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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.

Clarification in Relation to Long Beach Post’s Article on 6 December 2019

The board of Eagle Hospitality REIT Management Pte. Ltd., as manager of Eagle Hospitality Real Estate Investment Trust (“**EH-REIT**”, and the manager of EH-REIT, the “**REIT Manager**”), and Eagle Hospitality Business Trust Management Pte. Ltd., as trustee-manager of Eagle Hospitality Business Trust (“**EH-BT**”, and the trustee-manager of EH-BT, the “**Trustee-Manager**”, and collectively with the REIT Manager, the “**Managers**”), would like to provide context as well as offer clarification with respect to the earning metrics and inferences presented in the article by Long Beach Post, published on 6 December 2019 and titled “Independent audit shows \$6 million net loss for Queen Mary operator in 2018” (the “**Article**”).

The Article indicated that the asset is operating at a “loss” and contrasts this with positive “profit” numbers in the REIT’s IPO prospectus, suggesting inconsistencies. Absent proper context and the clarification of these earnings metrics, the Article contains meaningful misrepresentations. The Manager would like to highlight the distinction between the two dissimilar earning metrics referenced; i.e. “loss” and “profit”.

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

The Article is referencing numbers from 2 different sources, (1) an audit of Urban Commons Queensway (“UCQ”), the entity that owns the Queen Mary and (2) the IPO prospectus.

- 1) Pursuant to the lease agreement with the City of Long Beach to operate the Queen Mary, UCQ is required to undergo an annual audit. The article references a “loss” from the 2018 audit, a period before the REIT owned the asset. The “loss” relates to a net income statistic, which would take into account all expenses of UCQ, including, but not limited to depreciation and amortization (a significant non-cash expense), interest expense and certain operating expenses relevant to UCQ as a property owner that would not be incurred by the Queen Mary as part of the IPO portfolio. Further, the interest expense in the 2018 audit corresponds to a debt facility that has since been extinguished as part of the IPO.
- 2) Separately, as part of the IPO process, an audit of the consolidated financial statements of 12 assets, including the Queen Mary, was completed by a reputable accounting firm. Selected statistics from the consolidated financial information in relation to the Queen Mary were included in the Prospectus, including Gross Operating Profit (“GOP”). The “profit” figure referenced in the article relates to GOP. The GOP statistic disclosed in the prospectus is pursuant to the definition in the master lease agreement and does not take into consideration certain non-operating expenses and non-cash expenses (e.g. depreciation and amortization).

The two different sources that the article references numbers also reflect different circumstances; i.e., a standalone entity (UCQ) vs. the Queen Mary as a hotel operation subject to a master lease and giving effect to the IPO. Further, the Article makes an incorrect comparison of dissimilar terms, “loss” (or net income) and “profit” (or GOP), and insinuates discrepancies thereby creating a significant misrepresentation. Further, GOP was disclosed in the prospectus, in particular, as it is relevant for computing the rent to be paid to the REIT based on the terms of the master lease agreement.

The Article also references the following quote: “substantial doubts about the Company’s ability to continue as a going concern” (the “**Quote**”). For the avoidance of doubt, the reference to the term “Company” relates to UCQ, a previous subsidiary of the Sponsor, not Urban Commons, LLC.

In addition, the Quote that was in part driven by the “loss” referenced, is less applicable to the REIT. Again, as part of the IPO, the 2018 debt held at UCQ was repaid in full. Further, the operating performance in 2018 was impacted by US\$23.5 million of renovations and operational disruptions. Selected examples of the disruptions in 2018 include the Ghost and Legends tour (one of the most popular tours on the ship) and Sir Winston’s Restaurant & Lounge (the asset’s five-star dining outlet), which were out of service for significant parts of 2018. Note that both of these revenue drivers are operational in 2019. 2019 performance is also benefiting from deeper collaboration with Goldenvoice to hold more concerts and additional parking fees from a higher number of visitors, among other asset management initiatives.

Mr. Howard Wu, Founder and Principal of the Sponsor, said “Urban Commons has committed significant resources into attracting additional businesses, which have resulted in increased revenues, income and sales tax revenue for the city. As a result, we have significantly increased income every year since 2016, with 2019 anticipated to generate more revenues than any year the Queen Mary has operated as a hotel.”

Urban Commons, together with the City, remains committed to ensuring the long-term preservation of the ship. Urban Commons has provided an updated plan outlining the next steps of repairs, subject to the City’s approval, and the REIT Manager will announce updates as and when appropriate.

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

9 December 2019

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