum and extent would vary depending on various factors that would impact the aggregate Portfolio Preservation Expenses.

- 2.6 After having received and reviewed the advice of their advisers including FTI, Moelis and their respective legal counsels, the Managers and the REIT Trustee have, after careful and measured consideration, balancing multiple and competing demands on EHT's resources, determined that it is in the best interests of EHT and the Stapled Securityholders to utilise the available funds of EH-REIT (including in particular the funds constituting Security Deposits, and the funds that were originally intended for the payment of the Distribution) to fund the Portfolio Preservation Expenses to the extent appropriate and necessary and in such manner and proportion as may be agreed with the Administrative Agent and the Lenders. In light of the continuing failure by the Master Lessees to discharge their obligations under the MLAs and the continuing impact of COVID-19, there is currently no alternative source of funds to fund the Portfolio Preservation Expenses and hence the Managers and the REIT Trustee consider that utilising available funds of EH-REIT to fund the Portfolio Preservation Expenses is in the best interests of the preservation and protection of the Portfolio and the Portfolio Value and accordingly in the best interests of EHT and the Stapled Securityholders.
- 2.7 **In view of this, Stapled Securityholders should note that it would no longer be feasible or practicable for the Managers and the REIT Trustee to effect the payment of the Distribution in part or at all at this juncture. The Managers and the REIT Trustee wish to reiterate that the decision to utilise the funds of EH-REIT has been made for the preservation and protection of the Portfolio, the Portfolio Value and therefore in the best interests of EHT and the Stapled Securityholders under the prevailing circumstances.**
- 2.8 The Managers will provide further updates if there are material developments including as to the utilisation of EH-REIT's available funds. In the meantime, all rights of the Master Lessors against the Master Lessees under the MLAs have been expressly reserved, including the right to terminate the MLAs, which is under consideration.

Stapled Securityholders are advised to read this Announcement and any further announcements by the Managers carefully. There is no certainty or assurance as at the date of this Announcement that any measures to preserve and protect the Portfolio and the Portfolio Value or any discussions will be successfully concluded or any definitive agreements in relation to any transactions will be entered into (including whether there will be any satisfactory resolution with EHT's lenders, Master Lessees and/or hotel operators). Stapled Securityholders should consult their stockbrokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

For Strategic Review and related matters, please contact:

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Any queries relating to this Announcement should be directed to the following:

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For and on behalf of the Board

Salvatore Gregory Takoushian
Executive Director and Chief Executive Officer

Eagle Hospitality REIT Management Pte. Ltd.
(Company Registration No.: 201829789W)
as manager of Eagle Hospitality Real Estate Investment Trust

Eagle Hospitality Business Trust Management Pte. Ltd.
(Company Registration No.: 201829816K)
as trustee-manager of Eagle Hospitality Business Trust

Date: 27 May 2020

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