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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.

Response to the SGX-ST’s Query on Strategic Review

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 announce the following in response to the query raised by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 27 May 2020.

References are made to: (a) the announcement “Update Announcement – Special Committee Established” dated 1 April 2020 (the “**1 April 2020 Announcement**”); (b) the announcement “Update Announcement – Appointment of Chief Restructuring Officers and other Updates” dated 24 April 2020 (the “**24 April 2020 Announcement**”); (c) 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**”); and (d) the announcement “Resignation of Non-Independent Non-Executive Chairman and Non-Independent Non-Executive Deputy Chairman” dated 26 May 2020 (the “**26 May 2020 Announcement**”, collectively with the aforementioned announcements, 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).

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

2. QUERY FROM THE SGX-ST

We note EHT's announcements dated 1 April 2020, 24 April 2020 and 28 April 2020 on the formation of the Special Committee, the appointment of FTI to assist in the restructuring process of EHT and Moelis as financial adviser to assist the Special Committee and the REIT Trustee in undertaking the Strategic Review of EHT's business respectively.

In respect of the above appointments, please provide an update announcement on the actions the Special Committee has taken in relation to the restructuring. The update should include:

- (a) An outline of proposals that have been made known to the Special Committee;
- (b) Disclosure on whether any conflicts of interest arose during the proposal management process and if so, how these conflicts were managed; and
- (c) Disclosure on which of the proposals (if any) contemplate a change in control of the REIT Manager.

The REIT Manager and the Trustee-Manager of EHT are legally required to give priority to the interest of all security holders of the Stapled Trust as a whole, over their own interests in the event of a conflict of interest.

In light of these requirements, please provide confirmation by the REIT Manager and Trustee-Manager that they have given priority to the interests of all the unitholders of EHT as a whole over their own interests:

- (a) in the proposal management process; and
- (b) in selecting the proposal that they say is in the best interest of the unitholders of the Stapled Trust.

3. RESPONSE TO THE SGX-ST'S QUERY

3.1 As mentioned in the 1 April 2020 Announcement, the Special Committee was established to oversee, among other items, matters relating to the Strategic Review of EHT's business. FTI (including the Chief Restructuring Officers) was subsequently appointed by the Managers and the REIT Trustee, for EHT and its corporate entities, to assist in the restructuring process of EHT.

3.2 Subsequently, as stated in the 28 April 2020 Announcement, Moelis was appointed by the Managers and the REIT Trustee as the financial adviser to assist the Special Committee and the REIT Trustee in undertaking the Strategic Review of EHT's business, including advising on available options to achieve the best possible outcomes for the Stapled Securityholders.

Restructuring – General Commentary

3.3 The restructuring process for EHT is complex and multi-faceted and involves many aspects including (a) forbearance discussions with lenders (and obtaining their agreement to key decisions); (b) addressing the severe business/operational challenges and dislocation to the entire hospitality industry caused by the COVID-19 pandemic; (c) meeting urgent and critical funding needs to preserve and protect the underlying assets of EHT pending recovery of the sector; (d) a more holistic Strategic Review of EHT's business model including the appropriateness of the current Master Lease Agreements; and (e) any fundraising required to sustain EHT through the current COVID-19 pandemic and financial crisis.

3.4 In the weeks since the establishment of the Special Committee, the Special Committee has been working with the REIT Trustee, FTI, Moelis and other advisers to address the most pressing concerns such as those described in paragraph 3.3(a) to (c) above. Significant and meaningful progress has been made in mitigating the most urgent concerns – for example, as updated in certain of the Earlier Announcements, discussions with lenders remain constructive with a view to achieving a longer-term forbearance arrangement, and temporary caretaker arrangements have been instituted as a cost-effective means by which to safeguard asset values and minimise losses in the current environment whilst the Special Committee works with the REIT Trustee, FTI and Moelis on the Strategic Review and longer-term plans post-COVID-19.

- 3.5 All decisions made in relation to the abovementioned measures implemented so far have been made by the Special Committee, in consultation with the REIT Trustee and with the benefit of professional advice from independent advisers such as FTI, Moelis and legal counsels, **in the best interests of EHT and its portfolio, independently of Mr. Howard Wu and Mr. Taylor Woods (collectively, the “Sponsor Directors”) who are not members of the Special Committee and regardless of the position taken by or interests of the master lessees or the sponsor of EHT.**

Restructuring – Strategic Review

- 3.6 Similarly, the Special Committee and the REIT Trustee are of the view that the Strategic Review needs to be undertaken in an independent manner, free of any potential conflicts of interest with the Sponsor Directors in relation to their interests in EHT and their roles as both master lessees and sponsor of EHT. This was in fact a key reason for the Managers to initiate the establishment of the Special Committee (a board committee which excludes the Sponsor Directors) on 1 April 2020. To this end, as disclosed in the 26 May 2020 Announcement, the Sponsor Directors have since resigned from their positions on the Boards of the Managers with effect from 26 May 2020.
- 3.7 Accordingly, the Special Committee and the REIT Trustee had mandated Moelis and collectively, the instructions to Moelis were to review all available options to EHT, **with the overriding objective that such Strategic Review is to be carried out in the best interests of EHT and its Stapled Securityholders.** The range of options considered by Moelis included any proposed investment, capital raising or recapitalisation of EHT, a potential change of control of the Managers, replacement of the Managers, as well as any potential strategies in relation to the current Master Lease Agreements.
- 3.8 The Special Committee had received from a number of parties non-binding, preliminary and indicative expressions of interest (the “EOIs”) and such EOIs have been shared with the REIT Trustee. These EOIs were received from credible and reputable asset management companies and/or institutional investors. All such EOIs contemplated (a) either a change of control of the REIT Manager or the replacement of the REIT Manager; and (b) a capital injection into EHT, and most of the EOIs considered either an amendment or termination of the existing Master Lease Agreements, or a mixture of both options. Separately, the Special Committee was also told by the Sponsor Directors, who collectively own 100% of the Managers, that they were in various discussions to bring in another investor to take a stake in the Managers.
- 3.9 Whilst the Special Committee and the REIT Trustee had mandated and desired to proceed with a Request for Proposal (“RFP”) process conducted by Moelis to evaluate and consider proposals developed from these EOIs and any other proposals that may have been received, the Special Committee was informed by the Sponsor Directors, who collectively own 100% of the Managers, that Urban Commons, LLC (the sponsor of EHT which is 100% owned by the Sponsor Directors) had entered into a letter of intent with Far East Consortium International Limited (“FECIL”) relating to the acquisition of a controlling stake in the Managers by FECIL (the “Potential Transaction”), which, *inter alia*, provided for an exclusivity period of 90 days which expires on 14 July 2020. The Sponsor Directors took the position that they had legally committed to enter into exclusive discussions with FECIL pursuant to the letter of intent with FECIL and that as such, the Sponsor Directors would not be in a position to explore other proposals involving an investment in the Managers while being bound by contract.
- 3.10 Given the position of the Sponsor Directors that they were contractually committed to negotiate with FECIL, the Special Committee was unable to proceed with the RFP process since any change in control of the Managers would require the consent of the shareholder of the Managers.
- 3.11 Balancing considerations such as (a) any change in shareholding of the Managers would have required the consent of the shareholder of the Manager who were in exclusive discussions with FECIL; (b) the ability to progress the RFP process in good faith with other credible parties while discussions on the Potential Transaction were ongoing between FECIL and the Sponsor Directors; (c) the time necessary to progress the RFP process, versus the need for appropriate controllers (with a sufficient and credible track record and the financial wherewithal) to be in charge of the Managers as soon as possible; and (d) Moelis’ view that, under the circumstances listed above,

pursuing the RFP process concurrently with the Potential Transaction would have been inefficient, the REIT Trustee was also constrained in proceeding with the RFP process at that juncture.

- 3.12 It was therefore considered that as FECIL is an independent potential third-party investor with a credible track record and financial resources to commit to an investment in EHT while possessing established capability in the real estate and hospitality industry, discussions with FECIL should be given an opportunity to progress with a view to effecting a prompt change of control and greater certainty at the Managers level in the interests of EHT and its Stapled Securityholders. Accordingly, the Special Committee and the REIT Trustee instructed Moelis to engage with FECIL and the Sponsor Directors to ensure that any Potential Transaction with FECIL, if consummated, would not be prejudicial to and would serve the best interests of EHT and the Stapled Securityholders. Moelis has since been actively engaging with FECIL and the Sponsor Directors on this basis. In addition, the Special Committee and the REIT Trustee have also on this basis engaged with, and provided feedback to, FECIL on the Potential Transaction.
- 3.13 The Special Committee, since its establishment, has at all times (including in the management of the RFP process and discussions with FECIL) given priority to the interests of all the Stapled Securityholders as a whole over the Managers' interests. The REIT Trustee has at all times acted to safeguard the rights and interests of the Stapled Securityholders in accordance with the trust deed of EH-REIT.

The FECIL Proposal

- 3.14 Further to discussions with FECIL on the above basis, the Special Committee and the REIT Trustee wish to update Stapled Securityholders that they have been informed of a non-binding conditional proposal (the "**FECIL Proposal**") in relation to the Potential Transaction.
- 3.15 The broad proposed principal terms of the FECIL Proposal are:
- (a) for FECIL (through a wholly-owned subsidiary) to acquire, subject to, *inter alia*, regulatory and any necessary lender approvals, a 70% shareholding interest (on an enlarged basis) in each of the Managers by way of an initial subscription for one (1) convertible preferred share ("**CPS**") in each of the Managers, which CPS shall be converted into ordinary shares in the Managers upon the fulfilment of certain conditions including relating to the restructuring and recapitalisation of EHT (which is the subject of ongoing due diligence by FECIL). The initial subscription of the CPS in each of the Managers is expected to be completed within three (3) business days of the receipt of regulatory approval. It is contemplated that there will be further subscriptions by FECIL (through a wholly-owned subsidiary) of ordinary shares in the Managers at the time of the conversion of the CPS such that FECIL (through its wholly-owned subsidiary) will have a 70% shareholding interest (on an enlarged basis) in each of the Managers;
 - (b) for the REIT Manager to establish a restructuring committee whose remit is to lead and implement the restructuring and recapitalisation of EHT ("**Restructuring Committee**"), expeditiously after completion of the subscription of the CPS. The Special Committee and the REIT Trustee have been informed that FECIL currently envisages the Restructuring Committee will (i) comprise certain existing members of the Special Committee and such other persons nominated by FECIL; and (ii) assess the financial requirements of EH-REIT and formulate (in consultation with the REIT Trustee and Moelis) and negotiate the terms of such restructuring and recapitalisation with the relevant stakeholders of EH-REIT;
 - (c) subject to completion of the initial subscription and regulatory approval, (i) FECIL may nominate such number of executive and independent directors comprising no less than 80% of the Boards of the Managers; and (ii) the Sponsor Directors will be entitled to nominate one (1) director to the Boards of the Managers, who will not have the right to vote in relation to matters involving any of the Sponsor, the Sponsor Directors and/or their affiliates (including but not limited to the Master Lease Agreements). The Boards of the Managers will have to comply with relevant laws, regulations and guidelines, including the

Code of Corporate Governance 2018 and the rules relating to conflicts of interest contained therein. In addition, the Sponsor Directors will not be involved in the day-to-day operations of the Managers; and

- (d) the REIT Manager, the REIT Trustee and FECIL are to promptly consult with each other on the appropriate action to be taken in respect of the Master Lease Agreements (including whether the Master Lease Agreements should be amended or terminated) with the parties acknowledging that the Master Lease Agreements must be dealt with as a matter of priority. It should, however, be noted that notwithstanding any terms in the FECIL Proposal, all rights and remedies of EHT against the Master Lessees are expressly reserved and the Managers and the REIT Trustee reserve all rights to take all actions as may be necessary in the best interests of EHT and its Stapled Securityholders.
- 3.16 The terms of the FECIL Proposal had been negotiated on an arm's length basis between FECIL and the Sponsor Directors, with engagement from the Special Committee as appropriate so as to ensure that any Potential Transaction with FECIL, if consummated, would not be prejudicial to and would serve the best interests of EHT and the Stapled Securityholders. The REIT Trustee and Moelis had also proactively reviewed the FECIL Proposal, to ensure that the Potential Transaction, if consummated, would not be prejudicial to and would serve the best interests of EHT and the Stapled Securityholders.
- 3.17 Based on the information provided by FECIL, (a) FECIL is a leading regional conglomerate with property development and investment, hotel operations and management, car park operations and facilities management, securities and financial product investment and gaming operations; (b) FECIL has been recognised as one of the region's leading land and property developers with over 45 years of experience operating in Asia Pacific, and has been listed on the main board of the Hong Kong Stock Exchange since 1972; and (c) FECIL has been developing and operating hospitality assets for over 15 years and is currently developing 13 hotels, owns 29 hotels and holds a minority stake in two (2) hotels, all of which are spread across eight (8) countries and most of which are internally managed by FECIL, and also has a history of and experience in securing financing for investments in hospitality assets across the world.
- 3.18 The FECIL Proposal is non-binding and subject to the relevant parties entering into definitive agreements in respect of the Potential Transaction. The completion of the Potential Transaction is conditional on, amongst others, the receipt of the approval from the Monetary Authority of Singapore ("MAS") to proceed with the change of control of the REIT Manager. The Special Committee and the REIT Trustee have been informed that FECIL has submitted its application to the MAS. **To the extent that matters in the FECIL Proposal relate to EHT's interests (as opposed to shareholder matters amongst shareholders of the Managers), the Special Committee and the REIT Trustee will continue to work with Moelis to provide input on the FECIL Proposal with a view to safeguarding the interests of EHT and the Stapled Securityholders.**
- 3.19 The Managers will make an appropriate announcement in the event of any further material developments. It should, however, be pointed out that as the Potential Transaction pertains to the dilution of the Sponsor Directors' interests in the Managers, these terms are ultimately subject to the agreement of the Sponsor Directors and commercial negotiation between FECIL and the Sponsor Directors.

Stapled Securityholders are advised to read this Announcement and any further announcements by the Managers and/or the Special Committee carefully. The Special Committee wishes to emphasise that there is no certainty or assurance as at the date of this Announcement that any discussions or prospects will be successfully concluded or any definitive agreements in relation to any transactions (including the Potential Transaction) will materialise or be entered into. Stapled Securityholders should consult their stockbrokers, bank managers, solicitors or other professional advisers 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 Special Committee

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: 3 June 2020

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