

# EAGLE

## HOSPITALITY TRUST

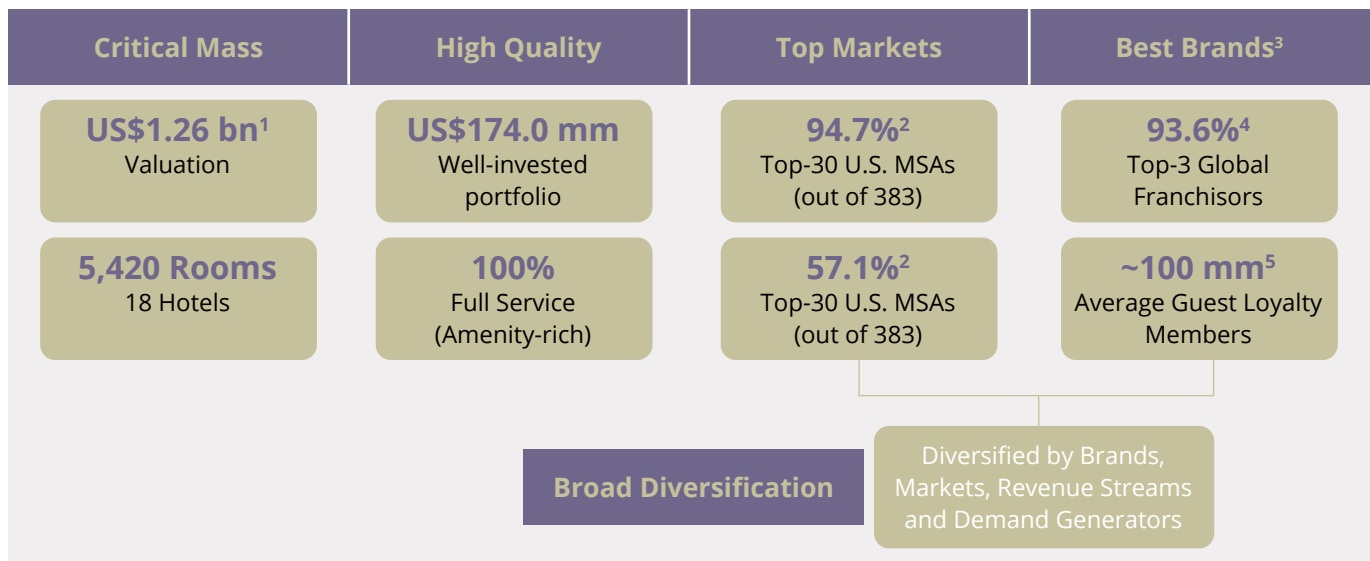
Annual Report 2019



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## COMPANY ATTRIBUTES



### CRITICAL MASS

EHT's portfolio comprises 18 full-service hotels consisting of nine Upper Upscale hotels, five Upscale hotels and four Upper Midscale hotels with a total of 5,420 rooms and an aggregate valuation of approximately US\$1.26 billion<sup>1</sup> located in the U.S.

### HIGH QUALITY

EHT owns a well-invested portfolio with US\$174.0 million of capital expenditure invested in recent years. US\$103.0 million and US\$44.0 million of capital expenditure were completed in 2018 and 2019, respectively.

EHT's full-service hotels provides an amenity-rich offering that supports guest demand and generates a diversified and robust revenue stream.

### TOP MARKETS

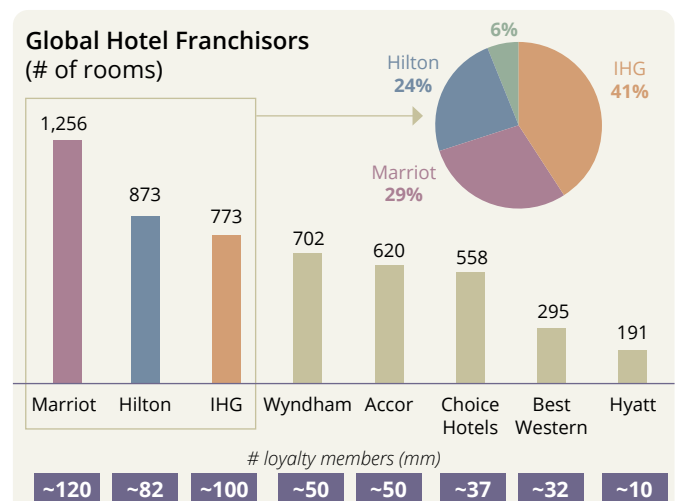
EHT's portfolio has a disproportionately high exposure to the larger U.S. market. 57.1%<sup>2</sup> and 94.7%<sup>2</sup> of EHT's portfolio are located within the Top 10 and Top 30 Metropolitan Statistical Areas ("MSA") in the U.S (out of 383 MSAs in total) respectively.

EHT's portfolio is focused on markets which are normally expected to benefit from higher GDP and job growth and hence higher hospitality demand growth, more diverse demand generators, and greater liquidity than the U.S. national average.

### BEST BRANDS<sup>3</sup>

93.6%<sup>4</sup> of EHT's portfolio are branded by the three largest hotel franchisors globally (Marriott, HWHI and IHG), providing EHT with access to the largest marketing networks and loyalty programmes, creating a more captive, stable demand base. These three brands have an average of approximately 100 million loyalty members<sup>5</sup>. Additionally, EHT's brand affiliations provide for the most extensive distribution channels and stronger bargain power with suppliers.

The flexibility to select from amongst the best hotel brands and hotel managers provides EHT greater leverage when negotiating franchise and management agreements, more flexibility to re-position or re-brand assets as required, and maximises the opportunity set for future asset acquisitions.



<sup>1</sup> Valuation as of December 2019, conducted by Independent Valuer HVS using the Income Approach (Discounted Cashflow Analysis) as well as the Direct Sales Comparison Approach. Valuation has not been updated as current circumstances create uncertainty around prevailing values.

<sup>2</sup> Reflects proportion of rooms in top markets; markets reflect Metropolitan Statistical Areas (MSAs); MSAs ranked by GDP.

<sup>3</sup> Best Brands defined based on size of distribution networks (i.e. number of rooms globally) and size of guest loyalty programme.

<sup>4</sup> Reflects exposure to Best Brands; i.e. top-3 global franchisors: Marriott / Starwood, Hilton, IHG. Based on number of rooms.

<sup>5</sup> Reflects average indicative guest loyalty membership across the top-3 global franchisors.

## FINANCIAL HIGHLIGHTS

### REVENUE (US\$'000)

51,569

Actual 51,569

Forecast 57,334

### NET PROPERTY INCOME (US\$'000)

42,866

Actual 42,866

Forecast 46,116

### BALANCE SHEET SUMMARY AS AT 31 DECEMBER 2019 (US\$'000)

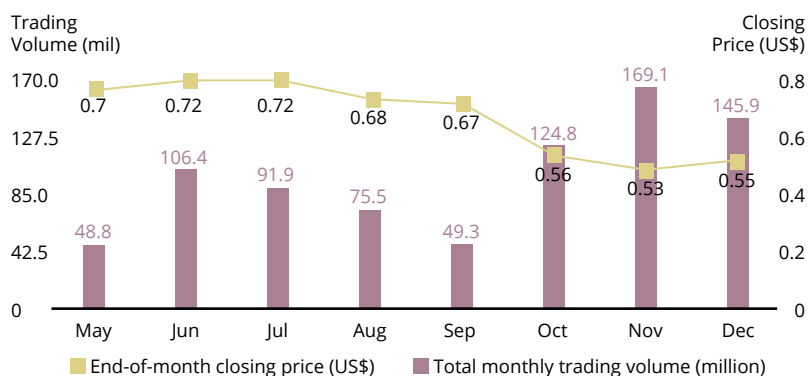
Investment properties	1,267,480
Total assets	1,362,204
Gross borrowings	506,612
Total liabilities	583,096
Net assets	779,108

### KEY FINANCIAL HIGHLIGHTS

NAV per stapled security	US\$0.89
Discount to NAV <sup>1</sup>	38.8%
Gearing ratio	37.2%
Headroom	US\$190.0 million
Fixed interest rate	93%
Average cost of debt	4.0%
Interest coverage	3.8 times
Weighted average debt to maturity	3.7 years

### UNIT PRICE PERFORMANCE

EHT Monthly Trading Performance from May 2019 to December 2019



### SHARE PERFORMANCE

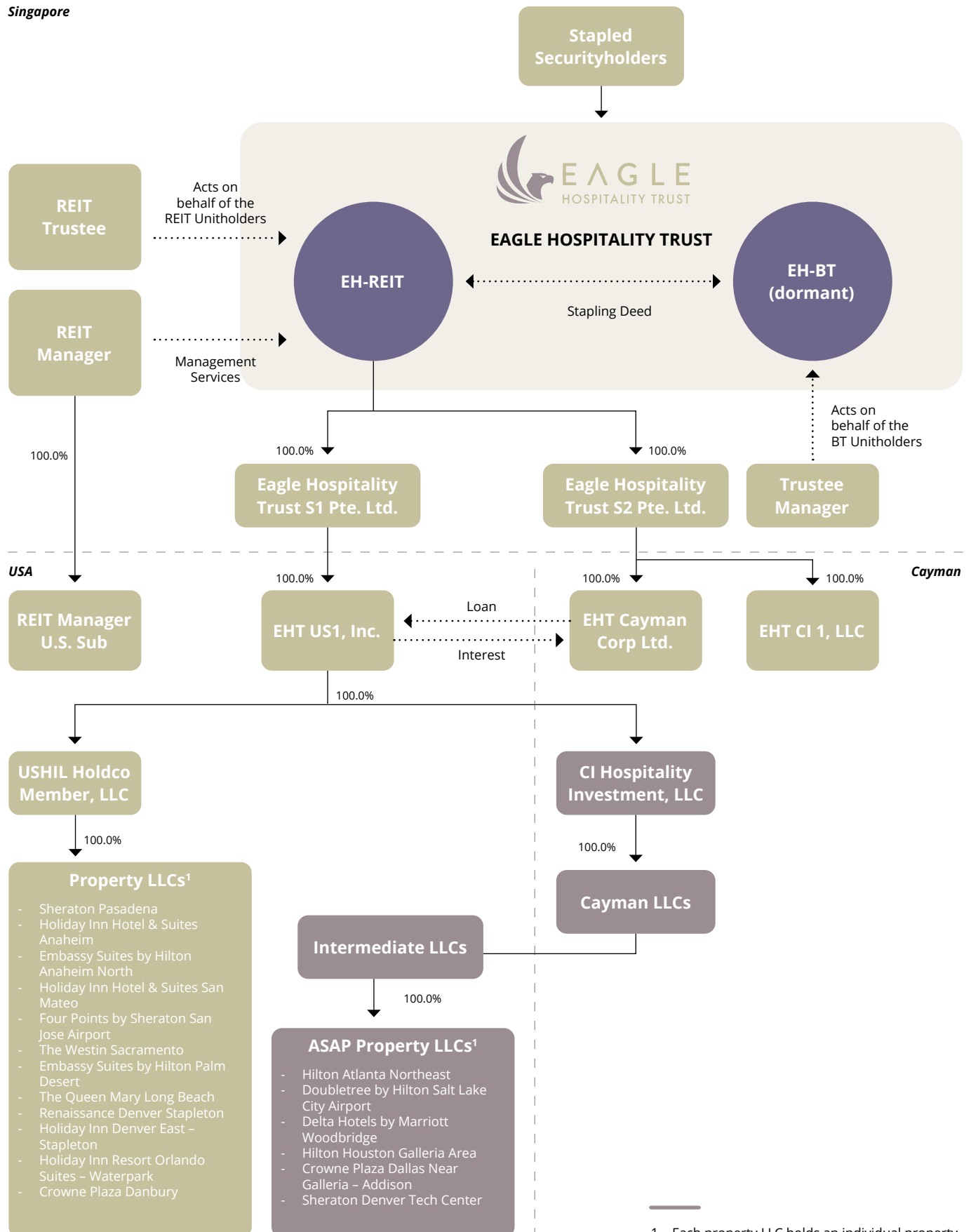
Year ended 31 December 2019

Share Prices	2019 (US\$)
Last Transacted	0.55
High	0.78
Low	0.42
Average	0.61
Total volume for 2019	812,165,679

<sup>1</sup> Based on 31 December 2019 closing price of US\$0.545

# TRUST STRUCTURE

## Singapore



# LETTER TO STAPLED SECURITYHOLDERS

Dear Stapled Securityholders,

We address you with a heavy heart. In the face of unprecedented challenges, please allow us to summarise the events and circumstances that have led us to the precarious situation we find ourselves in today.

## INITIAL PROSPECTS

Approximately 15 months ago, we started our journey as a public stapled trust with excitement and what we believed were strong prospects. We had confidence in the quality of our hotel portfolio which is defined by geographic distribution in top markets in the U.S., franchise affiliation with leading hotel brands and a significant pre-IPO capital investment programme, among other merits.

## UNFORTUNATE CIRCUMSTANCES

On the heels of multiple factors including operational challenges and the ongoing Covid-19 pandemic that hit the U.S. in the first quarter of 2020 (which represents the biggest disruption to the global economy and the hospitality industry in modern history), as well as our dependency on a single Master Lessee to resolve all defaults and meet all obligations, our Master Lease Agreements (“MLAs”) have proven untenable. Loan facilities are in default and have been accelerated, and we continue to engage our lenders in discussions to extend forbearance whilst we focus on developing and implementing a restructuring plan for EHT. The circumstances weigh on the Board of Directors significantly, and we continue to devote ourselves fully to address the situation.

## ORGANISATIONAL TEETHING

Following the IPO, as a new manager, we sought to hire and enhance our team’s capabilities. Concurrently, we focused on developing and implementing processes and procedures as we worked with Urban Commons, themselves a first-time REIT Sponsor and Master Lessee.

In the midst of settling in as a newly listed entity, the group encountered significant scrutiny from the media in the fourth quarter of 2019. The Managers sought to provide prompt clarifications to Stapled Securityholders and the regulators, which required constant explanations and engagement. This resulted in significant distractions that ultimately affected employee morale as the Managers attempted to hire and retain personnel. The Managers, including the Board of Directors worked diligently to address damaging allegations that were often based on information that was incomplete and/or out of context.

## OPERATING CHALLENGES

Apart from establishing new protocols, the Managers were focused on operating challenges that EHT faced. Specifically, EH-REIT’s operating performance was impacted by a weaker than anticipated U.S. lodging market, slower than anticipated ramp-up following pre-IPO renovations, construction delays at five assets in EHT’s portfolio, and disruptions from a category-5 hurricane at EHT’s largest asset, Holiday Inn Resort Orlando Suites - Waterpark. In addition, our operations encountered transitional friction from changes in third-party property managers across half of EHT’s hotels following the IPO.

## OPERATIONAL INITIATIVES

The effects of many of these operating issues were considered unique to 2019 and were expected to improve with time. Further, many of these setbacks, including the spending related to the 2019 construction delays, and the improvements in respect of certain third-party property manager changes were meant to enhance the income productivity of the assets over time.

The Managers worked with the Sponsor and Master Lessees on a variety of proactive asset management and operational initiatives to support revenue growth and improve operating and cost efficiencies at the hotels. Revenue improvement strategies included an enhanced dynamic pricing strategy through a supplemented sales force and revenue management support through major brand partnerships. EHT also implemented cost-saving initiatives, including expense reduction strategies, energy cost reductions in de-regulated markets through strategic partnerships, and portfolio-wide labour savings initiatives.

Further, the Sponsor, as Master Lessees, proposed and the Managers agreed to certain economic improvements to the rent payment structure in the MLAs, which resulted in more income to EHT in 2019.

## LOOKED TO 2020 WITH HOPE

We were hopeful that many of the operational challenges and exogenous events that EHT faced in 2019 would be behind us, and 2020 would be a more stable year with less disruption and improved performance.

However, whilst the Master Lessees satisfied its rent obligations for 2019, the Master Lessees have not been able to fulfil their obligations in 2020 and rent payments from January 2020 to date remain substantially unpaid. The Managers, including the Board of Directors, have persistently



reminded the Master Lessees of its obligations under the MLAs, including its rental obligations. The Master Lessees' non-performance of its obligations mounted in 2020 and was exacerbated by the ongoing Covid-19 pandemic.

As circumstances evolved, the Board of Directors determined that it was appropriate to take certain actions, including a decision to draw on security deposits to make up for the shortfall in payments. The Managers also announced that it would be commencing a strategic review. This occurred in conjunction with many factors, including a depressed stock price, delinquent rental payments by the Master Lessees and escalating risks as a result of the Covid-19 pandemic.

#### **DEFAULT UNDER FACILITIES AGREEMENT AND NON-PAYMENT OF DIVIDEND**

Although the Managers had prepared to distribute the scheduled dividend on 30 March 2020, as a result of the receipt of a notice of default and acceleration under EHT's facilities agreement for a principal amount of US\$341.0 million from the Administrative Agent, EH-REIT was restricted under the terms of such facilities agreement from making payment of the scheduled dividend.

#### **BOARD ACTIONS**

The Board of Directors acted swiftly and established a Special Committee, comprising the Independent Directors of the Board and the Chief Executive Officer of the Managers. The Special Committee excluded the then Non-Independent and Non-Executive Chairman and Deputy Chairman (the "Sponsor Directors"), who concurrently represented the Sponsor and the Master Lessees, to avoid potential conflicts of interest, in order to allow the remaining members of the Board of Directors to independently assess strategic alternatives, pursue forbearance negotiations with lenders, and consider restructuring plans.

#### **HIRING ADVISERS**

In cooperation with the REIT Trustee, the Special Committee (on behalf of the Managers) hired a set of independent advisers to address severe business challenges and operational dislocation, urgent and critical funding needs, as well as to review alternatives with the objective of safeguarding EHT's assets in the best interests of Stapled Securityholders. The Special Committee, alongside the REIT Trustee and with the benefit of professional advice from its advisers, has worked together with EHT's lenders to utilise EHT's cash resources to protect and preserve the underlying value of EHT's assets.

#### **FORBEARANCE NEGOTIATIONS AND PORTFOLIO STABILISATION**

Given the circumstances, the Special Committee, with the assistance of its professional advisers, continues to work around the clock and across time zones in an effort to stabilise the portfolio's operations and minimise losses amid the unprecedented disruptions in the hospitality sector in the U.S.. In addition, the Special Committee, with the assistance of its professional advisers, continues to engage the lenders in negotiating continued forbearance as we assess restructuring options.

#### **SPONSORSHIP**

As circumstances developed, Urban Commons, LLC, explored potential partnerships to supplement EHT's Sponsorship. The Special Committee and the REIT Trustee mandated their financial adviser to review all available options to EHT, including an investment in EHT, as part of a potential restructuring plan. From the Managers' SGXNET announcements to date, Stapled Securityholders will be aware that the REIT Trustee, with its professional advisers, has launched a RFP process (which is currently underway) to seek proposals for EHT on an expedited basis. Whilst we cannot be certain as to the outcome of the RFP process, we are encouraged by both the significant investor receptivity to date in respect of managing EHT's assets, and investing in EHT as part of a potential restructuring plan.

The Special Committee continues to work tirelessly in an effort to protect EHT's assets, maximise recovery, and pave the road for a turnaround of EHT in the interests of Stapled Securityholders. We hear all the concerns of the Stapled Securityholders and appreciate that it is a very difficult and trying time. As the Special Committee, together with the Managers and the REIT Trustee, continues to work with our professional advisers to resolve multiple matters amidst fluid circumstances, we greatly appreciate the patience extended to us by the Stapled Securityholders.

For and on behalf of the Board of Directors

**Salvatore Gregory Takoushian**

*Executive Director and Chief Executive Officer*

## FINANCIAL REVIEW

US\$'000	FY 2019 <sup>1</sup>		Variance %
	Actual <sup>2</sup> US'000	Forecast <sup>3</sup> US'000	
Revenue	51,569	57,334	(10.1)
Net Property Income	42,866	46,116	(7.0)

### FINANCIAL PERFORMANCE

EHT recorded Revenue of US\$51.6 million and Net Property Income of US\$42.9 million for FY2019.

EHT's performance reflects softening U.S. lodging market fundamentals, displacement at its largest asset, Holiday Inn Resort Orlando Suites ("OHIR") and construction delays. US RevPAR estimates were revised down throughout the year; 2019 RevPAR growth as of 1Q 2019 was 2.0% and has since been revised down to 0.8% (i.e. a 60% decrease). OHIR was undergoing roof repairs in 4Q 2019 resulting in approximately 20.0% of its rooms off-line; impacting FY2019 rent.

While the portfolio was impacted by the construction delays at the five W-I-P<sup>4</sup> assets, EHT benefited from additional rent from remediation income.

Revenue for FY2019 was US\$51.6 million, which was 10.1% below forecast. This was mainly due to a weaker market than anticipated and portfolio specific operational challenges mentioned.

Property expenses for FY2019 was US\$8.7 million, which is 22.4% lower than forecast mainly due to property tax savings.

Other trust expenses of US\$1.0 million for FY2019 was 39.0% lower than forecast. This was mainly due to lower professional fees and other expense incurred during the period.

Net finance cost of US\$13.4 million for FY2019 was 1.6% lower than forecast. This was mainly due to savings from the interest rate swap entered during the year.

The net fair value change in investment properties for FY2019 represents the difference between the fair value of the investment properties as at 31 December 2019 based on independent valuation undertaken and the price paid for the properties. As at 31 December 2019, EHT's portfolio of properties had a combined valuation of US\$1.26 billion. This represents a slight decrease of 0.8% from the initial valuation of US\$1.27 billion.

Tax expense consists of current tax and deferred tax expense. Tax expense of US\$39.5 million for FY2019 mainly relates to deferred tax recognised on the net fair value gains on investment properties.

Income available for distribution for FY2019 was US\$30.4 million, which was 10.1% below forecast. This was mainly due to lower revenue, partially offset by property tax savings and other trust expenses, resulting in a Distribution per Stapled Security ("DPS") of 3.486<sup>5</sup> U.S. cents, which was lower than forecasted DPS of 3.872 U.S. cents by 10.0%.

1 No comparative figures have been presented as EHT was dormant from 11 April 2019 (date of constitution) to 23 May 2019. The acquisition of the Initial Portfolio of EHT was only completed on 24 May 2019 which was the official listing date of EHT.

2 EHT was a dormant private trust from the date of constitution to 23 May 2019. The acquisition of the Initial Portfolio by EHT was only completed on 24 May 2019 which was the official listing date of EHT. Consequently, the actual income derived from the properties for FY 2019 was from Listing Date to 31 December 2019.

3 The Prospectus of EHT dated 16 May 2019 (the "Prospectus") disclosed an 8-month profit forecast for the period from 1 May 2019 to 31 December 2019 (the "Forecast"). Forecast results were derived from the seasonal forecast for FY2019, based on the Forecast Period 2019 as disclosed in the Prospectus.

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

5 DPS is computed based on the number of stapled securities in issue as at 25 February 2020 (being the record date). DPS changed from 3.478 U.S. cents as announced on 17 February 2020 to 3.486 U.S. cents due to the management base fees in unit being issued only after the record date.

Note: Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.



According to disclosure requirements under paragraph 11.1 item (i) of the Appendix 6 to Code on Collective Investment Scheme, the total operating expenses incurred by EHT in FY2019 was US\$12.9 million. The amount included all fees and charges paid to the Managers and interested parties. This translates to 1.7% of the property fund's net asset value as at 31 December 2019. Taxation incurred was US\$39.5 million.

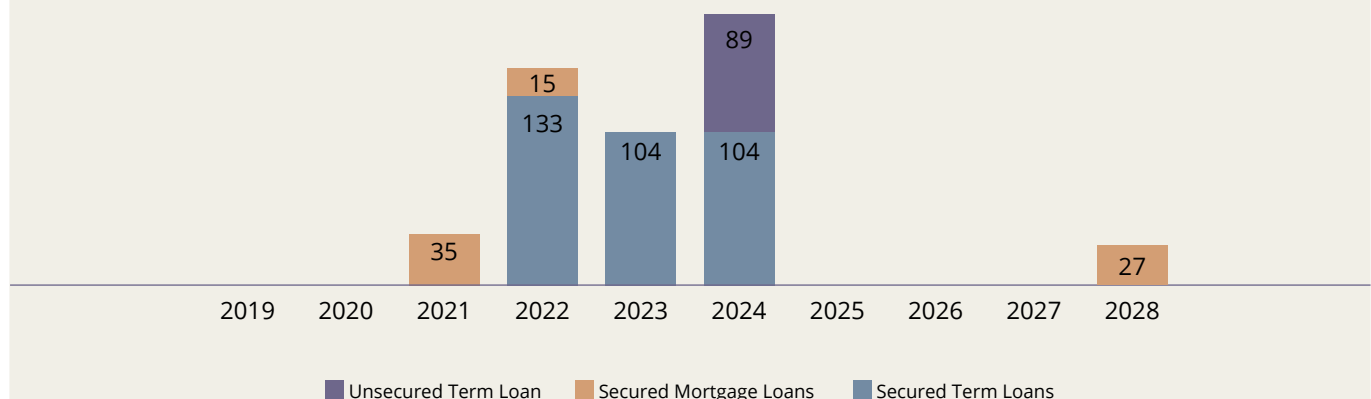
### CAPITAL AND RISK MANAGEMENT

As at 31 December 2019, EHT's total gross borrowings were US\$506.6 million comprising (a) US\$341.0 million secured term loan facilities with staggered loan maturities in 2022, 2023 and 2024; (b) US\$76.6 million mortgage loans with staggered loan maturities in 2021, 2022 and 2028; and (c) US\$89.0 million unsecured loan which matures in 2024. All

of EHT's loans are 100% denominated in U.S. dollars, having zero currency exposure. Furthermore, EHT's debt maturity profile is well-staggered through 2028 with a weighted average term to maturity of 3.7 years.

As at 31 December 2019, these term loans were fully drawn down and US\$0.6 million has been repaid for mortgage loans. The US\$341.0 million secured term loans had been hedged using floating-for-fixed interest rate swaps, reducing the REIT's exposure to fluctuations in interest rates by having a 93.0% fixed debt rate. The weighted average all-in cost of borrowing for FY2019, including debt-related transaction costs, was 4.0%. As of 31 December 2019, the EHT's gearing ratio is 37.2%, well within the borrowing limit of 45.0%.

**DEBT MATURITY PROFILE BY YEAR**  
(US\$ million)



## FINANCIAL REVIEW

### USE OF PROCEEDS

The use of proceeds raised from the initial public offering ("IPO") is in accordance with the stated uses as disclosed in the Prospectus, and is set out below:

	Amount allocated US\$'000	Amount utilised US\$'000	Balance US\$'000
Acquisition of the Initial Portfolio	1,111,649	1,111,649	-
Issue expenses and other transaction costs	49,234	45,135	4,099
Working capital <sup>1</sup>	23,600	2,451	21,149
	1,184,483	1,159,235	25,248

<sup>1</sup> Included in the working capital is a US\$16.1 million cash collateral on a secured loan.

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

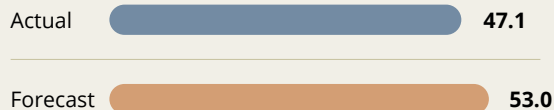
	Amount utilised US\$'000
Debt related transaction cost	3,123
Unused cash from IPO	(1,210)
Finance income	(6)
Trustee fees	60
Other trust expenses	484
	2,451

The Managers will make further announcements via SGXNET on the utilisation of the remainder of the IPO proceeds as and when such funds are substantially disbursed.

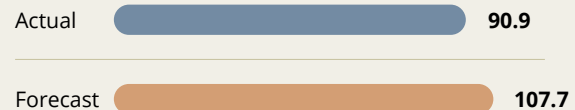
# OPERATIONS REVIEW

## KEY FIGURES FOR 2019

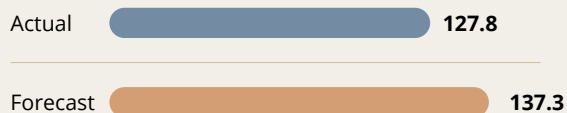
### TOTAL RENT (US\$mm)



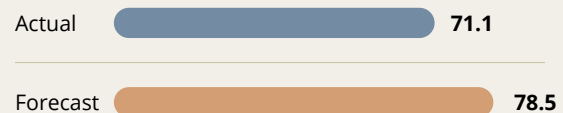
### REVENUE PER AVAILABLE ROOM (REVPAR) (US\$)



### AVERAGE DAILY RATE (ADR) (US\$)



### OCCUPANCY (%)



EHT generated Total Rent since listing of US\$47.1 million. EHT performed despite a softening in U.S. lodging market fundamentals, construction delays and displacement at its largest asset, Holiday Inn Resort Orlando Suites (“OHIR”).

In 2019, U.S. national RevPAR estimates were revised down significantly throughout the year. Estimated 2019 RevPAR growth at the start of 2019 was 2.5%<sup>1</sup>. 2019 ended with actual RevPAR growth of 0.9%<sup>1</sup>, representing a 64% decrease in U.S. national RevPAR growth for the year.

Less favourable U.S. lodging fundamentals also impacted the pace of ramp following significant recent Asset Enhancement Initiatives (“AEI”) of US\$174.0 million. As part of the AEIs, the Master Lessee made selected asset management initiatives, namely property manager upgrades at nine of the 18 properties in EHT’s portfolio. Property manager changes encountered certain transitional friction in 2019, which was expected to abate going forward.

Total Rent was also impacted by construction delays related to five properties, referred to as the W-I-P properties<sup>2</sup>. There was US\$44.0 million of capital expenditure associated with

these properties in 2019. All the planned construction has since been completed as of December 2019. The five W-I-P assets also underwent operational transition as well; three of the nine property manager changes referenced were among the five W-I-P assets. Construction delays impeded sales and marketing efforts and prevented property managers from securing certain corporate contracts in 2019. The revenue management teams were focused on regaining and supplementing selected corporate contracts.

Lastly, EHT’s largest asset, Holiday Inn Resorts Orlando Suites – Waterpark (“OHIR”), was impacted by a category-5 hurricane in 3Q 2019 preceeding, during and after the Labour Day holiday weeks, 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 20.0% of the total rooms were offline. The repairs are underway and are expected to be completed in 2020.

The portfolio generated Average Daily Rate (“ADR”), Occupancy and Revenue Per Available Room (“RevPAR”) for the year of US\$127.8, 71.1% and US\$90.9, respectively.

<sup>1</sup> Source: Independent Market Research

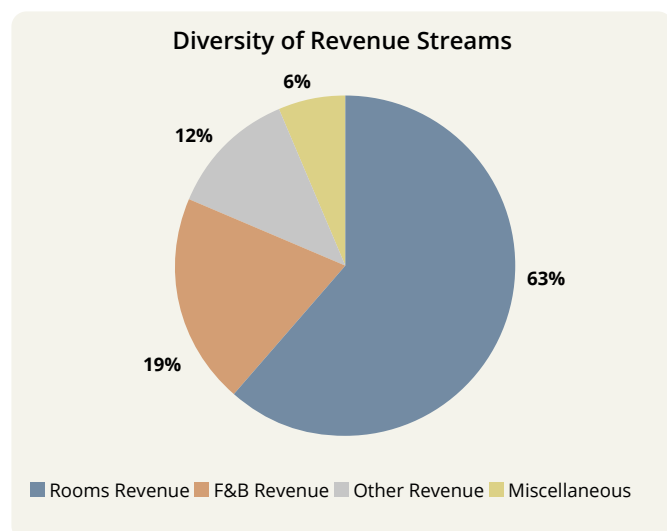
<sup>2</sup> W-I-P properties refer to properties that underwent renovation and construction in 2019. This includes Crowne Plaza Dallas Near Galleria-Addison, Hilton Houston Galleria Area, Renaissance Woodbridge, Doubletree by Hilton Salt Lake City Airport, Sheraton Pasadena

## OPERATIONS REVIEW

RevPAR is the primary performance indicator in the lodging sector, particularly for room revenue and reflects the product of ADR and occupancy. The aforementioned items that impacted EHT's Total Rent in 2019 also had a direct impact on RevPAR. Even still, the portfolio outperformed its competition on average by 3.7% with a RevPAR index<sup>3</sup> of 103.7%. Each asset has a unique competitive set that is approved by the respective franchisor. A RevPAR index of greater than 100 means that an asset's RevPAR is higher than the average RevPAR of its competitive set.

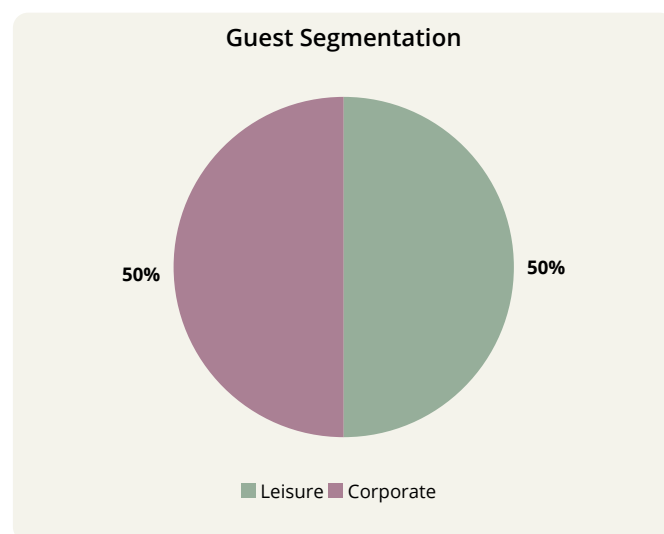
Construction, repairs, property manager transitional friction and the pace of ramp associated with revenue management strategies, including regaining and supplementing corporate contracts all have an impact on ADR and occupancy with a compounded impact on RevPAR and room revenue.

With the construction completed on the five W-I-P properties and the operational headway associated with the nine property manager changes, the EHT portfolio was positioned for potential improvement in RevPAR penetration and additional market share gains.



EHT's portfolio consists of amenity rich full-service hotels. The hotels have multiple revenue streams creating a diversified economic profile. In addition to the hotels being located in the Top-US markets with more robust business activity, the hotels' amenities themselves are demand generator that create a customer draw.

While there is an improved risk profile associated with multiple business lines, the revenue streams are also complementary to one another. For example, certain of EHT's hotels host significant weddings in a given year (e.g. Queen Mary and Sheraton Pasadena), which support room revenue. EHT's conference orientated hotels (e.g. Renaissance Denver Stapleton and Crowne Plaza Danbury) support F&B revenue. EHT's resort orientated assets (e.g. Holiday Inn Resort Orlando Suites - Waterpark and Holiday Inn Hotel & Suites Anaheim) support other revenue, such as waterpark entrance fees and F&B. Many of EHT's full-service hotel can also accommodate events that support miscellaneous revenue, such as tour and admission fees as well as parking revenue. With multiple business lines, EHT's Lessees and operators have more opportunities to improve margins through expense savings as well as enhancing revenues through more dynamic revenue management and sales and marketing.



EHT's guest segmentation is well balanced with a substantially equal representation of corporate and leisure-led guest demand. EHT's guest segmentation mix helps to manage occupancies and seasonality of peak and off-peak travel seasons between the respective segments.

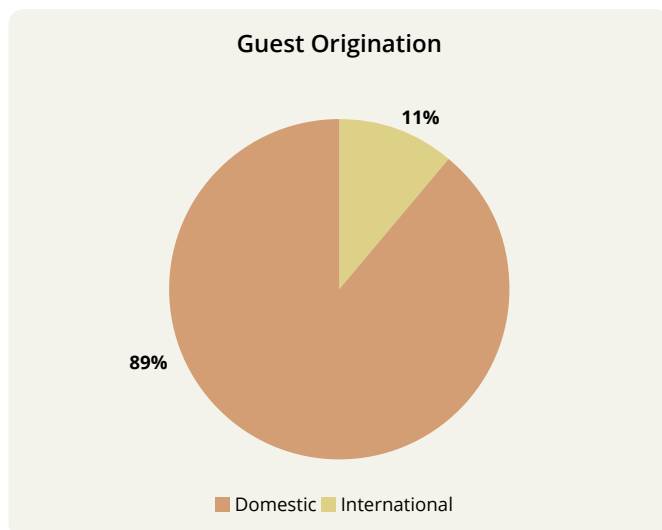
However, guest segmentation for full-service hotels in top markets tend to be more skewed toward corporate-led demand; typically, closer to 75.0% of guest demand for full-service hotels in top-markets is corporate-led. EHT's disproportionate leisure-led demand at 50.0% is driven by its resort orientated assets.

<sup>3</sup> Compares EHT's asset-level RevPAR to the RevPAR average of each asset's respective competitive set; above 100 indicates greater than average market penetration relative to each asset's competitive set

Note: Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Higher than average leisure-led guest demand could position EHT well for a variety of reasons. Consumer spending normally accounts for over two thirds of U.S. GDP and has contributed significantly to the nation's GDP growth during the current cycle (pre-Covid-19). Further, consumer spending on accommodation services has recently grown significantly faster than overall consumer spending, highlighting a secular trend of more experiential-based consumption.

From a supply standpoint, leisure oriented resorts represent among the smallest components of new supply, as the replacement cost of resorts tend to far exceed prevailing market prices.

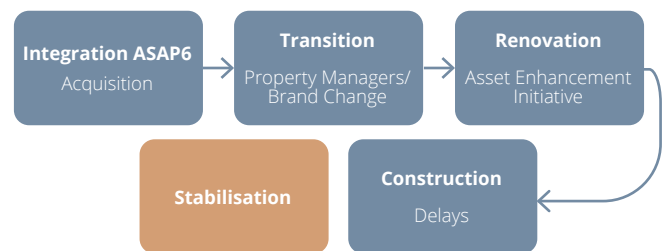


The U.S. Economy continues to be the largest and among the most diverse in the world. EHT's markets, assets and guest segmentation benefit from powerful national demand driver (in a normal market) resulting in approximately 90.0% of guest demand of domestic origin in 2019.

Given that the portfolio is less reliant on foreign travellers, the portfolio's performance is more insulated from geopolitical and geoeconomical risks. Of the 10.0% guest demand from international origin, a significant proportion is derived from the America, including Canada in the North and Latin America in the south with a significantly smaller proportion coming from regions in Asia, namely China.

Given the asset quality of EHT's portfolio, including its full service offering and exposure to top-markets, pre-Covid-19, EHT was well positioned to capitalise on growth from both domestic and international demand, namely the outsized long-term growth prospects in Asia. In 3Q 2019, EHT's Lessee established a partnership with CTrip, the largest online travel agency in China, and one of the largest in the world. The partnership was meant to enhance the global reach of EHT's distribution outside of traditional U.S. booking channels. With hotels in primary travel markets, such as San Francisco/San Jose, Los Angeles, Houston and Denver, EHT aims to attract more diverse travellers over time from Asia and beyond.

### ASSET MANAGEMENT STABILISATION ROADMAP



EHT's portfolio continued to undergo transition at the start of 2020 following a variety of asset management processes and initiatives.

**Renovation:** Prior to and as part of the IPO planning process the Sponsor embarked on a significant capital expenditure programme of US\$174.0 million (see Exhibit 1). The capital investment was financed by the Sponsor ahead of the IPO with the goal of avoiding operational displacement and any significant capital expenditure overhang that would otherwise impact EHT after the listing. The size of this investment is disproportionate as compared to other listed lodging real estate companies.

Approximately 69.0% of the invested capital was for the full refurbishment of rooms and public spaces, approximately 28.0% of invested capital was associated with major works and the balance related to minor works.

Of the annualised US\$174.0 million of capital expenditures, US\$130.0 million was done before the IPO with US\$103.0 million of projects completed in 2018; 2018 was a year of meaningful displacement. 2019 was forecasted taking into consideration the ramp-up of off-line rooms and spaces as well as a return on investment associated with better positioned assets following the significant renovation.

## OPERATIONS REVIEW

Time to stabilisation can take up to 18 months. Given a softening of U.S. lodging fundamentals, the pace of ramp associated with the investment and displacement was slower than anticipated.

**2019 Construction:** In addition, US\$44.0 million of the US\$174.0 million of capital expenditures funded by the sponsor were completed in 2019. The construction associated with these expenditures relates to five properties, referred to as W-I-P properties. The construction was to be completed by mid-year, but was delayed; however, all the construction has since been completed.

Construction delays primarily related to unsatisfactory initial work product following inspections (i.e. Delta Woodbridge, Hilton Houston Galleria and Doubletree by Hilton Salt Lake City Airport), ADA (American Disability Act) modifications (i.e. Sheraton Pasadena) and revised renovation plan associated with a change in brand standard (i.e. Crown Plaza Dallas).

Again, more displacement associated with the delays as well as the pace of ramp impacted 2019 performance. EHT started 2020 with all the construction associated with the five W-I-P properties complete.

**Integration of ASAP6 Portfolio:** Six assets of EHT's 18 asset portfolio were acquired by the sponsor shortly before the IPO. As part of the acquisition and in Urban Common's capacity as Lessees, the assets underwent an operational review, including revenue management and sales and marketing strategies as well as cost structure. As part of the review process, a revised operational strategy was determined. The implementation of the operational review occurred in 2019.

**Transition:** As part of the significant recent AEs the Lessees made certain asset management initiatives related to third party property managers and brands. Nine property managers associated with half of EHT's portfolio were changed or upgraded in 2019. Seven of these changes were contemplated at the time of the IPO (note that the former property manager had less than 30 properties under management). The improvements primarily include changes from smaller, regional property managers to larger, national property managers with an institutional offering, including high standards and best practices developed from servicing other leading U.S. hotel owners. Certain of the changeovers resulted in transitional friction during their notice period in 2019. These property manager changes could better position EHT's portfolio for higher operating performance over time.

The Lessee identified an additional three property manager changes to take place in 2020 related to the consolidation of the property management associated with EHT's 3 Denver properties, including Renaissance Denver Hotel, Holiday Inn Denver Hotel and Sheraton Denver Tech Center. Property management of these properties were to be conducted under one property manager, Crestline Hotels and Resorts. Crestline previously managed two of EHT's assets, including Hilton Atlanta Northeast and Crowne Plaza Dallas Near Galleria-Addison. Under one property manager, given the proximity of these hotels to each other, the Master Lessee could have potentially achieved operating efficiencies, including cost savings and revenue synergies.

In addition, the Lessee implemented a brand realignment change in 2019 with two more that were expected in 2020 and 2022. The Renaissance Woodbridge was changed to Delta by Marriott Woodbridge in 3Q 2019. Delta is the Newest Marriott brand with a more modern positioning and efficient cost structure. In 2020, Hilton Houston Galleria was expected to become Doubletree by Hilton Houston Westchase; under the Doubletree brand there is the potential to capture incremental market share through better brand alignment with a larger customer segment associated with the Doubletree in the Houston market, as compared to the Hilton flag. However, in 2022, the Lessee had planned to up-brand EHT's Doubletree Salt Lake City asset to the Hilton flag. In the Salt Lake City market, the Upper Upscale Hilton flag could be better positioned to garner more demand from a higher rated corporate guest segment with stronger rate potential.

**Stabilisation:** EHT performed in 2019 despite significant headwinds, including asset management and operational transitions as well as a temporary market dislocation in Orlando and softening U.S. lodging market fundamentals.

EHT management started 2020 with (1) completed construction associated with the five W-I-P properties, (2) implemented strategic plan associated with the integration of the ASAP6 portfolio, (3) transitioned property management and brand change at nine properties and one hotel, respectively and (4) continued runway with respect to the ramp associated with significant capital spent on AEs.



### SUMMARY OF LATEST DEVELOPMENTS

2020 has proven to be one of the worst years in the U.S. hospitality industry with hotel occupancy levels decreasing to as low as 7.0% in April and rebounding slightly in the month of June to around 26.2%. This is exacerbated by the fact that over 6000 hotels are closed due to the pandemic which would have made occupancies in the range of 3.0% to 6.0% in many markets. With continual headwinds, states are now trying to reopen from an economic standpoint with the resurgence of the pandemic spreading at an alarming rate. The expectation is that occupancy could continue to fluctuate in the mid 30.0% range until at least 2021.

We have closed 15 of the 18 hotels in the portfolio. We are now reviewing the possibility of a phased reopening approach of the properties based on several criteria: a) market occupancy, b) hotel occupancy demand, c) contracts with airlines for crews, d) base business (government, business, leisure) and (e) peak seasons of some hotels, including other considerations.

The look ahead is challenging with continual headwinds but there are glimmers of hope as some markets start to open up and airlines progressively resume operation.

### EXHIBIT 1:

From 2013 through 2019, US\$174.0 million was spent refurbishing the Initial Portfolio, as well as updating certain hotels to brand standards.

Property	Amount Spent (\$US mm)	Completion Date
Holiday Inn Resort Orlando Suites – Waterpark	27.5	Aug-18
The Queen Mary Long Beach	23.5	Dec-18
Renaissance Denver Stapleton	16.8	Sep-18
Sheraton Pasadena	16.8	Jun-19
Hilton Atlanta Northeast	13.0	Dec-18
Holiday Inn Denver East – Stapleton	10.9	Sep-18
Hilton Houston Galleria Area	9.7	Oct-19
Embassy Suites by Hilton Anaheim North	9.3	Nov-18
Embassy Suites by Hilton Palm Desert	9.0	Feb-18
Doubletree by Hilton Salt Lake City Airport	7.6	Dec-19
Renaissance Woodbridge*	6.3	Jun-19
Four Points by Sheraton San Jose Airport	6.3	Mar-16
Holiday Inn Hotel & Suites San Mateo	5.6	Jun-18
Sheraton Denver Tech Centre	3.6	Dec-13
Crowne Plaza Dallas Near Galleria – Addison	3.5	Aug-19
The Westin Sacramento	2.7	Dec-15
Holiday Inn Hotel & Suites Anaheim	1.8	Apr-17
Crowne Plaza Danbury	0.3	Dec-18

\*Currently known as Delta hotels by Marriott Woodbridge

## BOARD OF DIRECTORS

### MR. LAU CHUN WAH @ DAVY LAU

**Lead Independent Director and  
Independent Non-Executive Director**

Mr. Davy Lau is a Lead Independent Director and Independent Non-Executive Director of the Managers and a member of the Nominating and Remuneration Committee and the Audit and Risk Committee of the REIT Manager.

Mr. Davy Lau is the Founder and Chairman of DGL Group Inc., which focuses on investing directly in businesses that help individuals, organizations and communities achieve a sustainable, delicious and gracious life. He is also the lead independent director and chairman of the nominating and remuneration committee of Manulife U.S. Real Estate Management Pte. Ltd. (the manager of Manulife U.S. REIT, listed on SGX); as well as a non-executive director and member of the audit committee, nominating and remuneration committee of International Housewares Retail Company Limited, listed on the Hong Kong Exchange (HKEX). He is a board member of Hong Kong - ASEAN Economic Cooperation Foundation and Japan Home (Retail) Pte Ltd, as well as a resource panel member of private equity firm, Credence Partners Pte Ltd.

Previously, Mr. Lau was an independent non-executive director and non-executive chairman of AL Group Limited, listed on the Growth Enterprise Market of HKEX; an independent non-executive director and chairman of the compensation committee of HiSoft Technology International Ltd, listed on NASDAQ; a board member of Make-A-Wish Foundation Singapore; as well as a board of governors at United World College Southeast Asia.

Between 1988 and 1990, Mr. Lau was the vice president of Citigroup's Information Business in Japan. He then served as GTECH's General Manager in Asia, where he marketed and managed the ongoing operations of various large-scale public gaming outsourcing projects in Asia between 1991 and 1994. From 1994 to 2011, Mr. Lau was with Egon Zehnder International and was elected as global partner in 2000. He was the firm's Singapore Managing Partner for 10 years and later focused on serving Japanese clients in Asia as well as board consulting.

Mr. Lau is trilingual in Japanese, English and Chinese. He received a Bachelor of Arts from Tokyo University of Foreign Studies (Japan) in 1979 and a Master of Economics from Hitotsubashi University (Japan) in 1981.

### MR. TAN WEE PENG KELVIN

**Independent Non-Executive Director**

Mr. Kelvin Tan is an Independent Non-Executive Director of the Managers and the Chairman of the Audit and Risk Committee of the REIT Manager. He is also a member of the Nominating and Remuneration Committee of the REIT Manager.

Mr. Tan is an Adjunct Associate Professor at NUS Business School since 2016 and an Independent Director and Chairman of the Audit Committee/ Audit and Risk Committee of various SGX-listed companies, including IREIT Global Group Pte. Ltd. (the manager of IREIT Global), Global Investment Limited, UnUsUaL Limited, USP Group Limited, Viking Offshore and Marine Ltd.

Altogether, Mr. Tan has over 30 years of professional and management experience in both the public and private sectors in Singapore. From 1996 to 2003, Mr. Tan was with Temasek Holdings Pte Ltd, where his last held position was the Managing Director of its Private Equity Funds Investment Unit. From 2003 to 2004, he was the Global Head of Business Development of PSA International Pte. Ltd. and concurrently CEO of PSA India Pte Ltd. He later assumed the position of the President of AETOS Security Management Pte Ltd from 2004 to 2008. From 2008 to 2014, Mr. Tan was the Managing Director of GBE Holdings Pte. Ltd. Mr. Tan also advises private companies and private equity funds in the areas of corporate governance, finance and investments, business strategy and corporate development, and leadership development.

Mr. Tan was a Local Merit Scholar (Police Service) and graduated with a Bachelor of Accountancy (First Class Honors) degree from the National University of Singapore in 1987. In 1997, he obtained a Master of Business Administration degree from the same university. Mr. Tan then attended the Programme for Management Development at the Harvard Business School in 1999. Mr. Tan is currently a Fellow and the Secretary of the Institute of Singapore Chartered Accountants and a member of the Singapore Institute of Directors.

**MR. CARL GABRIEL FLORIAN STUBBE**  
Independent Non-Executive Director

Mr. Carl Stubbe is an Independent Non-Executive Director of the Managers and the Chairman of the Nominating and Remuneration Committee of the REIT Manager.

Mr. Stubbe is currently the Senior Vice President, Investment Sales, Asia Hotels & Hospitality Group of Jones Lang LaSalle Property Consultants Pte Ltd.

From 2017 to 2018, Mr. Stubbe served as Chief Corporate Development Officer of OUE Limited. Concurrently, Mr. Stubbe has been Chief Executive Officer of Peredigm Private Limited, a company involved in packaging and marketing excess capacity for asset-heavy businesses since 2013. He founded the company and has been responsible for its overall strategic direction. Prior to founding Peredigm Private Limited, Mr. Stubbe was with Bank Julius Baer Singapore, where his last held position was Director, Private Banking. From 2009 to 2010, he was Chief Executive Officer of The Gaia Hotels, and from 2006 to 2008 he was with Grove International Partners LLP, a global real estate private equity firm, where his last held position was Vice President. In 2006, Mr. Stubbe was with Colony Capital Asia, Ltd., a private international investment firm focusing primarily on real estate-related assets and operating companies, and from 2003 to 2005 he was with Global Hyatt Corporation in Chicago, U.S., where his last held position was Manager of Acquisitions and Development.

He has served as the non-executive chairman of Bowsprit Capital Corporation Limited, the manager of First Real Estate Investment Trust, and was previously also an independent director of OUE Commercial REIT Management Pte. Ltd., the manager of OUE Commercial Real Estate Investment Trust.

Mr. Stubbe graduated from the University of Massachusetts, USA. with a Bachelor of Arts in English, and holds a Master of Business Administration from Johnson and Wales University, USA.

**MR. TARUN KATARIA**  
Independent Non-Executive Director

Mr. Tarun Kataria is an Independent Non-Executive Director of the Managers and is a member of the Audit and Risk Committee of the REIT Manager.

Mr. Kataria is also an Independent Director of HSBC Bank (Singapore) Limited where he is also the Chairman of its Audit Committee and a Member of the Risk Committee. In addition, Mr. Kataria is an Independent Non-Executive Director of Mapletree Logistics Trust Management Pte. Ltd. (the manager of Mapletree Logistics Trust) and Jubilant Pharma Ltd. He is also on the boards of two Indian-listed companies, Westlife Development Ltd. and Sterlite Investment Managers Limited (the manager for India Grid Trust).

Between 2010 and 2013, Mr. Kataria was the Chief Executive Officer, India of Religare Capital Markets Ltd. Prior to joining Religare Capital Markets, Mr. Kataria held various senior positions within HSBC Group from 1998 to 2010, which included the roles of Managing Director and Head of Global Banking and Markets at The Hongkong and Shanghai Banking Corporation Limited (India), Vice-Chairman of HSBC Securities and Capital Markets (India) Private Limited, Non-Executive Director of HSBC InvestDirect (India) Limited, and Managing Director, Asia Head of Institutional Sales, HSBC Global Markets based in Hong Kong.

Mr. Kataria holds a Master of Business Administration (Finance) from The Wharton School, University of Pennsylvania, USA. He is also a Chartered Accountant registered with the Institute of Chartered Accountants of India. His philanthropic giving is directed at conservation (Mr. Kataria is on the board of the World Wildlife Fund Singapore and Chairman of the Singapore Conservation Trust) and the education and health of girl children.

## MANAGEMENT TEAM

### MR. SALVATORE GREGORY TAKOUSHIAN Executive Director and Chief Executive Officer

Mr. Salvatore Takoushian is the Executive Director and Chief Executive Officer of the Managers.

Before joining EHT, Mr. Takoushian had over 16 years of experience in investment banking with extensive experience advising lodging and real estate companies in strategic and financial matters. During his career, he has managed the execution of public and private capital raises in excess of US\$25 billion, including significant U.S. REIT IPO experience, and more than US\$20 billion of merger and acquisition transactions. His experience encompasses mergers and acquisitions, joint ventures, asset and portfolio divestitures and he has led many financing transactions including debt and equity.

Mr. Takoushian holds a Bachelor of Science in Business Administration with concentrations in Finance and Accounting from Boston University, USA, where he graduated Magna Cum Laude.

### MR. JOHN BOVIAN JENKINS JR Chief Operating Officer

Mr. John Jenkins is the Chief Operating Officer of the Managers.

Mr. Jenkins has over 35 years of experience in the hospitality sector in the United States. Prior to joining the REIT Manager, he was the Vice President, Asset Management and Operations with Urban Commons, LLC since 2016, and was responsible for overseeing the day-to-day operations of the hotels in the USHI<sup>1</sup> Portfolio. From 2012 to 2016, he was with Evolution Hospitality working at The Queen Mary Long Beach as Hotel Manager before being promoted to General Manager.

From 2007 to 2011, he was the Vice President and Hotel Manager with Gaylord National Resort and Convention Center where managed the operations of the hotel and convention centre. From 1983 to 2007, he has held numerous positions in operations, sales and marketing, and revenue management at various Marriott hotels across the U.S., including Resident Manager at New York Marriott Marquis, General Manager at Trenton Marriott in New Jersey and Assistant General Manager at Marriott at Metro Center in Washington D.C.

From 2010, Mr. Jenkins also started and ran his own hospitality consultancy under Sydjul Hospitality, LLC, and his clients included The Peterson Companies, the developer of the National Harbor, Maryland. Sydjul Hospitality LLC is expected to be dormant and Mr. Jenkins will not be actively marketing and growing the business of Sydjul Hospitality LLC while he is a full-time employee of the Managers.

Mr. Jenkins currently sits on the Executive Board of the Convention and Visitors Bureau of Long Beach.

<sup>1</sup> Properties comprising the USHI Portfolio are (i) Sheraton Pasadena, (ii) Holiday Inn & Suites Anaheim, (iii) Embassy Suites Anaheim North, (iv) Holiday Inn Hotel & Suites San Mateo, (v) Four Points at Sheraton San Jose Airport, (vi) The Westin Sacramento, (vii) Embassy Suites Palm Desert, (viii) The Queen Mary Long Beach, (ix) Renaissance Denver Stapleton, (x) Holiday Inn Denver East - Stapleton, (xi) Holiday Inn Resort Orlando Suites - Waterpark and (xii) Crowne Plaza Danbury

## CORPORATE INFORMATION

### MANAGER OF EAGLE HOSPITALITY REAL ESTATE INVESTMENT TRUST

Eagle Hospitality REIT Management Pte. Ltd.  
(the “Manager”)

#### *Registered Address*

8 Marina Boulevard, #11-15/17  
Marina Bay Financial Centre Tower 1  
Singapore 018981  
Telephone: (65) 6653 4434  
Facsimile: (65) 6653 4788  
Website: www.eagleht.com

### TRUSTEE OF EAGLE HOSPITALITY REAL ESTATE INVESTMENT TRUST

#### **DBS Trustee Limited**

12 Marina Boulevard, Level 44 DBS Asia Central @  
Marina Bay Financial Centre Tower 3  
Singapore 018982  
Telephone: (65) 6878 8888  
Facsimile: (65) 6878 3977

### TRUSTEE-MANAGER OF EAGLE HOSPITALITY BUSINESS TRUST

Eagle Hospitality Business Trust Management Pte. Ltd.  
(the “Trustee-Manager”)

#### *Registered Address*

8 Marina Boulevard, #11-15/17  
Marina Bay Financial Centre Tower 1  
Singapore 018981  
Telephone: (65) 6653 4434  
Facsimile: (65) 6653 4788  
Website: www.eagleht.com

### AUDITOR

#### **KPMG LLP**

16 Raffles Quay, #22-00  
Hong Leong Building  
Singapore 048581  
Telephone: (65) 6213 3388  
Facsimile: (65) 6225 0984

#### Partner-in-charge:

Ms. Lo Mun Wai  
(Appointed since the financial period ended  
31 December 2019)

### STAPLED SECURITY REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.

50 Raffles Place, #32-01  
Singapore Land Tower  
Singapore 048623  
Telephone: (65) 6536 5355  
Facsimile: (65) 6536 1360

For depository-related matters such as change of details  
pertaining to Stapled Securityholders’ investment records,  
please contact:

### The Central Depository (Pte) Limited

9 North Buona Vista Drive  
#01-19/20 The Metropolis  
Singapore 138588

Tel : (65) 6535 7511

Email : asksgx@sgx.com

Website : www.sgx.com/cdp

### BOARD OF DIRECTORS OF THE MANAGER AND THE TRUSTEE-MANAGER

#### **Mr. Lau Chun Wah @ Davy Lau**

Lead Independent Director and  
Independent Non-Executive Director

#### **Mr. Tan Wee Peng Kelvin**

Independent Non-Executive Director

#### **Mr. Carl Gabriel Florian Stubbe**

Independent Non-Executive Director

#### **Mr. Tarun Kataria**

Independent Non-Executive Director

#### **Mr. Salvatore Gregory Takoushian**

Executive Director and Chief Executive Officer

### AUDIT AND RISK COMMITTEE

**Mr. Tan Wee Peng Kelvin** (Chairman)

**Mr. Lau Chun Wah @ Davy Lau**

**Mr. Tarun Kataria**

### NOMINATING AND REMUNERATION COMMITTEE

**Mr. Carl Gabriel Florian Stubbe** (Chairman)

**Mr. Lau Chun Wah @ Davy Lau**

**Mr. Tan Wee Peng Kelvin**

### SPECIAL COMMITTEE

**Mr. Carl Gabriel Florian Stubbe** (Chairman)

**Mr. Lau Chun Wah @ Davy Lau**

**Mr. Tan Wee Peng Kelvin**

**Mr. Tarun Kataria**

**Mr. Salvatore Gregory Takoushian**

### COMPANY SECRETARY OF THE MANAGER AND THE TRUSTEE-MANAGER

**Ms. Josephine Toh**

## PORTFOLIO SUMMARY

Crowne Plaza Dallas Near Galleria-Addison



Hilton Atlanta Northeast



Hilton Houston Galleria Area



Sheraton Denver Tech Center



Sheraton Pasadena



Crowne Plaza Danbury



Holiday Inn Resort Orlando Suites - Waterpark



The Queen Mary Long Beach



The Westin Sacramento



18

Hotel Properties

5,420

Total Rooms





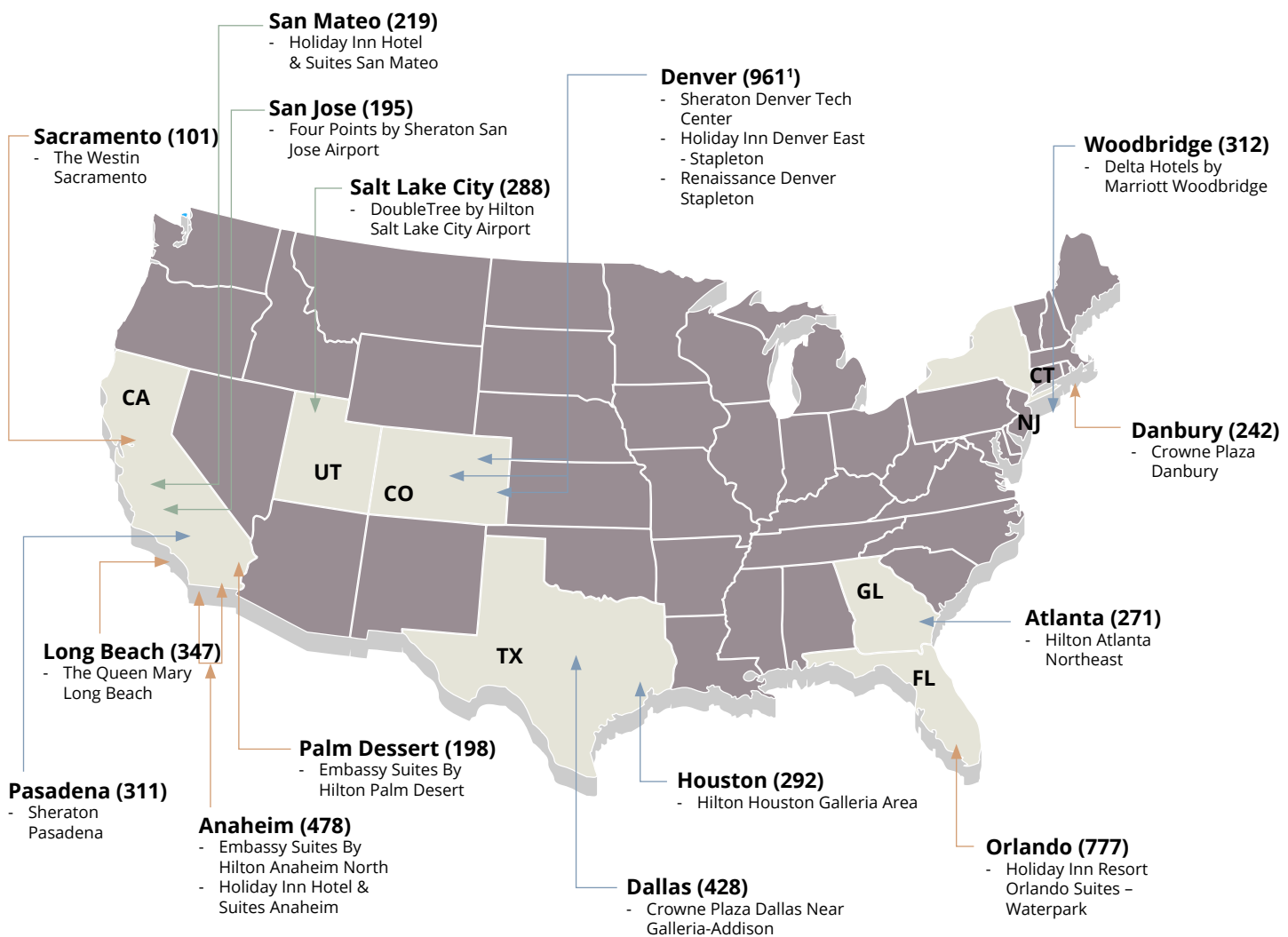
## PORTFOLIO SUMMARY

EHT's current portfolio comprised 18 full-service hotels consisting of nine Upper Upscale hotels, five Upscale hotels and four Upper Midscale hotels with a total of 5,420 rooms and an aggregate valuation of approximately US\$1.26 billion, located in the United States.

The features of each type of Hotel in the Initial Portfolio are set out below:

- Upper Upscale: Typically offer a full range of on-property amenities and services, including full service, all-day restaurants, room service (in most cases), recreational facilities, a fitness centre, and a business centre. In some cases, the hotels feature concierges and spas. For hotels that are in an airport market, they often offer a shuttle service to airport.

- Upscale: Offer an array of on-property amenities and services, including a F&B outlet offering breakfast (and in some cases a three-meal operation), recreational facilities (in some cases), a fitness centre and a business centre. For hotels that are in an airport market, they often offer a shuttle service to airport.
- Upper Midscale: Feature a breakfast buffet, selected on-property amenities to include a fitness centre and selected business services. For hotels that are in an airport market, they often offer a shuttle





## SHERATON PASADENA

Sheraton Pasadena is a 311-room hotel located in the heart of Pasadena, California, near Los Angeles. The Hotel is a short distance to abundant shopping, dining and entertainment options that include Old Town Pasadena, Rose Bowl, the Norton Simon Museum, and The Huntington Library and Botanical Gardens. In addition to the leisure options within the local vicinity, the property is adjacent to the Pasadena Convention Centre. The Hotel is located 21 miles (within 40-minute drive) from Los Angeles International Airport.

The Hotel comprises five stories and has shared access to 300 parking spaces with the City of Pasadena.

### F&B Facilities

Dining options at the Hotel include (i) Restaurant Soleil which serves breakfast, lunch and dinner, and has a capacity for 48 people, as well as (ii) Charlie's Bar, a restaurant and bar which serves lunch and dinner, and has a capacity for 57 people. The Hotel also provides room service and has a convenience store.

### Recreational and Other Facilities

The Hotel offers a 24-hour business centre, a variety of cardio and weight training equipment at the well-equipped Sheraton Fitness, and an outdoor heated swimming pool.

### PROPERTY SUMMARY

Number of Rooms	311
Room Options	400 sq ft. to 500 sq ft.
Land Tenure	Freehold
Valuation as at 31 December 2019 (US\$mm)	107.3
IPO Purchase Price (US\$mm)	100.1
IPO Purchase Discount	7.2%
Occupancy Rate <sup>1</sup>	74.2%
Lessee Structure	Master Lease: 20 + 14 years
Brand / Brand Franchisor	Sheraton / Marriott
Revenue Generation Index as at 31 December 2019 <sup>2</sup>	83.1
Total Rent Generated (US\$mm) <sup>3</sup>	3.3
Asset Enhancement Initiatives (US\$mm) / Completion Date	16.8 / June 2019
Meeting and Conference Facilities / Size	14 Meeting Rooms / 12,000 sq ft.
F&B Facilities	2 Restaurants
Recreational and Other Facilities	Business Centre, Sheraton Fitness centre, Outdoor Heated Pool
Carpark – Shared Access with City of Pasadena	300 Parking Spaces

1 Reflects period from 24 May 2019 to 31 December 2019.

2 Based on three months rolling from October 2019 to December 2019.

3 Based on Master Lease Rent for the period 24 May 2019 to 31 December 2019.

## PORTFOLIO SUMMARY



## HOLIDAY INN HOTEL & SUITES ANAHEIM

Holiday Inn Hotel & Suites Anaheim is located next to Disneyland Resort, and within one mile from Anaheim Convention Centre. Featuring 255 well-appointed guest rooms, the Hotel offers Disney-themed suites and has a “splash zone” water park. The property is located 10 miles (within 15-minute drive) from John Wayne International Airport.

The Hotel consists of five buildings, with the tallest being six-stories. Parking facilities include 257 spaces.

### F&B Facilities

Dining options at the Hotel include (i) Onyx Restaurant and (ii) Onyx Bar, a bar with a combined capacity for 110 people, as well as poolside dining service. The Hotel also provides room service and a gift shop.

### Recreational and Other Facilities

The Hotel offers 24-hour business centre, fitness facility with a variety of cardio and weight training equipment, an outdoor heated swimming pool and jacuzzi and a “splash zone” water park.

### PROPERTY SUMMARY

Number of Rooms	255
Room Options	276 sq ft. to 900 sq ft.
Land Tenure	Freehold
Valuation as at 31 December 2019 (US\$mm)	78.9
IPO Purchase Price (US\$mm)	68.3
IPO Purchase Discount	15.5%
Occupancy Rate <sup>1</sup>	85.6%
Lessee Structure	Master Lease: 20 + 14 years
Brand / Franchisor	Holiday Inn / IHG
Revenue Generation Index as at 31 December 2019 <sup>2</sup>	101.3
Total Rent Generated (US\$mm) <sup>3</sup>	2.8
Asset Enhancement Initiatives (US\$mm) / Completion Date	1.8 / April 2017
Meeting and Conference Facilities / Size	4 Meeting Rooms / 3,370 sq ft.
F&B Facilities	1 Restaurant and 1 Bar
Recreational and Other Facilities	Business Centre, Fitness Facility, Outdoor Heated Swimming Pool and Jacuzzi, “Splash Zone” Water Park
Carpark	257 Parking Spaces

1 Reflects period from 24 May 2019 to 31 December 2019.

2 Based on three months rolling from October 2019 to December 2019.

3 Based on Master Lease Rent for the period 24 May 2019 to 31 December 2019.





## EMBASSY SUITES BY HILTON ANAHEIM NORTH

Embassy Suites by Hilton Anaheim North Hotel is a seven-story, all-suite hotel with 223 rooms. It is located just a 12-minute drive from Disneyland, within a 20-minute drive from John Wayne International Airport and within a 40-minute drive from Los Angeles International Airport. This Hotel is a Disneyland “Good Neighbour” hotel, a designation signifying convenience to the resort. The Hotel also offers direct shuttle service to Disneyland.

Each suite features a private master bedroom with a separate living area furnished with a sofa, bed, refrigerator, wet bar, microwave, coffeemaker, hairdryer, iron, ironing board.

### F&B Facilities

Dining options at the Hotel include complimentary cooked-to-order breakfast every morning in the Atrium, as well as a complimentary evening reception for guests, which comes with beer, wine, and snacks. Lunch and dinner are offered at the Hotel's restaurant, Bistro 3100 Restaurant with a capacity for 150 people, as well as Bistro 3100 Bar with a capacity for 56 people. The Hotel also offers room service, and a convenience store at the lobby.

### Recreational and Other Facilities

The Hotel includes a fitness centre, indoor pool with an outdoor sunning deck, and 24-hour business centre.

### PROPERTY SUMMARY

Number of Rooms	223
Room Options	469 sq ft. to 518 sq ft.
Land Tenure	Freehold
Valuation as at 31 December 2019 (US\$mm)	54.0
IPO Purchase Price (US\$mm)	44.5
IPO Purchase Discount	21.3%
Occupancy Rate <sup>1</sup>	82.2%
Lessee Structure	Master Lease: 20 + 14 years
Brand / Franchisor	Embassy Suites / Hilton
Revenue Generation Index as at 31 December 2019 <sup>2</sup>	111.0
Total Rent Generated (US\$mm) <sup>3</sup>	1.8
Asset Enhancement Initiatives (US\$mm) / Completion Date	9.3 / November 2018
Meeting and Conference Facilities / Size	10 Meeting Rooms / 7,000 sq ft.
F&B Facilities	1 Restaurant and 1 Bar
Recreational and Other Facilities	Fitness Centre, Indoor Pool with Outdoor Sunning Deck, Business Centre
Carpark	420 Parking Spaces

1 Reflects period from 24 May 2019 to 31 December 2019.  
 2 Based on three months rolling from October 2019 to December 2019.  
 3 Based on Master Lease Rent for the period 24 May 2019 to 31 December 2019.

## PORTFOLIO SUMMARY



### HOLIDAY INN HOTEL & SUITES SAN MATEO

Holiday Inn Hotel & Suites San Mateo is a 219-room hotel in the San Francisco Bay area. The Hotel is located within a five-minute drive from San Francisco Airport, and is proximate to large corporations in technology, pharmaceutical, and the consulting sectors. The Hotel also enjoys close proximity to Coyote Point Museum, Great America Theme Park, as well as prominent San Francisco tourist attractions such as Fisherman's Wharf, Oracle Park, Chase Bank Centre, Moscone Convention Center and Union Square.

The Hotel comprises three buildings. The main building has four floors and the second building has three floors. The third building on the site of the Hotel currently has 47 rooms and is currently operating as an independent hotel, although planning is underway to rebrand it as an Avid Hotel, an IHG brand. The Hotel has both outdoor and indoor secure parking facilities with 231 parking spaces.

#### F&B Facilities

Dining options at the Hotel include Bistro 330, an American diner which serves lunch and dinner and has capacity for 62 people. The Hotel also offers room service. The independent hotel does not have any food and beverage facilities.

#### Recreational and Other Facilities

The Hotel offers 24-hour business centre, a variety of cardio and weight training equipment, sauna, and an indoor jacuzzi.

#### PROPERTY SUMMARY

Number of Rooms	219
Room Options	299 sq ft. to 568 sq ft.
Land Tenure	Freehold
Valuation as at 31 December 2019 (US\$mm)	76.4
IPO Purchase Price (US\$mm)	67.1
IPO Purchase Discount	13.9%
Occupancy Rate <sup>1</sup>	76.0%
Lessee Structure	Master Lease: 20 + 14 years
Brand / Franchisor	Holiday Inn / IHG
Revenue Generation Index as at 31 December 2019 <sup>2</sup>	84.7
Total Rent Generated (US\$mm) <sup>3</sup>	2.6
Asset Enhancement Initiatives (US\$mm) / Completion Date	5.6 / June 2018
Meeting and Conference Facilities / Size	3 Meeting Rooms / 3,370 sq ft.
F&B Facilities	1 Diner
Recreational and Other Facilities	Business Centre, Fitness Room, Sauna, Indoor Jacuzzi
Carpark	231 Parking Spaces

1 Reflects period from 24 May 2019 to 31 December 2019.

2 Based on three months rolling from October 2019 to December 2019.

3 Based on Master Lease Rent for the period 24 May 2019 to 31 December 2019.





## FOUR POINTS BY SHERATON SAN JOSE AIRPORT

Four Points by Sheraton San Jose Airport hotel is a 195-room hotel located in the heart of San Jose/Silicon Valley. The Hotel is in the immediate vicinity of the San Jose International Airport, and is minutes from numerous major Silicon Valley corporate campuses such as Apple Inc. and Google LLC, within three miles from Downtown San Jose and the San Jose McEnery Convention Centre, and four miles from the SAP Centre and Levi Stadium. Within four miles from the Hotel are abundant shopping, dining and entertainment options that include Downtown San Jose, Santana Row, Westfield Shopping town Valley Fair, the Children's Discovery Museum, Tech Museum of Innovation, and Avaya Stadium. In addition to the leisure options within the local vicinity, the Hotel is within four miles from both Santa Clara University and San Jose State University. The Hotel comprises five stories. Parking facilities include an open and covered garage with 305 parking spaces.

### F&B Facilities

Dining options at the Hotel include (i) Hanger Grill, a restaurant which serves breakfast and lunch daily, with a capacity for 85 people and (ii) Hanger Bar, a bar which serves dinner and lighter fare daily with a capacity for 45 people. The Hotel also offers a convenience store.

### Recreational and Other Facilities

The Hotel offers a 24-hour business centre, a variety of cardio and weight training equipment in the well-equipped fitness room, and an outdoor heated swimming pool.

### PROPERTY SUMMARY

Number of Rooms	195
Room Options	350 sq ft. to 515 sq ft.
Land Tenure	Freehold
Valuation as at 31 December 2019 (US\$mm)	63.6
IPO Purchase Price (US\$mm)	60.6
IPO Purchase Discount	5.0%
Occupancy Rate <sup>1</sup>	81.0%
Lessee Structure	Master Lease: 20 + 14 years
Brand / Franchisor	Sheraton / Marriott
Revenue Generation Index as at 31 December 2019 <sup>2</sup>	131.1
Total Rent Generated (US\$mm) <sup>3</sup>	2.4
Asset Enhancement Initiatives (US\$mm) / Completion Date	6.3 / March 2016
Meeting and Conference Facilities / Size	6 Meeting Rooms / 2,200 sq ft.
F&B Facilities	1 Restaurant and 1 Bar
Recreational and Other Facilities	Business Centre, Fitness Room, Outdoor Heated Swimming Pool
Carpark <sup>4</sup>	305 Parking Spaces

<sup>1</sup> Reflects period from 24 May 2019 to 31 December 2019.

<sup>2</sup> Based on three months rolling from October 2019 to December 2019.

<sup>3</sup> Based on Master Lease Rent for the period 24 May 2019 to 31 December 2019.

<sup>4</sup> 247 Parking Spaces, plus Open Parking Area around hotel of 58 spaces

## PORTFOLIO SUMMARY



### THE WESTIN SACRAMENTO

The Westin Sacramento is a 101-room hotel located in the heart of California's capital city, on the Sacramento River. The Hotel is located downtown near the convention centre and "Old Town" historic Sacramento. Rooms offer luxurious perks such as The Westin Heavenly® signature mattress, a deep-soaking claw-foot tub, and Westin Signature amenities in the bathroom. The Hotel is also ideal for meetings or business events with 9,000 sq ft of versatile space and scenic location along the Sacramento River. The Hotel is located 11 miles (within 15-minute drive) from Sacramento International Airport.

The Hotel comprises three stories. Parking facilities include 207 spaces for limited complimentary self-parking and valet parking.

#### F&B Facilities

Dining options at the Hotel include Scott's Seafood on the River serves breakfast, lunch and dinner, while offering riverfront views, with a capacity for 360 people.

#### Recreational and Other Facilities

The Hotel offers guests a fitness centre, an outdoor heated pool, a spa, as well as outdoor fire pits and bocce ball courts.

#### PROPERTY SUMMARY

Number of Rooms	101
Room Options	(379 sq ft. to 997 sq ft.)
Land Tenure	Freehold
Valuation as at 31 December 2019 (US\$mm)	36.6
IPO Purchase Price (US\$mm)	38.2
IPO Purchase Discount	(4.2%)
Occupancy Rate <sup>1</sup>	87.7%
Lessee Structure	Master Lease: 20 + 14 years
Brand / Franchisor	Westin / Marriott
Revenue Generation Index as at 31 December 2019 <sup>2</sup>	133.0
Total Rent Generated (US\$mm) <sup>3</sup>	1.5
Asset Enhancement Initiatives (US\$mm) / Completion Date	2.7 / December 2015
Meeting and Conference Facilities / Size	6 Meeting Rooms / 4,802 sq ft.
F&B Facilities	1 Restaurant
Recreational and Other Facilities	Fitness Centre, Outdoor Heated Pool, Spa, Outdoor Fire Pits, Bocce Ball Courts
Carpark	207 Parking Spaces

1 Reflects period from 24 May 2019 to 31 December 2019.  
 2 Based on three months rolling from October 2019 to December 2019.  
 3 Based on Master Lease Rent for the period 24 May 2019 to 31 December 2019.



## EMBASSY SUITES BY HILTON PALM DESERT

Embassy Suites by Hilton Palm Desert is a 198-room hotel, located only 12 miles from Palm Springs, a prominent Southern California resort city famed for its vibrant restaurants, nightlife, and events. The Hotel's spacious suites feature a private bedroom and separate living area furnished with a sofa bed, work desk, wet bar, refrigerator, microwave, and coffeemaker. The Hotel is located 11 miles (within 20-minute drive) from Palm Springs International Airport.

The Hotel has three floors and offers a unique layout with an open courtyard, outdoor pool, lawn size chess or checkers area, and outdoor sitting spaces. Parking facilities include 323 parking spaces.

### F&B Facilities

Dining options at the Hotel include (i) Sonoma Grille Restaurant, a restaurant which serves California cuisine with a capacity for 237 people, and (ii) Sonoma Grille, with a capacity for 50 people. Guests may enjoy complimentary cooked-to-order breakfast, and appetizers and beverages at the nightly evening reception. The Hotel also offers room service, poolside service and has a gift shop.

### Recreational and Other Facilities

The Hotel offers a 24-hour business centre, a variety of cardio and weight training equipment, and an outdoor heated swimming pool.

### PROPERTY SUMMARY

Number of Rooms	198
Room Options	550 sq ft. to 775 sq ft.
Land Tenure	Freehold
Valuation as at 31 December 2019 (US\$mm)	31.3
IPO Purchase Price (US\$mm)	28.1
IPO Purchase Discount	11.4%
Occupancy Rate <sup>1</sup>	65.1%
Lessee Structure	Master Lease: 20 + 14 years
Brand / Franchisor	Embassy Suites / Hilton
Revenue Generation Index as at 31 December 2019 <sup>2</sup>	87.2
Total Rent Generated (US\$mm) <sup>3</sup>	0.8
Asset Enhancement Initiatives (US\$mm) / Completion Date	9.0 / February 2018
Meeting and Conference Facilities / Size	7 Meeting Rooms / 7,000 sq ft.
F&B Facilities	1 Restaurant and 1 Bar
Recreational and Other Facilities	Business Centre, Outdoor Heated Swimming Pool, Fitness Centre
Carpark	323 Parking Spaces

1 Reflects period from 24 May 2019 to 31 December 2019.  
 2 Based on three months rolling from October 2019 to December 2019.  
 3 Based on Master Lease Rent for the period 24 May 2019 to 31 December 2019.



## PORTFOLIO SUMMARY



### THE QUEEN MARY LONG BEACH

The Queen Mary Long Beach is a 347-room hotel and banquet facility aboard the historic British ocean liner. The Hotel is located in the harbour of downtown Long Beach, California, near Los Angeles. The Hotel is within walking distance to the Aquarium of the Pacific and The Pike Outlets, a shopping and dining destination featuring over 344,000 sq ft of retailers, entertainment options, and restaurants. The Hotel is located five miles (within 15-minute drive) from Long Beach Airport, the nearest sizeable airport, and 18 miles (within 35-minute drive) from Los Angeles International Airport.

#### F&B Facilities

Dining options at the Hotel includes three restaurants, including the Promenade Café, the Chelsea Chowder House and Sir Winston's Restaurant. Promenade Café serves breakfast and lunch with a capacity for 191 people. Chelsea Chowder House serves dinner with a capacity for 160 people. Sir Winston's Restaurant is a fine dining restaurant with a capacity for 214 people (including Sir Winston's Lounge). The Hotel has three bars, including the CCH Bar, Sir Winston's Lounge, and the Observation Bar.

#### Recreational and Other Facilities

The Hotel offers many activities for guests, such as the afternoon Captain's Reception, where the Commodore (Captain) will give a welcome reception for guests and provide an overview/history of The Queen Mary Long Beach. There are also weekend yoga classes, a 24-hour Fitness gym, and spa. The Hotel features numerous retail options, tours, and galleries

#### PROPERTY SUMMARY

Number of Rooms	347
Room Options	175 sq ft. to 930 sq ft.
Land Tenure	66 years from 1 November 2016
Valuation as at 31 December 2019 (US\$mm)	168.3
IPO Purchase Price (US\$mm)	139.7
IPO Purchase Discount	20.5%
Occupancy Rate <sup>1</sup>	72.3%
Lessee Structure	Triple Net Lease: 20 + 14 years
Brand / Franchisor	Independently Operated
Revenue Generation Index as at 31 December 2019 <sup>2</sup>	71.1
Total Rent Generated (US\$mm) <sup>3</sup>	7.3
Asset Enhancement Initiatives (US\$mm) / Completion Date	23.5 / December 2018
Meeting and Conference Facilities / Size	13 Meeting Rooms / 80,000 sq ft.
F&B Facilities	5 Restaurants and 3 Bars
Recreational and Other Facilities	Fitness Gym, Spa, Other Retail Outlets
Carpark	1,600 Parking Spaces

1 Reflects period from 24 May 2019 to 31 December 2019.

2 Based on three months rolling from October 2019 to December 2019.

3 Based on Master Lease Rent for the period 24 May 2019 to 31 December 2019.



## RENAISSANCE DENVER STAPLETON

The Renaissance Denver Stapleton features 400 guestrooms and is conveniently located to local attractions such as the Denver Zoo, Denver Museum of Nature and Science, and Dicks Sporting Goods Park (home ground of the Colorado Rapids, a professional soccer team competing in Major League Soccer). The Hotel is located 13 miles (within 20-minute drive) from Denver International Airport. It is one of six venues in Colorado that are IACC (International Association of Conference Centres) certified, which ranks the top 1% of small and medium sized meeting venues in the world for arranging unique events, meetings and conferences.

The Hotel comprises 12 stories. An adjacent parking structure includes 500 covered parking spaces.

### F&B Facilities

Dining options at the Hotel include a three-meal restaurant, Fifty300, with a capacity for 214 people, and a bar at the lobby, Elevate Lounge, with a capacity for 65 people. The Hotel also has a Starbucks cafe. The Hotel offers guests 24-hour room service and a gift shop at the lobby.

### Recreational and Other Facilities

The Hotel offers a 24-hour business centre, a variety of cardio and weight training equipment in a 24-hour fitness centre, and an indoor and outdoor swimming pool and hot tub..

### PROPERTY SUMMARY

Number of Rooms	400
Room Options	450 sq ft. to 1800 sq ft.
Land Tenure	Freehold
Valuation as at 31 December 2019 (US\$mm)	86.5
IPO Purchase Price (US\$mm)	77.3
IPO Purchase Discount	11.9%
Occupancy Rate <sup>1</sup>	75.0%
Lessee Structure	Master Lease: 20 + 20 years
Brand / Franchisor	Renaissance / Marriott
Revenue Generation Index as at 31 December 2019 <sup>2</sup>	113.9
Total Rent Generated (US\$mm) <sup>3</sup>	3.5
Asset Enhancement Initiatives (US\$mm) / Completion Date	16.8 / September 2018
Meeting and Conference Facilities / Size	26 Meeting Rooms / 29,000 sq ft.
F&B Facilities	1 Restaurant and 1 Bar
Recreational and Other Facilities	Business Centre, Fitness Centre, Indoor and Outdoor Swimming Pool and Hot Tub
Carpark	500 Parking Spaces

1 Reflects period from 24 May 2019 to 31 December 2019.

2 Based on three months rolling from October 2019 to December 2019.

3 Based on Master Lease Rent for the period 24 May 2019 to 31 December 2019.

## PORTFOLIO SUMMARY



### HOLIDAY INN DENVER EAST – STAPLETON

The Holiday Inn Denver East – Stapleton features 298 rooms and is conveniently located to local attractions such as the Denver Zoo, Denver Museum of Nature and Science, and Dicks Sporting Goods Park (home ground of the Colorado Rapids, a professional soccer team competing in Major League Soccer). The Hotel is located 13 miles (within 20-minute drive) from Denver International Airport.

The Hotel comprises of 11 stories. It has an underground parking garage with 150 spaces accessible to hotel guests by virtue of a granted easement with the independently owned adjacent office tower. In addition, the hotel has 64 exterior perimeter surface parking spaces.

#### F&B Facilities

Dining options at the Hotel includes a three-meal full service casual restaurant, Burgers and Crafts, with a capacity for 134 people. The Hotel also offers room service and a lobby gift shop.

#### Recreational and Other Facilities

The Hotel offers a 24-hour business centre, a variety of cardio and weight training equipment in a 24-hour fitness centre, and a heated outdoor swimming pool and hot tub.

#### PROPERTY SUMMARY

Number of Rooms	298
Room Options	350 sq ft.
Land Tenure	Freehold
Valuation as at 31 December 2019 (US\$mm)	49.2
IPO Purchase Price (US\$mm)	44.4
IPO Purchase Discount	10.8%
Occupancy Rate <sup>1</sup>	75.7%
Lessee Structure	Master Lease: 20 + 20 years
Brand / Franchisor	Holiday Inn / IHG
Revenue Generation Index as at 31 December 2019 <sup>2</sup>	98.9
Total Rent Generated (US\$mm) <sup>3</sup>	1.9
Asset Enhancement Initiatives (US\$mm) / Completion Date	10.9 / September 2018
Meeting and Conference Facilities / Size	18 Meeting Rooms / 13,000 sq ft.
F&B Facilities	1 Restaurant
Recreational and Other Facilities	Business Centre, Fitness Centre, Heated Outdoor Swimming Pool and Hot Tub
Carpark	150 Parking Spaces

1 Reflects period from 24 May 2019 to 31 December 2019.

2 Based on three months rolling from October 2019 to December 2019.

3 Based on Master Lease Rent for the period 24 May 2019 to 31 December 2019.





## SHERATON DENVER TECH CENTRE

Sheraton Denver Tech Centre has 263 rooms and is close to the Denver Technological Centre, a technology-focused business and economic hub. Other regional attractions include Downtown Denver, and outdoor activities at the Pikes Peak mountain area. The Hotel is located 22 miles (within 30-minute drive) from Denver International Airport.

The Hotel comprises 10 stories. Parking facilities include 292 parking spaces.

### F&B Facilities

Dining options at the Hotel include (i) Redfire Restaurant, a full-service three meal restaurant featuring a wide variety of entrees, with a capacity for 70 people, and (ii) Redfire Bar, with a capacity for 44 people. Also available for guests is Link Café, a snack shop with a variety of options including Starbucks coffee and others.

### Recreational and Other Facilities

The Hotel consists of one tower containing rooms, meeting space, and all of the Hotel's amenities. The ground floor comprises of the hotel lobby, business centre, meeting space, restaurant, kitchen, lounge/bar, outdoor heated pool and lounge deck area, exercise room, executive offices and ample back-of-house space.

### PROPERTY SUMMARY

Number of Rooms	263
Room Options	300 sq ft. to 600 sq ft.
Land Tenure	Freehold
Valuation as at 31 December 2019 (US\$mm)	34.1
IPO Purchase Price (US\$mm)	27.8
IPO Purchase Discount	22.7%
Occupancy Rate <sup>1</sup>	67.2%
Lessee Structure	Master Lease: 20 + 20 years
Brand / Franchisor	Sheraton / Marriott
Revenue Generation Index as at 31 December 2019 <sup>2</sup>	83.7
Total Rent Generated (US\$mm) <sup>3</sup>	1.6
Asset Enhancement Initiatives (US\$mm) / Completion Date	3.6 / December 2013
Meeting and Conference Facilities / Size	13 Meeting Rooms / 14,350 sq ft.
F&B Facilities	1 Restaurants and 1 Bar
Recreational and Other Facilities	Business Centre, Outdoor Heated Pool, Exercise Room
Carpark	292 Parking Spaces

1 Reflects period from 24 May 2019 to 31 December 2019.

2 Based on three months rolling from October 2019 to December 2019.

3 Based on Master Lease Rent for the period 24 May 2019 to 31 December 2019.

## PORTFOLIO SUMMARY



### HOLIDAY INN RESORT ORLANDO SUITES – WATERPARK

The Holiday Inn Resort Orlando Suites – Waterpark, formerly the Nickelodeon Suites Resort, is within a 10-minute drive from the entrance of the Walt Disney World Resort's Magic Kingdom and central to the other Disney theme parks, and is proximate to several of Disney Springs shopping, dining and entertainment destinations. The Hotel offers 777 suite accommodations, each having a living area, private bedroom with a single queen or king bedroom and majority of the rooms have an open alcove that offers a kid-friendly area with a bunk bed (double on bottom, twin on top). The Hotel has 14 guest room buildings – five buildings are six floors each, five buildings are five stories each, and four buildings are four stories each. The Hotel has parking facilities for 850 vehicles.

#### F&B Facilities

Dining options at the Hotel include (i) Lakeside Café, a two-meal buffet style restaurant with a capacity for 261 people, (ii) Burger Theory, a three-meal American restaurant with free-seating around the Lagoon pool, and (iii) a food court with options such as Subway, Cravings (which serves coffee, pastries & beverages), Antonio's Pizza, Hershey's Ice Cream Shoppe, and the Hideaway Lounge. The Hotel also offers room service (breakfast and dinner only) and a convenience store.

#### Recreational and Other Facilities

The Hotel has on-site recreational activities and amenities include the Lagoon Waterpark, offering seven slides and a splash zone, family pool areas, a fitness centre and 24-hour business centre.

#### PROPERTY SUMMARY

Number of Rooms	777
Room Options	475 sq ft. to 950 sq ft.
Land Tenure	Freehold
Valuation as at 31 December 2019 (US\$mm)	169.6
IPO Purchase Price (US\$mm)	142.7
IPO Purchase Discount	18.9%
Occupancy Rate <sup>1</sup>	69.6%
Lessee Structure	Master Lease: 20 + 20 years
Brand / Franchisor	Holiday Inn / IHG
Revenue Generation Index as at 31 December 2019 <sup>2</sup>	100.3
Total Rent Generated (US\$mm) <sup>3</sup>	6.1
Asset Enhancement Initiatives (US\$mm) / Completion Date	27.5 / August 2018
Meeting and Conference Facilities / Size	1 Meeting room / 3,927 sq ft.
F&B Facilities	2 Restaurants, 1 Food Court and 1 Bar
Recreational and Other Facilities	Lagoon Waterpark, Family Pool Areas, Fitness Centre, Business Centre and 1 Theatre
Carpark	850 Parking Spaces

1 Reflects period from 24 May 2019 to 31 December 2019.

2 Based on three months rolling from October 2019 to December 2019.

3 Based on Master Lease Rent for the period 24 May 2019 to 31 December 2019.



## CROWNE PLAZA DALLAS NEAR GALLERIA-ADDISON

Crowne Plaza Dallas Near Galleria-Addison, is a 428-room hotel located only 12 miles from Downtown Dallas. The Hotel is located two miles (within five-minute drive) from Addison Airport, the nearest sizeable airport, and 12 miles (within 20-minute drive) from Dallas Fort-Worth International Airport.

The Hotel comprises four stories, as well as a parking facility with 630 parking spaces.

### F&B Facilities

Dining options at the Hotel include (i) a three-meal restaurant, McArthur's Restaurant, with a capacity for 224 people, and (ii) a hotel bar, Atrium Lounge, with a capacity for 75 people, which is open in the afternoons and evenings. The Hotel also provides room service and has a convenience store.

### Recreational and Other Facilities

The Hotel offers 24-hour business centre, a club lounge area for IHG Rewards Club members, a variety of cardio and weight training equipment at the two well-equipped fitness centres, and an outdoor swimming pool and hot tub.

### PROPERTY SUMMARY

Number of Rooms	428
Room Options	294 sq ft. to 615 sq ft.
Land Tenure	Freehold
Valuation as at 31 December 2019 (US\$mm)	56.0
IPO Purchase Price (US\$mm)	50.7
IPO Purchase Discount	10.5%
Occupancy Rate <sup>1</sup>	45.7%
Lessee Structure	Master Lease: 20 + 20 years
Brand / Franchisor	Crowne Plaza / IHG
Revenue Generation Index as at 31 December 2019 <sup>2</sup>	58.0
Total Rent Generated (US\$mm) <sup>3</sup>	2.1
Asset Enhancement Initiatives (US\$mm) / Completion Date	3.5 / August 2019
Meeting and Conference Facilities / Size	11 Meeting Rooms / 20,000 sq ft.
F&B Facilities	1 Restaurant and 1 Bar
Recreational and Other Facilities	Business Centre, Club Lounge Area, 2 Fitness Centres, Outdoor Swimming Pool and Hot Tub
Carpark	630 Parking Spaces

1 Reflects period from 24 May 2019 to 31 December 2019.  
 2 Based on three months rolling from October 2019 to December 2019.  
 3 Based on Master Lease Rent for the period 24 May 2019 to 31 December 2019.



## PORTFOLIO SUMMARY



### HILTON HOUSTON GALLERIA AREA

Hilton Houston Galleria Area has 292 rooms and is located near the heart of Downtown Houston. The Hotel is proximate to business hubs such as Downtown Houston, Westchase, the Galleria area and Sugarland, allowing for strong corporate demand all year-round. The Hotel is also in the immediate vicinity of the “New-Chinatown” in Houston, a cultural centre filled with restaurants and entertainment activities. The Hotel is located 22 miles (within 30-minute drive) from George Bush Intercontinental Airport.

The Hotel comprises 13 stories. Parking facilities include 413 parking spaces.

#### F&B Facilities

Dining options at the Hotel include a three-meal restaurant and bar; Veranda Restaurant with a capacity for 97 people, and Veranda Bar with a capacity for 46 people. The Hotel also provides room service.

#### Recreational and Other Facilities

The Hotel offers a wide range of recreational and business facilities, including an outdoor swimming pool, a 24-hour fitness centre, complimentary shuttle service within a three-mile radius, and a market for sundries adjacent to the front desk. Hilton Honors guests can always enjoy a quiet space with light refreshments any time of the day at the Hilton Honors Lounge.

#### PROPERTY SUMMARY

Number of Rooms	292
Room Options	341 sq ft. to 728 sq ft.
Land Tenure	Freehold
Valuation as at 31 December 2019 (US\$mm)	46.7
IPO Purchase Price (US\$mm)	42.6
IPO Purchase Discount	9.6%
Occupancy Rate <sup>1</sup>	59.1%
Lessee Structure	Master Lease: 20 + 20 years
Brand / Franchisor	Hilton / HWHI
Revenue Generation Index as at 31 December 2019 <sup>2</sup>	177.3
Total Rent Generated (US\$mm) <sup>3</sup>	1.5
Asset Enhancement Initiatives (US\$mm) / Completion Date	9.7 / October 2019
Meeting and Conference Facilities / Size	13 Meeting Rooms / 12,000 sq ft.
F&B Facilities	1 Restaurant and 1 Bar
Recreational and Other Facilities	Business Centre, Fitness Centre, Outdoor Swimming Pool
Carpark	413 Parking Spaces

<sup>1</sup> Reflects period from 24 May 2019 to 31 December 2019.

<sup>2</sup> Based on three months rolling from October 2019 to December 2019.

<sup>3</sup> Based on Master Lease Rent for the period 24 May 2019 to 31 December 2019.



## DELTA HOTELS BY MARRIOTT WOODBRIDGE

Delta Hotels by Marriott Woodbridge Hotel is a 312-room hotel located in Iselin, New Jersey. The hotel is conveniently located near popular attractions such as the New Jersey Convention and Exposition Centre, Menlo Park Mall and PNC Bank Arts Centre. The hotel is also close to the campus of Rutgers University, the largest institution of higher education in the State of New Jersey with a total enrolment of over 65,000 students. Two large-scale malls, Menlo Park and Woodbridge Centre, are also popular destinations which generate demand for New York shoppers given the absence of sales tax on clothing in New Jersey. The Hotel is located 12 miles (within 20-minute drive) from Newark Liberty International Airport.

The Hotel comprises seven stories. Parking facilities include 793 surface parking spaces.

### F&B Facilities

Dining options at the Hotel include (i) a restaurant, 9 City, which serves lunch and dinner with a capacity for 75 people, and (ii) a three-meal bar & lounge, Olio Lounge, with a capacity for 60 people. The Hotel also provides room service and has a convenience store.

### Recreational and Other Facilities

The Hotel offers a 24-hour business centre, concierge lounge, a variety of cardio and weight training equipment at the well-equipped fitness centre, an indoor swimming pool and an outdoor heated swimming pool.

### PROPERTY SUMMARY

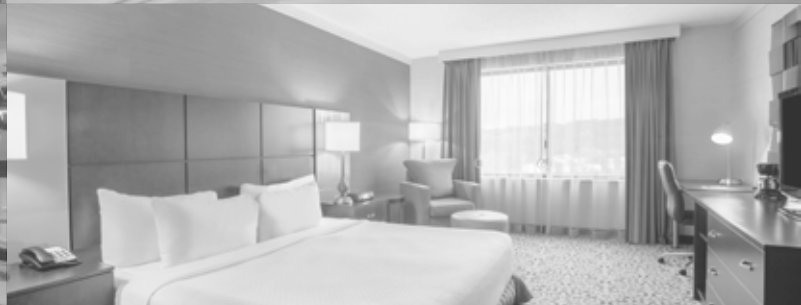
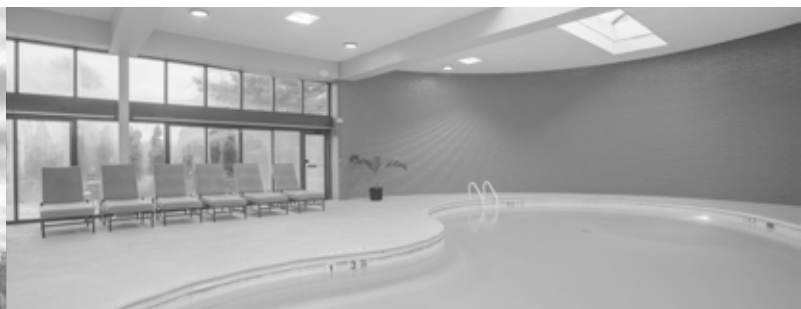
Number of Rooms	312
Room Options	321 sq ft. to 726 sq ft.
Land Tenure	Freehold
Valuation as at 31 December 2019 (US\$mm)	78.5
IPO Purchase Price (US\$mm)	67.1
IPO Purchase Discount	17.0%
Occupancy Rate <sup>1</sup>	77.1%
Lessee Structure	Master Lease: 20 + 20 years
Brand / Franchisor	Delta / Marriott
Revenue Generation Index as at 31 December 2019 <sup>2</sup>	130.5
Total Rent Generated (US\$mm) <sup>3</sup>	3.0
Asset Enhancement Initiatives (US\$mm) / Completion Date	6.3 / June 2019
Meeting and Conference Facilities / Size	8 Meeting Rooms (19,030 sq ft.)
F&B Facilities	1 Restaurant and 1 Bar
Recreational and Other Facilities	Business Centre, Fitness Centre, Indoor Swimming Pool, Outdoor Heated Swimming Pool
Carpark	793 Parking Spaces

<sup>1</sup> Reflects period from 24 May 2019 to 31 December 2019.

<sup>2</sup> Based on three months rolling from October 2019 to December 2019.

<sup>3</sup> Based on Master Lease Rent for the period 24 May 2019 to 31 December 2019.

## PORTFOLIO SUMMARY



### CROWNE PLAZA DANBURY

The Crowne Plaza Danbury is a 242-room hotel located in Western Connecticut on the border between New York and Connecticut. The Hotel is a short distance to abundant shopping, dining and entertainment options that include the Ives Concert Park, The Ridgefield Playhouse and several sporting arenas. The Hotel is located 25 miles (within 40-minute drive) from Westchester County Airport, the nearest sizeable airport.

The 10-storey Hotel has parking facilities that can accommodate 420 cars. An indoor pool is located in a separate-but-connected building.

#### F&B Facilities

Dining options at the Hotel include (i) The Ridgebury Café, a breakfast café which serves American fare with a capacity for 86 people, and (ii) Hat City Tavern, a casual restaurant which serves American fare food and is open in the late afternoon and evenings, with a capacity for 69 people. The Hotel also provides room service and has a convenience store.

#### Recreational and Other Facilities

The Hotel offers a 24-hour business centre, a well-equipped fitness centre and an indoor saltwater pool.

#### PROPERTY SUMMARY

Number of Rooms	242
Room Size	320 sq ft. to 640 sq ft.
Land Tenure	Freehold
Valuation as at 31 December 2019 (US\$mm)	9.2
IPO Purchase Price (US\$mm)	10.5
IPO Purchase Discount	(12.4%)
Occupancy Rate <sup>1</sup>	65.3%
Lessee Structure	Master Lease: 20 + 20 years
Brand / Franchisor	Crowne Plaza / IHG
Revenue Generation Index as at 31 December 2019 <sup>2</sup>	72.3
Total Rent Generated (US\$mm) <sup>3</sup>	0.5
Asset Enhancement Initiatives (US\$mm) / Completion Date	0.3 / December 2018
Meeting and Conference Facilities / Size	19 Meeting Rooms / 21,000 sq ft.
F&B Facilities	1 Café and 1 Restaurant
Recreational and Other Facilities	Business Centre, Fitness Centre, Indoor Saltwater Pool
Carpark	420 Parking Spaces

1 Reflects period from 24 May 2019 to 31 December 2019.

2 Based on three months rolling from October 2019 to December 2019.

3 Based on Master Lease Rent for the period 24 May 2019 to 31 December 2019.





## DOUBLETREE BY HILTON SALT LAKE CITY AIRPORT

Doubletree by Hilton Salt Lake City Airport is a 288-room Hotel located in the immediate vicinity of Salt Lake City International Airport, and only 10 minutes from Downtown Salt Lake City. The guests enjoy convenient access to a number of major Salt Lake City companies and corporations and attractions, including Salt Palace Convention Centre, Vivant Smart Home Arena and Great Salt Lake. There are also 13 world-class ski resorts located less than an hour away, including Snowbird and Park City Mountain Resort.

The Hotel comprises 6 stories. It has a parking facility with 294 parking lots.

### F&B Facilities

Dining options at the Hotel include (i) a three-meal restaurant, Lakeview Restaurant, with a capacity for 66 people, as well as (ii) a hotel bar/lounge, The Club with a capacity for 48 people. The Hotel also provides guests room service and has a Starbucks café.

### Recreational and Other Facilities

The Hotel offers lakeview meeting spaces, Hilton Honors Club level and concierge lounge, heated indoor pool and whirlpool, 24-hour Pavilion Pantry Market, lakeside jogging path, lakeside patio and fire pit, lakeside putting green, fitness centre, business centre, basketball/sport court, and airport shuttle.

### PROPERTY SUMMARY

Number of Rooms	288
Room Options	344 sq ft. to 700 sq ft.
Land Tenure	Freehold
Valuation as at 31 December 2019 (US\$mm)	57.7
IPO Purchase Price (US\$mm)	53.4
IPO Purchase Discount	8.1%
Occupancy Rate <sup>1</sup>	71.7%
Lessee Structure	Master Lease: 20 + 20 years
Brand / Franchisor	Hilton / HWHI
Revenue Generation Index as at 31 December 2019 <sup>2</sup>	104.9
Total Rent Generated (US\$mm) <sup>3</sup>	2.5
Asset Enhancement Initiatives (US\$mm) / Completion Date	7.6 / December 2019
Meeting and Conference Facilities / Size	13 Meeting Rooms / 13,000 sq ft.
F&B Facilities	1 Restaurant and 1 Bar
Recreational and Other Facilities	Heated Indoor Pool and Whirlpool, Lakeside Jogging Path, Lakeside Patio, Lakeside Putting Green, Fitness Centre, Business Centre, Basketball/Sport Court
Carpark	294 Parking Spaces

1 Reflects period from 24 May 2019 to 31 December 2019.  
 2 Based on three months rolling from October 2019 to December 2019.  
 3 Based on Master Lease Rent for the period 24 May 2019 to 31 December 2019.

## PORTFOLIO SUMMARY



### HILTON ATLANTA NORTHEAST

Hilton Atlanta Northeast Hotel is a 271-room hotel located in the Peachtree Corners neighbourhood, close to numerous corporate demand generators (such as the offices of Siemens Inc. and The 3M Company), and is located within a five-minute drive from The Forum on Peachtree Parkway (an upscale outdoor mall), and is only a 30-minute drive from downtown Atlanta. The Hotel is located 22 miles (within 40-minute drive) from Hartsfield-Jackson Atlanta International Airport.

The Hotel comprises 10 stories. Parking facilities include 391 surface parking spaces.

#### F&B Facilities

Dining options at the Hotel includes a three-meal restaurant and bar, Latitude 33, with a capacity for 114 people. The Hotel also provides room service and a convenience store.

#### Recreational and Other Facilities

The Hotel offers a 24-hour business centre, concierge lounge, a variety of cardio and weight training equipment at the well-equipped fitness centre, an indoor pool and an outdoor heated swimming pool and whirlpool.

#### PROPERTY SUMMARY

Number of Rooms	271
Room Options	330 sq ft. to 420 sq ft.
Land Tenure	Freehold
Valuation as at 31 December 2019 (US\$mm)	56.7
IPO Purchase Price (US\$mm)	48.6
IPO Purchase Discount	16.7%
Occupancy Rate <sup>1</sup>	78.6%
Lessee Structure	Master Lease: 20 + 20 years
Brand / Franchisor	Hilton / HWHI
Revenue Generation Index as at 31 December 2019 <sup>2</sup>	138.1
Total Rent Generated (US\$mm) <sup>3</sup>	2.1
Asset Enhancement Initiatives (US\$mm) / Completion Date	13.0 / December 2018
Meeting and Conference Facilities / Size	16 Meeting Rooms / 13,000 sq ft.
F&B Facilities	1 Restaurant/Bar
Recreational and Other Facilities	Business Centre, Fitness Centre, Outdoor Heated Swimming Pool and Whirlpool
Carpark	391 Parking Spaces

1 Reflects period from 24 May 2019 to 31 December 2019.

2 Based on three months rolling from October 2019 to December 2019.

3 Based on Master Lease Rent for the period 24 May 2019 to 31 December 2019.

# CORPORATE GOVERNANCE

Eagle Hospitality Trust (“**EHT**”) is a stapled group comprising Eagle Hospitality Real Estate Investment Trust (“**EH-REIT**”) and Eagle Hospitality Business Trust (“**EH-BT**”). Eagle Hospitality REIT Management Pte. Ltd. (the “**REIT Manager**”) was appointed as the manager of EH-REIT in accordance with the terms of the trust deed constituting EH-REIT dated 11 April 2019 (the “**EH-REIT Trust Deed**”) between the REIT Manager and DBS Trustee Limited (the “**REIT Trustee**”). Eagle Hospitality Business Trust Management Pte. Ltd. (the “**Trustee-Manager**”) was appointed as the trustee-manager of EH-BT in accordance with the terms of the trust deed constituting EH-BT dated 11 April 2019 (the “**EH-BT Trust Deed**”). The units in EH-REIT (“**EH-REIT Units**”, and each an “**EH-REIT Unit**”) and the units in EH-BT (“**EH-BT Units**”, and each an “**EH-BT Unit**”) are stapled together under the terms of a stapling deed dated 11 April 2019 (“**Stapling Deed**”) entered into between the REIT Manager, the Trustee-Manager and the REIT Trustee, to form stapled securities in EHT (“**Stapled Securities**”, and each a “**Stapled Security**”). Each Stapled Security, consisting of one EH-REIT Unit and one EH-BT Unit, is treated as a single instrument. The Stapled Securities are listed on the Main Board of Singapore Exchange Securities Trading Limited (the “**SGX-ST**”).

The REIT Manager and the Trustee-Manager (collectively, the “**Managers**”), together with EHT (the “**Group**”), are committed to maintaining good standards of corporate governance with regards to EH-REIT and EH-BT respectively. This report describes the corporate governance practices of the Managers for the financial year ended 31 December 2019 (“**FY2019**”) with specific reference to the principles of the Code of Corporate Governance 2018 (the “**Code**”). Where there is any material deviation from the Code, an explanation has been provided within this report.

## Role and duties of the REIT Manager

The REIT Manager has general powers of management over the assets of EH-REIT and its main responsibility is to manage EH-REIT’s assets and liabilities for the benefit of the holders of EH-REIT Units (the “**EH-REIT Unitholders**”). The REIT Manager is responsible for formulating the business plans in relation to EH-REIT’s properties. The REIT Manager sets the strategic direction of EH-REIT and give recommendations to the REIT Trustee on the acquisition, divestment or enhancement of assets of EH-REIT in accordance with its stated investment strategy. The REIT Manager will also be responsible for ensuring that EH-REIT complies with the applicable laws and regulations, including the applicable provisions of the Securities and Futures Act, Chapter 289 of Singapore (“**SFA**”), the listing manual of the SGX-ST (“**Listing Manual**”), the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore (the “**MAS**”, and the Code on Collective Investment Schemes issued by the MAS, the “**CIS Code**”), including Appendix 6 of the CIS Code (the “**Property Funds Appendix**”), the conditions set out in the Capital Markets Services (“**CMS**”) Licence for REIT Management issued by the MAS, the EH-REIT Trust Deed, the Stapling Deed, the tax rulings issued by the Inland Revenue Authority of Singapore on the taxation of EH-REIT and the holders of the Stapled Securities (the “**Stapled Securityholders**”) and all relevant contracts.

## Role and duties of the Trustee-Manager

The Trustee-Manager has the dual responsibilities of safeguarding the interests of the holders of EH-BT Units (the “**EH-BT Unitholders**”), and managing the business conducted by EH-BT. The Trustee-Manager has general powers of management over the business and assets of EH-BT and its main responsibility is to manage EH-BT’s assets and liabilities for the benefit of the EH-BT Unitholders as a whole. The Trustee-Manager sets the strategic direction of EH-BT. The Trustee-Manager is also responsible for ensuring that EH-BT complies with the applicable provisions of all relevant laws, regulations and guidelines including the Business Trusts Act, Chapter 31A of Singapore (the “**Business Trusts Act**”), the SFA, the Listing Manual, the EH-BT Trust Deed and the Stapling Deed. EH-BT is currently dormant.

# CORPORATE GOVERNANCE

Outlined below are the policies, processes and practices adopted by the Managers in compliance with the Code.

## A. BOARD MATTERS

### The Board's Conduct of Affairs

*Principle 1      The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.*

The composition of the board of directors (the **"Board"**) for each of the REIT Manager and the Trustee-Manager is similar. The Managers are headed by an effective Board comprising a majority of independent directors of the Managers (**"Directors"**), and independent directors of the Managers, **"Independent Directors"**), which is collectively responsible and works with the management team of the Managers (the **"Management"**) for the long-term success of the Group.

The Directors are fiduciaries who act objectively in the best interests of the Group and hold Management accountable for the performance of the Group. The Board sets an appropriate tone from the top, as well as the desired organisational culture, and ensures proper accountability. The Board has clear policies and procedures for dealing with conflicts of interest. Where a Director faces a conflict of interest, he or she will recuse himself or herself from discussions and decisions involving the issues of conflict. Annually, the Directors will submit their fit and proper declarations to the REIT Manager.

The Board is supported by two Board Committees of the REIT Manager, namely the Audit and Risk Committee (the **"ARC"**) and the Nominating and Remuneration Committee (the **"NRC"**). Each Board Committee is governed by clear written terms of reference which had been approved by the Board and which set out the respective committee's composition, duties and authorities, including reporting back to the Board. As disclosed in EHT's prospectus for its initial public offering dated 16 May 2019 (the **"Prospectus"**), the Trustee-Manager does not have an audit and risk committee as it has been exempted from the requirement under the Business Trusts Act to constitute an audit committee, to the extent that EH-BT is dormant and subject to certain conditions. In light of the present circumstances facing EHT, the Special Committee was established with a key focus on safeguarding value for, and protecting the interests of, the Stapled Securityholders on 1 April 2020.

As announced by the Managers on 1 April 2020, a special committee of the Board (the **"Special Committee"**) had been established to have and to exercise all the powers of the Board in respect of all matters relating to or in connection with, among other things, the comprehensive strategic review of the Group's business, and the ongoing engagement and discussions with Bank of America, N.A., as administrative agent (**"Administrative Agent"**) for the syndicate of lenders in respect of the syndicated credit agreement dated 16 May 2019 entered into by EH-REIT, through certain of its subsidiaries and the notice of default and acceleration issued by the Administrative Agent thereunder, as well as other counterparties (including the Master Lessees and other lenders to the Group) on multiple fronts. The Special Committee operates with a key focus on safeguarding value for, and protecting the interests of, the Stapled Securityholders in light of the recent circumstances facing EHT.

Stapled Securityholders should also refer to the various Update Announcements released by the Managers on SGXNET since the establishment of the Special Committee (the **"Update Announcements"**) in respect of changes to the Board composition.

The Board as at the report date comprised:

Mr. Lau Chun Wah @ Davy Lau (**"Davy Lau"**) – Lead Independent Director and member of ARC, NRC and Special Committee  
 Mr. Tan Wee Peng Kelvin (**"Kelvin Tan"**) – Independent Director, ARC Chairman and member of NRC and Special Committee  
 Mr. Carl Gabriel Florian Stubbe (**"Gabriel Stubbe"**) – Independent Director, NRC Chairman and Special Committee Chairman  
 Mr. Tarun Kataria – Independent Director and member of ARC and Special Committee  
 Mr. Salvatore Gregory Takoushian (**"Salvatore Takoushian"**) – Executive Director, Chief Executive Officer (**"CEO"**) and member of Special Committee.

Key information on the Directors' particulars and background together with their listed directorships and principal commitments can be found in "Board of Directors" section on pages 14 to 15 of this annual report.

The principal roles and responsibilities of the board of directors of the REIT Manager (the "**REIT Manager Board**") and the board of directors of the Trustee-Manager (the "**Trustee-Manager Board**") (when EH-BT becomes active) include:

- guiding the corporate strategy and directions of the Managers;
- ensuring that Management discharges business leadership and demonstrates the highest quality of management skills with integrity and enterprise;
- overseeing the proper conduct of the Managers;
- ensuring measures relating to corporate governance, financial regulations, and other required policies are in place and enforced;
- ensuring that the necessary financial and human resources are in place for the Managers to meet their objectives;
- establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding the interests of the Stapled Securityholders and its assets;
- reviewing Management's performance;
- reviewing and approving the recommendations of the respective Board Committees;
- identifying the key stakeholder groups and recognising that their perceptions affect the reputation of the Group;
- setting the Managers' values and standards (including ethical standards), and ensuring that obligations to Stapled Securityholders and other stakeholders are understood and met; and
- considering sustainability issues (including environmental and social factors) as part of the Managers' overall strategy.

The Managers have adopted internal guidelines which require Board approval for investments, divestments, and bank borrowings, statutory accounts and declaration of distribution per Stapled Security. The REIT Manager has adopted a framework of delegated authorisation, as set out in their Delegation of Authority ("**DOA**"). The DOA sets out the procedures and levels of authorisation required for specified transactions. It also sets out approval limits for operating and capital expenditure. The DOA also contains matters specifically reserved for the Board's approval. These matters include approval of annual business plan, operating budgets, and material transactions, namely, acquisitions, disposal, divestment, investment, and banking facilities.

The Managers' constitutions provide for participation in meetings via telephone or video conference where Directors are unable to be physically present at such meetings. Directors may raise questions and seek clarification through discussion forums with Management in respect of significant matters passed via circular resolutions.

## CORPORATE GOVERNANCE

The REIT Manager Board has scheduled to meet on a quarterly basis to review the results and to transact normal company business, with ad hoc meetings convened as and when required. Two quarterly meetings were held by the REIT Manager during FY2019 subsequent to the listing date of EHT on 24 May 2019 ("**Listing Date**"). There were numerous ad hoc meetings convened by the Board as a matter of diligence during the initial months after the initial public offering ("**IPO**"). The Board also convened ad hoc meetings with respect to issues that arose that year. The Trustee-Manager being dormant, did not hold any meetings in FY2019. The attendance of the directors of the REIT Manager at the quarterly meetings, as well as the frequency of such meetings during FY2019, is disclosed below:

	Board of Directors		Audit and Risk Committee		Nominating and Remuneration Committee	
	Number of meetings					
	Held	Attended	Held	Attended	Held	Attended
Howard Wu <sup>1</sup>	2	1	2	1*	1	-
Taylor Woods <sup>2</sup>	2	2	2	1*	1	1
Salvatore Takoushian	2	2	2	2*	1	1*
Davy Lau	2	2	2	2	1	1
Kelvin Tan	2	2	2	2	1	1*
Gabriel Stubbe	2	2	2	2*	1	1
Tarun Kataria	2	2	2	2	1	1*
Ng Kheng Choo <sup>3</sup>	1	1	1	1*	1	1

\* By invitation.

1 Howard Chong Jeng Wu ("Howard Wu") resigned as a Director on 26 May 2020.

2 Taylor Ronald Woods ("Taylor Woods") resigned as a Director on 26 May 2020.

3 Ng Kheng Choo ("Nicole Ng") was appointed as a Director on 8 October 2019 and resigned on 17 March 2020.

Note: There were no records of meetings of the Special Committee following the resignation of Mr. Howard Wu and Mr. Taylor Woods, as the Special Committee comprises the existing Board members and all decisions were recorded via written Board Resolutions.

Prior to Board meetings and on an on-going basis, Management endeavors to provide information to the Board to enable the Board to make informed decisions and discharge their duties and responsibilities. Directors are at liberty to request for further explanations, briefings or informal discussions on any aspect of the Managers' operations or business issues from Management. The CEO will make the necessary arrangements for these briefings, informal discussions, or explanations. Management is also required to furnish any additional information, when so requested by the Board, as and when the need arises.

The Company Secretary or her representative attends all quarterly meetings and is responsible for ensuring that Board procedures are followed. The Company Secretary also periodically updates the Board on relevant regulatory changes affecting the Group.

The Board has separate and independent access to Management, the Company Secretary and external advisers (where necessary), at all times and at the Group's expense. The appointment and the removal of the Company Secretary is subject to the approval of the Board.

Upon their appointment to the Board, all Directors are given formal appointment letters explaining the terms of their appointment and setting out the duties and obligations of a Director (including their roles as executive, non-executive and independent directors). There are plans for more formalised induction, training and development programme for the Directors to familiarise them with the business and operations of EHT.



The newly-appointed Directors will also be briefed on the Managers' governance practices, including board processes, policies on disclosure of interests in securities, prohibitions on dealing in the Stapled Securities, and restrictions on disclosure of price-sensitive information.

All directors are kept informed of the new updates on corporate governance processes, changes to accounting standards, listing requirements of the SGX-ST, and other regulatory developments from time to time.

The Managers will arrange for the Directors to be kept abreast of developments in the real estate and hospitality industries on a regular basis. To keep pace with the fast-changing laws and regulations and commercial risks, the Directors receive further relevant training of their choice in connection with their duties as Directors. They are also given unrestricted access to professionals for consultation as and when they deem necessary at the Managers' expense.

The Board is routinely updated on developments and changes in the operating environment and applicable laws and regulations, including directors' duties and responsibilities, corporate governance matters and changes in financial reporting standards, to enable them to discharge their duties effectively as members of the Board and where applicable, as Board Committee members. The Directors may also attend other relevant courses, conferences and seminars, at the Managers' expense. These include programmes run by the Singapore Institute of Directors.

The NRC makes recommendations to the Board on relevant matters relating to the review of training and professional development programmes for the Board.

## Board Composition and Guidance

*Principle 2      The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.*

The Board assesses the independence of Independent Directors in accordance with the requirements of the Code to ensure that the Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Group. Under the Code, an Independent Director is one who is independent in conduct, character and judgement, and has no relationship with the Managers, its related corporations, shareholders who have an interest in 5.0% or more of the voting shares (the "**Substantial Shareholders**") of the Managers, or Stapled Securityholders who have an interest in 5.0% or more of the voting Stapled Securities (the "**Substantial Stapled Securityholders**") in EHT or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Group.

The Board presently comprises four Independent Directors, and one Executive Director. Non-Executive Directors make up a majority of the Board. No individual or small group of individuals dominates the Board's decision-making.

Each Independent Director has declared whether there were any relationships or any instances that would otherwise deem him or her not to be independent. None of the Independent Directors have served for a continuous period of nine years or longer on the Board. On the basis of the declarations of independence provided for FY2019, the Board has determined that the Independent Directors are independent as defined under the relevant regulations. Each of the Independent Directors has recused himself or herself from reviewing his or her own independence.

## CORPORATE GOVERNANCE

In addition to the requirements of the Code, the Board also reviews and assesses annually the independence of each Director in accordance with regulations 13D to 13H of the Securities and Futures (Licensing and Conduct of Business) Regulations ("**SFLCB Regulations**"). Under the SFLCB Regulations, a director is considered to be independent if the director:

- (a) is independent from the management of EH-REIT and the REIT Manager;
- (b) is independent from any business relationship with EH-REIT and the REIT Manager;
- (c) is independent from every Substantial Shareholder of the REIT Manager and from every Substantial Stapled Securityholder;
- (d) is not a Substantial Shareholder of the REIT Manager or a Substantial Stapled Securityholder; and
- (e) has not served as a director of the REIT Manager for a continuous period of nine years or longer.

The Group recognises and embraces the importance and benefits of having a diverse Board to enhance the quality of its performance. To promote diversity of the Board, the Managers has adopted the Board Diversity Policy with a view to achieving a sustainable and balanced development, the Managers see diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to the following:

- (a) gender;
- (b) age;
- (c) nationalities;
- (d) ethnicity;
- (e) cultural background;
- (f) educational background;
- (g) experience;
- (h) skills;
- (i) knowledge;
- (j) independence; and
- (k) length of service.

Selection of candidates will be based on a range of diverse perspectives as mentioned above. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board's composition will be disclosed in the Corporate Governance Report annually.

The Board comprises Directors who as a group have the core competencies, such as accounting and finance knowledge, business and management experience, human resource management experience, strategic planning experience, industry knowledge and customer-based and marketing experience or knowledge, required for the Board to be effective in all aspects of its roles. Notwithstanding recent Board resignations in 2020, the Board is of the opinion that the current composition of the Directors, as a group, provide the appropriate balance and mix in respect of skills, knowledge, experience, and other aspects of diversity to foster constructive debate and hence avoid groupthink. The current Board size remains appropriate, taking into account the nature and scope of the Managers' role *vis-à-vis* EHT, for effective decision making. However the Board of Directors anticipates a review of its diversity ambition and, if needed, adjust the numbers and diversity parameters of the Board, to remain effective in an evolving environment.

All Non-Executive Directors contribute to the Board process by monitoring and reviewing Management's performance against its goals and objectives. Their views and opinions provide alternative perspectives to EHT's business and enable the Board to make informed and balanced decisions. Non-Executive Directors constructively provide inputs and enable the Board to interact and work with Management to establish strategies.

When reviewing Management's proposals or decisions, the Non-Executive Directors provide objective judgement on business activities and transactions involving conflicts of interest and other complexities.

### Chairman and Chief Executive Officer

*Principle 3      There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.*

The Managers ensure that there is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making. The Chairman and the CEO are two separate persons. This ensures an appropriate balance of power and authority, increased accountability and greater capacity of the Board for independent decision-making.

During FY2019, the Board was chaired by Mr Howard Wu, a Non-Independent Non-Executive Director (the "**Chairman**") prior to his resignation. The Chairman was responsible for the overall management of the Board ensuring that the members of the Board and Management work together with integrity and competency, and that the Board engages Management in constructive debates on strategy, business operations, enterprise risk, and other plans.

As announced by the Managers on 26 May 2020, in light of the resignations of Mr. Howard Wu and Mr. Taylor Woods from the Board of the Managers, the NRC will be reviewing the composition of the Board and further announcements will be made in due course once a decision has been made on the appointment of a new Chairman.

Mr. Howard Wu and Mr. Taylor Woods had, during their tenure as the Non-Independent and Non-Executive Chairman and Deputy Chairman respectively of the Managers, recused themselves on Board decisions pertaining to the MLAs in view that they are also the Directors ("**Sponsor Directors**") of Urban Commons, LLC (the "**Sponsor**").

Mr. Salvatore Takoushian, as the CEO of the Managers, has executive responsibility over the business direction of the Managers and operational decisions in the day-to-day management of the REIT Manager. He is responsible for working with the REIT Manager Board to determine the overall business, investment, and operational strategies for EH-REIT. The CEO also works with the other members of the Management team of the REIT Manager to ensure that the business, investment, and operational strategies of EH-REIT are carried out as planned. In addition, the CEO is responsible for the overall management and planning of the strategic direction of EH-REIT, including overseeing the acquisition of hospitality and hospitality-related assets and asset management strategies for EH-REIT.

The Board has established in writing the division of responsibilities and duties between the Chairman and the CEO pursuant to Provision 3.2 of the Code which sets a clear separation of responsibilities between the Chairman and the CEO, to maintain an appropriate balance of power and authority. The former Chairman and the CEO are not related to each other.

Mr. Davy Lau was appointed as the Lead Independent Director to provide leadership in situations where the Chairman is conflicted. The Lead Independent Director is available to Stapled Securityholders where they have concerns and for which contact through the normal channels of communication with the Managers are inappropriate or inadequate. Stapled Securityholders may reach the Lead Independent Director via email at Lead-ID@eagleht.com.

# CORPORATE GOVERNANCE

## Board Membership

*Principle 4      The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.*

In FY2019, the NRC had comprised of four members, including Ms. Nicole Ng and Mr. Taylor Woods. As announced by the Managers on 17 March 2020, Ms. Nicole Ng resigned from the Board. As announced by the Managers on 26 May 2020, in view of the resignation of Mr. Taylor Woods from the Board, the REIT Manager had appointed Mr. Kelvin Tan as a member of the NRC. All three current members of the NRC are Independent Non-Executive Directors. The Lead Independent Director is a member of the NRC.

The members are:

Mr. Gabriel Stubbe	(Chairman)
Mr. Davy Lau	
Mr. Kelvin Tan	

The NRC's principal functions and responsibilities include:

- developing a process and criteria for evaluation of the performance of the REIT Manager Board, its Board Committees and directors;
- reviewing the training and professional development programmes for the REIT Manager Board and its directors;
- reviewing and recommending the appointment and re-appointment of directors (including alternate directors, if any);
- determining annually, and as and when circumstances require, if a director is independent;
- deciding if a director is able to and has been adequately carrying out his or her duties as a director of the REIT Manager, taking into consideration the director's principal commitments;
- reviewing the "independence" status of Directors annually and providing its views to the REIT Manager Board;
- reviewing annually the balance and diversity of skills, experience, gender and knowledge required and the size of the REIT Manager Board;
- reviewing succession plans for Directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel of the REIT Manager;
- reviewing the NRC's terms of reference; and
- ensuring that new directors appointed to the REIT Manager Board are aware of their duties and obligations.

The Board has adopted a formal and transparent process for selection, appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board. In its selection, appointment and re-appointment process, the NRC reviews the composition of the Board including the mix of expertise, skills, gender and attributes of existing Directors, to identify potential candidate(s) with requisite attributes and/or competencies to supplement the Board's existing composition. In doing so, the NRC taps on the Directors' resources for recommendations of potential candidates. External resources may also be sought to source for potential candidates, where necessary.

All new appointments are subject to the recommendations of the NRC based on the following objective criteria:

- (a) Integrity;
- (b) Independent mindedness;
- (c) Diversity – possess core competencies that meet the current needs of EH-REIT and the REIT Manager and complement the skills and competencies of the existing Directors on the REIT Manager Board;
- (d) Ability to commit time and effort to carry out duties and responsibilities effectively;
- (e) Track record of making good decisions;
- (f) Experience in high-performing corporations or property funds; and
- (g) Financial literacy.

The NRC is responsible for determining annually, and as and when circumstances require, the independence of Directors. In doing so, the NRC takes into account the circumstances set forth in the Code, the SFLCB Regulations and the existence of relationships which would deem a Director not to be independent. Following its annual review, the NRC has endorsed the independence status of the five Independent Directors for FY2019.

Although the Directors have other listed company board representations and principal commitments, the NRC has determined, during the annual assessment of the Board's performance, that the Directors have devoted sufficient time and attention to their role as Directors and to the affairs of the Group. The NRC is of the view that setting a maximum number of listed company board representations a Director may hold is arbitrary, given that time requirements for each listed company varies, and thus should not be prescriptive. The Board concurs with the view of the NRC.

## Board Performance

*Principle 5      The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.*

The Board has conducted a formal performance evaluation exercise to assess its effectiveness as a whole, and that of each of its Board Committees and the individual Directors for FY2019. The evaluations are carried out by means of a questionnaire being completed by each Director. The performance evaluation exercise provides an opportunity to obtain constructive feedback from each Director on whether the Board's procedures and processes had allowed him to discharge his duties effectively.

The performance criteria include an evaluation of the size and composition of the Board, Board accountability, Board process, guidance to and communication with Management, standard of conduct, the Directors' attendance, contribution and participation at Board and Board committee meetings and the overall effectiveness of the Board in steering and overseeing the conduct of the Managers' business vis-à-vis EHT. Individual Director assessment was evaluated based on each Director's contributions to the proper guidance, diligent oversight and able leadership, and the support that he or she lends to Management in steering the Group.

The Company Secretary compiled the Directors' responses into a consolidated report for discussion at the NRC meeting and then shared with the entire Board. Based on the NRC's assessment and review, the Board and its Board Committees operated effectively, and each Director had contributed to the overall effectiveness of the Board. No external facilitator was used in the evaluation process.

# CORPORATE GOVERNANCE

## B. REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

*Principle 6      The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.*

The principal functions of the NRC in relation to the remuneration matters include:

- reviewing and recommending to the REIT Manager Board a general framework of remuneration for the REIT Manager Board, the executive officers and other first level management (hereinafter referred to as **"Key Management Personnel"**);
- reviewing and recommending to the REIT Manager Board the specific remuneration packages for each Director as well as for the Key Management Personnel;
- reviewing EH-REIT's obligations arising in the event of termination of Executive Directors' and Key Management Personnel's contracts of service and ensuring that such contracts of service contain fair and reasonable termination clauses; and
- reviewing the remuneration policies of the Managers to ensure that the compensation offered by the Managers are fair and competitive, such that it will attract, retain, motivate and promote independence and objectivity of Directors and Key Management Personnel to provide good stewardship of the Group.

The Managers adopted a formal and transparent procedure for developing remuneration policies for Directors and Key Management Personnel, and for fixing the specific remuneration packages of individual Directors and Key Management Personnel. No director is involved in deciding his or her own remuneration.

In reviewing the policy for the remuneration packages for Directors and the Key Management Personnel of the Managers, the NRC takes into consideration all aspects of remuneration including salaries, allowances, awards, performance bonuses, grants of awards of Stapled Securities and incentives for the Key Management Personnel, termination terms and fees for the Independent Directors, Executive Directors and other Non-Executive Directors to ensure that they are fair. The remuneration packages of the CEO and the Chief Operating Officer ("**COO**") were determined by the Sponsor before the IPO and the details were circulated to the NRC for information only, after the IPO. The NRC did not participate in the determination of the remuneration packages of the CEO and the COO.

For the financial year under review, the Managers did not engage any remuneration consultant with regard to the remuneration of its Directors and Key Management Personnel.

### Level and Mix of Remuneration

*Principle 7      The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.*

The NRC reviews the level, structure and mix of remuneration and benefits policies and practices (where appropriate) of the Board and Key Management Personnel, to ensure that they are appropriate and proportionate to the sustained performance and value creation of the Group, taking into account the strategic objectives of the Group.

Under the REIT Manager's remuneration policy, the remuneration framework for the Executive Director and Key Management Personnel comprises fixed and variable components. A significant and appropriate proportion of the remuneration of the Executive Director and Key Management Personnel comprises a variable component or annual award which is meant to be linked to corporate and individual performance or contractual guarantees and is aligned with the interests of Stapled Securityholders and promotes the long-term success of the Group and greater independence.



The structure of the Directors' fees comprises a base fee for serving as a Director, and additional fees for (i) serving as Chairman of the Board, or chairman of Board Committees, (ii) serving as Lead Independent Director or Executive Director and/or (iii) serving on Board Committees as members, as the case may be. The Directors' fees have been designed to be appropriate to the level of contribution, taking into account factors such as effort, time spent, contribution and respective responsibilities, on the Board and Board Committees.

The remuneration policies are structured to attract, retain, and motivate the Directors to provide good stewardship of EHT and Management to successfully manage the long-term sustainability and success of the Group.

As disclosed in the Prospectus, no compensation is payable to Directors, CEO and Key Management Personnel in respect of their appointment as directors of the Trustee-Manager as EH-BT is dormant.

### Disclosure on Remuneration

*Principle 8 The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.*

The remuneration of the Directors and Key Management Personnel is paid by the REIT Manager and not by EHT.

The Board has assessed this matter carefully and elected against such disclosure as it is of the view that full disclosure of the specific remuneration of each individual Director, the CEO and Key Management Personnel is not in the best interests of the Group, taking into account, amongst other things, the sensitive nature of the subject, the competitive business environment, and the potential negative impact of such disclosure.

While this practice is a variation from Provision 8.1 of the Code, the Managers are of the view that such non-disclosure will not be prejudicial to the interests of Stapled Securityholders and is consistent with Principle 8 of the Code as the information provided above regarding the Managers' remuneration policies is sufficient to enable Stapled Securityholders to understand the link between remuneration paid to the CEO and the top five key management executives (who are not also Directors or the CEO) and their performance and disclosure of the level of remuneration in bands of S\$250,000 below is sufficiently transparent to provide an overview of the level and mix of remuneration.

Again, the remuneration of the Directors and Key Management Personnel is paid by the REIT Manager and not by EHT. The Board is of the view that the disclosure in bands of S\$250,000 as set out in the table below would provide a good overview and is informative of the remuneration of the Directors and Key Management Personnel. The disclosure by respective bands of remuneration for FY2019 is provided as follows:

Name of Director	Salary (%)	Annual Award (%)	Director's Fees (%)	Other Benefits (%)	Additional Fees for Pre-IPO (%)	Directors' Appreciation Bonus (%)	Total (%)
<b>S\$3,250,000 – S\$3,500,000</b>							
Salvatore Takoushian <sup>1,4</sup>	14%	80%	2%	1%	2%	1%	100%
<b>Below S\$250,000</b>							
Howard Wu <sup>2</sup>	–	–	100%	–	–	–	100%
Taylor Woods <sup>2</sup>	–	–	100%	–	–	–	100%
Davy Lau <sup>4</sup>	–	–	45%	–	44%	11%	100%
Kelvin Tan	–	–	47%	–	42%	11%	100%
Gabriel Stubbe	–	–	42%	–	46%	12%	100%
Tarun Kataria <sup>4</sup>	–	–	40%	–	47%	13%	100%
Nicole Ng <sup>3</sup>	–	–	73%	–	–	27%	100%

1 Salvatore Takoushian's compensation in the above table includes in excess of S\$550,000 in compensation that the CEO did not receive. The CEO's 2019 compensation included an annual award which was contractually guaranteed pursuant to his employment contract. Subsequent to year end, the CEO agreed to a discounted annual award and waived a portion of this contractual entitlement.

2 Howard Wu and Taylor Woods resigned as Directors on 26 May 2020. Howard Wu and Taylor Woods had voluntarily waived their Directors' Fees for FY2019 in 2020. The remuneration disclosure above is before the waiver.

3 Nicole Ng was appointed as a Director on 8 October 2019 and resigned on 17 March 2020.

4 Salvatore Takoushian, Davy Lau and Tarun Kataria had deferred the payment of directors' Appreciation Bonus.

## CORPORATE GOVERNANCE

Other than the CEO who received 10,256,000 stapled securities from the Sponsor on the listing date originally pursuant to his 2018 employment agreement, the remuneration of the Directors in the form of directors' fees was paid wholly in cash and the remuneration of Management in the form of salaries, annual bonuses and allowances was also paid wholly in cash.

Name of Key Management Personnel	Salary (%)	Performance Bonus (%)	Other Benefits (%)	Total (%)
<b>\$S\$1,000,000 – \$S\$1,250,000</b>				
John Bovian Jenkins Jr <sup>1</sup>	32%	65%	3%	100%
<b>\$S\$250,000 – \$S\$500,000</b>				
Fred Chee Kin Yuen <sup>2</sup>	75%	12%	13%	100%
Cheah Zhuo Yue, Joel <sup>3</sup>	58%	31%	11%	100%

1 The COO's 2019 compensation included an Annual Award which was contractually guaranteed pursuant to his employment contract, and is reflected under the performance bonus.

2 Fred Chee Kin Yuen (former Chief Financial Officer) was appointed on 1 June 2019 and resigned on 2 March 2020.

3 Cheah Zhuo Yue, Joel (former Senior Vice President of Finance) resigned on 30 June 2019.

During FY2019, the REIT Manager only had three Key Management Personnel (who were not Directors or the CEO). In aggregate, the total remuneration paid to the above Key Management Personnel amounted to S\$1,703,602 for FY2019.

There are no employees of the Managers who are Substantial Shareholders of the Managers or Substantial Stapled Securityholders, or is an immediate family member of a Director, the CEO, a Substantial Shareholder of the Managers or a Substantial Stapled Securityholder, and whose remuneration exceeds S\$100,000 during FY2019.

The Managers currently do not have any share scheme or other forms of long-term incentive schemes in place.

No termination, retirement or post-employment benefits were granted to the Directors, the CEO or Key Management Personnel during FY2019.

### C. ACCOUNTABILITY AND AUDIT

#### Risk Management and Internal Controls

*Principle 9 The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls to safeguard the interests of the company and its shareholders.*

The REIT Manager Board meets quarterly or more frequently if necessary and reviews the financial performance of EH-REIT against the budget previously approved by the REIT Manager Board for the relevant financial year. The REIT Manager Board also reviews the business risks of EH-REIT, examines liability management and acts upon any comments from both the internal and external auditors of EH-REIT.

The REIT Manager has appointed experienced and well-qualified management personnel to handle the day-to-day operations of EH-REIT. In assessing business risk, the REIT Manager Board considers the economic environment and risks relevant to the hospitality and hospitality-related industries. It reviews management reports and feasibility studies on individual development projects prior to approving major transactions. Management and the REIT Manager Board meets regularly to review the operations of the REIT Manager and EH-REIT and discuss any disclosure issues.

The REIT Manager Board has delegated the risk management and internal control functions to the ARC. The ARC's principal responsibilities in relation to the risk management and internal control functions include:

- reviewing and reporting to the REIT Manager Board at least annually the adequacy and effectiveness of the REIT Manager's and EH-REIT's risk management and internal controls, including financial, operational, compliance (including processes to mitigate conflicts of interests in respect of the sourcing of potential acquisitions) and information technology controls (such review can be carried out internally or with the assistance of any competent third parties);
- monitoring the procedures in place to ensure compliance with applicable legislation, the Listing Manual and the CIS Code (including the Property Funds Appendix);
- obtaining recommendations on risk tolerance and strategy from Management, and where appropriate, reporting and recommending to the REIT Manager Board for its determination:
  - the nature and extent of significant risks which the REIT Manager and EH-REIT may take in achieving its strategic objectives and valuation creation; and
  - overall levels of risk tolerance and risk policies.
- reviewing and discussing, as and when appropriate, with Management on the REIT Manager's and EH-REIT's risk governance structure and their risk policies, risk mitigation and monitoring processes and procedures;
- receiving and reviewing at least quarterly reports from Management on major risk exposures and the steps taken to monitor, control and mitigate such risks;
- reviewing the REIT Manager's capability to identify and manage new risk types;
- reviewing and monitoring Management's responsiveness to the recommendations of the REIT Manager ARC;
- providing timely input to the REIT Manager Board on critical risk issues;
- reporting to the REIT Manager Board on material matters, findings and recommendations;
- monitoring and reviewing of hedging policies and instruments to be implemented by EH-REIT; and
- reviewing and recommending to the REIT Manager Board hedging policies and monitoring the implementation of such policies.

The REIT Manager recognises the importance of establishing a sound system of risk management and internal controls comprising procedures and processes to safeguard EHT's assets, the interests of EHT and its Stapled Securityholders. The ARC reviews and reports to the REIT Manager Board on the adequacy and effectiveness of such controls, including financial, operational, compliance and information technology controls, and risk management procedures and systems, taking into consideration the recommendations of both internal and external auditors.

In assessing the effectiveness of internal controls, the ARC ensures primarily that key objectives are met, material assets are properly safeguarded, fraud or errors (if any) in the accounting records are prevented or detected, accounting records are accurate and complete, and reliable financial information is prepared in compliance with applicable internal policies, laws and regulations. The Boards, through the ARC review the adequacy and effectiveness of the Managers' risk management framework to ensure that robust risk management and mitigating controls are in place.

## CORPORATE GOVERNANCE

The REIT Manager has engaged Ernst and Young LLP (“**EY**”) as its Risk Management Advisor and has adopted an enterprise risk management (“**ERM**”) framework to enhance its risk management capabilities. Key risks, control measures, and management actions are continually identified, reviewed, and monitored as part of the ERM process. Financial and operational key risk indicators are in place to track key risk exposures. Apart from the ERM process, key business risks are thoroughly assessed by Management and each significant transaction is comprehensively analysed so that Management understands the risks involved before it is embarked upon.

For FY2019, the Board of the Managers has received assurances from:

- (a) the CEO and the Chief Financial Officer (“**CFO**”), prior to the latter’s resignation, that the financial records have been properly maintained and the financial statements give a true and fair view of the Group’s operations and finances; and
- (b) the CEO and other Key Management Personnel who are responsible, namely the CFO (prior to the CFO’s resignation) and the Chief Operating Officer (“**COO**”), that the Group’s risk management systems and internal control systems are adequate and effective.

Based on the risk management framework adopted and the internal controls established by the Managers, work performed by internal and external auditors, reviews performed by Management and the ARC, and assurance from Management, the Board of the Managers were of the view that the risk management and internal controls for EHT were reasonable to address financial, operational, compliance and information technology risks during FY2019, which the Managers consider relevant and material to EHT’s operations.

The Board of the Managers note that the system of internal controls and risk management provides reasonable, but not absolute, assurance that EHT will not be adversely affected by any event that could be reasonably foreseen as the Managers work to achieve their business objectives for EHT. In this regard, the Boards also note that no system of internal controls and risk management can provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities. However, in light of developments as disclosed in the Managers’ Update Announcements, the Board of the Managers has been and will be further reviewing the Managers’ processes and controls to identify any improvements needed.

The ARC concurs with the Boards’ view that for FY2019, the internal controls of EHT (including financial, operational, compliance and information technology controls) and the risk management system in place for EHT were reasonable to address risks which the Managers consider relevant and material. However, in light of developments as disclosed in the Managers’ Update Announcements, the Board of the Managers has been and will be further reviewing the Managers’ processes and controls to identify any improvements needed.

### Audit and Risk Committee

*Principle 10 The Board has an Audit Committee which discharges its duties objectively.*

The ARC comprises three members. All three members of the ARC are Non-Executive and are Independent Directors, where a majority of them have recent and relevant accounting or related financial management expertise or experience to discharge its duties objectively. The ARC does not comprise any former partner or director of KPMG LLP (“**KPMG**”), the incumbent external auditors of the Group, (a) within a period of two years commencing on the date of their ceasing to be a partner of KPMG or (b) who hold any financial interest in KPMG.

The members are:

Mr. Kelvin Tan (Chairman)  
Mr. Tarun Kataria  
Mr. Davy Lau

The principal duties and responsibilities of the ARC in relation to the audit function include:

- reviewing financial statements and formal announcements relating to financial performance, and review significant financial reporting issues and judgments, so as to ensure the integrity of such statements and announcements;

- reviewing the assurance from the CEO and CFO, prior to the resignation of the latter, on the financial records and financial statements;
- reviewing the audit plans and reports of the external auditors and internal auditors, and considering the effectiveness of actions or policies taken by Management on the recommendations and observations;
- reviewing the independence and objectivity of external auditors annually;
- reviewing the nature and extent of non-audit services performed by external auditors;
- meeting with external and internal auditors, without the presence of Management, at least annually;
- making recommendations to the REIT Manager Board on (i) the proposals to Stapled Securityholders on the appointment, re-appointment and removal of the external auditors; and (ii) approving the remuneration and terms of engagement of the external auditors;
- reviewing the adequacy, effectiveness, independence, scope and the results of the external audit and the REIT Manager's and EH-REIT's internal audit function;
- ensuring at least annually that the internal audit function is adequately resourced and has appropriate standing with the REIT Manager and EH-REIT;
- approving the accounting/auditing firm or corporation to which the internal audit function is outsourced;
- reviewing the policy and arrangements (including the Whistle-Blowing Policy) by which employees of the REIT Manager and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, to ensure that arrangements are in place for such concerns to be safely raised and independently investigated, and for appropriate follow up action to be taken;
- reviewing related party transactions, including ensuring compliance with the provisions of the Listing Manual relating to "interested person transaction" ("**Interested Person Transactions**") and the provisions of the Property Funds Appendix relating to "interested party transactions" ("**Interested Party Transactions**", and together with Interested Person Transactions, "**Related Party Transactions**"); and
- investigating any matters within the REIT Manager ARC's purview, whenever it deems necessary.

The REIT Manager has engaged EY to assist with its internal audit function. EY is responsible for conducting objective and independent assessments on the adequacy and effectiveness of the REIT Manager's and the Trustee-Manager's system of internal controls, risk management and governance practices.

EY reports directly to the chairman of the ARC, and administratively to the CEO or such other officer as may be charged with this responsibility from time to time. The appointment, removal and remuneration of EY requires the approval of the ARC.

In performing internal audit services, EY has adopted and complied with the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. EY conducted its audit reviews based on internal audit plans approved by the ARC. EY has unfettered access to all of the Group's documents, records, properties and personnel, including access to the ARC, and has appropriate standing within the REIT Manager and EH-REIT. All audit reports detailing audit findings and recommendations are provided to Management who would respond with the actions to be taken.

Periodic updates on changes in accounting standards and treatment are prepared by external auditors and circulated to members of the ARC so that they are kept abreast of such changes and the corresponding impact on the financial statements, if any.



## CORPORATE GOVERNANCE

The ARC met on a quarterly basis. The ARC had met with the internal auditors and the external auditors without the presence of Management at least once for FY2019 to review various audit matters, including reviewing the audit plans, and evaluating the internal accounting controls, the audit reports, and the assistance given by Management to the internal and external auditors.

For FY2019, the ARC conducted a review of the scope, quality, results, and performance of audit by the external auditors of EHT, as well as the independence and objectivity of the external auditors. It also reviewed all non-audit services provided by KPMG during FY2019. The aggregate amount of fees paid and payable to KPMG for FY2019 was US\$2,743,000.

Details of fees paid and payable to the external auditors in respect of audit and non-audit services for FY2019 are set out in the table below:

External Auditors' Fees	US\$
For audit and audit related services	1,093,000
For non-audit services	1,650,000
Total	2,743,000

Included in the fees for audit and audit related services is US\$0.9 million for services rendered in relation to the IPO of the Group. The fees for non-audit services relate to services rendered in relation to the IPO of the Group.

The ARC is satisfied that the nature and extent of non-audit services provided and the fees for such services as the non-audit fees incurred was a one-time non-recurring IPO fee, do not affect the independence and the objectivity of KPMG.

The Board, based on the review and recommendation of the ARC, recommends the re-appointment of KPMG as the external auditors of EHT for financial year ending 31 December 2020 for approval by the Stapled Securityholders at the annual general meeting ("AGM") to be held on 31 August 2020.

The Group has complied with Rule 712 of the Listing Manual which requires, amongst others, that a suitable auditing firm should be appointed by the Group having regard to certain factors. The Group has also complied with Rule 715 of the Listing Manual which requires that the same auditing firm of the Group based in Singapore audits its Singapore-incorporated subsidiaries and significant associated companies, and that a suitable auditing firm be engaged for its significant foreign incorporated subsidiaries and associated companies.

In the review of the financial statements of EHT for FY2019, the ARC discussed with the external auditors the matters forming their basis for the disclaimer of opinion on the financial statements.

In carrying out its function, the ARC may also obtain independent or external legal or other professional advice or appoint external consultants as it considers necessary at the Managers' cost.

## D. SHAREHOLDER RIGHTS AND ENGAGEMENT

### Shareholder Rights and Conduct of General Meetings

*Principle 11      The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.*

The Group supports and encourages active Stapled Securityholder participation at general meetings as they believe that general meetings serve as an opportune avenue for Stapled Securityholders to meet and interact with the Board and Management. Stapled Securityholders are informed of general meetings through notices published in the newspapers, through reports or circulars sent to all Stapled Securityholder, and via SGXNET. At general meetings, Stapled Securityholders are given the opportunity to participate effectively and vote, where relevant rules and procedures governing such meetings, such as voting procedure, are clearly communicated prior to the start of the meeting. Any Stapled Securityholder who is not able to attend the general meetings are allowed to appoint up to two proxies to attend general meetings and vote in place of the Stapled Securityholder.

In view of the COVID-19 situation, the Managers will be conducting the AGM via electronic means and therefore, alternative arrangements will be made to take into account the online nature of the annual general meeting, further information of which is set out in the notice of the AGM dated 14 August 2020.

The Managers are not implementing absentia voting methods (such as voting via mail, email or fax) until issues such as the authentication of Stapled Securityholder identity and other related security and integrity of such information can be resolved. Notwithstanding the foregoing, Stapled Securityholders are able to appoint up to two proxies to vote on their behalf should they be unable to attend the meeting. Based on the above, the Board is of the view that Stapled Securityholder will still be able to participate effectively in and vote at the general meetings even in the absence of absentia voting through appointment of proxies.

The Managers set out separate resolutions on each substantially separate issue (which are not interdependent and not linked so as to form one significant proposal) at general meetings and supports the Code's provision as regards "bundling" of resolutions. In the event that there are resolutions which are interlinked, the Managers will provide reasons and material implications in the notice of the meetings or at general meetings. Stapled Securityholders are given the opportunity to raise questions and clarify any issues that they may have relating to the resolutions sought to be passed.

For greater transparency outside of the current pandemic environment, the Managers will be using electronic poll voting at the general meetings, allowing all Stapled Securityholders present or represented at the meeting to vote on a one Stapled Securityholder-one vote basis. The voting results of all votes cast for, against, or abstaining from each resolution is then screened at the meeting and announced to the SGX-ST after the meeting. An independent external party is appointed as scrutineer for the electronic voting process to count and validate the votes at general meetings.

All Board members, including the chairman of the ARC and NRC, and Management will be present at the annual general meeting of Stapled Securityholders. External auditors will also be present.

As the Managers will be conducting the AGM via electronic means and therefore Stapled Securityholders are unable to attend the meeting in person, Stapled Securityholders may appoint the Chairman of the meeting as proxy to vote on their behalf at the general meeting and submit questions relating to the business of the meeting in advance. Please refer to the notice of the AGM dated 14 August 2020 for further information.

Substantial and relevant comments or queries from Stapled Securityholders relating to the agenda of the general meeting together with responses from the Boards and Management will be prepared by the Managers. The minutes of Stapled Securityholders' meetings which capture the attendance of Board members at the meetings, matters approved by Stapled Securityholders and voting results will be prepared by the Managers. The minutes of the 2020 AGM will be released to the SGX-ST within one month from the date of AGM and shall be made available on the Company website.

# CORPORATE GOVERNANCE

## Distribution Policy

Distributions of EHT comprise distributions from EH-REIT and EH-BT. As disclosed in the Prospectus, EH-REIT's distribution policy is to distribute 100% of EH-REIT's annual distributable income for the period from the Listing Date to the end of 31 December 2020. Thereafter, it was then envisaged that EH-REIT will distribute at least 90% of its annual distributable income and such distributions are typically paid on a semi-annual basis with the actual level of distribution to be determined at the discretion of the Board of the REIT Manager.

As announced by the Managers on 20 April 2020, Bank of America, N.A., as the administrative agent ("**Administrative Agent**") for the lenders ("**Lenders**") under the US\$341.0 million syndicated credit agreement ("**Facilities Agreement**"), in assertion of their rights and remedies following the issuance of the notice of default and acceleration on 20 March 2020 ("**Notice**"), has restricted access to certain bank accounts of EH-REIT's subsidiaries and the Master Lessees that were established with the Administrative Agent. The REIT Manager had also provided irrevocable instructions to DBS Bank (Hong Kong) Limited not to cause or permit any withdrawal or transfers from the bank account of an EH-REIT subsidiary held with DBS Bank (Hong Kong) Limited, whilst discussions with the Administrative Agent and Lenders are ongoing during the temporary forbearance period. The Facilities Agreement also provides that no Borrower may, directly or indirectly, declare, order, make or set apart any sum for or pay any dividend or distribution following the acceleration of the loan. In the Notice, the Administrative Agent expressly highlighted this restriction against payment of any distributions. The issuance of the Notice therefore means that EH-REIT is now restricted under the terms of the Facilities Agreement from making payment of any distribution.

EH-BT is currently dormant and no distributions will be made during the period that EH-BT remains dormant. In the event that EH-BT becomes active and profitable, EH-BT's distribution policy will be to distribute as much of its income as practicable, and the determination to distribute and the quantum of distributions to be made by EH-BT will be at the sole discretion of the Trustee-Manager Board.

## Engagement with Stapled Securityholders

*Principle 12      The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.*

The Managers treat all Stapled Securityholders fairly and equitably, and strive to establish timeliness and consistency in its disclosures to Stapled Securityholders and maintain regular interaction and dialogue with Stapled Securityholders to generate awareness and understanding of EHT's strategic business model, competitive strengths, growth strategy, and investment merits, as well as to garner feedback and views for consideration.

To enable Stapled Securityholders and the investors to make informed investment decisions, the Managers endeavour to provide the Stapled Securityholders with fair, relevant, comprehensive and timely information regarding EHT's performance, developments and matters concerning EHT and its business which are likely to materially affect the price of the Stapled Securities. Stapled Securityholders are notified in advance of the date of release of EHT financial results through an announcement via SGXNET. Material and other pertinent information such as press releases and presentation slides are also released to the SGX-ST via SGXNET and subsequently on EHT's website at <https://eagleht.com/> on a timely basis. As evidenced, the Managers' Investor Relations Policy promotes regular, effective and fair communication with the Stapled Securityholders. Stapled Securityholders and other stakeholders can subscribe to email alerts of all announcements and press releases issued by EHT through its website, where an online subscription form is made available.

Dialogue between the Managers and Stapled Securityholders/ stakeholders is a central tenet of good corporate governance. In FY2019, Management met with Institutional Investors and analysts through analysts' briefings, investor meetings and non-deal roadshows to maintain dialogue with investors and Stapled Securityholders, as well as to solicit and understand the views of Stapled Securityholders. To enhance and encourage communication with shareholders and investors, the Managers provide the contact details of the investor relations representative in its press releases. Shareholders and investors can send their enquiries through email or telephone.

Stapled Securityholders are given the opportunity to communicate their views and to raise pertinent questions to the Directors and Management prior to the Stapled Securityholders' meetings.

## **E. MANAGING STAKEHOLDER RELATIONSHIPS**

### **Engagement with Stakeholders**

*Principle 13      The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.*

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of EHT are served.

The Group has identified key stakeholders as those who are impacted by the Group's business and operations as well as those who have a material impact on the Group's business and operations such as business partners, employees, vendors and tenants, government and regulators, investment community, shareholders and investors. The Managers ensure engagement and communication with the relevant stakeholders through the various channels to ensure that the business interests of the Group are balanced against the needs and interests of its stakeholders.

EHT maintains a corporate website at <https://eagleht.com/> to communicate and engage with stakeholders.

## **F. RELATED/ INTERESTED PERSON TRANSACTIONS POLICY**

The Managers have established internal control procedures to monitor and review Interested Person Transactions and Related Party Transactions, including ensuring compliance with the provisions of the Listing Manual and the Property Funds Appendix related to Interested Person Transactions and Related Party Transactions.

The ARC and the Board review the Interested Person Transactions and Related Party Transactions, if any, on a quarterly basis. Any Interested Person Transactions and Related Party Transactions requiring disclosure will be set out in the Annual Report.

### **The REIT Manager's Internal Control System**

The REIT Manager has established an internal control system to ensure that all future Related Party Transactions:

- will be undertaken on normal commercial terms in accordance with the relevant laws, regulations and guidelines that apply to EH-REIT; and
- will not be prejudicial to the interests of EH-REIT and the EH-REIT Unitholders.

## CORPORATE GOVERNANCE

As a general rule, the REIT Manager must demonstrate to the ARC that such transactions satisfy the foregoing criteria, which may entail:

- obtaining (where practicable) quotations from parties unrelated to the REIT Manager; or
- obtaining valuations from independent professional valuers (in accordance with the Property Funds Appendix).

The REIT Manager will maintain a register to record all Related Party Transactions which are entered into by EH-REIT and the bases, including any quotations from unrelated parties and independent valuations obtained to support such bases, on which they are entered into.

The REIT Manager will also incorporate into its internal audit plan a review of all Related Party Transactions entered into by EH-REIT. The ARC shall review the internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied with. In addition, the REIT Trustee will also have the right to review such audit reports to ascertain that the Property Funds Appendix have been complied with. The review will include the examination of the nature of the transaction and its supporting documents or such other data deemed necessary to the ARC. If a member of the ARC has an interest in a transaction, he or she is to abstain from participating in the review and approval process in relation to that transaction.

Further, the following procedures will be undertaken:

- any transaction (either individually or as part of a series or if aggregated with other transactions involving the same Related Party during the same financial year) equal to or exceeding S\$100,000 in value but less than 3.0% of the value of EH-REIT's net tangible assets (based on the latest audited accounts) will be subject to review by the ARC at regular intervals;
- any transaction (either individually or as part of a series or if aggregated with other transactions involving the same Related Party during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of EH-REIT's net tangible assets (based on the latest audited accounts) will be subject to the review and prior approval of the ARC. Such approval shall only be given if such transaction is on normal commercial terms and is consistent with similar types of transactions made with third parties which are unrelated to the REIT Manager; and
- any transaction (either individually or as part of a series or if aggregated with other transactions involving the same Related Party during the same financial year) equal to or exceeding 5.0% of the value of EH-REIT's net tangible assets (based on the latest audited accounts) will be reviewed and approved prior to such transaction being entered into, on the basis described in the preceding paragraph, by the ARC which may, as it deems fit, request advice on the transaction from independent sources or advisers, including the obtaining of valuations from independent professional valuers. Further, under the Listing Manual and the Property Funds Appendix, such transaction would have to be approved by the EH-REIT Unitholders at a meeting duly convened.

Pursuant to the Listing Manual, transactions with a value below S\$100,000 are disregarded on the ground that they do not put EH-REIT at risk. Accordingly, such transactions are excluded from aggregation with other transactions involving the same Related Parties.

Where matters concerning EH-REIT relate to transactions entered into or to be entered into by the REIT Trustee for and on behalf of EH-REIT with a Related Party of the REIT Manager (which would include relevant "associates" as defined under the Listing Manual) or EH-REIT, the REIT Trustee is required to consider the terms of such transactions to satisfy itself that such transactions are conducted on normal commercial terms, are not prejudicial to the interests of EH-REIT and the EH-REIT Unitholders, and in accordance with all applicable requirements of the Property Funds Appendix and/or the Listing Manual relating to the transaction in question.

Further, the REIT Trustee has the ultimate discretion under the EH-REIT Trust Deed to decide whether or not to enter into a transaction involving a Related Party of the REIT Manager or EH-REIT. If the REIT Trustee is to sign any contract with a Related Party of the REIT Manager or EH-REIT, the REIT Trustee will review the contract to ensure that it complies with the relevant requirements relating to Related Party Transactions (as may be amended from time to time) as well as such other guidelines as may from time to time be prescribed by the MAS and the SGX-ST to apply to REITs.

EH-REIT will comply with Rule 905 of the Listing Manual by announcing any Interested Person Transaction in accordance with the Listing Manual if such transaction, by itself or when aggregated with other Interested Person Transactions entered into with the same Interested Person (as defined in the Listing Manual) during the same financial year, is 3.0% or more of the value of EH-REIT's latest audited net tangible assets.

The aggregate value of all Interested Person Transactions in accordance with the Listing Manual in a particular year, each of at least S\$100,000 in value and which are subject to Rules 905 and 906 of the Listing Manual, will be disclosed in annual report for the relevant financial year.

### **Role of the ARC for Related Party Transactions**

The ARC will monitor the procedures established to regulate Related Party Transactions, including reviewing any Related Party Transactions entered into from time to time and the internal audit reports to ensure compliance with the relevant provisions of the Listing Manual and the Property Funds Appendix.

If a member of the ARC has an interest in a transaction, he or she is to abstain from participating in the review and approval process in relation to that transaction.

## **G. DEALING WITH POTENTIAL CONFLICTS OF INTEREST**

The REIT Manager is required to prioritise the EH-REIT Unitholders' interests over those of the REIT Manager and its shareholders in the event of a conflict of interest.

The REIT Manager has instituted the following procedures to deal with conflicts of interest issues:

- The REIT Manager will not manage any other REIT which invests in the same type of properties as EH-REIT;
- All executive officers will be employed by the REIT Manager and will not hold executive positions in any other entities;
- All resolutions in writing of the REIT Manager Directors in relation to matters concerning EH-REIT must be approved by a majority of the directors, including at least one director independent from management and business relationships with the REIT Manager;
- At least one-third of the REIT Manager Board shall comprise Independent Directors, provided that where (i) the Chairman of the REIT Manager Board and the CEO is the same person, (ii) the Chairman of the REIT Manager Board and the CEO are immediate family members, (iii) the Chairman of the REIT Manager Board is part of Management team; (iv) the Chairman of the REIT Manager Board is not an Independent Director or (v) the EH-REIT Unitholder do not have the right to appoint directors, at least half the board shall comprise Independent Directors;
- In respect of matters in which a REIT Manager Director or his associates (as defined in the Listing Manual) has an interest, direct or indirect, such interested director will abstain from voting. In such matters, the quorum must comprise a majority of the REIT Manager Directors and must exclude such interested director;



## CORPORATE GOVERNANCE

- In respect of matters in which the Sponsor has an interest, direct or indirect, for example, in matters relating to:
  - potential acquisitions of additional properties or property-related investments by EH-REIT in competition with the Sponsor; and
  - competition for tenants between properties owned by EH-REIT and properties owned by the Sponsor,

any nominees appointed by the Sponsor to the REIT Manager Board to represent its interest will abstain from deliberations and voting on such matters. In such matters, the quorum must comprise a majority of the REIT Manager Directors independent from management and business relationships with the REIT Manager and must exclude nominee directors of the Sponsor;

- Save as to resolutions relating to the removal of the REIT Manager, the REIT Manager and its associates are prohibited from voting or being counted as part of a quorum for any meeting of the EH-REIT Unitholders convened to approve any matter in which the REIT Manager and/or any of its associates has an interest, and for so long as the REIT Manager is the manager of EH-REIT, the controlling shareholders of the REIT Manager and of any of its associates are prohibited from voting or being counted as part of a quorum for any meeting of the EH-REIT Unitholders convened to consider a matter in respect of which the relevant controlling shareholders of the REIT Manager and/or of any of its associates have an interest; and
- It is also provided in the EH-REIT Trust Deed that if the REIT Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the REIT Trustee for and on behalf of EH-REIT with an Interested Person (as defined in the Listing Manual) and/or, as the case may be, an Interested Party (as defined in the Property Funds Appendix) (collectively, a **“Related Party”**) of the REIT Manager, the REIT Manager shall be obliged to consult with a reputable law firm (acceptable to the REIT Trustee) which shall provide legal advice on the matter. If the said law firm is of the opinion that the REIT Trustee, on behalf of EH-REIT, has a prima facie case against the party allegedly in breach under such agreement, the REIT Manager shall be obliged to take appropriate action in relation to such agreement. The REIT Manager Directors will have a duty to ensure that the REIT Manager so complies. Notwithstanding the foregoing, the REIT Manager shall inform the REIT Trustee as soon as it becomes aware of any breach of any agreement entered into by the REIT Trustee for and on behalf of EH-REIT with a Related Party of the REIT Manager and the REIT Trustee may take such action as it deems necessary to protect the rights of the EH-REIT Unitholders and/or which is in the interests of the EH-REIT Unitholders. Any decision by the REIT Manager not to take action against a Related Party of the REIT Manager shall not constitute a waiver of the REIT Trustee’s right to take such action as it deems fit against such Related Party.

### H. DEALINGS IN THE STAPLED SECURITIES

The Managers have adopted guidelines on dealing in the Stapled Securities setting out the procedure for dealings in EHT’s securities by its Directors, officers and employees. In compliance with Rule 1207(19) of the Listing Manual on best practices on dealing in securities, the Managers issue quarterly reminders to the Directors, officers and employees on the prohibitions in dealings in EHT’s securities during the following periods:

- (a) two weeks prior the announcement of EHT’s financial results for each of the first three quarters of the financial year; and
- (b) one month before the announcement of EHT’s financial results for the full financial year; or
- (c) any time while in possession of price-sensitive information.

The Directors, officers and the employees of the Managers are prohibited from communicating price sensitive information to any person. In addition, the Managers also restricts the Directors and employees of the Managers from dealing in the Stapled Securities on short-term considerations.

The directors and employees of the REIT Manager are also prohibited from communicating price sensitive information to any person.

Each Director and the CEO of the REIT Manager is to give notice to the REIT Manager of his/her acquisition of Stapled Securities or of changes in the number of Stapled Securities which he holds or in which he has an interest, within two Business Days after such acquisition or the occurrence of the event giving rise to changes in the number of the Stapled Securities.

All dealings in the Stapled Securities by the REIT Manager Directors will be announced via SGXNET, with the announcement to be posted on the internet at the SGX-ST website <http://www.sgx.com>.

Pursuant to Section 137ZC of the SFA, the REIT Manager will be required to, *inter alia*, announce to the SGX-ST the particulars of any acquisition or disposal of interest in EH-REIT Units by the REIT Manager as soon as practicable, and in any case no later than the end of the Business Day following the day on which the REIT Manager became aware of the acquisition or disposal. In addition, all dealings in Stapled Securities by the CEO will also need to be announced by the REIT Manager via SGXNET, with the announcement to be posted on the internet at the SGX-ST website <http://www.sgx.com> and in such form and manner as the MAS may prescribe.

## I. WHISTLE-BLOWING POLICY

The REIT Manager has put in place a whistle-blowing policy, which provides an avenue through which any improper conduct, any breach or suspected breach of law or regulation that may adversely affect, any matters of concern about possible improprieties in financial reporting, suspected fraud and corruption or other matters may be raised by employees and any other persons in confidence and in good faith, without fear of reprisal and bring to the attention of ARC.

Whistle-blowers may report any matters of concern by email to [whistleblowing@eagleht.com](mailto:whistleblowing@eagleht.com). The reporting email address is also available on EHT's website. The whistle-blowing policy provides assurance that whistle-blower be treated fairly and to the extent possible, be protected from reprisal. The website provides a feedback channel for any complainant to raise possible improprieties directly to the ARC, to facilitate an independent investigation of any matter raised on appropriate follow-up action as required. The Whistle-Blowing Policy, amongst other policies are circulated to all existing and new incoming staff.

The reportable conduct/ improprieties under the whistle blowing policy include but are not limited to:

- (a) fraudulent activities;
- (b) dishonesty, including but not limited to theft or misuse of resources within EHT;
- (c) profiteering as a result of insider knowledge;
- (d) corruption and accepting or giving bribes;
- (e) intimidation, discrimination or harassment of staff and other persons during the course of work or in the capacity of an EHT employee;
- (f) misappropriation of funds or any other conduct which may cause financial or non-financial loss to EHT or damage to its reputation;
- (g) disclosure of confidential information to outside parties;
- (h) conflicts of interest in business dealings with external parties or involvement in prohibited activities;
- (i) any other wrongful acts that may have a material impact on the company's operating results or financial position; and
- (j) illegal activities.

## STATEMENT OF POLICIES AND PRACTICES OF EH-BT

Apart from the corporate governance practices disclosed above, the EH-BT Trustee-Manager has prepared a statement of policies and practices in relation to the management and governance of EH-BT (as described the Business Trusts Act) in respect of FY2019, which is set out on pages 62 to 68 in this Annual Report.

# CORPORATE GOVERNANCE

## STATEMENT ON POLICIES AND PRACTICES IN RELATION TO THE MANAGEMENT AND GOVERNANCE OF EAGLE HOSPITALITY BUSINESS TRUST

EH-BT has been dormant since the listing of EHT on the Main Board of the SGX-ST on 24 May 2019.

Although EH-BT is dormant, the Trustee-Manager Board is committed to complying with the requirements under the Listing Manual, the Business Trusts Act and the Business Trusts Regulations (the “**BTR**”) (except where waivers had been obtained from the MAS and disclosed in the Prospectus of EHT), the SFA as well as the EH-BT Trust Deed and the Stapling Deed.

The Trustee-Manager has the dual responsibilities of safeguarding the interests of the EH-BT Unitholders, and managing the business conducted by EH-BT. The Trustee-Manager has general powers of management over the business and assets of EH-BT and its main responsibility is to manage EH-BT's assets and liabilities for the benefit of the EH-BT Unitholders as a whole.

The Trustee-Manager, in exercising its powers and carrying out its duties as EH-BT's trustee-manager, is required to:

- treat the EH-BT Unitholders who hold EH-BT Units in the same class fairly and equally and treat the EH-BT Unitholders who hold EH-BT Units in different classes (if any) fairly;
- ensure that all payments out of the Trust Property of EH-BT (“**EH-BT Trust Property**”) are made in accordance with the BTA, the EH-BT Trust Deed and the Stapling Deed;
- report to the Authority any contravention of the BTA or the Securities and Futures (Offers of Investments) (Business Trusts) (No. 2) Regulations 2005 by any other person that:
  - relates to EH-BT; and
  - has had, has or is likely to have, a material adverse effect on the interests of all the EH-BT Unitholders, or any class of EH-BT Unitholders,

as a whole, as soon as practicable after the Trustee-Manager becomes aware of the contravention;

- ensure that the EH-BT Trust Property is properly accounted for; and
- ensure that the EH-BT Trust Property is kept distinct from the property held in its own capacity.

The Trustee-Manager also has the following statutory duties under the BTA:

- at all times act honestly and exercise reasonable diligence in the discharge of its duties as EH-BT's trustee-manager in accordance with the BTA and the EH-BT Trust Deed;
- act in the best interests of all the EH-BT Unitholders as a whole and give priority to the interests of all the EH-BT Unitholders as a whole over its own interests in the event of a conflict between the interests of all the EH-BT Unitholders as a whole and its own interests;
- not make improper use of any information acquired by virtue of its position as EH-BT's trustee-manager to gain, directly or indirectly, an advantage for itself or for any other person to the detriment of the EH-BT Unitholders; and
- hold the EH-BT Trust Property on trust for all the EH-BT Unitholders as a whole in accordance with the terms of the EH-BT Trust Deed.

The MAS has exempted the Trustee-Manager from compliance from the following:

- (a) an exemption for the Trustee-Manager from compliance with Section 10(2)(a) of the BTA to the extent that Section 10(2)(a) of the BTA requires the Trustee-Manager to act in the best interests of the EH-BT Unitholders as a whole only, and an exemption for the Trustee-Manager Directors from compliance with Section 11(1)(a) of the BTA to the extent that Section 11(1)(a) of the BTA requires the Trustee-Manager Directors to take reasonable steps to ensure that the Trustee-Manager acts in the best interests of the EH-BT Unitholders as a whole only, in each case subject to the conditions that:
  - (i) the Trustee-Manager shall ensure that the EH-BT Units remain stapled to the EH-REIT Units; and
  - (ii) the Trustee-Manager and the Trustee-Manager Directors shall act in the best interests of all the Stapled Securityholders as a whole;
- (b) Section 15(1) of the BTA to the extent that Section 15(1) of the BTA requires an audit committee to be constituted, subject to the conditions that (i) the exemption shall only be in effect for so long as EH-BT is dormant, and (ii) immediately upon the Trustee-Manager becoming aware that EH-BT will become active, the Trustee-Manager shall ensure that an audit committee in compliance with the requirements of the BTA and the BTR is constituted before EH-BT becomes active; and
- (c) Regulation 12(1) of the BTR to the extent that the non-compliance with Regulation 12(1) of the BTR is due to any Trustee-Manager Director being considered to be not independent from management and business relationships with the Trustee-Manager or from any substantial shareholder of the Trustee-Manager solely by virtue of such Trustee-Manager Director also being a director of the REIT Manager, subject to the following conditions:
  - (i) the EH-BT Units remain stapled to the EH-REIT Units; and
  - (ii) the Stapling Deed shall contain covenants binding the Managers to exercise all due diligence and vigilance to safeguard the rights and interests of the Stapled Securityholders in the event of a conflict of interest between the Managers and their respective shareholders, and that of the Stapled Securityholders.

## **EH-BT TRUST PROPERTY IS PROPERLY ACCOUNTED FOR**

In the event that EH-BT becomes active, the EH-BT Trust Property shall be properly accounted for and kept distinct from the property of the Trustee-Manager in its own capacity.

## **ADHERENCE TO BUSINESS SCOPE OF EH-BT**

In the event that EH-BT becomes active, the Trustee-Manager Board shall review and approve all authorised businesses undertaken by EH-BT so as to ensure its adherence to the business scope as set out in the EH-BT Trust Deed.

Such authorised businesses refer to:

- (i) the acquisition, disposition and ownership of authorised investments and all activities, concerns, functions and matters reasonably incidental thereto;
- (ii) ownership of subsidiaries which are engaged in the acquisition, disposition and ownership of authorised investments and all activities, concerns, functions and matters reasonably incidental thereto; and
- (iii) any business, undertaking or activity associated with, incidental and/or ancillary to the carrying on of the businesses referred to in paragraphs (i) and (ii) of this definition, including (without limitation) the management and leasing of the authorised investments;

# CORPORATE GOVERNANCE

## FEES PAYABLE TO THE TRUSTEE-MANAGER

### Management Fee

In the event that EH-BT becomes active, the Trustee-Manager is entitled under the EH-BT Trust Deed to the following management fees:

- a base fee ("**Base Fee**") not exceeding the rate of 10.0% per annum of EH-BT's Annual Distributable Income (as defined in the EH-BT Trust Deed and calculated before accounting for the Base Fee and the Performance Fee (as defined below)); and
- a performance fee ("**Performance Fee**") of 25.0% per annum of the difference in distribution per Stapled Security ("**DPS**") in a financial year with the DPS in the preceding financial year (calculated before accounting for the Performance Fee but after accounting for the Base Fee in each financial year) multiplied by the weighted average number of Stapled Securities in issue for such financial year (subject to adjustments in certain cases as set out in the EH-BT Trust Deed).

### Trustee Fee

Under the EH-BT Trust Deed, 0.1% per annum of the value of the EH-BT Trust Property and subject to a minimum fee of US\$10,000 per month, if any, shall be paid to the Trustee-Manager as trustee fees, provided that the value of the EH-BT Trust Property is at least US\$50.0 million and EH-BT is active.

For the financial year under review, no management fee and trustee fee were paid to the Trustee-Manager as EH-BT remains dormant.

### Expenses Charged to EH-BT

The Trustee-Manager Board will carry out quarterly reviews to ensure that the expenses payable to the Trustee-Manager out of the Trust Property are appropriate and in accordance with the EH-BT Trust Deed, in the event EH-BT becomes active.

For the financial year under review, no expenses were paid to the Trustee-Manager from the Trust Property as EH-BT remains dormant.

## COMPLIANCE WITH THE BTA AND THE LISTING MANUAL

The Trustee-Manager will engage the services of and obtain advice from professional advisers and consultants from time to time to ensure compliance with the requirements of the BTA and the Listing Manual in the event that EH-BT becomes active.

## COMPOSITION OF THE TRUSTEE-MANAGER BOARD

Under Regulation 12(1) of the BTR, the Trustee-Manager Board is required to comprise:

- at least a majority of Trustee-Manager Directors who are independent from management and business relationships with the Trustee-Manager;
- at least one-third of Trustee-Manager Directors who are independent from management and business relationships with the Trustee-Manager and from every Substantial Shareholder of the Trustee-Manager; and
- at least a majority of Trustee-Manager Directors who are independent from any single Substantial Shareholder of the Trustee-Manager.

The Trustee-Manager Board consists of five members, four of whom are Independent Directors for the purposes of the BTA.



In addition to compliance with requirements under the BTA, the composition of the Trustee-Manager Board is determined using the following principles:

- the Chairman of the Trustee-Manager Board should be a Non-Executive Director;
- the Trustee-Manager Board should consist of Directors with a broad range of commercial experience including expertise in funds management, legal matters, audit and accounting and the property industry; and
- at least one-third of the Trustee-Manager Board should comprise Independent Directors

However, according to Provision 2.2 of the Code, Independent Directors are to make up a majority of the Trustee-Manager Board where the Chairman is not an Independent Director.

The composition of the Trustee-Manager Board will be reviewed regularly to ensure that the Trustee-Manager Board has the appropriate mix of expertise and experience.

As the Trustee-Manager's directors are also the directors of the REIT Manager, none of the Trustee-Manager's directors would, by definition under the BTR, be independent from a substantial shareholder of the Trustee-Manager as both the Trustee-Manager and the REIT Manager are indirectly 51% owned by Mr. Howard Wu and 49% owned by Mr. Taylor Woods, who are the co-founders of the Sponsor, each own 50% of the common equity interests in the Sponsor.

The MAS has granted an exemption from the requirement for the Trustee-Manager Directors to be independent from the Substantial Shareholders of the Trustee-Manager while EH-REIT is stapled to EH-BT, subject to certain conditions, on the basis that there will be no real prejudice to the interests of the EH-BT Unitholders as the EH-BT Units and EH-REIT Units will be stapled together and held by the same investors. The stapling together of EH-BT Units and EH-REIT Units means that the EH-BT Unitholders are at the same time the investors of the Stapled Securities, who stand to benefit as a whole regardless of whether the appointed Trustee-Manager Directors are independent of the Substantial Shareholders of the Trustee-Manager.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of Chairman of the Trustee-Manager Board and the Chief Executive Officer and President of the Trustee-Manager should be held by two different individuals in order to maintain effective checks and balances. The Trustee-Manager Board was previously chaired by Mr. Howard Wu, prior to his resignation. The Chief Executive Officer and President is Mr. Salvatore Takoushian. The Chairman is responsible for the overall management of the Trustee-Manager Board, while the Chief Executive Officer and President has full executive responsibilities over the business directions of the Trustee-Manager.

As announced by the Managers on 26 May 2020, in light of the resignations of Mr. Howard Wu and Mr. Taylor Woods from the Board of the Managers, the NRC will be reviewing the composition of the Board and further announcements will be made in due course once a decision has been made on the appointment of a new Chairman.

## ACCESS TO INFORMATION

The Trustee-Manager Board has separate and independent access to the management of the Trustee-Manager (the **"Management"**) and the company secretary of the Trustee-Manager (the **"Company Secretary"**) at all times and they are entitled to request from Management additional information as needed to make informed decisions. The Trustee-Manager Directors also have access to independent professional advice where appropriate and whenever requested.

The Company Secretary of the Trustee-Manager, Ms Josephine Toh, is also the Company Secretary of the REIT Manager. She is an Associate Member of the Singapore Association of the Institute of Chartered Secretaries & Administrators.

# CORPORATE GOVERNANCE

The roles of the Company Secretary include the following:

- ensuring that board procedures of the Trustee-Manager Board are followed;
- assisting the Trustee-Manager with corporate secretarial administration matters for the Trustee-Manager, both in its personal capacity and in its capacity as manager of EH-BT, including attending all board meetings; and
- assisting the Trustee-Manager in preparing the announcements and notifications to be uploaded on the SGXNET as required under the Listing Manual.

## REMUNERATION MATTERS

As EH-BT remains dormant, no compensation is payable by the Trustee-Manager to the Trustee-Manager Directors.

## AUDIT AND RISK COMMITTEE

The MAS has granted the Trustee-Manager an exemption from compliance with section 15(1) of the BTA to the extent that section 15(1) of the BTA requires an audit committee to be constituted when EH-BT is active, subject to certain conditions.

## EXTERNAL AUDITOR

The Trustee-Manager, on behalf of EH-BT, confirms that EH-BT has complied with Rules 712 and 715 of the Listing Manual in relation to its auditing firm.

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Trustee-Manager Board will put in place appropriate internal control systems, including the following procedures to manage business risk in the event that EH-BT becomes active:

The Trustee-Manager Board will meet quarterly or more frequently if necessary and will review the financial performance of EH-BT against the budget previously approved by the Trustee-Manager Board for the relevant financial year. The Trustee-Manager Board will also review the business risks of EH-BT, examine liability management and will act upon any comments from both the internal and external auditors of EH-BT.

In assessing business risk, the Trustee-Manager Board will consider the economic environment and risks relevant to the property industry. It will review management reports and feasibility studies on individual development projects prior to approving major transactions. Management will meet regularly to review the operations of the Trustee-Manager and EH-BT and discuss any disclosure issues.

## RELATED PARTY/ INTERESTED PERSON TRANSACTIONS AND POTENTIAL CONFLICTS OF INTEREST

In general, transactions between:

- an entity at risk (in this case, the Trustee-Manager (acting in its capacity as the trustee-manager of EH-BT) or any of the subsidiaries or associated companies of EH-BT); and
- any of the Interested Persons (namely the Trustee-Manager (acting in its personal capacity), a related corporation or related entity of the Trustee-Manager (other than a subsidiary or subsidiary entity of EH-BT), an associated company or associated entity of the Trustee-Manager (other than an associated company or associated entity of EH-BT) (as defined in the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018), a Director, Chief Executive Officer or controlling shareholder of the Trustee-Manager, a controlling Stapled Securityholder or an associate of any such Director, Chief Executive Officer, controlling shareholder or controlling Stapled Securityholder), would constitute an Interested Person Transaction.

Since the EH-REIT Units and EH-BT Units are held by the same pool of investors in the same proportion, concerns and potential abuses applicable to interested party transactions will be absent in transactions between EH-REIT and EH-BT.

### **The Trustee-Manager's Internal Control System**

In the event EH-BT becomes active, the Trustee-Manager will establish an internal control system to ensure that all future Interested Person Transactions:

- will be undertaken on normal commercial terms in accordance with the relevant laws, regulations and guidelines that apply to EH-BT; and
- will not be prejudicial to the interests of EH-BT and Stapled Securityholders.

The Trustee-Manager will maintain a register to record all Interested Person Transactions which are entered into by EH-BT and the bases, including any quotations from unrelated parties obtained to support such bases, on which they are entered into.

The Trustee-Manager will also incorporate into its internal audit plan a review of all Interested Person Transactions entered into by EH-BT.

Where matters concerning EH-BT relate to transactions entered into or to be entered into by the Trustee-Manager for and on behalf of EH-BT with a Related Party of the Trustee-Manager (which would include relevant associates thereof) or EH-BT, the Trustee-Manager is required to consider the terms of such transactions to satisfy itself that such transactions are conducted:

- on normal commercial terms;
- are not prejudicial to the interests of EH-BT and Stapled Securityholders; and
- in accordance with all applicable requirements of the Listing Manual and the BTA relating to the transaction in question.

If the Trustee-Manager is to sign any contract with a Related Party of the Trustee-Manager or EH-BT, the Trustee-Manager will review the contract to ensure that it complies with the provisions of the Listing Manual and the BTA relating to Interested Person Transactions (as may be amended from time to time) as well as such other guidelines as may from time to time be prescribed by the MAS and the SGX-ST to apply to business trusts.

Save for the transactions disclose in the Prospectus, EH-BT will comply with Rule 905 of the Listing Manual by announcing any Interested Person Transaction in accordance with the Listing Manual if such transaction, by itself or when aggregated with other Interested Person Transactions entered into with the same Interested Person during the same financial year, is 3.0% or more of EH-BT's latest audited net tangible assets. The aggregate value of all Interested Person Transactions which are subject to Rules 905 and 906 of the Listing Manual in a particular financial year will be disclosed in EH-BT's annual report for the relevant financial year.

# CORPORATE GOVERNANCE

## DEALING WITH POTENTIAL CONFLICTS OF INTEREST

The Trustee-Manager has instituted the following procedures to deal with conflict of interest issues:

- All key executive officers will be employed by the Trustee-Manager and will not hold executive positions in other entities;
- All resolutions in writing of the Trustee-Manager Directors in relation to matters concerning EH-BT must be approved by at least a majority of the Trustee-Manager Directors (excluding any interested Director), including at least one independent Trustee-Manager Director;
- In respect of matters in which a Trustee-Manager Director or his associates (as defined in the Listing Manual) has an interest, direct or indirect, such interested director will abstain from voting. In such matters, the quorum must comprise a majority of the Trustee-Manager Directors and must exclude such interested director;
- In respect of matters in which the Sponsor and/or its subsidiaries have an interest, direct or indirect, for example, in matters relating to:
  - potential acquisitions of additional properties or property-related investments by EH-BT in competition with the Sponsor; and/or
  - competition for tenants, hotel management operators and Hotel Franchisors between properties owned by EH-BT and properties owned by the Sponsor;

any nominees appointed by the Sponsor and/or its subsidiaries to the Trustee-Manager Board to represent their interests will abstain from deliberation and voting on such matters. In such matters, the quorum must comprise a majority of the independent Trustee-Manager directors and must exclude nominee directors of the Sponsor and/or its subsidiaries;

- Where matters concerning EH-BT relate to transactions entered into or to be entered into by the Trustee-Manager for and on behalf of EH-BT with a Related Party of the Trustee-Manager (which would include relevant associates thereof) or the EH-BT, the Trustee-Manager Board is required to consider the terms of the transactions to satisfy itself that the transactions are conducted on normal commercial terms, are not prejudicial to the interests of EH-BT and EH-BT Unitholders and are in compliance with all applicable requirements of the Listing Manual and the BTA relating to the transaction in question. If the Trustee-Manager is to sign any contract with a Related Party of the Trustee-Manager or EH-BT, the Trustee-Manager will review the contract to ensure that it complies with the provisions of the Listing Manual and the BTA relating to Interested Person Transactions (as may be amended from time to time) as well as any other guidelines as may from time to time be prescribed by the MAS and the SGX-ST that apply to business trusts;
- Save as to resolutions relating to the removal of the Trustee-Manager, the Trustee-Manager and its associates are prohibited from voting or being counted as part of a quorum for a meeting of the EH-BT Unitholders convened to approve any matter in which the Trustee-Manager and/or any of its associates has an interest, and for so long as the Trustee-Manager is the manager of the EH-BT, the controlling shareholders (as defined in the Listing Manual) of the Trustee-Manager and of any of its associates are prohibited from voting or being counted as part of a quorum for any meeting of the EH-BT Unitholders convened to consider a matter in respect of which the relevant controlling shareholders of the Trustee-Manager and/or any of its associates have an interest; and
- It is also provided in the EH-BT Trust Deed that if the Trustee-Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee-Manager for and on behalf of EH-BT with a Related Party of the Trustee-Manager, the Trustee-Manager shall be obliged to consult with a reputable law firm (acceptable to the Trustee-Manager) who shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee-Manager, on behalf of the EH-BT, has a prima facie case against the party allegedly in breach under such agreement, the Trustee-Manager shall be obliged to take appropriate action in relation to such agreement. The Trustee-Manager Directors (including the Independent Directors) will have a duty to ensure that the Trustee-Manager so complies.

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# REPORT OF THE TRUSTEE-MANAGER OF EAGLE HOSPITALITY BUSINESS TRUST

For the period from 11 April 2019 (date of constitution) to 31 December 2019

The directors of Eagle Hospitality Business Trust Management Pte. Ltd., the Trustee-Manager of Eagle Hospitality Business Trust ("EH-BT"), submit this report to the unitholders together with the audited financial statements for the financial period from 11 April 2019 (date of constitution) to 31 December 2019.

## Directors

The directors of the Trustee-Manager in office at the date of this statement are as follows:

Lau Chun Wah @ Davy Lau	(Appointed on 16 April 2019)
Tan Wee Peng Kelvin	(Appointed on 16 April 2019)
Carl Gabriel Florian Stubbe	(Appointed on 16 April 2019)
Tarun Kataria	(Appointed on 16 April 2019)
Salvatore Gregory Takoushian	(Appointed on 16 April 2019)
(Chief Executive Officer)	

## Directors' interests in units or debentures

According to the register kept by the Trustee-Manager for the purposes of Section 76 of the Business Trusts Act, Chapter 31A of Singapore (the "Act"), particulars of interests of directors who held office at the end of the financial period (including those held by their spouses and children below 18 years of age) in units of EH-BT are as follows:

	Deemed Interests	
	Holdings at date of constitution of EH-BT/date of appointment	Holdings at end of the period
<b>Units</b>		
Howard Chorng Jeng Wu <sup>1</sup>	1	53,163,000
Taylor Ronald Woods <sup>1</sup>	1	66,102,000
Salvatore Gregory Takoushian	–	10,256,000

<sup>1</sup> Appointed on 30 August 2018 and resigned on 26 May 2020

Except as disclosed in this statement, no director who held office at the end of the financial period had interests in units of EH-BT, either at the beginning of the financial period, or date of appointment if later, or at the end of the financial period.

There were no changes in the abovementioned interests of EH-BT between the end of the financial period and 21 January 2020.

## Arrangements to enable directors to acquire units and debentures

Neither at the end of, nor at any time during the financial period, was the Trustee-Manager a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Trustee-Manager to acquire benefits by means of the acquisition of units in or debentures of EH-BT.

## Directors' contractual benefits

During the financial period, no director has received or become entitled to receive a benefit by reason of a contract made by EH-BT or a related corporation with the director, or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the financial statements.



## Options

During the financial period, there were:

- (i) no options granted by the Trustee-Manager to any person to take up unissued units in EH-BT; and
- (ii) no units issued by virtue of any exercise of option to take up unissued units of EH-BT.

As at the end of the financial period, there were no unissued units of EH-BT under options.

## Auditors

The auditors, KPMG LLP, have expressed their willingness to accept re-appointment.

## Statement by the Trustee-Manager

In our opinion:

- (a) the financial statements of EH-BT set out on pages 86 to 157 are drawn up so as to give a true and fair view of the financial position of EH-BT as at 31 December 2019 and the financial performance, movements in unitholders' funds and cash flows of EH-BT for the period from 11 April 2019 (date of constitution) to 31 December 2019 in accordance with the provisions of the Act and International Financial Reporting Standards; and
- (b) at the date of this statement, subject to the matters referred to in note 2 to the financial statements, there are reasonable grounds to believe that EH-BT will be able to pay its debts as and when they fall due.

To the best of our knowledge, with respect to the statement of comprehensive income of EH-BT for the period from 11 April 2019 (date of constitution) to 31 December 2019:

- fees or charges paid or payable out of the trust property of EH-BT to the Trustee-Manager are in accordance with EH-BT's trust deed dated 11 April 2019;
- save as publicly disclosed on the SGXNET and related matters, interested person transactions are not detrimental to the interests of all the unitholders as a whole based on the circumstances at the time of the transaction; and
- save as publicly disclosed on the SGXNET and related matters, the Board of Directors is not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of EH-BT or on the interests of all the unitholders as a whole.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

**For and on behalf of the Board of Directors of the Trustee-Manager,  
Eagle Hospitality Business Trust Management Pte. Ltd.**

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**Tan Wee Peng Kelvin**  
*Director*

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**Salvatore Gregory Takoushian**  
*Director*

14 August 2020

# STATEMENT BY THE CHIEF EXECUTIVE OFFICER OF THE TRUSTEE-MANAGER

For the period from 11 April 2019 (date of constitution) to 31 December 2019

In accordance with Section 86 of the Act, save as publicly disclosed on SGXNET and related matters, I certify that I am not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of EH-BT or on the interests of all the unitholders of EH-BT as a whole.

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**Salvatore Gregory Takoushian**

*Chief Executive Officer*

14 August 2020

# REPORT OF THE TRUSTEE OF EAGLE HOSPITALITY REAL ESTATE INVESTMENT TRUST

For the period from 11 April 2019 (date of constitution) to 31 December 2019

DBS Trustee Limited (the “**REIT Trustee**”) is under a duty to take into custody and hold the assets of Eagle Hospitality Real Estate Investment Trust (“**EH-REIT**”) held directly by it or through the subsidiaries of EH-REIT (collectively, the “**EH-REIT Group**”) in trust for the holders of units in EH-REIT. In accordance with the Securities and Futures Act, Chapter 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes, the REIT Trustee shall monitor the activities of Eagle Hospitality REIT Management Pte. Ltd. (the “**REIT Manager**”) for compliance with the limitations imposed on the investment and borrowing powers as set out in the Deed of Trust dated 11 April 2019 (the “**EH-REIT Trust Deed**”) between the REIT Manager and the REIT Trustee in each annual accounting period; and report thereon to unitholders in an annual report.

Save as publicly disclosed on SGXNET, to the best knowledge of the REIT Trustee, the REIT Manager has, in all material respects, managed the EH-REIT Group during the period covered by these financial statements as set out on pages 86 to 157, in accordance with the limitations imposed on the investment and borrowing powers as set out in the EH-REIT Trust Deed.

**For and on behalf of  
DBS Trustee Limited**

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**Jane Lim Puay Yuen**  
*Director*

14 August 2020

# REPORT OF THE MANAGER OF EAGLE HOSPITALITY REAL ESTATE INVESTMENT TRUST

For the period from 11 April 2019 (date of constitution) to 31 December 2019

Based on our knowledge, save as publicly disclosed on the SGXNET and related matters, in the opinion of Eagle Hospitality REIT Management Pte. Ltd. (the **"REIT Manager"**), the Manager of Eagle Hospitality Real Estate Investment Trust (**"EH-REIT"**), the accompanying consolidated financial statements of EH-REIT and its subsidiaries (collectively, the **"EH-REIT Group"**), and Eagle Hospitality Trust (**"EHT"**), comprising the EH-REIT Group and Eagle Hospitality Business Trust (**"EH-BT"**) set out on pages 86 to 157, comprising the statement of financial position, statement of comprehensive income, statement of movements in unitholders' funds, portfolio statement and statement of cash flows of the EH-REIT Group; the statement of financial position, statement of comprehensive income, statement of movements in unitholders' funds, distribution statement, portfolio statement and statement of cash flows of EHT; and notes to financial statements are drawn up so as to present fairly, in all material respects, the financial positions and portfolio holdings of EH-REIT Group and EHT as at 31 December 2019 and the financial performance, movements in unitholders' funds and cash flows of EH-REIT Group and the financial performance, movements in unitholders' funds, distributable income and cash flows of EHT for the period from 11 April 2019 (date of constitution) to 31 December 2019 in accordance with the International Financial Reporting Standards and the provisions of EH-REIT's trust deed between DBS Trustee Limited (the **"REIT Trustee"**) and the REIT Manager dated 11 April 2019 and the stapling deed of Eagle Hospitality Trust between the REIT Trustee, the REIT Manager and Eagle Hospitality Business Trust Management Pte. Ltd. (the Trustee-Manager of EH-BT) dated 11 April 2019. At the time of this statement, subject to matters disclosed in note 2 to the financial statements including all matters contained therein, while highlighting that there are material uncertainties over the ability of the EH-REIT Group and EHT to generate sufficient cash flows to meet their debt obligations, there are reasonable grounds to believe that the EH-REIT Group and EHT will be able to meet their respective financial obligations as and when they materialise.

**For and on behalf of the Board of Directors of the REIT Manager,  
Eagle Hospitality REIT Management Pte. Ltd.**

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**Tan Wee Peng Kelvin**

*Director*

14 August 2020

# INDEPENDENT AUDITORS' REPORT

## Unitholders

### Eagle Hospitality Business Trust

(Constituted under a Trust Deed in the Republic of Singapore)

### Eagle Hospitality Real Estate Investment Trust

(Constituted under a Trust Deed in the Republic of Singapore)

## Report on the audit of the financial statements

### *Disclaimer of opinion*

We were engaged to audit:

- the financial statements of Eagle Hospitality Business Trust ("EH-BT"), which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of movements in unitholders' funds and statement of cash flows of EH-BT for the period from 11 April 2019 (date of constitution) to 31 December 2019, and notes to the financial statements, including a summary of significant accounting policies;
- the consolidated financial statements of Eagle Hospitality Real Estate Investment Trust ("EH-REIT") and its subsidiaries (the "EH-REIT Group"), which comprise the statement of financial position and portfolio statement as at 31 December 2019, the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows of the EH-REIT Group for the period from 11 April 2019 (date of constitution) to 31 December 2019, and notes to the financial statements, including a summary of significant accounting policies; and
- the consolidated financial statements of Eagle Hospitality Trust, which comprise the statement of financial position and portfolio statement as at 31 December 2019, the statement of comprehensive income, distribution statement, statement of changes in unitholders' funds and statement of cash flows of Eagle Hospitality Trust for the period from 11 April 2019 (date of constitution) to 31 December 2019, and notes to the financial statements, including a summary of significant accounting policies;

as set out on pages 86 to 157. Eagle Hospitality Trust, which comprises EH-BT and the EH-REIT Group, is hereinafter referred to as "EHT".

Because of the significance of the matters described in the '*Basis for disclaimer of opinion*' section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements. Accordingly, we do not express an opinion on the accompanying financial statements of EH-BT and consolidated financial statements of EH-REIT Group and EHT.

### *Basis for disclaimer of opinion*

As disclosed in note 2 to the financial statements, EH-REIT and EHT are exposed to significant credit risk from the master lessees of their investment properties which are indirect wholly owned subsidiaries of Urban Commons, LLC (each a "Master Lessee" and collectively, the "Master Lessees"), and both the EH-REIT Group and EHT's going concern is dependent on their receiving rental payments from the Master Lessees and the Master Lessees fulfilling their obligations under the master lease agreements. The ability of the Master Lessees to make rental payments and fulfil their obligations under the master lease agreements is substantially dependent on the profitability of the operations of the properties leased by the Master Lessees.

## INDEPENDENT AUDITORS' REPORT

As at 31 December 2019, there were the following circumstances experienced by the EH-REIT Group:

- (i) The EH-REIT Group recorded trade receivables of US\$5.0 million from the Master Lessees, which were past due based on payment terms set out in the master lease agreements (each a "MLA" and collectively, the "MLAs") (see note 22). At the date of issuance of these financial statements, the trade receivables have been fully settled by the Master Lessees post 31 December 2019.
- (ii) Under the terms of the MLAs, the Master Lessees are to provide security deposits, by way of cash or letter of credit, totaling to US\$43.65 million, within 14 days of 24 May 2019 (the "Listing Date"). As at 31 December 2019, the Master Lessees had furnished to the EH-REIT Group US\$23.65 million in cash as security deposits. Subsequent to year end, the EH-REIT Group received an additional US\$5.0 million of security deposits. At the date of issuance of these financial statements, the EH-REIT Group had received security deposits of US\$28.65 million in cash from the Master Lessees (see note 10). The EH-REIT Group had agreed to grant extensions of time to the Master Lessees to furnish the full amount of the security deposits, requiring the Master Lessees to provide the remaining security deposits of US\$15.0 million by 8 June 2020 in cash and/or letter of credit, which the Master Lessees had not done so at the date of issuance of these financial statements (see note (h) below). The security deposits are pledged to a financial institution for credit facilities granted to the EH-REIT Group (see note 7).
- (iii) Under the terms of the MLAs, the Master Lessees are required to make a contribution to the EH-REIT Group each fiscal quarter for the purpose of funding maintenance and capital improvement works at the investment properties ("CIF Contribution"). The MLA for each property specifies that such CIF Contribution is specific to each property. As at 31 December 2019, CIF Contribution amounting to US\$3.2 million (note 5) had not been received from the Master Lessees.

Subsequent to 31 December 2019, as set out in note 2 to the financial statements, there were the following key events:

- (a) The Master Lessees indicated to the REIT Manager and the Trustee-Manager (collectively, the "Managers") that there had been delays in payments from debtors at certain properties which caused shortfalls in payments by the Master Lessees to EH-REIT. Accordingly, the Managers took measures to draw down on the security deposits.
- (b) Bank of America, N.A., as administrative agent ("Administrative Agent") for the syndicate of lenders ("Lenders") in respect of the syndicated credit agreement dated 16 May 2019 (the "Facilities Agreement"), had issued a notice of default and acceleration (the "Notice") of the Facilities Agreement. The Notice provided that the Administrative Agent, on behalf of the Lenders, is entitled to and is exercising its rights and remedies under the Facilities Agreement, including the right to accelerate the term loan facilities and/or revolving credit facility of which US\$341 million had been borrowed to date (the "Loan"), as a result of which a principal amount of US\$341 million was declared to have become immediately due and owing. On behalf of the Lenders, the Administrative Agent, in its assertion of its rights and remedies following the issuance of the Notice, had also restricted access to certain bank accounts of EH-REIT's subsidiaries and the Master Lessees that were established with the Administrative Agent. The REIT Manager has also provided irrevocable instructions to DBS Bank (Hong Kong) Limited not to cause or permit any withdrawal or transfers from the bank account of an EH-REIT subsidiary held with DBS Bank (Hong Kong) Limited, whilst discussions with the Administrative Agent and the Lenders are ongoing during the temporary forbearance period. The Facilities Agreement also provides that no Borrower may, directly or indirectly, declare, order, make or set apart any sum for or pay any dividend or distribution following the acceleration of the Loan. At the date of issuance of these financial statements, EHT has entered into documentation with the Administrative Agent and the Lenders for a temporary forbearance from exercising their asserted rights and remedies pending further discussion.



- (c) The Managers received a notice of default and demand for payment (the "DW Notice") in relation to the mortgage loan (the "DW Mortgage Loan") in respect of the Delta Hotels by Marriott Woodbridge ("Delta Woodbridge") property with a principal amount of US\$35.0 million issued by Wells Fargo, National Association ("Wells Fargo"). The DW Notice states that Wells Fargo's rights and remedies include, (i) the right to declare the outstanding principal amount under the DW Mortgage Loan (together with all interest accrued and unpaid thereon) and all other sums due immediately due and payable; (ii) the right to cause the loan to bear interest at the default rate; and (iii) the right to foreclose on the collateral. The DW Notice further indicates that Wells Fargo has exercised its right to cause the loan to bear interest at the default rate calculated from 1 April 2020 (being the date that the outstanding sum were due) and demanded for payment in full of all amounts currently due and payable under the loan.

The DW Mortgage Loan is secured against the Delta Woodbridge property with a carrying value of US\$78.5 million as at 31 December 2019.

- (d) Following the default of the Loan, the REIT Manager had received a notice of termination of the interest rate swap agreement (the "BOTW Interest Rate Swap Agreement") entered into between EH-REIT (through one of its subsidiaries) and Bank of the West ("BOTW") in relation to the Loan under the Facilities Agreement. The Managers had subsequently received another letter from BOTW stating that the total amounts owing under the BOTW Interest Rate Swap Agreement was approximately US\$18.3 million, with default interest accruing on such amount with effect from the termination date in accordance with the applicable provisions of the BOTW Interest Rate Swap Agreement. This amount has become due and payable.
- (e) The Managers have been informed that several of the Master Lessees have received notices of defaults from the hotel managers of certain properties for defaults by such Master Lessees under the relevant hotel management agreements ("HMAs") for the properties as a result of, *inter alia*, the certain Master Lessees' failure to provide and/or maintain sufficient working capital for the hotels' operations, and additional defaults from the failure to pay management fees and/or make funds available for the payment of hotel operating expenses ("HMA Default Notices"). In addition, the Managers were informed that certain Master Lessees have received notices of termination from the hotel managers for certain properties under the relevant HMAs as a result of these certain Master Lessees' failure to cure its default (among other items) of maintaining sufficient working capital for the hotels' operations.

The Managers were also informed that certain Master Lessees had received further notices of default from the hotel managers of certain hotels for defaults by the relevant Master Lessees under the HMAs as a result of, *inter alia*, such Master Lessee's failure to timely pay the key money due under the relevant HMAs as demanded by the relevant hotel managers ("HMA Key Money Default Notices").

Certain corresponding Master Lessors (being subsidiaries of EH-REIT), at the direction of the REIT Manager and with the approval of the REIT Trustee, the Administrative Agent and the Lenders, have instituted temporary caretaker arrangements with the incumbent or a new hotel manager for certain properties whose HMAs have been terminated or which the applicable hotel manager was threatening to reduce management services and/or abandon the hotel in the absence of imminent caretaker action, under which such hotel managers are providing temporary caretaker services at the applicable hotel in exchange for payment of monthly caretaker costs by the applicable Master Lessors.

## INDEPENDENT AUDITORS' REPORT

- (f) The Managers were informed by their United States legal counsel that there were six non-disturbance agreements (collectively, the "NDAs") entered into (post the initial public offering of EHT) by certain former directors of the REIT Manager (who are also the indirect controlling shareholders of Urban Commons, LLC (the "Sponsor")) on behalf of certain subsidiaries of EH-REIT (as Master Lessors) with the corresponding Master Lessees (the "NDA Master Lessees") and the relevant hotel manager. Two NDAs were entered into during the financial period ended 31 December 2019 ("2019 NDAs") and four NDAs were entered into in the year 2020 ("2020 NDAs").

Under each of the NDAs, each of the relevant Master Lessor had undertaken to (i) guarantee the payment and performance of all obligations of the respective NDA Master Lessees under the corresponding HMA at all times during the term of the applicable MLA (save for certain exceptions under certain NDAs), including the payment of the base fees, incentive fees, centralised services charges, reimbursable expenses, indemnification obligations (if any) and operating costs, and (ii) in the event of any termination of the applicable MLA, to assume (or cause a new Master Lessee to assume) all of the obligations of the relevant NDA Master Lessees under the applicable HMA, and for certain NDAs, including those arising prior to the termination of the applicable MLA.

In addition, under three of the NDAs, the relevant Master Lessor agreed to repay key money under the applicable HMAs in the event that the key money become due and payable thereunder (including without limitation, in the event the key money becomes immediately due and payable because of an event of default by the applicable NDA Master Lessee under the applicable HMA), save for certain exceptions and except as otherwise provided for in the NDAs.

As at 31 December 2019, no notice of default had been received by the applicable Master Lessors relating to the 2019 NDAs. As at the date of issuance of these financial statements, pursuant to the 2019 NDAs and 2020 NDAs, the EH-REIT Group has received notices of demand from the relevant hotel managers of four properties for failing to fund delinquent working capital amounts and/or repayment of key monies, as a result of the relevant Master Lessee failing to fund and/or pay such amounts.

- (g) In February 2020, the REIT Manager had declared a distribution amounting to approximately US\$30.4 million, in respect of the period from 24 May 2019 to 31 December 2019 (the "Distribution"). The Facilities Agreement provides that no Borrower may, directly or indirectly, declare, order, make or set apart any sum for or pay any dividend or distribution following the acceleration of the Loan. In the Notice, the Administrative Agent expressly highlighted this restriction against the payment of any distribution. The payment of the Distribution had been suspended in compliance with one of the key conditions set by the Administrative Agent and the Lenders in agreeing to a temporary forbearance from exercising their rights as a result of the issuance of the Notice in relation to the Facilities Agreement (as disclosed in note (b) above).

The Managers and the REIT Trustee, having received and reviewed the advice of their professional advisers and after consideration, had determined that it is in the best interest of EHT and the Stapled Securityholders to utilise available funds of EH-REIT (including in particular the funds constituting the security deposits available to EH-REIT as permitted under the terms of the MLAs, and funds that were originally intended for the payment of the distribution to Stapled Securityholders of approximately US\$30.4 million for the period from 24 May 2019 (being the listing date of EHT) to 31 December 2019) to fund the necessary and critical expenses of EHT and its underlying portfolio to protect and safeguard the asset value of EHT's portfolio, to the extent appropriate and necessary and in such manner and proportion as may be agreed with the Administrative Agent and the Lenders.

- (h) The Master Lessees had not provided the remaining outstanding security deposits of approximately US\$15.0 million either in cash and/or letter of credit by the stipulated extended deadline (see note (ii) above), which, in turn, constitutes an event of default under the relevant MLAs (the "SD Defaults"). Accordingly, the EH-REIT Group has issued notices of default in respect of the SD Defaults to the Master Lessees. As at the date of issuance of these financial statements, the Master Lessees have yet to furnish the outstanding security deposits.

As at the date of issuance of these financial statements, the fixed rent for the months of January 2020 to July 2020 and the variable rent for the first two quarters of 2020 remain substantially outstanding and unpaid by the Master Lessees, which constitutes events of default by the Master Lessees under the MLAs. The EH-REIT Group has applied the security deposits provided by the Master Lessees to the payment of certain outstanding obligations of certain properties as permitted pursuant to the applicable MLAs. In addition, the defaults by the Master Lessees under the HMAs as a result of, *inter alia*, the Master Lessees' failure to provide and/or maintain sufficient working capital for the hotels' operations (see note (e) above), and additional defaults resulting from the failure to pay management fees and/or failure to make funds available for the payment of hotel operating expenses, constitute additional defaults and/or events of default under the respective MLAs by the Master Lessee. As announced by the Managers on 29 June 2020, in light of the above defaults under the HMAs, and together with additional defaults and events of default on other obligations under the relevant MLAs by the Master Lessees, the Master Lessors had, on 18 June 2020, issued a separate notice in respect of the defaults and events of default under the MLAs to the Master Lessees. The Managers had, on 5 August 2020, issued a second notice to the Master Lessees in respect of the events of default which had occurred and are continuing under each MLA by the applicable Master Lessee in connection with the operation of each of the properties pursuant to the MLA.

- (i) The City of Pasadena has initiated proceedings in the United States in relation to one of EH-REIT Group's properties, Sheraton Pasadena (the "Complaint"). The defendants are the Sponsor and its related entities (the "Defendants"). The Complaint alleged (among other causes of action), *inter alia*, that the Defendants (i) remain delinquent to pay certain outstanding transient occupancy taxes ("TOT") and tourism business improvement districts ("TBID") assessments to the City of Pasadena for the period of May 2019 through February 2020 (as of the date of the Complaint); (ii) failed and refused to hold the TOT principal in trust for the account of the City of Pasadena from the time the TOT was collected from each hotel guest until remitted to the City of Pasadena and failed and refused to remit the said monies to the City of Pasadena; and (iii) failed to pay to the City of Pasadena the TBID assessment (based on gross occupancy revenues), as required pursuant to the relevant City of Pasadena municipal legislation.

Pursuant to the terms of the MLA in respect of the Sheraton Pasadena property, the relevant Master Lessee is responsible for the payment of such TOT and TBID monies to the City of Pasadena and the Master Lessee's failure to timely pay such outgoings by the due date for payment constitutes an event of default by the Master Lessee under the applicable MLA. Nevertheless, the Managers have been informed that the hotel manager of the Sheraton Pasadena had filed a cross-complaint against the relevant Master Lessee and the Master Lessor of the Sheraton Pasadena (being a subsidiary of EH-REIT) (the "Cross-Complaint") alleging that there existed a unity of interest in ownership between the Master Lessee and the Master Lessor, and requesting that the Superior Court for the State of California grant, *inter alia*, the judgement against both the Master Lessee and the Master Lessor of the Sheraton Pasadena that (a) the hotel manager be fully indemnified and held harmless from and against any settlement entered or judgement rendered against it in the litigation brought by the City of Pasadena against the hotel manager; and (b) if the City of Pasadena recovers any sums against the hotel manager, then the hotel manager should have judgement against the Master Lessee and/or the Master Lessor of the Sheraton Pasadena, and each of them, in an amount equal to the judgement of the City of Pasadena, in addition to its costs and expenses (including attorneys' fees) in connection with the City of Pasadena's Complaint. The Managers are currently consulting their professional advisers as to the appropriate course of action to be taken as regards to the Cross-Complaint.

In the event that the Defendants (including the relevant Master Lessee) do not litigate and/or settle the Complaint and the relevant Master Lessor is unable to defeat the cross-complaint, the EH-REIT Group and EHT may have to incur additional expenses and liabilities.

## INDEPENDENT AUDITORS' REPORT

- (j) The Managers have been informed that, based on publicly available information, delinquent taxes and/or tax liens, in addition to certain judgement and/or mechanics' liens, were filed on the title of certain of EH-REIT Group's properties by various taxing authorities and third-party service providers on account of unpaid taxes and/or amounts for services rendered and/or materials provided by such third-party service providers for the improvement and/or renovation of the relevant hotels. In the 21 June 2020 announcement made by EHT, the hotels with tax liens are the (1) Embassy Suites by Hilton Anaheim North; (2) Holiday Inn Hotel & Suites Anaheim North; (3) Embassy Suites by Hilton Palm Desert; (4) Sheraton Pasadena; (5) Westin Sacramento; (6) Four Points by Sheraton San Jose Airport; (7) Holiday Inn and Suites San Mateo; (8) Crowne Plaza Danbury; (9) Holiday Inn Resorts Orlando Suites – Waterpark; and (10) The Queen Mary Long Beach. The hotels with judgement and/or mechanics' liens are (1) The Queen Mary Long Beach; (2) Holiday Inn Denver East – Stapleton; (3) Renaissance Denver Stapleton; (4) Holiday Inn Resorts Orlando Suites – Waterpark; (5) Doubletree by Hilton Salt Lake City Airport; (6) Holiday Inn and Suites San Mateo; and (7) Crowne Plaza Danbury. The judgement and/or mechanics' liens were filed following the IPO and relate to both (i) capital expenditures, the work for which commenced, or was contracted for, before the IPO, which constitute claims for work performed by or on behalf of the prior owner and/or the Master Lessee of the applicable hotel; and (ii) operating expenditures (e.g. day to day maintenance and repair), the work for which commenced, or was contracted for, after the IPO, which constitute claims for work performed by or on behalf of the Master Lessee of the applicable hotel. For the avoidance of doubt, the Sponsor is responsible for the costs and expenses of work performed on EH-REIT Group's hotels that commenced, or was contracted for, before the IPO. However, as payment for such work performed was not received by the relevant counterparties, this resulted in liens being filed on the title of the relevant hotels in the Portfolio.

Such liens constitute security interests in the title of the relevant properties and potentially compromise EH-REIT's ability to sell, refinance or otherwise deal with the relevant properties. In addition, in the event that the relevant Master Lessees will not be able to settle the liens that they are responsible for and the relevant Master Lessors are found liable, the EH-REIT Group and EHT may have to incur additional expenses and liabilities in relation to the amounts claimed by the various third-party service providers and delinquent tax assessments under the abovementioned liens and encumbrances.

- (k) Urban Commons Queensway, LLC (a subsidiary of EH-REIT and the lessee in respect of The Queen Mary Long Beach) (the "QM Subsidiary") received notices of default from the City of Long Beach (the "QM Notices") in relation to its defaults under the lease agreement with the City of Long Beach (the "QM Lease Agreement").

Such defaults arose as a result of the QM Subsidiary failing to (a) pay the monthly TOT amounts to the City of Long Beach for certain months in both 2019 and 2020 as required under the QM Lease Agreement (and the relevant Long Beach municipal legislation), which failure resulted in an additional default under the QM Lease Agreement for failing to comply with applicable governmental restrictions (the "QM TOT Default", which the Managers have been informed by the Sponsor has since been cured, as further stated below); (b) provide access to, and/or copies of, certain records (including financial statements and maintenance records) to the City of Long Beach's auditor as required under the QM Lease Agreement, which documentation was requested by the City of Long Beach as part of an audit initiated in December 2019, in addition to failing to provide full audited financial statements for 2019 as required pursuant to the QM Lease Agreement (the "QM Audit Default"); and (c) pay the monthly rent to the City of Long Beach for the month of June 2020 as required under the QM Lease Agreement (the "QM Rent Default" which the Managers were informed by the Sponsor and based on information available to the Managers, has since been cured, as further stated below, and together with the QM TOT Default and the QM Audit Default, collectively, the "QM Defaults"). Pursuant to the master sublease agreement (i.e., the MLA) between the QM Subsidiary (as Master Lessor and sublessor) and the Master Lessee as sublessee of The Queen Mary Long Beach (the "QM Master Lessee"), the QM Master Lessee is responsible for the payment of the rent and the TOT amounts to the City of Long Beach and compliance with such audit request (but see paragraph below).

Notwithstanding the sublease of The Queen Mary Long Beach to the QM Master Lessee pursuant to the applicable MLA, (a) as between the QM Subsidiary and the QM Master Lessee, under the terms of the MLA, the QM Subsidiary (as Master Lessor) remains responsible for its obligations under the QM Lease Agreement in the event the QM Master Lessee fails to perform the same; and (b) as between the QM Subsidiary and the City of Long Beach, under the terms of the documents containing the City of Long Beach's consent to the sublease of the premises under the QM Lease Agreement to the QM Master Lessee (and notwithstanding the City of Long Beach's agreement to accept performance by the QM Master Lessee of the QM Subsidiary's obligations under the QM Lease Agreement), the QM Subsidiary remains liable for its obligations under the QM Lease Agreement to the City of Long Beach.

Under the QM Notices, the QM Subsidiary had (a) with respect to the QM Audit Default, until 30 June 2020; and (b) with respect to the QM Rent Default, until 25 June 2020, and in each instance to cure the applicable QM Defaults, and failing which, the City of Long Beach is entitled to pursue remedies available to it under the QM Lease Agreement and otherwise as provided by applicable law.

At the date of issuance of these financial statements, based on the information available to the Managers, the Managers have been informed by (a) the City of Long Beach that the QM Subsidiary has 120 days to cure the QM Audit Default from 1 July 2020; and (b) the Sponsor that the QM Master Lessee has paid the monthly rent required in respect of the QM Rent Default and has cured the QM TOT Default, with the outstanding TOT amounts having been fully paid by the QM Master Lessee.

- (l) The Managers and the REIT Trustee have been informed that the Master Lessees of the Holiday Inn Denver East – Stapleton and the Renaissance Denver Stapleton (the “Denver Master Lessees”) have been deficient in paying certain outstanding sales taxes, lodger's taxes and tourism improvement district taxes that have continued to accrue over certain periods in respect of the abovementioned hotels since at least December 2019 to the tax authorities of the City and County of Denver (the “Denver Outstanding Taxes”). The Denver Master Lessees have entered into a settlement arrangement with the Denver tax authorities on 1 July 2020 pursuant to which the Denver Master Lessees would pay the Denver Outstanding Taxes by way of instalments. The Managers and the REIT Trustee understand that the total outstanding amount of the Denver Outstanding Taxes to be settled under the settlement arrangement (inclusive of penalties and interests) is approximately US\$954,000, which is to be paid by way of six (6) monthly instalments from July 2020 to December 2020.

Subsequently, it was brought to the attention of the Managers and the REIT Trustee that the Denver Master Lessees failed to pay the first instalment that was due on 13 July 2020 to the tax authorities of the City and County of Denver. In response, the tax authorities issued a warrant of seizure of assets (the “Warrant”) in respect of the Holiday Inn Denver East – Stapleton and Renaissance Denver Stapleton. Under the terms of the MLAs between the relevant Master Lessors and the Denver Master Lessees, the Denver Master Lessees are responsible for the payment of the Denver Outstanding Taxes to the tax authorities of the City and County of Denver and the Denver Master Lessees' failure to timely pay such outgoings by the due date for payment constitutes an event of default by the Denver Master Lessees under the respective MLAs.

The Managers and the REIT Trustee were subsequently informed that on 14 July 2020, the Denver Master Lessees paid the first instalment in respect of the Denver Outstanding Taxes to the tax authorities of the City and County of Denver and the tax authorities have accepted such payment. Pursuant to the settlement arrangement between the Denver Master Lessees and the Denver tax authorities with regard to the Denver Outstanding Taxes, a second instalment was due on 6 August 2020 which, as at the date of issuance of these financial statements, has not been paid by the Denver Master Lessees. The Managers and the REIT Trustee's local counsel has informed the Managers and the REIT Trustee that as a result of the non-payment by the Denver Master Lessees of the second instalment by the due date, the tax authorities of the City and County of Denver have indicated that they will not be giving any advance notice prior to issuing and executing their seizure warrants on the Holiday Inn Denver East – Stapleton and the Renaissance Denver Stapleton.

As at the date of issuance of these financial statements, based on the information available to the Managers, there has been no enforcement action taken by the relevant tax authorities or enforcement agencies pursuant to the Warrant. The Manager and the REIT Trustee are in the process of consulting their professional advisers to ascertain the impact of the non-payment of the relevant Denver Outstanding Taxes by the Denver Master Lessees to the tax authorities of the City and County of Denver and the appropriate course of action to be taken.

## INDEPENDENT AUDITORS' REPORT

- (m) The Managers and the REIT Trustee have been informed that the Master Lessee of the Holiday Inn Resort Orlando Suites – Waterpark (the “HIOR Master Lessee”) has been deficient in paying certain outstanding tourism development taxes that have continued to accrue in respect of the Holiday Inn Resort Orlando Suites – Waterpark since February 2020 to the Comptroller of Orange County, Florida.

The Comptroller of Orange County, Florida further issued a notice dated 12 June 2020 (the “HIOR Tax Notice”) to the HIOR Master Lessor of its intent to levy upon any cash in possession of the HIOR Master Lessor and a bank account of the HIOR Master Lessor with Bank of America (the “HIOR Account”). Under the terms of the MLA between the HIOR Master Lessor and the HIOR Master Lessee, the HIOR Master Lessee is responsible for the payment of the Orlando Outstanding Taxes to the tax authorities of Orange County, Florida and the HIOR Master Lessee's failure to timely pay such outgoings by the due date for payment constitutes an event of default by the HIOR Master Lessee under the applicable MLA.

The Managers and the REIT Trustee understand that on or about 25 June 2020, the Sponsor entered into a repayment agreement with the Comptroller of Orange County, Florida to pay all delinquent tourist development taxes (including penalties and interest) due to the Comptroller of Orange County, Florida in three (3) instalments due on 26 June 2020, 1 August 2020 and 1 September 2020, as well as to satisfy the levy. Despite the Sponsor's payment of the first instalment due on 26 June 2020, the Comptroller of Orange County, Florida refused to release the HIOR Account or delay enforcement of the garnishment referenced in the HIOR Tax Notice. The Managers and the REIT Trustee appointed local counsel which then filed a complaint on behalf of the HIOR Master Lessor against the Comptroller of Orange County, Florida on 2 July 2020 (the “HIOR Complaint”) to contest the Comptroller of Orange County, Florida's levy and garnishment of the HIOR Account to collect the Orlando Outstanding Taxes as (a) the HIOR Master Lessee is the party that is directly and solely liable to pay the Orlando Outstanding Taxes pursuant to the terms of the MLA and (b) the Comptroller of Orange County, Florida is able to collect the Outstanding Orlando Taxes pursuant to the repayment arrangement with the Sponsor.

As advised by the Managers and the REIT Trustee's local counsel, pursuant to applicable laws, the filing of the HIOR Complaint should prevent the garnishment over the HIOR Account from being enforced by the Comptroller of Orange County, Florida until the proceedings are fully resolved. The Comptroller of Orange County, Florida then indicated that it would lift the levy and the garnishment over the HIOR Account if the Sponsor paid the second instalment that was due on 1 August 2020.

As at the date of these financial statements, based on the information available to the Managers, the Managers understand that the Sponsor failed to pay the second instalment by the due date and therefore, the levy and garnishment over the HIOR Account by the Comptroller of Orange County, Florida has not been lifted. The Managers and the REIT Trustee's local counsel have been instructed to continue with its proceedings against the Comptroller of Orange County, Florida pursuant to the HIOR Complaint to set aside the levy, the garnishment and any judgement or liability against the HIOR Master Lessor in respect of the Orlando Outstanding Taxes.

- (n) The Managers and the REIT Trustee have been informed that the Master Lessees of ten (10) hotels have received notices of default and termination from the relevant franchisors under the respective franchise agreements (the “Franchise Agreements”) as a result of the Master Lessees' failure to cure its default for non-payment of fees and other amounts due and owing to the relevant franchisor under the relevant Franchise Agreement (the “FA Termination Notices”). Based on the FA Termination Notices and the information available to FTI Consulting, Inc. (being the Chief Restructuring Officer), the aggregate outstanding amount due by the Master Lessees to the franchisors under such Franchise Agreements amounted to approximately US\$3.8 million.

Pursuant to the FA Termination Notices, the relevant franchisors will have the right to terminate the respective Franchise Agreements if the relevant Master Lessees do not cure the defaults under the Franchise Agreements within the applicable cure periods as stated in the FA Termination Notices. Pursuant to the terms of the applicable MLAs in respect of the hotels under the FA Termination Notices, the relevant Master Lessees are responsible for payment of such outstanding amounts under the Franchise Agreements to the applicable franchisors and the alleged defaults under the FA Termination Notices, if true, would in turn also constitute a breach of the respective MLAs by the Master Lessees. The Managers and the REIT Trustee, with the assistance of their professional advisers, are in the midst of assessing the impact of the alleged defaults and the appropriate steps to be taken in response to the FA Termination Notices.



- (o) The Managers and REIT Trustee have been informed that on 12 August 2020 the Master Lessors have received a notice of breaches from the Master Lessees under the MLAs (the "Notice of Breach"). The Managers are in the midst of seeking legal advice from its legal advisers as to the appropriate course of action to be taken in respect of the Notice of Breach.
- (p) The Managers and the REIT Trustee have also been recently informed of other key events which may affect EHT and which are still in the midst of being investigated by the Managers and the REIT Trustee with the possibility of additional liability materialising. As at the date of issuance of these financial statements, the Managers are in the process of seeking professional advice and will need more time to assess the implications of such events and determine if such events give rise to additional liabilities (contingent or otherwise) as at 31 December 2019 or subsequent to that date, and the actions to be undertaken.
- (q) As at 31 December 2019, the EH-REIT Group had mortgage loans secured by the Hilton Houston Galleria Area property (the "HHG Mortgage Loan") and Crowne Plaza Dallas Near Galleria-Addison property (the "CPD Mortgage Loan"), with a principal amount of approximately US\$15.6 million and US\$27.6 million, respectively. As at the date of the issuance of these financial statements and based on the information available to the EH-REIT Group, the lender under the HHG Mortgage Loan and the CPD Mortgage Loan has yet to issue a notice of default and/or demand for payment in relation to the respective loans. Nevertheless, in light of the events surrounding EH-REIT including but not limited to the issuance of the Notice by the Administrative Agent and the Master Lessees' numerous defaults under the MLAs, EH-REIT has been unable to fulfil its obligations under the HHG Mortgage Loan and the CPD Mortgage Loan. If an event of default occurs under the HHG Mortgage Loan or CPD Mortgage Loan, the lender may, amongst other things, accelerate the repayment of the outstanding loan amount under the relevant loan.
- (r) As at 31 December 2019, the EH-REIT Group had a US\$89.0 million unsecured loan ("Unsecured Loan") from Lodging USA Lendco, LLC ("Lendco"). At the date of the issuance of these financial statements and based on the information available to the EH-REIT Group, Lendco has yet to issue a notice of default and/or demand for payment in relation to the Unsecured Loan. Nevertheless, in light of the events surrounding EH-REIT including, but not limited to, the issuance of the Notice by the Administrative Agent and the Master Lessees' numerous defaults under the MLAs, EH-REIT has been unable to fulfil its obligations under the Unsecured Loan. Lendco's right to receive payments under the Unsecured Loan (including interest) is subordinate to the payment obligations under the Facilities Agreement. Only interest is payable on the Unsecured Loan and the Unsecured Loan may be prepaid in whole or in part at any time (including in connection with certain mandatory prepayments as provided in the loan agreement) without any prepayment penalty or charge.
- (s) The Managers had appointed (i) FTI Consulting, Inc ("FTI") to assist with, *inter alia*, the restructuring process of EHT and (ii) Moelis & Company ("Moelis") to assist with, *inter alia*, the comprehensive strategic review of EHT's business, including advising on available options to achieve the best possible outcomes for Stapled Securityholders. Both FTI and Moelis, as professional advisers to the EH-REIT Group, also assist in negotiating with the Administrative Agent, lenders and other counterparties of the EH-REIT Group with a view to restructuring the relevant facilities, and reviewing and analysing a range of strategic and corporate options for EHT.
- (t) The outbreak of COVID-19 was declared by the World Health Organisation as a global pandemic on 11 March 2020, and subsequently declared a national emergency in the United States of America ("United States") on 13 March 2020. The spread of COVID-19, both globally and in the United States, has resulted in significant uncertainty in global economies and unprecedented disruptions in the United States lodging industry. Consequently, the operations of and revenue stream from EHT's properties have been severely disrupted and its full impact, including the impact on the valuations of EHT's properties, cannot be meaningfully assessed as at the date of these financial statements. At the date of issuance of these financial statements, 15 out of the EH-REIT Group's 18 properties have shuttered and the cessation of operations is expected to have a significant impact on the revenue of the EH-REIT Group and EHT.

## INDEPENDENT AUDITORS' REPORT

The potential impact of the events and conditions as described above indicate the existence of multiple uncertainties that are, in aggregate, significant to the appropriateness of the going concern assumption underlying the preparation of the financial statements.

At the date of this report, we are unable to obtain sufficient appropriate audit evidence on the ability of EH-BT, the EH-REIT Group and EHT to generate sufficient cash flows to meet their debt obligations. As set out in note 8 to the financial statements, the directors of the REIT Manager have not been able to definitively conclude if Lodging USA Lendco, LLC, which has extended an unsecured loan of US\$89.0 million to the EH-REIT Group is a non-related party of the EH-REIT Group and EHT for the period covered in the financial statements. In addition, events that have occurred subsequent to the reporting date could give rise to additional liabilities (contingent or otherwise) as at 31 December 2019 or subsequent to that date, to the EH-REIT Group and EHT. In light of the above, we are unable to ascertain the completeness of related party transactions identified and the completeness of liabilities recorded and/or disclosed by the EH-REIT Group and EHT as at 31 December 2019.

Accordingly, we are unable to satisfy ourselves on the appropriateness of the Managers' preparation of the financial statements of EH-BT, the EH-REIT Group and EHT on a going concern basis, and the completeness of related party transactions identified and the completeness of liabilities recorded and/or disclosed by the EH-REIT Group and EHT.

The financial statements do not include any adjustments that may be necessary in respect of the matters described above.

### *Responsibilities of the Trustee-Manager for the financial statements*

The Trustee-Manager is responsible for the preparation of financial statements of EH-BT that give a true and fair view in accordance with the provisions of Business Trusts Act, Chapter 31A of Singapore (the "Act") and International Financial Reporting Standards ("IFRS"), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets that are part of the trust property of the registered business trust are safeguarded against loss from unauthorised use or disposition; and transactions by the Trustee-Manager entered into on behalf of or purported to be entered into on behalf of the registered business trust are properly authorised and that they are recorded as necessary to permit the preparation of true and fair accounts and to maintain accountability of assets.

In preparing the financial statements, the Trustee-Manager is responsible for assessing EH-BT's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee-Manager either intends to terminate EH-BT or to cease operations of EH-BT, or has no realistic alternative but to do so.

The Trustee-Manager's responsibilities include overseeing EH-BT's financial reporting process.

### *Responsibilities of the REIT Manager for the financial statements*

The REIT Manager is responsible for the preparation and fair presentation of the consolidated financial statements of the EH-REIT Group and EHT in accordance with IFRS, and for such internal control as the REIT Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the REIT Manager is responsible for assessing the ability of the EH-REIT Group and the EHT to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the REIT Manager either intends to terminate the EH-REIT Group or the EHT or to cease operations of the EH-REIT Group or the EHT, or has no realistic alternative but to do so.

The REIT Manager's responsibilities include overseeing the financial reporting process of the EH-REIT Group and EHT.

### *Auditors' responsibilities for the audit of the financial statements*

Our responsibility is to conduct an audit of the financial statements of EH-BT and the consolidated financial statements of the EH-REIT Group and EHT in accordance with Singapore Standards on Auditing ("SSAs") and to issue an auditors' report. However, because of the matters described in the '*Basis for disclaimer of opinion*' section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of EH-BT, the EH-REIT Group and EHT in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

### **Report on other legal and regulatory requirements**

In our opinion, because of the significance of the matters described in the '*Basis for disclaimer of opinion*' section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Trustee-Manager on behalf of EH-BT have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Lo Mun Wai.

### **KPMG LLP**

*Public Accountants and Chartered Accountants*

### **Singapore**

14 August 2020

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Note	EH-BT 2019 US\$'000	EH-REIT Group 2019 US\$'000	EHT 2019 US\$'000
<b>Non-current assets</b>				
Investment properties	5	-	1,267,480	1,267,480
<b>Current assets</b>				
Trade and other receivables	6	-	17,805	17,798
Cash and cash equivalents	7	-	76,926	76,926
		-	94,731	94,724
<b>Total assets</b>		-	1,362,211	1,362,204
<b>Non-current liabilities</b>				
Loans and borrowings	8	-	504,371	504,371
Financial derivatives	9	-	4,699	4,699
Trade and other payables	10	-	28,027	28,027
Deferred tax liabilities	11	-	39,501	39,501
		-	576,598	576,598
<b>Current liabilities</b>				
Loans and borrowings	8	-	771	771
Trade and other payables	10	10	5,705	5,708
Current tax liabilities		-	19	19
		10	6,495	6,498
<b>Total liabilities</b>		10	583,093	583,096
<b>Net (liabilities)/assets</b>		(10)	779,118	779,108
<b>Unitholders' funds</b>				
Units/Stapled Securities in issue and to be issued	12	-	679,988	679,988
Issue costs	13	-	(38,347)	(38,347)
Hedging reserve		-	(4,699)	(4,699)
(Accumulated losses)/Retained earnings		(10)	142,176	142,166
		(10)	779,118	779,108
<b>Units/Stapled Securities in issue and to be issued ('000)</b>				
	13	872,750	872,750	872,750
<b>Net asset value per Unit/Stapled Security (US\$)</b>				
	14	*	0.89	0.89

\* less than US\$0.01

*The accompanying notes form an integral part of these financial statements.*

# STATEMENTS OF COMPREHENSIVE INCOME

For the period from 11 April 2019 (date of constitution) to 31 December 2019

		<b>EH-BT</b>	<b>EH-REIT</b>	<b>EHT</b>
		<b>Period from</b>	<b>Period from</b>	<b>Period from</b>
		<b>11/04/2019</b>	<b>11/04/2019</b>	<b>11/04/2019</b>
		<b>(date of</b>	<b>(date of</b>	<b>(date of</b>
		<b>constitution)</b>	<b>constitution)</b>	<b>constitution)</b>
	<b>Note</b>	<b>to 31/12/2019</b>	<b>to 31/12/2019</b>	<b>to 31/12/2019</b>
		<b>US\$'000</b>	<b>US\$'000</b>	<b>US\$'000</b>
Revenue	15	–	51,569	51,569
Property expenses	16	–	(8,703)	(8,703)
<b>Net property income</b>		–	42,866	42,866
REIT Manager's management fee	17	–	(3,035)	(3,035)
REIT Trustee's fee		–	(127)	(127)
Other trust expenses	18	(10)	(1,037)	(1,047)
Finance income		–	297	297
Finance costs		–	(13,705)	(13,705)
Net finance costs	19	–	(13,408)	(13,408)
<b>Net (loss)/income</b>		(10)	25,259	25,249
Net fair value change in investment properties		–	156,437	156,437
<b>(Loss)/Profit before tax</b>		(10)	181,696	181,686
Tax expense	20	–	(39,520)	(39,520)
<b>(Loss)/Profit for the period</b>		(10)	142,176	142,166
<b>Earnings per Stapled Security</b>				
<b>(US cents)</b>	21			
Basic				16.35
Diluted				16.29

*The accompanying notes form an integral part of these financial statements.*

# STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

For the period from 11 April 2019 (date of constitution) to 31 December 2019

	Note	EH-BT			EH-REIT Group					EHT				
		Accumulated losses	Total	Units in issue and to be issued	Issue costs	Hedging reserve	Retained earnings	Total	Units in issue and to be issued	Issue costs	Hedging reserve	Retained earnings	Total	
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>At 11 April 2019 (date of constitution)</b>		-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>		(10)	(10)	-	-	-	142,176	142,176	-	-	-	142,166	142,166	142,166
<b>Other comprehensive income</b>														
Effective portion of changes in fair value of cash flow hedges		-	-	-	-	(4,699)	-	(4,699)	-	-	(4,699)	-	(4,699)	(4,699)
Total other comprehensive income		-	-	-	-	(4,699)	-	(4,699)	-	-	(4,699)	-	(4,699)	(4,699)
Total comprehensive income for the period		(10)	(10)	-	-	(4,699)	142,176	137,477	-	-	(4,699)	142,166	137,467	137,467
<b>Transactions with unitholders, recognised directly in equity</b>														
<u>Contributions by and distributions to unitholders</u>														
Issue of new units/stapled securities	13	-	-	676,953	-	-	-	676,953	676,953	-	-	-	-	676,953
- Initial public offering		-	-	-	-	-	-	-	-	-	-	-	-	-
- REIT Manager's management fee paid/payable in units/stapled securities		-	-	3,035	-	-	-	3,035	3,035	-	-	-	-	3,035
Issue costs	12	-	-	-	(38,347)	-	-	(38,347)	-	(38,347)	-	-	-	(38,347)
<b>Total contributions by and distributions to unitholders</b>		-	-	679,988	(38,347)	-	-	641,641	679,988	(38,347)	-	-	-	641,641
<b>Total transactions with unitholders</b>		-	-	679,988	(38,347)	-	-	641,641	679,988	(38,347)	-	-	-	641,641
At 31 December 2019		(10)	(10)	679,988	(38,347)	(4,699)	142,176	779,118	679,988	(38,347)	(4,699)	142,166	779,108	779,108

The accompanying notes form an integral part of these financial statements.

# DISTRIBUTION STATEMENT

For the period from 11 April 2019 (date of constitution) to 31 December 2019

	<b>EHT Period from 11/04/2019 (date of constitution) to 31/12/2019 US\$'000</b>
<b>Amount available for distribution to unitholders at the date of constitution</b>	–
Profit for the period	142,166
Distribution adjustments (Note A)	(111,811)
<b>Amount available for distribution to unitholders at the end of the period</b>	<b>30,355</b>
<b>Distribution per Stapled Security (US cents)*</b>	<b>3.486</b>
<b>Note A – Distribution adjustments comprise:</b>	
- Amortisation of debt-related transaction costs	1,445
- Straight-lining of rental income, amortisation of deferred income and other revenue adjustments	(1,963)
- Finance costs arising from accretion of non-current security deposits measured at amortised cost	256
- Finance costs arising from lease liabilities	161
- Property tax expenses	1,407
- Net fair value change in investment properties	(156,437)
- Deferred tax expense	39,501
- Drawdown of interest reserve account (note 7)	657
- REIT Manager's management fee paid/payable in Stapled Securities	3,035
- REIT Trustee's fee	127
<b>Net distribution adjustments</b>	<b>(111,811)</b>

\* Distribution per Stapled Security is computed based on the number of stapled securities in issue as at 25 February 2020 (being the record date).

Distributions of EHT comprise the aggregate of distributions by the EH-REIT Group and EH-BT. The distribution of EHT for the current period is contributed solely by the EH-REIT Group as EH-BT was dormant during the period.

*The accompanying notes form an integral part of these financial statements.*



# PORTFOLIO STATEMENTS

As at 31 December 2019

Description of property	Tenure	Remaining lease term	Location
<b>Investment properties</b>			
<b><u>United States</u></b>			
<b><i>California</i></b>			
Embassy Suites by Hilton Anaheim North	Freehold	–	3100 East Frontera Street, Anaheim
Embassy Suites by Hilton Palm Desert	Freehold	–	74-700 Highway 111, Palm Desert
Four Points by Sheraton San Jose Airport	Freehold	–	1471 North Fourth Street, San Jose, Santa Clara County
Holiday Inn Hotel & Suites Anaheim	Freehold	–	1240 South Walnut Street, Anaheim
Holiday Inn Hotel & Suites San Mateo	Freehold	–	330 North Bayshore Boulevard, San Mateo, San Mateo County
Sheraton Pasadena	Freehold	–	303 Cordova Street, Pasadena
The Queen Mary Long Beach	Leasehold – 66 years from 1 November 2016	63 years	1126 Queens Hwy, Long Beach
The Westin Sacramento	Freehold	–	4800 Riverside Boulevard, Sacramento
<b><i>Colorado</i></b>			
Holiday Inn Denver East – Stapleton	Freehold	–	3333 Quebec Street, Denver
Renaissance Denver Stapleton	Freehold	–	3801 Quebec Street, Denver
Sheraton Denver Tech Center	Freehold	–	7007 South Clinton Street, Greenwood Village
Balance carried forward			

*The accompanying notes form an integral part of these financial statements.*

Existing use	EH-REIT Group		EHT	
	Carrying value as at 31/12/2019 US\$'000	Percentage of total net assets as at 31/12/2019 %	Carrying value as at 31/12/2019 US\$'000	Percentage of total net assets as at 31/12/2019 %
Hotel	54,000	6.9	54,000	6.9
Hotel	31,300	4.0	31,300	4.0
Hotel	63,600	8.2	63,600	8.2
Hotel	78,900	10.1	78,900	10.1
Hotel	76,400	9.8	76,400	9.8
Hotel	107,300	13.8	107,300	13.8
Hotel	175,180	22.5	175,180	22.5
Hotel	36,600	4.7	36,600	4.7
Hotel	49,200	6.3	49,200	6.3
Hotel	86,500	11.1	86,500	11.1
Hotel	34,100	4.4	34,100	4.4
	793,080	101.8	793,080	101.8

*The accompanying notes form an integral part of these financial statements.*

# PORTFOLIO STATEMENTS

As at 31 December 2019

Description of property	Tenure	Remaining lease term	Location
<b>Investment properties</b>			
Balance brought forward			
<b>Connecticut</b>			
Crowne Plaza Danbury	Freehold	–	18 Old Ridgebury Road, Danbury
<b>Florida</b>			
Holiday Inn Resort Orlando Suites – Waterpark	Freehold	–	14500 Continental Gateway Drive, Orlando
<b>Georgia</b>			
Hilton Atlanta Northeast	Freehold	–	5993 Peachtree Industrial Boulevard, Norcross
<b>New Jersey</b>			
Delta Hotels by Marriott Woodbridge <sup>1</sup>	Freehold	–	515 Route 1 South, Iselin
<b>Texas</b>			
Crowne Plaza Dallas Near Galleria – Addison	Freehold	–	14315 Midway Road, Addison
Hilton Houston Galleria Area	Freehold	–	6780 Southwest Fwy, Houston
<b>Utah</b>			
Doubletree by Hilton Salt Lake City Airport	Freehold	–	5151 Wiley Post Way, Salt Lake City

## Investment properties, at valuation

### Other assets and liabilities (net)

### Net assets of the EH-REIT Group/EHT

1 Previously known as Renaissance Woodbridge

Existing use	EH-REIT Group Carrying value as at 31/12/2019 US\$'000	Percentage of total net assets as at 31/12/2019 %	EHT Carrying value as at 31/12/2019 US\$'000	Percentage of total net assets as at 31/12/2019 %
	793,080	101.8	793,080	101.8
Hotel	9,200	1.2	9,200	1.2
Hotel	169,600	21.8	169,600	21.8
Hotel	56,700	7.3	56,700	7.3
Hotel	78,500	10.1	78,500	10.1
Hotel	56,000	7.2	56,000	7.2
Hotel	46,700	6.0	46,700	6.0
Hotel	57,700	7.4	57,700	7.4
	1,267,480	162.8	1,267,480	162.8
	(488,362)	(62.8)	(488,372)	(62.8)
	779,118	100.0	779,108	100.0

*The accompanying notes form an integral part of these financial statements.*

# STATEMENTS OF CASH FLOWS

For the period from 11 April 2019 (date of constitution) to 31 December 2019

	Note	EH-BT Period from 11/04/2019 (date of constitution) to 31/12/2019 US\$'000	EH-REIT Group Period from 11/04/2019 (date of constitution) to 31/12/2019 US\$'000	EHT Period from 11/04/2019 (date of constitution) to 31/12/2019 US\$'000
<b>Cash flows from operating activities</b>				
(Loss)/Profit for the period		(10)	142,176	142,166
Adjustments for:				
Rental income arising from amortisation of deferred income and rental straight-lining adjustments		-	(1,963)	(1,963)
Finance income		-	(297)	(297)
Finance costs		-	13,705	13,705
REIT Manager's management fee paid/payable in Units/Stapled Securities		-	3,035	3,035
Net fair value change in investment properties		-	(156,437)	(156,437)
Tax expense		-	39,520	39,520
Operating (loss)/income before working capital changes		(10)	39,739	39,729
Changes in working capital:				
Trade and other receivables		-	(17,789)	(17,789)
Trade and other payables		10	32,112	32,122
<b>Net cash generated from operating activities</b>		-	54,062	54,062
<b>Cash flows from investing activities</b>				
Acquisition of subsidiaries, net of cash acquired	27	-	(401,567)	(401,567)
Interest received		-	288	288
<b>Net cash used in investing activities</b>		-	(401,279)	(401,279)
<b>Cash flows from financing activities</b>				
Payment of issue costs related to the issuance of Units/Stapled Securities		-	(38,347)	(38,347)
Proceeds from issue of Units/Stapled Securities		-	565,834	565,834
Payment of transaction costs related to borrowings		-	(9,795)	(9,795)
Proceeds from borrowings		-	376,000	376,000
Repayment of borrowings		-	(459,126)	(459,126)
Finance costs paid		-	(10,423)	(10,423)
Movement in restricted cash		-	(50,268)	(50,268)
<b>Net cash generated from financing activities</b>		-	373,875	373,875
<b>Net increase in cash and cash equivalents</b>		-	26,658	26,658
Cash and cash equivalents at date of constitution		-	-	-
<b>Cash and cash equivalents at end of the period</b>	7	-	26,658	26,658

*The accompanying notes form an integral part of these financial statements.*

# STATEMENTS OF CASH FLOWS (CONT'D)

For the period from 11 April 2019 (date of constitution) to 31 December 2019

## Significant non-cash transactions

There were the following non-cash transactions:

- (i) 142,460,000 stapled securities amounting to US\$111.1 million were issued as partial satisfaction of the purchase consideration to the vendors of the subsidiaries acquired by EH-REIT (note 27). In addition, US\$89.0 million of the purchase consideration was set off against the proceeds from the unsecured loan (note 8).
- (ii) 2,978,094 stapled securities amounting to US\$2.0 million were issued to the REIT Manager as satisfaction of the management fee payable in stapled securities.

*The accompanying notes form an integral part of these financial statements.*

# NOTES TO THE FINANCIAL STATEMENTS

For the period from 11 April 2019 (date of constitution) to 31 December 2019

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Trustee-Manager, the REIT Manager and the REIT Trustee on 14 August 2020.

## 1 GENERAL

Eagle Hospitality Trust is a stapled group comprising Eagle Hospitality Real Estate Investment Trust ("EH-REIT") and its subsidiaries (the "EH-REIT Group") and Eagle Hospitality Business Trust ("EH-BT") (collectively, "EHT").

EH-REIT is a Singapore-domiciled unit trust constituted pursuant to the trust deed dated 11 April 2019 (the "EH-REIT Trust Deed") between Eagle Hospitality REIT Management Pte. Ltd. (the "REIT Manager") and DBS Trustee Limited (the "REIT Trustee"). The EH-REIT Trust Deed is governed by the laws of the Republic of Singapore. The REIT Trustee is under a duty to take into custody and hold the assets of EH-REIT held by it or through its subsidiaries in trust for the holders of units in EH-REIT. EH-BT is a business trust constituted by a trust deed dated 11 April 2019 (the "EH-BT Trust Deed") and is managed by Eagle Hospitality Business Trust Management Pte. Ltd. (the "Trustee-Manager"). The securities in each of EH-REIT and EH-BT are stapled together under the terms of a stapling deed dated 11 April 2019 entered into between the REIT Manager, the REIT Trustee and the Trustee-Manager (the "Stapling Deed") and cannot be traded separately. Each stapled security in Eagle Hospitality Trust (the "Stapled Security") comprises a unit in EH-REIT (the "EH-REIT Unit") and a unit in EH-BT (the "EH-BT Unit").

Eagle Hospitality Trust was formally admitted to the Official List of Singapore Exchange Securities Trading Limited ("SGX-ST") on 24 May 2019 (the "Listing Date").

The principal activity of EH-REIT and its subsidiaries is to invest in income producing real estate and real estate related assets, which are used or substantially used for hospitality and hospitality related purposes, with the primary objective to deliver regular and stable distributions to unitholders and to achieve long-term growth in distributions and net asset value per Stapled Security, while maintaining an appropriate capital structure.

As at the reporting date, EH-BT is dormant.

The consolidated financial statements of the EH-REIT Group relate to EH-REIT and its subsidiaries. The consolidated financial statements of EHT relate to EH-BT and the EH-REIT Group.

Several service agreements are in place in relation to the management of EH-BT and EH-REIT and its property operations. The fee structures of these services are as follows:

(i) *Trustee-Manager's fees*

Pursuant to the EH-BT Trust Deed, the Trustee-Manager is entitled to the following:

- Trustee fee of not exceeding 0.1% per annum of the value of EH-BT's Trust Property (as defined in the EH-BT Trust Deed), subject to a minimum fee of US\$10,000 per month, provided that the value of EH-BT's Trust Property is at least US\$50.0 million and EH-BT has become active. The trustee fee is payable in arrears on a quarterly basis in the form of cash.



## 1 GENERAL (CONT'D)

### (i) *Trustee-Manager's fees (cont'd)*

- Management fees comprising a base fee of 10.0% per annum of the Annual Distributable Income (as defined in the EH-BT Trust Deed and calculated before accounting for management fees) and a performance fee of 25.0% per annum of the difference in DPS in a financial year with the DPS in the preceding financial year (calculated before accounting for performance fee in each financial year) multiplied by the weighted average number of Stapled Securities in issue for such financial year (subject to adjustments in certain cases as set out in the EH-BT Trust Deed), payable in the event that EH-BT becomes active. EH-BT was dormant during the period ended 31 December 2019.

The management fee is payable in the form of cash and/or Stapled Securities as the Trustee-Manager may elect, and in such proportion as may be determined by the Trustee-Manager.

Any increase in the maximum permitted rate or any change in the structure of the Trustee-Manager's management fees must be approved by an extraordinary resolution at a meeting of the holders of the EH-BT units duly convened and held in accordance with the provisions of the EH-BT Trust Deed.

Any portion of the base fee payable in the form of Stapled Securities is payable quarterly in arrears and any portion of the base fee payable in cash is payable monthly in arrears. The performance fee is payable annually in arrears, regardless of whether it is payable in the form of cash and/or Stapled Securities.

- An acquisition fee of up to 1.0% (0.75% for acquisitions from related parties) of the acquisition price of any authorised investment acquired directly or indirectly by EH-BT (pro-rated if applicable to the proportion of EH-BT's interest in the authorised investment acquired) and a divestment fee of up to 0.5% of the sale price of any real estate sold or divested by EH-BT, whether directly or indirectly (pro-rated if applicable to the proportion of EH-BT's interest in the authorised investment acquired).

The acquisition and divestment fees are payable in the form of cash and/or Stapled Securities as the Trustee-Manager may elect, and in such proportion as may be determined by the Trustee-Manager.

- Development management fee of 3.0% of the Total Project Costs (as defined in the EH-BT Trust Deed) incurred in a Development Project (as defined in the EH-BT Trust Deed) undertaken by the Trustee-Manager on behalf of EH-BT. If the estimated Total Project Costs exceeds US\$100.0 million, the Trustee-Manager's independent directors will first review and approve the quantum of the development management fee whereupon the Trustee-Manager may be directed by its independent directors to reduce the development management fee.

The development management fee is payable in equal monthly instalments over the construction period of each Development Project based on the Trustee-Manager's best estimate of the Total Project Costs and construction period and, if necessary, a final payment of the balance amount to be paid when the Total Project Costs is finalised. No acquisition fee shall be paid when the Trustee-Manager receives the development management fee for a Development Project.

Any increase in the percentage or any change in the structure of the Trustee-Manager's development management fee must be approved by an extraordinary resolution at a meeting of holders of the EH-BT units duly convened and held in accordance with the provisions of the EH-BT Trust Deed.

# NOTES TO THE FINANCIAL STATEMENTS

For the period from 11 April 2019 (date of constitution) to 31 December 2019

## 1 GENERAL (CONT'D)

### (ii) REIT Manager's fees

Pursuant to the EH-REIT Trust Deed, the REIT Manager is entitled to the following:

- Management fees comprising a base fee of 10.0% per annum of the Annual Distributable Income (as defined in the EH-REIT Trust Deed and calculated before accounting for management fees) and a performance fee of 25.0% per annum of the difference in DPS in a financial year with the DPS in the preceding financial year (calculated before accounting for performance fee in each financial year) multiplied by the weighted average number of Stapled Securities in issue for such financial year (subject to adjustments in certain cases as set out in the EH-REIT Trust Deed). For the period ended 31 December 2019 and the year ending 31 December 2020, the difference in DPS shall be the difference in actual DPS in such financial period or financial year with the projected DPS as disclosed in EHT's prospectus dated 16 May 2019 (the "Prospectus").

The management fee is payable in the form of cash and/or Stapled Securities as the REIT Manager may elect, and in such proportion as may be determined by the REIT Manager.

Any increase in the maximum permitted rate or any change in the structure of the REIT Manager's management fees must be approved by an extraordinary resolution at a meeting of the holders of the EH-REIT units duly convened and held in accordance with the provisions of the EH-REIT Trust Deed.

Any portion of the base fee payable in the form of Stapled Securities is payable quarterly in arrears and any portion of the base fee payable in cash is payable monthly in arrears. The performance fee is payable annually in arrears, regardless of whether it is payable in the form of cash and/or Stapled Securities.

- An acquisition fee of up to 1.0% (0.75% for acquisitions from related parties) of the acquisition price of any authorised investment acquired directly or indirectly by EH-REIT (pro-rated if applicable to the proportion of EH-REIT's interest in the authorised investment acquired) and a divestment fee of up to 0.5% of the sale price of any real estate sold or divested by EH-REIT, whether directly or indirectly (pro-rated if applicable to the proportion of EH-REIT's interest in the authorised investment acquired).

The acquisition and divestment fees are payable in the form of cash and/or Stapled Securities as the REIT Manager may elect, and in such proportion as may be determined by the REIT Manager.

No acquisition fee was paid on the acquisition of the initial portfolio of assets.

- Development management fee of 3.0% of the Total Project Costs (as defined in the EH-REIT Trust Deed) incurred in a Development Project (as defined in the EH-REIT Trust Deed) undertaken by the REIT Manager on behalf of EH-REIT. If the estimated Total Project Costs exceeds US\$100.0 million, the REIT Manager's independent directors will first review and approve the quantum of the development management fee whereupon the REIT Manager may be directed by its independent directors to reduce the development management fee.

The development management fee is payable in equal monthly instalments over the construction period of each Development Project based on the REIT Manager's best estimate of the Total Project Costs and construction period and, if necessary, a final payment of the balance amount to be paid when the Total Project Costs is finalised. No acquisition fee shall be paid when the REIT Manager receives the development management fee for a Development Project.

Any increase in the percentage or any change in the structure of the REIT Manager's development management fee must be approved by an extraordinary resolution at a meeting of holders of the EH-REIT units duly convened and held in accordance with the provisions of the EH-REIT Trust Deed.

## 1 GENERAL (CONT'D)

### (iii) REIT Trustee's fees

Pursuant to EH-REIT Trust Deed, the REIT Trustee's fee shall not exceed 0.1% per annum of the value of EH-REIT's Deposited Property (as defined in the EH-REIT Trust Deed), subject to a minimum fee of S\$15,000 per month. The actual fee payable will be determined between the REIT Manager and the REIT Trustee from time to time. The REIT Trustee's fee is payable in arrears on a monthly basis in the form of cash.

## 2 GOING CONCERN

The financial statements of EH-BT, the EH-REIT Group and EHT have been prepared on a going concern basis, which assumes that they will be able to meet their financial obligations as and when they fall due.

All the investment properties of the EH-REIT Group are leased to master lessees which are indirect wholly owned subsidiaries of Urban Commons, LLC (each a "Master Lessee" and collectively, the "Master Lessees"). The EH-REIT Group's revenue is effectively derived from a single party (see notes 5 and 15).

As at 31 December 2019, there were the following circumstances experienced by the EH-REIT Group:

- (i) The EH-REIT Group recorded trade receivables of US\$5.0 million from the Master Lessees, which were past due based on payment terms set out in the master lease agreements (each a "MLA" and collectively, the "MLAs") (note 22). At the date of issuance of these financial statements, the trade receivables have been fully settled by the Master Lessees post 31 December 2019.
- (ii) Under the terms of the MLAs, the Master Lessees are to provide security deposits, by way of cash or letter of credit, of an amount equivalent to nine months of the monthly Fixed Rent (as defined under each MLA) across the 18-asset portfolio, amounting to US\$43.65 million, within 14 days of the Listing Date. As at 31 December 2019, the Master Lessees had furnished to the EH-REIT Group US\$23.65 million in cash as security deposits. Subsequent to year end, the EH-REIT Group received an additional US\$5.0 million of security deposits. At the date of issuance of these financial statements, the EH-REIT Group had received security deposits of US\$28.65 million in cash from the Master Lessees (see note 10). The EH-REIT Group had agreed to grant extensions of time to the Master Lessees to furnish the full amount of the security deposits, requiring the Master Lessees to provide the remaining security deposits of US\$15.0 million by 8 June 2020 in cash and/or letter of credit, which the Master Lessees had not done so at the date of issuance of these financial statements (see note (h) below). The security deposits are pledged to a financial institution for credit facilities granted to the EH-REIT Group (see note 7).
- (iii) Under the terms of the MLAs, the Master Lessees are required to make a contribution to the EH-REIT Group each fiscal quarter for the purpose of funding maintenance and capital improvement works at the investment properties ("CIF Contribution"). The MLA for each property specifies that such CIF Contribution is specific to each property. As at 31 December 2019, CIF Contribution amounting to US\$3.2 million (note 5) had not been received from the Master Lessees.

The EH-REIT Group and EHT are exposed to significant credit risk from the Master Lessees, and their ability to pay their liabilities as and when they fall due is dependent on their receiving rental payments from the Master Lessees and the Master Lessees fulfilling their obligations under the master lease agreements. The ability of the Master Lessees to make rental payments and fulfil their obligations under the master lease agreements is substantially dependent on the profitability of the operations of the properties leased by the Master Lessees.

# NOTES TO THE FINANCIAL STATEMENTS

For the period from 11 April 2019 (date of constitution) to 31 December 2019

## 2 GOING CONCERN (CONT'D)

Subsequent to 31 December 2019, there were the following key events:

- (a) As announced by the REIT Manager and the Trustee-Manager (collectively, the "Managers") on 19 March 2020, the Master Lessees indicated to the Managers that there had been delays in payments from debtors at certain properties which caused shortfalls in payments by the Master Lessees to EH-REIT. Accordingly, the Managers took measures to draw down on the security deposits. At the date of issuance of these financial statements, security deposits of US\$12.6 million have been drawn down by the Managers.
- (b) As announced by the Managers on 24 March 2020, Bank of America, N.A., as administrative agent ("Administrative Agent") for the syndicate of lenders ("Lenders") in respect of the syndicated credit agreement dated 16 May 2019 (the "Facilities Agreement"), had issued a notice of default and acceleration (the "Notice") of the Facilities Agreement. The Notice provided that the Administrative Agent, on behalf of the Lenders, is entitled to and is exercising its rights and remedies under the Facilities Agreement, including the right to accelerate the term loan facilities and/or revolving credit facility of which US\$341 million had been borrowed to date (the "Loan"), as a result of which a principal amount of US\$341 million was declared to have become immediately due and owing. On behalf of the Lenders, the Administrative Agent, in its assertion of its rights and remedies following the issuance of the Notice, had also restricted access to certain bank accounts of EH-REIT's subsidiaries and the Master Lessees that were established with the Administrative Agent. The REIT Manager has also provided irrevocable instructions to DBS Bank (Hong Kong) Limited not to cause or permit any withdrawal or transfers from the bank account of an EH-REIT subsidiary held with DBS Bank (Hong Kong) Limited, whilst discussions with the Administrative Agent and the Lenders are ongoing during the temporary forbearance period. The Facilities Agreement also provides that no Borrower may, directly or indirectly, declare, order, make or set apart any sum for or pay any dividend or distribution following the acceleration of the Loan. At the date of issuance of these financial statements, EHT has entered into documentation with the Administrative Agent and the Lenders for a temporary forbearance from exercising their asserted rights and remedies pending further discussion. At the date of issuance of these financial statements, based on latest available information to the Managers, the Managers estimate that the total amount payable under the Loan is US\$349.0 million.
- (c) As announced by the Managers on 24 April 2020, the Managers received a notice of default and demand for payment (the "DW Notice") in relation to the mortgage loan dated 21 May 2019 (the "DW Mortgage Loan") in respect of the Delta Hotels by Marriott Woodbridge ("Delta Woodbridge") property with a principal amount of US\$35.0 million issued by Wells Fargo, National Association ("Wells Fargo"). The DW Notice states that Wells Fargo's rights and remedies include, (i) the right to declare the outstanding principal amount under the DW Mortgage Loan (together with all interest accrued and unpaid thereon) and all other sums due immediately due and payable; (ii) the right to cause the loan to bear interest at the default rate; and (iii) the right to foreclose on the collateral. The DW Notice further indicates that Wells Fargo has exercised its right to cause the loan to bear interest at the default rate calculated from 1 April 2020 (being the date that the outstanding sum were due) and demanded for payment in full of all amounts currently due and payable under the loan. At the date of issuance of these financial statements, based on latest available information to the Managers, the Managers estimate that the total amount payable under the DW Mortgage Loan is approximately US\$35.7 million.

The DW Mortgage Loan is secured against the Delta Woodbridge property with a carrying value of US\$78.5 million as at 31 December 2019.

## 2 GOING CONCERN (CONT'D)

- (d) As announced by the Managers on 15 May 2020, following the default of the Loan, the REIT Manager had received a notice of termination of the interest rate swap agreement (the "BOTW Interest Rate Swap Agreement") entered into between EH-REIT (through one of its subsidiaries) and Bank of the West ("BOTW") in relation to the Loan under the Facilities Agreement. The Managers had subsequently received another letter from BOTW stating that the total amounts owing under the BOTW Interest Rate Swap Agreement was approximately US\$18.3 million, with default interest accruing on such amount with effect from the termination date in accordance with the applicable provisions of the BOTW Interest Rate Swap Agreement. This amount has become due and payable. At the date of issuance of these financial statements, based on latest available information to the Managers, the Managers estimate that the total amount payable is approximately US\$18.3 million.
- (e) As announced by the Managers on 24 April 2020 and 21 June 2020, the Managers have been informed that several of the Master Lessees have received notices of defaults from the hotel managers of certain properties for defaults by such Master Lessees under the relevant hotel management agreements ("HMAs") for the properties as a result of, *inter alia*, the certain Master Lessees' failure to provide and/or maintain sufficient working capital for the hotels' operations, and additional defaults from the failure to pay management fees and/or make funds available for the payment of hotel operating expenses ("HMA Default Notices"). In addition, the Managers were informed that certain Master Lessees have received notices of termination from the hotel managers for certain properties under the relevant HMAs as a result of these certain Master Lessees' failure to cure its default (among other items) of maintaining sufficient working capital for the hotels' operations. The alleged defaults under the HMA Default Notices, if true, would in turn constitute a breach of the respective MLAs by the Master Lessees.

As announced by the Managers on 21 June 2020, the Managers were also informed that certain Master Lessees had received further notices of default from the hotel managers of certain hotels for defaults by the relevant Master Lessees under the HMAs as a result of, *inter alia*, such Master Lessee's failure to timely pay the key money due under the relevant HMAs as demanded by the relevant hotel managers ("HMA Key Money Default Notices").

At the date of issuance of these financial statements, based on latest available information, the Managers estimate that the total liabilities incurred by the Master Lessees under the HMAs in respect of the HMA Default Notices and the HMA Key Money Default Notices amounted to approximately US\$49.0 million.

In view of the lack of remedial action on the part of the relevant Master Lessees to safeguard the hotels, certain corresponding Master Lessors (being subsidiaries of EH-REIT), at the direction of the REIT Manager and with the approval of the REIT Trustee, the Administrative Agent and the Lenders, have instituted temporary caretaker arrangements with the incumbent or a new hotel manager for certain properties whose HMAs have been terminated or which the applicable hotel manager was threatening to reduce management services and/or abandon the hotel in the absence of imminent caretaker action, under which such hotel managers are providing temporary caretaker services at the applicable hotel in exchange for payment of monthly caretaker costs by the applicable Master Lessors.

# NOTES TO THE FINANCIAL STATEMENTS

For the period from 11 April 2019 (date of constitution) to 31 December 2019

## 2 GOING CONCERN (CONT'D)

- (f) As announced by the Managers on 15 May 2020, the Managers were informed by their United States legal counsel that there were six non-disturbance agreements (collectively, the "NDAs") entered into (post the initial public offering ("IPO") of EHT) by certain former directors of the REIT Manager (who are also the indirect controlling shareholders of Urban Commons, LLC (the "Sponsor")), on behalf of certain subsidiaries of EH-REIT (as Master Lessors), with the corresponding Master Lessees (the "NDA Master Lessees") and the relevant hotel manager. Two NDAs were entered into during the financial period ended 31 December 2019 ("2019 NDAs") and four NDAs were entered into in the year 2020 ("2020 NDAs").

Under each of the NDAs, each of the relevant Master Lessor had undertaken to (i) guarantee the payment and performance of all obligations of the respective NDA Master Lessees under the corresponding HMA at all times during the term of the applicable MLA (save for certain exceptions under certain NDAs), including the payment of the base fees, incentive fees, centralised services charges, reimbursable expenses, indemnification obligations (if any) and operating costs, and (ii) in the event of any termination of the applicable MLA, to assume (or cause a new master lessee to assume) all of the obligations of the relevant NDA Master Lessees under the applicable HMA, and for certain NDAs, including those arising prior to the termination of the applicable MLA.

In addition, under three of the NDAs, the relevant Master Lessor agreed to repay key money under the applicable HMAs in the event that the key money become due and payable thereunder (including without limitation, in the event the key money becomes immediately due and payable because of an event of default by the applicable NDA Master Lessee under the applicable HMA), save for certain exceptions and except as otherwise provided for in the NDAs.

As at 31 December 2019, no notice of default had been received by the applicable Master Lessors relating to the 2019 NDAs. As at the date of issuance of these financial statements, pursuant to the 2019 NDAs and 2020 NDAs, the EH-REIT Group has received notices of demand from the relevant hotel managers of four properties for failing to fund delinquent working capital amounts and/or repayment of key monies totaling approximately US\$2.9 million, as a result of the relevant Master Lessee failing to fund and/or pay such amounts. Based on latest available information, the Managers estimate that the potential liabilities relating to the NDAs amounted to approximately US\$15.7 million.

- (g) In February 2020, the REIT Manager had declared a distribution amounting to approximately US\$30.4 million, in respect of the period from 24 May 2019 to 31 December 2019 (the "Distribution"). The Facilities Agreement provides that no Borrower may, directly or indirectly, declare, order, make or set apart any sum for or pay any dividend or distribution following the acceleration of the Loan. In the Notice, the Administrative Agent expressly highlighted this restriction against the payment of any distribution. The payment of the Distribution had been suspended in compliance with one of the key conditions set by the Administrative Agent and the Lenders in agreeing to a temporary forbearance from exercising their rights as a result of the issuance of the Notice in relation to the Facilities Agreement (as disclosed in note (b) above).

As announced by the Managers on 27 May 2020, the Managers and the REIT Trustee, having received and reviewed the advice of their professional advisers and after careful and measured consideration, had determined that it is in the best interest of EHT and the Stapled Securityholders to utilise available funds of EH-REIT (including in particular the funds constituting the security deposits available to EH-REIT as permitted under the terms of the MLAs, and funds that were originally intended for the payment of the distribution to Stapled Securityholders of approximately US\$30.4 million for the period from 24 May 2019 (being the listing date of EHT) to 31 December 2019) to fund the necessary and critical expenses of EHT and its underlying portfolio to protect and safeguard the asset value of EHT's portfolio, to the extent appropriate and necessary and in such manner and proportion as may be agreed with the Administrative Agent and the Lenders.

## 2 GOING CONCERN (CONT'D)

- (h) As announced by the Managers on 29 June 2020, the Master Lessees had not provided the remaining outstanding security deposits of approximately US\$15.0 million either in cash and/or letter of credit by the stipulated extended deadline (see note (ii) above), which, in turn, constitutes an event of default under the relevant MLAs (the "SD Defaults"). Accordingly, the EH-REIT Group has issued notices of default in respect of the SD Defaults to the Master Lessees. As at the date of issuance of these financial statements, the Master Lessees have yet to furnish the outstanding security deposits.

As at the date of issuance of these financial statements, the fixed rent for the months of January 2020 to July 2020 and the variable rent for the first two quarters of 2020 remain substantially outstanding and unpaid by the Master Lessees, which constitutes events of default by the Master Lessees under the MLAs. The EH-REIT Group has applied the security deposits provided by the Master Lessees to the payment of certain outstanding obligations of certain properties as permitted pursuant to the applicable MLAs. In addition, the defaults by the Master Lessees under the HMAs as a result of, *inter alia*, the Master Lessees' failure to provide and/or maintain sufficient working capital for the hotels' operations (see note (e) above), and additional defaults resulting from the failure to pay management fees and/or failure to make funds available for the payment of hotel operating expenses, constitute additional defaults and/or events of default under the respective MLAs by the Master Lessee. As announced by the Managers on 29 June 2020, in light of the above defaults under the HMAs, and together with additional defaults and events of default on other obligations under the relevant MLAs by the Master Lessees, the Master Lessors had, on 18 June 2020, issued a separate notice in respect of the defaults and events of default under the MLAs to the Master Lessees. The Managers had on 5 August 2020 issued a second notice to the Master Lessees in respect of the events of default which had occurred and are continuing under each MLA by the applicable Master Lessee in connection with the operation of each of the properties pursuant to the MLA.

- (i) As announced by the Managers on 21 June 2020, the City of Pasadena has initiated proceedings in the United States in the Superior Court of California in the North Central District of Los Angeles County in relation to one of EH-REIT Group's properties, Sheraton Pasadena (the "Complaint") against the Sponsor and the relevant Master Lessee of Sheraton Pasadena, Urban Commons Cordova, LLC (which is not a subsidiary of EH-REIT) (collectively, the "Defendants"). The Complaint alleged (among other causes of action), *inter alia*, that the Defendants (i) remain delinquent to pay certain outstanding transient occupancy taxes ("TOT") and tourism business improvement districts ("TBID") assessments to the City of Pasadena pursuant to the relevant City of Pasadena municipal legislation for the period of May 2019 through February 2020 (as of the date of the Complaint); (ii) failed and refused to hold the TOT principal in trust for the account of the City of Pasadena from the time the TOT was collected from each hotel guest until remitted to the City of Pasadena as required pursuant to the relevant City of Pasadena municipal legislation and failed and refused to remit the said monies to the City of Pasadena; and (iii) failed to pay to the City of Pasadena the TBID assessment (based on gross occupancy revenues), as required pursuant to the relevant City of Pasadena municipal legislation.



# NOTES TO THE FINANCIAL STATEMENTS

For the period from 11 April 2019 (date of constitution) to 31 December 2019

## 2 GOING CONCERN (CONT'D)

Pursuant to the terms of the MLA in respect of the Sheraton Pasadena property, the relevant Master Lessee is responsible for the payment of such TOT and TBID monies to the City of Pasadena and the Master Lessee's failure to timely pay such outgoings by the due date for payment constitutes an event of default by the Master Lessee under the applicable MLA. Nevertheless, the Managers have been informed on 19 June 2020 that the hotel manager of the Sheraton Pasadena had filed a cross-complaint against the relevant Master Lessee and the Master Lessor of the Sheraton Pasadena (being a subsidiary of EH-REIT) on 10 June 2020 (the "Cross-Complaint") alleging that there existed a unity of interest in ownership between the Master Lessee and the Master Lessor, and requesting that the Superior Court for the State of California grant, *inter alia*, the judgement against both the Master Lessee and the Master Lessor of the Sheraton Pasadena that (a) the hotel manager be fully indemnified and held harmless from and against any settlement entered or judgement rendered against it in the litigation brought by the City of Pasadena against the hotel manager; and (b) if the City of Pasadena recovers any sums against the hotel manager, then the hotel manager should have judgement against the Master Lessee and/or the Master Lessor of the Sheraton Pasadena, and each of them, in an amount equal to the judgement of the City of Pasadena, in addition to its costs and expenses (including attorneys' fees) in connection with the City of Pasadena's Complaint. The Managers are currently consulting their professional advisers as to the appropriate course of action to be taken as regards to the Cross-Complaint.

In the event that the Defendants (including the relevant Master Lessee) do not litigate and/or settle the Complaint and the relevant Master Lessor is unable to defeat the cross-complaint, as at the date of issuance of these financial statements, based on latest available information, the estimated financial impact to the EH-REIT Group and EHT will be approximately US\$0.9 million, being the total amount of TOT and TBID payable from May 2019 to May 2020 (including interest and applicable penalties). This amount has been included as part of the total liabilities disclosed in note 2(e).

- (j) As announced by the Managers on 21 June 2020, the Managers have been informed that, based on publicly available information, delinquent taxes and/or tax liens, in addition to certain judgement and/or mechanics' liens, were filed on the title of certain of EH-REIT Group's properties by various taxing authorities and third-party service providers on account of unpaid taxes and/or amounts for services rendered and/or materials provided by such third-party service providers for the improvement and/or renovation of the relevant hotels. As at the 21 June 2020 announcement, the hotels with tax liens are the (1) Embassy Suites by Hilton Anaheim North; (2) Holiday Inn Hotel & Suites Anaheim North; (3) Embassy Suites by Hilton Palm Desert; (4) Sheraton Pasadena; (5) Westin Sacramento; (6) Four Points by Sheraton San Jose Airport; (7) Holiday Inn and Suites San Mateo; (8) Crowne Plaza Danbury; (9) Holiday Inn Resorts Orlando Suites – Waterpark; and (10) The Queen Mary Long Beach. The hotels with judgement and/or mechanics' liens are (1) The Queen Mary Long Beach; (2) Holiday Inn Denver East – Stapleton; (3) Renaissance Denver Stapleton; (4) Holiday Inn Resorts Orlando Suites – Waterpark; (5) Doubletree by Hilton Salt Lake City Airport; (6) Holiday Inn and Suites San Mateo; and (7) Crowne Plaza Danbury. The judgement and/or mechanics' liens were filed following the IPO and relate to both (i) capital expenditures, the work for which commenced, or was contracted for, before the IPO, which constitute claims for work performed by or on behalf of the prior owner and/or the Master Lessee of the applicable hotel; and (ii) operating expenditures (e.g. day to day maintenance and repair), the work for which commenced, or was contracted for, after the IPO, which constitute claims for work performed by or on behalf of the master lessee of the applicable hotel. For the avoidance of doubt, the Sponsor is responsible for the costs and expenses of work performed on EH-REIT Group's hotels that commenced, or was contracted for, before the IPO. However, as payment for such work performed was not received by the relevant counterparties, this resulted in liens being filed on the title of the relevant hotels in the Portfolio.

## 2 GOING CONCERN (CONT'D)

Such liens constitute security interests in the title of the relevant properties and potentially compromise EH-REIT's ability to sell, refinance or otherwise deal with the relevant properties. In addition, based on latest information available, assuming that the relevant Master Lessees will not be able to settle the liens that they would be responsible for and assuming that the relevant Master Lessors are found liable, the Managers estimate that the potential financial impact of the liens to the EH-REIT Group and EHT amounted to approximately US\$7.5 million, being the aggregate amount claimed by the various third-party service providers and delinquent tax assessments under the abovementioned liens and encumbrances. This amount has been included as part of the total liabilities disclosed in note 2(e).

- (k) As announced by the Managers on 21 June 2020, Urban Commons Queensway, LLC (a subsidiary of EH-REIT and the lessee in respect of The Queen Mary Long Beach) (the "QM Subsidiary") received notices of default from the City of Long Beach (the "QM Notices") in relation to its defaults under the lease agreement with the City of Long Beach (the "QM Lease Agreement").

Such defaults arose as a result of the QM Subsidiary failing to (a) pay the monthly TOT amounts to the City of Long Beach for certain months in both 2019 and 2020 as required under the QM Lease Agreement (and the relevant Long Beach municipal legislation), which failure resulted in an additional default under the QM Lease Agreement for failing to comply with applicable governmental restrictions (the "QM TOT Default", which the Managers have been informed by the Sponsor has since been cured, as further stated below); (b) provide access to, and/or copies of, certain records (including financial statements and maintenance records) to the City of Long Beach's auditor as required under the QM Lease Agreement, which documentation was requested by the City of Long Beach as part of an audit initiated in December 2019, in addition to failing to provide full audited financial statements for 2019 as required pursuant to the QM Lease Agreement (the "QM Audit Default"); and (c) pay the monthly rent to the City of Long Beach for the month of June 2020 as required under the QM Lease Agreement (the "QM Rent Default" which the Managers were informed by the Sponsor and based on information available to the Managers, has since been cured, as further stated below, and together with the QM TOT Default and the QM Audit Default, collectively, the "QM Defaults"). Pursuant to the master sublease agreement (i.e., the MLA) between the QM Subsidiary (as Master Lessor and sublessor) and the Master Lessee as sublessee of The Queen Mary Long Beach (the "QM Master Lessee"), the QM Master Lessee is responsible for the payment of the rent and the TOT amounts to the City of Long Beach and compliance with such audit request (but see paragraph below).

Notwithstanding the sublease of The Queen Mary Long Beach to the QM Master Lessee pursuant to the applicable MLA, (a) as between the QM Subsidiary and the QM Master Lessee, under the terms of the MLA, the QM Subsidiary (as Master Lessor) remains responsible for its obligations under the QM Lease Agreement in the event the QM Master Lessee fails to perform the same; and (b) as between the QM Subsidiary and the City of Long Beach, under the terms of the documents containing the City of Long Beach's consent to the sublease of the premises under the QM Lease Agreement to the QM Master Lessee (and notwithstanding the City of Long Beach's agreement to accept performance by the QM Master Lessee of the QM Subsidiary's obligations under the QM Lease Agreement), the QM Subsidiary remains liable for its obligations under the QM Lease Agreement to the City of Long Beach.

Under the QM Notices, the QM Subsidiary had (a) with respect to the QM Audit Default, until 30 June 2020 and (b) with respect to the QM Rent Default, until 25 June 2020, and in each instance to cure the applicable QM Defaults, and failing which, the City of Long Beach is entitled to pursue remedies available to it under the QM Lease Agreement and otherwise as provided by applicable law.

At the date of issuance of these financial statements, based on the information available to the Managers, the Managers have been informed by (a) the City of Long Beach that the QM Subsidiary has 120 days to cure the QM Audit Default from 1 July 2020; and (b) the Sponsor that the QM Master Lessee has paid the monthly rent required in respect of the QM Rent Default and has cured the QM TOT Default, with the outstanding TOT amounts having been fully paid by the QM Master Lessee.

# NOTES TO THE FINANCIAL STATEMENTS

For the period from 11 April 2019 (date of constitution) to 31 December 2019

## 2 GOING CONCERN (CONT'D)

- (l) The Managers and the REIT Trustee have been informed that the Master Lessees of the Holiday Inn Denver East – Stapleton and the Renaissance Denver Stapleton (the “Denver Master Lessees”) have been deficient in paying certain outstanding sales taxes, lodger’s taxes and tourism improvement district taxes that have continued to accrue over certain periods in respect of the abovementioned hotels since at least December 2019 to the tax authorities of the City and County of Denver (the “Denver Outstanding Taxes”). The Denver Master Lessees have entered into a settlement arrangement with the Denver tax authorities on 1 July 2020 pursuant to which the Denver Master Lessees would pay the Denver Outstanding Taxes by way of instalments. The Managers and the REIT Trustee understand that the total outstanding amount of the Denver Outstanding Taxes to be settled under the settlement arrangement (inclusive of penalties and interests) is approximately US\$954,000, which is to be paid by way of six (6) monthly instalments from July 2020 to December 2020.

Subsequently, it was brought to the attention of the Managers and the REIT Trustee that the Denver Master Lessees failed to pay the first instalment that was due on 13 July 2020 to the tax authorities of the City and County of Denver. In response, the tax authorities issued a warrant of seizure of assets (the “Warrant”) in respect of the Holiday Inn Denver East – Stapleton and Renaissance Denver Stapleton. Under the terms of the MLAs between the relevant Master Lessors and the Denver Master Lessees, the Denver Master Lessees are responsible for the payment of the Denver Outstanding Taxes to the tax authorities of the City and County of Denver and the Denver Master Lessees’ failure to timely pay such outgoings by the due date for payment constitutes an event of default by the Denver Master Lessees under the respective MLAs.

The Managers and the REIT Trustee were subsequently informed that on 14 July 2020, the Denver Master Lessees paid the first instalment in respect of the Denver Outstanding Taxes to the tax authorities of the City and County of Denver and the tax authorities have accepted such payment. Pursuant to the settlement arrangement between the Denver Master Lessees and the Denver tax authorities with regard to the Denver Outstanding Taxes, a second instalment was due on 6 August 2020 which, as at the date of issuance of these financial statements, has not been paid by the Denver Master Lessees. The Managers and the REIT Trustee’s local counsel has informed the Managers and the REIT Trustee that as a result of the non-payment by the Denver Master Lessees of the second instalment by the due date, the tax authorities of the City and County of Denver have indicated that they will not be giving any advance notice prior to issuing and executing their seizure warrants on the Holiday Inn Denver East – Stapleton and the Renaissance Denver Stapleton.

As at the date of issuance of these financial statements, based on the information available to the Managers, there has been no enforcement action taken by the relevant tax authorities or enforcement agencies pursuant to the Warrant. The Manager and the REIT Trustee are in the process of consulting their professional advisers to ascertain the impact of the non-payment of the relevant Denver Outstanding Taxes by the Denver Master Lessees to the tax authorities of the City and County of Denver and the appropriate course of action to be taken.

- (m) The Managers and the REIT Trustee have been informed that the Master Lessee of the Holiday Inn Resort Orlando Suites – Waterpark (the “HIOR Master Lessee”) has been deficient in paying certain outstanding tourism development taxes that have continued to accrue in respect of the Holiday Inn Resort Orlando Suites – Waterpark since February 2020 to the Comptroller of Orange County, Florida. As a result of the outstanding taxes, the Comptroller of Orange County, Florida filed a tourism development tax warrant against both UCCONT1, LLC (the “HIOR Master Lessor”, being the Master Lessor of the Holiday Inn Resort Orlando Suites – Waterpark and a subsidiary of EH-REIT) and the HIOR Master Lessee for the collection of the delinquent outstanding tourism development taxes in the amount of approximately US\$244,000 (including penalties and interest) (the “Orlando Outstanding Taxes”).

## 2 GOING CONCERN (CONT'D)

The Comptroller of Orange County, Florida further issued a notice dated 12 June 2020 (the "HIOR Tax Notice") to the HIOR Master Lessor of its intent to levy upon any cash in possession of the HIOR Master Lessor and a bank account of the HIOR Master Lessor with Bank of America (the "HIOR Account"). Under the terms of the MLA between the HIOR Master Lessor and the HIOR Master Lessee, the HIOR Master Lessee is responsible for the payment of the Orlando Outstanding Taxes to the tax authorities of Orange County, Florida and the HIOR Master Lessee's failure to timely pay such outgoings by the due date for payment constitutes an event of default by the HIOR Master Lessee under the applicable MLA.

The Managers and the REIT Trustee understand that on or about 25 June 2020, the Sponsor entered into a repayment agreement with the Comptroller of Orange County, Florida to pay all delinquent tourist development taxes (including penalties and interest) due to the Comptroller of Orange County, Florida in three (3) instalments due on 26 June 2020, 1 August 2020 and 1 September 2020, as well as to satisfy the levy. Despite the Sponsor's payment of the first instalment due on 26 June 2020, the Comptroller of Orange County, Florida refused to release the HIOR Account or delay enforcement of the garnishment referenced in the HIOR Tax Notice. The Managers and the REIT Trustee appointed local counsel which then filed a complaint on behalf of the HIOR Master Lessor against the Comptroller of Orange County, Florida on 2 July 2020 (the "HIOR Complaint") to contest the Comptroller of Orange County, Florida's levy and garnishment of the HIOR Account to collect the Orlando Outstanding Taxes as (a) the HIOR Master Lessee is the party that is directly and solely liable to pay the Orlando Outstanding Taxes pursuant to the terms of the MLA and (b) the Comptroller of Orange County, Florida is able to collect the Outstanding Orlando Taxes pursuant to the repayment arrangement with the Sponsor.

As advised by the Managers and the REIT Trustee's local counsel, pursuant to applicable laws in the State of Florida, the filing of the HIOR Complaint should prevent the garnishment over the HIOR Account from being enforced by the Comptroller of Orange County, Florida until the proceedings are fully resolved. The Comptroller of Orange County, Florida then indicated that it would lift the levy and the garnishment over the HIOR Account if the Sponsor paid the second instalment that was due on 1 August 2020.

As at the date of these financial statements, based on the information available to the Managers, the Managers understand that the Sponsor failed to pay the second instalment by the due date and therefore, the levy and garnishment over the HIOR Account by the Comptroller of Orange County, Florida has not been lifted. The Managers and the REIT Trustee's local counsel have been instructed to continue with its proceedings against the Comptroller of Orange County, Florida pursuant to the HIOR Complaint to set aside the levy, the garnishment and any judgement or liability against the HIOR Master Lessor in respect of the Orlando Outstanding Taxes.

- (n) The Managers and the REIT Trustee have been informed that the Master Lessees of ten (10) hotels have received notices of default and termination from the relevant franchisors under the respective franchise agreements (the "Franchise Agreements") as a result of the Master Lessees' failure to cure its default for non-payment of fees and other amounts due and owing to the relevant franchisor under the relevant Franchise Agreement (the "FA Termination Notices"). Based on the FA Termination Notices and the information available to FTI Consulting, Inc. (being the Chief Restructuring Officer), the aggregate outstanding amount due by the Master Lessees to the franchisors under such Franchise Agreements amounted to approximately US\$3.8 million.

Pursuant to the FA Termination Notices, the relevant franchisors will have the right to terminate the respective Franchise Agreements if the relevant Master Lessees do not cure the defaults under the Franchise Agreements within the applicable cure periods as stated in the FA Termination Notices. Pursuant to the terms of the applicable MLAs in respect of the hotels under the FA Termination Notices, the relevant Master Lessees are responsible for payment of such outstanding amounts under the Franchise Agreements to the applicable franchisors and the alleged defaults under the FA Termination Notices, if true, would in turn also constitute a breach of the respective MLAs by the Master Lessees. The Managers and the REIT Trustee, with the assistance of their professional advisers, are in the midst of assessing the impact of the alleged defaults and the appropriate steps to be taken in response to the FA Termination Notices.

# NOTES TO THE FINANCIAL STATEMENTS

For the period from 11 April 2019 (date of constitution) to 31 December 2019

## 2 GOING CONCERN (CONT'D)

- (o) The Managers and REIT Trustee have been informed that on 12 August 2020 the Master Lessors have received a notice of breaches from the Master Lessees under the MLAs (the "Notice of Breach"). The Managers are in the midst of seeking legal advice from its legal advisers as to the appropriate course of action to be taken in respect of the Notice of Breach.
- (p) The Managers and the REIT Trustee have also been recently informed of other key events which may affect EHT and which are still in the midst of being investigated by the Managers and the REIT Trustee with the possibility of additional liability materialising. As at the date of issuance of these financial statements, the Managers are in the process of seeking professional advice and will need more time to assess the implications of such events and determine if such events give rise to additional liabilities (contingent or otherwise) as at 31 December 2019 or subsequent to that date, and the actions to be undertaken.
- (q) As at 31 December 2019, the EH-REIT Group had mortgage loans secured by the Hilton Houston Galleria Area property (the "HHG Mortgage Loan") and Crowne Plaza Dallas Near Galleria-Addison property (the "CPD Mortgage Loan"), with a principal amount of approximately US\$15.6 million and US\$27.6 million, respectively. As at the date of the issuance of these financial statements and based on the information available to the EH-REIT Group, the lender under the HHG Mortgage Loan and the CPD Mortgage Loan has yet to issue a notice of default and/or demand for payment in relation to the respective loans. Nevertheless, in light of the events surrounding EH-REIT including but not limited to the issuance of the Notice by the Administrative Agent and the Master Lessees' numerous defaults under the master lease agreements, EH-REIT has been unable to fulfil its obligations under the HHG Mortgage Loan and the CPD Mortgage Loan. If an event of default occurs under the HHG Mortgage Loan or CPD Mortgage Loan, the lender may, amongst other things, accelerate the repayment of the outstanding loan amount under the relevant loan.
- (r) As at 31 December 2019, the EH-REIT Group had a US\$89.0 million unsecured loan ("Unsecured Loan") from Lodging USA Lendco, LLC ("Lendco"). At the date of the issuance of these financial statements and based on the information available to the EH-REIT Group, Lendco has yet to issue a notice of default and/or demand for payment in relation to the Unsecured Loan. Nevertheless, in light of the events surrounding EH-REIT including, but not limited, to the issuance of the Notice by the Administrative Agent and the Master Lessees' numerous defaults under the master lease agreements, EH-REIT has been unable to fulfil its obligations under the Unsecured Loan. Lendco's right to receive payments under the Unsecured Loan (including interest) is subordinate to the payment obligations under the Facilities Agreement. Only interest is payable on the Unsecured Loan and the Unsecured Loan may be prepaid in whole or in part at any time (including in connection with certain mandatory prepayments as provided in the loan agreement) without any prepayment penalty or charge.
- (s) In view of the recent events as outlined above relating to EH-REIT, the Managers and the REIT Trustee, as announced on 24 April 2020 and 28 April 2020, had appointed for EHT and its corporate entities (i) FTI Consulting, Inc. ("FTI") to assist with, *inter alia*, the restructuring process of EHT and (ii) Moelis & Company ("Moelis") to assist with, *inter alia*, the comprehensive strategic review of EHT's business, including advising on available options to achieve the best possible outcomes for Stapled Securityholders. Both FTI and Moelis, as professional advisers to the EH-REIT Group, also assist in negotiating with the Administrative Agent, lenders and other counterparties of the EH-REIT Group with a view to restructuring the relevant facilities, and reviewing and analysing a range of strategic and corporate options for EHT.
- (t) The outbreak of COVID-19 was declared by the World Health Organisation as a global pandemic on 11 March 2020, and subsequently declared a national emergency in the United States on 13 March 2020. The spread of COVID-19, both globally and in the United States, has resulted in significant uncertainty in global economies and unprecedented disruptions in the United States lodging industry. Consequently, the operations of and revenue stream from EHT's properties have been severely disrupted and its full impact, including the impact on the valuations of EHT's properties, cannot be meaningfully assessed as at the date of these financial statements. At the date of issuance of these financial statements, 15 out of the EH-REIT Group's 18 properties have shuttered and the cessation of operations is expected to have a significant impact on the revenue of the EH-REIT Group and EHT.

## 2 GOING CONCERN (CONT'D)

The liabilities of the EH-REIT Group and EHT disclosed in the notes above are estimated and computed based on the latest information available to EHT at the date of issuance of these financial statements and may be subject to revisions with the passage of time and upon material information being made available to EHT. It should be noted that the full consequences and implications of the events disclosed in the notes above cannot necessarily be appreciated or assessed at this point in time.

The Managers have prepared the financial statements of EH-BT, the EH-REIT Group and EHT on a going concern basis, which assumes that they are able to meet their respective obligations as and when they fall due within the next twelve months. The Managers acknowledge that there are material uncertainties over the ability of EH-BT, the EH-REIT Group and EHT to generate sufficient cash flows to meet their debt obligations. If for any reason EH-BT, the EH-REIT Group and EHT are unable to continue as a going concern, there could be an impact to the classification of assets and liabilities and the ability to realise assets at their recognised values, and to extinguish liabilities in the normal course of business at the amounts stated in these financial statements. In addition, EH-BT, the EH-REIT Group and EHT may have to provide for further liabilities that may arise.

## 3 BASIS OF PREPARATION

### 3.1 Statement of compliance

The financial statements of EH-BT have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), the applicable requirements of the Business Trust Act, Chapter 31A of Singapore and the provisions of the EH-BT Trust Deed.

The financial statements of the EH-REIT Group and EHT have been prepared in accordance with IFRS issued by the IASB, the applicable requirements of the Code on Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore ("MAS") and the provisions of the EH-REIT Trust Deed and the Stapling Deed.

### 3.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

### 3.3 Functional and presentation currency

The financial statements are presented in United States dollars ("US\$"), which is the functional currency of EH-BT and EH-REIT. All financial information presented in United States dollars has been rounded to the nearest thousand, unless otherwise stated.

### 3.4 Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in note 5 – Valuation of investment properties.

# NOTES TO THE FINANCIAL STATEMENTS

For the period from 11 April 2019 (date of constitution) to 31 December 2019

## 3 BASIS OF PREPARATION (CONT'D)

### 3.4 Use of estimates and judgement (cont'd)

#### Measurement of fair values

A number of EHT's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The REIT Manager has an established control framework with respect to the measurement of fair values. This includes a team that has overall responsibility for all significant fair value measurements, including Level 3 fair values.

The REIT Manager regularly reviews significant unobservable inputs and valuation adjustments included in the fair value measurements. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the REIT Manager assesses and documents the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in the valuations should be classified.

When measuring the fair value of an asset or a liability, the REIT Manager uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

Transfers between levels of the fair value hierarchy are recognised as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

Note 5 Investment properties

Note 22 Financial instruments

### 3.5 Adoption of new standards

The EH-REIT Group and EHT have early applied *Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)* for the annual period beginning on 11 April 2019 (date of constitution). The adoption of these amendments did not have a material effect on the financial statements of the EH-REIT Group and EHT.

EHT has applied the interest rate benchmark reform amendments to hedging relationships that were designated after 11 April 2019 (date of constitution) and that are directly affected by interest rate benchmark reform. The details of the accounting policies are disclosed in note 4.4. See also note 22 for related disclosures about risks and hedge accounting.

## 4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by EH-BT, the EH-REIT Group and EHT to the period presented in these financial statements.

### 4.1 Consolidation

#### (i) Stapling

Where entities enter into a stapling arrangement, the stapling arrangement is accounted for as a business combination under the acquisition method.

#### (ii) Business combinations

Business combinations are accounted for using the acquisition method in accordance with IFRS 3 *Business Combinations* as at acquisition date, which is the date on which control is transferred to EHT.

EHT measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree, over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Any goodwill that arises is tested annually for impairment. Goodwill acquired in a business combination is initially measured at cost. Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss (as the case may be).

Costs related to the acquisition, other than those associated with the issue of debt or equity investments, that EHT incurs in connection with a business combination are expensed as incurred.

#### (iii) Property acquisitions and business combinations

At the time of acquisition, EHT considers whether each acquisition represents an acquisition of business or an acquisition of an asset. An acquisition is accounted for as a business combination where an integrated set of activities is acquired, in addition to the property. In determining whether an integrated set of activities is acquired, the Trustee-Manager and the REIT Manager consider whether significant processes such as strategic management and operational processes, are acquired.

Where significant processes are acquired, the acquisition is considered an acquisition of business and accounted for as stated above. Where the acquisition does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of acquisition is allocated to the assets and liabilities acquired and no goodwill or deferred tax is recognised.



# NOTES TO THE FINANCIAL STATEMENTS

For the period from 11 April 2019 (date of constitution) to 31 December 2019

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.1 Consolidation (cont'd)

#### (iv) Subsidiaries

Subsidiaries are entities controlled by EH-BT and the EH-REIT Group. EH-BT and the EH-REIT Group control an entity when they are exposed to, or have rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by EH-BT, the EH-REIT Group and EHT, where appropriate.

#### (v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements of the EH-REIT Group and EHT.

### 4.2 Foreign currency

#### Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of EH-BT, the EH-REIT Group and EHT at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognised in profit or loss.

### 4.3 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured at cost on initial recognition. The cost of a purchased property comprises its purchase price and any directly attributable expenditure including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value. Any gains or losses arising from changes in fair values of the investment properties are recognised in profit or loss in the period in which they arise.

Fair value is determined at each reporting date in accordance with the EH-REIT Trust Deed, which requires the investment properties to be valued by independent registered valuers in such manner and frequency required under the Property Funds Appendix of CIS Code issued by MAS.

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.3 Investment properties (cont'd)

Subsequent expenditure relating to the investment properties that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of originally assessed standard of performance of the existing asset, will flow to the EH-REIT Group and EHT. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Properties are classified either as investment properties or property, plant and equipment in the statements of financial position. In assessing whether a property is classified as an investment property or property, plant and equipment, EHT takes into consideration several factors including, but not limited to, the business model, the extent of ancillary services provided, the power that EHT has to make significant operating and financing decisions regarding the operations of the property and the significance of its exposure to variations in the net cash flows of the property. The factors above are considered collectively, together with the facts and circumstances of each lease, in determining the classification of a property.

### 4.4 Financial instruments

#### (i) Recognition and initial measurement

##### **Non-derivative financial assets and financial liabilities**

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when EHT becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

#### (ii) Classification and subsequent measurement

##### **Non-derivative financial assets**

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless EHT changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

##### ***Financial assets at amortised cost***

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

# NOTES TO THE FINANCIAL STATEMENTS

For the period from 11 April 2019 (date of constitution) to 31 December 2019

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.4 Financial instruments (cont'd)

#### (ii) Classification and subsequent measurement (cont'd)

##### Financial assets: Business model assessment

EHT makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to EHT's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with EHT's continuing recognition of the assets.

##### Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, EHT considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, EHT considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit EHT's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.4 Financial instruments (cont'd)

#### (ii) Classification and subsequent measurement (cont'd)

##### **Non-derivative financial assets: Subsequent measurement and gains and losses**

###### ***Financial assets at amortised cost***

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

###### ***Non-derivative financial liabilities***

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

#### (iii) Derecognition

##### **Financial assets**

EHT derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which EHT neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

##### **Financial liabilities**

EHT derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. EHT also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

#### (iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, EHT currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

# NOTES TO THE FINANCIAL STATEMENTS

For the period from 11 April 2019 (date of constitution) to 31 December 2019

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.4 Financial instruments (cont'd)

#### (v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by EHT in the management of its short-term commitments. For the purpose of the statement of cash flows, restricted cash are excluded.

#### (vi) Derivative financial instruments and hedge accounting

EHT holds derivative financial instruments to hedge its interest rate risk exposure. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

EHT designates certain derivatives and non-derivatives financial instruments as hedging instruments in qualifying hedging relationships. At inception of designated hedging relationships, EHT documents the risk management objective and strategy for undertaking the hedge. EHT also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

#### **Specific policies for hedges directly affected by the market-wide reform of interbank offered rates ("IBOR reform")**

On initial designation of the hedging relationship, EHT formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. EHT makes an assessment, both on inception of the hedging relationship and on an ongoing basis, of whether the hedging instrument(s) is (are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated. For the purpose of evaluating whether the hedging relationship is expected to be highly effective (i.e. prospective effectiveness assessment), EHT assumes that the benchmark interest rate is not altered as a result of IBOR reform.

If EHT concludes that the actual result of a hedging relationship is ineffective, then EHT determines if the hedging relationship continues to qualify for hedge accounting or whether it must be discontinued. This includes, for example, determining that the hedge is expected to be highly effective prospectively and that effectiveness of the hedging relationship can be reliably measured.

EHT will cease to apply the amendments to its prospective effectiveness assessment of the hedging relationship when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument, or when the hedging relationship is discontinued.

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.4 Financial instruments (cont'd)

#### (vi) Derivative financial instruments and hedge accounting (cont'd)

##### **Specific policies for hedges directly affected by the market-wide reform of interbank offered rates ("IBOR reform") (cont'd)**

##### ***Policies specific to cash flow hedges***

For a cash flow hedge of a forecast transaction, EHT assumes that the benchmark interest rate will not be not altered as a result of IBOR reform for the purpose of asserting that the forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss. EHT will no longer apply the amendments to its highly probable assessment of the hedged item when the uncertainty arising from interest rate benchmark reform with respect to the timing and amount of the interest rate benchmark-based future cash flows of the hedged item is no longer present, or when the hedging relationship is discontinued.

To determine whether the designated forecast transaction is no longer expected to occur, EHT assumes that the interest rate benchmark cash flows designated as a hedge will not be altered as a result of interest rate benchmark reform.

##### **Cash flow hedges**

EHT designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from change in interest rates.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income (OCI) and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged forecast transaction does not result in the recognition of a non-financial item, the amount accumulated in the hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve are immediately reclassified to profit or loss.

### 4.5 Leases

At inception of a contract, EHT assesses whether a contract is, or contains, a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, EHT uses the definition of a lease in IFRS 16.

At commencement or on modification of a contract that contains a lease component, EHT allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, EHT has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

# NOTES TO THE FINANCIAL STATEMENTS

For the period from 11 April 2019 (date of constitution) to 31 December 2019

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.5 Leases (cont'd)

#### (i) As a lessee

EHT recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

When a right-of-use asset meets the definition of investment property, it is presented in investment property. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with EHT's accounting policies.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, EHT's incremental borrowing rate.

EHT determines the incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments; and
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in EHT's estimate of the amount expected to be payable under a residual value guarantee, or if EHT changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

#### (ii) As a lessor

When EHT acts as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease.

To classify each lease, EHT makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, EHT considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.5 Leases (cont'd)

#### (ii) As a lessor (cont'd)

When EHT is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which EHT applies the exemption described above, then it classifies the sub-lease as an operating lease.

EHT recognises lease payments received from investment properties under operating leases as income on a straight-line basis over the lease term as part of "revenue".

### 4.6 Impairment

#### (i) Non-derivative financial assets

EHT recognises loss allowance for expected credit loss ("ECL") on financial assets measured at amortised cost.

Loss allowances of EHT are measured on either of the following bases:

- 12-month ECL: these are ECL that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECL: these are ECL that result from all possible default events over the expected life of a financial instrument.

#### *Simplified approach*

EHT applies the simplified approach to provide for ECL for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECL.

#### *General approach*

EHT applies the general approach to provide for ECL on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECL at initial recognition.

At each reporting date, EHT assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, EHT considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on EHT's historical experience and informed credit assessment and includes forward-looking information.



# NOTES TO THE FINANCIAL STATEMENTS

For the period from 11 April 2019 (date of constitution) to 31 December 2019

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.6 Impairment (cont'd)

#### (i) Non-derivative financial assets (cont'd)

##### *General approach (cont'd)*

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECL.

EHT considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to EHT in full, without recourse by EHT to actions such as realising security (if any is held).

The maximum period considered when estimating ECL is the maximum contractual period over which EHT is exposed to credit risk.

##### *Measurement of ECLs*

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that EHT expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

##### *Credit-impaired financial assets*

At each reporting date, EHT assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;
- the restructuring of a loan or advance by EHT on terms that EHT would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

##### *Presentation of allowance for ECLs in the statement of financial position*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

##### *Write-off*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when EHT determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with EHT's procedures for recovery of amounts due.

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.6 Impairment (cont'd)

#### (ii) Non-financial assets

The carrying amounts of EHT's non-financial assets, other than investment properties, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 4.7 Unitholders' funds

Unitholders' funds of EHT comprise unitholders' funds of EH-BT and the EH-REIT Group. Unitholders' funds are classified as equity.

Issue costs relate to expenses incurred in connection with the issuance of stapled securities. The expenses are deducted directly against unitholders' funds.

### 4.8 Revenue

#### *Rental income*

Rental income derived from operating leases is recognised on a straight-line basis over the term of the lease in profit or loss. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Variable rentals are recognised as income in the accounting period in which they are earned, and the amounts can be measured reliably.

# NOTES TO THE FINANCIAL STATEMENTS

For the period from 11 April 2019 (date of constitution) to 31 December 2019

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.9 Levies

A provision for levies is recognised when the condition that triggers the payment of the levy as specified in the relevant legislation is met. If a levy obligation is subject to a minimum activity threshold so that the obligating event is reaching a minimum activity, then a provision is recognised when that minimum activity threshold is reached.

### 4.10 Finance income and finance costs

Finance income comprises interest income on bank balances and net foreign exchange gains that are recognised in profit or loss. Interest income is as it accrues, using the effective interest method.

Finance costs comprise interest expense on loans and borrowings, interest rate swaps and lease liabilities, amortisation of debt-related transaction costs, accretion of non-current security deposits measured at amortised cost and net foreign exchange losses that are recognised in profit or loss.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

### 4.11 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

EHT has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries to the extent that EHT is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which EHT expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.11 Tax (cont'd)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in EHT. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

In determining the amount of current and deferred tax, EHT takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. EHT believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes EHT to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

EHT has obtained tax rulings from the Inland Revenue Authority of Singapore ("IRAS") in relation to Singapore income tax treatment of certain income from properties located overseas.

### 4.12 Earnings per stapled security

EHT presents basic and diluted earnings per stapled security. Basic earnings per stapled security is calculated by dividing the profit or loss attributable to unitholders by the weighted average number of stapled securities outstanding during the period. Diluted earnings per stapled security is determined by adjusting the profit or loss attributable to unitholders and the weighted average number of stapled securities outstanding, adjusted for the effects of all dilutive potential stapled securities.

### 4.13 Segment reporting

An operating segment is a component of the EH-REIT Group and EHT that engages in business activities from which they may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the other components of the EH-REIT Group and EHT.

The EH-REIT Group's and EHT's investment properties are primarily hotel properties located in the United States. Therefore, the Board of Directors of the REIT Manager consider that the EH-REIT Group and EHT operate within a single business segment and within a single geographical segment in the United States. Accordingly, no segment information has been presented in the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

For the period from 11 April 2019 (date of constitution) to 31 December 2019

## 4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 4.14 New standards and interpretations not adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 11 April 2019 (date of constitution) and earlier application is permitted. Except as disclosed in note 3.5, EHT has not early adopted the new or amended standards and interpretations in preparing these financial statements.

EHT is in the process of assessing the impact of the new standards, interpretations and amendments to standards to its financial statements.

## 5 INVESTMENT PROPERTIES

	<b>EH-REIT Group and EHT Total US\$'000</b>
At 11 April 2019 (date of constitution)	–
Acquisition of subsidiaries (note 27)	1,102,730
Recognition of right-of-use asset on initial application of IFRS 16	6,894
Straight-lining of lease adjustments	1,419
Net fair value change	156,437
At 31 December 2019	<u>1,267,480</u>

Investment properties comprise hotel properties that are leased to master lessees under operating leases and a right-of-use asset relating to the ground lease for The Queen Mary Long Beach. The master lessees are indirect wholly owned of Urban Commons, LLC, the sponsor of EHT (the "Sponsor"), and are related entities of the REIT Manager. Each lease contains an initial non-cancellable period of 20 years from 24 May 2019 with an option exercisable by the relevant master lessee to obtain an additional lease for a further 14 years for all properties located in California and 20 years for all other properties located elsewhere on the same terms and conditions (save for amendments required due to any change in law).

Changes in fair values are recognised in profit or loss. All fair value gains and losses are unrealised.

As set out in note 2(t), the outbreak of COVID-19 subsequent to 31 December 2019 has severely disrupted the operations of and revenue stream from EHT's properties and the full impact on the valuations of EHT's properties arising from the outbreak of COVID-19 cannot be meaningfully assessed at the date of issuance of these financial statements.

Under the terms of the master lease agreements for the investment properties, the Master Lessee is obliged to contribute to a reserve fund to be held by the EH-REIT Group (the "CIF Reserve") for the purpose of funding capital expenditure to maintain and improve the property's furniture and fixtures, equipment and its environment (the "CIF Works"), each quarter.

The contribution (the "CIF contribution") is determined based on the amount equal to the greatest of:

- a pre-determined percentage of gross room revenue (or gross operating revenue with respect to Delta Hotels by Marriott Woodbridge and The Queen Mary Long Beach);
- the amounts actually required (and not waived) by the hotel franchisor under the franchise agreement with respect to the CIF Works; and
- the amounts actually required (and not waived) by the lender(s) under any indebtedness whose covenants apply to the premises with respect to the CIF Works.

The CIF contribution for the financial period ended 31 December 2019 amounted to US\$3.2 million. At the reporting date, the amount has not been received from the Master Lessee.

## 5 INVESTMENT PROPERTIES (CONT'D)

### *Security*

At 31 December 2019, investment properties of the EH-REIT Group and EHT with a carrying amount of US\$181.2 million are pledged as security to secure credit facilities. The remaining investment properties are held by EH-REIT's subsidiaries whose equity interests are pledged for term loan facilities granted to the EH-REIT Group (note 8).

### *Amounts recognised in profit or loss*

Direct operating expenses arising from investment properties recognised by the EH-REIT Group and EHT during the financial period was US\$8.7 million.

### **Measurement of fair value**

#### **(i) Fair value hierarchy**

The fair values of the investment properties were based on independent valuations undertaken by SG&R Singapore Pte Ltd (trading as HVS). The independent valuer has appropriate recognised professional qualifications and recent experience in the location and category of properties being valued.

The fair values of the investment properties were determined based on the discounted cash flow method, assuming the master lease agreements are in place. Under this method, the fair value measurement reflects the cash flows to be derived under the master lease agreements, discounted to their present value. The valuation method used in determining the fair values involves certain estimates including those relating to discount rate and terminal capitalisation rate. The specific risks inherent in each of the properties are taken into consideration in arriving at the property valuations. In relying on the valuation reports, the REIT Manager has exercised its judgement and is satisfied that the valuation method and estimates used are reflective of market conditions prevailing at the end of the financial period.

The fair value measurement for all of the investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

	<b>EH-REIT Group and EHT 2019 US\$'000</b>
Fair value of investment properties (based on valuation reports)	1,260,600
Add: Carrying amount of lease liabilities	6,880
Carrying amount of investment properties	<u>1,267,480</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the period from 11 April 2019 (date of constitution) to 31 December 2019

## 5 INVESTMENT PROPERTIES (CONT'D)

### Measurement of fair value (cont'd)

#### (ii) Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair values of investment properties, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	2019
Discounted cash flow method	Discount rate	7.5% to 9.3%
	Terminal capitalisation rate	5.3% to 7.0%

### Inter-relationship between significant unobservable inputs and fair value measurement

The significant unobservable inputs used in the fair value measurement of investment properties are discount rate and terminal capitalisation rate. An increase/(decrease) in discount rate and terminal capitalisation rate in isolation would result in a lower/(higher) fair value.

## 6 TRADE AND OTHER RECEIVABLES

	<b>EH-REIT Group 2019 US\$'000</b>	<b>EHT 2019 US\$'000</b>
Trade receivables	4,969	4,969
Accrued receivables	8,762	8,762
Other receivables		
- related entities of the REIT Manager	1,391	1,391
- EH-BT	7	-
- third parties	2,144	2,144
	<u>17,273</u>	<u>17,266</u>
Prepayments	532	532
	<u>17,805</u>	<u>17,798</u>

The EH-REIT Group's properties are leased to 18 master lessees. Trade receivables relate to rental receivable from the master lessees, which are indirect wholly owned subsidiaries of the Sponsor and related entities of the REIT Manager. These are secured by way of security deposits held by the EH-REIT Group.

Accrued receivables relate to accrued rent from the master lessees which has not been billed at the reporting date.

Other receivables from the related entities of the REIT Manager, EH-BT and third parties are unsecured, interest-free and repayable on demand.

There is no impairment loss arising from the above outstanding balances as the ECL is negligible.

The exposure of the EH-REIT Group and EHT to credit risk is disclosed in note 22.

## 7 CASH AND CASH EQUIVALENTS

	<b>EH-REIT Group 2019 US\$'000</b>	<b>EHT 2019 US\$'000</b>
Cash at bank	73,623	73,623
Fixed deposits with financial institutions	3,303	3,303
Cash and cash equivalents in the statements of financial position	76,926	76,926
Restricted cash	(50,268)	(50,268)
Cash and cash equivalents in the statements of cash flows	26,658	26,658

During the period, the EH-REIT Group received an amount of US\$4.8 million from the vendor of the subsidiaries acquired. The vendor is also the Sponsor of EHT. Such amount represents the interest differential between the interest payable (the "Interest Differential Amount") under the mortgage loans in certain subsidiaries when they were acquired by EH-REIT and the market interest rates achieved under the secured term loan facilities of EH-REIT Group up to the maturity of each mortgage loan. The Interest Differential Amount is utilised on a monthly basis to defray the higher cost of the mortgage loans. As at 31 December 2019, the Interest Differential Amount included in cash at bank of the EH-REIT Group and EHT is US\$4.8 million.

Restricted cash relates to security deposits received of US\$23.65 million in cash from the master lessees which are pledged for term loan facilities granted to the EH-REIT Group, reserve funds of US\$25.8 million required to be maintained under the terms of certain mortgage loans and US\$0.7 million maintained to fund certain capital improvement works as required under the terms of the master lease agreements.

## 8 LOANS AND BORROWINGS

	<b>EH-REIT Group and EHT 2019 US\$'000</b>
<b>Non-current liabilities</b>	
Secured loans	416,447
Unsecured loan	89,000
Lease liabilities	6,855
Less: Unamortised transaction costs	(7,931)
	<u>504,371</u>
<b>Current liabilities</b>	
Secured loans	1,165
Lease liabilities	25
Less: Unamortised transaction costs	(419)
	<u>771</u>
	<u>505,142</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the period from 11 April 2019 (date of constitution) to 31 December 2019

## 8 LOANS AND BORROWINGS (CONT'D)

### Secured loans

The EH-REIT Group and EHT have in place the following:

- (a) US\$341.0 million secured term loan facilities comprising:
  - i. a 3-year term loan facility of US\$133.6 million;
  - ii. a 4-year term loan facility of US\$103.7 million; and
  - iii. a 5-year term loan facility of US\$103.7 million.
- (b) US\$78.2 million mortgage loans comprising:
  - i. an approximately 2-year mortgage loan of US\$35.0 million;
  - ii. an approximately 6-year mortgage loan of US\$15.6 million; and
  - iii. an approximately 11-year mortgage loan of US\$27.6 million.

### Term loan facilities

At the reporting date, the term loan facilities were fully drawn down. The term loans are secured by, *inter alia*:

- (a) pledges over 100% of the issued and outstanding equity interests of all direct and indirect subsidiaries of EHT US1, Inc and the three ASAP Property Borrowers, comprising:
  - i. Sky Harbor Atlanta Northeast, LLC;
  - ii. 5151 Wiley Post Way, Salt Lake City, LLC; and
  - iii. Sky Harbor Denver Tech Center LLC (collectively, the three "ASAP Property Borrowers")

together with all present and future intercompany debts of such subsidiaries owing to EHT US1, Inc, and Atlanta Hotel Holdings, LLC, ASAP Salt Lake City Hotel, LLC, and Sky Harbor Denver Holdco, LLC which own the three ASAP Property Borrowers; and

- (b) pledges over the security deposits and rents received from the master lessees in respect of certain properties.

### Mortgage loans

The mortgage loans are secured or guaranteed by, *inter alia*:

- (a) pledges over investment properties with carrying value of US\$181.2 million (note 5);
- (b) certain bank accounts of EH-REIT's subsidiaries; and
- (c) a non-recourse carve-out guarantee and environmental indemnity from the co-founders of the Sponsor and EH-REIT and/or EHT US1, Inc.

Under the terms of the mortgage loans, the lender(s) require the EH-REIT Group to maintain reserve funds for the purpose of funding capital expenditure to maintain and improve the properties under mortgage (the "Capex Reserve"), property tax expenses and interest expense on the mortgage loans and on a monthly basis. The reserve funds are held under certain bank accounts of EH-REIT's subsidiaries which are restricted (note 7). The EH-REIT Group has a back-to-back arrangement with the master lessees of the properties under mortgage to fund the Capex Reserve. As at 31 December 2019, the reserve funds amount to US\$9.1 million, of which US\$0.7 million has been maintained by the EH-REIT Group on behalf of the master lessees.

The mortgage loans are repayable in instalments over the tenure of the loans.

## 8 LOANS AND BORROWINGS (CONT'D)

### Unsecured loan

The unsecured loan relates to a 5-year fixed term loan of US\$89.0 million comprising three tranches, in the principal amounts of US\$38.3 million, US\$34.0 million and US\$16.7 million. The loans were provided by Lodging USA Lendco, LLC, a privately held Delaware limited liability company. The lender's right to receive payments under the unsecured loan (including interest) is subordinate to the payment obligations under the term loan facilities and mortgage loans. Each individual tranche is subject to mandatory prepayment under certain conditions.

Notwithstanding that Lodging USA Lendco, LLC has not been identified as a related party of the EH-REIT Group and EHT in these financial statements, the directors of the REIT Manager have not been able to definitively conclude if Lodging USA Lendco, LLC is a non-related party of the EH-REIT Group and EHT for the period covered in these financial statements.

### Lease liabilities

Lease liabilities relate to the present value of the ground rent payments for The Queen Mary Long Beach that are not yet due on the date of inception.

### Terms and debt repayment schedule

Terms and conditions of outstanding US Dollar denominated loans and borrowings are as follows:

	Nominal interest rate %	Year of maturity	Face value US\$'000	Carrying amount US\$'000
<b>As at 31 December 2019</b>				
<b>EH-REIT Group and EHT</b>				
Secured loans	LIBOR + 1.20% to 1.40%	2022 to 2024	341,000	336,306
Mortgage loan	LIBOR + 3.00%	2021	35,000	34,384
Mortgage loan	5.24%	2022	15,600	14,697
Mortgage loan	4.92%	2028	27,630	26,589
Unsecured loan	3.70%	2024	89,000	86,286
Lease liabilities	4.01%	2082	18,850	6,880
			<u>527,080</u>	<u>505,142</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the period from 11 April 2019 (date of constitution) to 31 December 2019

## 8 LOANS AND BORROWINGS (CONT'D)

### Terms and debt repayment schedule (cont'd)

#### Reconciliation of movements of liabilities to cash flows arising from financing activities

	EH-REIT Group and EHT		
	Loans and borrowings	Lease liabilities	Interest payable
	US\$'000	US\$'000	US\$'000
			Total US\$'000
<b>Balance at 11 April 2019 (date of constitution)</b>	-	-	-
<b>Changes from financing cash flows</b>			
Payment of transaction costs related to loans and borrowings	(9,795)	-	(9,795)
Proceeds from borrowings	376,000	-	376,000
Repayment of borrowings	(459,126)	-	(459,126)
Finance costs paid	-	-	(10,423)
<b>Total changes from financing cash flows</b>	(92,921)	-	(103,344)
<b>Changes arising from acquisition of subsidiaries (note 27)</b>	500,738	-	500,738
<b>Other changes</b>	-	(175)	(175)
<b>Liability-related</b>			
Additions to lease liabilities	-	6,894	6,894
Borrowings obtained by setting off against purchase consideration payable on investment properties acquired (note 27)	89,000	-	89,000
Interest expense	-	161	11,843
Amortisation of transaction costs related to loans and borrowings	1,445	-	1,445
<b>Total liability-related other changes</b>	90,445	7,055	109,343
<b>Balance at 31 December 2019</b>	498,262	6,880	506,562

Information about the EH-REIT Group and EHT's exposure to interest rate and liquidity risks is included in note 22.

Subsequent to the reporting date, the EH-REIT Group received notices of default and acceleration from certain secured lenders. Secured loans with a total face value of US\$376.0 million, together with the related interest payable, became immediately due and payable (note 2). As at the date of issuance of these financial statements and based on information available to the EH-REIT Group, the lenders for the remaining loans with a total face value of approximately US\$132.2 million have yet to issue a notice of demand and/or demand for payment. Nevertheless, in light of the events surrounding the EH-REIT Group, including but not limited to the issuance of the Notice by the Administrative Agent and the Master Lessees' numerous defaults under the master lease agreements, the EH-REIT Group has been unable to fulfil its obligation under the relevant loans (notes 2(q) and 2(r)).

## 9 FINANCIAL DERIVATIVES

	<b>EH-REIT Group 2019 US\$'000</b>	<b>EHT 2019 US\$'000</b>
<b>Non-current liability</b>		
Interest rate swaps	4,699	4,699
Derivative financial instruments as a percentage of net assets	0.60%	0.60%

The EH-REIT Group and EHT use interest rate swaps to manage their exposures to interest rate movements on floating rate interest-bearing bank loans by swapping the interest expense on certain of these bank loans from floating rates to fixed rates.

As at the reporting date, the EH-REIT Group and EHT have interest rate swap contracts with a total notional amount of US\$341.0 million. Under the contracts, the EH-REIT Group and EHT pay fixed interest rates of 1.98% to 2.00% and receive floating interests at the one-month London Interbank Offered Rate in US Dollar ("USD LIBOR").

Subsequent to the reporting date, an interest rate swap contract with a notional amount of US\$341.0 million and a carrying value of US\$4.7 million (liability) at 31 December 2019 was terminated, and the liability at the date of termination, became immediately due and payable (note 2).

Information about the EH-REIT Group's and EHT's exposures to market and liquidity risks, and fair value measurement, is included in note 22.

## 10 TRADE AND OTHER PAYABLES

	<b>EH-BT 2019 US\$'000</b>	<b>EH-REIT Group 2019 US\$'000</b>	<b>EHT 2019 US\$'000</b>
Trade payables:			
- third parties	-	2,471	2,471
Other payables:			
- related entities of the REIT Manager	-	5,514	5,514
- EH-REIT	7	-	-
- the REIT Manager	-	46	46
- third parties	-	64	64
	7	5,624	5,624
Security deposits	-	11,713	11,713
Interest payable	-	1,420	1,420
Accruals	3	680	683
Deferred income	-	11,824	11,824
	10	33,732	33,735
Non-current	-	28,027	28,027
Current	10	5,705	5,708
	10	33,732	33,735

# NOTES TO THE FINANCIAL STATEMENTS

For the period from 11 April 2019 (date of constitution) to 31 December 2019

## 10 TRADE AND OTHER PAYABLES (CONT'D)

Outstanding payables due to the related entities of the REIT Manager, EH-REIT and the REIT Manager are unsecured, interest-free and repayable on demand.

Other payables comprise mainly amounts received from the vendors of certain subsidiaries acquired by the EH-REIT Group to be utilised for capital expenditure of certain investment properties (the "Capital Expenditure Reserve"). The Capital Expenditure Reserve received from the vendors in connection with the acquisition was US\$6.0 million. As at 31 December 2019, the Capital Expenditure Reserve included in other payables is US\$4.8 million. The vendors are part of the Sponsor and are related entities of the REIT Manager.

The EH-REIT Group and EHT's exposure to liquidity risk related to trade and other payables are disclosed in note 22.

Under the terms of the lease agreements, the Master Lessees are to provide security deposits, by way of cash or letter of credit, of an amount equivalent to US\$43.65 million. As at 31 December 2019, the EH-REIT Group had only received security deposits of US\$23.65 million in cash from the Master Lessees. An additional US\$5.0 million of security deposits was received subsequent to the year end. As at the date of issuance of the financial statements, the EH-Group received security deposits of US\$28.65 million in cash. The Master Lessees were obliged to provide the remaining security deposits by 8 June 2020 in cash and/or letter of credit (note 2). As at the date of issuance of these financial statements, the Master Lessees have yet to furnish the outstanding security deposits.

## 11 DEFERRED TAX LIABILITIES

### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2019 US\$'000	Liabilities 2019 US\$'000
<b>EH-REIT Group and EHT</b>		
Investment properties	–	50,058
Tax losses	(10,557)	–
Deferred tax (assets) and liabilities	(10,557)	50,058
Set off of tax	10,557	(10,557)
Net deferred tax liabilities	–	39,501

## 11 DEFERRED TAX LIABILITIES (CONT'D)

### Movement in deferred tax balances

	At 11 April 2019 (date of constitution) US\$'000	Recognised in profit or loss (note 20) US\$'000	At 31 December 2019 US\$'000
<b>EH-REIT Group and EHT</b>			
Investment properties	-	50,058	50,058
Tax losses	-	(10,557)	(10,557)
	-	39,501	39,501

## 12 UNITHOLDERS' FUNDS

### Issue costs

Issue costs comprise professional, advisory and underwriting fees and other costs related to the issue of Stapled Securities.

Included in issue costs are audit and non-audit fees paid to the auditors of the EH-REIT Group amounting to US\$0.9 million and US\$1.6 million, respectively for services rendered in connection with the initial public offering of the Stapled Securities.

### Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net changes in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

## 13 UNITS/STAPLED SECURITIES IN ISSUE AND TO BE ISSUED

	EH-BT 2019 '000	EH-REIT Group 2019 '000	EHT 2019 '000
<b>Units/Stapled Securities in issue</b>			
At 11 April 2019 (date of constitution)	*	*	*
Creation of new Units/Stapled Securities			
- partial satisfaction of purchase consideration for subsidiaries acquired	142,460	142,460	142,460
- initial public offering	725,428	725,428	725,428
- REIT Manager's management fee paid in Units/Stapled Securities	2,978	2,978	2,978
At 31 December 2019	870,866	870,866	870,866
<b>Units/Stapled Securities to be issued</b>			
REIT Manager's management fees payable in Units/Stapled Securities	1,884	1,884	1,884
At 31 December 2019	872,750	872,750	872,750

\* less than 1,000

# NOTES TO THE FINANCIAL STATEMENTS

For the period from 11 April 2019 (date of constitution) to 31 December 2019

## 13 UNITS/STAPLED SECURITIES IN ISSUE AND TO BE ISSUED (CONT'D)

### Financial period ended 31 December 2019

During the financial period, the following Stapled Securities were/will be issued:

- (i) 142,460,000 Stapled Securities were issued at a unit price of US\$0.78, amounting to US\$111.1 million, to the vendors of the subsidiaries acquired by EH-REIT as partial satisfaction of the purchase consideration payable;
- (ii) 725,428,000 Stapled Securities were issued at a unit price of US\$0.78, amounting to US\$565.8 million, during EHT's initial public offering exercise;
- (iii) 2,978,094 Stapled Securities were issued at unit prices ranging from US\$0.66 to US\$0.70 per Stapled Security, amounting to US\$2.0 million, as satisfaction of the REIT Manager's management fee payable in units; and
- (iv) 1,884,024 Stapled Securities will be issued at a unit price of US\$0.55 per Stapled Security, amounting to US\$1.0 million, subsequent to the year end as satisfaction of the REIT Manager's management fee for the period from 1 October 2019 to 31 December 2019.

Each EH-REIT unit is stapled together with a EH-BT unit under the terms of a stapling deed dated 11 April 2019 entered into between the REIT Manager, the REIT Trustee and the Trustee-Manager and cannot be traded separately. Each Stapled Security represents an undivided interest in EH-REIT and EH-BT.

A Stapled Securityholder has no equitable or proprietary interest in the underlying assets of EHT and is not entitled to the transfer to it of any asset (or any part thereof) or of any real estate, any interest in any asset and real estate-related assets (or any part thereof) of EHT.

The liability of a Stapled Securityholder is limited to the amount paid or payable for the Stapled Securities.

Each EH-BT unit and EH-REIT unit carry the same voting rights.

### Capital management

The REIT Manager's principal objectives are to deliver regular and stable distributions to Stapled Securityholders and to achieve long-term growth in distributions and in the net asset value per Stapled Security, while maintaining an appropriate capital structure. Capital consists of unitholders' funds of the EH-REIT Group and EHT.

The REIT Manager will endeavour to employ an appropriate combination of debt and equity to fund acquisitions and asset enhancements, and adopt a prudent approach to capital management to optimise risk-adjusted returns to Stapled Securityholders.

Subsequent to the reporting date, EHT suspended the payment of its distribution to Stapled Securityholders for the financial period ended 31 December 2019 and received notices of default and demand from certain lenders. Financial advisers have been appointed to assist in negotiating with the lenders with a view to restructuring the relevant loan facilities and reviewing and analysing a range of strategic and corporate actions. Please refer to note 2 for details.

EH-REIT is subject to the aggregate leverage limit as defined in the Property Funds Appendix of the CIS Code issued by the MAS. The CIS Code stipulates that the total borrowings and deferred payments (together the "Aggregate Leverage") of a property fund should not exceed 45% of the fund's deposited property.

The Aggregate Leverage of EH-REIT as at 31 December 2019 was 37.2%. This complied with the Aggregate Leverage limit as described above.

### 13 UNITS/STAPLED SECURITIES IN ISSUE AND TO BE ISSUED (CONT'D)

#### Capital management (cont'd)

EH-BT and the EH-REIT Group are in compliance with the aggregate leverage requirements imposed by the relevant Trust Deeds for the financial period ended 31 December 2019. There were no substantial changes in the approach of EH-BT and the EH-REIT Group to capital management during the period.

### 14 NET ASSET VALUE PER UNIT/STAPLED SECURITY

	Note	EH-BT 2019 US\$'000	EH-REIT Group 2019 US\$'000	EHT 2019 US\$'000
Net asset value per Unit/Stapled Security is based on:				
Net (liabilities)/assets attributable to unitholders		(10)	779,118	779,108
Total issued and to be issued Units/Stapled Securities at 31 December	13	872,750	872,750	872,750

### 15 REVENUE

	EH-REIT Group and EHT Period from 11/04/2019 (date of constitution) to 31/12/2019 US\$'000
Rental income	
- Fixed rent	35,202
- Variable rent	11,925
Recovery of expenses	2,654
Others	1,788
	<u>51,569</u>

Under the terms of lease agreements for the properties, the EH-REIT Group and EHT are generally entitled to rental income comprising a fixed rent component and a variable rent component computed based on a certain percentage of the revenue and gross operating profit of their master lessees.

#### Key customer

All of the investment properties of the EH-REIT Group and EHT are leased to master lessees which are indirect wholly owned subsidiaries of the Sponsor. Accordingly, all the rental income and recovery of expenses, representing 96.5% of the revenue of the EH-REIT Group and EHT, are effectively derived from a single party.



# NOTES TO THE FINANCIAL STATEMENTS

For the period from 11 April 2019 (date of constitution) to 31 December 2019

## 15 REVENUE (CONT'D)

### Business risk

The EH-REIT Group's rental income comprises a fixed rent component and a variable rent component. The latter is pegged to the underlying performance of the properties. As a result, a variation in the underlying performance of the hotels will have an impact on the revenue of the EH-REIT Group and consequently, the distributable income of EHT.

### Sensitivity analysis

A change in 10% of the variable rent component of the rental income at the reporting date would have increased (decreased) profit or loss (before any tax effects) by the amounts shown below. There is no impact on unitholders' funds. This analysis assumes that all other variables remain constant.

	Profit or loss	
	10% increase	10% decrease
	US\$'000	US\$'000
<b>EH-REIT Group and EHT</b>		
<b>For the period from 11 April 2019 (date of constitution) to 31 December 2019</b>		
Revenue	1,193	(1,193)

## 16 PROPERTY EXPENSES

	EH-REIT Group and EHT Period from 11/04/2019 (date of constitution) to 31/12/2019 US\$'000
Property taxes	5,924
Insurance	971
Variable lease payments not included in the measurement of lease liabilities	1,808
	<u>8,703</u>

## 17 REIT MANAGER'S MANAGEMENT FEE

Included in the REIT Manager's fees is an aggregate of 4,862,118 stapled securities, amounting to approximately US\$3.0 million, that have been or will be issued to the REIT Manager as satisfaction of the REIT Manager's base management fee payable in stapled securities, at unit prices ranging from US\$0.55 to US\$0.70 per stapled security.

No performance fee is payable to the REIT Manager for the current period.

## 18 OTHER TRUST EXPENSES

Included in other trust expenses are the following:

	<b>EH-BT</b> <b>Period from</b> <b>11/04/2019</b> <b>(date of</b> <b>constitution)</b> <b>to 31/12/2019</b> <b>US\$'000</b>	<b>EH-REIT Group</b> <b>Period from</b> <b>11/04/2019</b> <b>(date of</b> <b>constitution)</b> <b>to 31/12/2019</b> <b>US\$'000</b>	<b>EHT</b> <b>Period from</b> <b>11/04/2019</b> <b>(date of</b> <b>constitution)</b> <b>to 31/12/2019</b> <b>US\$'000</b>
Audit fees paid/payable to auditors of EHT	–	205	205
Valuation fees	–	264	264

## 19 FINANCE INCOME AND FINANCE COSTS

	<b>EH-REIT Group</b> <b>and EHT</b> <b>Period from</b> <b>11/04/2019</b> <b>(date of</b> <b>constitution)</b> <b>to 31/12/2019</b> <b>US\$'000</b>
<b>Finance income</b>	
Interest income on cash and cash equivalents	270
Total interest income arising from financial assets measured at amortised cost	270
Net foreign exchange gain	27
	297
<b>Finance costs</b>	
Financial liabilities measured at amortised cost:	
- interest expense on loans and borrowings	(11,859)
- amortisation of debt-related transaction costs	(1,445)
- financial expense arising from accretion of non-current security deposits	(256)
- interest expense on lease liabilities	(161)
	(13,721)
Others	16
	(13,705)
<b>Net finance costs</b>	<b>(13,408)</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the period from 11 April 2019 (date of constitution) to 31 December 2019

## 20 TAX EXPENSE

	EH-BT Period from 11/04/2019 (date of constitution) to 31/12/2019 US\$'000	EH-REIT Group Period from 11/04/2019 (date of constitution) to 31/12/2019 US\$'000	EHT Period from 11/04/2019 (date of constitution) to 31/12/2019 US\$'000
Current tax expense	-	19	19
Deferred tax expense			
- Origination and reversal of temporary differences (note 11)	-	39,501	39,501
	-	39,520	39,520
<b>Reconciliation of effective tax rate</b>			
(Loss)/Profit before tax	(10)	181,696	181,686
Tax using the Singapore tax rate of 17%	(2)	30,888	30,886
Effect of tax rates in foreign jurisdictions	-	34,519	34,519
Income not subject to tax	-	(26,594)	(26,594)
Non-deductible expenses	2	707	709
	-	39,520	39,520

## 21 EARNINGS PER STAPLED SECURITY

### Basic earnings per stapled security

The calculation of basic earnings per stapled security has been based on the profit for the period attributable to unitholders and weighted average number of stapled securities outstanding.

	EHT Period from 11/04/2019 (date of constitution) to 31/12/2019 US\$'000
Profit for the period attributable to unitholders	142,166

## 21 EARNINGS PER STAPLED SECURITY (CONT'D)

### Basic earnings per stapled security (cont'd)

	EHT Number of Stapled Securities '000
Weighted average number of stapled securities:	
- Issued stapled securities at date of constitution	-
- Effect of stapled securities issued as partial satisfaction of purchase consideration for the acquisition of investment properties	142,460
- Effect of stapled securities arising from initial public offering	725,428
- Effect of stapled securities issued and to be issued as payment of REIT Manager's management fee payable in stapled securities	1,591
	<u>869,479</u>

### Diluted earnings per stapled security

The calculation of diluted earnings per stapled security has been based on the profit for the period attributable to unitholders and the weighted average number of stapled securities outstanding after adjustment for the effects of all dilutive potential stapled securities.

	EHT Period from 11/04/2019 (date of constitution) to 31/12/2019 US\$'000
Profit for the period attributable to unitholders	<u>142,166</u>
	Number of stapled securities '000
Weighted average number of stapled securities (diluted):	
- Weighted average number of stapled securities (basic)	869,479
- Effect of stapled securities to be issued as payment of REIT Manager's management fee payable in stapled securities	3,271
	<u>872,750</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the period from 11 April 2019 (date of constitution) to 31 December 2019

## 22 FINANCIAL INSTRUMENTS

### Financial risk management

#### Overview

The EH-REIT Group and EHT have exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the EH-REIT Group and EHT's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and their management of capital.

#### Risk management framework

Risk management is integral to the whole business of EHT. EHT has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The Trustee-Manager and the REIT Manager continually monitor EHT's risk management process to ensure that an appropriate balance between risk and control is achieved.

The Board of Directors of the REIT Manager have overall responsibility for the establishment and oversight of the risk management framework of EHT. The Audit and Risk Committee of the REIT Manager and Trustee-Manager assist the REIT Manager's and the Trustee Manager's Boards in reviewing the effectiveness of EHT's material internal controls. The Audit and Risk Committee reports regularly to the Board of Directors on its activities.

#### (i) Credit risk

Credit risk is the risk of financial loss to EHT if a customer or counterparty to a financial instrument fails to meet its financial and contractual obligations, as and when they fall due.

#### *Trade and other receivables*

Security deposits are received, where appropriate, to reduce credit risk. In addition, the balances due from lessees are being monitored on an on-going basis.

EHT establishes allowances for impairment that represents its estimate of the expected credit loss and specific loss component in respect of trade and other receivables. The allowance account in respect of trade and other receivables is used to record impairment losses. If the EH-REIT Group and EHT are satisfied that no recovery of the amount owing is possible, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

As disclosed in note 15, all of the revenue of the EH-REIT Group and EHT are effectively derived from a single party. At 31 December 2019, trade and other receivables of the EH-REIT Group and EHT amounting to US\$15.1 million are due from the Master Lessee, which represents a significant portion of their total financial assets. Except as disclosed, there was no significant concentration of credit risk. The carrying amounts of financial assets represent the EH-REIT Group's and EHT's maximum exposure to credit risk, before taking into account any collateral held.

## 22 FINANCIAL INSTRUMENTS (CONT'D)

### (i) Credit risk (cont'd)

#### *Exposure to credit risk*

#### **Expected credit loss assessment for individual lessees**

EHT measures the ECLs of trade receivables which takes into consideration of current conditions and EHT's view of economic conditions over the expected lives of the receivables.

The following table provides information about the exposure to credit risk for trade receivables as at 31 December 2019:

	<b>EH-REIT Group and EHT Gross carrying amount 2019 US\$'000</b>
Past due 61 – 90 days	4,937
Past due over 90 days	32
	<u>4,969</u>

No impairment loss has been recognised on the above balance.

#### **Derivatives**

Derivatives are entered into with bank and financial institution counterparties with sound credit ratings. Details of the derivatives held by the EH-REIT Group and EHT as at 31 December 2019 that were subsequently terminated due to an event of default, are set out in note 9.

#### **Cash and cash equivalents**

Cash and cash equivalents are held with bank and financial institution counterparties which are regulated. Investments and transactions involving derivative financial instruments are only allowed with counterparties with sound credit ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. EHT considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents is negligible.

# NOTES TO THE FINANCIAL STATEMENTS

For the period from 11 April 2019 (date of constitution) to 31 December 2019

## 22 FINANCIAL INSTRUMENTS (CONT'D)

### (ii) Liquidity risk

Liquidity risk is the risk that EHT will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Trustee-Manager and REIT Manager monitor the liquidity risk of EH-BT, the EH-REIT Group and EHT, and maintain a level of cash and cash equivalents deemed adequate to finance their operations and to mitigate the effects of fluctuations in cash flows. The REIT Manager also monitors and observes the CIS Code issued by the MAS concerning limits on total borrowings. As at the end of the financial period, the EH-REIT Group maintains several lines of credit (note 8).

As set out in note 2, the EH-REIT Group and EHT are exposed to significant credit risk from the Master Lessees, and their ability to pay their liabilities as and when they fall due is dependent on their receiving rental payments from the Master Lessees and the Master Lessees fulfilling their obligations under the master lease agreements. The ability of the Master Lessees to make rental payments and fulfil their obligations under the master lease agreements is substantially dependent on the profitability of the operations of the properties leased by the Master Lessees.

As detailed in note 2, subsequent to the reporting date, EH-REIT Group and EHT have received notices of default and demand from certain lenders. In addition, the Master Lessees have not been able to fulfil their obligations under the master lease agreements, including, *inter alia*, those relating to providing the outstanding security deposits of US\$15.0 million and making payment for the rent in respect of period post 31 December 2019, which resulted in the EH-REIT Group issuing a notice of default in respect of certain events of defaults under the master lease agreements. These events, together with other events described in note 2, have resulted in material uncertainty over the ability of EH-BT, the EH-REIT Group and EHT to generate sufficient cash flows to meet their obligations. Financial advisers have been appointed to assist in negotiating with the Administrative Agent, lenders and other counterparties with a view to restructuring the relevant loan facilities and reviewing and analysing a range of strategic and corporate actions.

### Exposure to liquidity risk

The following are the contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements:

	Note	Carrying amount US\$'000	Contractual cash flows US\$'000	Within 1 year US\$'000	Cash flows Between 1 to 5 years US\$'000	More than 5 years US\$'000
<b>EH-BT</b>						
<b>31 December 2019</b>						
<b>Non-derivative financial liabilities</b>						
Trade and other payables	10	10	(10)	(10)	–	–

## 22 FINANCIAL INSTRUMENTS (CONT'D)

### (ii) Liquidity risk (cont'd)

#### Exposure to liquidity risk (cont'd)

	Note	Carrying amount US\$'000	Contractual cash flows US\$'000	Within 1 year US\$'000	Cash flows Between 1 to 5 years US\$'000	More than 5 years US\$'000
<b>EH-REIT Group</b>						
<b>31 December 2019</b>						
<b>Non-derivative financial liabilities</b>						
Secured loans	8	411,976	(468,141)	(15,687)	(424,543)	(27,911)
Unsecured loan	8	86,286	(104,532)	(3,348)	(101,184)	-
Lease liabilities	8	6,880	(18,850)	(300)	(1,200)	(17,350)
Trade and other payables <sup>1</sup>	10	21,908	(21,908)	(5,095)	(5,100)	(11,713)
		527,050	(613,431)	(24,430)	(532,027)	(56,974)
<b>Derivative financial instruments</b>						
Interest rate swaps						
- liabilities	9	4,699	(4,895)	(1,263)	(3,632)	-
		531,749	(618,326)	(25,693)	(535,659)	(56,974)
<b>EHT</b>						
<b>31 December 2019</b>						
<b>Non-derivative financial liabilities</b>						
Secured loans	8	411,976	(468,141)	(15,687)	(424,543)	(27,911)
Unsecured loan	8	86,286	(104,532)	(3,348)	(101,184)	-
Lease liabilities	8	6,880	(18,850)	(300)	(1,200)	(17,350)
Trade and other payables <sup>1</sup>	10	21,911	(21,911)	(5,098)	(5,100)	(11,713)
		527,053	(613,434)	(24,433)	(532,027)	(56,974)
<b>Derivative financial instruments</b>						
Interest rate swaps						
- liabilities	9	4,699	(4,895)	(1,263)	(3,632)	-
		531,752	(618,329)	(25,696)	(535,659)	(56,974)

1 Excluding deferred income



# NOTES TO THE FINANCIAL STATEMENTS

For the period from 11 April 2019 (date of constitution) to 31 December 2019

## 22 FINANCIAL INSTRUMENTS (CONT'D)

### (ii) Liquidity risk (cont'd)

#### Exposure to liquidity risk (cont'd)

The maturity analyses show the contractual undiscounted cash flows of the EH-REIT Group's and EHT's financial liabilities on the basis of their earliest possible contractual maturity. The cash inflows/(outflows) disclosed represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are usually not closed out prior to contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement e.g. forward exchange contracts. Net-settled derivative financial assets are included in the maturity analyses as they are held to hedge the cash flow variability of the EH-REIT Group and EHT's floating rate loans.

The interest payments on floating rate loans and borrowings in the table above reflect interest rates at the period end and these amounts may change as market interest rates changes.

Subsequent to the reporting date, arising from the events of default noted in Note 2(b), 2(c) and 2(d), the cash outflows relating to a portion of the secured loans and all the interest rate swaps of the EH-REIT Group and EHT became immediately due and payable.

### (iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the EH-REIT Group's and EHT's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The EH-REIT Group and EHT enter into derivatives in order to manage market risks. Generally, the EH-REIT Group and EHT seek to apply hedge accounting, where possible, in order to manage volatility in profit or loss.

#### Currency risk

Currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The EH-REIT Group and EHT's business is not exposed to significant currency risk as the portfolio of properties are located in the US and the cash flows from the properties are denominated in US\$. The EH-REIT Group and EHT also borrow in the same currency as the assets in order to manage the foreign currency risk. EH-REIT will receive US\$ distributions from the investment properties which will be distributed to the Stapled Securityholders in US\$ or converted to S\$ at the spot foreign exchange rate.

The EH-REIT Group and EHT are exposed to fluctuations in the cross-currency rates of the US\$ and S\$ for operating expenses incurred in Singapore, which are insignificant. Where appropriate, based on the prevailing market conditions, the EH-REIT Group and EHT may adopt suitable hedging strategies to minimise any foreign exchange risk.

#### Interest rate risk

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. There is uncertainty as to the timing and the methods of transition for replacing existing benchmark interbank offered rates ("IBORs") with alternative rates. In United States, the fundamental review and reform of the key United States Dollar interest rate benchmark that is widely referenced in financial contracts, namely USD LIBOR, and the transition from USD LIBOR to the Secured Overnight Financing Rate ("SOFR"), is also ongoing.

## 22 FINANCIAL INSTRUMENTS (CONT'D)

### (iii) Market risk (cont'd)

#### *Interest rate risk (cont'd)*

As a result of these uncertainties, significant accounting judgement is involved in determining whether certain hedge accounting relationships that hedge the variability of foreign exchange and interest rate risk due to expected changes in IBORs continue to qualify for hedge accounting as 31 December 2019. IBOR continues to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected end date for IBOR. In United States, USD LIBOR continues to be used as reference rates in financial markets and are used in the valuation of instruments with maturities that exceed the expected end date for USD LIBOR. Therefore, the EH-REIT Group and EHT believe the current market structure supports the continuation of hedge accounting as at 31 December 2019.

The REIT Manager's strategy to manage the risk of potential interest rate volatility is through the use of interest rate hedging instruments and/or fixed rate borrowings. The REIT Manager will regularly evaluate the feasibility of putting in place the appropriate level of interest rate hedges, after taking into account the prevailing market conditions.

The EH-REIT Group and EHT determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts.

The EH-REIT Group and EHT assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

Derivative financial instruments are used to manage exposures to interest rate risk arising from financing activities. Derivative financial instruments are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

The EH-REIT Group and EHT evaluated the extent to which its cash flow hedging relationships are subject to uncertainty driven by IBOR reform as at the reporting date. The EH-REIT Group's and EHT's hedged items and hedging instruments continue to be indexed to IBOR benchmark rates. IBOR benchmark rates are quoted each day and IBOR cash flows are exchanged with its counterparties as usual. However, the EH-REIT Group and EHT's cash flow hedging relationships extend beyond the anticipated cessation dates for USD LIBOR. The EH-REIT Group and EHT expect that USD LIBOR will be replaced by SOFR, respectively, but there is uncertainty over the timing and amount of the replacement rate cash flows. Such uncertainty may impact the hedging relationship, for example its effectiveness assessment and highly probable assessment. The EH-REIT Group and EHT apply the amendments to IFRS 9 issued in September 2019 to these hedging relationships directly affected by IBOR reform.

The EH-REIT Group and EHT determine whether an economic relationship exists between the cash flows of the hedged item and hedging instrument based on an evaluation of the qualitative characteristics of these items and the hedged risk that is supported by quantitative analysis. The EH-REIT Group and EHT consider whether the critical terms of the hedged item and hedging instrument closely align when assessing the presence of an economic relationship. The EH-REIT Group and EHT evaluate whether the cash flows of the hedged item and the hedging instrument respond similarly to the hedged risk, such as the benchmark interest rate or foreign currency. For cash flow hedging relationships directly impacted by IBOR reform (i.e. hedges of USD LIBOR), the EH-REIT Group and EHT assume that the cash flows of the hedged item and hedging instrument will not be altered as a result of IBOR reform.

If a hedging relationship impacted by IBOR reform has not been highly effective throughout the financial reporting period, then the EH-REIT Group and EHT evaluate whether the hedge is expected to be highly effective prospectively and whether the effectiveness of the hedging relationship can be reliably measured. The hedging relationship will not be discontinued as long as it meets all criteria for hedge accounting, with the exception of the requirement that the hedge was actually highly effective.

# NOTES TO THE FINANCIAL STATEMENTS

For the period from 11 April 2019 (date of constitution) to 31 December 2019

## 22 FINANCIAL INSTRUMENTS (CONT'D)

### (iii) Market risk (cont'd)

#### *Interest rate risk (cont'd)*

Hedging relationships impacted by IBOR reform may experience ineffectiveness attributable to market participants' expectations for when the shift from the existing IBOR benchmark rate to an alternative benchmark interest rate will occur. This transition may occur at different times for the hedged item and hedging instrument, which may lead to hedge ineffectiveness. The EH-REIT Group and EHT have applied their best judgement to analyse market expectations when determining the fair value of the hedging instrument and present value of estimated cash flows of the hedged item.

There were no other sources of ineffectiveness in these hedging relationships.

The EH-REIT Group and EHT's exposure to USD LIBOR designated in a hedging relationship is limited to a nominal amount of US\$341.0 million at 31 December 2019 attributable to the interest rate swaps hedging USD LIBOR cash flows on the EH-REIT Group's and EHT's US dollar term loan facilities maturing between 2022 to 2024. The USD LIBOR interest rates are expected to be replaced by SOFR by the end of 2021.

#### *Exposure to interest risk*

The EH-REIT Group's and EHT's exposure to changes in interest rates relate primarily to interest-earning financial assets and interest-bearing financial liabilities. At the end of the financial period, the interest rate profile of the interest-bearing financial instruments based on their nominal amounts was as follows:

	<b>EH-REIT Group and EHT Nominal amount 2019 US\$'000</b>
<b>Fixed rate instruments</b>	
Financial assets	3,303
Financial liabilities	(132,230)
Effect of interest rate swaps	(341,000)
	<u>(469,927)</u>
<b>Variable rate instruments</b>	
Financial assets	65,655
Financial liabilities	(376,000)
Effect of interest rate swaps	341,000
	<u>30,655</u>

#### *Fair value sensitivity analysis for fixed rate instruments*

The EH-REIT Group and EHT do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, in respect of the fixed rate instrument a change in interest rates at the reporting date would not affect profit or loss.

## 22 FINANCIAL INSTRUMENTS (CONT'D)

### (iii) Market risk (cont'd)

#### *Interest rate risk (cont'd)*

##### *Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss and unitholders' funds by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or loss		Unitholders' funds	
	100 bp increase US\$'000	100 bp decrease US\$'000	100 bp increase US\$'000	100 bp decrease US\$'000
<b>EH-REIT Group and EHT</b>				
<b>31 December 2019</b>				
Variable rate instruments	(3,103)	3,103	–	–
Interest rate swaps	–	–	3,410	(3,410)
Cash flow sensitivity (net)	(3,103)	3,103	3,410	(3,410)

#### **Master netting or similar agreements**

EHT enters into derivative transactions under International Swaps and Derivatives Association ("ISDA") master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The above ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of EHT or the counterparties. In addition, EHT and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The gross and net carrying amounts of interest rate swaps used for hedging included in the statements of financial position of the EH-REIT Group and EHT as 31 December 2019 that are subject to the above agreements is US\$4.7 million.

# NOTES TO THE FINANCIAL STATEMENTS

For the period from 11 April 2019 (date of constitution) to 31 December 2019

## 22 FINANCIAL INSTRUMENTS (CONT'D)

### (iii) Market risk (cont'd)

#### Hedge accounting

#### Cash flow hedges

The EH-REIT Group and EHT held the following instruments to hedge exposures to changes in interest rates.

Carrying amount			Changes in fair value used for calculating hedge ineffectiveness				
Contractual notional amount	Liabilities	Financial Statement line item	Hedging instrument	Hedged item	Hedge ineffectiveness recognised in Statement of Comprehensive Income	Weighted average hedge rate	Maturity date
US\$'000	US\$'000		US\$'000	US\$'000	US\$'000		
<b>31 December 2019</b>							
<b><u>EH-REIT Group and EHT</u></b>							
<b>Interest rate risk</b>							
Interest rate swaps to hedge floating rate borrowings	341,000	4,699	Financial derivatives	Interest rate swap	Secured loans	–	2022 to 2024

## 22 FINANCIAL INSTRUMENTS (CONT'D)

### Accounting classifications and fair values

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. Further, for the current period, the fair value of lease liabilities is also not recognised.

		Carrying amount				Fair value			
	Note	Financial assets at amortised cost US\$'000	Fair value - hedging instruments US\$'000	Other financial liabilities US\$'000	Total US\$'000	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
31 December 2019									
EH-BT									
Financial liabilities not measured at fair value									
Trade and other payables	10	-	-	(10)	(10)				
EH-REIT Group									
Financial assets not measured at fair value									
Trade and other receivables <sup>1</sup>	6	17,273	-	-	17,273				
Cash and cash equivalents	7	76,926	-	-	76,926				
		94,199	-	-	94,199				
Financial liabilities measured at fair value									
Financial derivatives	9	-	(4,699)	-	(4,699)	-	(4,699)	-	(4,699)
Financial liabilities not measured at fair value									
Secured loans	8	-	-	(411,976)	(411,976)	-	(412,222)	-	(412,222)
Unsecured loan	8	-	-	(86,286)	(86,286)	-	(87,245)	-	(87,245)
Trade and other payables <sup>2</sup>	10	-	-	(21,908)	(21,908)	-	(21,907)	-	(21,907)
		-	-	(520,170)	(520,170)				

# NOTES TO THE FINANCIAL STATEMENTS

For the period from 11 April 2019 (date of constitution) to 31 December 2019

## 22 FINANCIAL INSTRUMENTS (CONT'D)

### Accounting classifications and fair values (cont'd)

		Carrying amount				Fair value			
	Note	Financial assets at amortised cost US\$'000	Fair value - hedging instruments US\$'000	Other financial liabilities US\$'000	Total US\$'000	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
31 December 2019									
EHT									
Financial assets not measured at fair value									
Trade and other receivables <sup>1</sup>	6	17,266	-	-	17,266				
Cash and cash equivalents	7	76,926	-	-	76,926				
		94,192	-	-	94,192				
Financial liabilities measured at fair value									
Financial derivatives	9	-	(4,699)	-	(4,699)	-	(4,699)	-	(4,699)
Financial liabilities not measured at fair value									
Secured loans	8	-	-	(411,976)	(411,976)	-	(412,222)	-	(412,222)
Unsecured loan	8	-	-	(86,286)	(86,286)	-	(87,245)	-	(87,245)
Trade and other payables <sup>2</sup>	10	-	-	(21,911)	(21,911)	-	(21,910)	-	(21,910)
		-	-	(520,173)	(520,173)				

1 Excluding prepayments

2 Excluding deferred income

## 22 FINANCIAL INSTRUMENTS (CONT'D)

Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values.

Financial instruments measured at fair value

Type	Valuation technique
<b>EH-REIT Group and EHT</b>	
Interest rate swaps	<i>Market comparison technique:</i> The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

Financial instruments not measured at fair value

Type	Valuation technique
<b>EH-REIT Group and EHT</b>	
Loans and borrowings	<i>Discounted cash flows:</i> The fair values are based on the present value of future payments, discounted at the market rate of interest at the measurement date.
Trade and other payables	

There were no transfers between the levels of fair value hierarchy during the period.

## 23 CONTINGENT LIABILITIES

As at 31 December 2019, other than as disclosed elsewhere in the financial statements, there were the following contingent liabilities:

- (a) Under the terms of the ground lease agreement for the Queen Mary Long Beach ("QM Lease Agreement") with the City of Long Beach, as a lessee, the EH-REIT Group has, amongst others, the following obligations:
- Pay minimum monthly rental payments of US\$25,000 plus a percentage of revenues, as defined in the QM Lease Agreement;
  - Maintain a reserve fund for the purpose of funding capital expenditure to maintain and improve the property (the "Base Maintenance and Replacement Plan Fund"). The Base Maintenance and Replacement Plan Fund is held under a bank account of a subsidiary of EH-REIT which is restricted (note 7). As at 31 December 2019, the Base Maintenance and Replacement Plan Fund amounted to US\$0.7 million;
  - Procure and maintain property insurance; and
  - Pay any and all taxes levied or assessed by any governmental agency or entity on the Queen Mary, including but not limited to, property taxes and monthly transient occupancy taxes ("TOT").



# NOTES TO THE FINANCIAL STATEMENTS

For the period from 11 April 2019 (date of constitution) to 31 December 2019

## 23 CONTINGENT LIABILITIES (CONT'D)

The EH-REIT Group has a back-to-back arrangement with the master lessee of the property under the master lease agreement to perform the above obligations. Notwithstanding this back-to-back arrangement, under the terms of the QM Lease Agreement, the EH-REIT Group remains liable for its obligations under the QM Lease Agreement.

Subsequent to the reporting date, the EH-REIT Group has received notices of default from the City of Long Beach in relation to the EH-REIT Group's defaults under the QM Lease Agreement, which arose as a result of the Master Lessee failing to perform certain of its obligations. Details of the defaults are set in note 2(k).

- (b) As set out in note 2(f), the Managers were informed by their United States legal counsel of the 2019 NDAs entered into (post the initial public offering of the units in EHT) by the directors of the Sponsor on behalf of certain subsidiaries of EH-REIT (as master lessors) with the NDA Master Lessees. Details of the EH-REIT Group's obligations under the 2019 NDAs are set out in note 2(f).

As at 31 December 2019, no notice of default was issued under the relevant hotel management agreements under the 2019 NDAs. Subsequent to 31 December 2019, the EH-REIT Group has received notices of demand from the hotel managers of four properties under the 2019 NDAs, as set out in note 2(f).

## 24 RELATED PARTIES

In the normal course of the operations of EH-REIT, the REIT Manager's management fee and REIT Trustee's fee have been paid or are payable to the REIT Manager and REIT Trustee respectively.

As at 31 December 2019, the master lessees of the investment properties are indirect wholly owned subsidiaries of the Sponsor.

During the financial period, other than transactions disclosed elsewhere in the financial statements, there were the following related party transactions:

	<b>EH-REIT Group and EHT 2019 US\$'000</b>
<b>Related entities of the REIT Manager</b>	
Payments on behalf by related entities of the REIT Manager	1,323
Payments on behalf for related entities of the REIT Manager	<u>(2,026)</u>

## 25 FINANCIAL RATIOS

	EH-REIT Group and EHT 2019 %
Expenses to weighted average net assets <sup>1</sup>	0.89
Portfolio turnover rate <sup>2</sup>	–

1 The annualised ratios are computed in accordance with the guidelines of the Investment Management Association of Singapore. The expenses used in the computation relate to expenses of the EH-REIT Group and EHT, excluding property expenses, interest expense and income tax expense of each entity, where applicable. There is no performance component in the REIT Manager's management fee during the period.

2 The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the EH-REIT Group and EHT expressed as a percentage of daily average net asset value.

## 26 LEASES

### (i) Leases as lessee

The EH-REIT Group and EHT lease land and building in respect of The Queen Mary Long Beach. The ground lease runs for a period of approximately 63 years from the date of acquisition of the property.

The property has been sub-let by the EH-REIT Group to a master lessee. The sub-lease is classified as an operating lease and its related right-of-use asset has been presented in the statements of financial position as part of investment properties.

Information about the lease for which the EH-REIT Group and EHT are lessees is presented below.

#### ***Amounts recognised in profit or loss***

	EH-REIT Group and EHT 2019 US\$'000
Interest on lease liabilities	161

# NOTES TO THE FINANCIAL STATEMENTS

For the period from 11 April 2019 (date of constitution) to 31 December 2019

## 26 LEASES (CONT'D)

### (i) Leases as lessee (cont'd)

#### *Amounts recognised in statements of cash flows*

	EH-REIT Group and EHT 2019 US\$'000
Payments of lease liabilities	175
Recovery of payments from master lessee	(175)
Total cash outflow for leases	<u>-</u>

Recovery of payments relates to reimbursements of lease liabilities from the master lessee in relation to the ground lease of The Queen Mary Long Beach, and is estimated in accordance with the master lease agreement.

### (ii) Leases as lessor

#### *Operating leases*

The EH-REIT Group and EHT lease out investment properties consisting of hotels and a leased property (see note 5). The EH-REIT Group and EHT have classified these leases from a lessor perspective as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income from investment properties and property sub-lease recognised by the EH-REIT Group and EHT during the period was US\$47.1 million.

The following table sets out the maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date. It is based on the fixed component of the lease receivable under the lease agreements.

	EH-REIT Group and EHT 2019 US\$'000
Less than one year	58,408
One to two years	58,620
Two to three years	58,837
Three to four years	59,057
Four to five years	59,282
More than five years	881,123
Total	<u>1,175,327</u>

## 27 ACQUISITION OF SUBSIDIARIES

On 25 April 2019, the EH-REIT Group entered into a securities purchase agreement to acquire 100% of the shares and voting interest in USHIL Holdco Member, LLC ("USHIL Holdco") and CI Hospitality Investment, LLC ("CI Hospitality") (the "Acquisition") from the Sponsor. USHIL Holdco and CI Hospitality were the indirect legal owners of 12 and six hotel properties respectively, which are situated throughout the United States. The Acquisition was accounted for as an acquisition of assets as no strategic and operational processes were acquired along with the portfolio of investment properties.

### Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	US\$'000
Investment properties	1,102,730
Restricted cash	5,084
Borrowings	(500,738)
Trade and other payables	(306)
Total identifiable net assets	<u>606,770</u>
Consideration transferred	<u>606,770</u>
<b>Effect of the acquisition on cash flows</b>	
Total consideration for 100% equity interest acquired	606,770
Less: Partial satisfaction of purchase consideration in Stapled Securities	(111,119)
Less: Unsecured loan directly set off against purchase consideration payable	(89,000)
	<u>406,651</u>
Less: Restricted cash of subsidiaries acquired	(5,084)
Net cash outflow on acquisition	<u>401,567</u>

## 28 SUBSIDIARIES

The EH-REIT Group has equity investments in subsidiaries. Details of the significant subsidiaries are as follows:

Name of subsidiaries	County of incorporation	Effective equity interest held by EH-REIT 2019 %
<b>Direct subsidiaries of EH-REIT</b>		
<sup>(1)</sup> Eagle Hospitality Trust S1 Pte. Ltd.	Singapore	100
<sup>(1)</sup> Eagle Hospitality Trust S2 Pte. Ltd.	Singapore	100

# NOTES TO THE FINANCIAL STATEMENTS

For the period from 11 April 2019 (date of constitution) to 31 December 2019

## 28 SUBSIDIARIES (CONT'D)

Name of subsidiaries	County of incorporation	Effective equity interest held by EH-REIT 2019 %
<b>Indirect subsidiaries of EH-REIT</b>		
(2) EHT US1, Inc.	United States	100
(2) EHT Cayman Corp Ltd.	Cayman Islands	100
(2) EHT CI 1, LLC	Cayman Islands	100
(2) USHIL Holdco Member, LLC	United States	100
(2) Urban Commons Danbury A, LLC	United States	100
(2) Urban Commons Queensway, LLC	United States	100
(2) UCHIDH, LLC	United States	100
(2) UCF 1, LLC	United States	100
(2) UCRDH, LLC	United States	100
(2) Urban Commons Bayshore A, LLC	United States	100
(2) UCCONT1, LLC	United States	100
(2) Urban Commons Cordova A, LLC	United States	100
(2) Urban Commons Highway 111 A, LLC	United States	100
(2) Urban Commons Anaheim HI, LLC	United States	100
(2) Urban Commons 4th Street A, LLC	United States	100
(2) Urban Commons Riverside Blvd., A, LLC	United States	100
(2) CI Hospitality Investment, LLC	Cayman Islands	100
(2) ASAP Cayman Atlanta Hotel LLC	Cayman Islands	100
(2) ASAP Cayman Salt Lake City LLC	Cayman Islands	100
(2) ASAP Cayman Denver Tech LLC	Cayman Islands	100
(2) ASAP Cayman Dallas Galleria LLC	Cayman Islands	100
(2) ASAP Cayman Houston Galleria LLC	Cayman Islands	100
(2) ASAP Cayman Woodbridge Hotel LLC	Cayman Islands	100
(2) Atlanta Hotel Holdings, LLC	United States	100
(2) ASAP Salt Lake City Hotel, LLC	United States	100
(2) Sky Harbor Denver Holdco, LLC	United States	100
(2) ASAP DCP Holdings, LLC	United States	100
(2) ASAP HHG Holdings, LLC	United States	100
(2) ASAP Woodbridge Hotel Holdings, LLC	United States	100
(2) Sky Harbor Atlanta Northeast, LLC	United States	100
(2) 5151 Wiley Post Way, Salt Lake City, LLC	United States	100
(2) Sky Harbor Denver Tech Center LLC	United States	100
(2) 14315 Midway Road Addison LLC	United States	100
(2) 6780 Southwest FWY, Houston, LLC	United States	100
(2) 44 Inn America Woodbridge Associates, L.L.C.	United States	100
(2) Woodbridge Hotel Urban Renewal, L.L.C.	United States	100

(1) Audited by KPMG LLP, Singapore.

(2) Not required to be audited under the laws of the country of incorporation/constitution.

## 29 COMPARATIVE INFORMATION

No comparative figures have been presented as this is the first set of financial statements prepared by EH-BT, EH-REIT Group and EHT since the date of their constitution.

### 30 SUBSEQUENT EVENTS

Subsequent to the reporting date, there were the following significant events:

- The events as disclosed in note 2 to these financial statements;
- EHT issued 1,884,024 Stapled Securities at a unit price of US\$0.55 per Stapled Security, amounting to US\$1.0 million as satisfaction of the REIT Manager's management fee for the period from 1 October 2019 to 31 December 2019;
- On 5 June 2020, the Monetary Authority of Singapore and the Commercial Affairs Department of the Singapore Police Force launched a joint investigation into current and former directors, and officers responsible for managing EHT, in connection with suspected breaches of certain provisions of the Securities and Futures Act (Cap. 289). As the joint investigation is currently ongoing, the financial impact on EHT (if any) that may arise from the investigation cannot be assessed at the date of these financial statements; and
- As announced by the Managers on 14 August 2020, the Managers and the REIT Trustee were informed by their professional advisers that they discovered that an unauthorised loan application dated 18 May 2020 (the "QM PPP Application") was submitted on behalf of the QM Subsidiary under the United States Paycheck Protection Program ("PPP") administered by the United States Small Business Administration ("US SBA") by Mr. Taylor Woods purportedly on behalf of the QM Subsidiary. The QM PPP Application was signed by Mr. Taylor Woods but as at the date of the QM PPP Application, he had already been removed and was no longer an officer of the QM Subsidiary. Pursuant to public releases made by the US SBA with respect to certain recipients of PPP Loan proceeds, the Managers and the REIT Trustee understand that the QM PPP Application was approved by the US SBA and a loan of an amount in excess of US\$2.0 million (the "QM PPP Loan") was granted from a lender (the "QM PPP Lender") pursuant to the QM PPP Application with the QM Subsidiary as the debtor thereunder.

Upon the discovery of the unauthorised QM PPP Application, a demand letter dated 9 July 2020 (the "QM PPP Demand Letter") was sent by the QM Subsidiary to Mr. Taylor Woods requesting, amongst others, that Mr. Taylor Woods (a) provide further information regarding the QM PPP Application and the QM PPP Loan (including the exact amount of the proceeds received under the QM PPP Loan, account details where the proceeds of the QM PPP Loan were deposited by QM PPP Lender and details of all disbursements and/or transfers of any portion of the proceeds of the QM PPP Loan) and (b) take all necessary actions to transfer all such proceeds of the QM PPP Loan as the QM Subsidiary may direct (which may include a direction to unwind the transaction entered into with the QM PPP Lender). In addition, a separate demand letter dated 9 July 2020 was sent by the QM Subsidiary to the QM PPP Lender to inform the QM PPP Lender of the relevant circumstances surrounding the unauthorised QM PPP Application submitted on behalf of the QM Subsidiary and requesting that the QM PPP Lender freeze all amounts with respect to the QM PPP Loan that might be held in any account under the control of the QM PPP Lender and to provide all information regarding the QM PPP Application and the QM PPP Loan to the QM Subsidiary.

In response to the QM PPP Demand Letter, the QM Subsidiary received a letter dated 15 July 2020 (the "PPP Response Letter") from the QM Master Lessee providing that (a) an error was made by indicating the QM Subsidiary as the employer in the QM PPP Application and that the QM Master Lessee was working to resolve the issue. The PPP Response Letter further indicated that the error was limited to an error in the name of the employer entity and the error did not result in any loan funds being provided to any subsidiary of the Sponsor that was not otherwise eligible for and entitled to the QM PPP Loan; and (b) the Sponsor had explained the error to the QM PPP Lender and the Sponsor was working with the QM PPP Lender to transfer the QM PPP Loan from the QM Subsidiary to the QM Master Lessee, with the expectation that the issue would be completely resolved within two (2) weeks of the PPP Response Letter (i.e. by 29 July 2020).

As at the date of issuance of these financial statements, based on information available to the Managers, the Managers understand that the transfer of the QM PPP Loan from the QM Subsidiary to the QM Master Lessee has not been effectuated. The Managers and the Trustee are in the midst of consulting with their professional advisers to determine any further actions to be taken in respect of the unauthorised QM PPP Application and the QM PPP Loan. The Managers will provide further updates on the QM PPP Application and the QM PPP Loan as and when there are material developments.

## INTERESTED PERSON TRANSACTIONS

The transactions entered into with interested persons during the financial period ended 31 December 2019, which fall under the Listing Manual of the SGX-ST and Appendix 6 of the Code on Collective Investment Schemes (the Property Funds Appendix), are as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under unitholders' mandate pursuant to Rule 920) US\$'000	Aggregate value of all interested person transactions during the financial period under review under unitholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) US\$'000
<b>Eagle Hospitality REIT Management Pte. Ltd.</b>		
- Management base fees	3,035	-
<b>DBS Trustee Limited</b>		
- Trustee fees	127	-
<b>Urban Commons, LLC and its related companies</b>		
- Rental income – Master Lease	47,127	-
- Acquisition of subsidiaries, net of cash acquired	401,567	-
- Payment on behalf by related entities of the REIT Manager	1,323	-
- Payment on behalf for related entities of the REIT Manager	2,026	-
- Non-Disturbance Agreements <sup>1</sup>	4,800	-
- Extension of time for the relevant Master Lessees to provide outstanding security deposit amount to the relevant Master Lessors <sup>2</sup>	20,000	-

1 As disclosed by the Managers in its announcement dated 15 May 2020 "Update Announcement – (1) Termination of Interest Rate Swap Agreement, (2) Discovery of Interested Person Transactions, and (3) Liabilities of Master Lessees" (the "15 May 2020 Announcement"), it has been recently brought to the attention of the Managers and the REIT Trustee that there were six non-disturbance agreements entered into (post the initial public offering of the units in EHT) by certain directors of the REIT Manager (who are also the indirect controlling shareholders of Urban Commons, LLC (the "Sponsor")) on behalf of certain subsidiaries of EH-REIT (as Master Lessors) with the corresponding Master Lessees and the relevant hotel manager. Two non-disturbance agreements were entered into during the financial period ended 31 December 2019 (the "2019 NDAs"). The aggregate value at risk for interested person transactions in respect of the 2019 NDAs as at 16 December 2019 is US\$4,800,000.

As set out in the announcement, entry into these non-disturbance agreements constitutes "interested person transactions" under Chapter 9 of the Listing Manual. Reference should be made to the 15 May 2020 Announcement for further details and analysis.

2 As disclosed by the Managers in its announcement dated 20 April 2020 "Update Announcement and Response to the SGX-ST's Queries" (the "20 April 2020 Announcement"), the Board of the REIT Manager had during FY2019 agreed to an extension of 60 days for the relevant Master Lessees to provide the outstanding security deposit amount of approximately US\$20,000,000.

Reference should be made to the 20 April 2020 Announcement for further details.

Save as disclosed above, there were no additional interested person transactions (excluding transactions less than \$100,000) and EHT has not obtained a general mandate from Unitholders for interested person transactions.

The fees and charges payable by EHT to the Manager under the Trust Deed, and receivables from the Master Lessees under the MLAs and Sale and Purchase Agreements, each of which constitutes an Interested Person Transaction. Accordingly, such transactions are deemed to have been specifically approved by the Unitholders upon subscription for the Units and are therefore not subject to Rules 905 and 906 of the Listing Manual to the extent that there is no subsequent change to the rates and/or bases of the fees charged thereunder which will adversely affect EHT.

Please also see Related Party Transactions in Note 24 to the Financial Statements.

# STATISTICS OF STAPLED SECURITYHOLDINGS

As at 15 July 2020

## DISTRIBUTION OF STAPLED SECURITYHOLDINGS

SIZE OF STAPLED SECURITYHOLDERS	NO. OF STAPLED SECURITYHOLDERS	%	NO. OF STAPLED SECURITIES	%
1 - 99	1	0.03	1	0.00
100 - 1,000	251	6.71	224,855	0.03
1,001 - 10,000	1,801	48.18	10,868,900	1.24
10,001 - 1,000,000	1,662	44.46	91,972,797	10.54
1,000,001 and above	23	0.62	769,683,564	88.19
<b>TOTAL</b>	<b>3,738</b>	<b>100.00</b>	<b>872,750,117</b>	<b>100.00</b>

## TWENTY LARGEST STAPLED SECURITYHOLDERS

NO.	NAME	NO. OF STAPLED SECURITIES	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	317,406,117	36.37
2	DBS NOMINEES (PRIVATE) LIMITED	196,345,571	22.50
3	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	51,860,600	5.94
4	OCBC SECURITIES PRIVATE LIMITED	37,162,200	4.26
5	RAFFLES NOMINEES (PTE.) LIMITED	33,025,149	3.78
6	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	29,148,993	3.34
7	DBSN SERVICES PTE. LTD.	24,477,500	2.80
8	DB NOMINEES (SINGAPORE) PTE LTD	23,948,000	2.74
9	HSBC (SINGAPORE) NOMINEES PTE LTD	11,194,600	1.28
10	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	7,028,742	0.81
11	PHILLIP SECURITIES PTE LTD	6,388,192	0.73
12	MAYBANK KIM ENG SECURITIES PTE. LTD.	6,003,700	0.69
13	UOB KAY HIAN PRIVATE LIMITED	5,651,800	0.65
14	BNP PARIBAS NOMINEES SINGAPORE PTE. LTD.	3,258,300	0.37
15	SNG TIONG YEE	2,882,700	0.33
16	TAN BANG GEE	2,613,300	0.30
17	IFAST FINANCIAL PTE. LTD.	1,993,600	0.23
18	NEO WAN HONG OR ONG LAY LIN	1,870,000	0.21
19	LEE YONG MIANG	1,700,000	0.19
20	ADRIC NG KIM SENG	1,672,000	0.19
<b>TOTAL</b>		<b>765,631,064</b>	<b>87.71</b>



# STATISTICS OF STAPLED SECURITYHOLDINGS

As at 15 July 2020

## SUBSTANTIAL STAPLED SECURITYHOLDERS' STAPLED SECURITYHOLDINGS AS AT 15 JULY 2020

Names of Substantial Stapled Securityholders	No. of Staple Securities	No. of Staple Securities
	Direct Interest	Deemed Interest
1 Howard Chornng Jeng Wu <sup>1</sup>	-	53,163,000
2 Taylor Ronald Woods <sup>2</sup>	-	66,102,000
3 Regal Empire Ventures Ltd	66,102,000	-
4 Tang Yigang @ Gordan Tang <sup>3</sup>	25,641,000	74,783,000
5 Chen Huaidan @ Celine Tang <sup>4</sup>	25,641,000	74,783,000
6 Yang Chanzhen @Janet Yeo <sup>5</sup>	-	51,281,000
7 Qian Jianrong	52,110,900	-

Notes:

- Fortress Empire Group Ltd, Vertical Gain Investments Inc and Dragonbay Fortune Inc each has a direct interest of 24,000,001 Stapled Securities; 1,886,000 Stapled Securities and 27,276,999 Stapled Securities respectively in EHT. Each of Fortress Empire Group Ltd, Vertical Gain Investments Inc and Dragonbay Fortune Inc is wholly-owned by Howard Chornng Jeng Wu ("Howard Wu"). Accordingly, Howard Wu is deemed to be interested in an aggregate of 53,136,000 Stapled Securities held by Fortress Empire Group Ltd, Vertical Gain Investments Inc and Dragonbay Fortune Inc.
- Taylor Ronald Woods ("Taylor Woods") owns 100% shareholdings in Regal Empire Ventures Ltd. Accordingly, Taylor Woods is deemed to be interested in 66,102,000 Stapled Securities held by Regal Empire Ventures Ltd.
- Tang Yigang @ Gordan Tang ("Gordan Tang") is the spouse of Chen Huaidan @ Celine Tang ("Celine Tang"). The direct interest of 25,641,000 Units are held jointly by Gordan Tang and Celine Tang. 61,962,500 Stapled Securities are held by Tang Dynasty Fund Pte Ltd ("TDF") and 12,820,500 Stapled Securities are held by Tang Dynasty Pte Ltd ("TD"). Gordan Tang has more than 20% equity interest in each of TDF and TD, therefore he is deemed to be interested in the Stapled Securities held by both TDF and TD.
- Celine Tang is the spouse of Gordan Tang. The direct interest of 25,641,000 Units are held jointly by Gordan Tang and Celine Tang. 61,962,500 Stapled Securities are held by TDF and 12,820,500 Stapled Securities are held by TD. Celine Tang has more than 20% equity interest in each of TDF and TD, therefore she is deemed to be interested in the Stapled Securities held by both TDF and TD.
- Yang Chanzhen @Janet Yeo is the sole shareholder of Gold Pot Developments Limited and therefore she has deemed interest in 51,281,000 units held by Gold Pot Developments Limited.

## STAPLED SECURITYHOLDINGS OF DIRECTORS OF THE MANAGERS AS AT 15 JULY 2020

Based on the Register of Directors' Stapled Securityholdings, save for those disclosed below, none of the Directors holds any interest in Stapled Securities issued by EHT.

Name of Director	No. of Units	No. of Units
	Direct Interest	Deemed Interest
1 Salvatore Gregory Takoushian <sup>1</sup>	-	10,256,000

Note:

- Empress Star Ventures Inc is wholly-owned by Salvatore Gregory Takoushian ("Salvatore Takoushian"). Accordingly, Salvatore Takoushian is deemed to be interested in 10,256,000 Stapled Securities held by Empress Star Ventures Inc.

## FREE FLOAT

Based on information available to the Managers as at 15 July 2020, approximately 64.74% of the Stapled Securities issued by Eagle Hospitality Trust are held in public hands. Accordingly, Rule 723 of the Listing Manual of the SGX-ST has been complied with.

# NOTICE OF ANNUAL GENERAL MEETING



## EAGLE HOSPITALITY TRUST A stapled group 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.**

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting (the “**Meeting**” or “**AGM**”) of the holders of stapled securities (“**Stapled Securityholders**”) of Eagle Hospitality Trust (“**EHT**”), a stapled group comprising Eagle Hospitality Real Estate Investment Trust (“**EH-REIT**”) and Eagle Hospitality Business Trust (“**EH-BT**”) will be held by way of electronic means on Monday, 31 August 2020 at 2.00 p.m. to transact the following business:

### AS ORDINARY BUSINESS

1. To receive and adopt the following:

**(Ordinary Resolution 1)**

- the Report of the Trustee-Manager issued by Eagle Hospitality Business Trust Management Pte. Ltd., in the capacity as trustee-manager of EH-BT (the “**Trustee-Manager**”);
- the Report of REIT Trustee issued by DBS Trustee Limited, in the capacity as trustee for EH-REIT (the “**REIT Trustee**”);
- the Report of the REIT Manager issued by Eagle Hospitality REIT Management Pte. Ltd., in the capacity as manager of EH-REIT (the “**REIT Manager**”); and
- the Audited Financial Statements of EH-BT, EH-REIT and EHT for the financial year ended 31 December 2019 together with the Independent Auditors’ Report thereon.

2. To re-appoint KPMG LLP as Auditors of EHT, EH-REIT and EH-BT to hold office until the conclusion of the next AGM of EHT and to authorise the REIT Manager and the Trustee-Manager to fix their remuneration.

**(Ordinary Resolution 2)**

# NOTICE OF ANNUAL GENERAL MEETING

## AS SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without any modifications, the following resolution:

3. That authority be and is hereby given to the REIT Manager and the Trustee-Manager, to:

**(Ordinary Resolution 3)**

- (a) (i) issue new units in EH-REIT ("**EH-REIT Units**") and new units in EH-BT ("**EH-BT Units**") (collectively, the "**Stapled Securities**") whether by way of rights, bonus or otherwise; and/or;
- (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Stapled Securities to be issued, including but not limited to the creation and issue of (as well as adjustments to) securities, warrants, debentures or other instruments convertible into Stapled Securities,

at any time and upon such terms and conditions and for such purposes and to such persons as the REIT Manager and the Trustee-Manager may in their absolute discretion deem fit; and

- (b) issue Stapled Securities in pursuance of any Instruments made or granted by the REIT Manager and the Trustee-Manager while this Resolution was in force (notwithstanding that the authority conferred by this Resolution may have ceased to be in force),

provided that:

- (1) the aggregate number of Stapled Securities to be issued pursuant to this Resolution (including Stapled Securities to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed one hundred per cent (100%) of the total number of issued Stapled Securities (excluding treasury EH-REIT Units and treasury EH-BT Units, if any) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Stapled Securities to be issued other than on a *pro rata* basis to existing Stapled Securityholders shall not exceed twenty per cent (20%) of the total number of issued Stapled Securities (excluding treasury EH-REIT Units and treasury EH-BT Units, if any) (as calculated in accordance with sub-paragraph (2) below);
- (2) subject to such manner of calculation as may be prescribed by Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the purpose of determining the aggregate number of Stapled Securities and Instruments that may be issued under sub-paragraph (1) above, the total number of issued Stapled Securities and Instruments shall be based on the total number of issued Stapled Securities (excluding treasury EH-REIT Units and treasury EH-BT Units, if any) at the time this Resolution is passed, after adjusting for:
  - (a) any new Stapled Securities arising from the conversion or exercise of the Instruments; and
  - (b) any subsequent bonus issue, consolidation or subdivision of Stapled Securities;

- (3) in exercising the authority conferred by this Resolution, the REIT Manager and the Trustee-Manager shall comply with the provisions of the Listing Manual of SGX-ST for the time being in force (unless such compliance has been waived by SGX-ST), the Business Trusts Act, Chapter 31A of Singapore for the time being in force, the trust deed constituting EH-REIT (the "**EH-REIT Trust Deed**") for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore), the trust deed constituting EH-BT (the "**EH-BT Trust Deed**") for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore), the stapling deed (the "**Stapling Deed**") entered into between the REIT Manager, the REIT Trustee and the Trustee-Manager for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore);
- (4) unless revoked or varied by the Stapled Securityholders in a general meeting, the authority conferred by this Resolution shall continue in force until (i) the conclusion of the next Annual General Meeting of EHT or (ii) the date by which the next Annual General Meeting of EHT is required by the applicable laws and regulations to be held, whichever is earlier;
- (5) where the terms of the issue of the Instruments provide for adjustment to the number of Instruments or Stapled Securities into which the Instruments may be converted, in the event of rights, bonus or other capitalisation issues or any other events, the REIT Manager and the Trustee-Manager are authorised to issue additional Instruments or Stapled Securities pursuant to such adjustment notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the Instruments or Stapled Securities are issued; and
- (6) the REIT Manager, the Trustee-Manager, any director of the REIT Manager or the Trustee-Manager (each a "**Director**" and collectively, the "**Directors**") and the REIT Trustee, be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the REIT Manager, the Trustee-Manager, such Director, or, as the case may be, the REIT Trustee may consider expedient or necessary or in the interest of EHT, EH-REIT and EH-BT to give effect to the authority conferred by this Resolution.

(Please See Explanatory Notes.)

# NOTICE OF ANNUAL GENERAL MEETING

## AS OTHER BUSINESS

4. To transact such other business as may be transacted at an AGM.

By order of the Board

**Josephine Toh**

*Company Secretary*

**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**

14 August 2020

## EXPLANATORY NOTE:

The Ordinary Resolution 3 above, if passed, will empower the REIT Manager and the Trustee-Manager (the “**Managers**”) from the date of this AGM until the date of the next AGM of EHT, or (ii) the date by which the next AGM of EHT is required by applicable laws and/or regulations or the EH-REIT Trust Deed, the EH-BT Trust Deed or the Stapling Deed to be held, whichever is earlier, unless such authority is earlier revoked or varied by the Stapled Securityholders in a general meeting, to issue Stapled Securities and to make or grant Instruments (such as securities, warrants or debentures) convertible into Stapled Securities and issue Stapled Securities pursuant to such instruments, up to a number not exceeding one hundred (100%) of the total number of issued Stapled Securities (“**Enhanced Stapled Security Issue Mandate**”) (excluding treasury EH-REIT Units and treasury EH-BT Units, if any), of which up to twenty per cent (20%) may be issued other than on a pro rata basis to existing Stapled Securityholders.

For the purpose of determining the aggregate number of Stapled Securities that may be issued, the percentage of issued Stapled Securities will be calculated based on the total number issued Stapled Securities (excluding treasury EH-REIT Units and treasury EH-BT Units, if any) at the time the Ordinary Resolution 3 above is passed, after adjusting for new Stapled Securities arising from the conversion and any subsequent bonus issue, consolidation or subdivision of Stapled Securities.

Fund raising by issuance of new Stapled Securities may be required in instances of property acquisitions or debt repayments. In any event, if the approval of Stapled Securityholders is required under the Listing Manual of the SGX-ST, the EH-REIT Trust Deed, the EH-BT Trust Deed and the Stapling Deed or any applicable laws and regulations in such instances, the REIT Manager and the Trustee-Manager will then obtain the approval of Stapled Securityholders accordingly.

The Enhanced Stapled Security Issue Mandate is made pursuant to the news release issued by Singapore Exchange Regulation (“**SGX RegCo**”) of 8 April 2020, which introduced measures to support issuers amid the challenging business and economic climate due to COVID-19. It enables the acceleration of fund-raising efforts by allowing Mainboard issuers to seek a general mandate for an issue of shares and convertible securities of up to an aggregate of 100% of its issued shares (excluding treasury shares and subsidiary holdings), versus up to 50% previously, of which the aggregate number of shares and convertible securities issued other than on a *pro rata* basis remains at not more than 20%. The Enhanced Stapled Security Issue Mandate may be renewed at the 2021 AGM and is only valid until 31 December 2021, by which date any Stapled Securities and/or convertible securities issued pursuant to the Enhanced Stapled Security Issue Mandate must be listed, and no further Stapled Securities and/or convertible securities may be issued under this limit.

The Managers are proposing to avail EH-REIT and EH-BT to the Enhanced Stapled Security Issue Mandate and accordingly are seeking Stapled Securityholders' approval for the same at the Meeting. The Board of Directors of the Managers are of the view that it would be in the interests of EH-REIT, EH-BT and the Stapled Securityholders to do so in the event that circumstances evolve before the 2021 AGM amid the COVID-19 situation to such an extent that a 50% limit for *pro rata* issue of Stapled Securities is not sufficient to meet the needs of EH-REIT and EH-BT. Under such circumstances, fund raising efforts would be unnecessarily hampered and compromised in view of the time needed to obtain Stapled Securityholders' approval for the issue of Stapled Securities above the 50% threshold.

Notwithstanding the higher limit under the Enhanced Stapled Security Issue Mandate, the Board of Directors of the Managers will only approve the issuance of Stapled Securities under such mandate if they believe that to do so would promote the success of EHT for the benefit of Stapled Securityholders as a whole.

The Enhanced Stapled Security Issue Mandate may be renewed at the AGM of EHT in 2021 and is only valid until 31 December 2021, by which date the Stapled Securities and/or convertible securities issued pursuant to such mandate must be listed and no further Stapled Securities and/or convertible securities shall be issued under such mandate. The Managers are required to notify SGX RegCo of the following by way of email when the above mandate has been approved by Stapled Securityholders: (i) name of issuer; and (ii) date on which such general mandate is approved by Stapled Securityholders.

# NOTICE OF ANNUAL GENERAL MEETING

## IMPORTANT NOTICE:

- (1) The Meeting is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. A Stapled Securityholder will not be able to attend the Meeting in person. A Stapled Securityholder (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Meeting if such Stapled Securityholder wishes to exercise his/her/its voting rights at the Meeting.
- (2) A Stapled Securityholder who is a relevant intermediary entitled to vote at the Meeting must appoint the Chairman of the Meeting to attend and vote instead of the Stapled Securityholder.

**"Relevant intermediary"** means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Stapled Securities in that capacity;
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds Stapled Securities in that capacity; or
  - (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Units purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Stapled Securities in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
- (3) The Chairman of the Meeting, as proxy, need not be a Stapled Securityholder of EHT.
  - (4) The instrument appointing the Chairman of the Meeting as proxy (the "**Proxy Form**") must be deposited with the registered office address of the REIT Manager of Eagle Hospitality Real Estate Investment Trust and the Trustee-Manager of Eagle Hospitality Business Trust, at **8 Marina Boulevard, #11-15/17 Marina Bay Financial Centre Tower 1, Singapore 018981** or sent by email to [AGM.REG@eagleht.com](mailto:AGM.REG@eagleht.com), not less than seventy-two (72) hours before the time appointed for the AGM.

## PERSONAL DATA PRIVACY:

By (a) submitting an instrument appointing the Chairman of the Meeting as a proxy to vote at the AGM and/or any adjournment thereof, or (b) completing the Pre-registration in accordance with this Notice, or (c) submitting any question prior to the AGM in accordance with this Notice, a Stapled Securityholder of EHT consents to the collection, use and disclosure of the Stapled Securityholder's personal data by EHT (or its agents or service providers) for the following purposes:

- (i) the processing and administration by EHT (or its agents or service providers) of proxy forms appointing the Chairman of the Meeting as a proxy for the AGM (including any adjournment thereof);
- (ii) the processing of the Pre-registration for purposes of granting access to Stapled Securityholders (or their corporate representatives in the case of Stapled Securityholders which are legal entities) to observe the AGM proceedings and providing them with any technical assistance where necessary;
- (iii) addressing relevant and substantial questions from Stapled Securityholders received before the AGM and if necessary, following up with the relevant Stapled Securityholders in relation to such questions;
- (iv) the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof); and
- (v) enabling EHT (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines.

### Participation in the AGM of EHT (the “AGM”) via “live” webcast or “live” audio feed

1. As the AGM will be held by way of electronic means, Stapled Securityholders will **NOT** be able to attend the AGM in person. All Stapled Securityholders or their corporate representatives (in the case of Stapled Securityholders which are legal entities) will be able to participate in the AGM proceedings by accessing a “live” webcast or listening to a “live” audio feed. To do so, Stapled Securityholders are required to pre-register their participation in the AGM (“**Pre-registration**”) at <https://eaglehtagm.listedcompany.com/eagle-hospitality-trust-2020-agm> (“**AGM Registration**”) by **2.00 p.m. on 28 August 2020** (“**Registration Deadline**”) for verification of their status as Stapled Securityholders (or the corporate representatives of such Stapled Securityholders).
2. Upon successful verification, each such Stapled Securityholder or its corporate representative will receive an email by **6.00 p.m. on 29 August 2020**. The email will contain instructions to access the “live” webcast or “live” audio feed of the AGM proceedings. Stapled Securityholders or their corporate representatives must not forward the email to other persons who are not Stapled Securityholders and who are not entitled to participate in the AGM proceedings. Stapled Securityholders or their corporate representatives who have pre-registered by the Registration Deadline in accordance with paragraph 1 above but do not receive an email by 6.00 p.m. on 29 August 2020 may contact the Managers for assistance at [enquiry@eagleht.com](mailto:enquiry@eagleht.com).
3. Stapled Securityholders holding shares through relevant intermediaries (other than CPF or SRS investors) will not be able to pre-register for the “live” webcast or “live” audio feed of the AGM. Such Stapled Securityholders who wish to participate in the “live” webcast or “live” audio feed of the AGM should instead approach his/her relevant intermediary as soon as possible in order to make the necessary arrangements.

### Voting by proxy

4. Stapled Securityholders may only exercise their voting rights at the AGM via proxy voting (see paragraphs 5 to 8 below).
5. Stapled Securityholders who wish to vote on any or all of the resolutions at the AGM must appoint the Chairman of the Meeting as their proxy to do so on their behalf, indicating how the Stapled Securityholder wished to vote for or vote against or abstain from voting on each resolution.
6. The duly executed proxy form must be deposited the registered office address of the Managers, at **8 Marina Boulevard, #11-15/17 Marina Bay Financial Centre Tower 1, Singapore 018981** or sent by email to [AGM.REG@eagleht.com](mailto:AGM.REG@eagleht.com) not less than seventy-two (72) hours before the time appointed for the holding of the AGM.
7. CPF or SRS investors who wish to vote should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM (i.e. by **2:00 p.m. on 20 August 2020**) in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the Meeting to vote on their behalf by the cut-off date.
8. Please note that Stapled Securityholders will not be able to vote through the “live” webcast and can only vote with their proxy forms which are required to be submitted in accordance with the foregoing paragraphs.



# NOTICE OF ANNUAL GENERAL MEETING

## Submission of questions prior to the AGM

9. Stapled Securityholders may submit questions related to the resolutions to be tabled at the AGM via the AGM Q&A email at [AGM.QNA@eagleht.com](mailto:AGM.QNA@eagleht.com) so that they may be addressed before or during the AGM proceedings. All questions must be submitted by **2.00 p.m. on 24 August 2020**.
10. The Managers shall only address relevant and substantial questions (as may be determined by the Managers in its sole discretion) received in advance of the AGM either before or during the AGM. The Managers will publish the minutes of the AGM on SGXNET and the Managers' website within one (1) month after the date of AGM.
11. Please note that Stapled Securityholders will not be able to ask questions at the AGM "live" during the webcast and the audio feed, and therefore it is important for Stapled Securityholders to pre-register their participation in order to be able to submit their questions in advance of the AGM.

## Important reminder

12. **Due to the constantly evolving COVID-19 situation, the Managers of EHT may be required to change its AGM arrangements at short notice. Stapled Securityholders are advised to regularly check the Managers' website or announcements released on SGXNET for updates on the AGM. Further, in light of the current COVID-19 measures, which may make it difficult for Stapled Securityholders to submit completed proxy forms by post, Stapled Securityholders are strongly encouraged to submit completed proxy forms electronically via email.**

# PROXY FORM

## ANNUAL GENERAL MEETING

(Please see notes overleaf before completing this Form)

### EAGLE HOSPITALITY TRUST

A stapled group 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)

### EAGLE HOSPITALITY BUSINESS TRUST

(a business trust constituted on 11 April 2019 under the laws of the Republic of Singapore)

#### IMPORTANT:

1. A Stapled Securityholder will not be able to attend the Meeting in person. If a Stapled Securityholder (whether individual or corporate) wishes to exercise his/her/its voting rights at the Meeting, he/she/it must appoint the Chairman of the Meeting as proxy as his/her/its behalf to attend, speak and vote on his/her/its behalf at the Meeting.
2. A relevant intermediary must appoint the Chairman of the Meeting to attend and vote at the Meeting (please see Note 2 for the definition of "relevant intermediary").
3. For CPF/SRS investors who have used their CPF/SRS monies to buy stapled securities in Eagle Hospitality Trust, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks if they have any queries regarding their appointment of the Chairman of the Meeting as proxy.
4. **PLEASE READ THE NOTES TO THE PROXY FORM.**

#### Personal data privacy

By submitting an instrument appointing the Chairman of the Meeting as proxy, the Stapled Securityholder accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 14 August 2020.

I/We, ..... (Name)  
..... (NRIC/Passport Number/Company Registration Number)  
of ..... (Address)

being a holder/holders of stapled securities ("**Stapled Securityholders**") of Eagle Hospitality Trust ("**EHT**"), comprising units in Eagle Hospitality Real Estate Investment Trust ("**EH-REIT**") and Eagle Hospitality Business Trust ("**EH-BT**") (collectively, "**Stapled Securities**"), hereby appoint:

The Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting (the "**Meeting**") of Stapled Securityholders of EHT to be held by way of electronic means on Monday, 31 August 2020 at 2.00 p.m. and at any adjournment thereof. I/We direct my/our proxy to vote for, against or abstain from voting the Resolutions proposed at the Meeting as indicated hereunder. **If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the appointment of the Chairman of the Meeting as my/our proxy will be treated as invalid.**

No.	Ordinary Resolutions	No. of votes 'For'*	No. of votes 'Against'*	No. of votes 'Abstain'*
<b>ORDINARY BUSINESS</b>				
1	To receive and adopt the EH-BT Trustee-Manager's Report, the EH-REIT Trustee's Report, the EH-REIT Manager's Report and the Audited Financial Statements of EH-BT, EH-REIT and EHT for the financial year ended 31 December 2019 together with the Independent Auditors' Report thereon.			
2	To re-appoint KPMG LLP as Auditors of EHT and to authorise the REIT Manager and the Trustee-Manager to fix their remuneration.			
<b>SPECIAL BUSINESS</b>				
3	To authorise the REIT Manager and the Trustee-Manager to issue new Stapled Securities and to make or grant convertible instruments.			

\* If you wish to abstain or exercise all your votes 'For', 'Against' or 'Abstain', please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this ..... day of ..... 2020

Total number of  
Stapled Securities Held

Signature of Stapled Securityholder(s)/ Common Seal of Corporate Stapled Securityholder

**IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM BELOW**

## Notes to the Proxy Form:

1. The Meeting is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. A stapled securityholder of EHT ("**Stapled Securityholder**") will not be able to attend the Meeting in person and must appoint the Chairman of the Meeting to attend, speak and vote on his/her/its behalf at the Meeting.
2. A Stapled Securityholder who is a relevant intermediary entitled to attend and vote at the Meeting must appoint the Chairman of the Meeting to attend and vote instead of the Stapled Securityholder.

"**Relevant intermediary**" means:

- (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Stapled Securities in that capacity;
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds Stapled Securities in that capacity; or
  - (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Stapled Securities purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Stapled Securities in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
3. CPF or SRS investors who wish to vote should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM (i.e. by 2.00 p.m. on 20 August 2020) in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the Meeting to vote on their behalf by the cut-off date.
  4. The Chairman of the Meeting, as proxy, need not be a Stapled Securityholder of EHT.
  5. The instrument appointing the Chairman of the Meeting as proxy (the "**Proxy Form**") must be deposited with the registered office address of the REIT manager of Eagle Hospitality Real Estate Investment Trust and the trustee-manager of Eagle Hospitality Business Trust (the "**Managers**"), at 8 Marina Boulevard, #11-15/17 Marina Bay Financial Centre Tower 1, Singapore 018981 or sent by email to [AGM.REG@eagleht.com](mailto:AGM.REG@eagleht.com), not less than seventy-two (72) hours before the time appointed for the Meeting.
  6. A Stapled Securityholder should insert the total number of Stapled Securities held. If the Stapled Securityholder has Stapled Securities entered against his/her name in the Depository Register maintained by The Central Depository (Pte) Limited ("**CDP**"), he/she should insert that number of Stapled Securities. If the Stapled Securityholder has Stapled Securities registered in his/her name in the Register of Stapled Securityholders, he/she should insert that number of Stapled Securities. If the Stapled Securityholder has Stapled Securities entered against his/her name in the said Depository Register and registered in his/her name in the Register of Stapled Securityholders, he/she should insert the aggregate number of Stapled Securities. If no number is inserted, this form of proxy will be deemed to relate to all the Stapled Securities held by the Stapled Securityholder.
  7. If the Stapled Securityholder is shown to not have any Stapled Securities entered against his name as at seventy-two (72) hours before the time fixed for the Meeting, the Proxy Form will be rejected.
  8. The Proxy Form must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
  9. Where a Proxy Form is signed on behalf of the appointor by an attorney or a duly authorised officer, the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must (failing previous registration with the Managers) be lodged with the Proxy Form; failing which the instrument may be treated as invalid.
  10. The Managers shall be entitled to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on and/or attached to the Proxy Form. In addition, in the case of Stapled Securities entered in the Depository Register, the Managers may reject a Proxy Form if the Stapled Securityholder, being the appointor, is not shown to have Stapled Securities entered against his/her name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by CDP to the Managers.
  11. All Stapled Securityholders will be bound by the outcome of the Meeting regardless of whether they have attended or voted at the Meeting.
  12. Personal data privacy: By submitting an instrument appointing the Chairman of the Meeting as a proxy to vote at the Meeting and/or any adjournment thereof, all Stapled Securityholders accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 14 August 2020.





Telephone: (65) 6653 4434  
Email: [enquiry@eagleht.com](mailto:enquiry@eagleht.com)