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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.

RESPONSES TO QUERIES BY THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

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**") wish to announce its response to the queries raised by the Singapore Exchange Securities Trading Limited (the "SGX-ST") in relation to Eagle Hospitality Trust's ("**EHT**") Full Year Results dated 17 February 2020.

The following information is in response to the SGX-ST's queries dated 21 February 2020.

(1) We refer to the Trust's SGXNet announcement on 17 February 2020 titled "Full Yearly Results". Please provide a breakdown of how the fair value gain in investment properties of US$156 million is derived and explain the factors that caused the fair values of these investment properties to increase so significantly.

<u>Response:</u>

Fair value gain is primarily the difference between the fair value of the investment properties based on independent valuations and the price EHT paid for the properties.

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

The purchase price of investment properties at IPO reflects a 12.5% discount to the current market value of investment properties as of 31 December 2019.

The fair value gain in investment properties did not increase, but rather decreased. The fair value gain in the investment properties as of 31 December 2019 was US$156.4 million. As of the IPO, the fair value gain was US$165.5 million.

Given that the valuation for the portfolio declined as of 31 December 2019, the fair value gain was reduced. As of 31 December 2019, the reduction in fair value gain of investment properties was driven by a US$7.6 million reduction in the fair value of investment properties, which reflects a 0.6% decrease compared to the valuations at IPO. The decrease in fair value of investment properties is not significant; for details, please refer to the Notice of Valuation of Real Assets on 17 February 2020.

The breakdown of the change in fair value gain in investment properties is as follows:

	Notes	**EHT US$'000**
Consolidated Statement of Comprehensive Income		
Fair value gain in investment properties at IPO	1	165,471
Fair value loss in investment properties at 31 December 2019	2	(7,600)
Net effect of straight-line adjustments	3	(1,433)
Net fair value change in investment properties recognised in the Consolidated Statement of Comprehensive Income		156,438

Notes:

The net fair value change in investment properties comprises of the following:

1) As of the IPO, the fair value gain in investment properties of US$165.5 million represents the difference between the fair value of the investment properties based on independent valuations at IPO and the price EHT paid for the properties.

2) As of 31 December 2019, the fair value loss in investment properties of US$7.6 million arising from the measurement of the investment properties at fair value based on independent valuations as of 31 December 2019 compared to the valuations at IPO.

3) The net effect of straight-line adjustments including accounting for rental income on a straight-line basis, the difference between interest expense arising from the amortisation of the lease liability and the contractual lease payment are adjusted to the fair value change in investment properties recognised in consolidated statement of comprehensive income.

(2) Please compare the year end Statement of Financial Position with the latest pro forma Statement of Financial Position disclosed in the IPO prospectus and explain any material fluctuations.

Response:

Statements of Financial Position

	Notes	31 December 2019 [1] US$'000	EHT Pro Forma [2] US$'000	Variance %
Non-current assets				
Investment properties		1,267,480	1,274,575	(0.6)%
Current assets				
Trade and other receivables	1	17,798	2,367	>100%
Cash and cash equivalents	2	76,926	60,794	26.5%
		94,724	63,161	
Total assets		1,362,204	1,337,736	
Non-current liabilities				
Loans and borrowings	3	497,516	500,434	(0.6)%
Financial derivatives	4	4,699	–	NM
Trade and other payables	5	28,027	27,434	2.2%
Lease liabilities	6	6,855	6,357	7.8%
Deferred tax liabilities	7	39,501	34,439	14.7%
		576,598	568,664	
Current liabilities				
Loans and borrowings		746	–	NM
Trade and other payables	5	5,727	3,907	46.6%
Lease liabilities	6	25	18	38.9%
		6,498	3,925	
Total liabilities		583,096	572,589	
Net assets		779,108	765,147	
Stapled Securityholders' funds				
Stapled securities in issue and to be issued		679,988	676,953	0.4%
Issue costs	8	(38,347)	(41,363)	(7.3)%
Hedging reserve	4	(4,699)	–	NM
Retained earnings	9	142,166	129,557	9.7%
		779,108	765,147	

(1) The statement of financial position as of 31 December 2019 includes approximately 7 months of transactions from the Listing Date to 31 December 2019.

(2) The pro forma statement of financial position presented in the Prospectus is as of the Listing Date (as defined in the Prospectus) and was prepared assuming EHT has purchased the various entities which own the property portfolio and entered into the master lease agreements on the Listing Date.

Notes (Actual vs Pro Forma):

1. Trade and other receivables as of 31 December 2019 mainly related to accrued rental revenue not yet due from lessees and GST receivables. Trade and other receivables in the pro forma statement of financial position ("Pro Forma") related to GST receivables as the properties were only acquired on the Listing Date.

2. Cash and cash equivalents as of 31 December 2019 was higher than Pro Forma mainly due to net cash generated from operations, partially offset by the repayment (or amortisation) of mortgage loans, payment of interest expenses and other trust expenses during the period.

3. Loans and borrowings as of 31 December 2019 were lower than Pro Forma mainly due to higher capitalised transaction costs as compared to Pro Forma and the repayment (or amortisation) of mortgage loans, partially offset by the amortisation of transaction costs during the current period.

4. As part of EHT's capital management strategy of insulating interest rate volatility, EHT entered into floating-to-fixed interest rate swap transactions as of 1 July 2019. Financial derivatives as of 31 December 2019 related to the fair value of the interest rate swaps entered into by EHT for hedging purposes.

5. Trade and other payables as of 31 December 2019 were higher than Pro Forma mainly due to property tax recognised, but related to a future period and not yet paid as of 31 December 2019.

6. Lease liabilities as of 31 December 2019 was higher than Pro Forma as it took into account a revised discount rate as of the date of acquisition of the properties, in computing the present value of future lease payments.

7. Deferred tax liabilities as of 31 December 2019 comprised deferred tax liabilities on the fair value gains recognised on investment properties and capital allowances claimed at the year end. Deferred tax liabilities in the Pro Forma comprised deferred tax liabilities on the fair value gains recognised on investment properties as EHT would only claim capital allowances at the year end.

8. Issue costs as of 31 December 2019 were lower than Pro Forma mainly due to lower issue costs incurred.

9. Retained earnings as of 31 December 2019 was higher than the Pro Forma as it included approximately 7 months' results from the Listing Date to 31 December 2019 whereas the Pro Forma was prepared as of the Listing Date.

(3) Please explain the reason for the increase in fair value of investment properties of US$156 million on the back of less favourable US lodging market fundamentals and lower than forecasted revenue figures.

<u>Response:</u>

Please see response to Question No. 1 for more detail.

The fair value of the investment properties based on independent valuations at IPO and 31 December 2019 was US$1,268.2 million and US$1,260.6 million, respectively. This represents a US$7.6 million decrease in the fair value of investment properties (or a 0.6% reduction), which is consistent with the less favourable US lodging market fundamentals.

The fair value gain of US$156.4 million referenced is as of 31 December 2019, which compares to the US$165.5 million fair value gain at IPO; the difference is driven by the US$7.6 million reduction in the fair value of investment properties.

(4) It was explained that revenue was lower than forecasted mainly due to less favourable US lodging market fundamentals, roof repairs at Holiday Inn Orlando Suites and construction delays. Please provide the financial impact to revenue for each item. Please also elaborate on the reasons for the roof repairs at Holiday Inn Orlando Suites as well as the construction delays.

Response:

2019 revenue since listing was down by 10.1% or US$5.765 million. This was driven by a total rent variance of US$5.839 million[1]; details as follows:

1) EHT's largest asset, Holiday Inn Resorts Orlando Suites – Waterpark ("OHIR"), was impacted by a category-5 hurricane in 3Q 2019 during the Labour Day holiday, a peak period for the asset. Rain and winds associated with the hurricane impacted the condition of roofs at the property, prompting the Lessee to conduct roof repairs in 4Q 2019. For much of 4Q, approximately 20% of the total rooms were offline. The repairs are underway and are expected to be completed in March 2020.

   Estimated quantitative impact: US$0.94 million; US$0.6 impact in 3Q 2019 associated with hurricane demand displacement and US$0.34 in 4Q 2019 associated with room displacement from roof repairs.

2) As disclosed in 2Q 2019 results, there were construction delays relating to 5 properties, referred to as W-I-P properties[2]; however, all the construction has since been completed.

   Construction delays primarily related to product improvements following inspections (i.e. Delta Woodbridge, Hilton Houston Galleria and Doubletree by Hilton Salt Lake City Airport), ADA (Americans with Disabilities Act) modifications (i.e. Sheraton Pasadena) and revised renovation plans associated with a change in brand standard (i.e. Crowne Plaza Dallas).

   Estimated quantitative impact: US$1.344 million[3], reflecting the difference in forecasted rent associated with the 5 W-I-P properties and the actual rent generated from these properties for the period.

3) Less favourable US lodging fundamentals also includes the pace of ramp following significant recent Asset Enhancement Initiatives (AEIs") of which US$102.9 million of projects were completed in 2018. As part of the AEIs, the Lessee made selected asset management initiatives, namely property manager upgrades at 9 of 18 properties in EHT's portfolio.

   Estimated quantitative impact: US$3.555 million, which reflects the balance of the variance from forecasted rent after isolating the estimated impact from hurricane and roof repairs at OHIR as well as the rent shortfall of the 5 W-I-P properties that were subject to construction delays.

   The estimated quantitative impact of US$3.555 million compromises slower 2019 market growth than expected, a slower pace of ramp following AEIs related to a softer market, including the impact of asset management initiatives; i.e. property manager changes. Separate from the 3 property manager changes among the 5 W-I-P assets, the remaining 6 assets with property manager changes represent US$1.298 million of the US$3.555 million variance in forecasted rent.

[1] The difference between revenue and rent consists of non-cash accounting adjustments relating to amortisation of deferred income and straight-lining of rental income.

[2] W-I-P properties refer to properties that underwent renovation and construction in 2019. This includes Crowne Plaza Dallas Near Galleria-Addison, Hilton Houston Galleria Area, Renaissance Woodbridge, Doubletree by Hilton Salt Lake City Airport, Sheraton Pasadena.

[3] The 5 W-I-P assets were also impacted by the less favourable US lodging fundamentals and transition associated with asset management initiatives related to AEIs, namely property manager changes at 3 assets. Note that the pace of ramp following the renovation is also affected by softening of US lodging market fundamentals.

(5) Please provide the breakdown of the IPO proceeds used for working capital purposes with specific details on how the proceeds have been applied.

Response:

The working capital at IPO was US$23.6 million, which included US$16.6 million of cash collateral on a secured loan. Adjusting for the cash collateral, working capital at IPO was US$7.5 million. Similarly, adjusting for the US$16.6 million of cash collateral in our 31 December 2019 full year results, working capital was US$4.5 million. Working capital went down by only US$2.5 million. Note that the US$16.6 million of cash collateral was not utilised and remains on EHT's balance sheet within cash and cash equivalents.

The breakdown on the utilisation of working capital from IPO is as follows:

	Amount utilised US$'000
Debt-related transaction cost	3,123
Unused cash from IPO	(1,210)
Finance income	(6)
Trustee fees	60
Other trust expenses	484
	2,451

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

25 February 2020

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