

# On the Road to Recovery

ARA US Hospitality Trust  
Annual Report 2021



## CORPORATE PROFILE

### ARA US Hospitality Trust

Listed on the Singapore Exchange on 9 May 2019, ARA US Hospitality Trust (“**ARA H-Trust**”) is a hospitality stapled group comprising ARA US Hospitality Property Trust (“**ARA H-REIT**”) and ARA US Hospitality Management Trust (“**ARA H-BT**”). ARA H-Trust invests in income-producing real estate assets used primarily for hospitality and/or hospitality-related purposes located in the United States (“**U.S.**”) and its portfolio currently comprises 41 upscale select-service hotels with a total of 5,340 rooms across 22 states in the U.S. 39 out of the 41 hotels have freehold land titles.

ARA H-Trust is managed by ARA Trust Management (USH) Pte. Ltd. (“**REIT Manager**”) and ARA Business Trust Management (USH) Pte. Ltd. (“**Trustee-Manager**”) (collectively known as the “**Managers**”). The Managers are wholly-owned subsidiaries of ARA Asset Management Limited (“**ARA**” or the “**Group**”).

ARA H-Trust has a market capitalization of US\$283.7 million as at 31 December 2021.

For more information, please visit [www.araushotels.com](http://www.araushotels.com).

## ESTABLISHED SPONSOR

The Sponsor, ARA Real Estate Investors 23 Pte. Ltd., is an indirect wholly-owned subsidiary of ARA Asset Management Limited, part of the ESR Group (“**ESR**”).

ESR is APAC’s largest real asset manager powered by the New Economy and the third largest listed real estate investment manager globally. With US\$140 billion in gross assets under management (“**AUM**”), ESR’s fully integrated development and investment management platform extends across key APAC markets, including China, Japan, South Korea, Australia, Singapore, India, New Zealand and Southeast Asia, representing over 95% of GDP in APAC, and also includes presence in Europe and the U.S. ESR provides a diverse range of real asset investment solutions and New Economy real estate development opportunities across the private funds business, which allow capital partners and customers to capitalise on the most significant secular trends in APAC. With 14 listed REITs managed by ESR and its associates, ESR is the largest sponsor and manager of REITs in APAC with a total AUM of US\$45 billion. Its purpose – Space and Investment Solutions for a Sustainable Future – drives ESR to manage sustainably and impactfully and it considers the environment and the communities in which it operates as key stakeholders of its business.

For more information, please visit [www.esr.com](http://www.esr.com) and [www.ara-group.com](http://www.ara-group.com).

# On the Road to Recovery



## OUR MISSION

To provide sustainable and stable returns to our Stapled Securityholders through attractive distributions and long-term capital appreciation.



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# Proven resilient and defensive model



Seating area for our guests to relax and hold casual discussion in a laid-back setting

AC Hotel Raleigh  
North Hills,  
North Carolina



▲ AC Hotel Raleigh  
North Hills,  
North Carolina



NET PROPERTY INCOME

US\$24.9 million

◀ Hyatt Place Omaha  
Downtown Old Market,  
Nebraska



A cosy and friendly lounge area to welcome our guests at the hotel lobby

—  
**Focus on strong  
value-proposition  
engenders preference  
and loyalty**



PRESENCE

41

Hotels geographically diversified across 22 states in the US

▼  
Hyatt House Shelton,  
Connecticut



# Being experienced and proactive are the **keys** to staying ahead



Capital asset improvements and refurbishment investments keep our hotels fresh and up-to-date for our guests





**PERSONNEL**

**Accomplished**

Management team based in  
Singapore and US

▲  
Hyatt Place Omaha  
Downtown Old Market,  
Nebraska

# PREMIER INTERNATIONAL HOTEL BRANDS

Our portfolio is branded under two of the world's largest hotel chains, Hyatt Hotels Corporation and Marriott International



HYATT  
house®

## ABOUT HYATT HOUSE

Hyatt House hotels are upscale extended-stay hotels which are designed to accommodate guests for a longer stay. The hotels offer services, amenities and apartment-style spaces to work and relax. Built on guest insights, the spacious studios and suites feature full kitchens, comfortable living rooms and stylish bathrooms. The guest experience is further enhanced with inviting public spaces like H Bar as well as conveniences like workout rooms and complimentary breakfasts and WIFI.

Hyatt House hotels cater to extended-stay business and leisure travelers as well as families. The hotels are also well suited to serve small meetings and events. The Hyatt House brand stands out in the extended-stay category due to its strategic growth, thoughtful designs and efficient operations.



HYATT  
PLACE™

## ABOUT HYATT PLACE

Hyatt Place hotels are upscale select-service hotels which offer a modern and comfortable guest experience, free of any unnecessary formalities. The rooms and spaces are thoughtfully designed around the guest with dedicated spaces to work, sleep and play. Each roomy guestroom features a comfy Cozy Corner sectional sleeper sofa, spacious desk and a contemporary bathroom.

Hyatt Place hotels cater to transient, mid to upper-income business and leisure travelers as well as families and are also well-suited to host small meetings and events. Hyatt Place hotels accounts for more of Hyatt's hotel footprint than any other brand and its service model and operational efficiencies are designed to drive performance in the upscale select-service category.



**ABOUT AC HOTELS BY MARRIOTT**

AC Hotels by Marriott hotels are upscale select-service hotels which celebrate the importance of purposeful design with its unwavering attention to the small but impactful details of a guest’s stay. The hotels are designed for a seamless hotel experience that anticipates and supports a guest’s true needs. With intuitively designed guestroom to flexible open spaces with no unwanted extras, guests maximize their stay with style and intention.

Catering to transient business and leisure travelers as well as families, AC Hotels by Marriott are also well-suited to host small meetings and events.



**ABOUT COURTYARD BY MARRIOTT**

Courtyard by Marriott is an upscale select-service hotel brand which has long led the industry when it comes to meeting the needs of the modern business traveler. Courtyard by Marriott offers a sophisticated yet comfortable environment with adaptable and welcoming spaces to allow for conversation and interaction. The guestrooms are fitted with thoughtful amenities and flexible work areas, ideal for business and leisure travelers.



**ABOUT RESIDENCE INN BY MARRIOTT**

Residence Inn by Marriott is one of the global leaders in the extended-stay segment in the U.S. Designed for longer stays, the hotels offer spacious suites with separate living, working and sleeping zones along with fully functional kitchens.

Catering to both business and leisure travelers, Residence Inn by Marriott is optimally positioned to recognize and serve the different needs of long-stay guests.

# DIVERSIFIED PORTFOLIO



**41**  
 UPSCALE SELECT-SERVICE  
 HOTELS



ROBUST SUPPLY OF  
**5,340 Rooms**



GEOGRAPHICALLY  
 DIVERSIFIED ACROSS  
**22 States**

Legend



Hyatt House



Hyatt Place



AC Hotels by Marriott



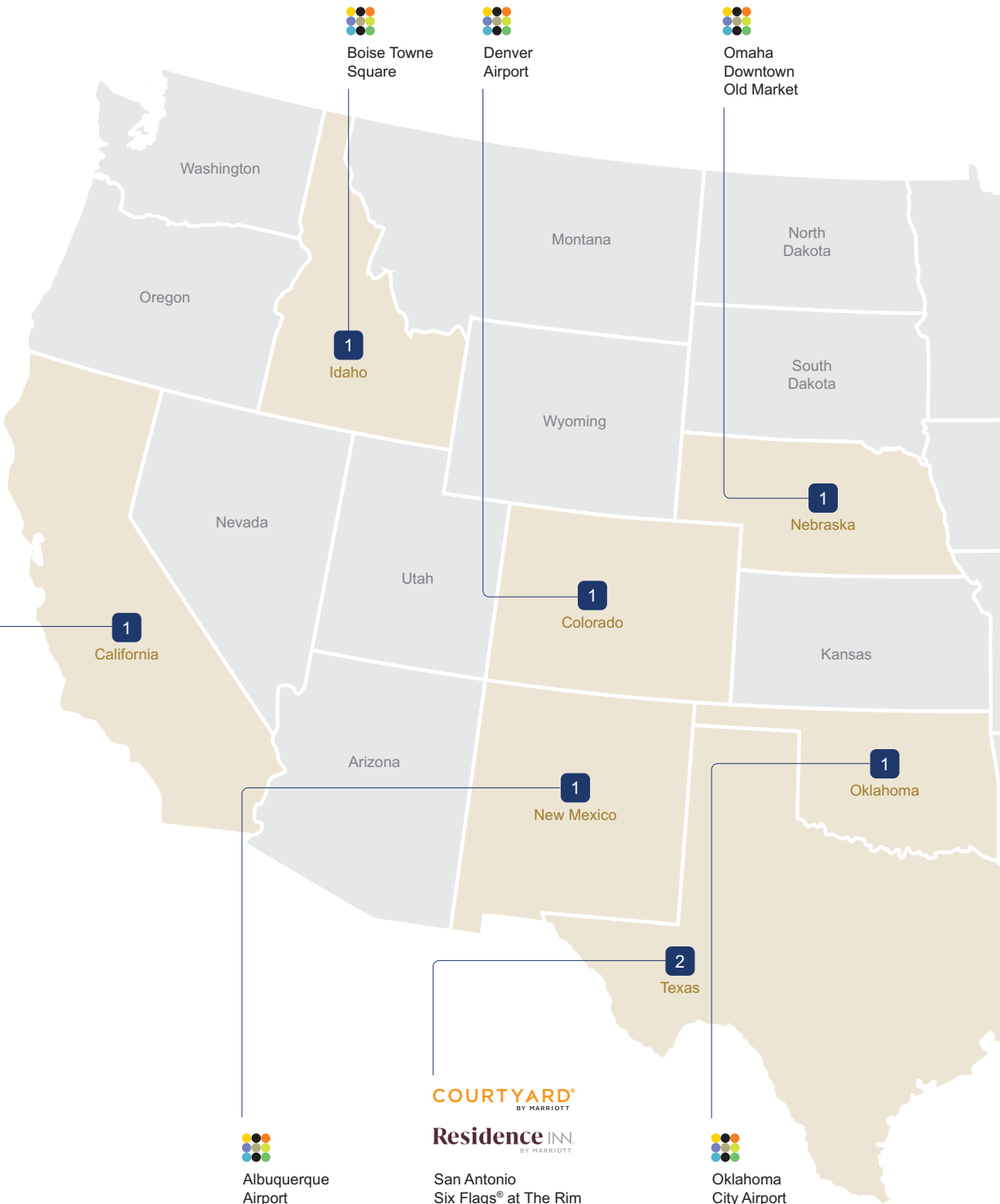
Courtyard by Marriott



Residence Inn by Marriott



Sacramento Rancho  
 Cordova





5

**PREMIER INTERNATIONAL HOTEL BRANDS**

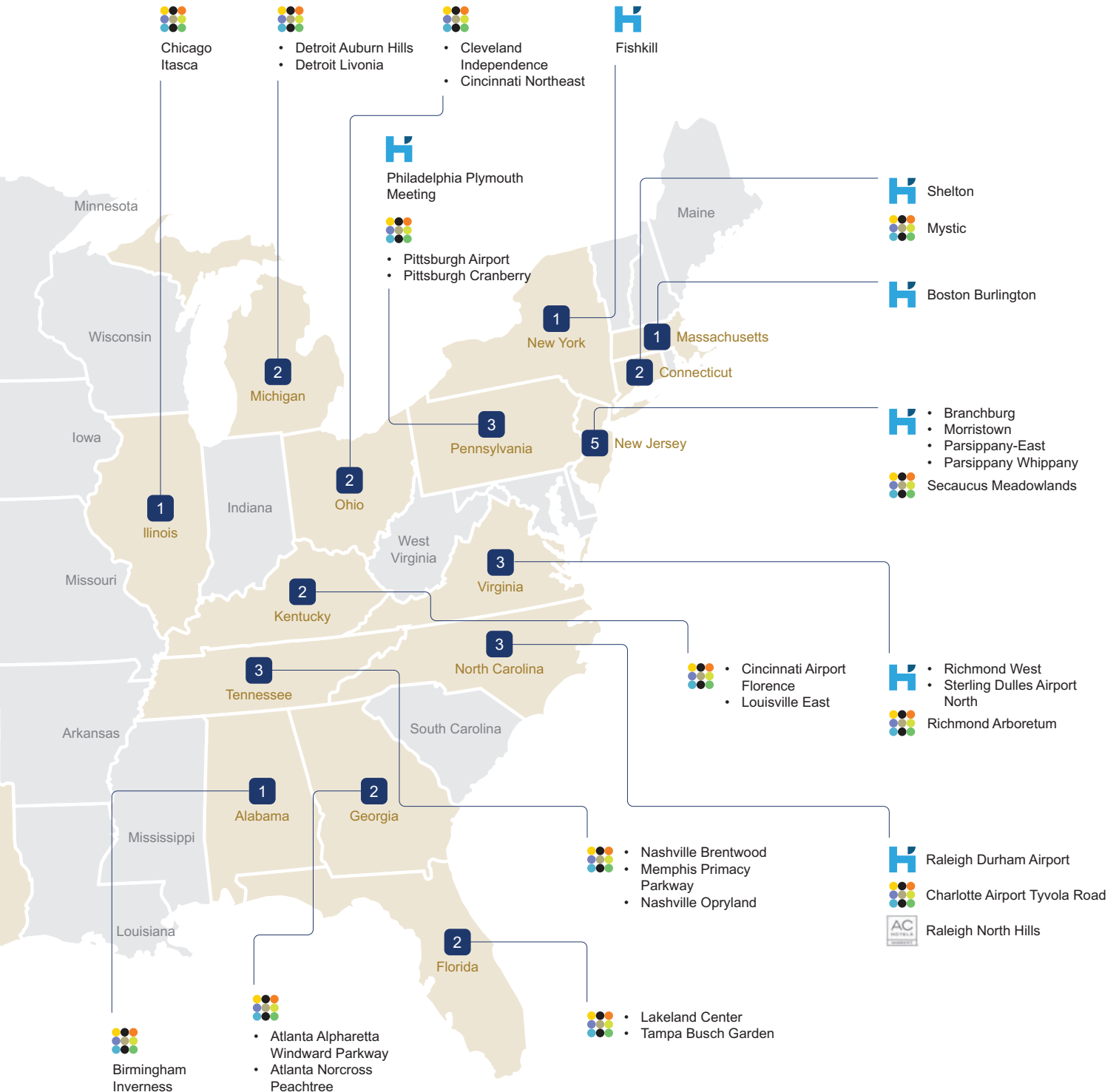
- HYATT HOUSE
- HYATT PLACE
- AC HOTELS BY MARRIOTT
- COURTYARD BY MARRIOTT
- RESIDENCE INN BY MARRIOTT



2

**ESTABLISHED HOTEL OPERATORS**

- AIMBRIDGE HOSPITALITY
- CONCORD HOSPITALITY



# 2021 FINANCIAL PERFORMANCE



OCCUPANCY RATE

57.1%

## Improvement in Performance and Financial Position



AVERAGE DAILY RATE ("ADR")

US\$112



REVENUE PER AVAILABLE ROOM ("REVPAR")

US\$64



INTEREST COVERAGE RATIO

2.0 times





**GROSS REVENUE**  
US\$130.7 million



**GROSS OPERATING PROFIT ("GOP")**  
US\$40.5 million



**NET PROPERTY INCOME ("NPI")**  
US\$24.9 million



**NET ASSET VALUE ("NAV") PER STAPLED SECURITY**  
US\$0.70



**GEARING**  
44.3%



**PERCENTAGE OF FIXED RATE DEBT**  
79.1%



**AVERAGE COST OF DEBT**  
3.4% p.a.



**WEIGHTED AVERAGE DEBT MATURITY**  
2.0 Years

# YEAR IN BRIEF



U.S. President-elect Biden outlines COVID-19 Vaccination Plan for the U.S. population.

**JAN 2021**

Participated in SGX S-REIT Corporate Day.

**MAR 2021**

1Q 2021 business update highlighted brightened outlook due to successful vaccination program and record government stimulus.

Engaged analysts and investor group on 1Q 2021 business updates.

Obtained further extension of loan covenant waivers up to December 2021.

50% of adult population in U.S. vaccinated.

**MAY 2021**

**FEB 2021**

Announcement of FY2020 financial results.

Engaged analysts and investor group on FY2020 financial results.

Obtained extension of financial covenants waiver up to June 2021.

**APR 2021**

Held virtual Annual General Meeting on 27 April 2021.

**JUL 2021**

DBS Group Research upgraded target price to US\$0.79 (prev US\$0.69).





Proposed acquisition of the Group's Sponsor, ARA Asset Management Limited by ESR Cayman Limited.

Announcement of 1H 2021 financial results.

Engaged analysts and investor group on 1H 2021 financial results.

iFast Financial upgraded target price to US\$0.63 (prev US\$0.57).

## AUG 2021



## SEP 2021

65% of adult population in U.S. vaccinated.

3Q 2021 business update focused on continued economic recovery and recovery of the Group's performance.

Engaged analysts and investor group on 3Q 2021 business updates.

Publication of inaugural Sustainability Report FY2020.

Participated in DBS Corporate Access: Singapore Hospitality (Revival) Conference.

U.S. lifted international travel restriction for vaccinated travelers.

## NOV 2021



## DEC 2021

U.S. national RevPAR exceeded 2019 levels for the first time since the pandemic.

Obtained new US\$75 million unsecured term loan facility and US\$20 million unsecured revolving credit facility on 23 Feb 2022 to refinance existing loans and for general working capital purposes.

Announced the proposed sale of Hyatt Place Chicago Itasca to third party for US\$7.75 million on 17 March 2022, subject to completion by June 2022.

# LETTER TO STAPLED SECURITYHOLDERS

## Delivering Resilient Results

from left to right:

**STEPHEN RAY FINCH**  
Chairman

**LEE JIN YONG**  
Chief Executive Officer

Dear Stapled Securityholders,




On behalf of the Board and management of ARA H-Trust, it is our pleasure to present to you ARA H-Trust's annual report for the financial year ended 31 December 2021 ("FY2021").

### PROGRESS IN 2021

The U.S. hotel industry suffered its worst year on record in 2020 due to the COVID-19 pandemic which severely disrupted all forms of travel. The halting of travel, both domestically and internationally, resulted in unprecedented declines in hotel occupancies and revenues as lockdowns and travel restrictions were mandated throughout the country.

Fortunately, the U.S. COVID-19 Vaccination Program, which began on December 14, 2020 and successfully rolled out throughout 2021, returned confidence to gathering and traveling again. Although lumpy with the several waves from variant strains of COVID-19, generally rising vaccination rates and corresponding declines in the rate of infection, hospitalization and death enable a lifting of restrictions throughout the country. Improved travel sentiment, led in particular by pent-up leisure demand, over the course of 2021 resulted in a rapid recovery in overall U.S. lodging market performance.



ARA H-Trust takes a disciplined and prudent approach in managing the capital structure and financial risks and maintains a healthy balance sheet to ensure continuous access to funding at optimal cost.

### FINANCIAL AND PORTFOLIO PERFORMANCE

ARA H-Trust's financial performance in FY2021 accordingly showed significant improvements in comparison to the nadir in FY2020. Total revenue and net property income for FY2021 were US\$130.7 million and US\$24.9 million, respectively. Taking into consideration loan interest expenses, other trust expenses, fees payable to the REIT Trustee and Managers and reserves set aside for capital expenditure, ARA H-Trust was able to reinstate distribution and reported a Distributable Income of US\$2.0 million for FY2021.

In FY2021, our portfolio of branded upscale select-service hotels achieved an occupancy and RevPAR of 57.1% and US\$64, respectively. We achieved a portfolio RevPAR index of 105.3%, outperforming our competition by capturing



more than our fair share of revenue in the portfolio's competitive markets. The ability to achieve greater than fair market share is also a testament to the appeal of our branded upscale select-service hotels and an affirmation to our overall strategy.

Our portfolio was valued by an independent valuer at US\$722.6 million as at 31 December 2021, an increase of 5.2% from US\$686.9 million a year ago. The increase in portfolio valuation is in line with the market recovery trajectory as underlying fundamentals improve. U.S. hotel transaction volumes in FY2021 were also approximately four times that of the previous year, and exceeded pre-pandemic levels by 43%<sup>1</sup>, reflecting investor confidence and optimism in the prospects for the U.S. hospitality industry.

#### **PROACTIVE CAPITAL MANAGEMENT**

ARA H-Trust takes a disciplined and prudent approach in managing the capital structure and financial risks and maintains a healthy balance sheet to ensure continuous access to funding at optimal cost.

ARA H-Trust's balance sheet remains sound with our aggregate leverage ratio improving to 44.3% after the latest portfolio valuation. Total borrowings stood at US\$338.1 million and the average cost of debt was 3.4% p.a. as at 31 December 2021. Our lender banks continue to be supportive and in February 2022, provided a new US\$95 million 3-year unsecured loan facilities to refinance maturing loans and for general working capital purposes. The weighted average debt maturity improved from 2.0 years as at 31 December 2021 to 2.6 years with the new loan facilities.

<sup>1</sup> JLL U.S. Hotel Investment Trends Year-End 2021

# LETTER TO STAPLED SECURITYHOLDERS

## SUSTAINABILITY REPORTING

On November 2021, ARA H-Trust issued its inaugural Sustainability Report for FY2020 in line with the reporting requirements from SGX. The report was prepared in accordance with the Global Reporting Initiative (“GRI”) Standards, as one of the internationally recognized reporting framework for sustainability reporting.

We are committed to drive a sustainable business by contributing to the social and environmental well-being of ARA H-Trust’s stakeholders, whilst focusing on our mission to deliver sustainable and stable returns to our Stapled Securityholders. To achieve this, sustainability considerations are included as part of strategic formulation and sets the strategic direction in ensuring good corporate governance, prudent financial management, robust health and safety practices, fair employment and efficient use of resources. A Sustainability Working Committee led by the Chief Executive Officer was also set up to carry out relevant Environmental, Social, and Governance (“ESG”) activities, review ESG performance targets and sustainability reporting disclosures.

More information will be disclosed in our Sustainability Report for FY2021 which will be released separately by May 2022.

## LOOKING AHEAD

Tourism Economics and STR, the leading global analytics company for the hospitality industry, have upgraded their U.S. hotel forecast, underpinned by continued strengthening fundamentals. The U.S. hotel market occupancy and RevPAR are forecast to grow by 10.7% and 19.5%, respectively, in 2022<sup>2</sup>, with occupancy and RevPAR projected to exceed 2019 levels in 2023. According to STR, the U.S. hotel industry recaptured

83% of pre-pandemic RevPAR levels in 2021, with much of the RevPAR recovery led by ADR in the latter half of year. Barring any major setbacks from exogenous events, demand and occupancy are shaping up to hit significant levels in the second half of 2022. Tourism Economics also expects that the backdrop for sustained travel recovery will continue over the next several years.

In 2022, the domestic leisure segment is expected to continue leading the recovery, closely followed by the gradual return of domestic business travelers as more corporations ease travel restrictions. As the ARA H-Trust portfolio is oriented towards domestic transient leisure and business travelers, with little reliance on group and international demand, we believe the Trust is poised to do well in the coming year.

We remain confident in the long-term fundamentals of the U.S. hospitality market and our business model and platform. Our sound financial position and diversified hotel portfolio position ARA H-Trust well to create long-term value for our Stapled Securityholders.

## ACKNOWLEDGEMENTS

On behalf of the Board, we would like to thank all our Stapled Securityholders, business partners, advisors, bankers, hotel guests and the Trustee for their patience, continued support and trust, especially during this unprecedented period. We also wish to extend our appreciation to the entire Board of Directors for their stewardship and our management team for their dedication and hard work.

**STEPHEN RAY FINCH**  
Chairman

**LEE JIN YONG**  
Chief Executive Officer



As the ARA H-Trust portfolio is oriented towards domestic transient leisure and business travelers, with little reliance on group and international demand, we believe the Trust is poised to do well in the coming year.

AC Hotel Raleigh  
North Hills,  
North Carolina



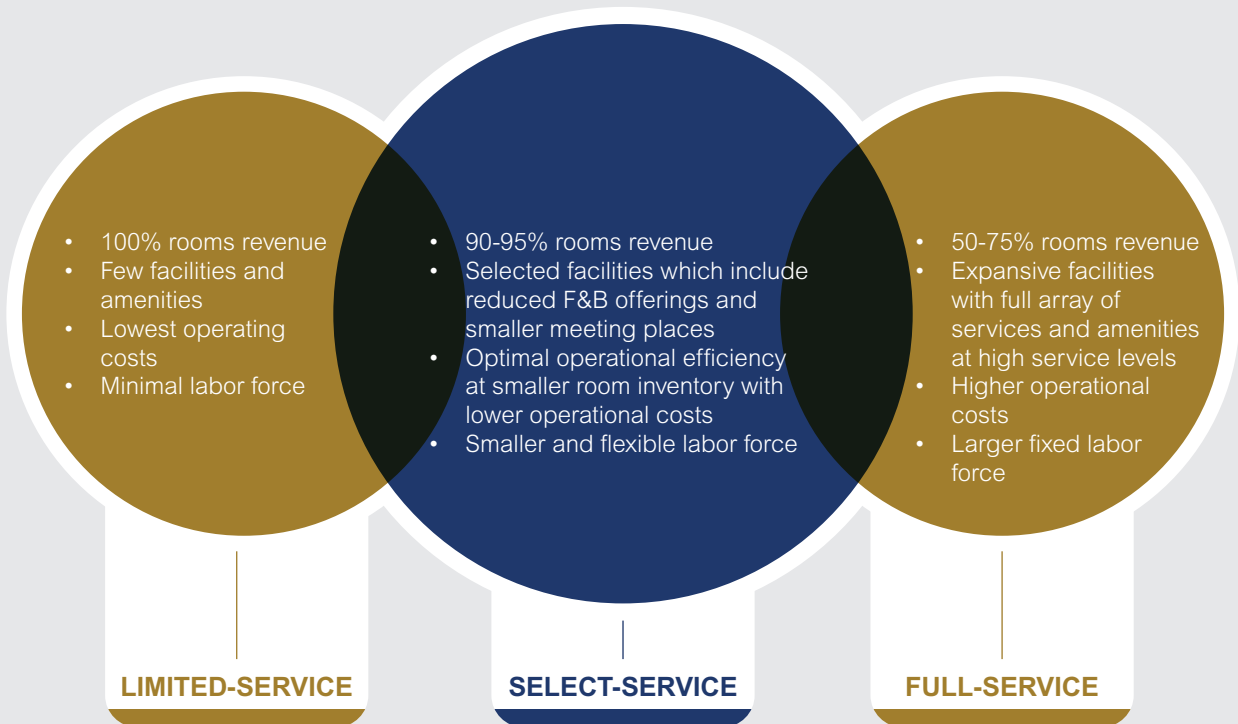
▲  
Hyatt House Raleigh  
Durham Airport,  
North Carolina

# OUR HOTEL SEGMENT

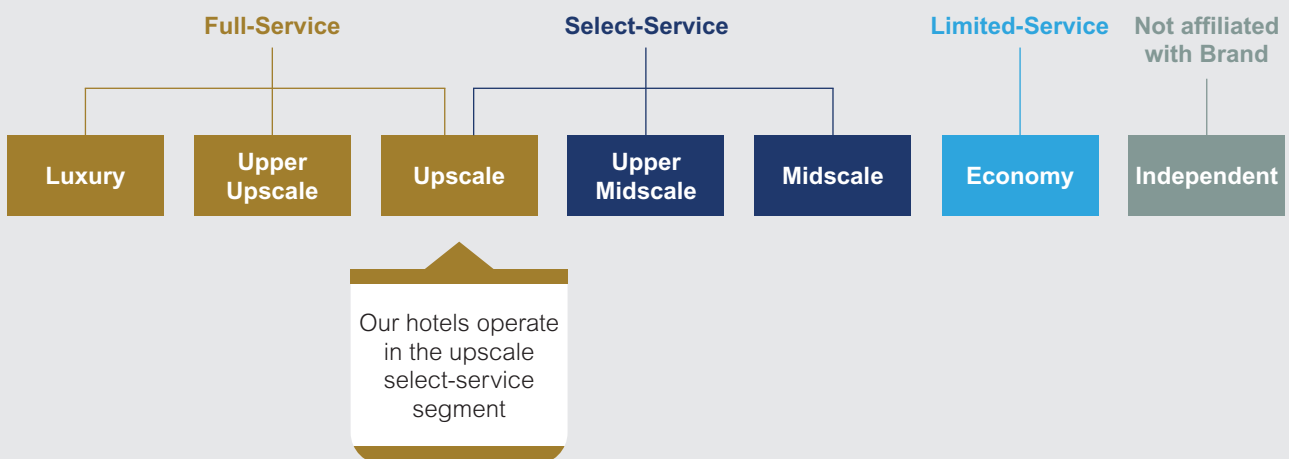
The U.S. hospitality market is the largest in the world with over 5.3 million rooms. In the U.S., around 70% of the industry supply is branded and further characterized into full-service, select-service and limited-service segments. The hotel brands can be further classified under the chain scale by price levels.

ARA H-Trust is focused in owning and operating upscale, premium-branded hotels with efficient and cost-effective select-service operating models in the U.S. The hotels are franchised under two of the world's largest hotel chains, Marriott International and Hyatt Hotels Corporation.

## Hotel Segment Attributes



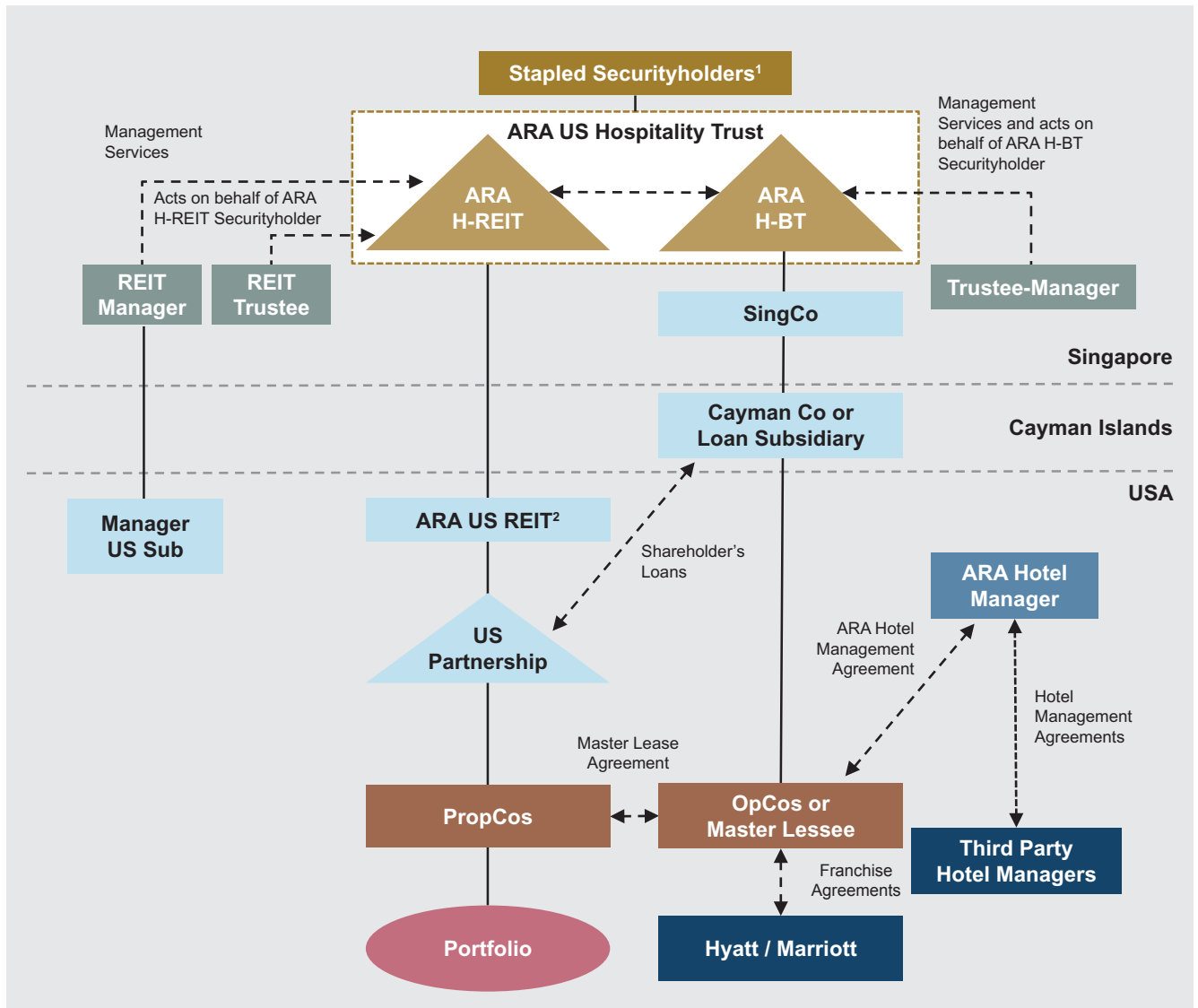
## Hotel Segment and Chain Scale Classification



# TRUST STRUCTURE

ARA H-Trust is a stapled group comprising ARA H-REIT and ARA H-BT. ARA H-REIT is set up to hold the underlying hotels. ARA H-BT is an active business trust set up to own the operational assets of the hotels. ARA H-BT extends shareholder's loans to the hotel holding companies to facilitate the repatriation of cashflows to Singapore.

ARA Hotel Manager is intended to oversee the operation, management and maintenance of the hotels by the third-party hotel managers (Aimbridge and Concord Hospitality). Both Hyatt and Marriott are franchisors that extend the various brands to the Portfolio.



## ADDITIONAL INFORMATION ON THE MASTER LEASE AGREEMENTS

In FY2021, all of the assets owned by ARA H-REIT were leased to either ARA USH Chicago Tenant, LLC or ARA USH Blue Runner Tenant, LLC, both wholly-owned subsidiaries of ARA H-BT.

Tenant	Industry	Percentage of Revenue	Expiry
ARA USH Chicago Tenant, LLC	Hospitality	86.6%	31 December 2024
ARA USH Blue Runner Tenant, LLC	Hospitality	13.4%	16 January 2025

As at 31 December 2021, the weighted average lease expiry (“WALE”) is 3.0 years.

<sup>1</sup> Please refer to the section “Important Notice Regarding the Ownership of Stapled Securities” in the Prospectus.  
<sup>2</sup> ARA USH REIT, Inc. qualified as a real estate investment trust for U.S. federal income tax purposes (“US REIT”) for the year 2021. A US REIT is not subject to U.S. federal income tax on its net income distributed as dividends.  
<sup>3</sup> As ARA H-BT is the master lessee which manages and operates these assets, it is expected that the master leases will be renewed as long as ARA H-REIT and ARA H-BT remain stapled.

## BOARD OF DIRECTORS

▶  
*from left:*

**STEPHEN RAY FINCH**

Independent Non-Executive Chairman

**RANDY ALLAN DANIELS**

Independent Non-Executive Director

**STEFANIE YUEN THIO**

Independent Non-Executive Director,  
Chairperson of the Audit Committee

▼  
*from left:*

**WONG CHOONG MANN**

Independent Non-Executive Director

**MOSES K. SONG**

Non-Independent Non-Executive Director

**CHERYL SEOW BEE LIAN**

Non-Independent Non-Executive Director

**LIN DAQI**

Non-Independent Non-Executive Director







## BOARD OF DIRECTORS

### STEPHEN RAY FINCH

#### Independent Non-Executive Chairman

Mr. Stephen Ray Finch is an Independent Non-Executive Director of the Managers and the Chairman of the Boards. He was appointed as director of the REIT Manager on 1 January 2019 and as director of the Trustee-Manager on 12 April 2019.

Mr. Finch is currently the Managing Partner of Colfaxridge LLP, a business consultancy firm. Prior to this, Mr. Finch served as Chief Executive Officer of SRE Capital Pte Ltd from 2015 to 2017, and as Chief Executive Officer of APN Funds Management (Asia) Pte Ltd (formerly known as ARA Strategic Capital I Pte. Ltd.) from 2006 to 2014, where he managed the APN Asian Asset Income Fund and the APN Asian REIT Fund. Prior thereto, Mr. Finch has served as Managing Director and Head of Debt Capital Markets at DBS Bank Ltd., where he was responsible for both the fixed income and real estate investment trust origination business from 2000 to 2006. Mr. Finch also advised on several real estate investment trust listings at the firm. He evaluated, structured, priced and marketed primary and secondary offerings of real estate investment trusts and local and international debt securities offerings, including convertible bonds, asset securitizations and business trusts. Prior thereto, Mr. Finch served as Head of Asian Debt Origination at ANZ Investment Bank from 1997 to 2000, focusing on emerging market debt at the firm, and in various divisions at Citibank from 1984 to 1997.

Mr. Finch graduated with a Bachelor of Science degree in Geography from Texas A&M University in 1980 and received a Master of Business Administration from Harvard Business School in 1984.

### RANDY ALLAN DANIELS

#### Independent Non-Executive Director

Mr. Randy Allan Daniels is an Independent Non-Executive Director of the Managers. He was appointed as a director of the Managers on 12 April 2019.

Mr. Daniels currently serves as the Chairman of BWC Terminals Inc. and has served as a Non-Executive Director of JP Morgan Real Estate Income and Growth Fund and Southwest Water Company, since 2012 and 2011 respectively. Prior to this, he served as a Director at JP Morgan International Infrastructure Board from 2007 to 2018, and as Chairman of the New York State Real Estate Board, which is the regulatory board that oversees more than 250,000 real estate brokers in New York state. Mr. Daniels was also previously the Managing Director of Pickwick Capital Partners LLC, a company which specializes in the private placement of foreign investment in real estate development projects in the United States, and was Vice Chairman of Gilford Securities Inc, specializing in real estate investment from 2007 to 2015. From 2001 to 2006,

Mr. Daniels was a Senior Government Official of the New York State, Department of State where he managed 17 divisions, 2,000 employees, a US\$1 billion annual budget and reviewed and approved all waterfront developments.

Mr. Daniels was a Registered Representative, Series 7 and 63 licensed by the Financial Industry Regulatory Authority, 2007-2019. He is a Certified Director of the National Association of Corporate Directors (“NACD”) and serves as a senior Board Leadership Fellow of NACD. Mr. Daniels received a Bachelor of Science in Political Science and Broadcast Journalism from Southern Illinois University, United States of America, in 1973.

### STEFANIE YUEN THIO

#### Independent Non-Executive Director, Chairperson of the Audit Committee

Ms. Stefanie Yuen Thio is an Independent Non-Executive Director of the Managers. She was appointed as a director of the Managers on 12 April 2019.

Ms. Yuen Thio is the Joint Managing Partner of TSMP Law Corporation and heads its corporate practice. Admitted to the Singapore Bar in 1994, she has over 27 years of legal experience in mergers and acquisitions, equity capital markets, corporate transactions and regulatory advice. Her clients range from listed corporates to international companies, including in the logistics industry and REITs. She is regularly named by legal journals as a leading practitioner in her areas of specialization. Ms. Yuen Thio is the Chairperson of ESR Funds Management (S) Limited, the manager of ESR-REIT. She is also an Independent Director of Singapore Medical Group.

Prior to her appointment and in the preceding nine years, she served on the board of ARA Trust Management (Cache) Limited, the manager of Cache Logistics Trust. She has more than 10 years of experience as a director of listed entities on the SGX-ST, including as member of audit committees, and has the necessary accounting and financial expertise and experience. Ms. Yuen Thio was appointed by the Monetary Authority of Singapore to the Corporate Governance Council 2017 to review the Code of Corporate Governance and is a Fellow of the Singapore Institute of Directors. From 2014 to 2017, she was a member of the Expert Panel, Centre for Cross-Border Commercial Law in Asia. She was also a member of the Singapore Governance and Transparency Index Advisory Panel from June 2016 to May 2018. Ms. Yuen Thio is a director of the Community Foundation of Singapore, an Institution of Public Character that promotes philanthropy in Singapore and serves on the Development Committee of the Singapore Art Museum.

Ms. Yuen Thio holds a Bachelor of Law (Honours) from the National University of Singapore. She is also an Advocate and Solicitor of The Supreme Court of Singapore.

**WONG CHOONG MANN****Independent Non-Executive Director**

Mr. Wong Choong Mann is an Independent, Non-Executive Director of the Managers. He was appointed as a director of the Managers on 15 January 2020.

Mr. Wong joined the Singapore Police Force in 1980 as an Inspector and rose to the rank of Assistant Commissioner of Police. He had been working in a managerial capacity in criminal investigation until he retired from the Singapore Civil Service on 28 November 2017. Prior to his retirement, he was Director (Investigations) at the Corrupt Practices Investigation Bureau ("CPIB") under the Prime Minister's Office and conducted investigations into offences of corruption in both the public and private sectors. Prior to his posting to the CPIB, he was the Deputy Director of the Criminal Investigation Department, Singapore Police Force, from June 2008 to September 2010.

After retiring from the Singapore Civil Service, Mr. Wong was appointed as an adjunct trainer by the Singapore Civil Service College in December 2017, and by the Nanyang Centre for Public Administration in June 2018.

**MOSES K. SONG****Non-Independent Non-Executive Director**

Mr. Moses K. Song is a Non-Independent Non-Executive Director of the Managers. He was appointed as a director of the Managers on 29 August 2018.

Mr. Song is currently the CEO of ARA Asset Management Limited. He is responsible for leading ARA's diversified real assets platform covering APAC, Europe and the US. Mr. Song oversees strategy, product development, capital raising and all investment management activities involving ARA. In addition, Mr. Song serves on ARA's Board, Executive Committee and Private Markets Investment Committee, as well as ESR's Group Investment Committee.

Mr. Song joined ARA in 2009 and led the firm's business development efforts and expansion strategies into new markets. During his tenure as Group CEO & CIO and Director of Business Development, ARA's gross assets under management grew by over 12 times to US\$100+ billion. Prior to joining ARA, he held senior positions with leading investment management firms and global investment banks in Tokyo, Seoul, Hong Kong and Singapore.

Mr. Song holds a Juris Doctor from Vanderbilt University School of Law and a Bachelor of Science in Economics from Centre College. He is a member of the State Bar of Texas (inactive status).

**CHERYL SEOW BEE LIAN****Non-Independent Non-Executive Director**

Ms. Cheryl Seow Bee Lian is a Non-Independent Non-Executive Director of the Managers. She was appointed as a director of the Managers on 29 August 2018.

Ms. Seow is currently the CFO of ARA Asset Management Limited, overseeing ARA's Finance and Business Division Support & Projects functions. In addition, Ms. Seow is a member of ARA's Executive Committee.

Prior to joining ARA, Ms. Seow established and ran her own boutique consultancy firm providing accounting and consultancy services to small and medium enterprises. She also held senior finance positions in various companies listed on the SGX-ST. She was Deputy Financial Controller and Company Secretary of L.C. Development Ltd and was with Royal Sporting House and Lum Chang Holdings Limited. Ms. Seow began her career with Deloitte Touche Tohmatsu, Singapore in 1988.

Ms. Seow holds a Bachelor of Accountancy from the National University of Singapore and is a Chartered Accountant with the Institute of Singapore Chartered Accountants.

**LIN DAQI****Non-Independent Non-Executive Director**

Mr. Lin Daqi is a Non-Independent, Non-Executive Director of the Managers. He was appointed as a director of the Managers on 15 January 2020.

Mr. Lin is currently the Investment Manager of Haiyi Holdings Pte Ltd, responsible for the evaluation and execution of the group's investments across industries and geographies. Mr. Lin started his career in the financial industry in 2009 as an equity research analyst with Citigroup Global Markets, covering the offshore & marine sector. Subsequently, Mr. Lin served in various capacities within the Strategic Advisory and Mergers & Acquisitions team in DBS from 2010 to 2017, where he advised on some of the most prominent and high-profile public takeovers on the SGX.

Mr. Lin graduated from the National University of Singapore in 2008 with a Bachelor of Business Administration (Honours) majoring in Finance.

# MANAGEMENT TEAM



**LEE JIN YONG**  
Chief Executive Officer



**JAMES S. JUNG**  
Director, Investments



**LISA SWAIN**  
Director, Asset Management



**LING HONG LIANG**  
Finance Director



**LIM KAI LUN**  
Assistant Finance Director



**JEAN TAN**  
Finance Manager

**LEE JIN YONG**  
**Chief Executive Officer**

Mr. Lee Jin Yong is the Chief Executive Officer of the Managers and is based in the U.S.

Mr. Lee has full executive responsibilities over the business directions and operational decisions in the day-to-day management of the Managers. Mr. Lee has over 30 years of relevant hotel management and investment experience, having personally closed transactions aggregating to US\$3.5 billion in acquisitions.

Mr. Lee received a Bachelor of Science in Hotel Administration from Cornell University, New York, U.S. and a Masters of Business Administration from the University of California, Irvine, U.S.

**JAMES S. JUNG**  
**Director, Investments**

Mr. James S. Jung is the Director, Investments of the Managers and is based in the U.S.

Mr. Jung works with the Chief Executive Officer to identify and evaluate potential acquisitions and related investments or divestments with a view to enhance the Trust's portfolio. Mr. Jung has over 15 years of experience in the full lifecycle of hospitality acquisition, asset management and disposition. Prior to joining the Managers, Mr. Jung has reviewed over US\$10 billion in asset valuation and was personally involved in closing a US\$2 billion acquisition/divestment in partnership with institutional U.S. capital.

Mr. Jung holds a Masters of Management in Hospitality (concentration in Real Estate Finance) from Cornell University, New York, U.S. and a Bachelor of Science/ Masters of Business Administration from the University at Albany, State University of New York, U.S.

**LISA SWAIN**  
**Director, Asset Management**

Ms. Lisa Swain, is the Director, Asset Management under the employment of the ARA Hotel Manager and is based in the U.S.

Ms. Swain has over 30 years of experience and operational expertise in revenue management, sales and e-commerce. Prior to joining the ARA Hotel Manager, Ms. Swain was Vice President of Asset Management at Clarion Partners and oversaw a portfolio of 26 select-service and 6 full-service hotels. Ms. Swain also has additional experience in hotel real estate investment consulting and property-level hotel management.

Ms. Swain holds a Bachelor in Business Administration (Hotel, Restaurant and Tourism Administration) from the University of South Carolina.

**LING HONG LIANG**  
**Finance Director**

Mr. Ling Hong Liang is the Finance Director of the Managers and is based in Singapore.

Mr. Ling is responsible for the finances of ARA H-Trust. He has more than 19 years of experience in the accounting, finance and audit industry. Prior to joining the Managers, Mr. Ling was the Vice President, Group Deputy Controller of GLP. Mr. Ling also spent 9 years at Deloitte & Touche LLP, Singapore in the audit division where he had been the engagement senior manager for local listed companies and leading clients.

Mr. Ling graduated from Nanyang Technological University of Singapore with a Bachelor of Accountancy and is a Chartered Accountant with the Institute of Singapore Chartered Accountants.

**LIM KAI LUN**  
**Assistant Finance Director**

Mr. Lim Kai Lun is the Assistant Finance Director of the Managers and is based in Singapore.

Mr. Lim assists the Finance Director with the finance function of ARA H-Trust. He has more than 15 years of experience in the accounting, finance and audit industry. Prior to joining the Managers, he held various finance and managerial positions in public listed companies, including Singapore Post Limited, ARA Asset Management Limited and SIA Engineering Company Limited. Mr. Lim had previously worked on the initial public offering of a public listed REIT and other corporate projects, including acquisitions of public listed equities and debt financing.

Mr. Lim graduated from Nanyang Technological University of Singapore with a Bachelor of Accountancy and is a Chartered Accountant with the Institute of Singapore Chartered Accountants.

**JEAN TAN**  
**Finance Manager**

Ms. Jean Tan is the Finance Manager of the Managers and is based in Singapore.

Ms. Tan is responsible for the full scope of finance and reporting functions of ARA H-Trust. She has more than 20 years of work experience in the accounting and finance industry. Prior to joining the Managers, she worked at GLP, Ascendas, Banyan Tree & Resorts and Far East Organization in various finance and managerial positions.

Ms. Tan holds a Bachelor of Psychology Degree from Singapore University of Social Science, an ACCA certificate (UK) and is a Chartered Accountant with the Institute of Singapore Chartered Accountants.

# OPERATIONAL REVIEW

## INDUSTRY OVERVIEW

The overall U.S. hospitality industry saw continued strong recovery in 2021 from its worst year on record in 2020. With the U.S. economy booming from the massive fiscal and monetary stimulus from the U.S. government, and the reopening of markets across the U.S. following the widespread success of the U.S. COVID-19 Vaccination Program, U.S. consumers flushed with cash, shifted from the accumulation of goods to the consumption of travel services as travel confidence improved and restrictions eased.

Towards the end of 2021, certain challenges remain for the U.S. hospitality industry. Potential new strains of the coronavirus may appear which could disrupt the recovery in travel, particularly for business and group demand. Labor shortages from a booming economy, supply shortages and inflation from supply chain disruptions can put additional pressure on wages and expenses. Nevertheless, the U.S. hospitality industry remains resilient and recovery is expected to continue in 2022 as more business, group and international demand returns.

The COVID-19 pandemic has not impacted all hotel types and locations to the same degree in the U.S. Extended-stay and select-service hotels which benefit from a streamlined operating model, have outperformed full-service hotels during the COVID-19 pandemic. Hotels located in drive-to, suburban, and smaller markets have also outperformed hotels located in urban and airport markets. Furthermore, hotels catering to transient leisure and business travelers have performed better than hotels oriented towards meeting, incentive and group demand, as large gatherings and conventions were postponed due to social-distancing requirements.

## PORTFOLIO PERFORMANCE

In FY2021, ARA H-Trust's portfolio recorded an occupancy and RevPAR of 57.1% and US\$64, which were 16.1 pp and 51.8% higher than FY2020 respectively. The recovery in occupancy rates in FY2021 was attributed to the rebound in domestic travel following the widespread distribution of vaccines, general management of COVID-19 cases and lifting of travel restrictions in the U.S. This is in stark comparison to the conditions in FY2020 where demand dropped off significantly due to the outbreak of the COVID-19 pandemic in the U.S. beginning in mid-March 2020, and selected hotels were temporarily closed between April to June 2020 to reduce operating costs and preserve cash.

The extended-stay hotels within the portfolio, which include hotels under the Hyatt House and Residence Inn brands, outperformed the non-extended-stay hotels in FY2021, and this was mainly due to greater demand from temporary displacements and relocations amidst the COVID-19 outbreak. The hotel rooms sold in FY2021 were predominantly derived from the transient leisure segment, pending the full return of business and group travel in 2022.

► From left:  
Courtyard San Antonio Six  
Flags® at The Rim, Texas

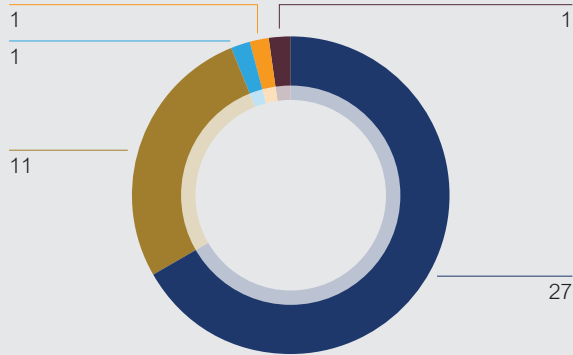
Hyatt Place Omaha Downtown  
Old Market, Nebraska

## OVERVIEW OF FY2021 OPERATING PERFORMANCE

Brands	Occupancy	RevPAR	GOP Margin
AC Hotels by Marriott	64.1%	US\$109	42.3%
Courtyard by Marriott	71.3%	US\$93	42.7%
Hyatt House	62.6%	US\$71	33.2%
Hyatt Place	52.8%	US\$56	27.0%
Residence Inn by Marriott	85.8%	US\$103	47.8%
<b>TOTAL PORTFOLIO</b>	<b>57.1%</b>	<b>US\$64</b>	<b>31.0%</b>

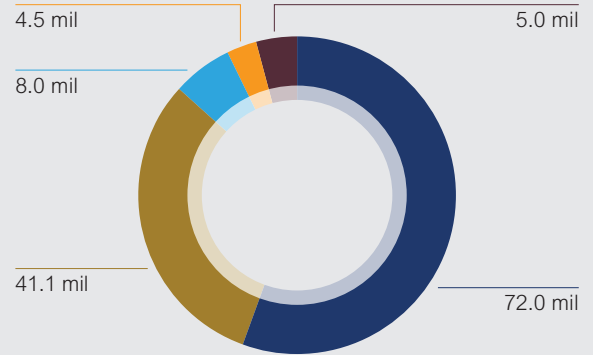


NUMBER OF HOTELS BY BRAND (2021)



Hyatt Place Hyatt House AC Hotels by Marriott  
 Courtyard by Marriott Residence Inn by Marriott

TOTAL REVENUE BY BRAND (2021)



Hyatt Place Hyatt House AC Hotels by Marriott  
 Courtyard by Marriott Residence Inn by Marriott



## OPERATIONAL REVIEW

### HYATT HOUSE



11  
HOTELS

Hyatt House hotels are upscale extended-stay hotels which are designed to accommodate guests for an extended-stay. Hyatt House hotels offer services, amenities and communal spaces which provide a casual, comfortable and residential environment. Hyatt House hotels are also equipped with apartment-style kitchenettes, separate living rooms and spacious bedrooms that provide guests with a comfortable living environment. Guests in Hyatt House hotels can enjoy the complimentary breakfast buffet spread known as the Morning Spread, and the H-Bar (a Hyatt branded bar). Typically located in urban,

### HYATT PLACE



27  
HOTELS

Hyatt Place hotels are upscale select-service hotels which offer a modern and comfortable experience for their guests. Hyatt Place hotels offer spacious guestrooms which feature a Cozy Corner sofa sleeper, the Hyatt Grand Bed™, a high definition television and a wet bar with a refrigerator. Hyatt Place hotels also offer the 24/7 Gallery Menu where guests can order gastropub items such as

### AC HOTEL BY MARRIOTT



1  
HOTEL

AC Hotel by Marriott is an upscale select-service hotel with a trendy modern design with European soul and Spanish roots. The AC Hotel is a lifestyle hotel designed for business travelers and leisure travelers, offering signature spaces such as the AC Lounge (bar) and the AC Meeting Salon (conference room) that attracts millennial travelers. Our AC Hotel Raleigh North Hills is nestled directly in Raleigh's bustling North Hills neighborhood where

### COURTYARD BY MARRIOTT



1  
HOTEL

Courtyard by Marriott hotel is an upscale select-service hotel which targets business and leisure travelers alike with quality comfort without the frills. Marriott's second largest brand by properties, Courtyard was introduced into the market more than 35 years ago as a brand built for business and has continuously evolved with new flexible prototype that fits a wide range of site needs. Our Courtyard by Marriott San Antonio Six Flags

### RESIDENCE INN BY MARRIOTT



1  
HOTEL

Residence Inn by Marriott is an upscale extended-stay hotel which is designed to provide comfortable longer stays lodging for the business and leisure travelers. The Residence Inn brand provides spacious suites featuring distinct living, working and sleeping spaces, with fully equipped kitchens in each suite. The warm and inviting public spaces feature modern residential design allowing guests to feel right at home, paired with the added amenities of upscale hotel living.



airport, and suburban areas, Hyatt House hotels cater to extended-stay business travelers, as well as leisure travelers and families. Hyatt House hotels are also well suited to serve small meetings and events.

These hotels typically achieve higher occupancy than Hyatt Place hotels due to the extended-stay orientation of Hyatt House hotels. As Hyatt House hotels cater towards longer-term stay guests, this resulted in higher average occupancy as compared to Hyatt Place hotels. Hyatt House hotels also hold a slight premium in ADR over Hyatt Place, which is

reflective of the larger room product (mostly suites), with their apartment-style rooms equipped with kitchenettes.

In FY2021, our Hyatt House hotels recorded an occupancy and ADR of 62.6% and US\$114 respectively. Consequently, RevPAR was US\$71, or 48.1% higher than FY2020. Our Hyatt House hotels derived higher demand as an extended-stay product due to greater need for more spacious guestrooms with full kitchenette amenities amidst temporary displacements, relocations and dining outlet closures during the COVID-19 outbreak.

sandwiches, soups, salads and snacks and the Coffee and Cocktails Bar, which features specialty coffees, premium beer, wine, and spirits. Typically located in urban, airport, and suburban areas, Hyatt Place hotels cater to business travelers, as well as leisure guests and families. Hyatt Place hotels are also well suited to serve small meetings and events.

In FY2021, our Hyatt Place hotels recorded an occupancy and ADR of 52.8% and US\$106 respectively, with the resulting RevPAR improving 51.9% to US\$56 as compared to FY2020. The Hyatt Place hotels are typically oriented towards transient business and leisure travelers and face varying degrees of competition from new supply depending on location.

travelers experience a unique combination of timeless European design, comfort and true authenticity, and also enjoy the Triangle region's prime shopping, dining and entertainment.

In FY2021, our AC Hotel recorded an occupancy and ADR of 64.1% and US\$171 respectively, with RevPAR at US\$109 or 60.3% higher than FY2020.

at The RIM hotel offers a perfect place to work, relax and recharge, with plush bedding, modern and flexible spaces with well-lit work space and free Wi-Fi.

In FY2021, our Courtyard by Marriott hotel recorded an occupancy and ADR of 71.3% and US\$130 respectively. As a result, RevPAR was US\$93, or 91.9% higher than FY2020.

Our Residence Inn San Antonio Six Flags at The RIM hotel is also ideally located near to shopping, dining and entertainment at The Rim Shopping Center, and many other nearby attractions.

In FY2021, our Residence Inn by Marriott hotel recorded an occupancy and ADR of 85.8% and US\$120 respectively. Consequently, RevPAR was US\$103, or 56.8% higher than FY2020.

## FINANCIAL REVIEW

### TOTAL REVENUE

The total revenue of ARA H-Trust comprises room revenue and other operating revenue. Room revenue comprises payments for the rental of guestrooms, including charges for cancellation and guaranteed no show at the properties. Other operating revenue comprises F&B sales and revenue relating to ancillary operations including meeting space rental, sundry sales and guest laundry.

Total revenue for the financial year ended 31 December 2021 was \$130.7 million or 67.2% higher as compared to the previous year. The portfolio experienced a recovery in occupancy rates since the beginning of 2021 with the rebound in travel following widespread distribution of vaccines, general management of COVID-19 cases, and lifting of travel restrictions in the U.S. This is in stark comparison to the conditions in FY2020 where demand dropped off significantly due to the outbreak of the COVID-19 pandemic in the U.S. beginning in mid-March 2020 and selected hotels were temporarily closed between April to June 2020 to reduce operating costs and preserve cash.

### GROSS OPERATING PROFIT

Gross operating profit (“**GOP**”) is total revenue less operating expenses. Operating expenses comprise room expenses, other operating expenses, administrative and general expenses, sales and marketing expenses, franchise fees, property operations and maintenance expenses and utilities.

Operating expenses for FY2021 was 37.8% higher than FY2020, as room revenue and other operating revenue increased. Notwithstanding the rise in occupancies, cost mitigation measures implemented by the Managers were effective in containing the increase in operating costs. This enabled ARA H-Trust to improve gross operating profit to US\$40.5 million in FY2021, up 218.7% as compared to FY2020.

### NET PROPERTY INCOME

Net property income (“**NPI**”) is total revenue less property expenses. Property expenses comprise operating expenses, hotel management fee, property taxes and other expenses. Hotel management fee is based on 3% of total revenue. Other expenses primarily comprise insurance expense.

After taking into account property taxes and other fixed costs, ARA H-Trust reported net property income of US\$24.9 million as compared to net property loss of US\$5.0 million in FY2020.

### DISTRIBUTABLE INCOME

After setting aside reserves of \$11.2 million for capital expenditure, distributable income amounted to US\$2.0 million for FY2021, reflecting the improved operating performance of ARA H-Trust’s portfolio amidst the recovery from the COVID-19 pandemic. Distribution per Stapled Security (“**DPS**”) was 0.355 US cents for the year, as compared to nil in FY2020. The reserves for capital expenditure will be utilised for long-term capital asset improvements and refurbishment investments for the portfolio.

### ASSETS AND LIABILITIES

Total assets of ARA H-Trust as at 31 December 2021 were US\$764.1 million, with NAV per Stapled Security at US\$0.70. As at 31 December 2021, the portfolio of 41 hotels was valued at US\$722.6 million, up from US\$686.9 million a year ago. The portfolio’s valuation improved by 5.2% as the underlying fundamentals improve in line with the market and recovery trajectory.

Total borrowings of ARA H-Trust as at 31 December 2021 amounted to US\$338.1 million, comprising bank borrowings of US\$336.3 million and lease liabilities of US\$1.8 million. The decrease in borrowings was mainly due to repayment of facilities, as well as the derecognition of lease liabilities upon the acquisition of the fee simple land title of Hyatt House Richmond Short Pump (formerly known as Hyatt House Richmond West) during the year. All borrowings are USD-denominated, which provides a natural hedge for the corresponding investments and income.

For FY2021, the all-in-cost of debt was 3.40% per annum. Bank borrowings were 79% hedged to fixed rate as at 31 December 2021. The fair value of these derivative financial instruments was 1.8% of the net assets of ARA H-Trust as at 31 December 2021.

Aggregate leverage improved to 44.3% as at 31 December 2021, and interest coverage ratio stood at 2.0 times. The aggregate leverage of 44.3% is in line with the limit set by the Monetary Authority of Singapore for Singapore REITs. The improvement in aggregate leverage ratio was primarily attributed to the increase in portfolio valuation at year end. As at 31 December 2021, ARA H-Trust’s bank borrowings had a weighted average term to maturity of 2.0 years.

On 23 February 2022, ARA H-Trust obtained new US\$95 million 3-year unsecured facilities from the existing lender banks for the purpose of refinancing existing maturing loans and for general working capital purposes. The new 3-year unsecured facilities will extend the weighted average term to maturity of our borrowings to 2.6 years.

As at 31 December 2021, ARA H-Trust had an unutilized credit loan facility of US\$10.0 million, an unutilized renovation loan facility of US\$1.0 million and a letter of credit facility of US\$8.0 million in place.

### APPRAISED VALUE OF HOTELS

In accordance with the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore, valuation of ARA H-Trust's portfolio is to be conducted once every year. As at 31 December 2021, independent full valuations were carried out by JLL Valuation & Advisory Services, LLC. Valuation methods used include income capitalization approach and sales comparison approach in determining the fair values of the hotels. The ARA H-Trust portfolio was valued at US\$722.6 million, compared with US\$686.9 million<sup>1</sup> a year ago.

### CASH FLOWS AND LIQUIDITY

As at 31 December 2021, ARA H-Trust had cash and cash equivalents of US\$19.2 million. Net cash generated from operating activities was US\$23.9 million for FY2021. Net cash used in investing activities amounted to US\$9.3 million, solely for the payment for capital expenditure. Net cash used in financing activities was US\$22.2 million, comprising mainly repayment of loan borrowings and interest payments for the year.

Notwithstanding the challenging operating environment, ARA H-Trust remains in a sound financial and liquidity position to meet its operational needs and financial commitments. The Managers continue to adopt a prudent and disciplined approach in capital and cashflow management to weather this crisis.

### FINANCIAL SUMMARY

	FY2021	FY2020	Listing Date to 31 December 2019
<b>INCOME STATEMENT AND DISTRIBUTIONS</b>			
Gross Revenue (US\$'000)	130,674	78,161	114,952
Gross Operating Profit (US\$'000)	40,464	12,697	43,092
Net Property Income / (Loss) (US\$'000)	24,884	(5,046)	32,598
Distributable Income (US\$'000)	2,018	-	23,863
Distribution per Stapled Security (US cents)	0.355	-	4.21
<b>BALANCE SHEET</b>			
Property, Plant and Equipment (US\$'000)	724,472	695,189	704,808
Total Assets (US\$'000)	764,076	736,405	758,611
Total Borrowings (US\$'000)	338,135	354,725	243,739
Stapled Securityholders' Funds (US\$'000)	399,745	349,176	493,216
Net Asset Value per Stapled Security (US\$)	0.70	0.62	0.87
<b>KEY FINANCIAL INDICATORS</b>			
Aggregate Leverage Ratio	44.3%	48.2%	32.1%
Interest Coverage Ratio	2.0x	0.1x	4.5x
Weighted Average Cost of Debt	3.40%	3.40%	3.90%
Weighted Average Debt to Maturity (Years)	2.0	3.0	4.4

<sup>1</sup> Appraised by HVS Consulting and Valuation Services as at 31 December 2020.

# INVESTOR RELATIONS

## OBJECTIVE, TIMELY AND TRANSPARENT COMMUNICATIONS

The Managers are committed towards upholding the principles of timeliness, objectivity, transparency and fairness in their communications with Stapled Securityholders and the investment community and take a proactive approach in engaging all stakeholders.

Announcements, press releases and investor presentations are promptly released on SGXNET and ARA H-Trust's corporate website ([www.araushotels.com](http://www.araushotels.com)) to keep investors updated of the material developments and financial performance of ARA H-Trust. Stapled Securityholders and the general public can also subscribe to ARA H-Trust's email alert service via the corporate website and they will receive email notifications of latest announcements and SGXNET filings on ARA H-Trust. There is also a dedicated communication channel (via email and telephone) to address queries from investors and the general public.

Following the amendments to Rule 705(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited, ARA H-Trust has adopted half-yearly reporting of financial results since March 2020. Nevertheless, ARA H-Trust continues to provide quarterly business updates to keep our stakeholders apprised of operational performance regularly. The Managers will continue to proactively engage stakeholders through various communication channels, including providing relevant business and operational

updates between the announcements of half-yearly financial statements.

## ACTIVE ENGAGEMENTS ACROSS VARIOUS PLATFORMS

The Managers actively engage the investment community through investor meetings, conference calls, non-deal roadshows, and investor conferences and events. Such interactions allow senior management to provide key strategic and performance updates on ARA H-Trust and help to raise the profile of ARA H-Trust. They also enable the Managers to gain insights into the market perceptions and expectations of ARA H-Trust. Business and operational updates as well as results briefings are conducted quarterly and has since gone virtual since the start of the COVID-19 pandemic.

The Annual General Meeting ("AGM") is also an important channel for communication between the Board of Directors, the management of the Managers and Stapled Securityholders. The last AGM was convened on 27 April 2021 and was well-attended by all Directors, the CEO, Management of the Managers and Stapled Securityholders. It provided a good platform for the Board of Directors and senior management of the Managers to provide updates on ARA H-Trust and address investors in their enquiries. Resolutions for the AGM were then put to the vote by way of proxy voting and the results were announced at the AGM and the minutes were subsequently uploaded onto the ARA H-Trust's corporate website for greater transparency.

### FY2021 INVESTOR RELATIONS CALENDAR

First Quarter FY2021	
Analyst briefing for FY2020 results	February 2021
Investor conference call hosted by DBS Vickers Securities (Singapore)	February 2021
SGX S-REIT Corporate Day	March 2021
Second Quarter FY2021	
FY2020 Annual General Meeting	April 2021
Analyst earnings call for 1Q 2021 business and operational updates	May 2021
Investor conference call hosted by DBS Vickers Securities (Singapore)	May 2021
Third Quarter FY2021	
Analyst earnings call for 1H 2021 results	August 2021
Investor conference call hosted by DBS Vickers Securities (Singapore)	August 2021
Fourth Quarter FY2021	
Analyst earnings call for 3Q 2021 business and operational updates	November 2021
Investor conference call hosted by DBS Vickers Securities (Singapore)	November 2021
DBS Corporate Access: Singapore Hospitality (Revival) Conference	November 2021

### FINANCIAL CALENDARS

Financial Year Ended 31 December 2021	Dates
First Quarter Business and Operational Updates Announcement	06 May 2021
First Half Results Announcement	05 August 2021
Third Quarter Business and Operational Updates Announcement	03 November 2021
Full Year Results Announcement	23 February 2022
Payment of Distribution to Stapled Securityholders (six months ending December 2021)	30 March 2022
Annual General Meeting	27 April 2022
Financial Year Ended 31 December 2022	Tentative Dates
First Quarter Business and Operational Updates Announcement	May 2022
First Half Results Announcement	August 2022
Payment of Distribution to Stapled Securityholders (six months ending 30 June 2022)	September 2022
Third Quarter Business and Operational Updates Announcement	November 2022
Full Year Results Announcement	February 2023
Payment of Distribution to Stapled Securityholders (six months ending December 2022)	March 2023
Annual General Meeting	April 2023

## STAPLED SECURITYHOLDER ENQUIRIES

For more information on ARA H-Trust and its operations, please contact the Managers, ARA Trust Management (USH) Pte. Ltd. and ARA Business Trust Management (USH) Pte. Ltd., via the following:

### Investor Relations

Telephone: +65 6512 1422 | Email: [irusht@ara-group.com](mailto:irusht@ara-group.com) | Website: [www.araushotels.com](http://www.araushotels.com)

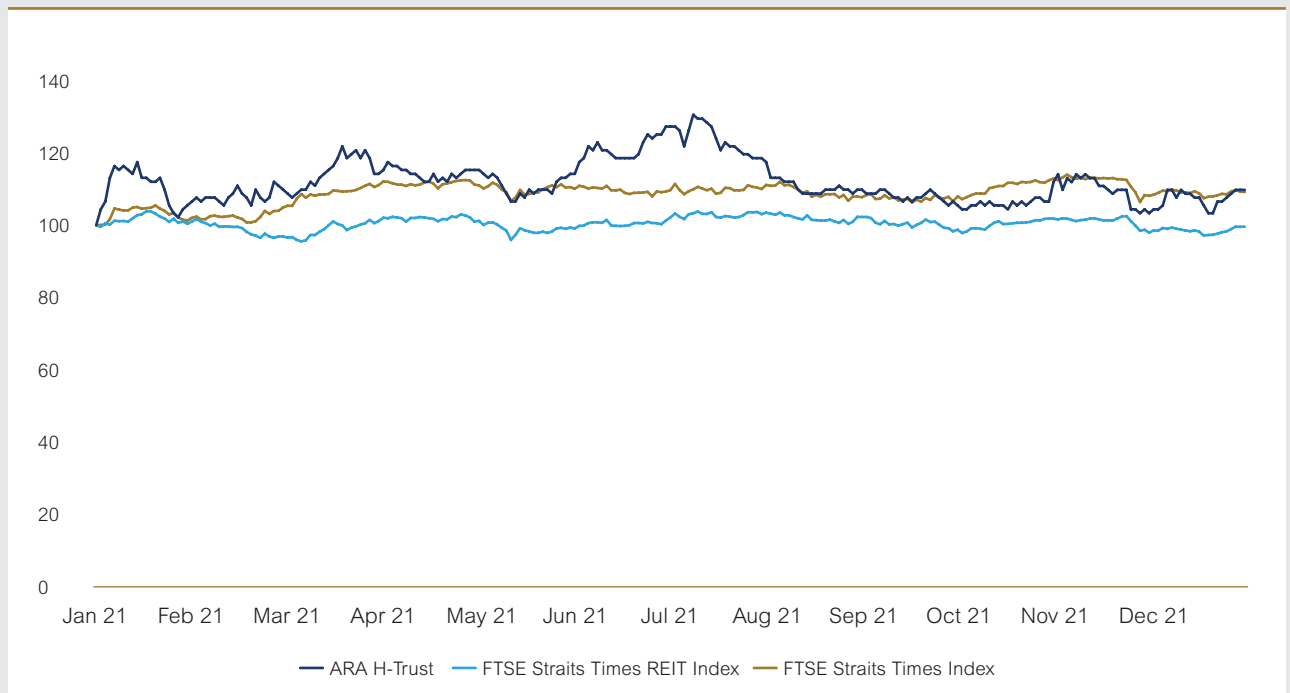
# STAPLED SECURITY PRICE PERFORMANCE

## STAPLED SECURITY PRICE PERFORMANCE

FY2021	
Opening Price on the first trading day of the year (US\$)	0.445
Closing Price on the last trading day of the year (US\$)	0.500
Highest Closing Price (US\$)	0.595
Lowest Closing Price (US\$)	0.455
Average Closing Price (US\$)	0.510
Total Traded Volume (Stapled Securities)	105,485,500
Average Daily Volume Traded (Stapled Securities)	416,939
Total Return <sup>1</sup>	12.36%

Source: Bloomberg

## COMPARATIVE TRADING PERFORMANCE FOR FY2021



Source: Bloomberg

Note: Data extracted are not adjusted for any cash adjustments, capital changes or corporate actions (including but not limited to cash dividend, rights offering, warrants and stock splits). For dates that fall on non-trading days, share price data is extracted from the corresponding previous trading day.

## EQUITY RESEARCH COVERAGE

ARA H-Trust is covered by the following research houses:

- DBS Group Research
- iFast Financial

<sup>1</sup> Based on the Closing Price on the last trading day and the Opening Price on the first trading day of FY2021.

## OUR HOTELS

### Hyatt House Boston Burlington, Massachusetts

2 Van De Graaff Drive, Burlington, MA 01803

Hyatt House Boston Burlington is c. 12 miles northwest of downtown Boston, which is one of the top Metropolitan Statistical Areas (“MSAs”) in the U.S. The region is known for biotechnology, life sciences, pharmaceuticals, and its universities. Hyatt House Boston Burlington is in close proximity to diverse corporate businesses such as (i) MilliporeSigma (life science manufacturer), (ii) Oracle, (iii) Raytheon (defence and electronics manufacturer), (iv) Shire Pharmaceuticals, (v) Nuance Communications, (vi) RSA Security and (vii) Progress Software Corporation. In addition, the Hotel is located near a regional shopping center and a regional hospital.



<b>Type of Hotel</b>	Upscale Extended-stay
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	32.2
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	150
<b>Year of Commencement of Operations</b>	1998
<b>Year of Last Renovation</b>	2016
<b>Food &amp; Beverage</b>	Complimentary buffet breakfast, H-Bar offering beverages and snacks
<b>Other Amenities &amp; Services</b>	Outdoor pool and whirlpool, business center, fitness center, 24-hour on-site market, guest laundry and complimentary Wi-Fi Internet access
<b>Parking Spaces</b>	162
<b>Total Revenue (US\$ million)</b>	5.0
<b>Occupancy Rate</b>	71.7%

### Hyatt House Branchburg, New Jersey

3141 Route 22 East, Branchburg, NJ 08876

Hyatt House Branchburg is located close to three major highways providing guests that drive to Somerset County for various events easy access to the Hotel. The Bridgewater Branchburg region, a town of Somerset County, is 43 miles from New York City and is 65 miles from Philadelphia. It is within a five-mile radius to diverse corporate businesses such as (i) Merck (pharmaceutical corporation), (ii) Chubb Insurance (insurance corporation), (iii) Johnson & Johnson (pharmaceutical corporation) and (iv) Allergan (pharmaceutical corporation). The Hotel is also located near a large sports facility, Diamond Nation, a large baseball and softball complex that attracts around 70,000 athletes and their families each year for the game and tournaments.



<b>Type of Hotel</b>	Upscale Extended-stay
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	21.7
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	139
<b>Year of Commencement of Operations</b>	2004
<b>Year of Last Renovation</b>	2016
<b>Food &amp; Beverage</b>	Daily complimentary breakfast, H-Bar serving cocktails and light food options in the evening
<b>Other Amenities &amp; Services</b>	Outdoor pool and whirlpool, business center, fitness center, 24-hour on-site market, guest laundry, outdoor patio with barbeque area and complimentary Wi-Fi Internet access
<b>Parking Spaces</b>	170
<b>Total Revenue (US\$ million)</b>	3.3
<b>Occupancy Rate</b>	57.9%

**Hyatt House Fishkill, New York**  
100 Westage Business Center, Fishkill, NY 12524

Hyatt House Fishkill is located within the Hudson Valley region at the Catskills Mountains, a popular leisure destination for those that enjoy hiking, other outdoor recreational opportunities and numerous historic landmarks. It is located in Dutchess County which has recently experienced a growing economy. The Hotel is in close proximity to diverse corporate businesses such as (i) CryusOne (real estate investment trust investing in data centers), (ii) Gap's distribution center, (iii) Linuo Solar Group and (iv) Mechtronics. It is also located near a medical center, numerous education institutions and a sports dome that is expected to draw approximately 600,000 visitors per year.



<b>Type of Hotel</b>	Upscale Extended-stay
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	19.3
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	135
<b>Year of Commencement of Operations</b>	2006
<b>Year of Last Renovation</b>	2016
<b>Food &amp; Beverage</b>	Complimentary daily breakfast, H-Bar offering premium alcoholic beverages, and light fare options
<b>Other Amenities &amp; Services</b>	Indoor pool and whirlpool, business center, fitness center, 24-hour on-site market, guest laundry and complimentary Wi-Fi Internet access
<b>Parking Spaces</b>	151
<b>Total Revenue (US\$ million)</b>	5.0
<b>Occupancy Rate</b>	75.7%

**Hyatt House Morristown, New Jersey<sup>1</sup>**  
194 Park Avenue, Morristown, NJ 07960

Morristown County has a concentration of a dozen Fortune 500 companies and nearly 1,000 firms, three regional universities and a regional medical center. It enjoys having convenient accessibility to New York City via public transit systems as the county is only 30 miles northwest to the heart of Manhattan. Hyatt House Morristown is surrounded by diverse corporations within a two-mile radius. These include corporate headquarters like (i) Bayer Corporation (pharmaceutical and life sciences corporation), (ii) Novartis Pharmaceuticals, (iii) Honeywell International and (iv) Wyndham Worldwide. There are also several large corporate presences that include (i) BASF (chemicals manufacturer), (ii) American International Group, Inc. ("AIG"), (iii) Automatic Data Processing, Inc, (iv) MetLife (insurance provider), (v) PricewaterhouseCoopers, (vi) Deloitte and (viii) Allergan (pharmaceutical).



<b>Type of Hotel</b>	Upscale Extended-stay
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	29.8
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	132
<b>Year of Commencement of Operations</b>	1997
<b>Year of Last Renovation</b>	2016
<b>Food &amp; Beverage</b>	Daily complimentary breakfast, H-Bar lounge serving cocktails and light food options in the evenings
<b>Other Amenities &amp; Services</b>	Outdoor pool, sports court, business center, fitness center, 24-hour on-site market, guest laundry and complimentary Wi-Fi Internet access
<b>Parking Spaces</b>	147
<b>Total Revenue (US\$ million)</b>	4.1
<b>Occupancy Rate</b>	61.5%

<sup>1</sup> In FY2021, ARA H-Trust entered into an agreement to sell a portion of an unused land of approximately 105,000 sq ft of Hyatt House Morristown to an adjacent property owner, Cedar Knolls I, LLC, an affiliate of JMF Properties, for a sale price of US\$325,000. The sale transaction is expected to be completed in FY2022.

# OUR HOTELS

## Hyatt House Parsippany-East, New Jersey 299 Smith Road, Parsippany, NJ 07054

With a concentration of a dozen Fortune 500 companies and nearly 1000 firms, three regional universities and a regional medical center, Morris County is considered one of the strongest local economy in the New Jersey-New York-Connecticut metropolitan region. Parsippany enjoys convenient accessibility to New York City via public transit systems as the county is only 30 miles northwest to the heart of Manhattan. Hyatt House Parsippany is in close proximity to diverse corporate businesses such as (i) Wyndham Worldwide, (ii) Avis Budget Group, (iii) PBF Energy, (iv) Bayer Corporation, (v) AIG and (vi) Teva Pharmaceutical.



<b>Type of Hotel</b>	Upscale Extended-stay
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	21.4
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	140
<b>Year of Commencement of Operations</b>	2004
<b>Year of Last Renovation</b>	2015
<b>Food &amp; Beverage</b>	Daily complimentary breakfast, H-Bar serving cocktails and light food options in the evening
<b>Other Amenities &amp; Services</b>	Outdoor pool and whirlpool, business center, fitness center, sports court, 24-hour on-site market, guest laundry and complimentary Wi-Fi Internet access
<b>Parking Spaces</b>	164
<b>Total Revenue (US\$ million)</b>	3.1
<b>Occupancy Rate</b>	56.3%

## Hyatt House Parsippany Whippany, New Jersey 1 Ridgedale Avenue North, Whippany, NJ 07981

With a concentration of a dozen Fortune 500 companies and nearly 1000 firms, three regional universities and a regional medical center, Morris County is considered one of the larger local economy in the New Jersey-New York-Connecticut metropolitan region. Whippany enjoys having convenient accessibility to New York City via public transit systems as the county is only 30 miles northwest to the heart of Manhattan. Hyatt House Parsippany Whippany is in close proximity to diverse corporate businesses such as (i) Wyndham Worldwide, (ii) Avis Budget Group, (iii) Accenture, (iv) International Business Machines Corporation, (v) Bayer Corporation and (vi) Immunomedics (biotechnology). The Hotel is also located close to special events facilities, which hosts large corporate and special events.



<b>Type of Hotel</b>	Upscale Extended-stay
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	25.5
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	135
<b>Year of Commencement of Operations</b>	1997
<b>Year of Last Renovation</b>	2016
<b>Food &amp; Beverage</b>	Daily complimentary breakfast, H-Bar serving cocktails and light food options in the evening
<b>Other Amenities &amp; Services</b>	Outdoor pool, business center, fitness center, 24-hour on-site market, guest laundry and complimentary Wi-Fi Internet access
<b>Parking Spaces</b>	145
<b>Total Revenue (US\$ million)</b>	3.6
<b>Occupancy Rate</b>	60.7%



**Hyatt House Philadelphia Plymouth Meeting, Philadelphia**

501 East Germantown Pike, East Norriton, PA 19401

Hyatt House Philadelphia Plymouth Meeting is situated within Montgomery County, the region's second most populated county, 25 miles north of Philadelphia International Airport and 20 miles from downtown Philadelphia, the nation's sixth-largest city. The local economy is well diversified and includes a wide range of sectors such as healthcare services, aerospace manufacturing, education, and especially, pharmaceutical manufacturing. Hyatt House Philadelphia Plymouth Meeting is in close proximity to diverse corporations such as (i) Dow Chemical, (ii) GlaxoSmithKline, (iii) Colonial Electric Company, (iv) Markel (insurance and investment corporation) and (v) IKEA. The Hotel is also located near a regional shopping center, a regional hospital and the largest enclosed shopping center in the U.S.



<b>Type of Hotel</b>	Upscale Extended-stay
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	13.2
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	131
<b>Year of Commencement of Operations</b>	2000
<b>Year of Last Renovation</b>	2016
<b>Food &amp; Beverage</b>	Complimentary buffet breakfast, H-Bar offering premium alcoholic beverages, and light fare options
<b>Other Amenities &amp; Services</b>	Indoor pool and whirlpool, business center, fitness center, 24-hour on-site market, guest laundry and complimentary Wi-Fi
<b>Parking Spaces</b>	165
<b>Total Revenue (US\$ million)</b>	3.6
<b>Occupancy Rate</b>	65.4%

**Hyatt House Raleigh Durham Airport, North Carolina**

10962 Chapel Hill Road, Morrisville, NC 27560

Located five miles from Raleigh Durham International Airport, Hyatt House Raleigh Durham Airport is situated in the heart of the Research Triangle, a renowned corridor of technology related companies in the Raleigh MSA. The hotel is also located close to the Wake County Competition Center, a new multisport complex opened in 2020, that hosts tournaments and professional sporting events. Hyatt House Raleigh Durham Airport is within a five-mile radius of diverse corporate businesses such as (i) Lenovo, (ii) Credit Suisse, (iii) Cisco Systems, (iv) Amazon and (v) Microsoft. Goggle, Apple and Nike have all recently announced regional hubs for Raleigh. The area is also home to major academic and healthcare institutions, including Duke University, North Carolina State University, Duke University Health System and UNC REX Healthcare.



<b>Type of Hotel</b>	Upscale Extended-stay
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	21.1
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	141
<b>Year of Commencement of Operations</b>	2009
<b>Year of Last Renovation</b>	2016
<b>Food &amp; Beverage</b>	Complimentary buffet breakfast and H-Bar offering beverages and snacks
<b>Other Amenities &amp; Services</b>	Outdoor pool, business center, fitness center, 24-hour on-site market, guest laundry and complimentary Wi-Fi Internet access
<b>Parking Spaces</b>	154
<b>Total Revenue (US\$ million)</b>	2.6
<b>Occupancy Rate</b>	49.4%

## OUR HOTELS

### Hyatt House Richmond Short Pump, Virginia (formerly known as Hyatt House Richmond West) 11800 West Broad Street, Richmond, VA 23233

Hyatt House Richmond Short Pump is well situated in Richmond's fashionable West End district and is within walking distance to numerous restaurants with easy access off two major roadways. The Hotel is a few miles from recognised business parks, federal offices and Virginia Commonwealth University, one of the state's largest universities. Richmond is also the headquarters for 10 Fortune 1000 companies. The Hotel is within a five-mile radius of numerous corporate businesses such as (i) Markel Corporation, (ii) Keiter (accounting corporation), (iii) Capital One Financial, (iv) Mondial Assistance (insurance provider) and (v) T-Mobile. It also enjoys demand year-round because the region is a popular destination for sports tournaments due to its central location along Mid-Atlantic and its numerous local leisure attractions.



<b>Type of Hotel</b>	Upscale Extended-stay
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	26.8
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	134
<b>Year of Commencement of Operations</b>	2009
<b>Year of Last Renovation</b>	2017
<b>Food &amp; Beverage</b>	Complimentary buffet breakfast and H-Bar offering beverages and snacks
<b>Other Amenities &amp; Services</b>	Business center, fitness center, 24-hour on-site market and complimentary Wi-Fi Internet access
<b>Parking Spaces</b>	5
<b>Total Revenue (US\$ million)</b>	3.6
<b>Occupancy Rate</b>	59.2%

### Hyatt House Shelton, Connecticut 830 Bridgeport Avenue, Shelton, CT 06484

Hyatt House Shelton is easily accessible from two major highway arteries in the state of Connecticut and enjoys convenient access to local attractions and commuter transit to New York City. The Hotel is also 10 minutes' drive to a renowned U.S. military aircraft manufacturer as well as 20 minutes' drive from several universities, most notably Yale University. The Hotel is in close proximity to diverse corporations such as (i) Pitney Bowes (technology corporation), (ii) Prudential Annuities Life Assurance, (iii) Sikorsky Aircraft, (iv) Latex International and (v) BIC Corporation (ballpoint pens manufacturer). Additionally, the Hotel is located near a regional shopping center, a youth sporting facility which houses the world's only double-decker ice-skating arena, and several universities.



<b>Type of Hotel</b>	Upscale Extended-stay
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	17.5
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	127
<b>Year of Commencement of Operations</b>	2010
<b>Year of Last Renovation</b>	2017
<b>Food &amp; Beverage</b>	Complimentary breakfast, H-Bar offering premium alcoholic beverages, and light fare for purchase
<b>Other Amenities &amp; Services</b>	Indoor pool and whirlpool, Business center, Fitness center, 24-hour on-site market, guest laundry and complimentary Wi-Fi Internet access
<b>Parking Spaces</b>	77
<b>Total Revenue (US\$ million)</b>	3.9
<b>Occupancy Rate</b>	68.4%

**Hyatt House Sterling Dulles Airport North, Virginia**  
45520 Dulles Plaza, Sterling, VA 20166

The region has one of the fastest growing job markets in the U.S. and it also offers easy access to the Washington, D.C. region. The Hotel is in close proximity to diverse corporate businesses such as (i) Volkswagen Group of America, (ii) Amazon, (iii) Northrop Grumman (aerospace and defence corporation), (iv) Deltek (software corporation) and (v) Rockwell Collins (aerospace corporation). It is also located near the Washington Dulles International Airport, a major transit hub.



<b>Type of Hotel</b>	Upscale Extended-stay
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	21.0
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	162
<b>Year of Commencement of Operations</b>	2007
<b>Year of Last Renovation</b>	2016
<b>Food &amp; Beverage</b>	Complimentary buffet breakfast and H-Bar offering beverages and snacks
<b>Other Amenities &amp; Services</b>	Outdoor pool, business center, fitness center, 24-hour on-site market, guest laundry, outdoor patio with barbeque grill and complimentary Wi-Fi Internet access
<b>Parking Spaces</b>	153
<b>Total Revenue (US\$ million)</b>	3.4
<b>Occupancy Rate</b>	62.5%

**Hyatt Place Albuquerque Airport, New Mexico**  
1400 Sunport Place South East, NM 87106

Hyatt Place Albuquerque Airport is located less than two miles from the Albuquerque International Airport, New Mexico's largest commercial airport and within 5 miles from various sectors including commercial, military, medical and education such as (i) Kirtland Air Force Base and (ii) Sandia National Laboratories, both of which employ over 10,000 employees, (iii) two large medical centers, Presbyterian Hospital and University of New Mexico Hospital, and (iv) University of New Mexico which is home to over 26,000 students. The hotel is also ideally situated for the annual Albuquerque International Balloon Fiesta which draws over 800,000 visitors over 9 days in October each year.



<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	12.0
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	127
<b>Year of Commencement of Operations</b>	1998
<b>Year of Last Renovation</b>	2016
<b>Food &amp; Beverage</b>	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
<b>Other Amenities &amp; Services</b>	Outdoor pool, business center, fitness center and complimentary Wi-Fi Internet access
<b>Parking Spaces</b>	130
<b>Total Revenue (US\$ million)</b>	2.8
<b>Occupancy Rate</b>	59.9%

## OUR HOTELS

### Hyatt Place Atlanta Alpharetta Windward Parkway, Georgia<sup>2</sup> 5595 Windward Parkway, Alpharetta, GA 30004

Hyatt Place Atlanta Alpharetta Windward Parkway is approximately 25 miles north of downtown Atlanta, and ideally located in a suburban corridor known as the state's "Golden Corridor" because of the broad spectrum of industries and corporations that call the area home, a large concentration of which are near the Hotel. It is also in close proximity to diverse corporate businesses such as (i) Hewlett-Packard, (ii) Halyard Health, (iii) Verizon, (iv) Fiserv, (v) ADP and (vi) Siemens. The Hotel is also minutes from a lifestyle mixed-use development, which includes retail, restaurants and an amphitheatre. The presence of such infrastructure has increased the appeal of the region.



<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	21.3
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	150
<b>Year of Commencement of Operations</b>	1998
<b>Year of Last Renovation</b>	2016
<b>Food &amp; Beverage</b>	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
<b>Other Amenities &amp; Services</b>	Outdoor pool, business center, fitness center and complimentary Wi-Fi Internet access
<b>Parking Spaces</b>	150
<b>Total Revenue (US\$ million)</b>	1.8
<b>Occupancy Rate</b>	42.1%

### Hyatt Place Atlanta Norcross Peachtree, Georgia 5600 Peachtree Parkway, Norcross, GA 30092

Hyatt Place Atlanta Norcross Peachtree is approximately 20 miles northeast of downtown Atlanta, one of the U.S.' fastest growing counties over the last 20 years. The Hotel is in close proximity to diverse corporate businesses such as (i) Mizuno USA Headquarters, (ii) HCA Healthcare, (iii) Siemens Energy & Automation and (iv) IBM. It is also located near an upscale shopping street and cultural centre.



<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	11.9
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	126
<b>Year of Commencement of Operations</b>	1996
<b>Year of Last Renovation</b>	2016
<b>Food &amp; Beverage</b>	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
<b>Other Amenities &amp; Services</b>	Outdoor pool, business center, fitness center, complimentary Wi-Fi Internet access and shuttle
<b>Parking Spaces</b>	116
<b>Total Revenue (US\$ million)</b>	2.2
<b>Occupancy Rate</b>	48.2%

<sup>2</sup> In FY2021, the Georgia Department of Transportation ("GDOT") issued a notice to ARA H-Trust to acquire a portion of an unused land of approximately 3,851 sq ft of Hyatt Place Atlanta Alpharetta (the "Affected Excess Land") for a roadway improvement project, for a sale price of US\$79,600. The sale transaction of the Affected Excess Land is expected to be completed in FY2022.

**Hyatt Place Birmingham Inverness, Alabama**  
4686 Highway 280 East, Birmingham, AL 35242

Hyatt Place Birmingham Inverness is located minutes from downtown Birmingham. A high-tech industrial park and residential community located approximately 13 miles from the Hotel was proposed, which would transform the MSA into a regional hub of research and development, tourism and light manufacturing and is expected to create 1,200 jobs. The Hotel is less than three miles away from The Summit Birmingham, the state's premier shopping and dining destination with nearly one million sq ft wide of retail and restaurant space. It is also in close proximity to diverse corporate businesses such as (i) ADP, (ii) Axcan Pharma, (iii) Blue Cross Blue Shield (insurance providers) and (iv) SunGard (software and service provider).



<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	8.3
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	126
<b>Year of Commencement of Operations</b>	1997
<b>Year of Last Renovation</b>	2015
<b>Food &amp; Beverage</b>	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
<b>Other Amenities &amp; Services</b>	Outdoor pool, business center, fitness center and complimentary Wi-Fi Internet access
<b>Parking Spaces</b>	126
<b>Total Revenue (US\$ million)</b>	2.2
<b>Occupancy Rate</b>	44.9%

**Hyatt Place Boise Towne Square, Idaho**  
925 North Milwaukee Street, Boise, ID 83704

Hyatt Place Boise Towne Square is located less than 6 miles from the Boise Airport and downtown Boise. It is located approximately 1.5 miles from Boise Town Square, the only super-regional shopping centre in Idaho and 2 miles from a regional hospital. The Hotel is in close proximity to diverse corporate businesses such as (i) URS Corporation (engineering and construction corporation), (ii) Boise Cascade LLC (building materials manufacturer), (iii) New Albertson's Inc (grocery food retailer), (iv) Clearwater Analytics and (v) J.R. Simplot Company (agriculture corporation). Boise State University is another key driver of the area's economy.



<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	15.1
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	127
<b>Year of Commencement of Operations</b>	1999
<b>Year of Last Renovation</b>	2015
<b>Food &amp; Beverage</b>	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
<b>Other Amenities &amp; Services</b>	Indoor pool, business center, fitness center, complimentary Wi-Fi Internet access and shuttle
<b>Parking Spaces</b>	127
<b>Total Revenue (US\$ million)</b>	3.6
<b>Occupancy Rate</b>	68.7%

## OUR HOTELS

### Hyatt Place Charlotte Airport Tyvola Road, North Carolina

2950 Oak Lake Boulevard, Charlotte, NC 28208

Hyatt Place Charlotte Airport Tyvola Road is four miles from Charlotte Douglas International Airport (“CLT”) and five miles from Charlotte’s CBD. As an airport hotel, it draws natural demand from guests who fly in and out of CLT, which is currently undergoing a billion-dollar expansion focused on increasing international travel. As a major hub, CLT is home to several flight simulation corporations that host regular pilot and crew trainings which create lodging demand. Charlotte is a major centre of finance, technology and entertainment. It is the third largest financial centre in the U.S. after New York City and San Francisco. Financial companies include (i) USAA, (ii) Lending Tree and (iii) Credit Carma. Charlotte boasts a remarkably diversified economy, as the majority of its six Fortune 500 companies are outside the financial sector and in varied industries such as energy, retail, and manufacturing. It is within three miles of diverse corporate businesses such as (i) United Technologies, (ii) Vanguard, (iii) Time Warner Cable and (iv) Trane (heating and air-conditioning manufacturer). Amazon is also building a one million square foot fulfilment centre just minutes from the hotel.



<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	15.2
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	127
<b>Year of Commencement of Operations</b>	1999
<b>Year of Last Renovation</b>	2014
<b>Food &amp; Beverage</b>	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
<b>Other Amenities &amp; Services</b>	Outdoor pool, business center, fitness center, complimentary Wi-Fi Internet access and shuttle
<b>Parking Spaces</b>	142
<b>Total Revenue (US\$ million)</b>	1.9
<b>Occupancy Rate</b>	45.7%

### Hyatt Place Chicago Itasca, Illinois

1150 Arlington Heights Road, Itasca, IL 60143

Hyatt Place Chicago Itasca is located approximately 12 miles from the O’Hare International Airport. It is also located near Schaumburg and North DuPage office markets which is one of the strongest sub-market in Chicago with numerous corporate and industrial businesses. The Hotel is in close proximity to diverse corporate businesses such as (i) Nielson Corporation, (ii) Verizon Wireless, (iii) DuPont, (iv) Knowles Electronics and (v) Mercedes Benz, and is located near several leisure attractions including a variety of country clubs such as the renowned Medinah Country Club. It is within 3 miles from 5.5 million sq ft wide of office space and 56.0 million sq ft wide of industrial space.



<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	7.8
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	126
<b>Year of Commencement of Operations</b>	1996
<b>Year of Last Renovation</b>	2015
<b>Food &amp; Beverage</b>	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
<b>Other Amenities &amp; Services</b>	Indoor pool, business center, fitness center, complimentary Wi-Fi Internet access and shuttle
<b>Parking Spaces</b>	141
<b>Total Revenue (US\$ million)</b>	1.9
<b>Occupancy Rate</b>	45.9%

**Hyatt Place Cincinnati Airport Florence, Kentucky**  
300 Meijer Drive, Florence, KY 41042

Hyatt Place Cincinnati Airport Florence is located minutes from the Cincinnati International Airport (“CVG”), approximately 11 miles from downtown Cincinnati. The Cincinnati MSA ranks as the 31st largest in the U.S. and has a stable economy with six Fortune 500 companies: (i) Procter & Gamble, (ii) Kroeger, (iii) Macy’s, (iv) Fifth Third Bank, (v) Western & Southern, and (vi) American financial Group. As an airport hotel, it draws natural demand from guests who fly in and out of CVG. CVG is the main global hub for Amazon Air and is the largest global hub for DHL Aviation, handling numerous domestic and international cargo flights daily. Amazon is undergoing a major expansion, and upon completion in 2026, will have a 3 million sqft distribution facility at CVG. In addition to the airport, the interchange area is home to Ark Encounter, a Christian themed attraction that attracts over 2M tourists annually.



<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	19.4
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	126
<b>Year of Commencement of Operations</b>	1997
<b>Year of Last Renovation</b>	2017
<b>Food &amp; Beverage</b>	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
<b>Other Amenities &amp; Services</b>	Indoor pool, business center, fitness center, complimentary Wi-Fi Internet access and shuttle
<b>Parking Spaces</b>	127
<b>Total Revenue (US\$ million)</b>	3.2
<b>Occupancy Rate</b>	66.4%

**Hyatt Place Cincinnati Northeast, Ohio**  
5070 Natorp Boulevard, Mason, OH 45040

Hyatt Place Cincinnati Northeast is located within Warren County, the state’s second fastest growing county. It is highlighted by 90 corporations that are headquartered throughout the 24 commercial parks and boasts one of the largest concentrations of international businesses in the region. The Hotel is in close proximity to diverse corporate businesses including (i) Procter & Gamble, (ii) Portion Pac, (iii) Macy’s, (iv) Mitsubishi Electric Automotive and (v) Microsoft. It is also located near Kings Island Amusement Park, which was the second most visited amusement park in 2017 in the U.S., and Home to Lindner Family Tennis Center, home of the Western & Southern Open.



<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	8.3
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	127
<b>Year of Commencement of Operations</b>	1999
<b>Year of Last Renovation</b>	2015
<b>Food &amp; Beverage</b>	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
<b>Other Amenities &amp; Services</b>	Indoor pool, business center, fitness center and complimentary Wi-Fi Internet access
<b>Parking Spaces</b>	127
<b>Total Revenue (US\$ million)</b>	1.9
<b>Occupancy Rate</b>	39.4%

## OUR HOTELS

### Hyatt Place Cleveland Independence, Ohio

6025 Jefferson Drive, Independence, OH 44131

Hyatt Place Cleveland Independence is located eight miles south of downtown Cleveland, home to eight Fortune 500 companies. It is located at the intersection of two main highways (Interstate 480 and Interstate 77). The Hotel is in close proximity to diverse corporate businesses such as (i) ADP, (ii) Ferro (specialty materials manufacturer), (iii) Charter Steel, (iv) Arconic (metal manufacturer) and (v) Welch Packaging. It is also located near medical centers, several shopping malls and a zoo.



<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	7.3
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	127
<b>Year of Commencement of Operations</b>	1996
<b>Year of Last Renovation</b>	2016
<b>Food &amp; Beverage</b>	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
<b>Other Amenities &amp; Services</b>	Indoor pool, business center, fitness center and complimentary Wi-Fi Internet access
<b>Parking Spaces</b>	128
<b>Total Revenue (US\$ million)</b>	2.8
<b>Occupancy Rate</b>	56.5%

### Hyatt Place Denver Airport, Colorado

16250 East 40th Avenue, Aurora, CO 80011

Hyatt Place Denver Airport is strategically located near Denver International Airport, the sixth-busiest airport in the U.S. and downtown Denver. It is located within a commercial mixed-use development and within 6 miles of a newly developed major convention center. The Hotel derives demand from office tenants such as Amazon, Sysco, General Motors, UPS and Nestle. It enjoys both leisure and group demands from the newly developed convention center.



<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	17.3
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	126
<b>Year of Commencement of Operations</b>	1998
<b>Year of Last Renovation</b>	2014
<b>Food &amp; Beverage</b>	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
<b>Other Amenities &amp; Services</b>	Indoor pool, business center, fitness center, complimentary Wi-Fi Internet access and shuttle
<b>Parking Spaces</b>	126
<b>Total Revenue (US\$ million)</b>	3.0
<b>Occupancy Rate</b>	63.4%



**Hyatt Place Detroit Auburn Hills, Michigan**

1545 North Opdyke Road, Auburn Hills, MI 48326

Hyatt Place Detroit Auburn Hills is in Auburn Hills, approximately 30 miles outside Detroit, in one of the MSA's fastest growing submarket. Known for its heavy involvement in the automotive industry, the thriving region boasts 22 high-technology parks and global headquarter operations for more than 70 international corporations including leading automobile manufacturers. The Hotel is in close proximity to a concentration of the headquarters of automobile companies such as (i) Autoliv, (ii) BorgWarner, (iii) Fiat-Chrysler Automotive, (iv) Pontiac Engine Engineering and (v) General Motors. It is also located near Oakland University, which houses 20,000 students. It is also within five miles from approximately 15 million sq ft wide of office space and approximately 41.6 million sq ft wide of industrial space.



<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	10.1
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	127
<b>Year of Commencement of Operations</b>	1996
<b>Year of Last Renovation</b>	2016
<b>Food &amp; Beverage</b>	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
<b>Other Amenities &amp; Services</b>	Indoor pool, business center, fitness center and complimentary Wi-Fi Internet access
<b>Parking Spaces</b>	149
<b>Total Revenue (US\$ million)</b>	1.7
<b>Occupancy Rate</b>	38.3%

**Hyatt Place Detroit Livonia, Michigan**

19300 Haggerty Road, Livonia, MI 48152

Hyatt Place Detroit Livonia is located in Livonia, the 10th largest municipality in Michigan. It is highly accessible from a variety of corporations, retail establishments, medical facilities and educational institutions. The Hotel is within five miles of diverse corporate and industrial offices and two miles away from Von Maur, an upscale shopping destination and is in close proximity to diverse corporate businesses such as Amazon's regional fulfillment centers, CVS Pharmacy's distribution center, Panasonic and NYX. It is also located within five miles from Trinity Health, Laurel Park Place mall, Botsford General Hospital among others and six miles away from Toyota and General Motors.



<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	13.2
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	127
<b>Year of Commencement of Operations</b>	1998
<b>Year of Last Renovation</b>	2016
<b>Food &amp; Beverage</b>	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
<b>Other Amenities &amp; Services</b>	Indoor pool, business center, fitness center, complimentary Wi-Fi Internet access and shuttle
<b>Parking Spaces</b>	125
<b>Total Revenue (US\$ million)</b>	2.1
<b>Occupancy Rate</b>	43.8%

## OUR HOTELS

### Hyatt Place Lakeland Center, Florida

525 West Orange Street, Lakeland, FL 33815

Hyatt Place Lakeland Center is located in downtown Lakeland, one of Florida's dynamic mid-sized MSA. The region is also home to fulfillment centers of large online retailers and delivery service providers such as Amazon, Walmart and FedEx. The Hotel is in close proximity to diverse corporate businesses such as (i) Lockheed Martin (security and aerospace corporation), (ii) Pepperidge Farms, (iii) Walmart, (iv) Amazon and (v) Publix Super Markets. It is also located near a convention and entertainment complex, a regional medical center and a sports stadium. Lakeland is home to the Detroit Tigers Spring Training, two colleges and several sporting venues hosting several tournaments and events annually.



<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Leasehold expiring in July 2073
<b>Valuation (US\$ million)</b>	13.7
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	127
<b>Year of Commencement of Operations</b>	1999
<b>Year of Last Renovation</b>	2016
<b>Food &amp; Beverage</b>	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
<b>Other Amenities &amp; Services</b>	Outdoor pool, business center, fitness center and complimentary Wi-Fi Internet access
<b>Parking Spaces</b>	127
<b>Total Revenue (US\$ million)</b>	3.5
<b>Occupancy Rate</b>	69.8%

### Hyatt Place Louisville East

701 South Hurstbourne Parkway, Louisville, KY 40222

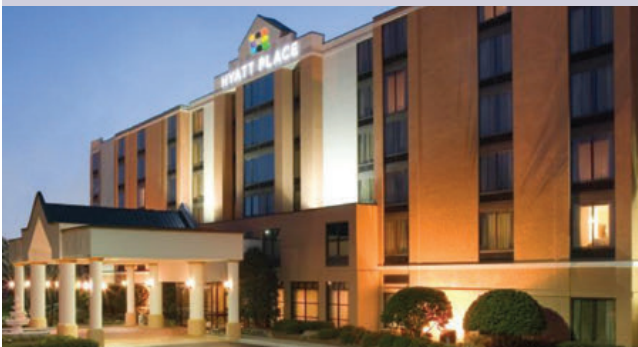
Hyatt Place Louisville East is 11.5 miles from Lexington's CBD and 3.5 miles from a business park. The Louisville region is a major center for the healthcare and medical science industries. The Hotel is in close proximity to governmental organisations and diverse businesses such as the (i) Federal Bureau of Investigation, (ii) Norton Healthcare, (iii) Citicorp Credit Services and (iv) Trane. It is also located near a local university and an international convention center. UPS Worldport Hub is a 5.2 million sqft facility and the largest automated package handling facility in the world, creating 300 daily flight arrivals and departures. The hub drives pilot and crew training business in the market.



<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	13.5
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	121
<b>Year of Commencement of Operations</b>	1994
<b>Year of Last Renovation</b>	2015
<b>Food &amp; Beverage</b>	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
<b>Other Amenities &amp; Services</b>	Outdoor pool, business center, fitness center, complimentary Wi-Fi Internet access and shuttle
<b>Parking Spaces</b>	120
<b>Total Revenue (US\$ million)</b>	2.3
<b>Occupancy Rate</b>	50.6%

**Hyatt Place Memphis Primacy Parkway, Tennessee**  
1220 Primacy Parkway, Memphis, TN 38119

Hyatt Place Memphis Primacy Parkway is located in Memphis, which is widely known as a distribution center. The region is hence the headquarters for major manufacturing and services. It is in close proximity to the headquarters of Fortune 1000 companies such as (i) FedEx, (ii) International Paper, (iii) Mueller Industries (industrial solutions provider), (iv) AutoZone (automotive parts and accessories retailer) and (v) Verso (paper products manufacturer). The Hotel is also located near several hospitals.



<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	11.9
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	126
<b>Year of Commencement of Operations</b>	1996
<b>Year of Last Renovation</b>	2015
<b>Food &amp; Beverage</b>	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
<b>Other Amenities &amp; Services</b>	Outdoor pool, business center, fitness center and complimentary Wi-Fi Internet access
<b>Parking Spaces</b>	126
<b>Total Revenue (US\$ million)</b>	2.3
<b>Occupancy Rate</b>	55.3%

**Hyatt Place Mystic, Connecticut**  
224 Greenmanville Avenue, Mystic, CT 06355

Hyatt Place Mystic is near a well-known historic seaport and aquarium, and the region's largest casino, both of which are popular leisure destinations. The region is also a frequent stopping point between New York, and Boston and Cape Cod and attracts overnight guests travelling from one area to another. The Hotel is in close proximity to diverse corporate businesses such as (i) U.S. Naval Submarine Base, (ii) General Dynamics and (iii) Pfizer. It is also located near local popular tourist attractions.



<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	10.5
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	79
<b>Year of Commencement of Operations</b>	1999
<b>Year of Last Renovation</b>	2014
<b>Food &amp; Beverage</b>	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
<b>Other Amenities &amp; Services</b>	Outdoor pool, business center, fitness center and complimentary Wi-Fi Internet access
<b>Parking Spaces</b>	96
<b>Total Revenue (US\$ million)</b>	3.3
<b>Occupancy Rate</b>	69.5%

## OUR HOTELS

### Hyatt Place Nashville Brentwood, Tennessee 202 Summit View Drive, Brentwood, TN 37027

Hyatt Place Nashville Brentwood is approximately 11 miles south of downtown Nashville, 11 miles south of downtown Nashville and 13 miles from the entrance to Nashville International Airport. Situated on the fast-growing and affluent southern side of the Nashville MSA, Brentwood is home to several business sectors that include healthcare, finance and insurance. The Hotel is near several national or regional headquarters of diverse corporate businesses such as (i) AIG, (ii) AT&T, (iii) Tractor Supply, (iv) Comdata and (v) HCA Healthcare. It is also located near to the 1 million sq ft-wide mall Cool Springs Galleria, one of the Tennessee's largest shopping malls, which is located adjacent to Brentwood's southern border.



<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	15.6
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	124
<b>Year of Commencement of Operations</b>	1991
<b>Year of Last Renovation</b>	2015
<b>Food &amp; Beverage</b>	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
<b>Other Amenities &amp; Services</b>	Outdoor pool, business center, fitness center and complimentary Wi-Fi Internet access
<b>Parking Spaces</b>	134
<b>Total Revenue (US\$ million)</b>	2.6
<b>Occupancy Rate</b>	47.4%

### Hyatt Place Nashville Opryland, Tennessee 220 Rudy Circle, Nashville, TN 37214

Hyatt Place Nashville Opryland is approximately six miles from downtown Nashville. With 14 Fortune 1000 corporations headquartered in Nashville, its economy covers a number of sectors including retail, healthcare and manufacturing. Nashville is also best known as Music City USA due to its vibrant performing, writing and production scene that attracts all genres. More than twelve institutions of higher education call the region home, including the renowned Vanderbilt University. The Hotel is within a five-mile radius of corporate businesses such as (i) Nissan North America, CHS (agriculture corporation) and Kirkland's (retail chain corporation). It also benefits from being minutes from the Gaylord Opryland Resort & Convention Center which hosts large-scale conventions. Tourism driven by Nashville's music industry appeal also increases lodging demand in the region.



<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	21.7
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	123
<b>Year of Commencement of Operations</b>	1990
<b>Year of Last Renovation</b>	2015
<b>Food &amp; Beverage</b>	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
<b>Other Amenities &amp; Services</b>	Outdoor pool, business center, fitness center and complimentary Wi-Fi Internet access
<b>Parking Spaces</b>	121
<b>Total Revenue (US\$ million)</b>	2.5
<b>Occupancy Rate</b>	39.7%

**Hyatt Place Oklahoma City Airport, Oklahoma**  
1818 South Meridian Avenue, Oklahoma City, OK 73108

Hyatt Place Oklahoma City Airport is approximately six miles from downtown Oklahoma and four miles from Will Rogers World Airport. The region is known for its oil and natural gas industry, and livestock market and hosts many recurring events, including livestock and equine events which draw visitors to Oklahoma. It is also home to Chesapeake Energy, a leading oil and gas corporation. The Hotel is in close proximity to diverse corporate businesses such as (i) Dell, (ii) Boeing, (iii) United Technologies and (iv) Northrop Grumman, all of which are significant hotel demand generators in the market.



<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	10.3
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	126
<b>Year of Commencement of Operations</b>	1997
<b>Year of Last Renovation</b>	2015
<b>Food &amp; Beverage</b>	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
<b>Other Amenities &amp; Services</b>	Outdoor pool, business center, fitness center, complimentary Wi-Fi Internet access and shuttle
<b>Parking Spaces</b>	143
<b>Total Revenue (US\$ million)</b>	2.4
<b>Occupancy Rate</b>	61.4%

**Hyatt Place Omaha Downtown Old Market, Nebraska**  
540 South 12th Street, Omaha, NE 68102

Hyatt Place Omaha Downtown Old Market is situated in the center of Omaha's historic Old Market District which is an unique art, shopping and entertainment district. Furthermore, the Hotel is located within two miles from the headquarters of four Fortune 500 companies. It is also five miles from Eppley Airfield and two miles from Henry Doorly Zoo, Nebraska's top attraction. The Hotel is only one mile away from the 250,000 sq ft big CenturyLink Center Omaha Convention Center which hosts concerts, conventions and sporting events, attracting over one million visitors each year. It is also in close proximity to diverse corporate businesses such as (i) Union Pacific Corporation (railroad operator), (ii) First National Bank of Omaha, (iii) Berkshire Hathaway (holding company for Warren Buffett's investments) and (iv) Conagra Foods.



<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	28.4
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	159
<b>Year of Commencement of Operations</b>	2013
<b>Year of Last Renovation</b>	-
<b>Food &amp; Beverage</b>	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
<b>Other Amenities &amp; Services</b>	Indoor pool, business center, fitness center and complimentary Wi-Fi Internet access
<b>Parking Spaces</b>	168
<b>Total Revenue (US\$ million)</b>	4.0
<b>Occupancy Rate</b>	50.5%

## OUR HOTELS

### Hyatt Place Pittsburgh Airport, Pennsylvania

6011 Campbells Run Road, Pittsburgh, PA 15205

The city of Pittsburgh enjoys a well-diversified and dynamic economy. Historically known for its prominence in steel production and heavy manufacturing, Pittsburgh currently has a vibrant economy, with healthcare, services retail, government and hospitality combining to create a stable yet robust marketplace. The Hotel is in close proximity to diverse corporate businesses such as (i) FedEx, (ii) Dick's Sporting Goods Headquarters, (iii) Comcast (telecommunications conglomerate) and (iv) Bayer Corporation. It also enjoys additional demand from its proximity to the airport and three major universities.



<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	7.4
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	127
<b>Year of Commencement of Operations</b>	1998
<b>Year of Last Renovation</b>	2014
<b>Food &amp; Beverage</b>	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
<b>Other Amenities &amp; Services</b>	Outdoor pool, business center, fitness center and complimentary Wi-Fi Internet access
<b>Parking Spaces</b>	120
<b>Total Revenue (US\$ million)</b>	1.5
<b>Occupancy Rate</b>	33.0%

### Hyatt Place Pittsburgh Cranberry, Pennsylvania

136 Emeryville Drive, Cranberry Township, PA 16066

Hyatt Place Pittsburgh Cranberry is situated in one of Pennsylvania's fastest growing communities, Cranberry Township. The local area provides easy access to a transportation network that is easily accessible from the greater Pittsburgh region. Cranberry Township is a commercial center for retail, office and industrial space users. It is also located near a regional shopping center, a professional sports training facility and an advanced health care center that provides specialised medical and surgical treatment.



<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	7.6
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	127
<b>Year of Commencement of Operations</b>	1998
<b>Year of Last Renovation</b>	2015
<b>Food &amp; Beverage</b>	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
<b>Other Amenities &amp; Services</b>	Indoor pool, business center, fitness center, market pantry and complimentary Wi-Fi Internet access
<b>Parking Spaces</b>	132
<b>Total Revenue (US\$ million)</b>	1.6
<b>Occupancy Rate</b>	37.3%

**Hyatt Place Richmond Arboretum, Virginia**  
201 Arboretum Place, Richmond, VA 23236

The region is home to the headquarters of 10 Fortune 1000 companies, and the Fourth Circuit U.S. Court of Appeals. It also houses numerous leisure attractions and regional sports tournaments. Hyatt Place Richmond Arboretum is in close proximity to diverse corporate businesses such as (i) Universal Corporation, (ii) IBM, (iii) Westvaco (packaging corporation), (iv) Northrop Grumman and (v) HCA Management Services. The Hotel is also located near a state-team sports training center and a sports complex which hosts major tournaments of different sports.



<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	13.0
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	127
<b>Year of Commencement of Operations</b>	1997
<b>Year of Last Renovation</b>	2015
<b>Food &amp; Beverage</b>	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
<b>Other Amenities &amp; Services</b>	Outdoor pool, business center, fitness center and complimentary Wi-Fi Internet access
<b>Parking Spaces</b>	145
<b>Total Revenue (US\$ million)</b>	3.1
<b>Occupancy Rate</b>	56.8%

**Hyatt Place Sacramento Rancho Cordova, California**  
10744 Gold Center Drive, Rancho Cordova, CA 95670

As a state capital of California, the economy has diversified as lower living and business costs compared to the nearby San Francisco city continue to attract investments across a variety of industries. It is also situated 3 miles from Mather Commerce Center and Airport, one of the largest business parks in Greater Sacramento. Hyatt Place Sacramento Rancho Cordova is in close proximity to diverse corporate businesses such as (i) Accenture, (ii) Deloitte, (iii) Ernest & Young, and (iv) IBM. It is also located near a sports and event center which hosts several tournaments and events throughout the year. The Hotel is three miles away from Mather Commercial Center, one of the largest business parks in Greater Sacramento and within 5 miles of 16.5 million sq ft wide of office space and 17.9 million wide sq ft wide of industrial space.



<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	21.3
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	127
<b>Year of Commencement of Operations</b>	1999
<b>Year of Last Renovation</b>	2014
<b>Food &amp; Beverage</b>	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
<b>Other Amenities &amp; Services</b>	Outdoor pool, business center, fitness center, complimentary Wi-Fi Internet access and shuttle
<b>Parking Spaces</b>	158
<b>Total Revenue (US\$ million)</b>	3.6
<b>Occupancy Rate</b>	70.0%

## OUR HOTELS

### Hyatt Place Secaucus Meadowlands, New Jersey

575 Park Plaza Drive, Secaucus, NJ 07094

Located four miles from the heart of New York City and 12 miles from Newark Liberty International Airport, the Hyatt Place Secaucus Meadowlands is situated within the Harmon Meadow mixed-use development and within walking distance of a variety of retail, dining, entertainment and Class A office space. The Hotel is in close proximity to diverse corporate businesses such as (i) UBS, (ii) the National Basketball Association, (iii) Kenneth Cole and (iv) Xerox Corporation. It is also just four miles from the Meadowlands Sports Complex, which houses two major American national football teams. It is also located near American Dream, a retail and entertainment complex which houses an indoor ski and snowboard park, a Sea Life Aquarium and a Nickelodeon Universe-themed indoor amusement park and water park.



<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Leasehold expiring in June 2071
<b>Valuation (US\$ million)</b>	23.8
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	159
<b>Year of Commencement of Operations</b>	1998
<b>Year of Last Renovation</b>	2014
<b>Food &amp; Beverage</b>	Daily complimentary breakfast, 24/7 Gallery and Coffee to Cocktails Bar
<b>Other Amenities &amp; Services</b>	Business center, fitness center, complimentary Wi-Fi Internet access and shuttle
<b>Parking Spaces</b>	17
<b>Total Revenue (US\$ million)</b>	4.1
<b>Occupancy Rate</b>	55.1%

### Hyatt Place Tampa Busch Gardens, Florida

11408 North 30th Street, Tampa, FL 33612

Hyatt Place Tampa Busch Gardens is situated in Tampa MSA which is one of the fastest growing markets with several local development projects lined up. It is in close proximity to a cluster of healthcare facilities such as (i) Shriners Hospitals for Children, (ii) Florida Hospital Tampa, (iii) James A. Haley Veterans' Hospital and (iv) the Moffitt Cancer Center. Tampa Busch Gardens is located within five-miles of the hotel and a major driver of leisure demand. The University of Southern Florida, one of the nation's largest colleges, is located in close proximity and Tampa Busch Gardens is just five-miles from the hotel and a major driver of leisure demand.



<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	16.4
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	126
<b>Year of Commencement of Operations</b>	1997
<b>Year of Last Renovation</b>	2014
<b>Food &amp; Beverage</b>	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
<b>Other Amenities &amp; Services</b>	Outdoor pool, business center, fitness center, complimentary Wi-Fi Internet access and shuttle
<b>Parking Spaces</b>	140
<b>Total Revenue (US\$ million)</b>	4.2
<b>Occupancy Rate</b>	71.3%



**AC by Marriott Raleigh North Hills, North Carolina**  
101 Park at North Hills Street, Raleigh, NC 27609

AC by Marriott Raleigh North Hills is the newest hotel within the heart of Raleigh’s North Hills – one of Raleigh/Durham’s premier live work-play destination. North Hills is a mixed-use development that contains more than 1.5 million square feet of office space, with notable tenants such as PwC, KPMG, Advanced Auto Parts, plus retail, entertainment and residences. The key demand drivers include the Research Triangle Park – one of the most prominent high-tech research and development parks in the United States and houses 200 companies (including IBM, SAS, GlaxoSmithKline, Cisco and Lenovo) with over 50,000 workers. Besides that, the Hotel is in close proximity to leading universities including the North Carolina State University (35,000 students), Duke University (15,000 students), University of North Carolina (29,000 students).



<b>Type of Hotel</b>	Upscale Select-service (Lifestyle)
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	47.7
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	135
<b>Year of Commencement of Operations</b>	2017
<b>Year of Last Renovation</b>	-
<b>Food &amp; Beverage</b>	Rooftop bar and lounge
<b>Other Amenities &amp; Services</b>	Fitness center, lobby workstation and a market pantry
<b>Parking Spaces</b>	Communal Garage
<b>Total Revenue (US\$ million)</b>	8.1
<b>Occupancy Rate</b>	64.1%

**Courtyard San Antonio Six Flags® at The Rim, Texas**  
5731 Rim Pass, San Antonio, TX 78257

Courtyard San Antonio Six Flags® at The Rim is located in one of the most desirable sub-market in San Antonio. The Hotel is situated within attractive residential, retail and office and close to popular leisure attractions. It is located near major highways and less than 30 minutes from the airport, downtown, and other office parks. The key demand drivers within a five kilometres radius include corporations such as Valero Headquarters (Fortune 500 energy group), Medtronic (1000+ employees), USAA (Fortune 500 financial group), NuStar Energy (1000+ employees). The Hotel is also located in a popular regional destination that include the Six Flags Fiesta Texas (a popular amusement park) and a 2.8 million sq ft of master development with retail and dining component. It is also close to The University of Texas at San Antonio with student enrolment of c. 31,000 students.



<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	21.4
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	124
<b>Year of Commencement of Operations</b>	2009
<b>Year of Last Renovation</b>	2017
<b>Food &amp; Beverage</b>	Restaurant and lounge
<b>Other Amenities &amp; Services</b>	Outdoor pool, outdoor whirlpool, fitness center, lobby workstation, market pantry, guest laundry room and outdoor patio with barbecue area
<b>Parking Spaces</b>	103
<b>Total Revenue (US\$ million)</b>	4.5
<b>Occupancy Rate</b>	71.3%

## OUR HOTELS

### Residence Inn San Antonio Six Flags® at The Rim, Texas

5707 Rim Pass, San Antonio, TX 78257

Residence Inn San Antonio Six Flags® at The Rim is located in one of the most desirable sub-market in San Antonio. The Hotel is situated within attractive residential, retail and office and close to popular leisure attractions. It is located near major highways and less than 30 minutes from the airport, downtown, and other office parks. The key demand drivers within a five kilometres radius include corporations such as Valero Headquarters (Fortune 500 energy group), Medtronic (1000+ employees), USAA (Fortune 500 financial group), and NuStar Energy (1000+ employees). The Hotel is also located in a popular regional destination that include the Six Flags Fiesta Texas (a popular amusement park) and a 2.8 million sq ft of master development with retail and dining components. It is also close to The University of Texas at San Antonio with student enrolment of c. 31,000 students.



<b>Type of Hotel</b>	Upscale Extended-stay
<b>Title</b>	Freehold
<b>Valuation (US\$ million)</b>	21.7
<b>Valuation Date</b>	31 December 2021
<b>Number of Rooms</b>	131
<b>Year of Commencement of Operations</b>	2009
<b>Year of Last Renovation</b>	2017
<b>Food &amp; Beverage</b>	Complimentary services area
<b>Other Amenities &amp; Services</b>	Outdoor pool, outdoor whirlpool, fitness center, lobby workstation, guest laundry room and a sport court
<b>Parking Spaces</b>	162
<b>Total Revenue (US\$ million)</b>	5.0
<b>Occupancy Rate</b>	85.8%

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# CORPORATE GOVERNANCE REPORT

## INTRODUCTION

ARA US Hospitality Trust (“**ARA H-Trust**”) is a stapled group comprising ARA US Hospitality Property Trust (“**ARA H-REIT**”) and ARA US Hospitality Management Trust (“**ARA H-BT**”).

The units in ARA H-REIT (each, a “**ARA H-REIT Unit**”) and the units in ARA H-BT (each, a “**ARA H-BT Unit**”) are stapled together under the terms of a stapling deed dated 17 April 2019 (the “**Stapling Deed**”) entered into between ARA Trust Management (USH) Pte. Ltd., as manager of ARA H-REIT (the “**ARA H-REIT Manager**”), DBS Trustee Limited, as trustee of ARA H-REIT (the “**ARA H-REIT Trustee**”) and ARA Business Trust Management (USH) Pte. Ltd., as trustee-manager of ARA H-BT (the “**ARA H-BT Trustee Manager**”, and together with the ARA H-REIT Manager, the “**Managers**”), to form stapled securities in ARA H-Trust (“**Stapled Securities**”, and each a “**Stapled Security**”). Each Stapled Security consists of one ARA H-REIT Unit and one ARA H-BT Unit and is treated as a single instrument. The Stapled Securities were listed on the Mainboard of Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 9 May 2019.

ARA H-REIT is a real estate investment trust (“**REIT**”) constituted in Singapore by a trust deed dated 24 September 2018 (as amended) (the “**ARA H-REIT Trust Deed**”). ARA H-REIT is an authorised collective investment scheme under the Securities and Futures Act 2001 of Singapore (the “**SFA**”).

ARA H-BT is a business trust constituted in Singapore by a trust deed dated 29 October 2018 (as amended) (the “**ARA H-BT Trust Deed**”, together with the ARA H-REIT Trust Deed and the Stapling Deed, the “**Trust Deeds**”). ARA H-BT is registered as a business trust under the Business Trusts Act 2004 of Singapore (the “**BTA**”).

This Corporate Governance Report (“**Report**”) describes the Managers’ corporate governance framework and practices. The Managers are committed to sound corporate governance policies and practices and observe high standards of conduct in line with the recommendations of the Code of Corporate Governance 2018 (the “**2018 CG Code**”) and the Listing Manual of the SGX-ST (the “**Listing Manual**”) as well as other applicable rules and regulations.

The following segments describe the Managers’ main corporate governance policies and practices. They encompass proactive measures for avoiding situations of conflict or potential conflicts of interest, prioritising the interests of the stapled securityholders of ARA H-Trust (the “**Stapled Securityholders**”), complying with applicable laws and regulations, and ensuring that the Managers’ obligations under the Trust Deeds are properly and efficiently carried out. The Managers are committed to complying with the principles and provisions of the 2018 CG Code, and to the extent that there are any deviations from the 2018 CG Code, such as in respect of the establishment of a nominating committee and a remuneration committee, the disclosure of remuneration, and the implementation of absentia voting at general meetings of ARA H-Trust Stapled Securityholders, the Managers will provide explanations for such deviations and details of the alternative practices adopted by the Managers which are consistent with the intent of the relevant principles of the 2018 CG Code.

Due to the different legislative and regulatory requirements in relation to a REIT as compared to a business trust, the corporate governance procedures and disclosure requirements in relation to the ARA H-REIT Manager are different from those in relation to the ARA H-BT Trustee Manager, and where appropriate, these have been highlighted below.

### **The Managers**

The Managers are wholly-owned subsidiaries of ARA Asset Management Limited (“**ARA**”). Each of the ARA H-REIT Manager and the ARA H-BT Trustee Manager has general powers of management over the business and assets of ARA H-REIT and ARA H-BT, respectively.

The ARA H-REIT Manager holds a Capital Markets Services (“**CMS**”) Licence issued by the Monetary Authority of Singapore (the “**MAS**”) to carry out REIT management activities. In addition, employees of the ARA H-REIT Manager who carry out regulated activities are qualified appointed CMS representatives. The ARA H-REIT Manager’s main responsibility is to manage ARA H-REIT’s assets and liabilities in the best interests of unitholders of ARA H-REIT. The primary role of the ARA H-REIT Manager is to set the strategic direction of ARA H-REIT and make recommendations to the ARA H-REIT Trustee on, amongst others, acquisitions, divestments, development and/or enhancement of the assets of ARA H-REIT in accordance with its stated investment strategy.

The ARA H-BT Trustee Manager performs similar functions for ARA H-BT. It has the dual responsibilities of holding the trust property of ARA H-BT on trust for the unitholders of ARA H-BT, and managing the business conducted by ARA H-BT.

Collectively, the Managers have the duty of safeguarding the interests of the Stapled Securityholders.

# CORPORATE GOVERNANCE REPORT

Other main functions and responsibilities of the ARA H-REIT Manager and the ARA H-BT Trustee Manager include:

1. using their best endeavours to ensure that the business of ARA H-REIT and ARA H-BT are carried out and conducted in a proper and efficient manner and to conduct all transactions with or for ARA H-REIT and ARA H-BT at arm's length and on normal commercial terms;
2. preparing reports on a regular basis, which may contain forecasts on the net income, capital expenditure, sales and valuations, explanations of major variances from previous forecasts, written commentary on key issues and underlying assumptions on inflation, annual turnover, occupancy costs and any other relevant assumptions. The purpose of these reports is to monitor and explain the performance of ARA H-Trust's assets;
3. establishing a framework of prudent and effective controls which enables financial, operational, compliance and information technology risks to be managed;
4. ensuring compliance by ARA H-REIT and ARA H-BT (as the case may be) with the principles and provisions of the 2018 CG Code and other applicable laws, rules and regulations, including the SFA, the Securities and Futures (Licensing and Conduct of Business) Regulations (the "**SF(LCB)R**"), the BTA and the Business Trusts Regulations (the "**BTR**"), the Listing Manual, the Code on Collective Investment Schemes ("**CIS Code**" issued by the MAS, including Appendix 6 thereto, the "**Property Funds Appendix**"), the Singapore Code on Takeovers and Mergers, the Trust Deeds, the relevant MAS Notices and Guidelines, the CMS licensing conditions, any tax rulings issued and all other relevant legislations or contracts;
5. attending to all communication with Stapled Securityholders; and
6. supervising the hotel managers for management services such as running and managing of the hotels, marketing services, managing the overall annual business plans of the hotels and putting in place the necessary policies and procedures for the hotel operations pursuant to the respective hotel management agreements.

Both ARA H-REIT and ARA H-BT are externally managed by the ARA H-REIT Manager and the ARA H-BT Trustee Manager respectively. Accordingly, both ARA H-REIT and ARA H-BT do not have personnel of their own. The Managers employ experienced and well-qualified management staff to run the day-to-day operations of ARA H-REIT and ARA H-BT. The directors and employees of the ARA H-REIT Manager and the ARA H-BT Trustee Manager are remunerated by the ARA H-REIT Manager and the ARA H-BT Trustee Manager and not out of the deposited property of ARA H-REIT, ARA H-BT or ARA H-Trust.

## (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 the Management for the long-term success of the company.*

The composition of the board of directors of the Managers (the "**Board**") as at 31 December 2021 is as follows:

Directors	Position
Mr Stephen Ray Finch	Independent Non-Executive Chairman
Mr Randy Allan Daniels	Independent Non-Executive Director
Ms Stefanie Yuen Thio	Independent Non-Executive Director and Chairperson of the Audit Committee
Mr Wong Choong Mann	Independent Non-Executive Director
Mr Moses K. Song	Non-Executive Director
Ms Cheryl Seow Bee Lian	Non-Executive Director
Mr Lin Daqi	Non-Executive Director

<sup>1</sup> In this Report, references to the "Board", "Directors", "Management" and similar words and expressions are intended to mean the Board, Directors, Management etc. of each of the ARA H-REIT Manager and the ARA H-BT Trustee Manager (save where the context otherwise requires), as during the financial year ended 31 December 2021 ("**FY2021**"), the Boards and Management of the ARA H-REIT Manager and the ARA H-BT Trustee Manager comprised the same persons.

# CORPORATE GOVERNANCE REPORT

The Board is entrusted with the responsibility for the overall management of the Managers and their corporate governance, including establishing goals for the management teams of the Managers (the “**Management**”), holding the Management accountable for performance and monitoring the achievement of these goals. All Directors are fiduciaries who act objectively in the best interests of ARA H-Trust. The Board sets an appropriate tone from the top and the desired organisational culture and ensures proper accountability within the Managers.

The Directors have the responsibility to act with due diligence in the discharge of their duties and ensure that they have the relevant knowledge to carry out and discharge their duties as directors, including understanding their roles as executive, non-executive and independent Directors, the business of ARA H-Trust and the environment in which it operates. The Directors are also required to dedicate the necessary effort, commitment and time to their work as Directors and are expected to attend all Board meetings.

The Board is also responsible for the strategic business direction and risk management of ARA H-Trust. All Board members participate in matters relating to corporate governance, business operations and risks, financial performance and the nomination and appointments of such Directors. The Board has established a framework for the Management and ARA H-Trust and the framework comprises a system of robust internal controls, risk management processes and clear policies and procedures and sets out the code of conduct and ethics of ARA H-Trust. Where a Director is conflicted in a matter, he or she will be required to disclose his or her interest to the Board, recuse himself or herself from the deliberations and abstain from voting on the matter. The Directors have complied with this practice and such compliance has been duly recorded in the minutes of meetings or written resolutions.

The Board has adopted a set of prudent internal controls to safeguard Stapled Securityholders’ interests and ARA H-Trust’s assets. A set of internal guidelines sets out the level of authorisation and financial authority limits for operating and capital expenditure, capital management, and other corporate matters which facilitate operational efficiency, with oversight by the Board. Apart from matters stated below that specifically require approval from the Board, the Board approves transactions which exceed established threshold limits, and delegates its authority for transactions below those limits to the relevant Board Committee, where appropriate, and clearly communicates this to Management in writing.

Matters that are specifically reserved for the Board’s decision and approval include:

1. corporate strategies and policies of ARA H-Trust;
2. financial restructuring;
3. any material acquisitions and divestments;
4. annual budget;
5. release of financial results;
6. annual audited financial statements;
7. issue of new Stapled Securities;
8. income distributions and other returns to Stapled Securityholders; and
9. Interested Person Transactions (as defined below) of a material nature.

During FY2021, the Board continuously monitors the impact of the ongoing COVID-19 pandemic and has been working closely with Management to put in place measures in addressing challenges posed by the COVID-19 pandemic.

## **Board Committee**

Each of the Board of the ARA H-REIT Manager and the ARA H-BT Trustee Manager has constituted an audit committee (the “**Audit Committee**”<sup>2</sup>) with written terms of reference to assist in discharging its responsibilities and enhancing its corporate governance framework. The Board has delegated specific responsibilities to the Audit Committee and its composition, terms of reference and a summary of its activities are further described in this Report. The Audit Committee of each of the ARA H-REIT Manager and the ARA H-BT Trustee Manager comprise the same persons.

The Board accepts that while the Board Committee has the authority to examine particular issues in its specific area, the Board Committee shall report to the Board with its decision(s) and/or recommendation(s) and the ultimate responsibility on all matters lies with the Board.

<sup>2</sup> In this Report, references to the “Audit Committee” are intended to mean the Audit Committee of each of the ARA H-REIT Manager and the ARA H-BT Trustee Manager.

# CORPORATE GOVERNANCE REPORT

The composition of each Board Committee is also reviewed as and when there are changes to Board members. Where appropriate, changes are made to the composition of the Board Committees, with a view of ensuring there is an appropriate diversity of skills, experience, and to foster active participation and contributions from Board Committees' members.

## **Board Meetings**

The Board meets regularly to review the Managers' key activities. Board meetings are held once every quarter (or more often if necessary). Where necessary, additional meetings would be held to address significant transactions or issues requiring the Board's attention. The Constitutions of the Managers allow Directors to convene meetings via teleconferencing, videoconferencing or other similar means of communication.

Prior to Board meetings and on an on-going basis, Management provides complete, adequate and timely information to the Board on ARA H-Trust's affairs and issues that require the Board's decision. Explanatory background information relating to matters brought before the Board include quarterly investor slides, half-year and full year results announcements, budgets and documents related to the operational and financial performance of ARA H-Trust.

Board and Board Committee meetings for the year are scheduled in advance to facilitate the Directors' administrative arrangements and commitments. The Board and Board Committee may also hold ad-hoc meetings as and when required. Board papers are generally circulated at least three (3) days in advance of each meeting and include background explanatory information for the Directors to prepare for the meeting and make informed decisions. Information provided to the Board include financial results, market and business developments, and business and operational information. Management also highlights key risk issues for discussion and confers with the Audit Committee and the Board regularly.

The Chief Executive Officer ("**CEO**") keeps all Board members abreast of key developments and material transactions affecting ARA H-Trust so that the Board is kept fully aware of its affairs, business, financial environment and risks faced by ARA H-Trust and the Managers. All Directors have separate, independent and unrestricted access to Management, the Company Secretary, the Internal Auditors and External Auditors (each as defined herein), as well as other external advisers (where necessary), at all times and at the Managers' expense (where applicable).

If a Director is unable to attend the Board meetings, he or she would review the Board papers and advise the Chairman or the chairman of the Board Committee of his or her views on the matters to be discussed and conveyed to other Directors at the meetings. Where appropriate, Management will be requested to attend meetings of the Board and the Board Committee in order to provide their input and insight into the matters being discussed, and to respond to any queries that the Directors may have.

In addition, Directors may request for briefings and discussions with Management on any aspect of ARA H-Trust's operations and may request for any additional reports and documents requiring the Board's attention. When circumstances require, Board members may exchange views outside the formal environment of Board meetings.

The company secretary of the Managers (the "**Company Secretary**") and/or her authorised designate(s) attend(s) all Board and Board Committee meetings and assist(s) the Board in ensuring that Board procedures and all other rules and regulations applicable to the Managers are complied with. The Company Secretary advises the Board on governance matters and works with the Chairman to ensure that information flows within the Board and the Board Committee and between Management and the Directors. The Company Secretary will also assist with professional development and training for Directors when required to do so. The appointment and removal of the Company Secretary is a decision of the Board as a whole.

The Managers also have in place procedures to enable Directors, whether as a group or individually, to obtain independent professional advice as and when necessary, in furtherance of their duties, at the Managers' expense. The appointment of such independent professional advisors is subject to approval by the Board.

# CORPORATE GOVERNANCE REPORT

Four Board meetings were held in FY2021. The key deliberations and decisions taken at Board meetings are minuted. The attendance of the Directors at Board meetings, Audit Committee meetings and Stapled Securityholders' meetings as well as the frequency of such meetings, are set out below.

## **Directors' Attendance at Board, Audit Committee and Stapled Securityholders' Meetings in FY2021**

Directors	Board Meetings		Audit Committee Meetings		General Meetings (AGM)
	Participation	Attendance/ Number of Meetings	Participation	Attendance/ Number of Meetings	Attendance/ Number of Meetings
Mr Stephen Ray Finch	Chairman	4/4	Member	4/4	1/1
Mr Randy Allan Daniels	Member	4/4	Member	4/4	1/1
Ms Stefanie Yuen Thio	Member	4/4	Chairperson	4/4	1/1
Mr Wong Choong Mann	Member	4/4	Member	4/4	1/1
Mr Moses K. Song	Member	4/4	NA	NA	1/1
Ms Cheryl Seow Bee Lian	Member	4/4	NA	4/4 <sup>(1)</sup>	1/1
Mr Lin Daqi	Member	4/4	NA	NA	1/1

**Note:**

<sup>(1)</sup> Attendance by invitation.

## **Professional Development**

Changes to regulations, policies and accounting standards are monitored closely. Where the changes have an important impact on ARA H-Trust and its disclosure obligations, the Directors are briefed on such changes either during a Board meeting, at specially convened sessions by External Auditors, lawyers and professionals, or via circulation of Board papers. Relevant regulatory updates and news releases issued by the SGX-ST, the MAS and the Accounting and Corporate Regulatory Authority will also be circulated to the Board for information.

The Directors are provided with opportunities to develop and maintain their skills and knowledge. They receive regular training and are able to participate in conferences, seminars or training programmes in connection with their duties such as those conducted by the Singapore Institute of Directors, SGX-ST and REIT Association of Singapore ("REITAS"). A list of training courses and seminars which may be of interest is sent to the Directors for their consideration. The costs of arranging and funding the training of the Directors are borne by the Managers.

The Managers note the requirements under the 2018 CG Code and Rule 210(5) of the Listing Manual on the training requirements for directors with no prior experience on listed companies and would arrange for the necessary training for such directors in future appointments. No new Director was appointed during FY2021.

All approved Directors are given formal appointment letters explaining the terms of their appointment as well as their duties and obligations. An induction programme is arranged for new Directors to be briefed on the business activities of ARA H-Trust and its strategic directions and policies. This allows the Directors to understand the business of the Managers and ARA H-Trust as well as their directorship duties (including their roles as non-executive and independent directors).



# CORPORATE GOVERNANCE REPORT

## 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 currently comprises seven members: three Non-Executive Directors and four Independent Non-Executive Directors. Non-Executive Directors make up the entire Board. Each Director is a well-respected individual from the corporate industry and/or industry circles with diverse experience and network.

The Chairman of the Board is Mr Stephen Ray Finch.

The composition of the Board is determined using the following principles:

1. the Chairman of the Board should be independent;
2. the Board should comprise Directors with a broad range of commercial experience including expertise in fund management and the property industry; and
3. at least a majority<sup>3</sup> of the Board should comprise Independent Directors.

The Board seeks to refresh its membership in an orderly and progressive manner, in line with its Board diversity policy and in compliance with the applicable regulatory requirements.

### Independent Composition

The Independent Non-Executive Directors exercise objective judgement on ARA H-Trust's affairs and are independent from Management. The independence of each Independent Non-Executive Director is reviewed upon appointment and thereafter annually by the Board through the annual independence declaration. The declaration makes reference to the guidelines set out in the 2018 CG Code and other applicable laws and regulations.

The assessment of a Director's independence takes into account, amongst others, the enhanced independence requirements and the definition of "Independent Director" as set out in the SF(LCB)R and the BTA/BTR. An Independent Director is one who: (i) is independent in conduct, character and judgement, and has no relationship with the Managers, their related corporations, their shareholders who hold 5.0% or more of the voting shares (the "**Substantial Shareholders**"), or Stapled Securityholders who hold 5.0% or more of the Stapled Securities (the "**Substantial Stapled Securityholders**") in issue, or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement, in the best interests of the Stapled Securityholders; (ii) is independent from any management and business relationship with the Managers and ARA H-Trust, and from every Substantial Shareholder of the Managers and any Substantial Stapled Securityholder; (iii) is not a Substantial Shareholder of the Managers or a Substantial Stapled Securityholder; (iv) has not served on the Board for a continuous period of nine years or longer; and (v) is not employed or has not been employed by the Managers or ARA H-Trust or any of their related corporations in the current or any of the past three financial years and does not have an immediate family member who is employed or has been employed by the Managers or ARA H-Trust or any of their related corporations in the current or any of the past three financial years and whose remuneration is or was determined by the Board.

Each Independent Non-Executive 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 Non-Executive Directors has served for a continuous period of nine years or longer on the Board. The independence declarations have been duly reviewed by the Board. The Board has conducted its own assessment and has determined that the Independent Non-Executive Directors are independent as defined under the relevant regulations. Each of the Independent Non-Executive Directors has recused himself or herself from reviewing his or her own independence.

<sup>3</sup> This is in compliance with the requirements of the BTA/BTR where majority of the Board of Directors should be independent from management and business relationships with the ARA H-BT Trustee Manager; and any single Substantial Shareholder of the ARA H-BT Trustee Manager.

# CORPORATE GOVERNANCE REPORT

The Board has noted that Ms Stefanie Yuen Thio is currently the Independent Non-Executive Chairperson of ESR Funds Management (S) Limited, the manager of ESR-REIT ("**ESRFM**"). For FY2021, ESRFM was an associated corporation of a Substantial Shareholder of the Managers, and with effect from 20 January 2022, fellow subsidiary company under the ESR Group<sup>4</sup>. The Board has reviewed that (i) Ms Stefanie Yuen Thio does not have any relationship with the CEO, members of the management team, board of directors or major shareholders/unitholders of ESRFM, and ESR-REIT; (ii) she is not involved in the day-to-day management and operations of ESRFM and ESR-REIT; (iii) she does not own any shares in ESRFM and ESR-REIT; (iv) she exercises independent judgment as a member of the audit, risk management and compliance committee of ESRFM; and (v) ESR-REIT has a different investment mandate from ARA H-Trust. Where Ms Stefanie Yuen Thio or any of her associates has any interest in a transaction with ARA H-Trust or the Managers, Ms Stefanie Yuen Thio is required to abstain from passing any related board resolutions or participating in the review and approval of such a transaction.

Having reviewed the above and pursuant to Regulation 13D(8) of the SF(LCB)R and Regulation 12(6) of the BTR, the Board has resolved that Ms Stefanie Yuen Thio is independent from management and business relationships with the Managers and independent from Substantial Shareholders of the Managers. As at the last day of FY2021, Ms Stefanie Yuen Thio was able to act in the interests of all Stapled Securityholders as a whole and the Board has determined and is satisfied that Ms Stefanie Yuen Thio was able to act in the best interests of all Stapled Securityholders as a whole. As with the same as other Directors, prior approval was obtained from the MAS before the appointment of Ms Stefanie Yuen Thio as a Director.

The MAS has granted an exemption to the ARA H-BT Trustee Manager from compliance with Regulations 12(1)(a) and 12(1)(b) of the BTR to the extent that non-compliance with these regulations is due to any Director of the ARA H-BT Trustee Manager being considered to be not independent from management and business relationships with the ARA H-BT Trustee Manager or from every Substantial Shareholder of the ARA H-BT Trustee Manager solely by virtue of such Director also being a Director of the ARA H-REIT Manager.

All Non-Executive Directors contribute to the Board process by monitoring and reviewing Management's performance against their goals and objectives. Their views and opinions provide alternative perspectives to ARA H-Trust'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 their objective judgment on business activities and transactions involving conflicts of interests and other complexities. The Non-Executive Directors and/or Independent Non-Executive Directors, meet without the presence of the Management on a needs-basis, as led by the Independent Non-Executive Directors, and provide updates to the Board where necessary.

The composition of the Board is reviewed regularly to ensure that the Board has the appropriate mix of industry expertise and experience. In particular, the Board's diversity policy strives to ensure that the Board as a whole has the requisite background, and diverse experience and knowledge in business, accounting and finance, and management skills critical to ARA H-Trust's businesses. The Managers have adopted the Board Diversity Policy of ARA, which has an established framework for setting the board diversity approach, including the qualitative and measurable quantitative objectives to ensure diversity of its composition. The current composition of the Board has achieved the objectives of having international and industry experience, expertise in related fields including real estate, investing, financial and legal and gender and age diversity. Collectively and individually, the Directors act in good faith and exercise due diligence and care in the course of their deliberations and, at all times, consider objectively the interests of ARA H-Trust and its Stapled Securityholders.

A healthy exchange of ideas and views between the Board and Management during regular meetings and updates enhances the management of ARA H-Trust. This, together with a clear separation of the roles between the Chairman and the CEO, establishes a healthy and professional relationship between the Board and the Management.

<sup>4</sup> Following completion of the acquisition of ARA (the "**ARA Acquisition**") by ESR Cayman Limited ("**ESR**") on 20 January 2022, the Managers and ESRFM are subsidiaries of ESR.

# CORPORATE GOVERNANCE REPORT

In FY2021, the Board determined that the Chairman of the Board is an Independent Non-Executive Director. Further, its current composition of Independent Non-Executive Directors has made up a majority of the Board, which is in line with the 2018 CG Code. The Board continuously reviews its composition to enhance its independence, by taking into consideration the following factors:

- (i) there are four Independent Non-Executive Directors and three Non-Executive Directors, out of a total of seven members during FY2021. Independent Non-Executive Directors make up a majority of the Board and Non-Executive Directors make up 100% of the Board;
- (ii) the Independent Non-Executive Directors have been assessed based on the independence criteria which include (a) length of service of not more than nine years, (b) independence from management and business relationships with the Managers and ARA H-Trust, (c) independence from Substantial Shareholders of the Managers and Substantial Stapled Securityholders, and (d) other factors described in Principles 2 and 4 of this Report; and
- (iii) interested Director(s) are required to abstain from voting when passing Board resolutions and the quorum for such matter must comprise a majority of Independent Non-Executive Directors, excluding such interested Director(s).

Based on the above assessment, the Board is of the view that the current composition of Directors, as a group, provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age and that the current Board size is appropriate, taking into consideration the nature and scope of ARA H-Trust's operations. The Board values the benefits that diversity can bring to the Board in its deliberations by avoiding groupthink and fostering constructive debate. In addition, prior approval of the MAS is required for appointment of any Board member or the CEO. The Board will continue to review its composition to ensure that it adheres to the requirements under Principle 2. The Managers are accordingly of the view that its practice is consistent with the intent of Principle 2 of the 2018 CG Code as a whole.

Profiles of the Directors and other relevant information are set out on pages 24 to 25 of this Annual Report. There were no Alternate Directors appointed to the Board in FY2021.

## 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 roles of Chairman and CEO are separate and held by Mr Stephen Ray Finch and Mr Lee Jin Yong respectively, and the division of responsibilities between the Chairman and the CEO are established and set out in writing. The Chairman and the CEO are not immediate family members.

The separation of responsibilities between the Chairman and the CEO facilitates effective oversight and a clear segregation of duties and accountability. This ensures an appropriate balance of power, increased accountability and greater capacity of the Board for sound and independent decision making.

The Chairman leads the Board and ensures that its members work together with Management in a constructive and engaging manner and maintain open lines of communication to address strategies, business operations and enterprise risk. The Chairman also ensures that there is effective communication with Stapled Securityholders and promotes a culture of openness and a high standard of corporate governance. The Chairman presides over the Annual General Meeting ("**AGM**") each year and other Stapled Securityholders' meetings where he plays a pivotal role in fostering constructive dialogue between Stapled Securityholders, the Board and the Management. The CEO has full executive responsibilities over the business directions and day-to-day operational decisions in relation to the management of ARA H-Trust in accordance with the objectives established by the Board. The CEO is an appointed representative approved by the MAS. Given that the Chairman is independent, the Board has considered that it is not necessary to appoint a lead independent director as the Chairman is available to Stapled Securityholders when they have concerns and for which contact through normal channels of communication with the Management is inappropriate or inadequate.

# CORPORATE GOVERNANCE REPORT

## 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.*

The Board has not established a nominating committee (as required under Provision 4.1) as the Board, taking into account the activities of ARA H-Trust and its current Board composition, considers that the objectives of a nominating committee as required under Principle 4, are currently achieved by the Board in a manner consistent with the intent under Principle 4 of the 2018 CG Code. Therefore, a separate committee (as required under Provisions 4.1 and 4.2), comprising at least three Directors, a majority of whom, including the committee chairman are independent, is not necessary. The Board has assessed its independence element under Principle 2 of the 2018 CG Code and is of the view that it can effectively perform the role of a nominating committee.

The Board performs the various functions of the nominating committee, including:

- tabling nominations for appointment and re-appointment to the Board, and reviewing as well as taking into account the succession plan and framework for the Chairman, the CEO and key management personnel;
- reviewing the structure, size, and composition of the Board;
- reviewing the process and criteria for the evaluation of the performance of the Board, the Audit Committee and the Directors;
- reviewing the overall performance and progress of the Board, the Audit Committee and the Directors;
- reviewing the independence of Board members; and
- reviewing the training and professional development of the Board and the Directors.

The Board believes that it can achieve orderly succession and renewal through continuously reviewing the appropriate composition of the Board.

In terms of succession plans, the Board has in mind the Managers' strategic priorities and the factors affecting the long-term success of the Managers. Further, the Board aims to maintain an optimal Board composition by considering the trends affecting the Managers, reviewing the skills needed and identifying gaps, including considering whether there is an appropriate level of diversity of thought. In addition, the Board considers different time horizons for succession planning as follows: (i) long-term planning, to identify competencies needed for the Managers' strategy and objectives; (ii) medium-term planning, for the orderly replacement of Board members and key management personnel, and (iii) contingency planning, for preparedness against sudden and unforeseen changes.

### **Process and Criteria for Appointment and Re-appointment of Directors**

When reviewing and recommending the appointment and re-appointment of Directors, the Board takes into consideration the current Board's size, mix, core competencies and the principles outlined in the subsequent part of this Report. The Board has put in place a process for shortlisting, evaluating and nominating candidates for appointment as Directors. The selection and appointment of candidates is evaluated through taking into account various factors including the current and mid-term needs and goals of ARA H-Trust, as well as the relevant skillsets and background of the candidates and their potential contributions as may be determined by the Board, which provide an appropriate balance and contribute to the collective skills, experience and diversity of the Board. Candidates may be put forward or sought through contacts and recommendations by the Directors or through external referrals where applicable.

The Board reviews each candidate's experience and ability to contribute to the guidance of the Managers in their management of ARA H-Trust, including attributes such as complementary experience, time commitment, financial literacy, reputation and whether he or she is a fit and proper person in accordance with the Guidelines on Fit and Proper Criteria issued by the MAS (which require the candidate to be competent, honest, to have integrity and be financially sound). The Board also determines whether its members as a whole have the skills, knowledge and experience required to achieve the objectives of ARA H-Trust.

The Board unanimously approves the appointment of new Directors via Board resolution upon assessing the candidates' profiles and credentials. Once appointed, the Board ensures that new Directors are aware of their duties and obligations. Where applicable, for the re-appointment of Directors, the Board assesses the relevant Directors' performance (i.e. attendance, preparedness, participation and candour) as disclosed under Principle 5 below and these Directors shall be re-elected at the Annual General Meeting of the Managers. The Board seeks to refresh its membership progressively, taking into account the balance of skills and experience, tenure and diversity, as well as benchmarking within the industry, as appropriate. No Board member is involved in any decisions relating to his or her own appointment or re-appointment.

# CORPORATE GOVERNANCE REPORT

## **Review of Director's Independence**

The Board itself undertakes the role of determining the independence status of the Directors (as required under Provision 4.4) which was described under Principle 2 above. The independence of each Director is reviewed prior to the appointment and thereafter, annually with reference to the principles and provisions set out in the 2018 CG Code and applicable laws and regulations. Directors are expected to disclose any relationships with the Managers, its related corporation, its substantial shareholders, its officers or the substantial stapled securityholders, if any, which may affect their independence, as and when it arises, to the Board.

In FY2021, the Board has reviewed the Directors' independence declarations at year-end, and after conducting its own assessment, determined that Mr Stephen Ray Finch, Mr Randy Allan Daniels, Ms Stefanie Yuen Thio and Mr Wong Choong Mann are independent and are free from any of the relationships stated in the 2018 CG Code, the Listing Manual, the SF(LCB)R and the BTA/BTR, save for the relevant disclosures made under Principle 2 above in respect of Ms Stefanie Yuen Thio.

Mr Moses K. Song, Ms Cheryl Seow Bee Lian and Mr Lin Daqi are non-independent Directors. Mr Moses K. Song is the Chief Executive Officer of ARA and Ms Cheryl Seow Bee Lian is the Chief Financial Officer of ARA. Mr Lin Daqi is the Investment Manager of Haiyi Holdings Pte Ltd, a related corporation of a Substantial Stapled Securityholder.

## **Annual Review of Directors' Time Commitments**

Although the Directors have other listed company board representations and principal commitments (as set out on pages 24 to 25 of the Annual Report), the Board has determined that each individual Director has been adequately carrying out his or her duties and has devoted sufficient time and attention to his or her role as a Director and to the affairs of the Managers (as required under Provisions 1.5 and 4.5) and this is being assessed as part of the Director's performance as disclosed in Principle 5 below. In FY2021, the Directors attended Board meetings, had given feedback and participated constructively when discussing the activities of ARA H-Trust. Their attendance record for FY2021 is set out on page 62 of this Annual Report. The Board has undergone the self-assessment and also procured written confirmations from the Directors stating that they are able to carry out their duties as Directors of the Managers and they would address any competing time commitments that may arise, despite their multiple Board representations. The Board is of the view that such external appointments do not hinder the Directors from carrying out their duties.

In view of the above, the Managers are of the view that their practice is consistent with the intent of Principle 4 of the 2018 CG Code as the Board can effectively perform the role of the nominating committee as a whole.

## **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 believes that performance of the whole Board, the Audit Committee, the Chairman and individual Directors are assessed and reflected in their proper guidance, diligent oversight, able leadership and support that they lend to Management (as described under Provision 5.1). The Board takes the lead to steer ARA H-Trust in the appropriate direction under both favourable and challenging market conditions. Ultimately, the interests of ARA H-Trust are safeguarded and reflected in the maximisation of Stapled Securityholders' value in the long-term performance of ARA H-Trust.

As part of the Managers' commitment towards good corporate governance, the Board has implemented an objective performance criteria and a structured process in assessing the performance of the Board as a whole and of the Board Committee, as well as the contribution by the Chairman and each of its Directors (as required under Provision 5.1). This process is facilitated by the Company Secretary as an external facilitator and it encompasses the use of confidential questionnaires, laying out the performance criteria determined by the Board. These criteria include an evaluation of the Board's oversight over the performance of ARA H-Trust, the size and composition of the Board, overall governance and risk framework, Board meeting participation, access to information, as well as standards of individual Director's conduct, independence and performance, and the upkeep of their professional development. The results are aggregated and presented during the board meetings for overall analysis and where necessary, follow-up actions are taken to enhance the effectiveness of the Board in discharging its duties and responsibilities. Save as disclosed above, the Company Secretary does not have any other connection with ARA H-Trust, the Managers or any of the Directors.

# CORPORATE GOVERNANCE REPORT

For FY2021, based on the assessment of the Board and each individual Director's performance, the Board is satisfied with the overall result. The Board has also taken on feedback and will arrange an annual discussion amongst its members without the presence of Management.

The Managers are of the view that their practice is consistent with the intent of Principle 5 of the 2018 CG Code as the Board can effectively undertake a formal assessment of its effectiveness as a whole and that of its Board Committee and individual Directors.

## (B) REMUNERATION MATTERS

### PROCEDURES FOR DEVELOPING REMUNERATION POLICIES AND LEVEL AND MIX OF REMUNERATION

*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.*

*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 Board has assessed its independence element under Principle 2 and is of the view that the current composition of Directors provides sufficient strong independence to perform the role of a remuneration committee. Accordingly, the Board has considered that a separate remuneration committee, comprising at least three Directors, all of whom are Non-Executive Directors and a majority of whom, including the committee chairman are independent, would not be necessary (as required under Provisions 6.1 and 6.2).

The Board has assessed the remuneration policies and practices of ARA, including the termination terms, in lieu of reviewing specific remuneration packages for key management personnel and the Directors (as required under Provisions 6.1 and 6.3). The Board has considered such remuneration policies, practices and including termination terms (if any) to be fair and appropriate for ARA H-Trust. In this respect, the Managers have adopted the remuneration policies and practices of ARA, which has an established framework for the remuneration, compensation, benefits and succession planning for the Directors and key management executives of the Managers.

The Managers are of the view that their practice is consistent with the intent of Principle 6 of the 2018 CG Code as the Board can effectively perform the role of the remuneration committee as a whole.

### Remuneration Framework

The Managers advocate a performance-based remuneration framework. In adopting the remuneration policies and practices of ARA, the Managers ensure that such remuneration policies take into account achieving the long-term success of ARA H-Trust, which:

- comprise a variable component of key performance indicators (“KPIs”) that are tied to the financial performance of ARA H-Trust and individuals’ performance related to the organisational goals, aligning with the interests of the Stapled Securityholders;
- comprise a fixed pay component that is benchmarked against the market to maintain competitiveness; and
- attract and retain talented staff and key management personnel to effectively manage ARA H-Trust for the long term while considering the prevailing market conditions within the industry.

### Link between Pay and Performance

A comprehensive and structured performance assessment is carried out annually for the CEO and key management executives of the Managers. At the start of the year, KPIs for the CEO and key management executives are discussed and agreed upon to ensure that such indicators are specific, measurable, result-oriented and time-bound. The KPIs could be on financial and non-financial metrics such as performance related to growth of net asset value and net property income. These KPIs serve to link the rewards to an individual's and ARA H-Trust's performance and deliver overall Stapled Securityholders' value. A mid-year review is carried out to monitor the performance and relevance of these indicators and a year-end review is carried out to measure actual performance against the KPIs. The overall assessment is based on a rating scale, where the variable year-end bonus for the CEO and key management executives are determined.

# CORPORATE GOVERNANCE REPORT

In addition to the base salary and a variable year-end bonus, designated key management executives of the Managers participate in a Performance Based Bonus Scheme (the “**Scheme**”). Under the Scheme, designated key management executives of the Managers may be entitled to a pool of incentive payments based on certain performance indicators linked to the growth of ARA H-Trust and optimising the returns to Stapled Securityholders. The incentive payments are paid in cash and allocated amongst the designated key management executives based on various factors and conditions, including seniority, length of service, performance and contributions. There were no other non-monetary compensation granted to Directors, the CEO and key management executive.

The remuneration of the CEO and key management executives is not linked to the gross revenue of ARA H-Trust. As and when required, the Board will have access to independent remuneration consultants, but it did not engage any during FY2021.

In FY2021, there were no termination, retirement and post-employment benefits granted to Directors, the CEO and key management executives.

## 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 for FY2021 comprises entirely Non-Executive Directors’ fees paid entirely in cash and the details of the Directors’ remuneration are set out below:

Directors	Salary (S\$)	Bonus (S\$)	Directors’ Fees (S\$)	Others (S\$)	Total (S\$)
Mr Stephen Ray Finch	–	–	100,000	–	100,000
Mr Randy Allan Daniels	–	–	70,000	–	70,000
Ms Stefanie Yuen Thio	–	–	90,000	–	90,000
Mr Wong Choong Mann	–	–	70,000	–	70,000
Mr Moses K. Song	–	–	–	–	–
Ms Cheryl Seow Bee Lian	–	–	–	–	–
Mr Lin Daqi	–	–	–	–	–

Directors’ fees are established annually based on the Directors’ responsibilities on the Board and the Audit Committee. The Board believes that the remuneration for Directors is appropriate to attract, retain and motivate the Directors and is also appropriate to the level of contribution and takes into account the industry practices and norms for Directors to provide stewardship of the Board, while being commensurate with their efforts, responsibilities and time spent. Each Independent Director is paid a fixed fee, and no Director is involved in deciding his or her own remuneration.

The structure of the Directors’ fees is shown in the table below:

### Main Board

Chairman	S\$80,000 per annum
Members	S\$50,000 per annum

### Audit Committee

Chairman	S\$40,000 per annum
Members	S\$20,000 per annum

# CORPORATE GOVERNANCE REPORT

The Managers are cognisant of the requirement to disclose (i) the remuneration of the CEO and each individual Director on a named basis; (ii) the remuneration of at least the top five key management executives (who are not also Directors or the CEO), on a named basis, in bands of S\$250,000; (iii) the aggregate remuneration of its CEO and the top five key management executives (who are not also Directors or the CEO); and (iv) any other forms of remuneration and other payments and miscellaneous staff benefits paid to key management executives (who are not also Directors or the CEO) (as required under Provisions 8.1 and 8.3). The Board has assessed and elected not to disclose the above remuneration for the following reasons:

- (i) the competition for talent in the area of REITs and the business trusts management industry is very keen and the Managers have, in the interests of Stapled Securityholders, opted not to disclose the remuneration of the CEO and top five key management executives (who are not also Directors or the CEO) so as to minimise potential staff movement which would cause undue disruptions to the management team of the Managers;
- (ii) it is important that the Managers retain their competent and committed staff to ensure the stability and continuity of business and operations of ARA H-Trust;
- (iii) due to the confidentiality and sensitivity of staff remuneration matters, the Managers are of the view that such disclosures could be prejudicial to the interests of Stapled Securityholders. Conversely, the Managers are of the view that such non-disclosure will not be prejudicial to the interests of Stapled Securityholders as the information provided 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
- (iv) there is no misalignment between the remuneration of the CEO and key management executives and the interests of the Stapled Securityholders as their remuneration is paid out from the fees that the Managers receive from ARA H-Trust, rather than borne by ARA H-Trust.

The Managers are accordingly of the view that their practice is consistent with Principle 8 of the 2018 CG Code as a whole. For the above reasons, Stapled Securityholders' interests are not prejudiced by the partial deviations.

In FY2021, there are no employees of the Managers who are Substantial Shareholders of the Managers or Substantial Stapled Securityholders, or immediate family members of a Director, the CEO, a Substantial Shareholder of the Managers or a Substantial Stapled Securityholder, and whose remuneration exceeds S\$100,000 during the year.

The key management executives were remunerated wholly in cash in FY2021.

## (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.*

Effective risk management is a fundamental part of ARA H-Trust's business strategy. Recognising and managing risks is central to the business and serves to protect Stapled Securityholders' interests and ARA H-Trust's assets. ARA H-Trust operates within the overall guidelines and specific parameters set by the Board. Each transaction is comprehensively analysed to understand the risks involved and appropriate controls and measures are put in place before the Managers proceed with the execution.

Key risks, process owners, risk factors, mitigating actions and risk indicators are continuously identified, assessed and monitored by Management, as part of ARA H-Trust's Enterprise Risk Management Framework (the "**ERM Framework**") and documented in the risk profile maintained by the Managers and reviewed quarterly by the Audit Committee and the Board. As a result, the Board determines the nature and extent of such risks identified in achieving ARA H-Trust's strategic objectives and value creation.

The ERM Framework lays out the governing policies and procedures ensuring that the risk management and internal control systems provide reasonable assurance on the safeguarding of assets, maintenance of reliable and proper accounting records, compliance with relevant legislations and against material misstatement of losses.



# CORPORATE GOVERNANCE REPORT

## **Risk Management Committee**

A separate risk management committee (the “**Risk Management Committee**”) was established to assist the Audit Committee in assessing the adequacy and effectiveness of internal controls. The Risk Management Committee comprises the CEO, Finance Director, Director of Asset Management and the Group Head of Governance & Sustainability (“**G&S**”) of ESR Cayman Limited (“**ESR**”). G&S is a corporate function of ESR, the ultimate holding company of the Managers following completion of the ARA Acquisition on 20 January 2022.

The Risk Management Committee meets regularly to review the risk profile of ARA H-Trust. The Risk Management Committee, which is headed by the CEO, reports to the Audit Committee on overall risk management matters during the quarterly Audit Committee meetings.

The Risk Management Committee identifies the material risks that ARA H-Trust faces, including strategic, operational, financial, compliance and information technology risks, and sets out the appropriate mitigating actions and monitoring mechanisms to respond to these risks and changes in the external business environment. The risk profile highlights the change in risk assessment, quantitative and qualitative factors affecting the inherent risk levels and effectiveness of mitigating controls supporting the residual risks within the risk appetite approved by the Board.

The CEO and his management team are primarily responsible for maintaining the internal controls and risk management systems. Risks are proactively identified and addressed. The ownership of these risks lies with the respective departmental heads with stewardship residing with the Board. The Internal Auditors conduct reviews of the adequacy and effectiveness of the risk profiles and material internal controls, addressing financial, operational, compliance and information technology controls, as part of the audit plan approved by the Audit Committee. In addition, the External Auditors perform tests of certain controls relevant to the preparation of ARA H-Trust’s financial statements. Any material non-compliance or improvements identified for the risk management processes is reported to the Audit Committee. The Audit Committee and the Board review the adequacy and effectiveness of ARA H-Trust’s risk management and internal control systems.

## **Role of Board and Audit Committee**

The Board and Audit Committee believe that the internal controls, including financial, operational, compliance and information technology controls, risk management systems and sustainability measures put in place to manage the risks are adequate and effective and the residual risks are acceptable.

For the financial year in review, the Board has received written assurances (a) from the CEO and the Finance Director that the financial records have been properly maintained and that the financial statements give a true and fair view of ARA H-Trust’s operations and finances; and (b) from the CEO and other key management executives that ARA H-Trust’s risk management and internal control systems are adequate and effective.

The roles and responsibilities of a Chief Financial Officer are undertaken by the Finance Director instead. As such, the assurance under Provision 9.2(a) of the 2018 CG Code given by the Finance Director in lieu of a Chief Financial Officer would adequately serve the intent of Provision 9.2(a) of the 2018 CG Code. The Managers are accordingly of the view that their practice is consistent with the intent of Principle 9 of the 2018 CG Code as a whole.

In addition, an Internal Assessment Checklist (the “**1207(10) Checklist**”) which captures the requirements under Rule 1207(10) of the Listing Manual is used by Management as a guide to assess the adequacy of internal controls. The 1207(10) Checklist covers the areas of risk management, internal audit, internal controls, information technology, fraud assessment, external audit and compliance. The completed 1207(10) Checklist is reviewed by the Audit Committee, in conjunction with the reports submitted by the Internal Auditors and External Auditors, as well as the letters of undertaking from the CEO and Finance Director to give assurance on the state of internal controls.

For FY2021, the Board is satisfied with the adequacy and effectiveness of ARA H-Trust’s internal controls (including financial, operational, compliance and information technology controls) and risk management systems, taking into account the nature, scale and complexity of the Managers’ operations. The Board arrived at this assessment based on the reviews conducted by the Internal Auditors and the External Auditors, together with the Management’s confirmation on the adequacy and effectiveness of the internal controls. The Audit Committee has concurred with the Board’s assessment. In addition, the Audit Committee has reviewed and is satisfied with the adequacy of resources and qualifications of the Managers’ key management executives who are performing accounting, financial reporting and compliance roles.

ARA H-Trust has maintained proper records of the discussions and decisions of the Board and the Audit Committee.

# CORPORATE GOVERNANCE REPORT

## **Whistle-Blowing Policy**

Pursuant to the Whistle-Blowing Programme which has been put in place, the Audit Committee is responsible for oversight and monitoring of whistle-blowing and reviews arrangements by which staff of the Managers or any other persons may, in confidence, raise their concerns to the Audit Committee about possible improprieties in matters of financial reporting or such other matters relating to the Managers and its officers in a responsible and effective manner. The policy protects the complainant from reprisal or victimisation. A feedback channel on ARA H-Trust's website allows any complainant to raise in strict confidence possible improprieties or concerns directly to the Audit Committee (with such complaints copied to the ESR's Group Head of G&S) and helps to facilitate an independent investigation of any matter raised and allow appropriate follow-up action as required. Through such feedback channel on ARA H-Trust's website, the identity of the whistleblower is kept confidential to ensure protection of the whistleblower against detrimental or unfair treatment.

The objective of the Whistle-Blowing Programme, as approved by the Audit Committee, is to ensure that arrangements are in place for independent investigation of such concerns and allow appropriate follow-up actions to be taken.

The Audit Committee is guided by the Whistle-Blowing Programme to ensure proper conduct and closure of investigations, including handling of possible improprieties, prohibition of obstructive or retaliatory actions, confidentiality, disciplinary and civil or criminal actions. All such investigations are undertaken by the Internal Auditors based on instructions from the Audit Committee. The identity of the complainant is kept confidential. The outcome of each investigation is reported to the Audit Committee, which is responsible for the oversight and monitoring of whistle-blowing.

Details of the Whistle-Blowing Programme and arrangements are posted on ARA H-Trust's website. The Whistle-Blowing Programme and Code of Conduct, amongst other policies, are circulated to all new incoming staff and also covered as part of the staff's annual declaration of compliance.

No whistle-blowing concerns were reported for FY2021.

## **AUDIT COMMITTEE**

*Principle 10: The Board has an audit committee which discharges its duties objectively.*

The Board has established an Audit Committee to assist the Board in discharging its corporate governance responsibilities. The Audit Committee's role is to assist the Board in ensuring the integrity of financial reporting and that sound internal controls are put in place. In adhering to best practices of corporate governance and pursuant to Regulation 15 of the BTA and Regulation 13 of the BTR, all members of the Audit Committee of ARA H-BT (including the Audit Committee Chairperson) are Independent Non-Executive Directors.

The Audit Committee currently comprises four Independent Non-Executive Directors, namely:

- Ms Stefanie Yuen Thio (Chairperson)
- Mr Stephen Ray Finch (Member)
- Mr Randy Allan Daniels (Member)
- Mr Wong Choong Mann (Member)

The members of the Audit Committee bring with them professional expertise and experience in the financial, business management and consultancy fields. The Board is of the view that the Audit Committee Chairperson and members are appropriately qualified, with the necessary accounting and financial management expertise and experience to discharge their responsibilities. Ms Stefanie Yuen Thio is the Joint Managing Partner of TSMP Law Corporation and with areas of expertise including mergers and acquisitions, equity capital markets, corporate transactions and regulatory advice. She also has more than 10 years of experience as a director of listed entities on the SGX-ST, including as member of the audit committee. Mr Stephen Ray Finch has extensive experience in the financial sector, including structuring and offerings of real estate investment trusts and debt securities, asset securitisations and business trust. He also has experience in the fund management industry, and is currently the Managing Partner of Colfaxridge LLP, a business consultancy firm. Mr Randy Allan Daniels has immense experience in real estate investments and is currently Managing Director of Pickwick Capital Partners LLC, a company which specialises in the placement of foreign investment in real estate development projects in the United States. Mr Wong Choong Mann has a wealth of experience in the public sector, including as Director (Investigations) at the Corrupt Practices Investigation Bureau and has conducted investigations into offences of corruption in both the public and private sectors.

# CORPORATE GOVERNANCE REPORT

In compliance with the 2018 CG Code, the Audit Committee does not comprise any former partner or director of the incumbent External Auditors within the previous two years or hold any financial interest in the auditing firm.

Four Audit Committee meetings were held during FY2021.

The Audit Committee is guided by its written terms of reference which defines its duties and scope of authority. Specifically, the duties of the Audit Committee include:

- reviewing financial statements and formal announcements relating to financial performance and reviewing significant financial reporting issues and judgments contained in them, for better assurance of the integrity of such statements and announcements;
- reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Managers and ARA H-Trust's risk management and internal controls, including financial, operational, compliance and information technology controls;
- reviewing the assurance from the CEO and the Finance Director on the financial records and financial statements;
- making recommendations to the Board on (i) the proposals to Stapled Securityholders on the appointment, re-appointment and removal of the External Auditors, and (ii) reviewing the proposed fees for the External Auditors and authorising the Managers to fix the remuneration and terms of engagement of the External Auditors for the financial year;
- 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 adequacy, effectiveness, independence, objectivity, scope and results of the External Auditors annually, taking into consideration the nature and extent of non-audit services performed by External Auditors;
- meeting with the External Auditors and Internal Auditors, without the presence of Management, at least annually;
- reviewing the adequacy and effectiveness, scope and results of the Managers' and ARA H-Trust's internal audit function, at least annually;
- ensuring at least annually that the internal audit function is adequately resourced and has appropriate standing with the Managers and ARA H-Trust;
- approving the accounting/auditing firm or corporation to which the internal audit function is outsourced;
- monitoring the procedures in place to ensure compliance with applicable legislation, the Listing Manual and the CIS Code (including the Property Funds Appendix);
- reviewing the Whistle-Blowing Policy and arrangements by which employees of the Managers 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 raised and independently investigated, and for appropriate follow up action to be taken;
- reviewing and discussing with the External Auditors, any suspected fraud or irregularity, or suspected infringement of any applicable law, rules or regulations, which has or is likely to have a material impact on ARA H-Trust's operating results or financial position and Management's response; and
- reviewing Interested Person Transactions (as defined below) and conflicts of interest, including ensuring compliance with the provisions of the Listing Manual relating to "interested person transaction" and the provisions of the Property Funds Appendix relating to "interested party transactions" ("**Interested Person Transactions**").

The Audit Committee has the authority to investigate any matters within its terms of reference. The Audit Committee is entitled to full access and co-operation from Management and has discretion to invite any Director or any key management executive of the Managers to attend its meetings. The Audit Committee has full access to resources and is provided with regular updates from external professionals to keep abreast of changes in accounting and regulatory standards.

In FY2021, the Audit Committee had met with the Internal Auditors and External Auditors without the presence of Management. The Internal Auditors and External Auditors may request the Audit Committee to meet if they consider a meeting necessary. Both the Internal Auditors and External Auditors have confirmed that they had full access to and had received the co-operation and support of Management, with no restrictions placed on the scope of their audits.

# CORPORATE GOVERNANCE REPORT

The Audit Committee had reviewed and approved the Internal Auditors' and External Auditors' audit plans to ensure that they were sufficiently comprehensive in scope and addressed the internal controls of ARA H-Trust. All audit findings and recommendations by the Internal Auditors and External Auditors were forwarded to the Audit Committee for discussions at the meetings. The Audit Committee discussed with Management and the External Auditors on significant financial reporting matters, in particular the key audit matter associated with valuation of property, plant and equipment. The Audit Committee concurs with the conclusion of the Management and the External Auditors on the key audit matters.

During FY2021, the Audit Committee performed an independent review of the quarterly business updates, and the half-yearly and full year financial statements of ARA H-Trust. In the process, the Audit Committee reviewed the key areas of management judgement applied for adequate provisioning and disclosure, accounting policies, key audit matters and any significant changes made which have a material impact on the financials. The External Auditors also presented their salient features memorandum to the Audit Committee, covering the audit focus areas, key audit matters findings, quality and independence.

In connection with the ERM Framework under risk management, the approach taken in identifying and assessing risks and internal controls in the risk profile will be maintained by Management and presented to the Audit Committee for review.

The Audit Committee had also conducted a review of all non-audit services provided by KPMG LLP, the External Auditors of ARA H-Trust, an auditing firm registered with the Accounting and Corporate Regulatory Authority, and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the External Auditors. The aggregate amount of audit and non-audit fees paid/payable to the External Auditors for FY2021 is disclosed on page 150 of this Annual Report. The Audit Committee has noted that the nature of the non-audit services pertained to tax compliance and tax advisory services, which were performed by separate engagement teams from those working on the audit and were led by partners from KPMG LLP's tax services practice.

The Audit Committee is satisfied that the resources and experience of the audit partner of KPMG LLP and her team are adequate to meet their audit obligations, given the size, nature, operations and complexity of ARA H-Trust and its subsidiaries. The Audit Committee had assessed the performance of the External Auditors based on factors such as performance and quality of their audit and independence. The External Auditors had also confirmed their independence in writing to the Audit Committee.

The Audit Committee, with the concurrence of the Board, has recommended the re-appointment of KPMG LLP as the External Auditors of ARA H-Trust at the forthcoming AGM. The Managers, on behalf of ARA H-Trust, confirm that it has complied with the requirements of Rules 712 and 715 of the Listing Manual in respect of the suitability of the auditing firms of ARA H-Trust and its significant subsidiaries.

The Audit Committee had reviewed the Whistle-Blowing Policy which provides the mechanisms by which employees and other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The Audit Committee is satisfied that these arrangements are in place for concerns to be raised and investigated independently and for appropriate follow-up actions to be taken.

On a quarterly basis, Management reports details of the Interested Person Transactions to the Audit Committee. All Interested Person Transactions together with the Register of Interested Person Transactions had been reviewed by the Audit Committee.

## Internal Audit Function

The Managers maintain a robust system of internal controls and risk management framework to safeguard ARA H-Trust's assets and Stapled Securityholders' interests and to provide reasonable assurance against misstatement of loss, ensure maintenance of reliable and proper accounting records and compliance with relevant legislation.

For FY2021, the internal audit function of the Managers was outsourced to the Internal Auditors, Deloitte & Touche Enterprise Risk Services Pte. Ltd., a member firm of Deloitte Touche Tohmatsu Limited (the "**Internal Auditors**"). The Internal Auditors are independent of Management and report directly to the Audit Committee on audit matters and to Management on administrative matters.

# CORPORATE GOVERNANCE REPORT

The Audit Committee is satisfied that the Internal Auditors had met the standards set by internationally recognised professional bodies including the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The Audit Committee has assessed the adequacy of the Internal Auditors and is of the view that the Internal Auditors had the relevant qualifications, appropriate standing within the Managers and adequate resources to perform their functions effectively. The Internal Auditors had also maintained their independence from the activities that they audit and had unfettered access to all ARA H-Trust's documents, records, properties and personnel, including the Audit Committee. The Audit Committee approves the appointment, removal, evaluation and fees of the Internal Auditors, and conducts an assessment of the Internal Auditors' performance during re-appointments.

The Internal Auditors conduct audits to evaluate the effectiveness of the risk management and internal control systems in ARA H-Trust, which include financial, operational, compliance and information technology controls. The internal audit plan adopts a risk-based approach covering all business of ARA H-Trust and support functions of the Managers and hotel managers. The audit assignments cover the design and operating effectiveness of the internal controls, as well as, compliance with the stated policies and procedures. Any material non-compliance or lapses in internal controls together with corrective measures and the status of implementation are reported to the Audit Committee. The Internal Auditors also report to the Audit Committee on the status of the corrective or improvement measures undertaken by Management.

In addition to the work performed by the Internal Auditors, the External Auditors also performed tests of certain controls that are relevant to the preparation of ARA H-Trust's financial statements, and they report any significant deficiencies of such internal controls to the Audit Committee.

Pursuant to Rule 1207(10C) of the Listing Manual, the Audit Committee had assessed and is satisfied with the adequacy, effectiveness, independence, scope and results of ARA H-Trust's internal audit function.

## (D) SHAREHOLDER RIGHTS AND ENGAGEMENT

### SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS AND ENGAGEMENT WITH SHAREHOLDERS

*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.*

*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 uphold a strong culture of continuous disclosure and transparent communication with Stapled Securityholders and the investing community. In the spirit of the disclosure requirements under the Listing Manual, the Managers are committed to actively engaging and keeping all Stapled Securityholders and stakeholders informed on the performance and changes in ARA H-Trust's business, which would materially affect the price of the Stapled Securities, on a timely basis. The Managers' Investor Relations and Disclosure Policy promotes regular, effective and fair communication through timely and full disclosure of material information by way of public releases or announcements on the SGX-ST via SGXNET, and on ARA H-Trust's website ([www.araushotels.com](http://www.araushotels.com)).

ARA H-Trust's website provides Stapled Securityholders with comprehensive information required to make well-informed investment decisions. Information on ARA H-Trust's business strategies and Directors' profiles can be accessed from the website. The website also features a (1) "Announcements" link, which shows current and past announcements, financial results and annual reports, (2) "Stock Info" link which shows ARA H-Trust's stock fundamentals and historical stock price and (3) "Contact Us" link which includes email alerts and contact details. The Whistle-Blowing Policy is also published under the "Whistle Blowing" link. As part of the Investor Relations and Disclosure Policy, the Managers have a dedicated Investor Relations personnel who facilitates communication with Stapled Securityholders, institutional investors, analysts and media representatives. Stapled Securityholders can post their queries and feedback to the dedicated investor relations contact via email or phone.

Stapled Securityholders are notified in advance of the date of release of ARA H-Trust's financial results through an announcement on the SGX-ST via SGXNET. The Managers conduct regular briefings for analysts and media representatives, which generally coincide with the release of ARA H-Trust's quarterly business and operational updates, half-yearly and full year results. During these briefings, the Managers present ARA H-Trust's most recent performance. In line with the Manager's objective of transparent communication, briefing materials are also simultaneously released on the SGX-ST via SGXNET and made available on ARA H-Trust's website.

# CORPORATE GOVERNANCE REPORT

In FY2021, Management provided institutional investors and analysts with publicly available information through group presentations, one-on-one meetings and conference calls. Management strives to maintain regular dialogue with retail investors and keep them updated on developments through participations in seminars and symposiums, timely announcements on the SGX-ST via SGXNET, ARA H-Trust's website and the general media, in order to ensure a level playing field.

## **Conduct of general meetings**

Stapled Securityholders are informed of meetings through notices accompanied by Annual Reports or circulars sent to them. All Stapled Securityholders are entitled to receive the annual reports at least 14 days prior to the AGM. The Managers ensure that Stapled Securityholders are able to participate effectively and vote at the general meeting of Stapled Securityholders ("**Stapled Securityholders' meetings**"). The Managers have not implemented absentia voting methods such as voting via email or fax (as recommended under Provision 11.4) due to security, integrity, authentication of the identity of Stapled Securityholders and other pertinent considerations. Stapled Securityholders may appoint proxies to attend, speak and vote, on their behalf, at general meetings. As such, Stapled Securityholders have the opportunities to communicate their views on matters affecting ARA H-Trust even when they are not in attendance at general meetings. The Managers are accordingly of the view that their practice is consistent with the intent of Principle 11 of the 2018 CG Code as a whole.

At the Stapled Securityholders' meetings, each distinct issue is proposed as a separate resolution and full information is provided for each item in the agenda for the AGM in the Notice of AGM unless the issues are interdependent and linked so as to form one significant proposal, in which case the reasons and material implications of such bundling of issues will be explained in the Notice of AGM. Each item of special business included in the notice of the meeting is accompanied by an explanation for the proposed resolution.

The Directors, Audit Committee, the management and External Auditors will be in attendance at these meetings to address questions raised by Stapled Securityholders. All Directors, including the Board Chairman and CEO, attended the general meeting held in FY2021 via electronic means. A record of the Directors' attendance at the general meeting in FY2021 can be found in their meeting attendance records as set out on page 62 of this Annual Report.

## **Pre-COVID-19 Arrangement**

Before COVID-19, the Stapled Securityholders' meetings were generally held in central locations which are easily accessible by public transportation. Stapled Securityholders are invited at such meetings to put forth any questions they may have on the resolutions to be debated and decided upon. If any Stapled Securityholder is unable to attend, he or she is allowed to appoint in advance up to two proxies to vote on his/her behalf at the meeting through proxy forms sent to the Stapled Securityholder. A Stapled Securityholder who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than one proxy to attend and vote instead of the Stapled Securityholder.

Voting at general meetings was conducted by way of electronic poll voting for all the Stapled Securityholders/proxies present at the meeting for all resolutions proposed at the general meetings. Stapled Securityholders/proxies were briefed on the procedures involved in conducting a poll. This allowed all Stapled Securityholders present or represented at the meetings to vote on a "one Stapled Security, one vote" basis. An independent scrutineer was appointed to validate the vote tabulation procedures. The voting results of all votes cast for or against each resolution were disclosed at each meeting with respective percentages and these details were announced through SGXNET after the meeting.

## **COVID-19 Arrangement**

In view of the COVID-19 situation and heightened safe distancing measures, the general meeting held on 27 April 2021 ("**2021 AGM**") was conducted wholly via electronic means. This is in accordance with the COVID-19 (Temporary Measures) Act 2020 and the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the "**COVID-19 Order**").

Based on the COVID-19 Order, Stapled Securityholders attended the general meetings via live audio-visual webcast or live audio-only stream and submitted questions to the Chairman of the meeting(s) in advance of the meetings. The Managers addressed substantial and relevant questions received from Stapled Securityholders and Securities Investors Association (Singapore) prior to or at the meeting and published the responses to questions on SGXNET and the ARA H-Trust's website at least 48 hours before the timeline for submission of the proxy forms.

# CORPORATE GOVERNANCE REPORT

Stapled Securityholders who wished to exercise their rights to vote on any or all of the resolutions at the 2021 AGM were required to appoint the chairman of the meeting as their proxy by submitting duly completed and signed proxy forms in accordance with the notice of meeting. Persons who held Stapled Securities through relevant intermediaries (as defined in Section 181 of the Companies Act 1967 of Singapore), and who wished to participate in the general meeting were required to appoint the chairman of the meeting as proxy to vote at the 2021 AGM in accordance with the COVID-19 Order.

An independent scrutineer was appointed to validate the proxy forms submitted by the Stapled Securityholders and the votes of all such valid proxy forms were counted and verified. The voting results of all votes cast for or against each resolution were then screened at the meeting with respective percentages and these details were announced through SGXNET after the meeting. The Company Secretary prepared the minutes of the 2021 AGM, which incorporated substantial and relevant comments or queries relating to the agenda of the AGM from Stapled Securityholders and the corresponding responses from the Board and Management. These minutes were made publicly available on SGX-ST's website and ARA H-Trust's website within 1 month after the 2021 AGM.

The upcoming AGM to be held on 27 April 2022 (the "**2022 AGM**") will also be convened and held by way of electronic means pursuant to the Covid-19 Order. Stapled Securityholders will be entitled to submit questions in advance of and/or live at the 2022 AGM through the live chat function via the audio-visual webcast platform, and vote at the 2022 AGM live by themselves or their duly appointed proxy(ies) (other than the chairman of the meeting) via electronic means or by appointing the chairman of the meeting as their proxy to vote on their behalf, to facilitate interaction between the Board, Management and Stapled Securityholders. Further details on the alternative arrangements put in place for the conduct of the upcoming 2022 AGM are set out in the Notice of Annual General Meeting dated 12 April 2022.

ARA H-Trust's current distribution policy is to distribute at least 90% of its distributable income half-yearly.

## (E) MANAGING STAKEHOLDERS 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 Managers recognise the importance of maintaining positive stakeholder relationships, and adopt an inclusive approach in the management and engagement of ARA H-Trust's stakeholders – including Stapled Securityholders, Government and Regulatory Authorities, Employees and Third Party Hotel Managers and Hotel Guests. The Managers' strategy is to ensure active engagement and frequent communication with the relevant stakeholders through various engagement channels including meetings, forums and dialogues, general meetings and announcements, investor conferences, employee and hotel guests' satisfaction surveys. The area of focus is to understand the stakeholders' concerns and issues which are of relevance to the material Environmental, Social and Governance ("**ESG**") factors and its progress towards the goal of sustainable management of its real estate portfolio.

ARA H-Trust issued its first Sustainability Report for FY2020 on 12 November 2021, in accordance with the requirements set out in Practice Note 7.6 of the Listing Manual. The Sustainability Report will set out the Sustainability Reporting Framework focusing on ESG impacts and strategy in relation to the management of stakeholder relationships. The Board has set a strategic direction in ensuring good corporate governance, prudent financial management, fair employment practices and efficient utilisation of resources. The Managers believe in the importance of integrating sustainability into its business strategies and operations in achieving sustainable economic growth and delivering long-term value for Stapled Securityholders.

Stakeholders will be able to access ARA H-Trust's Sustainability Report on ARA H-Trust's website at the "Investor Relations" link, and provide any feedback relating to ESG matters.

# CORPORATE GOVERNANCE REPORT

## (F) ADDITIONAL EXEMPTIONS IN THE LISTING MANUAL

The Managers note the exemptions under Practice Note 4.2 of the Listing Manual, which provides that Rules 210(5)(d)(iii), 210(5)(e) and 720(5) do not apply to a REIT and Business Trust as long as the REIT and Business Trust continue to comply with the SFA and BTA/BTR provisions and the regulations and notices made thereunder which substantively address the requirements under these rules. Under the SFA and BTA/BTR provisions, the Managers must act in the best interest of all Stapled Securityholders as a whole and give priority to their interests over the Managers' own interests and the interests of the shareholders of the Managers in the event of a conflict. The SFA and BTA/BTR provisions also stipulate the requirements for the composition of the Board, circumstances where Directors' appointment shall be endorsed by Stapled Securityholders, establishment of an Audit Committee, and criteria in which a Director of the REIT Manager and Trustee-Manager is considered independent. In this regard, the Managers have complied with all the relevant provisions under the SFA and BTA/BTR for FY2021.

## DEALINGS IN STAPLED SECURITIES

Effective from 13 March 2020, ARA H-Trust has announced the change from its quarterly reporting to half-yearly, having fulfilled the requirements under the Listing Manual. ARA H-Trust shall continue to announce and distribute dividends half-yearly, as accompanied by its financial statements announcement for the relevant period.

In lieu of the first and third financial quarters' detailed financial result announcements via SGXNET, the Managers shall prepare a set of investors' presentation slides which include assets/portfolio performance and highly summarised financial information ("**Investors Slides**"). The Investors Slides would be published on ARA H-Trust's website as well as announced via SGXNET.

The Managers have adopted the ARA Dealing in Securities Policy to guide its Directors, key management executives and employees (collectively referred to as the "**Managers' personnel**") in respect of dealings in Stapled Securities. The Managers' personnel are encouraged to deal in the Stapled Securities on long-term considerations.

This policy prohibits the Managers' personnel from dealing in such Stapled Securities:

1. during the "black-out period" which is defined as two weeks prior to the quarterly release of Investors Slides (i.e. at Quarter 1 and 3) and one month before the date of announcement of half-year and full year results and (where applicable) any property valuations, and ending on the date of announcement of the relevant results or property valuations;
2. for short-term considerations; and
3. at any time whilst in possession of unpublished material or price-sensitive information.

The Managers' personnel are also prohibited from communicating price-sensitive information to any persons and to avoid, and be seen to avoid, actual or potential conflict between personal interest and duty to the Stapled Securityholders. The Managers had confirmed that its Directors, key management executives and employees have adhered to the policy for dealing in the Stapled Securities for FY2021.

The Managers make announcements on the SGX-ST in respect of any changes to their stapled securityholding interest in ARA H-Trust within one business day.

The Managers will not deal in Stapled Securities during the period commencing two weeks and one month before the public announcement of ARA H-Trust's quarterly Investors Slides and half-year and full year results respectively and (where applicable) any property valuations, and ending on the date of announcement of the said information. The Managers confirmed that they have complied with Rule 1207(19) of the Listing Manual.



# CORPORATE GOVERNANCE REPORT

## DEALING WITH CONFLICTS OF INTEREST

The ARA H-REIT Manager has instituted the following procedures to deal with potential conflict of interest issues:

1. the ARA H-REIT Manager shall be a dedicated manager to ARA H-REIT and will not manage any other REIT which invests in the same type of properties as ARA H-REIT;
2. all key executive officers will be employed and will work exclusively for the ARA H-REIT Manager and will not hold other executive positions in other firms;
3. all resolutions in writing of the Directors in relation to matters concerning ARA H-REIT must be approved by a majority of the Directors, including at least one Independent Non-Executive Director;
4. at least a majority of the Board shall comprise Independent Non-Executive Directors;
5. in respect of matters in which a Director or his associates have an interest, direct or indirect, the interested Director will abstain from voting. In such matters, the quorum must comprise a majority of the Independent Non-Executive Directors of the ARA H-REIT Manager and must exclude such interested Director;
6. in respect of matters in which ARA and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by ARA and/or its subsidiaries to the Board to represent their interests will abstain from voting. In such matters, the quorum must comprise a majority of the Independent Non-Executive Directors and must exclude nominee Directors of ARA and/or its subsidiaries;
7. save as to resolutions relating to the removal of the ARA H-REIT Manager, the ARA H-REIT Manager and its associates are prohibited from voting or being counted as part of a quorum for any meeting of the unitholders of ARA H-REIT convened to approve any matter in which the ARA H-REIT Manager and/or any of its associates has an interest, and for so long as the ARA H-REIT Manager is the manager of ARA H-REIT, the controlling shareholders of the ARA H-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 holders of ARA H-REIT Units convened to consider a matter in respect of which the relevant controlling shareholders of the ARA H-REIT Manager and/or of any of its associates have an interest; and
8. it is also provided in the ARA H-REIT Trust Deed that if the ARA H-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 ARA H-REIT Trustee for and on behalf of ARA H-REIT with an "interested person" (as defined in the Listing Manual) or an "interested party" (as defined in the Property Funds Appendix) (collectively, an "**Interested Person**") of the ARA H-REIT Manager, the ARA H-REIT Manager shall be obliged to consult with a reputable law firm (acceptable to the ARA H-REIT Trustee) which shall provide legal advice on the matter. If the said law firm is of the opinion that the ARA H-REIT Trustee, on behalf of ARA H-REIT, has a prima facie case against the party allegedly in breach under such agreement, the ARA H-REIT Manager shall be obliged to take appropriate action in relation to such agreement. The Directors will have a duty to ensure that the ARA H-REIT Manager so complies. Notwithstanding the foregoing, the ARA H-REIT Manager shall inform the ARA H-REIT Trustee as soon as it becomes aware of any breach of any agreement entered into by the ARA H-REIT Trustee for and on behalf of ARA H-REIT with an Interested Person of the ARA H-REIT Manager and the ARA H-REIT Trustee may take such action as it deems necessary to protect the rights of the unitholders of ARA H-REIT and/or which is in the interests of the unitholders of ARA H-REIT. Any decision by the ARA H-REIT Manager not to take action against an Interested Person of the ARA H-REIT Manager shall not constitute a waiver of the ARA H-REIT Trustee's right to take such action as it deems fit against such Interested Person.

The Directors of the Managers owe fiduciary duties to ARA H-REIT and ARA H-BT to act in the best interests of ARA H-REIT and ARA H-BT (subject to the overriding best interests of the Stapled Securityholders as a whole), in relation to decisions affecting ARA H-REIT and ARA H-BT when they are voting as a member of the Board. In addition, the Directors and executive officers of the Managers are expected to act with integrity at all times.

Information on the conflict policy the ARA H-BT Trustee Manager has instituted to deal with conflicts of interest that may arise in managing ARA H-BT can be found in the Statement on the Policies and Practices in Relation to the Management and Governance of ARA US Hospitality Management Trust on pages 82 to 87 of this Annual Report.

# CORPORATE GOVERNANCE REPORT

## DEALING WITH INTERESTED PERSON TRANSACTIONS

### Review Procedures for Interested Person Transactions

The ARA H-REIT Manager has established internal control procedures to ensure that all Interested Person Transactions will be undertaken on an arm's length basis and on normal commercial terms and are not prejudicial to the interests of ARA H-Trust and its Stapled Securityholders. As a general rule, the ARA H-REIT Manager must demonstrate to the Audit Committee that such transactions satisfy the foregoing criteria, which may entail obtaining (where practicable) quotations from independent parties not related to the ARA H-REIT Manager, or obtaining one or more valuations from independent professional valuers (in accordance with the Property Funds Appendix).

The ARA H-REIT Manager maintains a register to record all Interested Person Transactions which are entered into by ARA H-REIT and the basis thereof, including any quotations from unrelated parties and independent valuations on which they are entered into. The ARA H-REIT Manager incorporates into its internal audit plan a review of all Interested Person Transactions entered into by ARA H-REIT.

In addition, the following procedures will be undertaken:

1. transactions (either individually or as part of a series or if aggregated with other transactions involving the same Interested Person during the same financial year) equal to or exceeding S\$100,000 in value but below 3.0% of the value of ARA H-REIT's latest audited net tangible assets will be subject to review by the Audit Committee at regular intervals;
2. transactions (either individually or as part of a series or if aggregated with other transactions involving the same Interested Person during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of ARA H-REIT's latest audited net tangible assets will be subject to the review and prior approval of the Audit Committee. Such approval shall only be given if the transactions are on normal commercial terms and are consistent with similar types of transactions made with third parties which are unrelated to the ARA H-REIT Manager; and
3. transactions (either individually or as part of a series or if aggregated with other transactions involving the same Interested Person during the same financial year (each equal to or exceeding S\$100,000 in value)) equal to or exceeding 5.0% of the value of ARA H-REIT's latest audited net tangible assets will be reviewed and approved prior to such transactions being entered into, on the basis described in the preceding paragraph, by the Audit Committee 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 transactions would have to be approved by unitholders of ARA H-REIT at a meeting duly convened.

Where matters concerning ARA H-REIT relate to transactions entered into or to be entered into by the ARA H-REIT Trustee with an Interested Person, the ARA H-REIT Trustee is required to consider the terms of such transactions to satisfy itself that such transactions are conducted on an arm's length basis and are on normal commercial terms, are not prejudicial to the interest of ARA H-REIT and its unitholders, and are in accordance with all applicable requirements of the Property Funds Appendix and/or the Listing Manual relating to the transaction in question.

Further, the ARA H-REIT Trustee has the ultimate discretion under the ARA H-REIT Trust Deed to decide whether or not to enter into a transaction involving an Interested Person of the ARA H-REIT Manager or ARA H-REIT. If the ARA H-REIT Trustee is to enter into any agreement with an Interested Person of the ARA H-REIT Manager or ARA H-REIT, the ARA H-REIT Trustee will review the terms of such agreement to ensure compliance with the requirements relating to Interested Person Transactions in the Property Funds Appendix and/or the Listing Manual (in each case, 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 SGX-ST to apply to real estate investment trusts.

ARA H-REIT will announce any Interested Person Transactions in accordance with the Listing Manual if such transaction, by itself or when aggregated with other Interested Person Transactions (each equal to or exceeding S\$100,000 in value) entered into with the same Interested Person during the same financial year, is 3.0% or more of ARA H-REIT'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 the annual report for that financial year.

Information on the measures and procedures put in place by the ARA H-BT Trustee Manager to manage potential Interested Person Transactions relating to ARA H-BT can be found in the Statement on the Policies and Practices in Relation to the Management and Governance of ARA US Hospitality Management Trust on pages 82 to 87 of this Annual Report.

# CORPORATE GOVERNANCE REPORT

## **Role of the Audit Committee of ARA H-REIT for Interested Person Transactions and Internal Control Procedures**

The Audit Committee shall review the internal audit reports to ascertain that the guidelines and procedures established to monitor Interested Person Transactions have been complied with. In addition, the ARA H-REIT Trustee will also have the right to review such audit reports to ascertain that the Property Funds Appendix and the Listing Manual have been complied with. The Audit Committee will periodically review all Interested Person Transactions to ensure compliance with the ARA H-REIT Manager's internal control procedures and with the relevant provisions of the Property Funds Appendix and the Listing Manual. The review will include the examination of the nature of the transaction and its supporting documents or such other data deemed necessary by the Audit Committee.

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

The Managers will disclose in ARA H-Trust's Annual Report the aggregate value of Interested Person Transactions conducted during the relevant financial year.

Information on the role of the Audit Committee of the ARA H-BT Trustee Manager to manage potential Interested Person Transactions relating to ARA H-BT can be found in the Statement on the Policies and Practices in Relation to the Management and Governance of ARA US Hospitality Management Trust on pages 82 to 87 of this Annual Report.

## **Material Contracts**

There are no material contracts entered into by ARA H-Trust or any of its subsidiaries that involve the interests of the CEO, any Director or any controlling Stapled Securityholder, except as disclosed in this Annual Report.

## **STATEMENT OF POLICIES AND PRACTICES OF ARA H-BT**

Apart from the corporate governance practices disclosed above, the ARA H-BT Trustee Manager has prepared a statement of policies and practices in relation to the management and governance of ARA H-BT (as described in section 87(1) of the BTA) in respect of FY2021, which is set out on pages 82 to 87 of this Annual Report.

# STATEMENT OF POLICIES AND PRACTICES

in relation to the Management and Governance of ARA US Hospitality Management Trust

ARA US Hospitality Property Trust (“**ARA H-REIT**”) holds the income-producing hospitality assets, while ARA US Hospitality Management Trust (“**ARA H-BT**”) is the master lessee which manages and operates these assets.

ARA Business Trust Management (USH) Pte. Ltd. is the trustee-manager of ARA H-BT (the “**ARA H-BT Trustee Manager**”) and its board of directors (the “**ARA H-BT Trustee Manager Board**”) has the dual responsibilities of safeguarding the interests of the unitholders of ARA H-BT (the “**ARA H-BT Unitholders**”), and managing the business conducted by ARA H-BT. The ARA H-BT Trustee Manager has general power of management over the business and assets of ARA H-BT and its main responsibility is to manage ARA H-BT’s assets and liabilities for the benefit of the ARA H-BT Unitholders as a whole. The ARA H-BT Trustee Manager is required to prioritise the ARA H-BT Unitholders’ interests over those of the ARA H-BT Trustee Manager and its shareholders in the event of a conflict of interest.

The ARA H-BT Trustee Manager Board is also required to exercise due care to comply with the relevant provisions of all applicable legislations and regulations, the listing manual of Singapore Exchange Securities Trading Limited (the “**Listing Manual**”), the trust deed constituting ARA H-BT dated 29 October 2018 (as amended and supplemented from time to time) (the “**ARA H-BT Trust Deed**”), the stapling deed dated 17 April 2019 (as amended and supplemented from time to time) (the “**Stapling Deed**”) and all relevant contracts entered into by the ARA H-BT Trustee Manager Board on behalf of ARA H-BT.

Pursuant to the Stapling Deed, ARA H-BT is stapled together with ARA H-REIT to form ARA US Hospitality Trust (“**ARA H-Trust**”). ARA H-REIT is constituted by a trust deed dated 24 September 2018 (as amended) (the “**ARA H-REIT Trust Deed**”) and is managed by ARA Trust Management (USH) Pte. Ltd. (the “**ARA H-REIT Manager**”) and together with the ARA H-BT Trustee Manager, the “**Managers**”).

The ARA H-BT Trustee Manager, in exercising its powers and carrying out its duties as trustee-manager of the ARA H-BT, is required to, and will:

- treat the ARA H-BT Unitholders who hold the ARA H-BT units (“**ARA H-BT Units**”) in the same class fairly and equally and ARA H-BT Unitholders who hold ARA H-BT Units in different classes (if any) fairly;
- ensure that all payments out of the ARA H-BT trust property (the “**ARA H-BT Trust Property**”) are made in accordance with the Business Trusts Act (the “**BTA**”), the ARA H-BT Trust Deed and the Stapling Deed;
- report to the Monetary Authority of Singapore (“**MAS**”) any contravention of the BTA or Business Trusts Regulations (“**BTR**”) by any other person that:
  - (i) relates to ARA H-BT; and
  - (ii) has had, has or is likely to have, a material adverse effect on the interests of all the ARA H-BT Unitholders, or any class of ARA H-BT Unitholders,
 as a whole, as soon as practicable after the ARA H-BT Trustee Manager becomes aware of the contravention;
- ensure that the ARA H-BT Trust Property is properly accounted for; and
- ensure that the ARA H-BT Trust Property is kept distinct from the property held in its own capacity.

In addition, the ARA H-BT Trustee Manager will:

- at all times act honestly and exercise reasonable diligence in the discharge of its duties as the trustee-manager of ARA H-BT in accordance with the BTA, the ARA H-BT Trust Deed and the Stapling Deed;
- act in the best interests of all the ARA H-BT Unitholders as a whole and give priority to the interests of all ARA H-BT Unitholders as a whole over its own interests in the event of a conflict between the interests of all ARA H-BT Unitholders as a whole and its own interests;
- not make improper use of any information acquired by virtue of its position as the ARA H-BT Trustee Manager to gain, directly or indirectly, an advantage for itself or for any other person to the detriment of the ARA H-BT Unitholders;
- hold the ARA H-BT Trust Property on trust for all ARA H-BT Unitholders as a whole in accordance with the terms of the ARA H-BT Trust Deed;
- adhere with the business scope of ARA H-BT as set out in the ARA H-BT Trust Deed;
- review Interested Person Transactions (as defined in the Listing Manual and the BTA) in relation to ARA H-BT;
- review expense and cost allocations payable to the ARA H-BT Trustee Manager in its capacity as trustee-manager of ARA H-BT out of the ARA H-BT Trust Property and ensure that fees and expenses charged to ARA H-BT are appropriate and in accordance with the ARA H-BT Trust Deed; and
- comply with the BTA and the Listing Manual.

# STATEMENT OF POLICIES AND PRACTICES

in relation to the Management and Governance of ARA US Hospitality Management Trust

The MAS has granted the ARA H-BT Trustee Manager an exemption from compliance with Section 10(2)(a) of the BTA to the extent that Section 10(2)(a) of the BTA requires the ARA H-BT Trustee Manager to act in the best interests of the ARA H-BT Unitholders as a whole only, and an exemption for the Directors of the ARA H-BT Trustee Manager from compliance with Section 11(1)(a) of the BTA to the extent that Section 11(1)(a) of the BTA requires the Directors of the ARA H-BT Trustee Manager to take reasonable steps to ensure that the ARA H-BT Trustee Manager acts in the best interests of the ARA H-BT Unitholders as a whole only, in each case subject to the conditions that:

1. the ARA H-BT Trustee Manager shall ensure that the ARA H-BT Units remain stapled to the units of ARA H-REIT; and
2. the ARA H-BT Trustee Manager and the Directors of the ARA H-BT Trustee Manager shall act in the best interests of all the stapled securityholders of ARA H-Trust (the “**Stapled Securityholders**”) as a whole.

The ARA H-BT Trustee Manager has also adopted a set of corporate governance practices as set out on pages 58 to 81 of this Annual Report.

## **ARA H-BT Trust Property Properly Accounted For**

To ensure that the ARA H-BT Trust Property is properly accounted for and is kept distinct from the property held by the ARA H-BT Trustee Manager in its own capacity, the accounting records of ARA H-BT are kept separate and distinct from the accounting records of the ARA H-BT Trustee Manager. Different bank accounts are maintained for the ARA H-BT Trustee Manager in its capacity as trustee-manager of ARA H-BT and in its own capacity. Regular internal reviews are also carried out to ascertain that all ARA H-BT Trust Property has been fully accounted for.

Each of the financial statements of ARA H-BT and the ARA H-BT Trustee Manager are also kept separate and distinct and are duly audited by External Auditors on an annual basis to ensure that the ARA H-BT Trust Property is properly accounted for and the ARA H-BT Trust Property is kept distinct from the property of the ARA H-BT Trustee Manager held in its own capacity.

## **Adherence to Business Scope**

The ARA H-BT Trustee Manager Board reviews and approves all authorised businesses undertaken by ARA H-BT so as to ensure its adherence to the business scope under the ARA H-BT Trust Deed. Such authorised businesses include:

- (i) the management or operation of hospitality assets;
- (ii) the acquisition, disposition and ownership of Authorised Investments (as defined in the ARA H-BT Trust Deed), and all activities, concerns, functions and matters reasonably incidental thereto;
- (iii) 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
- (iv) any business, undertaking or activity associated with, incidental and/or ancillary to the carrying on of the businesses referred to in paragraphs (ii) and (iii) above, including the management and/or leasing of the Authorised Investments.

Management provides regular updates to the ARA H-BT Trustee Manager Board and its Audit Committee about potential projects that it is looking into on behalf of ARA H-BT and the ARA H-BT Trustee Manager Board, and the Audit Committee ensures that all such projects are within the permitted business scope under the ARA H-BT Trust Deed. Prior to the carrying out of any significant business transactions, the ARA H-BT Trustee Manager Board, the Audit Committee and/or management will have careful regard to the provisions of the ARA H-BT Trust Deed and when in doubt, will seek advice from professional advisers.

# STATEMENT OF POLICIES AND PRACTICES

in relation to the Management and Governance of ARA US Hospitality Management Trust

## Potential Conflicts of Interest

The ARA H-BT Trustee Manager is not involved in any other businesses other than managing ARA H-BT. All potential conflicts of interest, as and when they arise, will be identified by the Board and Management, and will be reviewed accordingly.

The ARA H-BT Trustee Manager has instituted, among others, the following procedures to deal with issues of conflicts of interest:

1. the ARA H-BT Trustee Manager will not manage any other business trust which invests in the same type of properties as ARA H-BT;
2. all key executive officers will be working exclusively for the Managers and will not hold executive positions in other entities, save for any wholly-owned subsidiaries of the Managers;
3. all resolutions in writing of the Directors of the ARA H-BT Trustee Manager in relation to matters concerning ARA H-BT must be approved by at least a majority of the Directors of the ARA H-BT Trustee Manager (excluding any interested Director), including at least one Independent Director;
4. at least half of the ARA H-BT Trustee Manager Board shall comprise Independent Directors;
5. in respect of matters in which a Director of the ARA H-BT Trustee Manager 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 Directors of the ARA H-BT Trustee Manager and must exclude such interested Director;
6. in respect of matters in which ARA Asset Management Limited ("**ARA**") and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by ARA and/or its subsidiaries to the Board of the ARA H-BT Trustee Manager to represent their interests will abstain from voting. In such matters, the quorum must comprise a majority of the Independent Directors of ARA H-BT Trustee Manager and must exclude nominee Directors of ARA and/or its subsidiaries;
7. where matters concerning ARA H-BT relate to transactions entered into or to be entered into by the ARA H-BT Trustee Manager for and on behalf of ARA H-BT with an Interested Person (as defined in the Listing Manual and the BTA) of the ARA H-BT Trustee Manager (which would include relevant associates thereof) or ARA H-BT, the ARA H-BT 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 ARA H-BT and ARA H-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 ARA H-BT Trustee Manager is to sign any contract with an Interested Person of the ARA H-BT Trustee Manager or the ARA H-BT, the ARA H-BT 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;
8. save as to resolutions relating to the removal of the ARA H-BT Trustee Manager, the ARA H-BT Trustee Manager and its associates are prohibited from voting or being counted as part of a quorum for a meeting of the ARA H-BT Unitholders convened to approve any matter in which the ARA H-BT Trustee Manager and/or any of its associates has an interest, and for so long as the ARA H-BT Trustee Manager is the trustee-manager of ARA H-BT, the controlling shareholders (as defined in the Listing Manual) of the ARA H-BT Trustee Manager and of any of its associates are prohibited from voting or being counted as part of a quorum for any meeting of ARA H-BT Unitholders convened to consider a matter in respect of which the relevant controlling shareholders of the ARA H-BT Trustee Manager and/or any of its associates have an interest; and
9. it is also provided in the ARA H-BT Trust Deed that if the ARA H-BT 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 ARA H-BT Trustee Manager for and on behalf of ARA H-BT with an Interested Person of the ARA H-BT Trustee Manager, the ARA H-BT Trustee Manager shall be obliged to consult with a reputable law firm who shall provide legal advice on the matter. If the said law firm is of the opinion that the ARA H-BT Trustee Manager, on behalf of ARA H-BT, has a prima facie case against the party allegedly in breach under such agreement, the ARA H-BT Trustee Manager shall be obliged to take appropriate action in relation to such agreement. The Directors of the ARA H-BT Trustee Manager (including the Independent Directors) will have a duty to ensure that the ARA H-BT Trustee Manager so complies.

# STATEMENT OF POLICIES AND PRACTICES

in relation to the Management and Governance of ARA US Hospitality Management Trust

## Interested Person Transactions

### (i) Exempted Agreements

The entry into and the fees and charges payable by ARA H-BT under the ARA H-BT Trust Deed, the Stapling Deed, as well as the entry into and the fees and charges payable by ARA USH Chicago Tenant, LLC (a subsidiary of ARA H-BT) under the ARA Hotel Management Agreement, which each constitutes an Interested Person Transaction, are deemed to have been specifically approved by Stapled Securityholders upon their purchase of the stapled securities in ARA H-Trust (“**Stapled Securities**”) at the initial public offering of ARA H-Trust, 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 ARA H-BT. However, the renewal of such agreements or amendments thereof will be subject to Rules 905 and 906 of the Listing Manual.

### (ii) Present and Ongoing Interested Person Transactions

ARA H-BT is regulated by the Listing Manual and the BTA in relation to Interested Person Transactions. Depending on the materiality of the transaction, ARA H-BT may be required to make a public announcement, or to make a public announcement of and to obtain prior approval of the Stapled Securityholders for an Interested Person Transaction. If necessary, the ARA H-BT Trustee Manager may make a written statement in accordance with the resolution of the ARA H-BT Trustee Manager Board and signed by at least two Directors on behalf of the ARA H-BT Trustee Manager Board certifying that, among other things, the relevant Interested Person Transaction is not detrimental to the interests of all Stapled Securityholders as a whole, based on the circumstances at the time of the transaction, and the CEO may make a written statement certifying that he is not aware of any violation of duties of ARA H-BT Trustee Manager that would have a materially adverse effect on the business of ARA H-BT and the interests of all Stapled Securityholders as a whole.

ARA H-BT Trustee Manager may in the future seek an annual general mandate from the Stapled Securityholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations with Interested Persons, and all transactions conducted under such a general mandate for the relevant financial year will not be subject to the requirements under Rules 905 and 906 of the Listing Manual. In seeking such an annual general mandate, the ARA H-BT Trustee Manager may appoint an independent financial adviser to render an opinion as to whether the methods or procedures for determining the transaction prices contemplated under the annual general mandate are sufficient, in an effort to ensure that such transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of ARA H-BT and the Stapled Securityholders.

The ARA H-BT Trustee Manager has established an internal control system to ensure that all future Interested Person Transactions:

- will be undertaken on an arm’s length basis and are on normal commercial terms; and
- will not be prejudicial to the interests of ARA H-BT and its minority Stapled Securityholders.

The ARA H-BT Trustee Manager will maintain a register to record all Interested Person Transactions which are entered into by ARA H-BT. The ARA H-BT Trustee Manager will also incorporate into its internal audit plan, a review of all Interested Person Transactions entered into by ARA H-BT.

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

- on an arm’s length basis and are on normal commercial terms;
- are not prejudicial to the interests of ARA H-BT and its minority Stapled Securityholders; and
- in accordance with all applicable requirements of the Listing Manual and the BTA relating to the transaction in question.

If the ARA H-BT Trustee Manager is to sign any contract with an Interested Person of the ARA H-BT Trustee Manager or ARA H-BT, the ARA H-BT 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.

# STATEMENT OF POLICIES AND PRACTICES

in relation to the Management and Governance of ARA US Hospitality Management Trust

ARA H-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, individually 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 ARA H-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 ARA H-Trust's Annual Report for the relevant financial year.

## **Fees and expenses charged to ARA H-BT are appropriate and in accordance with the ARA H-BT Trust Deed (read with the Stapling Deed)**

### Management Fees

Pursuant to the ARA H-BT Trust Deed and the Stapling Deed, the total base fee payable to the Managers ("**Total Base Fee**") is 10.0% per annum of the Distributable Income of ARA H-Trust (as defined in the ARA H-REIT Trust Deed, the ARA H-BT Trust Deed and the Stapling Deed) and calculated before accounting for the Total Base Fee and the Total Performance Fee (as defined below).

The total performance fee payable to the Managers ("**Total Performance Fee**") is based on 25.0% of the increase in distribution per Stapled Security ("**DPS**") in a financial year over the DPS in the preceding financial year (calculated before accounting for the Total Performance Fee but after accounting for the base fee payable in each financial year) multiplied by the weighted average number of Stapled Securities in issue for such financial year.

For as long as ARA H-REIT is stapled to ARA H-BT, the Total Base Fee and the Total Performance Fee shall be apportioned between the ARA H-BT Trustee Manager and the ARA H-REIT Manager in such proportion as may be agreed between the Managers from time to time.

The management fee, comprising the Total Base Fee and the Total Performance Fee, is payable to the Managers in the form of cash and/or Stapled Securities in such proportion and for such period as may be determined by the Managers.

### Acquisition and Divestment Fees

The ARA H-BT Trustee Manager is also entitled to receive an acquisition fee at the rate of up to a maximum of 1.0% of the acquisition price of any real estate and its operations purchased by ARA H-BT (pro-rated if applicable to the proportion of ARA H-BT's interest).

The ARA H-BT Trustee Manager is also entitled to a divestment fee at the rate of up to a maximum of 0.5% of the sale price of any divestment directly or indirectly by ARA H-BT (pro-rated if applicable to the proportion of ARA H-BT's interest).

The acquisition and/or divestment fee (as the case may be) is payable to the ARA H-BT Trustee Manager in the form of cash and/or Stapled Securities as the ARA H-BT Trustee Manager may elect, and in such proportion as may be determined by the ARA H-BT Trustee Manager provided that in respect of any acquisition and sale or divestment of real estate assets from/to Interested Persons, such a fee should be in the form of Stapled Securities at prevailing market price(s) instead of cash. The Stapled Securities issued to the ARA H-BT Trustee Manager as its acquisition or divestment fee shall not be sold within one year from the date of their issuance.

### Trustee Fees

Pursuant to the terms of the ARA H-BT Trust Deed, the trustee fee payable to the ARA H-BT Trustee Manager is 0.02% per annum of the ARA H-BT Trust Property excluding intergroup balance (as defined in the ARA H-BT Trust Deed), subject to a minimum fee of US\$10,000 per month. The trustee fee is payable to the ARA H-BT Trustee Manager in arrears on a monthly basis in the form of cash.

For the purpose of calculating the ARA H-BT Trustee Manager's trustee fee, if ARA H-BT holds only a partial interest in any of the ARA H-BT Trust Property, such ARA H-BT Trust Property shall be pro-rated in proportion to the partial interest held.

Any increase in the rate or any change in structure of the ARA H-BT Trustee Manager's management fee, trustee fee, acquisition fee or divestment fee, must be approved by an extraordinary resolution passed at a meeting of ARA H-BT Unitholders duly convened and held in accordance with the provisions of the ARA H-BT Trust Deed.



# STATEMENT OF POLICIES AND PRACTICES

in relation to the Management and Governance of ARA US Hospitality Management Trust

## Hotel Management Fees

Under the ARA Hotel Management Agreements, the ARA Hotel Manager, a subsidiary of ARA Asset Management Limited, will be paid a fee equivalent to 3.0% of total revenue of the hotels in cash, payable on a monthly basis. The ARA Hotel Manager will separately pay fees equivalent to 2.75% of total revenue of the hotels to third-party hotel managers.

The table below sets out the fees earned by the ARA H-BT Trustee Manager and the ARA Hotel Manager for FY2021:

Fee	Amount (US\$'000)	% in cash	% in Stapled Securities
<b>ARA H-BT Trustee Manager</b>			
- Base fees	61	50%	50%
- Performance fees	144	50%	50%
- Trustee fees	120	100%	–
<b>ARA Hotel Manager</b>			
- Hotel Management fees	3,928	100%	–
- Hotel Management fees	(3,600)	100%	–

## Expenses charged to ARA H-BT

The ARA H-BT Trustee Manager Board will put in place measures, including reviews by internal and external auditors, to ensure that the expenses payable to the ARA H-BT Trustee Manager out of the ARA H-BT Trust Property are appropriate and in accordance with the ARA H-BT Trust Deed. For the financial year ended 31 December 2021, save for the fees set out above, there were no expenses paid to the ARA H-BT Trustee Manager out of the ARA H-BT Trust Property.

## **Compliance with the BTA and Listing Manual**

The Company Secretary and ARA H-BT Trustee Manager monitor ARA H-BT's compliance with the BTA and the Listing Manual. The ARA H-BT Trustee Manager has an internal compliance manual which serves to summarise all the applicable rules and regulations as well as key internal policies and processes which ARA H-BT needs to comply with. The manual will be consistently updated whenever there are changes to the rules and regulations and such policies and processes, and this will help management to ensure that applicable rules and regulations are being complied with.

The ARA H-BT Trustee Manager will also 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.

# STATEMENT ON COMPOSITION OF THE BOARD OF DIRECTORS

of the ARA H-BT Trustee Manager

The Board of Directors of ARA Business Trust Management (USH) Pte. Ltd., the trustee-manager of ARA US Hospitality Management Trust (the “**ARA H-BT Trustee Manager**”), has determined that each of the following Directors is independent from management and business relationships with the ARA H-BT Trustee Manager and from every substantial shareholder of the ARA H-BT Trustee Manager:

- Mr Stephen Ray Finch
- Mr Randy Allan Daniels
- Ms Stefanie Yuen Thio
- Mr Wong Choong Mann

Mr Moses K. Song, Ms Cheryl Seow Bee Lian and Mr Lin Daqi are considered non-independent Directors.

Mr Moses K. Song is the Chief Executive Officer of ARA Asset Management Limited (“**ARA**”) and Ms Cheryl Seow Bee Lian is the Chief Financial Officer of ARA. ARA is a related corporation of the ARA H-BT Trustee Manager and is also a substantial stapled securityholder of ARA US Hospitality Trust. Mr Lin Daqi is the Investment Manager of Haiyi Holdings Pte Ltd, a related corporation of a substantial stapled securityholder of ARA US Hospitality Trust.

# RISK MANAGEMENT

The Managers recognise that effective and proactive risk management is an important part of ARA H-Trust's business strategy. The Board and Audit Committee ("**AC**") are responsible for ensuring that the Managers establish robust risk management policies and procedures to safeguard ARA H-Trust's assets and address its strategic, operational, financial and compliance risks. A risk management committee (the "**Risk Management Committee**") was also established to assist the AC in assessing the adequacy and effectiveness of internal controls. The Risk Management Committee comprises the CEO, Finance Director, Director of Asset Management and Head of Governance and Sustainability of ESR Cayman Limited.

The Managers adopt a sound and robust risk management framework in making risk-based strategies and decisions across respective functions, identifying potential issues and events that may affect ARA H-Trust, managing risks to an acceptable residual level and within risk appetite as approved by the Board and AC and providing assurance to the Board that the system of risk management and internal controls are adequate and effective in mitigating the identified risks. In ARA H-Trust's enterprise risk management framework, key risks and mitigating controls of the risk profile are identified, reviewed and monitored by the Managers together with the relevant departments and reported to the AC on a regular basis. The risk profiles highlight the changes in risk assessment, quantitative and qualitative factors affecting the inherent risk levels and effectiveness of mitigating controls to arrive at the residual risks, which is within the risk appetite or tolerance approved by the Board. In addition, the Managers have engaged internal auditors to perform a review of risk profile as part of the internal audit plan approved by the AC, providing reasonable assurance to the AC on the adequacy and effectiveness of the risk management system. The key risks identified include but are not limited to:

## STRATEGIC RISK

Strategic risks relate to the sustainable long-term growth of ARA H-Trust. All investment proposals are subject to a rigorous, disciplined and thorough evaluation process according to the relevant investment criteria including, but not limited to, alignment to ARA H-Trust's investment mandate, asset quality, location, yield accretion, total expected returns, growth potential and sustainability of asset performance, taking into account the existing economic and financial market conditions. Asset enhancement initiatives are initiated when necessary to ensure that ARA H-Trust's properties remain competitive. The Manager has established a robust tender assessment and selection process as well as implemented procedures to monitor and track capital expenditures. The Managers also closely monitored the impact of property valuations on the gearing ratio of ARA H-Trust.

## OPERATIONAL RISK

ARA H-Trust relies on its appointed hotel managers for the day-to-day running of operations at its properties. It reduces its operational risks through the engagement of reputable hotel operators with established track records. The Managers have put in place robust processes to manage the hotel operations with the alignment of interests, including active and regular oversight of the performance of the hotels and its hotel operators, and benchmarking the hotels' performance vis-à-vis their competitive sets. A business continuity plan is in place to mitigate the business continuity risk of interruptions or catastrophic loss to its operations arising from unanticipated events such as outbreak of contagious diseases, natural disasters like flood, bush fires and earthquakes. In addition, ARA H-Trust's properties are properly insured in accordance with current industry practices. The Information Technology ("**IT**") team from the Managers' parent group ARA Asset Management Limited ("**ARA Group**") has in place a disaster recovery plan which is reviewed and tested periodically. Globally, as cybersecurity threats (e.g. phishing and malware) are occurring more frequently due to work-from-home arrangements and COVID-19 themed lures, there are multiple layers of security incorporated across the IT landscape. Periodic IT security trainings are conducted for new and existing employees to raise IT security awareness on the evolving threats landscape such as spotting potential phishing attempts and simulated phishing exercises. Technical implementations such as Secure Access Service Edge (SASE), antivirus, firewalls, monitoring and alerts and Multi-Factor Authentication (MFA) are also applied to reduce the varying risk of cybersecurity attacks across the IT spectrum. Policies and processes are also in place to verify, review and ensure that measures are updated and followed to ensure consistency and business continuity.

# RISK MANAGEMENT

## FINANCIAL RISK

The Managers maintain an efficient use of cash and debt facilities to ensure sufficient liquidity to finance ARA H-Trust's operations and to meet its financial obligations, working capital and capital expenditure commitments. It is the Managers' intention to diversify funding sources and to ensure that the maturity profile of borrowings is well spread. The Managers also adhere closely to the bank covenants in loan agreements and with Appendix 6 of the Code of Collective Investment Schemes issued by the Monetary Authority of Singapore (the "MAS").

Interest rate risk is monitored on a continuing basis with the objective of limiting ARA H-Trust's exposure to changes in interest rates. The Managers manage ARA H-Trust's exposure to interest rate volatility through interest rate swaps. The Managers proactively seek to mitigate interest rate risks. As at 31 December 2021, approximately 79% of ARA H-Trust's consolidated borrowings were hedged at fixed rates.

## COMPLIANCE RISK

ARA H-Trust is subject to applicable laws and regulations of the various jurisdictions in which it operates, including the Listing Manual of the Singapore Exchange Securities Trading Limited, the Securities and Futures Act 2001 of Singapore (the "**Securities and Futures Act**"), the Business Trusts Act 2004 of Singapore (the "**Business Trusts Act**"), the Code of Corporate Governance, the Code of Collective Investment Schemes issued by the MAS and tax rulings issued by the Inland Revenue Authority of Singapore. The ARA H-REIT Manager, being a Capital Markets Services Licence holder, is required to comply with the conditions of the Capital Markets Services Licence for REIT Management issued by the MAS under the Securities and Futures Act. The Managers have put in place policies and procedures with the necessary checklists to facilitate compliance with the applicable laws and regulations. The Managers work closely with external legal professionals and internal compliance support from the ARA Group on legal and regulatory matters. The Managers stay well informed of the latest developments in the relevant laws and regulations through training and attending relevant seminars.

## HUMAN CAPITAL RISK

ARA H-Trust recognises that human capital is key to the business and has put in place measures to manage the attraction and talent management. Human capital risk is mitigated by maintaining a robust human resource policy which includes careful screening of staff, fair and reasonable remuneration in line with industry conditions, personal development and training opportunities to enhance staff progression and retention in a conducive workplace.

## **ARA US HOSPITALITY PROPERTY TRUST**

(Constituted in the Republic of Singapore  
pursuant to a trust deed dated 24 September 2018)

## **ARA US HOSPITALITY MANAGEMENT TRUST**

(Constituted in the Republic of Singapore  
pursuant to a trust deed dated 29 October 2018)

## **ARA US HOSPITALITY TRUST**

(Stapled Securities in ARA US Hospitality Property Trust  
and ARA US Hospitality Management Trust  
pursuant to a stapling deed dated 17 April 2019)

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## **FINANCIAL STATEMENTS**

Year ended 31 December 2021



# REPORT OF THE TRUSTEE

of ARA US Hospitality Property Trust

DBS Trustee Limited (the “**REIT Trustee**”) is under a duty to take into custody and hold the assets of ARA US Hospitality Property Trust (“**ARA H-REIT**”) held by it or through its subsidiaries (collectively, the “**ARA H-REIT Group**”) in trust for the Stapled Securityholders. In accordance with the Securities and Futures Act 2001 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes, the REIT Trustee shall monitor the activities of ARA Trust Management (USH) Pte. Ltd. (the “**REIT Manager**”) for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 24 September 2018 (as amended) (the “**ARA H-REIT Trust Deed**”) between the REIT Manager and the REIT Trustee in each annual accounting period; and report thereon to Stapled Securityholders in an annual report.

To the best knowledge of the REIT Trustee, the REIT Manager has, in all material respects, managed the ARA H-REIT Group during the period covered by these financial statements set out on pages 103 to 176, in accordance with the limitations imposed on the investment and borrowing powers set out in the ARA H-REIT Trust Deed.

**For and on behalf of the REIT Trustee,  
DBS Trustee Limited**

**Chan Kim Lim**  
*Director*

28 March 2022

ARA US HOSPITALITY PROPERTY TRUST • ARA US HOSPITALITY MANAGEMENT TRUST • ARA US HOSPITALITY TRUST

# REPORT OF THE MANAGER

of ARA US Hospitality Property Trust

In the opinion of the directors of ARA Trust Management (USH) Pte. Ltd. (the “**REIT Manager**”), the Manager of ARA US Hospitality Property Trust (“**ARA H-REIT**”), the accompanying consolidated financial statements of ARA H-REIT Group set out on pages 103 to 176, comprising the statement of financial position, statement of comprehensive income, statement of movements in stapled securityholders’ funds, and statement of cash flows of the ARA H-REIT Group and notes to the financial statements, are drawn up so as to present fairly, in all material respects, the financial position of the ARA H-REIT Group as at 31 December 2021, the financial performance, movements in stapled securityholders’ funds and cash flows of the ARA H-REIT Group for the year ended on that date, in accordance with the Singapore Financial Reporting Standards (International) and the provisions of the ARA H-REIT Trust Deed between DBS Trustee Limited (the “**REIT Trustee**”) and the REIT Manager dated 24 September 2018. At the date of this statement, there are reasonable grounds to believe that the ARA H-REIT Group will be able to meet their financial obligations as and when they materialise.

**For and on behalf of the REIT Manager,  
ARA Trust Management (USH) Pte. Ltd.**

**Stephen Ray Finch**  
Director

28 March 2022

# REPORT OF THE TRUSTEE-MANAGER

of ARA US Hospitality Management Trust

The directors of ARA Business Trust Management (USH) Pte. Ltd. (the “**Trustee-Manager**”), the Trustee-Manager of ARA US Hospitality Management Trust (“**ARA H-BT**”) and its subsidiaries (collectively, the “**ARA H-BT Group**”), are pleased to submit this report to the Stapled Securityholders of ARA US Hospitality Trust (“**ARA H-Trust**” or the “**Stapled Group**”), together with the audited financial statements of ARA H-BT Group for the financial year ended 31 December 2021.

## DIRECTORS

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

Stephen Ray Finch (Chairman)  
 Randy Allan Daniels  
 Stefanie Yuen Thio  
 Wong Choong Mann  
 Lin Daqi  
 Cheryl Seow Bee Lian  
 Moses K. Song

## ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE STAPLED SECURITIES AND DEBENTURES

Neither at the end of nor at any time during the financial year ended 31 December 2021 was the Trustee-Manager a party to any arrangement whose object was to enable any or all Directors of the Trustee-Manager to acquire benefits by means of the acquisition of stapled securities, or debentures, of ARA H-Trust.

## DIRECTORS' INTEREST IN STAPLED SECURITIES 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 interest of director who held office at the end of the financial year (including those held by their spouses and children below 18 years of age) in Stapled Securities of ARA H-Trust are as follows:

	Direct Interest		Deemed Interest	
	Holdings at beginning of the year	Holdings at end of the year	Holdings at beginning of the year	Holdings at end of the year
Stephen Ray Finch	–	–	100,000	160,000
Stefanie Yuen Thio	50,000	50,000	–	–
Lin Daqi	30,000	30,000	–	–
Cheryl Seow Bee Lian	550,000	550,000	–	–
Moses K. Song	50,000	50,000	–	–

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in Stapled Securities of ARA H-Trust either at the beginning of the financial year or at the end of the financial year.

There were no changes in the abovementioned interests of ARA H-Trust between the end of the financial year and 21 January 2022.



ARA US HOSPITALITY PROPERTY TRUST • ARA US HOSPITALITY MANAGEMENT TRUST • ARA US HOSPITALITY TRUST

# REPORT OF THE TRUSTEE-MANAGER

of ARA US Hospitality Management Trust

## DIRECTORS' CONTRACTUAL BENEFITS

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

## OPTIONS

During the financial year, there were:

- (i) no options granted by the Trustee-Manager to any person to take up unissued Stapled Securities in ARA H-Trust; and
- (ii) no Stapled Securities issued by virtue of any exercise of option to take up unissued Stapled Securities of ARA H-Trust.

As at the end of the financial year, there were no unissued Stapled Securities of ARA H-Trust under options.

## AUDIT COMMITTEE

The members of the Audit Committee during the year and at the date of this statement are:

- Stefanie Yuen Thio (Chairperson) - Independent, non-executive director
- Stephen Ray Finch - Independent, non-executive director
- Randy Allan Daniels - Independent, non-executive director
- Wong Choong Mann - Independent, non-executive director

The Audit Committee performs the functions specified in Section 201B of the Act, the Listing Manual of Singapore Exchange Securities Trading Limited (the "**SGX Listing Manual**") and the Code of Corporate Governance.

The Audit Committee has held four meetings since the last report of the Trustee-Manager. In performing its functions, the Audit Committee met with ARA H-Trust's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the ARA H-Trust's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by Trustee-Manager's officers to the internal and external auditors;
- half-yearly financial information and annual financial statements of ARA H-Trust prior to their submission to the Board of Directors of the Trustee-Manager for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors of the Trustee-Manager that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of ARA H-Trust.

In appointing our auditors for the ARA H-Trust, we have complied with Rules 712 and 715 of the SGX Listing Manual.

# REPORT OF THE TRUSTEE-MANAGER

of ARA US Hospitality Management Trust

## AUDITORS

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

## STATEMENT BY THE TRUSTEE-MANAGER

In our opinion:

- (a) the accompanying consolidated financial statements of the ARA H-BT Group, set out on pages 103 to 176, are drawn up so as to give a true and fair view of the financial position and state of affairs of the ARA H-BT Group as at 31 December 2021, the financial performance, movements in stapled securityholders' funds and cash flows of the ARA H-BT Group for the year ended on that date in accordance with the provisions of the Act and Singapore Financial Reporting Standards (International) ("**SFRS(I)**");
- (b) the accompanying consolidated financial statements of the ARA H-Trust set out on pages 103 to 176, are drawn up so as to give a true and fair view of the financial position of the ARA H-Trust as at 31 December 2021, and the financial performance, distributable income, movements in stapled securityholders' funds and cash flows of the ARA H-Trust for the year ended on that date in accordance with the SFRS(I) and the provision of stapling deed of ARA H-Trust between DBS Trustee Limited (the "**REIT Trustee**"), ARA Trust Management (USH) Pte. Ltd. (the "**REIT Manager**") and the Trustee-Manager dated 17 April 2019;
- (c) at the date of this statement, there are reasonable grounds to believe that the Trustee-Manager will be able to fulfil, out of the trust property of ARA H-BT Group, the liabilities of the ARA H-BT Group as and when they fall due; and
- (d) at the date of this statement, there are reasonable grounds to believe that the ARA H-Trust will be able to pay its debts as and when they fall due.

In accordance with Section 86(2) of the Act, the directors of the Trustee-Manager further certify that:

- fees or charges paid or payable out of the trust property to the Trustee-Manager are in accordance with ARA H-BT's trust deed dated 29 October 2018;
- interested person transactions are not detrimental to the interests of all the Stapled Securityholders as a whole based on the circumstances at the time of the transaction; and
- 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 the ARA H-BT Group or on the interests of all the Stapled Securityholders 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,  
ARA Business Trust Management (USH) Pte. Ltd.**

**Stephen Ray Finch**  
*Director*

**Cheryl Seow Bee Lian**  
*Director*

28 March 2022

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## STATEMENT BY THE CHIEF EXECUTIVE OFFICER

of the Trustee-Manager

In accordance with Section 86 of the Act, 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 the ARA H-BT Group or on the interests of all the Stapled Securityholders of ARA H-BT as a whole.

**Lee Jin Yong**

*Chief Executive Officer*

28 March 2022

# INDEPENDENT AUDITORS' REPORT

Stapled Securityholders of ARA US Hospitality Trust

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited:

- (i) the consolidated financial statements of ARA US Hospitality Property Trust ("**ARA H-REIT**") and its subsidiaries (the "**ARA H-REIT Group**"), which comprise the statement of financial position as at 31 December 2021, the statement of comprehensive income, statement of movements in stapled securityholders' funds and statement of cash flows of the ARA H-REIT Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies;
- (ii) the consolidated financial statements of ARA US Hospitality Management Trust ("**ARA H-BT**") and its subsidiaries (the "**ARA H-BT Group**"), which comprise the statement of financial position as at 31 December 2021, the statement of comprehensive income, statement of movements in stapled securityholders' funds and statement of cash flows of the ARA H-BT Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies; and
- (iii) the consolidated financial statements of ARA US Hospitality Trust, which comprise the statement of financial position as at 31 December 2021, the statement of comprehensive income, statement of distributable income, statement of movements in stapled securityholders' funds and statement of cash flows of ARA US Hospitality Trust for the year then ended, and notes to the financial statements, including a summary of significant accounting policies;

as set out on pages 103 to 176. ARA US Hospitality Trust, which comprises the ARA H-REIT Group and the ARA H-BT Group, is hereinafter referred to as "**ARA H-Trust**" or the "**Stapled Group**".

In our opinion:

- (a) the accompanying consolidated financial statements of the ARA H-REIT Group present fairly, in all material respects, the financial position of the ARA H-REIT Group as at 31 December 2021 and the financial performance, movements in stapled securityholders' funds and cash flows of the ARA H-REIT Group for the year ended on that date in accordance with the Singapore Financial Reporting Standards (International) ("**SRFS(I)s**");
- (b) the accompanying consolidated financial statements of the ARA H-BT Group are properly drawn up in accordance with the provisions of the Business Trust Act, Chapter 31A of Singapore (the "**Act**") and the SFRS(I)s so as to give a true and fair view of the financial position of the ARA H-BT Group as at 31 December 2021 and the financial performance, movements in stapled securityholders' funds and cash flows of the ARA H-BT Group for the year ended on that date; and
- (c) the accompanying consolidated financial statements of the Stapled Group are properly drawn up in accordance with the provisions of the SFRS(I)s so as to give a true and fair view of the financial position of the Stapled Group as at 31 December 2021 and the financial performance, distributable income, movements in stapled securityholders' funds and cash flows of the Stapled Group for the year ended on that date.

### Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("**SSAs**"). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Stapled Group 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# INDEPENDENT AUDITORS' REPORT

Stapled Securityholders of ARA US Hospitality Trust

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **Valuation of property, plant and equipment**

(Refer to Note 5 to the financial statements)

#### **Risk**

The Stapled Group has hotel properties which are classified as property, plant and equipment and are stated at their fair values of US\$722.6 million as at 31 December 2021. These property, plant and equipment account for 94.6% of the total assets, representing the most significant asset category on the statement of financial position.

The Stapled Group's accounting policy is to revalue freehold land and buildings included as part of property, plant and equipment to their fair value at the reporting date based on external property valuations. The valuation process involves significant judgement in determining the appropriate valuation method to be used and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied, and a change in assumptions could have a significant impact to the valuation.

The valuation reports obtained from the external property valuers also highlighted that the Coronavirus Disease ("**COVID-19**") outbreak is an evolving situation and the effects on the financial and real estate markets are currently unknown. The impact will be driven by the scale and longevity of the pandemic. The valuation is based on the information available at the date of valuation, and the conclusions presented are only as of the effective date indicated. It is difficult to predict the short and long-term effects the pandemic may have on capital values.

#### **Our response**

We assessed the Stapled Group's process relating to the selection of the external property valuers, the determination of the scope of work of the external property valuers, and the review and acceptance of the valuation reports issued by the external valuers.

We evaluated the qualification and competence of the external property valuers. We also read the terms of engagement of the valuers with the Stapled Group to ascertain whether there are matters that might have affected their objectivity or limited the scope of their work.

We considered the valuation methodologies adopted against those applied by other valuers for similar property types. We evaluated the key assumptions and inputs used in the valuations, which included discount rates, terminal capitalisation rates and revenue per available room by comparing them against historical rates and available industry data, taking into consideration comparability and market factors. Where the rates were outside the expected range, we undertook further procedures to understand the effect of additional factors and, when necessary, held further discussions with the external property valuers. We also discussed with management and the external property valuers to understand how they have considered the implications of the COVID-19 pandemic and market uncertainty in the valuations, where appropriate.

We also considered the appropriateness of disclosures in the financial statements, in describing the inherent degree of subjectivity and key assumptions in the estimates. This includes the relationships between the key unobservable inputs and fair values, in conveying the uncertainties.

# INDEPENDENT AUDITORS' REPORT

Stapled Securityholders of ARA US Hospitality Trust

## Findings

The Stapled Group has a structured process in appointing and instructing valuers, and in reviewing and accepting their valuations. The external property valuers are members of generally-recognised professional bodies for valuers and have considered their own independence in carrying out the work. The valuation methodologies used by the external property valuers were in line with generally accepted market practices. The key assumptions used in the valuations, including revenue per available room, discount rates and terminal capitalisation rates were supported by the evidence available and are within the range of industry and market data. Where the assumptions were outside the expected range, the additional factors considered by the external property valuers were consistent with other corroborative evidence.

We also found the disclosures in the financial statements to be appropriate in their description of judgement inherent in the key assumptions used in the valuations, including the inter-relationship between the key unobservable inputs and their fair values.

## Other information

ARA Business Trust Management Pte. Ltd., the Trustee-Manager of ARA H-BT (the "Trustee-Manager") is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## 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 ARA H-REIT Group in accordance with the SFRS(I)s, and for such internal controls 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 ARA H-REIT Group and the Stapled Group 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 ARA H-REIT Group or to cease the operations of the ARA H-REIT Group, or has no realistic alternative but to do so.

The REIT Manager's responsibilities include overseeing the financial reporting process of the ARA H-REIT Group.

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

The Trustee-Manager is responsible for the preparation of the consolidated financial statements of the ARA H-BT Group and Stapled Group that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, 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 the ability of the ARA H-BT Group and Stapled Group 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 the ARA H-BT Group and Stapled Group or to cease the operations of the ARA H-BT Group and Stapled Group, or has no realistic alternative but to do so.

The Trustee-Manager's responsibilities include overseeing the financial reporting process of the ARA H-BT Group and Stapled Group.

# INDEPENDENT AUDITORS' REPORT

Stapled Securityholders of ARA US Hospitality Trust

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls of the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the REIT Manager and the Trustee-Manager.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the REIT Manager and the Trustee-Manager and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the REIT Manager and the Trustee-Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the REIT Manager and the Trustee-Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the REIT Manager and the Trustee-Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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# INDEPENDENT AUDITORS' REPORT

Stapled Securityholders of ARA US Hospitality Trust

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Trustee-Manager on behalf of ARA H-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 Tan Kar Yee, Linda.

### **KPMG LLP**

*Public Accountants and  
Chartered Accountants*

### **Singapore**

28 March 2022



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**STATEMENTS OF FINANCIAL POSITION**

As at 31 December 2021

	Note	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
		2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
<b>Non-current assets</b>							
Investment properties	4	690,292	656,664	–	–	–	–
Property, plant and equipment	5	–	–	155,171	198,066	724,472	695,189
Intangible assets	6	–	–	499	524	499	524
Loans to related corporation	7	–	–	294,000	294,000	–	–
Deferred tax assets	8	–	–	14,396	10,867	14,396	10,867
		690,292	656,664	464,066	503,457	739,367	706,580
<b>Current assets</b>							
Inventories		–	–	405	330	405	330
Trade and other receivables	9	1,578	16,417	23,034	29,398	4,746	2,745
Loans to related corporation	7	27,203	29,703	–	–	–	–
Cash and cash equivalents	10	6,592	6,369	12,561	20,381	19,153	26,750
Assets held for sale	11	405	–	–	–	405	–
		35,778	52,489	36,000	50,109	24,709	29,825
<b>Total assets</b>		726,070	709,153	500,066	553,566	764,076	736,405
<b>Non-current liabilities</b>							
Loans from related corporation	7	294,000	294,000	–	–	–	–
Loans and borrowings	12	311,299	327,504	101,239	150,312	327,854	354,427
Derivative financial liabilities	13	7,310	16,282	–	–	7,310	16,282
Deferred tax liabilities	8	920	–	–	–	920	–
Other payables	14	125	125	–	–	125	125
		613,654	637,911	101,239	150,312	336,209	370,834
<b>Current liabilities</b>							
Loans from related corporation	7	–	–	27,203	29,703	–	–
Loans and borrowings	12	10,141	172	40,367	38,583	10,281	298
Trade and other payables	14	24,669	33,088	12,881	26,006	17,669	16,011
Tax payable		71	23	101	62	172	86
		34,881	33,283	80,552	94,354	28,122	16,395
<b>Total liabilities</b>		648,535	671,194	181,791	244,666	364,331	387,229
<b>Net assets</b>		77,535	37,959	318,275	308,900	399,745	349,176
Represented by:							
<b>Stapled Securityholders' funds</b>		77,535	37,959	318,275	308,900	399,745	349,176
Stapled Securities in issue ('000)	15	567,342	567,342	567,342	567,342	567,342	567,342
Net asset value per Stapled Security (US\$)	16					0.70	0.62

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

# STATEMENTS OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	Note	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
		2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
<b>Revenue</b>	17	46,392	42,911	130,674	78,161	130,674	78,161
Operating expenses		(289)	(311)	(89,921)	(65,153)	(90,210)	(65,464)
<b>Gross operating profit</b>		46,103	42,600	40,753	13,008	40,464	12,697
Hotel management fee		–	–	(3,928)	(2,270)	(3,928)	(2,270)
Property taxes		(8,650)	(12,702)	(624)	(529)	(9,274)	(13,231)
Insurance		(623)	(579)	(1,011)	(1,011)	(1,634)	(1,590)
Rental and other expenses		(228)	(232)	(3,308)	(434)	(744)	(652)
<b>Net property income/(loss)</b>		36,602	29,087	31,882	8,764	24,884	(5,046)
Other income	18	–	4	1,983	8,808	1,983	8,812
Depreciation and amortisation	5, 6	–	–	(48,049)	(46,689)	(24,141)	(25,582)
REIT Manager and Trustee-Manager's management fees	19	(615)	–	(205)	–	(820)	–
Trustee-Manager's trustee fee		–	–	(120)	(120)	(120)	(120)
REIT Trustee's fee		(109)	(116)	–	–	(109)	(116)
Other trust expenses		(1,254)	(1,490)	(878)	(1,119)	(1,930)	(2,605)
Net finance (costs)/income	20	(37,312)	(37,721)	20,477	20,212	(12,167)	(11,660)
<b>Net income/(loss) for the year before tax and fair value changes</b>		(2,688)	(10,236)	5,090	(10,144)	(12,420)	(36,317)
Net fair value gain/(loss) on investment properties	4	34,257	(105,504)	–	–	–	–
Revaluation deficit of property, plant and equipment	5	–	–	–	–	(5,736)	(66,979)
<b>Net income/(loss) for the year before tax</b>	21	31,569	(115,740)	5,090	(10,144)	(18,156)	(103,296)
Taxation	22	(965)	2,556	4,285	9,167	4,344	8,831
<b>Net income/(loss) for the year after tax</b>		30,604	(113,184)	9,375	(977)	(13,812)	(94,465)
<b>Other comprehensive income</b>							
<b>Items that will not be reclassified subsequently to profit or loss:</b>							
Revaluation surplus/(deficit) of property, plant and equipment	5	–	–	–	–	56,433	(20,275)
Deferred tax effects relating to revaluation of property, plant and equipment	22	–	–	–	–	(1,024)	2,892
<b>Items that may be reclassified subsequently to profit or loss:</b>							
Effective portion of changes in fair value of cash flow hedges		8,972	(9,000)	–	–	8,972	(9,000)
<b>Total comprehensive income/(loss) for the year</b>		39,576	(122,184)	9,375	(977)	50,569	(120,848)
<b>Earnings per Stapled Security (US cents)</b>							
Basic	23					(2.43)	(16.65)
Diluted	23					(2.43)	(16.65)

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

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**STATEMENT OF DISTRIBUTABLE INCOME**

Year ended 31 December 2021

	<b>Stapled Group</b>	
	<b>2021 US\$'000</b>	<b>2020 US\$'000</b>
<b>Net loss for the year after tax</b>	(13,812)	(94,465)
Add/(Less): Distribution adjustments		
- Depreciation and amortisation	24,141	25,582
- Amortisation of debt-related transaction costs	318	263
- Gain on cessation of right-of-use asset and lease liability	(143)	–
- Interest expenses on lease liabilities	192	279
- Manager's fees paid/payable in Stapled Securities	410	–
- Deferred tax credits	(3,633)	(8,863)
- Revaluation deficit of property, plant and equipment	5,736	66,979
- Others <sup>(1)</sup>	(11,191)	10,225
<b>Net distribution adjustments</b>	<b>15,830</b>	<b>94,465</b>
<b>Distributable income</b>	<b>2,018</b>	<b>–</b>
<b>Distribution per Stapled Security (DPS) (US cents)</b>	<b>0.355</b>	<b>–</b>

<sup>(1)</sup> Relates mainly to reserves set aside for capital expenditures. Included upward adjustment to arrive at NIL distributable income for the year ended 31 December 2020.

# STATEMENT OF MOVEMENTS IN STAPLED SECURITYHOLDERS' FUNDS

Year ended 31 December 2021

## ARA H-REIT Group

	Stapled Securities in issue US\$'000	Issue costs US\$'000	Hedging reserve US\$'000	Revenue reserve US\$'000	Total US\$'000
<b>At 1 January 2021</b>	176,431	(9,437)	(16,282)	(112,753)	37,959
Total income for the year attributable to Stapled Securityholders, net of tax	–	–	–	30,604	30,604
<b>Increase in net assets from operations</b>	176,431	(9,437)	(16,282)	(82,149)	68,563
<b>Other comprehensive income</b>					
Effective portion of changes in fair value of cash flow hedges	–	–	8,972	–	8,972
<b>Total comprehensive income for the year, net of tax</b>	–	–	8,972	–	8,972
<b>At 31 December 2021</b>	176,431	(9,437)	(7,310)	(82,149)	77,535
<b>At 1 January 2020</b>	179,747	(9,722)	(7,282)	431	163,174
Total loss for the year attributable to Stapled Securityholders, net of tax	–	–	–	(113,184)	(113,184)
<b>Decrease in net assets from operations</b>	179,747	(9,722)	(7,282)	(112,753)	49,990
<b>Other comprehensive income</b>					
Effective portion of changes in fair value of cash flow hedges	–	–	(9,000)	–	(9,000)
<b>Total comprehensive income for the year, net of tax</b>	–	–	(9,000)	–	(9,000)
<b>Contribution by and distribution to Stapled Securityholders</b>					
REIT Manager's management fees paid in Stapled Securities <sup>(1)</sup>	160	–	–	–	160
Distribution to Stapled Securityholders	(3,476)	–	–	–	(3,476)
Issue costs	–	285	–	–	285
<b>Total contribution by and distribution to Stapled Securityholders</b>	(3,316)	285	–	–	(3,031)
<b>At 31 December 2020</b>	176,431	(9,437)	(16,282)	(112,753)	37,959

<sup>(1)</sup> Represents 186,000 Stapled Securities issued as payment of REIT Manager's share of the base fees for the period from 1 October 2019 to 31 December 2019.

ARA US HOSPITALITY PROPERTY TRUST • ARA US HOSPITALITY MANAGEMENT TRUST • ARA US HOSPITALITY TRUST

# STATEMENT OF MOVEMENTS IN STAPLED SECURITYHOLDERS' FUNDS

Year ended 31 December 2021

	ARA H-BT Group			
	Stapled Securities in issue US\$'000	Issue costs US\$'000	Revenue reserve US\$'000	Total US\$'000
<b>At 1 January 2021</b>	314,147	(6,587)	1,340	308,900
Total income for the year attributable to Stapled Securityholders, net of tax	–	–	9,375	9,375
<b>Increase in net assets from operations</b>	314,147	(6,587)	10,715	318,275
<b>At 31 December 2021</b>	314,147	(6,587)	10,715	318,275
<b>At 1 January 2020</b>	319,187	(6,652)	17,503	330,038
Total loss for the year attributable to Stapled Securityholders, net of tax	–	–	(977)	(977)
<b>Decrease in net assets from operations</b>	319,187	(6,652)	16,526	329,061
<b>Contribution by and distribution to Stapled Securityholders</b>				
Trustee-Manager's management fees paid in Stapled Securities <sup>(1)</sup>	160	–	–	160
Distribution to Stapled Securityholders	(5,200)	–	(15,186)	(20,386)
Issue costs	–	65	–	65
<b>Total contribution by and distribution to Stapled Securityholders</b>	(5,040)	65	(15,186)	(20,161)
<b>At 31 December 2020</b>	314,147	(6,587)	1,340	308,900

<sup>(1)</sup> Represents 186,000 Stapled Securities issued as payment of Trustee-Manager's share of the base fees for the period from 1 October 2019 to 31 December 2019.

# STATEMENT OF MOVEMENTS IN STAPLED SECURITYHOLDERS' FUNDS

Year ended 31 December 2021

	Stapled Group					
	Stapled Securities in issue US\$'000	Issue costs US\$'000	Hedging reserve US\$'000	Revaluation reserve US\$'000	Revenue reserve US\$'000	Total US\$'000
<b>At 1 January 2021</b>	490,578	(16,024)	(16,282)	42,330	(151,426)	349,176
Total income for the year attributable to Stapled Securityholders, net of tax	–	–	–	–	(13,812)	(13,812)
<b>Decrease in net assets from operations</b>	490,578	(16,024)	(16,282)	42,330	(165,238)	335,364
<b>Other comprehensive income</b>						
Revaluation surplus of property, plant and equipment	–	–	–	56,433	–	56,433
Deferred tax effects relating to revaluation of property, plant and equipment	–	–	–	(1,024)	–	(1,024)
Effective portion of changes in fair value of cash flow hedges	–	–	8,972	–	–	8,972
<b>Total comprehensive income for the year, net of tax</b>	–	–	8,972	55,409	–	64,381
<b>At 31 December 2021</b>	490,578	(16,024)	(7,310)	97,739	(165,238)	399,745

ARA US HOSPITALITY PROPERTY TRUST • ARA US HOSPITALITY MANAGEMENT TRUST • ARA US HOSPITALITY TRUST

# STATEMENT OF MOVEMENTS IN STAPLED SECURITYHOLDERS' FUNDS

Year ended 31 December 2021

	Stapled Group					
	Stapled Securities in issue US\$'000	Issue costs US\$'000	Hedging reserve US\$'000	Revaluation reserve US\$'000	Revenue reserve US\$'000	Total US\$'000
<b>At 1 January 2020</b>	498,934	(16,374)	(7,282)	59,713	(41,775)	493,216
Total loss for the year attributable to Stapled Securityholders, net of tax	-	-	-	-	(94,465)	(94,465)
<b>Decrease in net assets from operations</b>	498,934	(16,374)	(7,282)	59,713	(136,240)	398,751
<b>Other comprehensive income</b>						
Revaluation deficit of property, plant and equipment	-	-	-	(20,275)	-	(20,275)
Deferred tax effects relating to revaluation of property, plant and equipment	-	-	-	2,892	-	2,892
Effective portion of changes in fair value of cash flow hedges	-	-	(9,000)	-	-	(9,000)
<b>Total comprehensive income for the year, net of tax</b>	-	-	(9,000)	(17,383)	-	(26,383)
<b>Contribution by and distribution to Stapled Securityholders</b>						
REIT Manager's and Trustee-Manager's management fees paid in Stapled Securities <sup>(1)</sup>	320	-	-	-	-	320
Distribution to Stapled Securityholders	(8,676)	-	-	-	(15,186)	(23,862)
Issue costs	-	350	-	-	-	350
<b>Total contribution by and distribution to Stapled Securityholders</b>	(8,356)	350	-	-	(15,186)	(23,192)
<b>At 31 December 2020</b>	490,578	(16,024)	(16,282)	42,330	(151,426)	349,176

<sup>(1)</sup> Represents 371,000 Stapled Securities issued as payment of 50% of Managers' base fees for period from 1 October 2019 to 31 December 2019.

**STATEMENTS OF CASH FLOWS**

Year ended 31 December 2021

	Note	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
		2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
<b>Cash flows from operating activities</b>							
Net income/(loss) before tax		31,569	(115,740)	5,090	(10,144)	(18,156)	(103,296)
Adjustments for:							
Allowance for expected credit loss and bad debts written off		–	–	220	220	220	220
Amortisation of intangible assets	6	–	–	25	24	25	24
Depreciation of property, plant and equipment	5	–	–	48,024	46,665	24,116	25,558
Net fair value (gain)/loss on investment properties	4	(34,257)	105,504	–	–	–	–
Net finance costs/(income)	20	37,312	37,721	(20,477)	(20,212)	12,167	11,660
Net (gain)/loss on cessation of right-of-used asset and lease liability		53	–	–	–	(143)	–
Manager's base fee paid/payable in Stapled Securities		205	–	205	–	410	–
Revaluation deficit of property, plant and equipment	5	–	–	–	–	5,736	66,979
Operating income before working capital changes		34,882	27,485	33,087	16,553	24,375	1,145
Changes in working capital:							
Inventories		–	–	(75)	102	(75)	102
Trade and other receivables		(974)	6,063	(6,061)	1,265	(2,564)	3,467
Trade and other payables		(121)	4,528	2,528	(3,415)	1,347	4,977
<b>Cash generated from operations</b>		<b>33,787</b>	<b>38,076</b>	<b>29,479</b>	<b>14,505</b>	<b>23,083</b>	<b>9,691</b>
Tax refund/(paid)		3	8	795	(30)	797	(22)
<b>Net cash generated from operating activities</b>		<b>33,790</b>	<b>38,084</b>	<b>30,274</b>	<b>14,475</b>	<b>23,880</b>	<b>9,669</b>
<b>Cash flows from investing activities</b>							
Interest received		925	123	36,750	10	–	133
Acquisition of intangible assets		–	–	–	(548)	–	(548)
Payment for capital expenditure		(6,176)	(3,949)	(3,082)	(5,268)	(9,258)	(9,217)
Acquisition of property, plant and equipment		–	–	–	(8,873)	–	(85,294)
Acquisition of investment properties		–	(76,421)	–	–	–	–
Amount due from related corporations (non-trade)		15,661	(15,721)	1,701	(166)	–	–
Issuance of loans to related corporation		(9,500)	(29,703)	–	–	–	–
Proceeds from repayment of loans to related corporation		12,000	–	–	–	–	–
<b>Net cash generated from/(used in) investing activities</b>		<b>12,910</b>	<b>(125,671)</b>	<b>35,369</b>	<b>(14,845)</b>	<b>(9,258)</b>	<b>(94,926)</b>

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



ARA US HOSPITALITY PROPERTY TRUST • ARA US HOSPITALITY MANAGEMENT TRUST • ARA US HOSPITALITY TRUST

**STATEMENTS OF CASH FLOWS**

Year ended 31 December 2021

	Note	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
		2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
<b>Cash flows from financing activities</b>							
Proceeds from loans and borrowings		–	76,019	1,030	26,794	1,030	102,813
Repayment of loans and borrowings		–	–	(11,030)	–	(11,030)	–
Proceeds from loans from related corporation		–	–	9,500	29,703	–	–
Repayment of loans from related corporation		–	–	(12,000)	–	–	–
Payment of transaction costs relating to new loan facilities		–	(372)	(90)	(20)	(90)	(392)
Payment of lease liabilities		(311)	(432)	(43,750)	(43,038)	(464)	(569)
Interest paid		(47,847)	(11,062)	(1,486)	(161)	(11,665)	(11,223)
Distribution to Stapled Securityholders		–	(3,476)	–	(20,386)	–	(23,862)
Amount due to related corporation – non-trade		1,681	151	(15,637)	15,747	–	–
<b>Net cash (used in)/generated from financing activities</b>		(46,477)	60,828	(73,463)	8,639	(22,219)	66,767
<b>Net increase/(decrease) in cash and cash equivalents</b>		223	(26,759)	(7,820)	8,269	(7,597)	(18,490)
Cash and cash equivalents at the beginning of the year		6,369	33,128	20,381	12,112	26,750	45,240
<b>Cash and cash equivalents at the end of the year</b>	10	6,592	6,369	12,561	20,381	19,153	26,750

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the REIT Manager, the Trustee-Manager, and the REIT Trustee on 28 March 2022.

## 1 GENERAL

ARA US Hospitality Trust is a stapled group comprising ARA US Hospitality Property Trust (“**ARA H-REIT**”) and its subsidiaries (the “**ARA H-REIT Group**”) and ARA US Hospitality Management Trust (“**ARA H-BT**”) and its subsidiaries (the “**ARA H-BT Group**”) (collectively, the “**ARA H-Trust**” or the “**Stapled Group**”).

ARA H-REIT is a Singapore-domiciled unit trust constituted pursuant to the trust deed dated 24 September 2018 (the “**ARA H-REIT Trust Deed**”) between ARA Trust Management (USH) Pte. Ltd. (the “**REIT Manager**”) and DBS Trustee Limited (the “**REIT Trustee**”). The ARA H-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 ARA H-REIT held by it or through its subsidiaries in trust for the holders of units in ARA H-REIT. ARA H-BT is a business trust constituted by a trust deed dated 29 October 2018 (the “**ARA H-BT Trust Deed**”) and is managed by ARA Business Trust Management (USH) Pte. Ltd. (the “**Trustee-Manager**”) (the “**REIT Manager**” and together with the “**Trustee-Manager**”, defined as the “**Managers**”). The units in each of ARA H-REIT and ARA H-BT are stapled together under the terms of a stapling deed dated 17 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 ARA US Hospitality Trust (the “**Stapled Security**”) comprises a unit in ARA H-REIT (the “**ARA H-REIT Unit**”) and a unit in ARA H-BT (the “**ARA H-BT Unit**”).

ARA US Hospitality Trust was formally admitted to the Official List of Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 9 May 2019 (“**Listing date**”).

The principal activities of the ARA H-REIT Group involve investing primarily, in a portfolio of income-producing real estate which is used primarily for hospitality and/or hospitality-related purpose, located in the United States of America (the “**U.S.**” or “**United States**”), as well as real estate-related assets in connection to the foregoing.

The principal activities of the ARA H-BT Group involve investing in a portfolio of real estate primarily used for hospitality and/or hospitality-related purposes, located in the U.S., as well as real estate-related assets in connection with the foregoing and to carry on the business of managing and operating real estate used primarily for hospitality and/or hospitality-related purposes, located in U.S..

The consolidated financial statements of the ARA H-REIT Group relate to ARA H-REIT and its subsidiaries. The consolidated financial statements of the ARA H-BT Group relate to ARA H-BT and its subsidiaries. The consolidated financial statements of the Stapled Group relate to the ARA H-REIT Group combined with the ARA H-BT Group.

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

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 1 GENERAL (CONT'D)

### (a) REIT Manager's and Trustee-Manager's management fees

Pursuant to Clauses 14.1 and 14.2 of the Stapling Deed, the Managers are entitled to the following management fees:

- a total base fee of 10% per annum of the distributable income of the Stapled Group and calculated before accounting for the total base fee and the total performance fee; and
- a performance fee of 25% of the increase in distribution per Stapled Security ("**DPS**") in a financial year over the DPS in the preceding financial year (calculated before accounting for the total performance fee but after accounting for the base fee payable to the Managers out of the total deposited property of the Stapled Group in each financial period or year) multiplied by the weighted average number of Stapled Securities in issue for such financial period or year.

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

The portion of the management fees payable in the form of cash and/or Stapled Securities will be made on a quarterly basis, in arrears. The portion of the management fees payable in the form of cash will be made on a monthly basis, in arrears.

### (b) REIT Trustee's fee

Pursuant to Clause 15.3 of the ARA H-REIT Trust Deed, the REIT Trustee's fee shall not exceed 0.1% per annum based on the ARA H-REIT's deposited property, subject to a minimum of S\$10,000 per month, excluding out-of-pocket expenses and applicable taxes. In addition, the ARA H-REIT Group will pay the REIT Trustee a one-time inception fee as may be agreed between the REIT Manager and the REIT Trustee, subject to a maximum of S\$60,000.

### (c) Trustee-Manager's trustee fee

Pursuant to Clause 14.3 of the ARA H-BT Trust Deed, the Trust-Manager's fee shall not exceed 0.02% per annum of the value of trust property, excluding intergroup balance (as defined in the ARA H-BT Trust Deed) of the ARA H-BT, subject to a minimum fee of US\$10,000 per month.

### (d) Hotel Manager's management fee

Under the hotel management agreement entered into between ARA H-BT, through its subsidiaries and hotel manager, a related company of the ARA H-BT's Trustee-Manager (the "**Hotel Manager**"), the Hotel Manager will be paid a fee equivalent to 3% of total operating revenue of the hotel properties.

## 2 BASIS OF PREPARATION

### 2.1 Going concern

The financial statements of the Stapled Group have been prepared on a going concern basis notwithstanding the deficiency in net current assets of US\$3,413,000 as at 31 December 2021, as the Managers have obtained a new US\$95,000,000 3-year unsecured facilities on 23 February 2022 to refinance existing loans maturing in year 2022 and 2023.

The financial statements of the ARA H-BT Group have been prepared on a going concern basis notwithstanding the deficiency in net current assets of US\$44,552,000 as at 31 December 2021, as the ARA H-REIT Group has undertaken to provide financial support to the ARA H-BT Group for the next twelve months from the date of the Report of the Trustee-Manager to enable the ARA H-BT Group to continue as a going concern and to meet the liabilities of ARA H-BT Group as and when they fall due.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 2 BASIS OF PREPARATION (CONT'D)

### 2.2 Statement of compliance

The financial statements of the ARA H-REIT Group and the Stapled Group have been prepared in accordance with the Singapore Financial Reporting Standards (International) (“**SFRS(I)**”) and the provisions of the ARA H-REIT Trust Deed and the Stapling Deed.

The financial statements of the ARA H-BT Group have been prepared in accordance with SFRS(I), the applicable requirements of the Business Trust Act, Chapter 31A of Singapore and the provisions of the ARA H-BT Trust Deed.

### 2.3 Basis of measurement

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

### 2.4 Functional and presentation currency

These financial statements are presented in United States dollars, which is the functional currency of the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group. All financial information presented in United States dollars has been rounded to the nearest thousand, unless otherwise stated.

### 2.5 Use of estimates and judgements

The preparation of financial statements in conformity with SFRS(I) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and 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 effected.

Information about assumptions and uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following note:

- Note 4 – Determination of fair value of investment properties
- Note 5 – Determination of fair value of property, plant and equipment

#### Measurement of fair values

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

The Managers have an established control framework with respect to the measurement of fair values. Significant fair value movements, including Level 3 fair values, will be reported directly to the Chief Executive Officer (“**CEO**”) of the Managers.

The Managers regularly review significant unobservable inputs and valuation adjustments included in the fair value measurements. If third party information, such as valuation of properties by external property valuers, is used to measure fair value, then the Managers assess the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SFRS(I), including the level in the fair value hierarchy the resulting fair value estimate should be classified.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 2 BASIS OF PREPARATION (CONT'D)

### 2.5 Use of estimates and judgements (cont'd)

#### Measurement of fair values (cont'd)

When measuring the fair value of an asset or a liability, the Managers use market observable 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 within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets 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 financial year during which the change has occurred.

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

- Note 4 – Valuation of investment properties
- Note 5 – Valuation of property, plant and equipment
- Note 25 – Valuation of financial instruments

### 2.6 Changes in significant accounting policies

#### New standards and amendments

The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2021:

- *Covid-19-Related Rent Concessions* (Amendment to SFRS(I) 16)
- *Interest Rate Benchmark Reform – Phase 2* (Amendments to SFRS(I) 4, SFRS(I) 7, SFRS(I) 9, SFRS(I) 16 and SFRS(I) 1-39)

The application of these amendments to standards and interpretations does not have a material effect on the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied by the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group consistently to all periods presented in these financial statements, except as explained in Note 2.6, which addresses changes in accounting policies.

### 3.1 Basis of 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

The Stapled Group accounts for business combinations using the acquisition method when control is transferred to the Stapled Group.

The Stapled Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Stapled Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest ("NCI") 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.

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.

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

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

At the time of acquisition, the Stapled Group 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 Managers 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

Year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (iv) Subsidiaries

Subsidiaries are entities controlled by either the ARA H-REIT Group or the ARA H-BT Group. The ARA H-REIT Group and the ARA H-BT Group control an entity when they are exposed to or has rights to, variable returns from their involvement with the entity and have the ability to affect those returns through their 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 where necessary to align them with the policies of the Stapled Group.

### (v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements of the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group.

## 3.2 Foreign currencies

### (i) Foreign currency transactions

Items included in the financial statements of each entity in the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the “**functional currency**”).

Transactions in foreign currencies are translated to the respective functional currencies of the entities in the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group 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 year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

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 recognised in the profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.3 Property, plant and equipment

#### (i) Recognition and measurement

Properties are classified either as investment properties or property, plant and equipment in the statement of financial position. In assessing whether a property is classified as an investment property or property, plant and equipment, the Stapled Group takes into consideration several factors including, but not limited to, the business model, the extent of ancillary services provided, the power that the Stapled Group 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.

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Certain of the Stapled Group's property, plant and equipment acquired through interest in subsidiaries, are accounted for as acquisition of assets.

Subsequent to recognition, freehold land and buildings are measured at fair value less accumulated depreciation and accumulated impairment losses while other plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any surplus arising on the revaluation is recognised in other comprehensive income ("OCI"), except to the extent that the surplus reverses a previous revaluation deficit on the same asset recognised in profit or loss, in which case the credit to that extent is recognised in profit or loss. Any deficit on revaluation is recognised in profit or loss except to the extent that it reverses a previous revaluation surplus on the same asset, in which case the debit to that extent is recognised in OCI.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. The revaluation surplus included in Stapled Securityholders' funds in respect of an item of property, plant and equipment measured using revaluation model, is transferred directly to Stapled Securityholders' funds.

#### (ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Stapled Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.3 Property, plant and equipment (cont'd)

#### (iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Freehold land and capital work in progress are not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use.

The estimated useful lives for the property, plant and equipment are as follows:

• Leasehold land	Over the unexpired term of lease
• Buildings	7 years to 40 years
• Motor vehicles	1 year to 5 years
• Furniture, fixtures and equipment	1 year to 7 years

Expenditure relating to capital work in progress (including borrowing costs) are capitalised when incurred. Depreciation will commence when the capital work is completed and ready to use.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

### 3.4 Investment property

Investment property is property 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 property is measured at cost on initial recognition and subsequently at fair value with any changes therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

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.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.5 Financial instruments (cont'd)

#### (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 the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group 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 fair value through profit or loss ("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 at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group 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.

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: Classification, subsequent measurement and gains and losses**

Financial liabilities are classified 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 any 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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.5 Financial instruments (cont'd)

#### (iii) Derecognition

##### *Financial assets*

The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group 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 the Stapled Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group enters into transactions whereby it transfers assets recognised in its statements of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

##### *Financial liabilities*

The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group 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 statement of financial position when, and only when, the Stapled Group 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.

#### (v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits that are subject to an insignificant risk of changes in their fair values, and are used by the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group in the management of its short-term commitments.

#### (vi) Derivative financial instruments and hedge accounting

The ARA H-REIT Group and the Stapled Group holds derivative financial instruments to hedge its interest rate risk exposures. 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.

The ARA H-REIT Group and the Stapled Group designates certain derivatives and non-derivative financial instruments as hedging instruments in qualifying hedging relationships. At inception of designated hedging relationships, the ARA H-REIT Group and the Stapled Group documents the risk management objective and strategy for undertaking the hedge. The ARA H-REIT Group and the Stapled Group 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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.5 Financial instruments (cont'd)

#### (vi) Derivative financial instruments and hedge accounting (cont'd)

##### ***Cash flow hedges***

The ARA H-REIT Group and the Stapled Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes 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 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 the 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.

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. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

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.

##### ***Hedges directly affected by interest rate benchmark reform***

For the purpose of evaluating whether there is an economic relationship between the hedged item(s) and the hedging instrument(s), the ARA H-REIT Group and the Stapled Group assumes that the benchmark interest rate is not altered as a result of interest rate benchmark reform.

For a cash flow hedge of a forecast transaction, the ARA H-REIT Group and the Stapled Group assumes that the benchmark interest rate will not be altered as a result of interest rate benchmark reform for the purpose of assessing whether the forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss. In determining whether a previously designated forecast transaction in a discontinued cash flow hedge is still expected to occur, the ARA H-REIT Group and the Stapled Group assumes that the interest rate benchmark cash flows designated as a hedge will not be altered as a result of interest rate benchmark reform.

The ARA H-REIT Group and the Stapled Group will cease to apply the specific policy for assessing the economic relationship between the hedged item and the hedging instrument (i) to a hedged item or hedging instrument when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the contractual cash flows of the respective item or instrument or (ii) when the hedging relationship is discontinued. For its highly probable assessment of the hedged item, the ARA H-REIT Group and the Stapled Group will no longer apply the specific policy when the uncertainty arising from interest rate benchmark reform about the timing and the 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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.6 Leases

At inception of a contract, the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group 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 asset for a period of time in exchange for consideration.

#### *As a lessee*

At commencement or on modification of a contract that contains a lease component, the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group 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, buildings and motor vehicles, the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group 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.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group by the end of the lease term or the cost of the right-of-use asset reflects that the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The right-of-use asset is subsequently stated as cost less accumulated depreciation and impairment losses, except for right-of-use assets that meet the definition of investment property and are carried at fair value in accordance with Note 3.4.

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, the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group's incremental borrowing rate. Generally, the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group uses the lessee's incremental borrowing rate as the discount rate.

The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group determines its 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 one or more of the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group is reasonably certain to exercise as an extension option, and penalties for early termination of a lease unless the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group is reasonably certain not to terminate early.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.6 Leases (cont'd)

#### *As a lessee (cont'd)*

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 the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group changes its assessment of whether it will exercise extension or termination option or if there is a revised in-substance fixed lease payment.

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.

The ARA H-BT Group and Stapled Group presents right-of-use assets, that do not meet the definition of investment property, in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

The ARA H-REIT Group presents right-of-use assets in 'investment properties' and lease liabilities in 'loans and borrowings' in the statement of financial position.

#### *Short-term leases and leases of low-value assets*

The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### *As a lessor*

At inception or on modification of a contract that contains a lease component, the ARA H-REIT Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the ARA H-REIT Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the ARA H-REIT Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards 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, the ARA H-REIT Group considers certain indicators such as whether the lease was for the major part of the economic life of the asset.

The ARA H-REIT Group 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'.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.7 Intangible assets

#### (i) Intangible assets

Intangible assets that are acquired by the ARA H-BT Group and Stapled Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

#### (ii) Amortisation

Amortisation is calculated based on the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives for the current year are as follows:

- Franchise licenses 19 to 27 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

### 3.8 Inventories

Inventories comprise principally food and beverage and other hotels related consumable stocks. Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis.

### 3.9 Non-current assets held for sale

Non-current assets that are highly probable to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the ARA H-REIT Group and the Stapled Group's accounting policies.

Thereafter, the assets classified as held for sale are generally measured at the lower of their carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.10 Impairment

#### (i) Non-derivative financial assets

The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group recognises loss allowances for expected credit loss ("ECL") on financial assets measured at amortised cost.

Loss allowances of the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group 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**

The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group 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**

The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group 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, the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group 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, the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group 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 the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group's historical experience and informed credit assessment and includes forward-looking information.

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.

The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the ARA H-REIT Group, the ARA H-BT Group and Stapled Group in full, without recourse by the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group is exposed to credit risk.



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.10 Impairment (cont'd)

#### (i) Non-derivative financial assets (cont'd)

##### **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 the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

##### **Credit-impaired financial assets**

At each reporting date, the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group 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:

- the financial asset is 90 days past due;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group on terms that the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group 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 the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group 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 the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group's procedures for recovery of amounts due.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.10 Impairment (cont'd)

#### (ii) Non-financial assets

The carrying amounts of the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group's non-financial assets, other than deferred tax assets, investment properties, freehold land and buildings which are measured at fair value and inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash generating unit ("CGU") exceeds its 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.

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 (groups of CGUs), and then to reduce the carrying amount 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.

### 3.11 Stapled Securityholders' funds

Stapled Securityholders' funds of the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group represent the stapled securityholders' interest in the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group's net assets upon termination respectively. Stapled Securityholders' funds are classified as equity.

Issue costs relate to expenses incurred in connection with the issue of stapled securities. The expenses are deducted directly against the Stapled Securityholders' funds.

### 3.12 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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.13 Revenue

#### (i) Rental income from operating leases

Rental income receivable under operating leases is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Variable rentals are recognised as income in the accounting period in which they are earned and the amount can be measured reliably.

#### (ii) Room revenue, food and beverage sales and revenue related to ancillary operations

Revenue from the rental of guestrooms and ancillary operations is recognised when the services are rendered to the customer. Revenue from food and beverage sales is recognised when the goods are delivered.

### 3.14 Government grant

Government grants are recognised when there is reasonable assurance that they will be received and the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group will comply with the conditions associated with the grants.

Grants that compensate the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group for expenses incurred are recognised in profit or loss as 'other income' on a systematic basis in the periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

### 3.15 Finance income and finance costs

The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group's finance income and finance costs include:

- interest income;
- interest expense; and
- amortisation of debt-related transaction costs.

Interest income or expense is recognised using the effective interest method.

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.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.16 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 OCI.

The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group 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 SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, measured 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;
- temporary differences related to investments in subsidiaries to the extent that the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group is able to control the timing of reversal of the temporary difference and it is not probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. 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 substantially enacted by the reporting date, and reflects uncertainty related to income taxes, if any.

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 income 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 the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group. 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 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.

The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group 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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.17 Earnings per Stapled Security

The Stapled Group presents basic and diluted earnings per Stapled Security. Basic earnings per Stapled Security is calculated by dividing the net income after tax attributable to Stapled Securityholders by the weighted average number of Stapled Securities outstanding during the year. Diluted earnings per Stapled Security is determined by adjusting the net income after tax attributable to Stapled Securityholders and the weighted average number of Stapled Securities outstanding, adjusted for the effects of all dilutive potential Stapled Securities.

### 3.18 Segment reporting

An operating segment is a component of the Stapled Group 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 Stapled Group.

All operating segments' operating results are reviewed regularly by the Board of Directors of the Managers ("Boards") to make decisions about resources to be allocated to the segment and assess its performance, and is a component for which discrete financial information is available.

Segment results that are reported to the Boards include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly finance income, finance costs and trust expenses.

Segment capital expenditure is the total cost incurred on property, plant and equipment during the year.

## 4 INVESTMENT PROPERTIES

	ARA H-REIT Group	
	2021 US\$'000	2020 US\$'000
At beginning of the financial year	656,664	673,603
Recognition of right-of-use asset on initial application of SFRS(I)16	–	8,195
Adjusted balance at beginning of the financial year	656,664	681,798
Acquisition of investment properties	–	76,421
Capital expenditure	6,176	3,949
Remeasurement of right-of-use asset	148	–
Cessation of right-of-use asset	(6,548)	–
Reclassification to assets held for sale (Note 11)	(405)	–
Fair value changes	34,257	(105,504)
At end of the financial year	690,292	656,664

### Security

As at 31 December 2021, investment properties of the ARA H-REIT Group with a carrying amount of US\$605.1 million (2020: US\$575.0 million) were pledged as security to secure bank facilities obtained from financial institutions (see Note 12).

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 4 INVESTMENT PROPERTIES (CONT'D)

### Measurement of fair value

#### (i) Fair value hierarchy

The fair values of the investment properties were determined by external property valuers, JLL Valuation & Advisory Services, LLC (2020: HVS Consulting and Valuation Services). The external property valuers have appropriate recognised professional qualifications and recent experience in the location and category of properties being valued.

The fair value measurement of investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used (see Note 2.5). Reconciliations from the beginning balances to the ending balances for Level 3 fair value measurements are set out in the table above.

	2021 US\$'000	2020 US\$'000
Fair value of investment properties (based on valuation reports)	688,790	648,469
Add: Carrying amount of lease liabilities	1,502	8,195
Carrying amount of investment properties	690,292	656,664

#### (ii) Valuation technique and significant unobservable inputs

The following table shows the valuation techniques used in measuring the fair values of investment properties, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	2021	2020
Discounted cash flows	Discount rate	9.00% - 10.75%	10.00% - 10.25%
	Terminal capitalisation rate	7.00% - 8.75%	7.75% - 9.43%

#### *Inter-relationship between key unobservable inputs and fair value measurement*

The significant unobservable inputs used in the fair values measurement of investment properties are discount rate and terminal capitalisation rate. An increase in discount rate and terminal capitalisation rate in isolation would result in a lower fair value.

The valuers have considered the income capitalisation - discounted cash flows (2020: income capitalisation - discounted cash flows) in arriving at the fair value as at the reporting date. In determining the fair value, the valuers have used valuation techniques which involve certain estimates. The key assumptions used to determine the fair value of properties include market-corroborated discount rate and terminal capitalisation rate. The valuers have considered all available information as at 31 December 2021 relating to the COVID-19 pandemic and has made necessary adjustments to the valuation.

The 31 December 2021 valuation contains a 'market uncertainty from COVID-19' clause that the COVID-19 outbreak is an evolving situation and the effects on the financial and real estate markets currently unknown, impacted by the scale and longevity of the pandemic. The reader is cautioned and reminded that the valuation is based on the information available at the date of valuation, and it is difficult to predict the short and long-term effects the pandemic may have on capital values. This clause does not invalidate the valuation but implies that there is substantially more uncertainty than under normal market conditions.

In relying on the valuation reports, the Managers have exercised their judgement and are satisfied that the valuation methods and estimates are reflective of current market conditions.

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2021

**5 PROPERTY, PLANT AND EQUIPMENT**

	Land and buildings US\$'000	Motor vehicles US\$'000	Furniture, fixtures and equipment US\$'000	Capital work-in- progress US\$'000	Total US\$'000
<b>ARA H-BT Group</b>					
<b>At cost</b>					
At 1 January 2020	–	–	67,898	108	68,006
Recognition of right-of-use assets on initial application of SFRS(I) 16	180,748	487	–	–	181,235
Adjusted balance at 1 January 2020	180,748	487	67,898	108	249,241
Additions	18,150	–	5,268	–	23,418
Acquisition of assets	–	–	8,873	–	8,873
Reclassification	–	–	108	(108)	–
At 31 December 2020	198,898	487	82,147	–	281,532
Additions	–	52	2,987	95	3,134
Remeasurement of right-of-use assets	1,995	–	–	–	1,995
At 31 December 2021	200,893	539	85,134	95	286,661
<b>Accumulated depreciation and impairment losses</b>					
At 1 January 2020	–	–	36,801	–	36,801
Depreciation	39,623	127	6,915	–	46,665
At 31 December 2020	39,623	127	43,716	–	83,466
Depreciation	40,278	138	7,608	–	48,024
At 31 December 2021	79,901	265	51,324	–	131,490
<b>Carrying amounts</b>					
At 1 January 2020	–	–	31,097	108	31,205
At 31 December 2020	159,275	360	38,431	–	198,066
At 31 December 2021	120,992	274	33,810	95	155,171

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 5 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At valuation		At cost					Total US\$'000
	Note	Freehold land US\$'000	Buildings US\$'000	Leasehold land US\$'000	Motor vehicles US\$'000	Furniture, fixtures and equipment US\$'000	Capital work in progress US\$'000	
<b>Stapled Group</b>								
<b>At valuation/cost</b>								
At 1 January 2020		71,203	602,400	–	–	35,959	108	709,670
Recognition of right-of-use assets on initial application of SFRS(I) 16		–	–	8,195	487	–	–	8,682
Adjusted balance at 1 January 2020		71,203	602,400	8,195	487	35,959	108	718,352
Additions		–	3,949	–	–	5,268	–	9,217
Acquisition of assets	30	10,221	66,200	–	–	8,873	–	85,294
Reclassification		–	–	–	–	108	(108)	–
Revaluation differences recognised in								
- OCI		–	(20,275)	–	–	–	–	(20,275)
- Profit or loss		–	(66,979)	–	–	–	–	(66,979)
Elimination of accumulated depreciation on revaluation		–	(18,249)	–	–	–	–	(18,249)
At 31 December 2020		81,424	567,046	8,195	487	50,208	–	707,360
Additions		3,347	2,829	–	52	2,987	95	9,310
Remeasurement of right-of-use assets		–	–	149	–	–	–	149
Reclassification to assets held for sale (Note 11)		(405)	–	–	–	–	–	(405)
Cessation of right-of-use assets		–	–	(6,548)	–	–	–	(6,548)
Revaluation differences recognised in								
- OCI		–	56,433	–	–	–	–	56,433
- Profit or loss		–	(5,736)	–	–	–	–	(5,736)
Elimination of accumulated depreciation on revaluation		–	(16,147)	–	–	–	–	(16,147)
At 31 December 2021		84,366	604,425	1,796	539	53,195	95	744,416



**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2021

**5 PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	At valuation		At cost				Total US\$'000
	Freehold land US\$'000	Buildings US\$'000	Leasehold land US\$'000	Motor vehicles US\$'000	Furniture, fixtures and equipment US\$'000	Capital work in progress US\$'000	
<b>Stapled Group</b>							
<b>Accumulated depreciation</b>							
At 1 January 2020	–	–	–	–	4,862	–	4,862
Depreciation	–	18,249	267	127	6,915	–	25,558
Elimination of accumulated depreciation on revaluation	–	(18,249)	–	–	–	–	(18,249)
At 31 December 2020	–	–	267	127	11,777	–	12,171
Depreciation	–	16,147	223	138	7,608	–	24,116
Cessation of right-of-use assets	–	–	(196)	–	–	–	(196)
Elimination of accumulated depreciation on revaluation	–	(16,147)	–	–	–	–	(16,147)
At 31 December 2021	–	–	294	265	19,385	–	19,944
<b>Carrying amounts</b>							
At 1 January 2020	71,203	602,400	–	–	31,097	108	704,808
At 31 December 2020	81,424	567,046	7,928	360	38,431	–	695,189
At 31 December 2021	84,366	604,425	1,502	274	33,810	95	724,472

**Security**

As at 31 December 2021, the property, plant and equipment of the ARA H-BT Group and the Stapled Group with a carrying amount of US\$26.7 million and US\$631.8 million respectively (2020: US\$30.4 million and US\$605.4 million) were pledged as security to secure bank facilities obtained from financial institutions (see Note 12).

**Measurement of fair value**

The fair values of the properties were determined by external property valuers, JLL Valuation & Advisory Services, LLC (2020: HVS Consulting and Valuation Services), and relevant information are disclosed in Note 4 to the Financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 6 INTANGIBLE ASSETS

	ARA H-BT Group		Stapled Group	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
<b>Franchise licenses</b>				
<b>Cost</b>				
At 1 January	548	–	548	–
Additions	–	548	–	548
At 31 December	548	548	548	548
<b>Accumulated amortisation</b>				
At 1 January	24	–	24	–
Amortisation	25	24	25	24
At 31 December	49	24	49	24
<b>Carrying amounts</b>				
At 1 January	524	–	524	–
At 31 December	499	524	499	524

## 7 LOANS TO/(FROM) RELATED CORPORATION

### Non-current

Loans to/(from) related corporation relates to the ten-year term loan facilities granted by the ARA H-BT Group to ARA H-REIT Group pursuant to the US\$272 million loan agreement dated 17 April 2019 and the US\$22 million loan agreement dated 1 December 2019. The loans are unsecured and payable in full on 9 May 2029 and 10 December 2029, and bear interest of 9.00% and 9.50% per annum respectively.

### Current

Loans to/(from) related corporation relate to short-term loans extended by the ARA H-REIT Group to the ARA H-BT Group. The loans are unsecured, repayable in full within 12 months and bear interest of 1.68% to 3.00% per annum.

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2021

**8 DEFERRED TAX (LIABILITIES)/ASSETS**

	As at 1 January 2020 US\$'000	Recognised in total comprehensive income (Note 22) US\$'000	As at 31 December 2020 US\$'000	Recognised in total comprehensive income (Note 22) US\$'000	As at 31 December 2021 US\$'000
<b>ARA H-BT Group</b>					
<b>Deferred tax assets</b>					
Tax losses carried forward	1,680	6,882	8,562	4,598	13,160
Property, plant and equipment	–	2,305	2,305	(1,069)	1,236
	1,680	9,187	10,867	3,529	14,396
<b>ARA H-REIT Group</b>					
<b>Deferred tax liabilities</b>					
Investment properties	(2,568)	2,568	–	(920)	(920)
<b>Stapled Group</b>					
<b>Deferred tax assets</b>					
Tax losses carried forward	1,680	6,882	8,562	4,598	13,160
Property, plant and equipment	–	2,305	2,305	(1,069)	1,236
	1,680	9,187	10,867	3,529	14,396
<b>Deferred tax liabilities</b>					
Property, plant and equipment	(2,568)	2,568	–	(920)	(920)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax liabilities and when the deferred taxes relate to the same tax authority. The amounts determined after appropriate offsetting are included in the statement of financial position as follows:

	2021 US\$'000	2020 US\$'000
<b>Stapled Group</b>		
Deferred tax assets	14,396	10,867
Deferred tax liabilities	(920)	–

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. 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.

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2021

**9 TRADE AND OTHER RECEIVABLES**

	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Trade receivables	27	–	3,489	1,559	3,516	1,559
Allowance for expected credit loss	–	–	(187)	(157)	(187)	(157)
	27	–	3,302	1,402	3,329	1,402
Amounts due from related corporations:						
- trade	1,073	11	–	–	–	–
- non-trade	60	15,721	1,866	166	–	–
Interest receivables from related corporations	284	409	16,583	26,763	–	–
Deposits	–	–	51	60	51	60
Other receivables	4	12	442	385	446	397
	1,448	16,153	22,244	28,776	3,826	1,859
Prepayments	130	264	790	622	920	886
	1,578	16,417	23,034	29,398	4,746	2,745

Related corporations refer to the ARA H-REIT Group and the ARA H-BT Group.

The ARA H-REIT Group's properties are leased to the ARA H-BT Group as master lessee. The exposure of the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group to credit risk and impairment losses for trade receivables is disclosed in Note 25.

Non-trade amounts due from related corporations relate to advances to related corporations. These amounts are unsecured, interest-free and repayable on demand.

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2021

**10 CASH AND CASH EQUIVALENTS**

	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Cash at bank and in hand	6,592	6,369	12,561	20,381	19,153	26,750

**11 ASSETS HELD FOR SALE**

	Note	2021 US\$'000
<b>Stapled Group and ARA H-REIT Group</b>		
At beginning of the financial year		–
Reclassification from investment properties / property, plant and equipment	4,5	405
At end of the financial year		405

During the financial year, the Stapled Group received an unsolicited offer for a portion of an unused land of approximately 105,000 sq ft of Hyatt House Morristown (the “Excess Land”) from an adjacent property owner. The Excess Land does not contribute any economic value to the hotel and its sale will not affect existing hotel operations. The Stapled Group commissioned an independent valuer, Newmark Knight Frank to conduct a valuation of the Excess land, with the land appraised at US\$325,000 arrived using the sales comparison approach, and negotiated the sale of the Excess Land at valuation.

The Stapled Group received a notice from the Georgia Department of Transportation (the “**GDOT**”) that it was in the process of acquiring land for a roadway improvement project and will need to acquire a portion of the unused land of Hyatt Place Atlanta Alpharetta of approximately 3,851 sq ft (the “Affected Excess Land”). The Affected Excess Land does not contain any parking or site improvements, has no impact on the useable or functioning areas of the hotel and does not contribute any economic value to the property. The GDOT had offered an amount of US\$79,600, based on the fair market value of the Affected Excess Land appraised by a third party valuer, using the sales comparison approach.

Accordingly, the above-mentioned Excess Land and Affected Excess Land were classified as assets held for sale in the statement of financial position of the ARA H-REIT Group and the Stapled Group as at 31 December 2021. JLL Valuation & Advisory Services, LLC, the independent appraiser for the annual valuation of the portfolio hotels as at 31 December 2021, had further opined in the valuation reports of Hyatt House Morristown and Hyatt Place Atlanta Alpharetta that the sale of the Excess Land and Affected Excess Land have no impact on the valuation of the two properties as at 31 December 2021. Both of the sale transactions are in progress and are expected to be completed in 2022.

The fair value measurement for assets held for sale for the ARA H-REIT Group and the Stapled Group have been categorised as level 3 fair values.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 12 LOANS AND BORROWINGS

	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
<b>Non-current</b>						
Secured bank loans	244,325	244,325	7,470	7,470	251,795	251,795
Unsecured bank loans	66,000	76,019	9,000	19,324	75,000	95,343
Lease liabilities	1,405	7,856	84,824	123,627	1,545	8,094
	311,730	328,200	101,294	150,421	328,340	355,232
Less: Transaction costs capitalised	(431)	(696)	(55)	(109)	(486)	(805)
	311,299	327,504	101,239	150,312	327,854	354,427
<b>Current</b>						
Unsecured bank loans	10,000	–	–	–	10,000	–
Lease liabilities	141	172	40,367	38,583	281	298
	10,141	172	40,367	38,583	10,281	298

The Stapled Group have in place the following loan facilities:

- US\$260.8 million (2020: US\$260.8 million) secured term loan and letter of credit facilities;
- US\$66.0 million (2020: US\$66.0 million) unsecured term loan facility; and
- US\$29.0 million (2020: US\$29.0 million) million unsecured revolving facilities.

### Secured term loan

As at 31 December 2021, the Stapled Group has drawn down US\$251.8 million (2020: US\$251.8 million) of the secured facilities. The facilities are secured on the following:

- mortgages, assignment of leases and rents, security agreement and fixture fittings over the 38 hotel properties;
- an assignment of the franchise agreement and Aimbridge hotel management agreement;
- an assignment of insurances taken in respect of each hotel property; and
- a charge over certain bank accounts of the Stapled Group.

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2021

**12 LOANS AND BORROWINGS (CONT'D)****Terms and debt repayment schedule**

Terms and conditions of outstanding loans and borrowings are as follows:

	Currency	Nominal interest rate %	Year of maturity	Face value US\$'000	Carrying amount US\$'000
<b>31 December 2021</b>					
<b>ARA H-REIT Group</b>					
Secured bank loans	USD	1.63 - 1.70	2024	244,325	244,021
Unsecured bank loans	USD	1.63 - 1.85	2022 - 2023	76,000	75,873
Lease liabilities	USD	3.28	2023 - 2072	1,796	1,546
				<b>322,121</b>	<b>321,440</b>
<b>ARA H-BT Group</b>					
Secured bank loans	USD	1.63 - 1.70	2024	7,470	7,470
Unsecured bank loans	USD	1.78 - 1.85	2022 - 2023	9,000	8,945
Lease liabilities	USD	2.30 - 3.28	2023 - 2025	131,264	125,191
				<b>147,734</b>	<b>141,606</b>
<b>Stapled Group</b>					
Secured bank loans	USD	1.63 - 1.70	2024	251,795	251,491
Unsecured bank loans	USD	1.63 - 1.85	2022 - 2023	85,000	84,818
Lease liabilities	USD	2.30 - 3.28	2023 - 2072	2,088	1,826
				<b>338,883</b>	<b>338,135</b>
<b>31 December 2020</b>					
<b>ARA H-REIT Group</b>					
Secured bank loans	USD	1.69 - 3.35	2024	244,325	243,880
Unsecured bank loans	USD	1.00 - 3.36	2022 - 2023	76,019	75,768
Lease liabilities	USD	3.28	2023 - 2072	15,300	8,028
				<b>335,644</b>	<b>327,676</b>
<b>ARA H-BT Group</b>					
Secured bank loans	USD	1.64 - 2.59	2024	7,470	7,470
Unsecured bank loans	USD	1.00 - 2.62	2022 - 2023	19,324	19,215
Lease liabilities	USD	3.28	2023 - 2025	172,828	162,210
				<b>199,622</b>	<b>188,895</b>
<b>Stapled Group</b>					
Secured bank loans	USD	1.64 - 3.35	2024	251,795	251,350
Unsecured bank loans	USD	1.00 - 3.36	2022 - 2023	95,343	94,983
Lease liabilities	USD	3.28	2023 - 2072	15,683	8,392
				<b>362,821</b>	<b>354,725</b>

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 12 LOANS AND BORROWINGS (CONT'D)

### Reconciliation of movements of liabilities to cash flows arising from financing activities

	Lease liabilities US\$'000	Loans and borrowings US\$'000	Interest payable US\$'000	Amount due to related corporation – non-trade US\$'000	Total US\$'000
<b>ARA H-REIT Group</b>					
<b>At 1 January 2020</b>	–	243,739	166	–	243,905
Recognition of lease liabilities on initial application of SFRS(I) 16	8,195	–	–	–	8,195
<b>Adjusted balance at 1 January 2020</b>	8,195	243,739	166	–	252,100
<b>Changes from financing cash flows</b>					
Proceeds from loans and borrowings	–	76,019	–	–	76,019
Payment of transaction costs related to new loan facilities	–	(372)	–	–	(372)
Payment of lease liabilities	(432)	–	–	–	(432)
Interest paid	–	–	(11,062)	–	(11,062)
Advances from related corporation	–	–	–	151	151
<b>Total changes from financing cash flows</b>	(432)	75,647	(11,062)	151	64,304
<b>Other changes</b>					
<b>Liability-related</b>					
Interest expense	265	–	37,707	–	37,972
Amortisation of transaction costs related to loans and borrowings	–	262	–	–	262
<b>Total liability-related other changes</b>	265	262	37,707	–	38,234
<b>At 31 December 2020</b>	8,028	319,648	26,811	151	354,638
<b>At 1 January 2021</b>	8,028	319,648	26,811	151	354,638
<b>Changes from financing cash flows</b>					
Payment of lease liabilities	(311)	–	–	–	(311)
Interest paid	–	–	(47,847)	–	(47,847)
Advances from related corporation	–	–	–	1,681	1,681
<b>Total changes from financing cash flows</b>	(311)	–	(47,847)	1,681	(46,477)
<b>Other changes</b>					
<b>Liability-related</b>					
Interest expense	176	–	37,663	–	37,839
Remeasurement of existing leases	148	–	–	–	148
Derecognition of lease liability	(6,495)	–	–	–	(6,495)
Loan forgiveness	–	(19)	–	–	(19)
Amortisation of transaction costs related to loans and borrowings	–	265	–	–	265
<b>Total liability-related other changes</b>	(6,171)	246	37,663	–	31,738
<b>At 31 December 2021</b>	1,546	319,894	16,627	1,832	339,899



**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2021

**12 LOANS AND BORROWINGS (CONT'D)****Reconciliation of movements of liabilities to cash flows arising from financing activities (cont'd)**

	Lease liabilities US\$'000	Loans and borrowings US\$'000	Loans from related corporation US\$'000	Interest payable US\$'000	Amount due to related corporation – non-trade US\$'000	Total US\$'000
<b>ARA H-BT Group</b>						
<b>At 1 January 2020</b>	–	–	–	–	–	–
Recognition of lease liabilities on initial application of SFRS(I) 16	181,235	–	–	–	–	181,235
<b>Adjusted balance at 1 January 2020</b>	181,235	–	–	–	–	181,235
<b>Changes from financing cash flows</b>						
Proceeds from loans and borrowings	–	26,794	–	–	–	26,794
Proceeds from loans from related corporation	–	–	29,703	–	–	29,703
Payment of transaction costs related to new loans and borrowings	–	(20)	–	–	–	(20)
Payment of lease liabilities	(43,038)	–	–	–	–	(43,038)
Interest paid	–	–	–	(161)	–	(161)
Advances from related corporation	–	–	–	–	15,747	15,747
<b>Total changes from financing cash flows</b>	(43,038)	26,774	29,703	(161)	15,747	29,025
<b>Other changes</b>						
<b>Liability-related</b>						
Interest expense	5,863	–	–	577	–	6,440
Changes in accrual of transaction costs related to loans and borrowings	–	(90)	–	–	–	(90)
Amortisation of transaction costs related to loans and borrowings	–	1	–	–	–	1
New leases	18,150	–	–	–	–	18,150
<b>Total liability-related other changes</b>	24,013	(89)	–	577	–	24,501
<b>At 31 December 2020</b>	162,210	26,685	29,703	416	15,747	234,761

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 12 LOANS AND BORROWINGS (CONT'D)

### Reconciliation of movements of liabilities to cash flows arising from financing activities (cont'd)

	Lease liabilities US\$'000	Loans and borrowings US\$'000	Loans from related corporation US\$'000	Interest payable US\$'000	Amount due to related corporation – non-trade US\$'000	Total US\$'000
<b>ARA H-BT Group</b>						
<b>At 1 January 2021</b>	162,210	26,685	29,703	416	15,747	234,761
<b>Changes from financing cash flows</b>						
Proceeds from loans and borrowings	–	1,030	–	–	–	1,030
Proceeds from loans from related corporation	–	–	9,500	–	–	9,500
Repayment of loans and borrowings	–	(11,030)	–	–	–	(11,030)
Repayment of loans from related corporation	–	–	(12,000)	–	–	(12,000)
Payment of transaction costs related to loans and borrowings	–	(90)	–	–	–	(90)
Payment of lease liabilities	(43,750)	–	–	–	–	(43,750)
Interest paid	–	–	–	(1,486)	–	(1,486)
Repayment of advances from related corporation	–	–	–	–	(15,637)	(15,637)
<b>Total changes from financing cash flows</b>	(43,750)	(10,090)	(2,500)	(1,486)	(15,637)	(73,463)
<b>Other changes</b>						
<b>Liability-related</b>						
Interest expense	4,684	–	–	1,355	–	6,039
Changes in accrual of transaction costs related to loans and borrowings	–	90	–	–	–	90
Remeasurement of existing leases	1,995	–	–	–	–	1,995
Loan forgiveness	–	(324)	–	–	–	(324)
Amortisation of transaction costs related to loans and borrowings	–	54	–	–	–	54
New leases	52	–	–	–	–	52
<b>Total liability-related other changes</b>	6,731	(180)	–	1,355	–	7,906
<b>At 31 December 2021</b>	125,191	16,415	27,203	285	110	169,204

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2021

**12 LOANS AND BORROWINGS (CONT'D)****Reconciliation of movements of liabilities to cash flows arising from financing activities (cont'd)**

	Lease liabilities US\$'000	Loans and borrowings US\$'000	Interest payable US\$'000	Total US\$'000
<b>Stapled Group</b>				
<b>At 1 January 2020</b>	–	243,739	46	243,785
Recognition of lease liabilities on initial application of SFRS(I) 16	8,682	–	–	8,682
<b>Adjusted balance at 1 January 2020</b>	8,682	243,739	46	252,467
<b>Changes from financing cash flows</b>				
Proceeds from loans and borrowings	–	102,813	–	102,813
Payment of transaction costs related to new loans and borrowings	–	(392)	–	(392)
Payment of lease liabilities	(569)	–	–	(569)
Interest paid	–	–	(11,223)	(11,223)
<b>Total changes from financing cash flows</b>	(569)	102,421	(11,223)	90,629
<b>Other changes</b>				
<b>Liability-related</b>				
Interest expense	279	–	11,232	11,511
Changes in accrual of transaction costs related to loans and borrowings	–	(90)	–	(90)
Amortisation of transaction costs related to loans and borrowings	–	263	–	263
<b>Total liability-related other changes</b>	279	173	11,232	11,684
<b>At 31 December 2020</b>	8,392	346,333	55	354,780
<b>At 1 January 2021</b>	8,392	346,333	55	354,780
<b>Changes from financing cash flows</b>				
Proceeds from loans and borrowings	–	1,030	–	1,030
Repayment of loans and borrowings	–	(11,030)	–	(11,030)
Payment of transaction costs related to loans and borrowings	–	(90)	–	(90)
Payment of lease liabilities	(464)	–	–	(464)
Interest paid	–	–	(11,665)	(11,665)
<b>Total changes from financing cash flows</b>	(464)	(10,090)	(11,665)	(22,219)
<b>Other changes</b>				
<b>Liability-related</b>				
Interest expense	192	–	11,656	11,848
Changes in accrual of transaction costs related to loans and borrowings	–	90	–	90
Recognition of lease liability	52	–	–	52
Remeasurement of lease liability	149	–	–	149
Derecognition of lease liability	(6,495)	–	–	(6,495)
Loan forgiveness	–	(342)	–	(342)
Amortisation of transaction costs related to loans and borrowings	–	318	–	318
<b>Total liability-related other changes</b>	(6,102)	66	11,656	5,620
<b>At 31 December 2021</b>	1,826	336,309	46	338,181

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 13 DERIVATIVE FINANCIAL LIABILITIES

	ARA H-REIT Group		Stapled Group	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
<b>Non-current liabilities</b>				
Interest rate swaps	7,310	16,282	7,310	16,282

The ARA H-REIT Group and the Stapled Group use interest rate swaps to manage its exposure to interest rate risks.

As at 31 December 2021, the ARA H-REIT Group and the Stapled Group had interest rate swaps with a notional amount of US\$266.3 million (2020: US\$266.3 million).

## 14 TRADE AND OTHER PAYABLES

	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Trade payables	562	714	9,301	8,487	9,863	9,201
Amounts due to related corporations:						
- trade	–	–	1,073	11	–	–
- non-trade	1,832	151	110	15,747	–	–
Amounts due to related parties – trade	641	–	239	2	880	2
Other payables	125	125	483	319	608	443
Interest payable	16,627	26,811	285	416	46	55
Accruals	5,007	5,412	1,390	1,024	6,397	6,435
	24,794	33,213	12,881	26,006	17,794	16,136
Non-current	125	125	–	–	125	125
Current	24,669	33,088	12,881	26,006	17,669	16,011
	24,794	33,213	12,881	26,006	17,794	16,136

Related parties refer to the REIT Manager, Trustee-Manager and its related entities. Related corporations refer to ARA H-REIT Group and ARA H-BT Group.

Non-trade amounts due to the related corporations relate to advances from related corporations. These amounts are unsecured, interest-free and repayable on demand.

The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group's exposures to liquidity risk related to trade and other payables are disclosed in Note 25.

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2021

**15 STAPLED SECURITIES IN ISSUE AND TO BE ISSUED**

	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
	2021 '000	2020 '000	2021 '000	2020 '000	2021 '000	2020 '000
<b>Stapled Securities in issue</b>						
At 1 January	567,342	566,971	567,342	566,971	567,342	566,971
REIT Manager/Trustee-Manager's management fees paid in Stapled Securities	–	371	–	371	–	371
At 31 December	567,342	567,342	567,342	567,342	567,342	567,342
<b>Stapled Securities to be issued</b>						
REIT Manager/Trustee-Manager's management fees payable in Stapled Securities	846	–	846	–	846	–
At 31 December	846	–	846	–	846	–
<b>Stapled Securities issued and to be issued as at 31 December</b>	568,188	567,342	568,188	567,342	568,188	567,342

**Financial year ended 31 December 2021**

- (i) During the financial year, no Stapled Securities were issued to the REIT Manager and Trustee-Manager as satisfaction of the REIT Manager's and Trustee-Manager's management fees; and
- (ii) 846,000 Stapled Securities at a unit price of US\$0.48 per Stapled Security, amounting to US\$410,000, will be issued subsequent to year end as satisfaction of the REIT Manager's and Trustee-Manager's management fees for the period from 1 October 2021 to 31 December 2021.

**Financial year ended 31 December 2020**

- (i) In the previous financial year, the following Stapled Securities were issued:
  - 371,000 Stapled Securities at unit price of US\$0.86 per Stapled Security, amounting to US\$160,000, were issued as satisfaction of the REIT Manager's base fee payable in units; and
  - 371,000 Stapled Securities at unit prices of US\$0.86 per Stapled Security, amounting to US\$160,000, were issued as satisfaction of the Trustee-Manager's base fee payable in units.

Each ARA H-REIT unit is stapled together with a ARA H-BT unit under the terms of a stapling deed dated 17 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 ARA H-REIT and ARA H-BT.

A holder of the Stapled Security has no equitable or proprietary interest in the underlying assets of the Stapled Group 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 the Stapled Group.

The liability of a holder of the Stapled Securities is limited to the amount paid or payable for the Stapled Securities.

Each ARA H-REIT unit and ARA H-BT unit carry the same voting rights.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 15 STAPLED SECURITIES IN ISSUE AND TO BE ISSUED (CONT'D)

### Capital management

The Managers' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Managers monitor the yield, which is defined as net property income from the property divided by the latest valuation for the property, on the properties acquired. The Managers also monitor the level of distributions made to holders of Stapled Securities.

The Managers seek to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

## 16 NET ASSET VALUE PER STAPLED SECURITY

	Note	2021	2020
Net asset value per Stapled Security is based on:			
Net assets attributable to Stapled Securityholders (US\$'000)		399,745	349,176
Total issued and to be issued Stapled Securities ('000)	15	568,188	567,342
<b>Net asset value per Stapled Security (US\$)</b>		<b>0.70</b>	<b>0.62</b>

## 17 REVENUE

	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Rental revenue	46,392	42,911	–	–	–	–
Room revenue	–	–	124,104	73,045	124,104	73,045
Other operating revenue	–	–	6,570	5,116	6,570	5,116
	46,392	42,911	130,674	78,161	130,674	78,161

### Rental revenue

Rental revenue for the ARA H-REIT Group relates to rental income received/receivable from the ARA H-BT Group.

Under the terms of the master lease agreements for the properties, the ARA H-REIT Group is entitled to a fixed rent component and/or a variable rent component computed based on a certain percentage of the revenue.

### Hotel revenue

Room revenue and other operating revenue are recognised at a point in time when the accommodation and related services are rendered.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 18 OTHER INCOME

	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
	2021	2020	2021	2020	2021	2020
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Government grants	–	4	1,983	8,808	1,983	8,812

## 19 REIT MANAGER'S AND TRUSTEE-MANAGER'S MANAGEMENT FEES

Included in the REIT Manager's and Trustee-Manager's management fees is an aggregate of 846,000 Stapled Securities, amounting to US\$410,000, that will be issued to the REIT Manager and Trustee-Manager as satisfaction of the REIT Manager's and Trustee-Manager's management fees payable in Stapled Securities, at unit price of US\$0.48 per Stapled Security.

## 20 NET FINANCE (COSTS)/INCOME

	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
	2021	2020	2021	2020	2021	2020
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Finance income</b>						
Interest income under the effective interest method on:						
- deposits with financial institutions	–	104	–	10	–	114
- loan to related corporation	792	409	26,570	26,643	–	–
	792	513	26,570	26,653	–	114
<b>Finance costs</b>						
Financial liabilities measured at amortised cost:						
- interest expense:						
- loans from banks	(11,093)	(11,062)	(563)	(168)	(11,657)	(11,232)
- loan from related corporation	(26,570)	(26,645)	(792)	(409)	–	–
- lease liabilities	(176)	(265)	(4,684)	(5,863)	(192)	(279)
- amortisation of transaction costs	(265)	(262)	(54)	(1)	(318)	(263)
	(38,104)	(38,234)	(6,093)	(6,441)	(12,167)	(11,774)
<b>Net finance (costs)/income</b>	(37,312)	(37,721)	20,477	20,212	(12,167)	(11,660)

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 21 NET INCOME/(LOSS) FOR THE YEAR BEFORE TAX

Net income/(loss) for the year before tax is arrived at after charging the following items:

	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Room expenses	–	–	36,473	24,625	36,473	24,625
Other operating expenses	–	–	3,102	2,464	3,102	2,464
Administrative and general expenses	266	262	14,215	11,135	14,481	11,397
Sales and marketing expenses	–	–	10,651	8,788	10,651	8,788
Franchise fee	–	–	6,284	3,711	6,284	3,711
Property operations and maintenance expenses	–	–	12,352	8,799	12,352	8,799
Utilities	23	49	6,844	5,631	6,867	5,680
Operating expenses	289	311	89,921	65,153	90,210	65,464
Audit fees payable to auditors	349	327	349	326	698	653
Non-audit fees payable to auditors	183	144	77	43	260	187
Allowance for expected credit loss and bad debts written off	–	–	220	220	220	220

## 22 TAXATION

	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
<b>Tax recognised in profit or loss</b>						
<b>Current tax expense/(credit)</b>						
Current year tax expense	45	19	45	20	90	39
Overprovision of prior year tax	–	(7)	(801)	–	(801)	(7)
	45	12	(756)	20	(711)	32
<b>Deferred tax expense/(credit)</b>						
Recognition of tax effect of tax loss carry forward	–	–	(4,598)	(6,882)	(4,598)	(6,882)
Origination and reversal of temporary differences	920	(2,568)	1,069	(2,305)	965	(1,981)
	920	(2,568)	(3,529)	(9,187)	(3,633)	(8,863)
	965	(2,556)	(4,285)	(9,167)	(4,344)	(8,831)
<b>Tax recognised in other comprehensive income</b>						
<b>Deferred tax expense/(credit)</b>						
Origination and reversal of temporary differences	–	–	–	–	1,024	(2,892)
Tax expense/(credit)	965	(2,556)	(4,285)	(9,167)	(3,320)	(11,723)



**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2021

**22 TAXATION (CONT'D)****Reconciliation of effective tax rate**

	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Net income/(loss) for the year before tax	31,569	(115,740)	5,090	(10,144)	(18,156)	(103,296)
Tax using the Singapore tax rate of 17% (2020: 17%)	5,367	(19,676)	865	(1,725)	(3,087)	(17,560)
Effect of tax rates in foreign jurisdictions	1,263	(4,629)	204	(405)	(726)	(4,132)
Recognition of tax effect of tax loss carry forwards	–	–	(3,722)	(5,571)	(3,722)	(5,571)
Tax-exempt income	(8,021)	(7,383)	(4,517)	(4,529)	–	(18)
Non-deductible expenses	1,611	27,060	2,821	4,929	3,211	20,061
Change in unrecognised temporary differences	745	2,079	865	(1,866)	781	(1,604)
Overprovision of prior year tax	–	(7)	(801)	–	(801)	(7)
	965	(2,556)	(4,285)	(9,167)	(4,344)	(8,831)

**23 EARNINGS PER STAPLED SECURITY**

Earnings per Stapled Security is based on:

	2021 US\$'000	2020 US\$'000
Net loss for the year attributable to Stapled Securityholders	(13,812)	(94,465)
	<b>Number of Stapled Securities</b>	
	'000	'000
Weighted average number of Stapled Securities used in arriving at basic earnings per Stapled Security:		
- issued Stapled Securities at the beginning of the year	567,342	566,971
- effect of new units issued as payment of REIT Manager's and Trustee-Manager's management fees payable in Stapled Securities	–	315
	567,342	567,286
Weighted average number of Stapled Securities used in arriving at diluted earnings per Stapled Security:		
- weighted average number of Stapled Securities (basic)	567,342	567,286
- to be issued as payment of REIT Manager's and Trustee-Manager's management fees payable in Stapled Securities	213	–
	567,555	567,286
<b>Earnings per Stapled Security ("EPS") (US cents)</b>		
Basic	(2.43)	(16.65)
Diluted	(2.43)	(16.65)

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 24 OPERATING SEGMENTS

Information regarding the results of each reportable segment is included below. Performance is measured based on segment net property income, as included in internal management reports that are reviewed by the Board of Directors of the Managers. Segment net property income is used to measure performance as the Managers believe that such information is the most relevant in evaluating the results of the segments relative to other entities that operate within the same industry.

### Information about reportable segments

	Hyatt Place US\$'000	Hyatt House US\$'000	Marriott US\$'000	Total US\$'000
<b>Stapled Group</b>				
<b>2021</b>				
Revenue	72,055	41,107	17,512	130,674
Reportable segment net property income	10,532	8,251	6,101	24,884
Depreciation of property, plant and equipment	(13,120)	(8,038)	(2,958)	(24,116)
Amortisation of intangible assets	–	–	(25)	(25)
Revaluation surplus/(deficit) of property, plant and equipment	(9,341)	2,049	1,556	(5,736)
Other income	347	475	1,161	1,983
Unallocated items:				
- REIT Manager's and Trustee-Manager's management fees				(820)
- Trustee-Manager's trustee fees				(120)
- REIT trustee fees				(109)
- Other trust expenses				(1,930)
- Finance costs				(12,167)
- Taxation				4,344
<b>Net loss for the year</b>				<b>(13,812)</b>
<b>Assets and liabilities</b>				
Reportable segment assets	394,760	251,027	96,911	742,698
Reportable segment liabilities	(9,964)	(4,559)	(2,691)	(17,214)
<b>Other segmental information</b>				
Capital expenditure on property, plant and equipment	5,887	2,469	954	9,310
Allowance for expected credit loss and bad debts written off	91	103	26	220

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2021

**24 OPERATING SEGMENTS (CONT'D)***Information about reportable segments (cont'd)*

	Hyatt Place US\$'000	Hyatt House US\$'000	Marriott US\$'000	Total US\$'000
<b>Stapled Group</b>				
<b>2020</b>				
Revenue	42,395	26,564	9,202	78,161
Reportable segment net property (loss)/income	(6,705)	(175)	1,834	(5,046)
Depreciation of property, plant and equipment	(14,200)	(8,673)	(2,685)	(25,558)
Amortisation of intangible assets	–	–	(24)	(24)
Revaluation deficit of property, plant and equipment	(58,984)	(6,439)	(1,556)	(66,979)
Other income	5,147	2,864	797	8,808
Unallocated items:				
- Other income				4
- Trustee-Manager's trustee fees				(120)
- REIT trustee fees				(116)
- Other trust expenses				(2,605)
- Net finance costs				(11,660)
- Taxation				8,831
<b>Net loss for the year</b>				<b>(94,465)</b>
<b>Assets and liabilities</b>				
Reportable segment assets	369,740	251,032	86,223	706,995
Reportable segment liabilities	6,203	2,547	2,633	11,383
<b>Other segmental information</b>				
Capital expenditure on property, plant and equipment	4,475	4,509	233	9,217
Allowance for expected credit loss and bad debts written off	(53)	273	–	220

*Reconciliations of reportable segment assets and liabilities*

	2021 US\$'000	2020 US\$'000
<b>Assets</b>		
Total assets for reportable segments	742,698	706,995
Other unallocated amounts	21,378	29,410
	<b>764,076</b>	<b>736,405</b>
<b>Liabilities</b>		
Total liabilities for reportable segments	17,214	11,383
Other unallocated amounts	347,117	375,846
	<b>364,331</b>	<b>387,229</b>

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 25 FINANCIAL INSTRUMENTS

### Financial risk management

#### Overview

The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the exposure of the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group to each of the above risks, their objectives, policies and procedures for measuring and managing risk, and their management of capital.

#### Risk management framework

Risk management is integral to the whole business of the Stapled Group. The Stapled Group 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 REIT Manager and the Trustee-Manager continually monitor the Stapled Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Stapled Group's activities.

The Audit Committee of the Managers assist the REIT Manager's and the Trustee-Manager's Boards in reviewing the effectiveness of the Stapled Group's material internal controls, including those relating to financial, operational and compliance.

In addition, the Audit Committee of the Managers also assist the REIT Manager's and the Trustee-Manager's Boards in discharging its duties with respect to maintaining an effective control environment that reflects both the established risk appetite and the business objectives of the Stapled Group. The Audit Committees oversee how management monitors compliance with the Stapled Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Stapled Group.

#### (i) Credit risk

Credit risk is the risk of financial loss to the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group's receivables from customers.

The carrying value of financial assets in the statement of financial position represents the maximum exposure of the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group to credit risk, before taking into account any rental deposit held.

Impairment losses on financial assets recognised in profit or loss were as follows:

	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Allowance for expected credit loss and bad debts written off	–	–	220	220	220	220

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2021

**25 FINANCIAL INSTRUMENTS (CONT'D)****(i) Credit risk (cont'd)****Trade receivables***ARA H-BT Group and Stapled Group*

The hotel operators which manage the hotels under the ARA H-BT Group perform credit evaluations on customers before accepting customers and monitor their balances on an on-going basis.

*ARA H-REIT Group*

At 31 December 2021, there were no significant trade receivables and no significant concentration of credit risk. Trade receivables relate to amounts due from related corporation arising from the master lease arrangements for hotel properties.

*Exposure to credit risk*

As at the reporting date, the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group believes there is little or no credit risk inherent in its trade receivables, based on payment behaviours and security deposits held. The carrying amounts of financial assets represent the ARA H-REIT Group's, the ARA H-BT Group's and the Stapled Group's maximum exposure to credit risk.

**Expected credit loss assessment***Trade receivables*

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2021 and 31 December 2020:

	<b>Gross carrying amount US\$'000</b>	<b>Impairment loss allowance US\$'000</b>	<b>Credit impaired</b>
<b>ARA H-REIT Group</b>			
<b>2021</b>			
Not past due	1,100	–	No
<b>2020</b>			
Not past due	11	–	No

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 25 FINANCIAL INSTRUMENTS (CONT'D)

### (i) Credit risk (cont'd)

#### Expected credit loss assessment

	Gross carrying amount US\$'000	Impairment loss allowance US\$'000	Credit impaired
<b>ARA H-BT Group</b>			
<b>2021</b>			
Not past due	1,904	–	No
Past due 31 – 60 days	677	–	No
Past due 61 – 90 days	638	–	No
Past due over 90 days	270	(187)	Yes
	3,489	(187)	
<b>2020</b>			
Not past due	574	–	No
Past due 31 – 60 days	447	–	No
Past due 61 – 90 days	362	–	No
Past due over 90 days	176	(157)	Yes
	1,559	(157)	
<b>Stapled Group</b>			
<b>2021</b>			
Not past due	1,931	–	No
Past due 31 – 60 days	677	–	No
Past due 61 – 90 days	638	–	No
Past due over 90 days	270	(187)	Yes
	3,516	(187)	
<b>2020</b>			
Not past due	574	–	No
Past due 31 – 60 days	447	–	No
Past due 61 – 90 days	362	–	No
Past due over 90 days	176	(157)	Yes
	1,559	(157)	

The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group uses an allowance matrix to measure the ECLs of trade receivables.

Loss rates are based on actual credit loss experience. These rates are multiplied by scalar factors to reflect differences between economic conditions during the year over which the historic data has been collected, current conditions and the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group's view of economic conditions over the expected lives of the receivables.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 25 FINANCIAL INSTRUMENTS (CONT'D)

### (i) Credit risk (cont'd)

#### *Movements in allowance for impairment in respect of trade receivables*

The movement in the allowance for impairment in respect of trade receivables during the year was as follows.

	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
At 1 January	–	–	157	326	157	326
Impairment loss recognised	–	–	220	220	220	220
Amount utilised	–	–	(190)	(389)	(190)	(389)
At 31 December	–	–	187	157	187	157

#### **Cash and cash equivalents**

The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group held cash and cash equivalents of US\$6,592,000, US\$12,561,000 and US\$19,153,000 respectively at 31 December 2021 (2020: US\$6,369,000, US\$20,381,000 and US\$26,750,000 respectively). The cash and cash equivalents are held with reputable 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 are assessed based on the 12-month expected loss basis and reflects the short maturities of the exposures. The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group 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.

#### **Non-trade amount due from related corporation and loan to related corporation**

At 31 December 2021, the ARA H-REIT Group held non-trade amounts and loans from its related corporations of US\$344,000 (2020: US\$16,130,000) and US\$27,203,000 (2020: US\$29,703,000), and the ARA H-BT Group held non-trade receivable from its related corporation and loan to related corporation of US\$18,449,000 (2020: US\$26,929,000) and US\$294,000,000 (2020: US\$294,000,000) respectively. There is no significant increase in credit risk for these exposures. Impairment on these balances has been measured on the 12-month expected credit loss basis. The amount of the allowance is insignificant.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 25 FINANCIAL INSTRUMENTS (CONT'D)

### (ii) Liquidity risk (cont'd)

Liquidity risk is the risk that the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Managers monitor their liquidity risk and maintain a level of cash and cash equivalents deemed adequate to finance the ARA H-REIT Group's and the ARA H-BT Group's 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 year, the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group maintain several lines of credit (Note 12).

The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group has contractual commitments to incur capital expenditure (Note 27).

#### *Exposure to liquidity risk*

The following are the remaining 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	Cash flows		
				Within 1 year US\$'000	Between 1 to 5 years US\$'000	More than 5 years US\$'000
<b>ARA H-REIT Group</b>						
<b>2021</b>						
<b>Non-derivative financial liabilities</b>						
Loans from related corporation	7	294,000	490,757	26,570	106,280	357,907
Loans and borrowings	12	321,440	333,239	5,574	326,814	851
Trade and other payables	14	24,794	24,794	24,669	–	125
		640,234	848,790	56,813	433,094	358,883
<b>Derivative financial liabilities</b>						
Interest rate swaps	13	7,310	7,666	166	7,500	–
<b>2020</b>						
<b>Non-derivative financial liabilities</b>						
Loans from related corporation	7	294,000	517,327	26,570	106,280	384,477
Loans and borrowings	12	327,676	356,574	7,251	336,181	13,142
Trade and other payables	14	33,213	33,213	33,088	–	125
		654,889	907,114	66,909	442,461	397,744
<b>Derivative financial liabilities</b>						
Interest rate swaps	13	16,282	17,383	350	17,033	–



**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2021

**25 FINANCIAL INSTRUMENTS (CONT'D)****(ii) Liquidity risk (cont'd)**

	Note	Carrying amount US\$'000	Contractual cash flows US\$'000	Cash flows		
				Within 1 year US\$'000	Between 1 to 5 years US\$'000	More than 5 years US\$'000
<b>ARA H-BT Group</b>						
<b>2021</b>						
<b>Non-derivative financial liabilities</b>						
Loans from related corporation	7	27,203	27,520	27,520	–	–
Loans and borrowings	12	141,606	148,193	44,032	104,161	–
Trade and other payables	14	12,881	12,881	12,881	–	–
		181,690	188,594	84,433	104,161	–
<b>2020</b>						
<b>Non-derivative financial liabilities</b>						
Loans from related corporation	7	29,703	30,056	30,056	–	–
Loans and borrowings	12	188,895	200,901	43,753	157,148	–
Trade and other payables	14	26,006	26,006	26,006	–	–
		244,604	256,963	99,815	157,148	–
<b>Stapled Group</b>						
<b>2021</b>						
<b>Non-derivative financial liabilities</b>						
Loans and borrowings	12	338,135	481,432	49,606	430,975	851
Trade and other payables	14	17,794	17,794	17,669	–	125
		355,929	499,226	67,275	430,975	976
<b>Derivative financial liabilities</b>						
Interest rate swaps	13	7,310	7,666	166	7,500	–
<b>2020</b>						
<b>Non-derivative financial liabilities</b>						
Loans and borrowings	12	354,725	385,030	7,935	363,953	13,142
Trade and other payables	14	16,136	16,136	16,011	–	125
		370,861	401,166	23,946	363,953	13,267
<b>Derivative financial liabilities</b>						
Interest rate swaps	13	16,282	17,383	350	17,033	–

The maturity analyses show the contractual undiscounted cash flows of the ARA H-REIT Group's, the ARA H-BT Group's and the Stapled Group'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 ARA H-REIT Group and the Stapled Group's floating rate loans.

The interest payments on variable interest rate loans in the table above reflect market forward interest rates at the period end and these amounts may change as market interest rates changes.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 25 FINANCIAL INSTRUMENTS (CONT'D)

### (iii) Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the profit or loss of the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The ARA H-REIT Group and the Stapled Group enter into derivatives in order to manage market risks. All such transactions are carried out within the guidelines set by the Audit Committee of the Managers. Generally, the ARA H-REIT Group and the Stapled Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

#### **Currency risk**

The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group's business are not exposed to significant currency risk as the portfolio of properties are located in the United States and the cash flows from the properties are denominated in US\$. The loans and borrowings are made in the same currency as the assets in order to manage the foreign currency risk.

Where appropriate based on the prevailing market conditions, suitable hedging strategies are adopted to minimise any foreign exchange risk.

#### **Interest rate risk**

The REIT Manager's and the Trustee-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 Managers 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 ARA H-REIT Group and the Stapled Group 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 ARA H-REIT Group and the Stapled Group 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.

In these hedge relationships, the main sources of ineffectiveness are:

- the effect of the counterparty and the ARA H-REIT Group and the Stapled Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and
- differences in repricing dates between the swaps and the borrowings.

Hedging relationships that are impacted by interest rate benchmark reform may experience ineffectiveness because of a timing mismatch between the hedged item and the hedging instrument regarding interest rate benchmark reform transition. For further details, see 'Managing interest rate benchmark reform and associated risks' below.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 25 FINANCIAL INSTRUMENTS (CONT'D)

### (iii) Market risk (cont'd)

#### Managing interest rate benchmark reform and associated risks

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (“**IBORs**”) with alternative nearly risk-free rates (referred to as “**IBOR reform**”). The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives.

The Managers anticipate that IBOR reform will impact its risk management processes and hedge accounting for ARA H-REIT Group, the ARA H-BT Group and the Stapled Group. The main risks as a result of IBOR reform are financial, predominantly limited to interest rate risk.

The Managers monitor and manage the transition to alternative rates, and evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties.

The Managers monitor the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of non-derivative financial liability contracts and derivatives contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. The Managers consider that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to IBOR reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an “**unreformed contract**”).

#### *Loans and borrowings*

The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group have floating-rate liabilities indexed to US LIBOR. There have been no modifications to the ARA H-REIT Group’s, the ARA H-BT Group’s and the Stapled Group’s borrowings as at 31 December 2021 as a result of IBOR reform. The Managers are in discussions with the counterparties of respective borrowings to amend the contractual terms in response to IBOR reform and specific changes have yet been agreed.

#### *Derivatives*

Interest rate derivative financial instruments in respect of the ARA H-REIT Group and the Stapled Group’s borrowings have been entered into to achieve an appropriate mix of fixed and floating rate exposures within the ARA H-REIT Group’s and the Stapled Group’s policy. Generally, the maturities of these interest rate derivative financial instruments follow the maturities of the related borrowings.

The ARA H-REIT Group and the Stapled Group hold interest rate swaps for risk management purposes which are designated in cash flow hedging relationships. The interest rate swaps have floating legs that are indexed to US LIBOR. The ARA H-REIT Group’s and the Stapled Group’s derivative instruments are governed by contracts based on the International Swaps and Derivatives Association (“**ISDA**”)’s master agreements. The ARA H-REIT Group and the Stapled Group is still in the process of communication with the counterparties for all US LIBOR indexed exposures and specific changes have yet to be agreed.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 25 FINANCIAL INSTRUMENTS (CONT'D)

### (iii) Market risk (cont'd)

#### *Hedge accounting*

The Managers have evaluated the extent to which the cash flow hedging relationships under the ARA H-REIT Group and the Stapled Group are subject to uncertainty driven by IBOR reform as at 31 December 2021. The ARA H-REIT Group and the Stapled Group's hedged items and hedging instruments continue to be indexed to US LIBOR benchmark rates.

The ARA H-REIT Group and Stapled Group's cash flow hedging relationships extend beyond the anticipated cessation dates for IBOR. The Managers have evaluated that there is uncertainty about when and how replacement may occur with respect to the relevant hedged items and hedging instruments. Such uncertainty may impact the hedging relationship. The ARA H-REIT Group and the Stapled Group continues to apply the amendments to SFRS(I) 9 issued in December 2020 (Phase 1) to those hedging relationships directly affected by IBOR reform.

Hedging relationships impacted by IBOR reform may experience ineffectiveness attributable to market participants' expectations of 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.

#### *Exposure to interest rate risk*

At the reporting date, the interest rate profile of the interest-bearing financial instruments based on their nominal amounts was as follows:

	Nominal amount					
	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
<b>Fixed rate instruments</b>						
Financial assets	27,203	29,703	294,000	294,000	–	–
Financial liabilities	(294,000)	(294,019)	(27,203)	(30,027)	–	(343)
	(266,797)	(264,316)	266,797	263,973	–	(343)
<b>Variable rate instruments</b>						
Financial liabilities	(320,325)	(320,325)	(16,470)	(26,470)	(336,795)	(346,795)
Effect of interest rate swaps	266,325	266,325	–	–	266,325	266,325
	(54,000)	(54,000)	(16,470)	(26,470)	(70,470)	(80,470)

To manage its exposure to interest rate movements on its variable rate financial liabilities, the ARA H-REIT Group and the Stapled Group entered into interest rate swaps with a notional amount of US\$266.3 million (2020: US\$266.3 million) to swap floating rate interest on US Dollar ("USD") loan of US\$266.3 million (2020: US\$266.3 million) for fixed rate USD interest.

#### *Fair value sensitivity analysis for fixed rate instruments*

The ARA H-REIT Group and the Stapled Group do not account for any fixed rate financial assets and liabilities at FVTPL. Therefore, in respect of the fixed rate instrument a change in interest rates at the reporting date would not affect profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2021

**25 FINANCIAL INSTRUMENTS (CONT'D)****(iii) Market 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) Stapled Securityholders' funds and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or loss		Stapled Securityholders' funds	
	100 bp increase US\$'000	100 bp decrease US\$'000	100 bp increase US\$'000	100 bp decrease US\$'000
<b>ARA H-REIT Group</b>				
<b>31 December 2021</b>				
Variable rate instruments	(3,203)	3,203	–	–
Interest rate swaps	–	–	223	–
Cash flow sensitivity (net)	(3,203)	3,203	223	–
<b>31 December 2020</b>				
Variable rate instruments	(3,203)	3,203	–	–
Interest rate swaps	–	–	224	–
Cash flow sensitivity (net)	(3,203)	3,203	224	–
<b>Stapled Group</b>				
<b>2021</b>				
Variable rate instruments	(3,368)	3,368	–	–
Interest rate swaps	–	–	223	–
Cash flow sensitivity (net)	(3,368)	3,368	223	–
<b>2020</b>				
Variable rate instruments	(3,468)	3,468	–	–
Interest rate swaps	–	–	224	–
Cash flow sensitivity (net)	(3,468)	3,468	224	–

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 25 FINANCIAL INSTRUMENTS (CONT'D)

### (iii) Market risk (cont'd)

#### Hedge accounting

#### Cash flow hedges

At the reporting date, the ARA H-REIT Group and the Stapled Group held the following instruments to hedge exposures to changes in interest rates.

	Maturity		
	Within 1 year	Between 1 to 5 years	More than 5 years
<b>ARA H-REIT Group and Stapled Group</b>			
<b>2021</b>			
<b>Interest rate risk</b>			
<b>Interest rate swaps</b>			
Net exposure (in thousands of US\$)	–	266,325	–
Average fixed interest rate	–	2.00%	–
<b>2020</b>			
<b>Interest rate risk</b>			
<b>Interest rate swaps</b>			
Net exposure (in thousands of US\$)	–	266,325	–
Average fixed interest rate	–	2.00%	–

The amounts at the reporting date relating to items designated as hedged items were as follows.

	Change in value used for calculating hedge ineffectiveness US\$'000	Hedging reserve US\$'000	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied US\$'000
<b>ARA H-REIT Group and Stapled Group</b>			
<b>2021</b>			
<b>Interest rate risk</b>			
Variable-rate instruments	–	7,310	–
<b>2020</b>			
<b>Interest rate risk</b>			
Variable-rate instruments	–	16,282	–

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 25 FINANCIAL INSTRUMENTS (CONT'D)

### (iii) Market risk (cont'd)

#### Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the ARA H-REIT Group's and the Stapled Group's statement of financial position; or
- are subject to an enforceable master netting arrangement, irrespective of whether they are offset in the statement of financial position.

Financial instruments such as loans and receivables and financial liabilities are not disclosed in the tables below unless they are offset in the statement of financial position.

The ARA H-REIT Group and the Stapled Group's derivative transactions that are not transacted on an exchange are entered into under ISDA Master Netting Agreements. In general, under such agreements the amounts owed by each counterparty that are due on a single day in respect of all transactions outstanding in the same currency under the agreement are aggregated into a single net amount being payable by one party to the other. In certain circumstances, for example 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 due or 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 the ARA H-REIT Group and the Stapled Group or the counterparties. In addition, the ARA H-REIT Group and the Stapled Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

#### *Financial assets and financial liabilities subject to offsetting and enforceable master netting arrangement*

	Gross amount of recognised financial liabilities US\$'000	Gross amount of recognised financial liabilities offset in the statement of financial position US\$'000	Net amount of financial liabilities presented in the statement of financial position US\$'000	Related amount not offset in the statement of financial position US\$'000	Net amount US\$'000
<b>ARA H-REIT Group and Stapled Group</b>					
<b>2021</b>					
<b>Financial liabilities</b>					
Interest rate swaps	(7,310)	–	(7,310)	–	(7,310)
<b>2020</b>					
<b>Financial liabilities</b>					
Interest rate swaps	(16,282)	–	(16,282)	–	(16,282)

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the statement of financial position that are disclosed in the above table are measured in the statement of financial position on the following basis:

- interest rate swaps – fair value

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 25 FINANCIAL INSTRUMENTS (CONT'D)

### (iii) Market risk (cont'd)

#### Fair values

#### 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.

	Note	Carrying amount			Fair value				
		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
<b>ARA H-REIT Group</b>									
<b>31 December 2021</b>									
<b>Financial assets not measured at fair value</b>									
Loans to related corporation	7	27,203	–	–	27,203				
Trade and other receivables <sup>(1)</sup>	9	1,448	–	–	1,448				
Cash and cash equivalents	10	6,592	–	–	6,592				
		35,243	–	–	35,243				
<b>Financial liabilities measured at fair value</b>									
Derivative financial liabilities	13	–	(7,310)	–	(7,310)	–	(7,310)	–	(7,310)
<b>Financial liabilities not measured at fair value</b>									
Loans from related corporation	7	–	–	(294,000)	(294,000)	–	(295,074)	–	(295,074)
Loans and borrowings <sup>(2)</sup>	12	–	–	(319,894)	(319,894)	–	(320,340)	–	(320,340)
Trade and other payables	14	–	–	(24,794)	(24,794)				
		–	–	(638,688)	(638,688)				

<sup>(1)</sup> Excluding prepayments

<sup>(2)</sup> Excluding lease liabilities



**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2021

**25 FINANCIAL INSTRUMENTS (CONT'D)****(iii) Market risk (cont'd)****Fair values (cont'd)****Accounting classifications and fair values (cont'd)**

	Note	Carrying amount				Fair value			
		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
<b>ARA H-REIT Group</b>									
<b>31 December 2020</b>									
<b>Financial assets not measured at fair value</b>									
Loans to related corporation	7	29,703	–	–	29,703				
Trade and other receivables <sup>(1)</sup>	9	16,153	–	–	16,153				
Cash and cash equivalents	10	6,369	–	–	6,369				
		<u>52,225</u>	<u>–</u>	<u>–</u>	<u>52,225</u>				
<b>Financial liabilities measured at fair value</b>									
Derivative financial liabilities	13	–	(16,282)	–	(16,282)	–	(16,282)	–	(16,282)
<b>Financial liabilities not measured at fair value</b>									
Loans from related corporation	7	–	–	(294,000)	(294,000)	–	(295,172)	–	(295,172)
Loans and borrowings <sup>(2)</sup>	12	–	–	(319,648)	(319,648)	–	(320,367)	–	(320,367)
Trade and other payables	14	–	–	(33,213)	(33,213)				
		<u>–</u>	<u>–</u>	<u>(646,861)</u>	<u>(646,861)</u>				

<sup>(1)</sup> Excluding prepayments<sup>(2)</sup> Excluding lease liabilities

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 25 FINANCIAL INSTRUMENTS (CONT'D)

### (iii) Market risk (cont'd)

#### Fair values (cont'd)

#### Accounting classifications and fair values (cont'd)

	Note	Carrying amount			Fair value			
		Financial assets at amortised cost 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
<b>ARA H-BT Group</b>								
<b>31 December 2021</b>								
Financial assets not measured at fair value								
Loans to related corporation	7	294,000	–	294,000	–	295,074	–	295,074
Trade and other receivables <sup>(1)</sup>	9	22,244	–	22,244				
Cash and cash equivalents	10	12,561	–	12,561				
		328,805	–	328,805				
<b>Financial liabilities not measured at fair value</b>								
Loans from related corporation	7	–	(27,203)	(27,203)				
Loans and borrowings <sup>(2)</sup>	12	–	(16,415)	(16,415)	–	(16,471)	–	(16,471)
Trade and other payables	14	–	(12,881)	(12,881)				
		–	(56,499)	(56,499)				

(1) Excluding prepayments

(2) Excluding lease liabilities

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2021

**25 FINANCIAL INSTRUMENTS (CONT'D)****(iii) Market risk (cont'd)*****Fair values (cont'd)*****Accounting classifications and fair values (cont'd)**

	Note	Carrying amount			Fair value			
		Financial assets at amortised cost 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
<b>ARA H-BT Group</b>								
<b>31 December 2020</b>								
Financial assets not measured at fair value								
Loans to related corporation	7	294,000	–	294,000	–	295,172	–	295,172
Trade and other receivables <sup>(1)</sup>	9	28,776	–	28,776				
Cash and cash equivalents	10	20,381	–	20,381				
		<u>343,157</u>	<u>–</u>	<u>343,157</u>				
<b>Financial liabilities not measured at fair value</b>								
Loans from related corporation	7	–	(29,703)	(29,703)				
Loans and borrowings <sup>(2)</sup>	12	–	(26,685)	(26,685)	–	(26,796)	–	(26,796)
Trade and other payables	14	–	(26,006)	(26,006)				
		<u>–</u>	<u>(82,394)</u>	<u>(82,394)</u>				

<sup>(1)</sup> Excluding prepayments<sup>(2)</sup> Excluding lease liabilities

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 25 FINANCIAL INSTRUMENTS (CONT'D)

### (iii) Market risk (cont'd)

#### Fair values (cont'd)

#### Accounting classifications and fair values (cont'd)

	Note	Carrying amount				Fair value			
		Financial assets at amortised cost	Fair value – hedging instruments	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Stapled Group</b>									
<b>31 December 2021</b>									
<b>Financial assets not measured at fair value</b>									
Trade and other receivables <sup>(1)</sup>	9	3,826	–	–	3,826				
Cash and cash equivalents	10	19,153	–	–	19,153				
		<u>22,979</u>	<u>–</u>	<u>–</u>	<u>22,979</u>				
<b>Financial liabilities measured at fair value</b>									
Financial derivative liabilities	13	–	(7,310)	–	(7,310)	–	(7,310)	–	(7,310)
<b>Financial liabilities not measured at fair value</b>									
Loans and borrowings <sup>(2)</sup>	12	–	–	(336,309)	(336,309)	–	(336,810)	–	(336,810)
Trade and other payables	14	–	–	(17,794)	(17,794)				
		<u>–</u>	<u>–</u>	<u>(354,103)</u>	<u>(354,103)</u>				

(1) Excluding prepayments

(2) Excluding lease liabilities

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2021

**25 FINANCIAL INSTRUMENTS (CONT'D)****(iii) Market risk (cont'd)***Fair values (cont'd)***Accounting classifications and fair values (cont'd)**

	Note	Carrying amount				Fair value			
		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
<b>Stapled Group</b>									
<b>31 December 2020</b>									
<b>Financial assets not measured at fair value</b>									
Trade and other receivables <sup>(1)</sup>	9	1,859	–	–	1,859				
Cash and cash equivalents	10	26,750	–	–	26,750				
		<u>28,609</u>	<u>–</u>	<u>–</u>	<u>28,609</u>				
<b>Financial liabilities measured at fair value</b>									
Financial derivative liabilities	13	–	(16,282)	–	(16,282)	–	(16,282)	–	(16,282)
<b>Financial liabilities not measured at fair value</b>									
Loans and borrowings <sup>(2)</sup>	12	–	–	(346,333)	(346,333)	–	(347,163)	–	(347,163)
Trade and other payables	14	–	–	(16,136)	(16,136)				
		<u>–</u>	<u>–</u>	<u>(362,469)</u>	<u>(362,469)</u>				

<sup>(1)</sup> Excluding prepayments<sup>(2)</sup> Excluding lease liabilities**Valuation techniques and significant unobservable inputs**

The following tables show the valuation techniques used in measuring Level 2 fair values.

**ARA H-REIT Group and Stapled Group***Financial instruments measured at fair value*

Type	Valuation technique
Interest rate swaps	The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transaction in similar instruments.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 26 LEASES

### Leases as lessee

The ARA H-REIT Group leases land, the ARA H-BT Group leases land, buildings, and motor vehicles and the Stapled Group leases land and motor vehicles. The leases typically run for a period of 4 to 65 years, with an option to renew the lease after that date. Lease payments are renegotiated to reflect market rentals. For certain leases, the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group is restricted from entering into any sub-lease arrangements.

Information about leases for which the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group is the lessee is presented below.

### Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property is presented as property, plant and equipment.

	ARA H-BT Group		Stapled Group	
	Land and buildings US\$'000	Motor vehicles US\$'000	Leasehold land US\$'000	Motor vehicles US\$'000
<b>2021</b>				
Balance at 1 January	159,275	360	7,928	360
Additions to right-of-use assets	–	52	–	52
Remeasurement of right-of-use assets	1,995	–	149	–
Depreciation charge for the year	(40,278)	(138)	(223)	(138)
Cessation of right-of-use assets	–	–	(6,352)	–
Balance at 31 December	120,992	274	1,502	274
<b>2020</b>				
Balance at 1 January	180,748	487	8,195	487
Additions to right-of-use assets	18,150	–	–	–
Depreciation charge for the year	(39,623)	(127)	(267)	(127)
Balance at 31 December	159,275	360	7,928	360

Right-of-use assets of the ARA H-REIT Group are presented as investment properties (see Note 4).

### Amounts recognised in profit or loss

	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
<b>Interest on lease liabilities</b>	176	265	4,684	5,863	192	279
Expenses relating to short-term leases	–	–	51	91	51	91

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2021

**26 LEASES (CONT'D)***Amounts recognised in statement of cash flows*

	<b>2021</b> <b>US\$'000</b>	<b>2020</b> <b>US\$'000</b>
<b>ARA H-REIT Group</b>		
<b>Total cash outflow for leases</b>	(311)	(432)
<b>ARA BT Group</b>		
<b>Total cash outflow for leases</b>	(43,750)	(43,038)
<b>Stapled Group</b>		
<b>Total cash outflow for leases</b>	(464)	(569)

**Extension options**

Some property leases contain extension options exercisable by the ARA H-REIT Group and the Stapled Group before the end of the non-cancellable contract period. Where practicable, the ARA H-REIT Group and the Stapled Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the ARA H-REIT Group and the Stapled Group and not by the lessors. The ARA H-REIT Group and the Stapled Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The ARA H-REIT Group and the Stapled Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The ARA H-REIT Group and the Stapled Group has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in lease liability of US\$931,000 (2020: \$1,039,000).

**Leases as lessor**

The ARA H-REIT Group leases out its investment properties to the ARA H-BT Group. All leases are classified as operating leases from a lessor perspective.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 26 LEASES (CONT'D)

### Operating lease

The ARA H-REIT Group leases out its investment properties. The ARA H-REIT Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

The ARA H-REIT Group is exposed to changes in residual value at the end of the lease term, the ARA H-REIT Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the investment properties.

Rental income from investment properties recognised by the ARA H-REIT Group during the year was US\$46,392,000 (2020: US\$42,911,000).

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	2021 US\$'000	2020 US\$'000
Within one year	45,649	43,600
Between one and five years	91,476	130,972
More than five years	–	–
	137,125	174,572

The above operating lease receivables are based on the fixed component of the rent receivable under the lease agreements, adjusted for increases in rent where such increases have been provided for under the lease agreements.

## 27 COMMITMENTS

### Capital commitments

	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Capital expenditure contracted but not provided for	1,871	1,198	–	3,300	1,871	4,498



# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 28 RELATED PARTY TRANSACTIONS

During the financial year, other than the transactions disclosed elsewhere in the financial statements, there were the following significant related party transactions:

	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
<b>Related entities</b>						
REIT Manager's and Trustee-Manager's management fees paid/payable	615	–	205	–	820	–
Trustee-Manager's trustee fee paid/payable	–	–	120	120	120	120
REIT Trustee's fees paid/payable	109	116	–	–	109	116
Hotel management fee paid/payable	–	–	3,928	2,270	3,928	2,270
Acquisition fee paid/payable	–	840	–	–	–	840
Reimbursement of expenses (paid on behalf by REIT Manager and Trustee-Manager)	17	37	57	91	74	128
<b>Related corporations</b>						
Rental expenses paid/payable	–	–	46,392	42,911	–	–
Rental income received/receivable	46,392	42,911	–	–	–	–
Interest expenses paid/payable	26,570	26,643	792	409	–	–
Interest income received/receivable	792	409	26,570	26,643	–	–

## 29 SUBSIDIARIES

Details of the significant subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Effective equity interest held by the Group	
		2021 %	2020 %
<b>Subsidiaries of ARA H-REIT</b>			
ARA USH Investment Holding, LLC <sup>(1)</sup>	United States	100	100
ARA USH Chicago, LLC <sup>(2)</sup>	United States	100	100
ARA USH Blue Runner, LLC <sup>(2)</sup>	United States	100	100
ARA AC Raleigh North Hills, LLC <sup>(2)</sup>	United States	100	100
ARA CY San Antonio Rim, LLC <sup>(2)</sup>	United States	100	100
ARA RI San Antonio Rim, LLC <sup>(2)</sup>	United States	100	100
<b>Subsidiaries of ARA H-BT</b>			
ARA TRS Management Limited <sup>(1)</sup>	Cayman Islands	100	100
ARA USH Chicago Tenant, LLC <sup>(2)</sup>	United States	100	100
ARA USH Blue Runner Tenant, LLC <sup>(2)</sup>	United States	100	100

<sup>(1)</sup> Audited by KPMG LLP Singapore for consolidation purpose

<sup>(2)</sup> Audited by other member firm of KPMG International

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 30 ACQUISITIONS OF ASSETS

In 2020, the ARA H-REIT Group, together with the ARA H-BT Group acquired a portfolio comprising 3 upscale select-service Marriott-branded hotel properties in the U.S. As part of the acquisition, the ARA H-REIT Group paid US\$76.4 million for the hotel properties, and the ARA H-BT Group paid US\$8.9 million for the personal properties transferred. Following the completion of the acquisition, the ARA H-BT Group leased the hotel properties from the ARA H-REIT Group to manage and operate the hotel properties. The acquisition was accounted for as an acquisition of assets.

## 31 NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted. However, the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group has not early adopted the new or amended standards in preparing these financial statements.

The following amendments to SFRS(I)s are not expected to have any significant impact on the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group's financial statements.

- SFRS(I) 17 *Insurance Contracts and amendments to SFRS(I) 17 Insurance Contracts*
- *Covid-19-Related Rent Concessions beyond 30 June 2021* (Amendment to SFRS(I) 16)
- *Reference to the Conceptual Framework* (Amendments to SFRS(I) 3)
- *Property, plant and equipment – Proceeds before Intended Use* (Amendments to SFRS(I) 1-16)
- *Onerous Contracts – Cost of Fulfilling a Contract* (Amendments to SFRS(I) 37)
- *Classification of Liabilities as Current or Non-current* (Amendments to SFRS(I) 1-1)
- *Annual Improvements to SFRS(I)s 2018-2020*
- *Disclosure of Accounting Policies* (Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2)
- *Definition of Accounting Estimates* (Amendments to SFRS(I) 1-8)
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (Amendments to SFRS(I) 1-12)

## 32 SUBSEQUENT EVENTS

- a) On 23 February 2022, the Stapled Group entered into a new facility agreement to obtain a US\$75 million unsecured 3-year term loan facility and a US\$20 million unsecured 3-year revolving credit facility (the "Facilities"). The Facilities will be utilised to refinance selected existing maturing facilities and for general working capital funding purposes.
- b) On 23 February 2022, the Managers announced a distribution of 0.355 US cents per Stapled Security for the period from 1 July 2021 to 31 December 2021.
- c) On 16 March 2022, the Stapled Group entered into a conditional purchase and sales agreement with IHP Hospitality, LLC to sell Hyatt Place Chicago Itasca for a consideration of US\$7.75 million. The transaction is scheduled to be completed in 2022.

**ARA BUSINESS TRUST  
MANAGEMENT (USH) PTE. LTD.**

Registration Number: 201829682G

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**FINANCIAL STATEMENTS**

Year ended 31 December 2021



**ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.**

## **DIRECTORS' STATEMENT**

Year ended 31 December 2021

We are pleased to submit this annual report to the member of the Company together with the audited financial statements for the financial year ended 31 December 2021.

In our opinion:

- (a) the financial statements set out on pages 182 to 201 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2021 and the financial performance, changes in equity and cash flows of the Company for the year ended on that date in accordance with the provisions of the Companies Act 1967 and Financial Reporting Standards in Singapore; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

### **DIRECTORS**

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

Stephen Ray Finch  
Randy Allan Daniels  
Stefanie Yuen Thio  
Wong Choong Mann  
Lin Daqi  
Seow Bee Lian  
Moses K Song

### **DIRECTORS' INTERESTS**

According to the register kept by the Company for the purposes of Section 164 of the Companies Act 1967 (the "**Act**"), none of the directors who held office at the end of the financial year (including those held by their spouses and infant children) had any interest in shares, debentures, warrants and share options in the Company and in related corporations, either at the beginning of the financial year or at the end of the financial year.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### **SHARE OPTIONS**

During the financial year, there were:

- (i) no options granted by the Company to any person to take up unissued shares in the Company; and
- (ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under options.

ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.

# DIRECTORS' STATEMENT

Year ended 31 December 2021

## AUDITORS

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

**On behalf of the Board of Directors**

**Stephen Ray Finch**

*Director*

**Seow Bee Lian**

*Director*

28 March 2022

ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.

# INDEPENDENT AUDITORS' REPORT

Member of the Company - ARA Business Trust Management (USH) Pte. Ltd.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of ARA Business Trust Management (USH) Pte. Ltd. (the "**Company**"), which comprise the statement of financial position as at 31 December 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 182 to 201.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "**Act**") and Financial Reporting Standards in Singapore ("**FRSs**") so as to give a true and fair view of the financial position of the Company as at 31 December 2021 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

### Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("**SSAs**"). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Company 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Company'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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.

# INDEPENDENT AUDITORS' REPORT

Member of the Company - ARA Business Trust Management (USH) Pte. Ltd.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

### KPMG LLP

*Public Accountants and  
Chartered Accountants*

### Singapore

28 March 2022

ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.

**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2021

	Note	2021 US\$	2020 US\$
<b>Assets</b>			
Deferred tax assets	4	15,463	10,700
<b>Total non-current assets</b>		15,463	10,700
<b>Current assets</b>			
Financial assets	5	28	83,681
Trade and other receivables	6	451,011	232,452
Cash and cash equivalents		284,700	475,955
Current tax recoverable		9,921	–
<b>Total current assets</b>		745,660	792,088
<b>Total assets</b>		761,123	802,788
<b>Equity</b>			
Share capital	7	50,000	50,000
Retained earnings		636,319	712,526
<b>Total equity</b>		686,319	762,526
<b>Liabilities</b>			
Trade and other payables	8	74,804	9,265
Current tax payable		–	30,997
<b>Total current liabilities</b>		74,804	40,262
<b>Total liabilities</b>		74,804	40,262
<b>Total equity and liabilities</b>		761,123	802,788

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



ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.

**STATEMENT OF COMPREHENSIVE INCOME**

Year ended 31 December 2021

	Note	2021 US\$	2020 US\$
Revenue	10	324,845	298,727
Other expenses		(425,262)	(314,113)
Net finance income/(costs)	11	9,460	(50,294)
<b>Loss before tax</b>	12	(90,957)	(65,680)
Tax credit	13	14,750	13,439
<b>Loss and total comprehensive income for the year</b>		(76,207)	(52,241)

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

ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.

**STATEMENT OF CHANGES IN EQUITY**

Year ended 31 December 2021

	<b>Share capital US\$</b>	<b>Retained earnings US\$</b>	<b>Total US\$</b>
At 1 January 2020	50,000	764,767	814,767
<b>Total comprehensive income for the year</b>			
Loss for the year	–	(52,241)	(52,241)
<b>Total comprehensive income for the year</b>	–	(52,241)	(52,241)
At 31 December 2020	50,000	712,526	762,526
At 1 January 2021	50,000	712,526	762,526
<b>Total comprehensive income for the year</b>			
Loss for the year	–	(76,207)	(76,207)
<b>Total comprehensive income for the year</b>	–	(76,207)	(76,207)
At 31 December 2021	50,000	636,319	686,319

ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.

**STATEMENT OF CASH FLOWS**

Year ended 31 December 2021

	2021 US\$	2020 US\$
<b>Cash flows from operating activities</b>		
Loss for the year	(76,207)	(52,241)
<i>Adjustments for:</i>		
Management base and performance fees receivable in stapled securities in ARA US Hospitality Trust ("ARA H-Trust")	(204,845)	–
(Gain)/loss on fair value of financial assets	(12,142)	74,255
Interest income	(506)	(3,126)
Net foreign exchange loss/(gain)	3,188	(15,857)
Distribution income	–	(4,978)
Tax credit	(14,750)	(13,439)
	(305,262)	(15,386)
Change in trade and other receivables	(13,560)	(191,178)
Change in trade and other payables	62,198	(30,446)
<b>Cash used in operations</b>	(256,624)	(237,010)
Proceeds from sale of stapled securities in ARA H-Trust	95,794	–
Tax paid	(30,931)	(88,425)
Capital distribution received	–	2,843
Distribution income received	–	4,978
<b>Net cash used in operating activities</b>	(191,761)	(317,614)
<b>Cash flows from investing activities</b>		
Interest received	506	3,126
<b>Net cash from investing activities</b>	506	3,126
<b>Net decrease in cash and cash equivalents</b>	(191,255)	(314,488)
Cash and cash equivalents at 1 January	475,955	790,443
<b>Cash and cash equivalents at 31 December</b>	284,700	475,955

**Significant non-cash transaction**

As at reporting date, the Company expects to receive 422,621 (2020: nil) stapled securities of ARA H-Trust amounting to US\$204,845 (2020: US\$Nil) as satisfaction of base fee and performance fee in stapled securities in respect of the financial year ended 31 December 2021.

ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 28 March 2022.

## 1. DOMICILE AND ACTIVITIES

ARA Business Trust Management (USH) Pte. Ltd. (the “**Company**”) is incorporated in Singapore and has its registered office at 5 Temasek Boulevard, #12-01 Suntec Tower Five, Singapore 038985.

The principal activities of the Company are to provide property fund management services and to act as the trustee-manager of ARA US Hospitality Management Trust (“**ARA H-BT**”). ARA H-BT is a business trust (“**BT**”) which is part of ARA H-Trust, a stapled group comprising ARA US Hospitality Property Trust (“**ARA H-REIT**”) and its subsidiaries and ARA H-BT and its subsidiaries. ARA H-Trust listed on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 9 May 2019.

The immediate and ultimate holding company are ARA Asset Management Limited, a company incorporated in Bermuda and ARA Asset Management Holdings Pte. Ltd., a company incorporated in Singapore respectively.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

The financial statements have been prepared in accordance with Financial Reporting Standards in Singapore (“**FRS**”).

### 2.2 Basis of measurement

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

### 2.3 Functional and presentation currency

These financial statements are presented in United States dollars (“**US\$**”), which is the Company’s functional currency.

### 2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs 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.

Management is of the opinion that there is no significant judgement made in applying accounting policies and no estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### 2.5 Changes in accounting policies

The Company has applied the following FRSs, amendments to FRSs and interpretations for the first time for the annual period beginning on 1 January 2021:

- *Interest Rate Benchmark Reform – Phase 2* (Amendments to FRS 109, FRS 39, FRS 117, FRS 4 and FRS 16)
- *Covid-19-Related Rent Concessions* (Amendments to FRS 116)

The application of these amendments to standards does not have a material effect on the financial statements.

ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### 3.1 Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at the 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 year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

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 recognised in profit or loss.

### 3.2 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 the Company 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 fair value through profit or loss ("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"); or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company 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 can be 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.

##### *Equity investments at FVOCI*

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect on initial recognition to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.2 Financial instruments (cont'd)

#### (ii) Classification and subsequent measurement (cont'd)

##### ***Financial assets at FVTPL***

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

##### ***Financial assets: Business model assessment***

The Company 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.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

##### ***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, the Company 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.

A prepayment feature is consistent with 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 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.

##### ***Non-derivative financial assets: Subsequent measurement and gains and losses***

##### ***Financial assets at FVTPL***

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

##### ***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.

ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.2 Financial instruments (cont'd)

#### (ii) Classification and subsequent measurement (cont'd)

##### *Equity investments at FVOCI*

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

##### *Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses*

Financial liabilities are classified as measured at amortised cost. 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*

The Company 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 either:
  - substantially all of the risks and rewards of ownership of the financial asset are transferred; or
  - the Company neither transfers nor retains substantially all of the risk and rewards of ownership and it does not retain control of the financial asset.

Transferred assets are not derecognised when the Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets.

##### *Financial liabilities*

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company 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 is presented in the statement of financial position when, and only when, the Company 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 assets and settle the liabilities simultaneously.

#### (v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits with original 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 the Company in the management of its short-term commitments.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.2 Financial instruments (cont'd)

#### (vi) Share capital

##### *Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with FRS 12.

### 3.3 Impairment

#### (i) Non-derivative financial assets and contract assets

The Company recognises loss allowances for expected credit losses (“ECLs”) on financial assets measured at amortised cost and contract assets.

Loss allowances of the Company are measured on either of the following bases:

- 12-month ECLs: these are ECLs that results from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

##### *Simplified approach*

The Company applies the simplified approach to provide for ECLs for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

##### *General approach*

The Company applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Company 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 ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company 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 the Company’s historical experience and informed credit assessment and includes forward-looking information.

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 ECLs.

The Company considers a financial asset to be in default when the customer is unlikely to pay its contractual obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.



ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.3 Impairment (cont'd)

#### (i) Non-derivative financial assets and contract assets (cont'd)

##### *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 the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

##### *Credit-impaired financial assets*

At each reporting date, the Company 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 or being more than 90 days past due;
- The restructuring of a loan or advance by the Company on terms that the Company 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 of ECL in the statement of financial position*

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of the 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 the Company 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 the Company's procedures for recovery of amounts due.

#### (ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than contract assets and deferred tax assets, 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. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. 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. 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.

Impairment losses are recognised in profit or loss. 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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.4 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a product or service to a customer. Invoices issued to customers are due within 45 days.

No adjustment is made to transaction prices for time value of money as the contracts do not include significant financing consideration.

#### *Nature of goods and services*

The following is a description of the principal activities from which the Company generates its revenue.

#### (i) Management base and performance fees

Management base and performance fees are derived from the management of ARA H-Trust. The base fees are determined based on 10% per annum of the distributable income of ARA H-Trust. Performance fees are determined based on 25% of the increase in distribution per stapled security ("**DPS**") of ARA H-Trust in a financial year over the DPS in the preceding financial year, multiplied by the weighted average number of stapled securities in issue for such financial year.

For as long as ARA H-REIT is stapled to the BT, the total management fees for their managers shall be apportioned between the Company and ARA Trust Management (USH) Pte. Ltd., the REIT manager of ARA H-REIT ("**REIT Manager**"), in such proportion as may be agreed between the Company and the REIT manager from time to time. The split in fees is currently agreed as 25% of fees in units for the Company and the REIT manager each, and 50% fees in cash to ARA USH Management Inc., a wholly-owned subsidiary of the REIT manager.

The management services are provided to ARA H-Trust as a series of distinct goods or services that are substantially the same and transferred over time, either separately or in combination as an integrated offering, and are treated as a single performance obligation. Variable consideration is allocated to each distinct increment of service in the series and recognised as revenue as the service is performed over time.

#### (ii) Acquisition and divestment fees

Acquisition and divestment fees relate to fees earned in relation to the acquisition and divestment of properties by ARA H-Trust and are determined based on the value of the asset or investment acquired or disposed. As the customer does not benefit from the process undertaken, but rather the outcome, the Company is only entitled to payment for services upon the successful completion of the contract and revenue is recognised upon completion of the service, at a point in time.

#### (iii) Trustee fees

Trustee fees are determined based on 0.02% of the value of the trust property of the ARA H-BT and is subject to a monthly minimum fee of US\$10,000. The services are provided to customers as a series of distinct goods or services that are substantially the same and transferred over time, either separately or in combination as an integrated offering, and are treated as a single performance obligation. Variable consideration is allocated to each distinct increment of service in the series and recognised as revenue as the service is performed over time.

ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.5 Finance income and finance costs

Finance income and finance costs comprise interest income, the foreign currency gains or losses on financial assets and financial liabilities, net gains or losses on financial assets at FVTPL. Interest income is recognised using the effective interest method. Distribution income is recognised in profit or loss on the date that the Company's right to receive payment is established.

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.

In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance costs depending on whether foreign currency movements are in a net gain or net loss position.

### 3.6 Income 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 other comprehensive income.

The Company has determined that interest and penalties related to income taxes do not meet the definition of income taxes, and therefore accounted for them under FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, 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 also includes any tax arising from dividends.

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.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. 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, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and deferred tax 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.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.6 Income tax (cont'd)

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.

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 the Company. 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.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company 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 the Company 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.

### 3.7 New standards and interpretations not yet adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Company has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new FRSs, interpretations and amendments to FRSs are not expected to have a significant impact on the Company's financial statements.

- FRS 117 *Insurance Contracts and amendments to FRS 117 Insurance Contracts*
- *Covid-19-Related Rent Concessions beyond 30 June 2021* (Amendment to FRS 116)
- *Property, Plant and Equipment – Proceeds before Intended Use* (Amendments to FRS 16)
- *Onerous Contracts – Costs of Fulfilling a Contract* (Amendments to FRS 37)
- *Classification of Liabilities as Current or Non-current* (Amendments to FRS 1)
- *Annual Improvements to FRS(I)s 2018 – 2020*
- *Disclosure to Accounting Policies* (Amendments to FRS 1 and FRS Practice Statement 2)
- *Definition of Accounting Estimates* (Amendments to FRS 8)
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (Amendments to FRS 12)

## ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2021

**4. DEFERRED TAX ASSETS****Recognised deferred tax assets**

Deferred tax assets are attributable to the following:

	At 1 January 2020 US\$	Recognised in profit or loss (note 13) US\$	At 31 December 2020 US\$	Reclassified to current tax recoverable	Recognised in profit or loss (note 13) US\$	At 31 December 2021 US\$
<b>Deferred tax assets</b>						
Tax losses	–	10,700	10,700	(9,921)	14,684	15,463

**5. FINANCIAL ASSETS**

	2021 US\$	2020 US\$
Quoted financial assets – mandatorily measured at FVTPL	28	83,681

This relates to stapled securities held in ARA H-Trust which are received as settlement for management fee earned. During the financial year, the Company received nil (2020: 185,926) stapled securities and sold 185,900 (2020: nil) stapled securities.

The Company's exposure to credit, currency and equity price risks related to financial assets are disclosed in note 9.

**6. TRADE AND OTHER RECEIVABLES**

	2021 US\$	2020 US\$
Accrued fees receivables	234,845	10,000
Trade receivables	210,000	222,452
Other receivables	6,166	–
	451,011	232,452

Accrued fees receivables constitute contract assets primarily related to the Company's rights to consideration for management services provided but not billed at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Company invoices ARA H-BT. Significant changes in the contract assets balance during the year relate to management services rendered but not billed and subsequent reclassification of contract assets to trade receivables. There is no impairment allowance arising from the outstanding balances.

As at reporting date, the Company expects to receive 422,621 (2020: nil) stapled securities of ARA H-Trust amounting to US\$204,845 (2020: US\$Nil) as satisfaction of base fee and performance fee in stapled securities in respect of the financial year ended 31 December 2021.

The Company's exposure to credit risk related to trade receivables is disclosed in note 9.

# NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2021

## 7. SHARE CAPITAL

	2021 Number of shares	2020 Number of shares
At 1 January and 31 December	50,000	50,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

All issued shares are fully paid, with no par value.

## 8. TRADE AND OTHER PAYABLES

	2021 US\$	2020 US\$
Accrued expenses	6,854	6,774
Amount due to related corporation, trade	67,950	2,491
	<u>74,804</u>	<u>9,265</u>

The Company's exposure to liquidity risk related to trade and other payables is disclosed in note 9.

## 9. FINANCIAL INSTRUMENTS

### Financial risk management

#### Overview

The Company has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

#### Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company 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 Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The management continually monitors the Company's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2021

**9. FINANCIAL INSTRUMENTS (CONT'D)*****Credit risk***

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from counterparties and investment securities.

The carrying amount of financial assets represents the Company's maximum exposure to credit risk, before taking into account any collateral held. The Company does not hold any collateral in respect of its financial assets.

***Trade and other receivables******Risk management policy***

The Company's exposure to credit risk arises mainly through its trade and accrued fees receivables from ARA H-Trust, which has a good record with the Company. Exposure to credit risk is monitored on an ongoing basis.

***Investments and other financial assets******Risk management policy***

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner consist principally of cash and cash equivalents and investment in financial assets. Credit risk on cash and cash equivalents is limited because these are placed with regulated financial institutions which are rated A to AA-, based on established rating agency ratings. Credit risk on investment in financial assets is limited because the counterparties are entities with high credit quality and/or acceptable credit ratings. These financial assets are monitored on an ongoing basis by management.

***Trade receivables and accrued fees receivables***

The Company establishes an allowance for impairment that represents its estimate of ECLs in respect of trade and accrued fees receivables. The key inputs into the measurement of ECL are the probability of default (PD), loss given default (LGD) and exposure at default (EAD). ECL is calculated by multiplying the PD by LGD and EAD.

PD is estimated based on the Global Corporate Default Rate for the real estate industry. LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD taking into consideration the collateral, history of recovery rates of claims against defaulted counterparties and counterparty industry. EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty.

The aging of trade receivables and accrued fees receivables that was not impaired at the reporting date was:

	<b>2021 US\$</b>	<b>2020 US\$</b>
0-60 days	–	12,452
More than 120 days	210,000	210,000
Accrued fees receivables	234,845	10,000
	<b>444,845</b>	<b>232,452</b>

Impairment on trade receivables and accrued fees receivables have been measured on the lifetime expected loss basis. The amount of the allowance on these balances is insignificant.

***Cash and cash equivalents***

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Company 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

Year ended 31 December 2021

## 9. FINANCIAL INSTRUMENTS (CONT'D)

### Liquidity risk

#### Risk management policy

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically, the Company monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

#### Exposure to liquidity risk

The following are the contractual maturities of financial liabilities which are measured at amortised cost including estimated interest payments but excluding the impact of netting agreements:

	Carrying amount US\$	Cash flows		
		Contractual cash flows US\$	Within 1 year US\$	Between 1 to 5 years US\$
<b>2021</b>				
<b>Non-derivative financial liabilities</b>				
Trade and other payables	74,804	(74,804)	(74,804)	–
<b>2020</b>				
<b>Non-derivative financial liabilities</b>				
Trade and other payables	9,265	(9,265)	(9,265)	–

It is not expected that the cash flows included in the maturity analysis of the Company could occur significantly earlier, or at significantly different amounts.

### Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Company'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. Market risk is managed through established investment policies and guidelines. These policies and guidelines are reviewed regularly taking into consideration changes in the overall market environment.



ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2021

**9. FINANCIAL INSTRUMENTS (CONT'D)*****Equity price risk***

The Company's quoted equity financial assets are listed on the SGX-ST. For such investments classified as held for trading, a 10% increase in the stock price at the reporting date would have increased/(decreased) profit or loss by the following amount shown below. The analysis assumes that all other variables remain constant.

	Profit or loss	
	2021 US\$	2020 US\$
SGX-ST	3	8,368

A 10% decrease in their stock price would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

***Currency risk***

The Company is not exposed to significant currency risk.

***Capital management***

The Company is not subject to any externally imposed capital requirements. The primary objective of the Company in respect of its capital management is to ensure its ability to continue as a going concern. In this regard, the Board of Directors regularly reviews the Company's capital structure with a view for the Company to pay its debts as and when they fall due. As the Company is part of a larger group, the Company's sources of additional capital and policies for distribution of excess capital may also be affected by the group's capital management objectives. The Company defines "capital" as including all components of equity. There were no changes in the Company's approach to capital management during the year.

***Accounting classifications and fair values***

The carrying amounts and fair values of certain financial assets including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Level 1	
	2021 US\$	2020 US\$
Quoted financial assets – mandatorily measured at FVTPL	28	83,681

***Investments in financial assets***

The fair value of quoted investments that are classified as mandatorily measured at FVTPL is determined by reference to their quoted closing bid price at the reporting date.

***Financial instruments not measured at fair values***

The Company has not disclosed the fair values of financial instruments such as trade receivables, trade and other payables and cash and cash equivalents as the carrying amounts of these financial instruments are a reasonable approximation of fair values as at 31 December 2021 and 2020.

***Transfers between Level 1 and 2***

During the financial year ended 31 December 2021 and 2020, there were no transfers between Level 1 and Level 2 of the fair value hierarchy.

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2021

**10. REVENUE**

	<b>2021 US\$</b>	<b>2020 US\$</b>
Acquisition fees	–	178,727
Base Fee	60,695	–
Performance fees	144,150	–
Trustee fees	120,000	120,000
	<b>324,845</b>	<b>298,727</b>
<b>Timing of revenue recognition</b>		
Performance obligations satisfied over time	324,845	120,000
Performance obligations satisfied at a point in time	–	178,727
	<b>324,845</b>	<b>298,727</b>

There were no contract liabilities at the end of the financial year.

**11. NET FINANCE INCOME/(COSTS)**

	<b>2021 US\$</b>	<b>2020 US\$</b>
<b>Finance income</b>		
Foreign exchange gain, net	–	15,857
Interest income under the effective interest method on cash and cash equivalents	506	3,126
Net change in fair value of financial assets:		
- Mandatorily measured at fair value through profit or loss	12,142	–
Distribution income	–	4,978
	<b>12,648</b>	<b>23,961</b>
<b>Finance costs</b>		
Foreign exchange loss, net	3,188	–
Net change in fair value of financial assets:		
- Mandatorily measured at fair value through profit or loss	–	74,255
	<b>3,188</b>	<b>74,255</b>
<b>Net finance income/(costs)</b>	<b>9,460</b>	<b>(50,294)</b>

ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2021

**12. LOSS BEFORE TAX**

The following items have been included in arriving at the loss before tax for the year:

	2021 US\$	2020 US\$
<b>Other expenses:</b>		
Service fee expense to related corporation	416,342	275,951

**13. TAX CREDIT**

	Note	2021 US\$	2020 US\$
<b>Current tax credit</b>			
Current year		–	–
Overprovision for prior year tax		(66)	(2,739)
		(66)	(2,739)
<b>Deferred tax credit</b>			
Origination and reversal of temporary differences	4	(14,684)	(10,700)
Total tax credit		(14,750)	(13,439)
<b>Reconciliation of effective tax rate:</b>			
Loss before tax		(90,957)	(65,680)
Tax using the Singapore tax rate at 17% (2020: 17%)		(15,463)	(11,166)
Non-deductible expenses		–	466
Overprovision for prior year tax		(66)	(2,739)
Others		779	–
		(14,750)	(13,439)

**14. RELATED PARTIES**

Except as disclosed elsewhere in these financial statements, there were no other significant related party transactions during the financial year.

**Transactions with key management personnel**

Certain non-independent and non-executive directors of the Company are employees of a related corporation and no consideration is paid to the related corporation for the services rendered by the directors.

**15. SUBSEQUENT EVENT**

On 4 August 2021, the ultimate holding company of the Company have entered into an agreement dated 4 August 2021 (as further amended on 24 August 2021) with, among others, ESR Cayman Limited (“**ESR**”), pursuant to which ESR will acquire the entire issued share capital of the immediate holding company of the Company (the “**Transaction**”). Upon completion of the Transaction, the immediate holding company of the Company will be a wholly-owned subsidiary of ESR. The Transaction was completed on 20 January 2022 and following the completion of the Transaction, ESR is now the ultimate holding company of the Company.

# STATISTICS OF STAPLED SECURITYHOLDINGS

As at 14 March 2022

There were 567,187,610 Stapled Securities (one vote per Stapled Security) in issue as at 14 March 2022. Each Stapled Security comprises one unit in ARA H-REIT and one unit in ARA H-BT. There is only one class of units in each of ARA H-REIT and ARA H-BT.

## DISTRIBUTION OF STAPLED SECURITYHOLDINGS

Size of Holdings	No. of Stapled Securityholders	%	No. of Stapled Securities	%
1 - 99	0	0.00	0	0.00
100 - 1,000	530	14.80	509,834	0.09
1,001 - 10,000	1,809	50.50	12,584,050	2.21
10,001 - 1,000,000	1,225	34.20	67,885,856	11.95
1,000,001 AND ABOVE	18	0.50	487,207,870	85.75
<b>TOTAL</b>	<b>3,582</b>	<b>100.00</b>	<b>567,187,610</b>	<b>100.00</b>

## TWENTY LARGEST STAPLED SECURITYHOLDERS

No.	Name	No. of Stapled Securities	%
1	RAFFLES NOMINEES (PTE.) LIMITED	128,139,460	22.55
2	DBS NOMINEES (PRIVATE) LIMITED	96,787,800	17.03
3	ARA REAL ESTATE INVESTORS 23 PTE LTD	91,875,000	16.17
4	PHILLIP SECURITIES PTE LTD	46,520,010	8.19
5	CITIBANK NOMINEES SINGAPORE PTE LTD	40,030,400	7.05
6	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	34,299,600	6.04
7	SUN LAP FONG	9,039,000	1.59
8	OCBC SECURITIES PRIVATE LIMITED	6,466,300	1.14
9	UOB KAY HIAN PRIVATE LIMITED	5,817,600	1.02
10	HSBC (SINGAPORE) NOMINEES PTE LTD	5,142,100	0.91
11	MAYBANK SECURITIES PTE. LTD.	4,847,900	0.85
12	ABN AMRO CLEARING BANK N.V.	4,733,200	0.83
13	DBSN SERVICES PTE. LTD.	3,409,000	0.60
14	DB NOMINEES (SINGAPORE) PTE LTD	2,733,700	0.48
15	IFAST FINANCIAL PTE. LTD.	2,187,600	0.39
16	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	2,129,200	0.37
17	TOH ONG TIAM	1,913,700	0.34
18	GOH AH TEE @GOH HUI CHUA	1,136,300	0.20
19	CHONG YEAN FONG	800,000	0.14
20	KIM HIN INTERNATIONAL PTE LTD	800,000	0.14
<b>TOTAL</b>		<b>488,807,870</b>	<b>86.03</b>

# STATISTICS OF STAPLED SECURITYHOLDINGS

As at 14 March 2022

## SUBSTANTIAL STAPLED SECURITYHOLDERS' INTERESTS

Based on the register of Substantial Stapled Securityholders (based on statutory notifications filed by such persons or entities with the Managers and information available to the Managers as at 14 March 2022), the list of Substantial Stapled Securityholders are as follows:

Name	Number of Stapled Securities		% of Stapled Securities
	Direct	Deemed	
ARA Real Estate Investors 23 Pte. Ltd. <sup>1</sup>	91,875,000	26,875,000	20.90
ARA RE Investment Group (Singapore) Pte. Ltd. <sup>2</sup>		118,750,000	20.90
ARA Asset Management Limited <sup>3</sup>		119,595,356	21.05
ESR Cayman Limited <sup>4</sup>		119,595,356	21.05
Tang Gordon @ Tang Yigang and Celine Tang @ Chen Huaidan <sup>5</sup>		53,750,000	9.46
Yang Shi Ying <sup>6</sup>		45,454,600	8.00
Yu Duan <sup>7</sup>		47,007,100	8.27

### Notes:

1. ARA Real Estate Investors 23 Pte. Ltd. holds 26,875,000 Stapled Securities directly and is deemed to be interested in 26,875,000 Stapled Securities held by United Overseas Bank Nominees Pte Limited.
2. ARA RE Investment Group (Singapore) Pte. Ltd. holds 100% of the shares of ARA Real Estate Investors 23 Pte. Ltd, hence it is deemed to be interested in the Stapled Securities held by ARA Real Estate Investors 23 Pte. Ltd. and Stapled Securities which ARA Real Estate Investors 23 Pte. Ltd. is deemed interested in.
3. ARA Asset Management Limited holds 100% of the shares of ARA RE Investment Group (Singapore) Pte. Ltd., hence it is deemed to be interested in the Stapled Securities which ARA RE Investment Group (Singapore) Pte. Ltd. is deemed interested in. ARA Asset Management Limited also holds 100% of the shares of the Managers and is therefore deemed to be interested in 845,356 Stapled Securities held by the Managers.
4. ESR Cayman Limited holds 100% of the shares of ARA Asset Management Limited, hence it is deemed to be interested in the Stapled Securities which ARA Asset Management Limited is deemed interested in.
5. Gordon Tang is the spouse of Celine Tang. The 53,750,000 Stapled Securities are held jointly by Gordon Tang and Celine Tang through Raffles Nominees (Pte) Limited.
6. Yang Shi Ying is deemed to have an interest in 45,454,600 Stapled Securities held through Raffles Nominees (Pte) Limited.
7. Yu Duan is deemed to have an interest in 47,007,100 Stapled Securities held through Phillip Securities Pte Ltd.

## PUBLIC FLOAT

Rule 723 of the Listing Manual of the SGX-ST requires that at least 10% of the total number of issued securities that is listed on the SGX-ST is at all times held by the public. Based on the information available to the Managers as at 14 March 2022, approximately 53.1% of ARA US Hospitality Trust's listed securities were held in the hands of the public. Accordingly, Rule 723 of the Listing Manual of the SGX-ST has been complied with.

## ADDITIONAL INFORMATION

### INTERESTED PERSON (AS DEFINED IN THE LISTING MANUAL AND BUSINESS TRUSTS ACT) AND INTERESTED PARTY (AS DEFINED IN THE PROPERTY FUNDS APPENDIX) TRANSACTIONS (COLLECTIVELY, “INTERESTED PERSON TRANSACTIONS”)

The aggregate value of all Interested Person Transactions which were entered into during the financial year ended 31 December 2021 (excluding transactions less than S\$100,000) are listed below.

Name of Interested Person	Nature of Relationship	Aggregate value of all Interested Person Transactions during the financial year under review (excluding transactions of less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) US\$'000	Aggregate value of all Interested Person Transactions during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) US\$'000
ARA Trust Management (USH) Pte Ltd	ARA H-REIT Manager		
- Base fees		61	-
- Performance fees		144	-
ARA USH Management, Inc	Subsidiary of the ARA H-REIT Manager		
- Base fees		122	-
- Performance fees		288	-
ARA Business Trust Management (USH) Pte Ltd	ARA H-BT Trustee-Manager		
- Base fees		61	-
- Performance fees		144	-
- Trustee fees		120	-
ARA US Hospitality Management, Inc	Subsidiary of the Sponsor		
- Hotel management fees		3,928	-
DBS Trustee Limited	ARA H-REIT Trustee		
- Trustee fees		109	-
<b>Total</b>		<b>4,977</b>	<b>-</b>

# ADDITIONAL INFORMATION

## ADDITIONAL DISCLOSURE ON FEES PAYABLE TO THE MANAGERS

The Managers are committed to delivering value to the stakeholders of ARA H-Trust, in addition to their key responsibilities of managing and maintaining the long-term interests of all Stapled Securityholders. The Managers are entitled to the following fees for the management of ARA H-Trust, which cover an extensive scope of functions including but not limited to asset management (including asset enhancements), financing, investment management and investor relations:

### Management Fee

The management fees make up a substantial portion of the Managers' total remuneration for the provision of on-going management services. These services cover functions such as asset management, investment management, capital management, accounting, legal, compliance and investor relations, rendered by a licensed REIT manager and a professional trustee-manager on a full time and dedicated basis. Pursuant to Clauses 14.1 and 14.2 of the Stapling Deed, the Managers are entitled to the following management fees:

(i) *Base Fee*

The total base fee ("**Total Base Fee**") is calculated based on 10% per annum of the distributable income of ARA H-Trust and calculated before accounting for the Total Base Fee and the Total Performance Fee (as defined below). The Total Base Fee is recurring and enables the Managers to cover operational and administrative overheads incurred in the management of the portfolio.

(ii) *Performance Fee*

The total performance fee ("**Total Performance Fee**") is calculated based on 25% of the increase in distribution per Stapled Security ("**DPS**") in a financial year over the DPS in the preceding financial year (calculated before accounting for the Total Performance Fee but after accounting for the base fee payable to the Managers out of the total deposited property of ARA H-Trust in each financial period or year) multiplied by the weighted average number of Stapled Securities in issue for such financial period or year. The Total Performance Fee aligns the interests of the Managers with Stapled Securityholders. By implementing and executing on the key strategies identified, the Managers will be compensated for delivering sustainable and growing DPS. If there is no growth in DPS from the immediately preceding financial year, no performance fee is payable.

The management fee is payable in the form of cash and/or Stapled Securities as the Managers may elect, in such proportion to the Managers or any person which the Managers may designate and for such period as may be determined by the Managers.

### Acquisition Fee and Divestment Fee

In addition, the ARA H-REIT Manager or the ARA H-BT Trustee-Manager (as the case may be) is entitled to receive:

- (i) an Acquisition Fee (as defined in Clause 15.2 of the ARA H-REIT Trust Deed and Clause 14.2 of the ARA H-BT Trust Deed) at the rate of 1.0% (or such lower percentage as may be determined by the ARA H-REIT Manager or the ARA H-BT Trustee-Manager (as the case may be) in their absolute discretion); and
- (ii) a Divestment Fee (as defined in Clause 15.2 of the ARA H-REIT Trust Deed and Clause 14.2 of the ARA H-BT Trust Deed) at the rate of 0.5%.

The Acquisition Fee and Divestment Fee serve to compensate the ARA H-REIT Manager or the ARA H-BT Trustee-Manager (as the case may be) for the time, effort and cost spent by the management team in (for the case of an acquisition) sourcing, evaluating and executing new investments to grow ARA H-REIT or ARA H-BT (as applicable) and (for the case of a divestment) facilitating to unlock the underlying value of existing properties where they have reached a stage which offers limited scope for further growth. The ARA H-REIT Manager or the ARA H-BT Trustee-Manager (as the case may be) provides these services over and above the provision of ongoing management services with the aim of enhancing long-term returns and achieving the investment objectives of ARA H-REIT Manager or the ARA H-BT Trustee-Manager (as applicable).

## ADDITIONAL INFORMATION

The Divestment Fee is lower than the Acquisition Fee because there is generally less work required to be undertaken in terms of sourcing, evaluating and conducting due diligence for a disposal. As the Divestment Fee for all disposals is the same, the ARA H-REIT Manager or the ARA H-BT Trustee-Manager (as the case may be) will also be incentivised to sell a property at the best price.

The Acquisition Fee and Divestment Fee are payable to the ARA H-REIT Manager or the ARA H-BT Trustee-Manager (as the case may be) or to any person which they may designate or nominate in the form of cash and/or Stapled Securities (as the ARA H-REIT Manager or the ARA H-BT Trustee-Manager (as the case may be) may elect) provided that in respect of any acquisition or divestment of real estate assets from/to related parties, such a fee should be in the form of Stapled Securities at prevailing market price(s) instead of cash. The Stapled Securities issued as Acquisition Fee or Divestment Fee should not be sold within one year from the date of their issuance.

### Development Management Fee

The ARA H-REIT Manager or the ARA H-BT Trustee-Manager (as the case may be) are also entitled to receive Development Management Fee (as defined in Clause 15.5 of the ARA H-REIT Trust Deed and Clause 14.4 of the ARA H-BT Trust Deed) equivalent to 3.0% of total project costs incurred in a development project undertaken by the ARA H-REIT Manager or the ARA H-BT Trustee-Manager (as the case may be) on behalf of ARA H-REIT or ARA H-BT.

The Development Management Fee is payable in equal monthly instalments over the construction period of each development project based on the ARA H-REIT Manager's or ARA H-BT Trustee-Manager's (as the case may be) best estimate of the total project costs and construction period and, if necessary, a final payment of the balance amount when the total project costs is finalised.

The Development Management Fee allows the ARA H-REIT Manager or the ARA H-BT Trustee-Manager (as the case may be) to recover the cost of providing resources to manage the development projects, which is outside the scope of the usual operations of the ARA H-REIT Manager or the ARA H-BT Trustee-Manager (as the case may be). This serves to incentivise them to undertake development projects that will enhance returns for Stapled Securityholders, thereby aligning their interests with that of Stapled Securityholders.

### Hotel Management Fee

Under the hotel management agreement entered into between ARA H-BT, through its subsidiaries and the hotel manager, ARA US Hospitality Management, Inc. (the "**ARA Hotel Manager**"), the ARA Hotel Manager will be paid a fee equivalent to 3% of total revenue of the hotel properties.

The fee payable to the ARA Hotel Manager seeks to compensate the ARA Hotel Manager for having the overall responsibility of the management and operation of the hotels. In turn, the ARA Hotel Manager outsources the day-to-day management of the hotels to third-party professional hotel managers, and the ARA Hotel Manager will be responsible for monitoring the performance of such third-party hotel managers. The hotel management fee payable to the ARA Hotel Manager is pegged to the total operating revenues of the respective hotels and ensure that the ARA Hotel Manager's interests are aligned with those of ARA H-Trust.

In May 2020, the ARA H-BT Trustee-Manager transferred its interest in 100% of the entire issued share capital of the ARA Hotel Manager to an indirect, wholly-owned subsidiary of the Sponsor, ARA Asset Management Limited.



## ADDITIONAL INFORMATION

### PERCENTAGE OF TOTAL OPERATING EXPENSES TO NET ASSETS

	<b>US\$'000</b>
Total operating expenses <sup>1</sup>	132,910
Net assets	399,745
Percentage of total operating expenses to net assets	33.2%

**Note:**

<sup>1</sup> Comprising property expenses and trust expenses, including all fees and charges paid/payable to the ARA H-REIT Trustee, ARA H-REIT Manager, ARA H-REIT Trustee-Manager and related parties. Excludes finance cost.

The total operating expenses incurred by ARA H-Trust amounted to approximately US\$132.9 million, equivalent to 33.2% of ARA H-Trust's net assets as at 31 December 2021.

### SUBSCRIPTION OF STAPLED SECURITIES IN ARA H-TRUST

As at 31 December 2021, an aggregate of 567,342,368 Stapled Securities were in issue. On 1 March 2022, ARA H-Trust issued an aggregate of 845,242 Stapled Securities to the Managers in satisfaction of the base fees and the performance fees for the period of 1 July 2021 to 31 December 2021.

# CORPORATE DIRECTORY

## MANAGERS

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### REIT Manager of ARA H-REIT

ARA Trust Management (USH) Pte. Ltd.

### Trustee-Manager of ARA H-BT

ARA Business Trust Management (USH) Pte. Ltd.

#### Singapore

5 Temasek Boulevard #12-01  
Suntec Tower Five  
Singapore 038985

#### United States of America

5800 Granite Parkway, Suite 290  
Plano, Texas  
Texas 75024

## BOARD OF DIRECTORS

---

### Stephen Ray Finch

Independent Non-Executive Chairman

### Randy Allan Daniels

Independent Non-Executive Director

### Stefanie Yuen Thio

Independent Non-Executive Director

### Wong Choong Mann

Independent Non-Executive Director

### Moses K. Song

Non-Independent Non-Executive Director

### Cheryl Seow Bee Lian

Non-Independent Non-Executive Director

### Lin Daqi

Non-independent Non-Executive Director

## AUDIT COMMITTEE

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### Stefanie Yuen Thio

Chairperson

### Stephen Ray Finch

Member

### Randy Allan Daniels

Member

### Wong Choong Mann

Member

## REIT TRUSTEE

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### DBS Trustee Limited

12 Marina Boulevard  
Marina Bay Financial Centre Tower 3  
Singapore 018982

## AUDITOR

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### KPMG LLP

Public Accountants and Chartered Accountants  
16 Raffles Quay #22-00  
Hong Leong Building  
Singapore 048581

Partner-In-Charge:

Tan Kar Yee Linda

(appointed with effect from 09 May 2019)

## LEGAL ADVISER

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### Allen & Gledhill LLP

One Marina Boulevard #28-00  
Singapore 018989  
Tel: +65 6890 7188

### Akin Gump Strauss Hauer & Feld LLP (for US law)

2300 North Field Street, Suite 1800  
Dallas, Texas 75201  
United States of America

## COMPANY SECRETARY OF THE MANAGERS

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Low Mei Mei Maureen

### TMF Singapore H Pte. Ltd.

38 Beach Road  
South Beach Tower #29-11  
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Tel: +65 6808 1600

## STAPLED SECURITY REGISTRAR

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### Boardroom Corporate & Advisory Services Pte Ltd

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## STOCK EXCHANGE QUOTATION

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Counter Name: ARA US Hospitality Trust

SGX Counter Code: XZL

Bloomberg: ARAUS SP

Reuters: ARAU.SI

## WEBSITES

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[www.araushotels.com](http://www.araushotels.com)

[www.ara-group.com](http://www.ara-group.com)

[www.esr.com](http://www.esr.com)





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