



**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)**

Unaudited Interim Financial Information  
For the six-month period ended 30 June 2022



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## **Introduction**

ARA US Hospitality Trust (“**ARA H-Trust**” or “**Group**”) is a stapled group comprising ARA US Hospitality Property Trust (“**ARA H-REIT**”), a real estate investment trust, and ARA US Hospitality Management Trust (“**ARA H-BT**”), a business trust. ARA H-Trust was listed on Singapore Exchange Securities Trading Limited (“**SGX**”) on 9 May 2019 (the “**Listing date**”).

The units in ARA H-REIT and ARA H-BT are stapled together as Stapled Securities in ARA H-Trust (“**Stapled Securities**”) under the terms of a stapling deed dated 17 April 2019 (the “**Stapling Deed**”) entered into between ARA Trust Management (USH) Pte. Ltd. (in its capacity as manager of ARA H-REIT)(the “**REIT Manager**”), DBS Trustee Limited (in its capacity as the trustee of ARA H-REIT)(the “**REIT Trustee**”) and ARA Business Trust Management (USH) Pte. Ltd. (in its capacity as trustee-manager of ARA H-BT)(the “**Trustee-Manager**” and together with the REIT-Manager, the “**Managers**”). Each Stapled Security in ARA H-Trust comprises one unit in ARA H-REIT and one unit in ARA H-BT and cannot be traded separately.

ARA H-REIT is established with the principal investment strategy of investing primarily, directly or indirectly, in a portfolio of income-producing real estate which is used primarily for hospitality and/or hospitality-related purposes, located in the United States of America (“**U.S.**”), as well as real estate-related assets in connection with the foregoing. ARA H-BT is established with the same principal investment strategy as ARA H-REIT, and to carry on the business of managing and operating real estate used primarily for hospitality and/or hospitality-related purposes, located in the U.S. The Managers presently intend for ARA H-REIT to hold income-producing real estate while ARA H-BT will be the master-lessee to manage and operate these assets.

As at 30 June 2022, the portfolio of properties held by ARA H-Trust comprises 41 upscale select-service hotels (the “**Properties**” or “**Hotels**”) with 5,340 guest rooms located across 22 states.

ARA H-Trust is presenting its financial results for the financial period from 1 January 2022 to 30 June 2022 (“**1H 2022**”). The financial information presented has not been audited or reviewed by the independent auditors.

## **Distribution Policy**

ARA H-REIT’s distribution policy is to distribute at least 90.0% of its distributable income and ARA H-BT’s distribution policy is to distribute at least 90.0% of its distributable income, subject to the provisions in the Stapling Deed. Distributions will be made on a semi-annual basis and declared in the United States dollar. Each Stapled Securityholder will receive his/her distribution in the Singapore dollar equivalent of the amount declared in the United States dollar, unless he/she elects otherwise.



## Summary of Results

ARA H-Trust	1 January 2022 to 30 June 2022 ("1H 2022")	1 January 2021 to 30 June 2021 ("1H 2021")	Change
	US\$'000	US\$'000	%
Revenue	81,256	52,847	53.8
Gross operating profit	27,551	14,132	95.0
Net property income	21,091	9,124	>100
Distributable income	8,123	-	N.M.
<b>Distribution per Stapled Security ("DPS") (US cents), comprising of</b>			
- Capital distributions	1.427	-	N.M.

	As at 30 June 2022	As at 31 December 2021
Net asset value per Stapled Security (US\$)	0.72	0.70

N.M. - not meaningful

The Stapled Group achieved significantly higher revenue in 1H 2022 vs 1H 2021, as the portfolio's average occupancy improved 11.5 percentage points from 51.2% to 62.7% and RevPAR improved from US\$52 to US\$80.

As compared to the same period last year, ARA H-Trust reported higher gross operating profit and net property income of US\$27.6 million and US\$21.1 million for 1H 2022 respectively, primarily contributed by the higher revenue during the period. Cash generated from operating activities improved to US\$20.4 million in 1H 2022 from US\$5.9 million in 1H 2021. After deducting non-operating expenses and reserves set aside for routine capital asset improvements and refurbishments for the hotel properties and other adjustments, ARA H-Trust declares a distributable income of US\$8.1 million and DPS of 1.427 US cents for 1H 2022.

The distributions are capital distributions from a tax perspective as income is repatriated by way of loan repayments. Capital distribution represents a return of capital to Stapled Securityholders for Singapore income tax purpose and is therefore not subject to income tax. For Stapled Securityholders who are liable to Singapore income tax on profits from sale of ARA H-Trust Stapled Securities, the amount of capital distribution will be applied to reduce the cost base of their ARA H-Trust Stapled Securities for Singapore income tax purpose.

Distribution details are as follows:

Distribution period	1 January 2022 to 30 June 2022
Distribution rate	1.427 US cents per Stapled Security (capital distribution)
Record date	18 August 2022
Payment date	26 September 2022

Net assets value per Stapled Security as at 30 June 2022 improved to US\$0.72 as compared to US\$0.70 as at 31 December 2021.



**ARA US Hospitality Trust**  
**Unaudited Interim Financial Information**  
**For the six-month period ended 30 June 2022**

**Statements of Comprehensive Income**

	Note	ARA H-Trust		
		1H 2022	1H 2021	Change
		US\$'000	US\$'000	%
Revenue		81,256	52,847	53.8
Operating expenses		(53,705)	(38,715)	(38.7)
<b>Gross operating profit</b>		<b>27,551</b>	<b>14,132</b>	<b>95.0</b>
Hotel management fee		(2,439)	(1,586)	(53.8)
Property taxes		(2,621)	(2,329)	(12.5)
Other expenses		(1,400)	(1,093)	(28.1)
<b>Net Property Income</b>		<b>21,091</b>	<b>9,124</b>	<b>&gt; 100</b>
Other income		532	25	>100
Depreciation and amortisation		(12,590)	(11,991)	(5.0)
REIT Manager's and Trustee-Manager's management fees		(2,603)	-	N.M.
Trustee-Manager's trustee fee		(60)	(60)	-
REIT Trustee's fee		(54)	(54)	-
Net finance costs	5	(6,164)	(6,078)	(1.4)
Other trust expenses		(1,299)	(1,152)	(12.8)
<b>Net loss for the period before tax and fair value changes</b>	6	<b>(1,147)</b>	<b>(10,186)</b>	<b>N.M.</b>
Fair value changes in assets held for sale		(628)	-	N.M.
<b>Net loss for the period before tax</b>		<b>(1,775)</b>	<b>(10,186)</b>	<b>N.M.</b>
Taxation		(100)	685	N.M.
<b>Net loss for the period after tax</b>		<b>(1,875)</b>	<b>(9,501)</b>	<b>N.M.</b>
<b>Other comprehensive income</b>				
Item that may be reclassified subsequently to profit or loss:				
Effective portion of changes in fair value of cash flow hedges		11,158	4,086	>100
<b>Total comprehensive income for the period</b>		<b>9,283</b>	<b>(5,415)</b>	<b>N.M.</b>
<b>Earnings per Stapled Security (U.S. cents)</b>				
Basic	7	(0.33)	(1.67)	N.M.
Diluted	7	(0.33)	(1.67)	N.M.



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Statements of Comprehensive Income (cont'd)

	Note	ARA H-REIT		
		1H 2022	1H 2021	Change
		US\$'000	US\$'000	%
Rental revenue		25,913	22,606	14.6
Operating expenses		(153)	(160)	4.4
<b>Gross operating profit</b>		<b>25,760</b>	<b>22,446</b>	<b>14.8</b>
Property taxes		(2,393)	(2,043)	(17.1)
Other expenses		(565)	(418)	(35.2)
<b>Net Property Income</b>		<b>22,802</b>	<b>19,985</b>	<b>14.1</b>
REIT Manager's management fees		(1,953)	-	N.M.
REIT Trustee's fee		(54)	(54)	-
Net finance costs	5	(18,645)	(18,511)	(0.7)
Other trust expenses		(603)	(602)	(0.2)
<b>Net income for the period before tax and fair value changes</b>		<b>1,547</b>	<b>818</b>	<b>89.1</b>
Fair value changes in assets held for sale		(32)	-	N.M.
<b>Net income for the period before tax</b>		<b>1,515</b>	<b>818</b>	<b>85.2</b>
Taxation		(50)	(21)	(>100)
<b>Net income for the period after tax</b>		<b>1,465</b>	<b>797</b>	<b>83.8</b>
<b>Other comprehensive income</b>				
Item that may be reclassified subsequently to profit or loss:				
Effective portion of changes in fair value of cash flow hedges		11,158	4,086	>100
<b>Total comprehensive income for the period</b>		<b>12,623</b>	<b>4,883</b>	<b>&gt;100</b>



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Statements of Comprehensive Income (cont'd)

	Note	ARA H-BT		
		1H 2022	1H 2021	Change
		US\$'000	US\$'000	%
Revenue		81,256	52,847	53.8
Operating expenses		(53,552)	(38,555)	(38.9)
<b>Gross operating profit</b>		<b>27,704</b>	<b>14,292</b>	<b>93.8</b>
Hotel management fee		(2,439)	(1,586)	(53.8)
Property taxes		(228)	(286)	20.3
Insurance		(548)	(480)	(14.2)
Rental expenses		(3,376)	(1,002)	(>100)
<b>Net Property Income</b>		<b>21,113</b>	<b>10,938</b>	<b>93.0</b>
Other income		532	25	>100
Depreciation and amortisation		(25,002)	(23,947)	(4.4)
Trustee-Manager's management fees		(650)	-	N.M.
Trustee-Manager's trustee fee		(60)	(60)	-
Net finance income	5	10,542	9,939	6.1
Other trust expenses		(698)	(552)	(26.4)
<b>Net income/(loss) for the period before tax and fair value changes</b>		<b>5,777</b>	<b>(3,657)</b>	<b>N.M.</b>
Fair value changes in assets held for sale		(11)	-	N.M.
<b>Net income/(loss) for the period before tax</b>	6	<b>5,766</b>	<b>(3,657)</b>	<b>N.M.</b>
Taxation		(50)	706	N.M.
<b>Net income/(loss) for the period after tax and total comprehensive income for the period</b>		<b>5,716</b>	<b>(2,951)</b>	<b>N.M.</b>

**Statement of Distributable Income**

	ARA H-Trust		
	1H 2022	1H 2021	Change
	US\$'000	US\$'000	%
<b>Net loss for the period after tax</b>	(1,875)	(9,501)	N.M.
Add/(Less): Distribution adjustments			
Depreciation and amortisation	12,590	11,991	5.0
Amortisation of upfront debt-related costs	295	158	86.7
Interest expenses on lease liabilities	34	139	(75.5)
Manager's fees paid/payable in Stapled Securities	1,301	-	N.M.
Fair value changes in assets held for sale	628	-	N.M.
Others <sup>(1)</sup>	(4,850)	(2,787)	(74.0)
<b>Net distribution adjustments</b>	9,998	9,501	(5.2)
<b>Distributable income</b>	8,123	-	N.M.

**Footnote:**

- (1) Relates mainly to reserves set aside for capital expenditures, and upward adjustment for 1H 2022 to arrive at NIL distributable income for 1H 2021.



## Statements of Financial Position

	Note	As at 30 June 2022			As at 31 December 2021		
		ARA H-Trust	ARA H-REIT	ARA H-BT	ARA H-Trust	ARA H-REIT	ARA H-BT
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Non-current assets</b>							
Investment properties	11	-	654,735	-	-	690,292	-
Deferred tax assets		14,396	-	14,396	14,396	-	14,396
Derivative financial assets		3,848	3,848	-	-	-	-
Property, plant and equipment	11	677,132	-	136,666	724,472	-	155,171
Intangible assets		487	-	487	499	-	499
Loans to related corporation		-	-	294,000	-	-	294,000
		695,863	658,583	445,549	739,367	690,292	464,066
<b>Current assets</b>							
Inventories		440	-	440	405	-	405
Trade and other receivables		4,947	4,857	28,856	4,746	1,578	23,034
Loans to related corporation		-	33,253	-	-	27,203	-
Cash and cash equivalents		19,812	2,226	17,587	19,153	6,592	12,561
		25,199	40,336	46,883	24,304	35,373	36,000
Assets held for sale	12	38,930	36,961	2,741	405	405	-
		64,129	77,297	49,624	24,709	35,778	36,000
<b>Total assets</b>		<b>759,992</b>	<b>735,880</b>	<b>495,173</b>	<b>764,076</b>	<b>726,070</b>	<b>500,066</b>

Statements of Financial Position (cont'd)

	Note	As at 30 June 2022			As at 31 December 2021		
		ARA H-Trust	ARA H-REIT	ARA H-BT	ARA H-Trust	ARA H-REIT	ARA H-BT
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Non-current liabilities</b>							
Loans from related corporation		-	294,000	-	-	294,000	-
Loans and borrowings	13	330,615	321,074	76,630	327,854	311,299	101,239
Deferred tax liabilities		920	920	-	920	920	-
Derivative financial liabilities	10	-	-	-	7,310	7,310	-
Other payables		125	125	-	125	125	-
		331,660	616,119	76,630	336,209	613,654	101,239
<b>Current liabilities</b>							
Loans from related corporation		-	-	33,253	-	-	27,203
Trade and other payables		20,354	29,134	20,007	17,669	24,669	12,881
Loans and borrowings	13	286	143	42,954	10,281	10,141	40,367
Tax payable		272	121	151	172	71	101
		20,912	29,398	96,365	28,122	34,881	80,552
<b>Total liabilities</b>		<b>352,572</b>	<b>645,517</b>	<b>172,995</b>	<b>364,331</b>	<b>648,535</b>	<b>181,791</b>
<b>Represented by:</b>							
<b>Stapled Securityholders' funds</b>		<b>407,420</b>	<b>90,363</b>	<b>322,178</b>	<b>399,745</b>	<b>77,535</b>	<b>318,275</b>

### Statements of Movements in Stapled Securityholders' Funds

ARA H-Trust		Stapled Security	Issue Costs	Revenue Reserve	Hedging Reserve	Revaluation Reserve	Total
	Note	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>At 1 January 2022</b>		490,578	(16,024)	(165,238)	(7,310)	97,739	399,745
<b>Net loss for the period attributable to Stapled Securityholders, net of tax</b>		-	-	(1,875)	-	-	(1,875)
<b>Other comprehensive income</b>							
Effective portion of changes in fair value of cash flow hedges		-	-	-	11,158	-	11,158
<b>Total comprehensive income for the period, net of tax</b>		-	-	-	11,158	-	11,158
<b>Contribution by and distribution to Stapled Securityholders</b>							
REIT Manager's and Trustee-Manager's fees paid in Stapled Securities	(a)	410	-	-	-	-	410
Distribution to Stapled Securityholders		(2,018)	-	-	-	-	(2,018)
<b>Total contribution by and distribution to Stapled Securityholders</b>		(1,608)	-	-	-	-	(1,608)
<b>At 30 June 2022</b>		<b>488,970</b>	<b>(16,024)</b>	<b>(167,113)</b>	<b>3,848</b>	<b>97,739</b>	<b>407,420</b>
<b>At 1 January 2021</b>		490,578	(16,024)	(151,426)	(16,282)	42,330	349,176
<b>Net loss for the period attributable to Stapled Securityholders, net of tax</b>		-	-	(9,501)	-	-	(9,501)
<b>Other comprehensive income</b>							
Effective portion of changes in fair value of cash flow hedges		-	-	-	4,086	-	4,086
<b>Total comprehensive income for the period, net of tax</b>		-	-	-	4,086	-	4,086
<b>At 30 June 2021</b>		<b>490,578</b>	<b>(16,024)</b>	<b>(160,927)</b>	<b>(12,196)</b>	<b>42,330</b>	<b>343,761</b>

(a) Represents 845,242 Stapled Securities issued as payment of 50% of Managers' management fees for the period from 1 October 2021 to 31 December 2021.

**Statements of Movements in Stapled Securityholders' Funds (cont'd)**

ARA H-REIT		Stapled Security	Issue Costs	Revenue Reserve	Hedging Reserve	Total
	Note	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>At 1 January 2022</b>		176,431	(9,437)	(82,149)	(7,310)	77,535
<b>Net income for the period attributable to Stapled Securityholders, net of tax</b>		-	-	1,465	-	1,465
<b>Other comprehensive income</b>						
Effective portion of changes in fair value of cash flow hedges		-	-	-	11,158	11,158
<b>Total comprehensive income for the period, net of tax</b>		-	-	-	11,158	11,158
<b>Contribution by and distribution to Stapled Securityholders</b>						
REIT Manager's management fees paid in Stapled Securities	(a)	205	-	-	-	205
<b>Total contribution by and distribution to Stapled Securityholders</b>		205	-	-	-	205
<b>At 30 June 2022</b>		<b>176,636</b>	<b>(9,437)</b>	<b>(80,684)</b>	<b>3,848</b>	<b>90,363</b>
<b>At 1 January 2021</b>		176,431	(9,437)	(112,753)	(16,282)	37,959
<b>Net income for the period attributable to Stapled Securityholders, net of tax</b>		-	-	797	-	797
<b>Other comprehensive income</b>						
Effective portion of changes in fair value of cash flow hedges		-	-	-	4,086	4,086
<b>Total comprehensive income for the period, net of tax</b>		-	-	-	4,086	4,086
<b>At 30 June 2021</b>		<b>176,431</b>	<b>(9,437)</b>	<b>(111,956)</b>	<b>(12,196)</b>	<b>42,842</b>

(a) Represents 422,621 Stapled Securities issued as payment of REIT Manager's share of the management fees for the period from 1 October 2021 to 31 December 2021.



**Statements of Movements in Stapled Securityholders' Funds (cont'd)**

ARA H-BT		Stapled Security	Issue Costs	Revenue Reserve	Total
	Note	US\$'000	US\$'000	US\$'000	US\$'000
<b>At 1 January 2022</b>		314,147	(6,587)	10,715	318,275
<b>Net income for the period attributable to Stapled Securityholders, net of tax</b>		-	-	5,716	5,716
<b>Contribution by and distribution to Stapled Securityholders</b>					
Trustee-Manager's management fees paid in Stapled Securities	(a)	205	-	-	205
Distribution to Stapled Securityholders		(2,018)	-	-	(2,018)
<b>Total contribution by and distribution to Stapled Securityholders</b>		<b>(1,813)</b>	<b>-</b>	<b>-</b>	<b>(1,813)</b>
<b>At 30 June 2022</b>		<b>312,334</b>	<b>(6,587)</b>	<b>16,431</b>	<b>322,178</b>

<b>At 1 January 2021</b>		314,147	(6,587)	1,340	308,900
<b>Net loss for the period attributable to Stapled Securityholders, net of tax</b>		-	-	(2,951)	(2,951)
<b>At 30 June 2021</b>		<b>314,147</b>	<b>(6,587)</b>	<b>(1,611)</b>	<b>305,949</b>

(a) Represents 422,621 Stapled Securities issued as payment of Trustee-Manager's share of the management fees for the period from 1 October 2021 to 31 December 2021.



## Statements of Cash Flows

	Note	ARA H-Trust	
		1H 2022	1H 2021
		US\$'000	US\$'000
<b>Cash flows from operating activities</b>			
Net loss before tax		(1,775)	(10,186)
Adjustments for:			
(Reversal of)/Allowance for expected credit loss and bad debts written off		(11)	68
Depreciation of property, plant and equipment		12,577	11,978
Amortisation of intangible assets		13	13
Managers' management fees paid/payable in Stapled Securities		1,302	-
Fair value changes in assets held for sale		628	-
Net finance costs	5	6,164	6,078
<b>Operating income before working capital changes</b>		<b>18,898</b>	<b>7,951</b>
Changes in working capital:			
Inventories		(35)	(28)
Trade and other receivables		422	(1,583)
Trade and other payables		1,115	(1,171)
<b>Cash generated from operations</b>		<b>20,400</b>	<b>5,169</b>
Tax refund		-	722
<b>Net cash generated from operating activities</b>		<b>20,400</b>	<b>5,891</b>
<b>Cash flows from investing activities</b>			
Proceeds from disposition of assets held for sale		83	-
Payment for capital expenditure		(4,444)	(2,166)
<b>Net cash used in investing activities</b>		<b>(4,361)</b>	<b>(2,166)</b>
<b>Cash flows from financing activities</b>			
Proceeds from loans and borrowings		87,000	2,172
Repayment of loans and borrowings		(94,000)	-
Payment of transaction costs relating to new loan facilities		(392)	(90)
Payment of lease liabilities		(172)	(283)
Distribution to Stapled Securityholders		(2,018)	-
Interest paid		(5,798)	(5,782)
<b>Net cash used in financing activities</b>		<b>(15,380)</b>	<b>(3,983)</b>
Net increase/(decrease) in cash and cash equivalents		659	(258)
Cash and cash equivalents at beginning of the period		19,153	26,750
<b>Cash and cash equivalents at end of the period</b>		<b>19,812</b>	<b>26,492</b>

**Statements of Cash Flows (cont'd)**

	Note	ARA H-REIT	
		1H 2022	1H 2021
		US\$'000	US\$'000
<b>Cash flows from operating activities</b>			
Net income before tax		1,515	818
Adjustments for:			
Managers' management fees paid/payable in Stapled Securities		651	-
Fair value changes in assets held for sale		32	-
Net finance costs	5	18,645	18,511
<b>Operating income before working capital changes</b>		<b>20,843</b>	<b>19,329</b>
Changes in working capital:			
Trade and other receivables		274	49
Trade and other payables		(2,250)	(2,409)
<b>Cash generated from operations</b>		<b>18,867</b>	<b>16,969</b>
Tax refund		-	3
<b>Net cash generated from operating activities</b>		<b>18,867</b>	<b>16,972</b>
<b>Cash flows from investing activities</b>			
Interest received		20	-
Payment for capital expenditure		(1,083)	(1,035)
Proceeds from disposition of assets held for sale		83	-
Issuance of loan to related corporation		(6,050)	(6,900)
Amount due from related corporation – non-trade		(2,554)	688
<b>Net cash used in investing activities</b>		<b>(9,584)</b>	<b>(7,247)</b>
<b>Cash flows from financing activities</b>			
Proceeds from loans and borrowings		76,000	1,142
Repayment of loans and borrowings		(76,000)	-
Payment of transaction costs relating to new loan facilities		(392)	-
Payment of lease liabilities		(95)	(217)
Interest paid		(14,614)	(5,501)
Amount due to related corporation – non-trade		1,452	-
<b>Net cash used in financing activities</b>		<b>(13,649)</b>	<b>(4,576)</b>
Net (decrease)/increase in cash and cash equivalents		(4,366)	5,149
Cash and cash equivalents at beginning of the period		6,592	6,369
<b>Cash and cash equivalents at end of the period</b>		<b>2,226</b>	<b>11,518</b>

**Statements of Cash Flows (cont'd)**

	Note	ARA H-BT	
		1H 2022	1H 2021
		US\$'000	US\$'000
<b>Cash flows from operating activities</b>			
Net income/(loss) before tax		5,766	(3,657)
Adjustments for:			
(Reversal of)/allowance for expected credit loss and bad debts written off		(11)	68
Depreciation of property, plant and equipment		24,989	23,935
Amortisation of intangible assets		13	13
Managers' management fees paid/payable in Stapled Securities		651	-
Fair value changes in assets held for sale		11	-
Net finance income	5	(10,542)	(9,939)
<b>Operating income before working capital changes</b>		<b>20,877</b>	<b>10,420</b>
Changes in working capital:			
Inventories		(35)	(28)
Trade and other receivables		(940)	(2,803)
Trade and other payables		12,485	2,413
<b>Cash generated from operations</b>		<b>33,387</b>	<b>10,002</b>
Tax refund		-	719
<b>Net cash generated from operating activities</b>		<b>33,387</b>	<b>10,721</b>
<b>Cash flows from investing activities</b>			
Payment for capital expenditures		(3,361)	(1,131)
Amount due from related corporation – non-trade		(1,452)	-
<b>Net cash used in investing activities</b>		<b>(4,813)</b>	<b>(1,131)</b>
<b>Cash flows from financing activities</b>			
Proceeds from loans and borrowings		11,000	1,030
Repayment of loans and borrowings		(18,000)	-
Payment of transaction costs relating to new loan facilities		-	(90)
Payment of lease liabilities		(22,900)	(21,867)
Proceeds from loan from related corporation		6,050	6,900
Amount due to related corporation – non-trade		2,554	(688)
Distribution to Stapled Securityholders		(2,018)	-
Interest paid		(234)	(282)
<b>Net cash used in financing activities</b>		<b>(23,548)</b>	<b>(14,997)</b>
Net increase/(decrease) in cash and cash equivalents		5,026	(5,407)
Cash and cash equivalents at beginning of the period		12,561	20,381
<b>Cash and cash equivalents at end of the period</b>		<b>17,587</b>	<b>14,974</b>



## Notes to the Interim Financial Statements

### 1. Corporate information

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, “**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 (as amended) (the “**ARA H-REIT Trust Deed**”) between the REIT Manager and 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 the Trustee-Manager. The Managers are wholly-owned subsidiaries of ARA Asset Management Limited (“**ARA**”), part of the ESR Group. The securities 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 H-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 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 purposes, located in the United States of America (the “**U.S.**”), as well as real estate-related assets in connection to the foregoing.

The principal activities of ARA H-BT Group involve investing in a portfolio of real estate located in the U.S. primarily used for hospitality and/ or hospitality-related purposes, 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.

### 2. Basis of preparation

The interim financial statements for the six-month period ended 30 June 2022 have been prepared in accordance with Singapore Financial Reporting Standards (International) (“**SFRS(I)**”) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore and the provisions of ARA H-REIT Trust Deed, ARA H-BT Trust Deed and Stapling Deed. The MAS had granted a waiver to ARA H-REIT from complying with the requirement under Paragraph 4.3 of Appendix 6 to the CIS Code to prepare its financial statements in accordance with the Singapore Financial Reporting Standards (“**SFRS**”).

The interim financial statements do not include all the information required for a complete set of financial statements, and should be read in conjunction with the Stapled Group’s last annual financial statements as at and for the year ended 31 December 2021. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the financial position and performance of the Stapled Group since the last annual financial statements.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

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

## **2.1 New and amended standards adopted by the Stapled Group**

A number of amendments to Standards have become applicable for the current reporting period. The Stapled Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

The following SFRS(I)s, amendments to and interpretations of SFRS(I) are applicable for the annual period beginning on 1 January 2022:

- *Covid-19-Related Rent Concessions* beyond 30 June 2021 (Amendment to SFRS(I) 16)
- *Onerous Contracts – Cost of Fulfilling a Contract* (Amendment to SFRS(I) 1-37)
- *Property, Plant and Equipment: Proceeds before Intended Use* (Amendment to SFRS(I) 16)
- *Reference to the Conceptual Framework* (Amendment to SFRS(I) 3)
- *Annual Improvements to SFRS(I)s 2018-2020*

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

## **2.2 Use of judgements and estimates**

In preparing the interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Stapled Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2021.

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 to the carrying amounts of assets and liabilities within the next interim period are included in the following note:

- Note 11 – Fair value of property, plant and equipment and investment properties

## **2.3 Fair value measurement**

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.

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 period/year during which the change has occurred.

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

Note 10 - Valuation of financial instruments

Note 11 - Valuation of property, plant and equipment and investment properties

### **3. Seasonal operations**

The Stapled Group's business is affected by seasonality due to the influence of weather and local events on travel demand. Prior to the COVID-19 pandemic, for most markets in the U.S., peak demand months for commercial/business travel generally occur during the spring to autumn months, while leisure travel peaks in the summer months. Most markets experience off-peak season during the winter months of late November to February.

Following the pandemic which started to rapidly evolve in the U.S. from mid-March 2020, demand and occupancies dropped significantly and are currently on the path to recovery over the past two years driven primarily by leisure travel. As a result, the seasonality effects mentioned above were less apparent in FY2021.

### **4. Segment and revenue information**

All operating segments' operating results are reviewed regularly by the Board of Directors of the Managers ("**Board**") 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.

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 portfolio relative to those that operate within the same industry.

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**4.1 Reportable segments**

<b>ARA H-Trust</b>	<b>Hyatt Place US\$'000</b>	<b>Hyatt House US\$'000</b>	<b>Marriott US\$'000</b>		<b>Total US\$'000</b>
<b>1 January 2022 to 30 June 2022</b>					
Revenue	45,102	25,499	10,655		81,256
Reportable segment net property income	10,397	6,423	4,271		21,091
Depreciation of property, plant and equipment	(6,397)	(4,516)	(1,664)		(12,577)
Amortisation of intangible assets	-	-	(13)		(13)
Fair value changes in assets held for sale	(598)	(30)	-		(628)
Other income	282	250	-		532
Unallocated items:					
- Managers' management fees					(2,603)
- Trustee-Manager's trustee fees					(60)
- REIT trustee fees					(54)
- Finance costs					(6,164)
- Other trust expenses					(1,299)
- Taxation					(100)
<b>Net loss for the period</b>					<b>(1,875)</b>
<b>As at 30 June 2022</b>					
<b>Assets and liabilities</b>	<b>Hyatt Place US\$'000</b>	<b>Hyatt House US\$'000</b>	<b>Marriott US\$'000</b>	<b>Unallocated US\$'000</b>	<b>Total US\$'000</b>
Reportable segment assets	391,658	252,319	94,390	21,625	759,992
Reportable segment liabilities	(12,084)	(4,691)	(1,386)	(334,411)	(352,572)

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<b>ARA H-Trust</b>	<b>Hyatt Place US\$'000</b>	<b>Hyatt House US\$'000</b>	<b>Marriott US\$'000</b>	<b>Total US\$'000</b>
<b>1 January 2021 to 30 June 2021</b>				
Revenue	29,539	15,734	7,574	52,847
Reportable segment net property (loss)/income	3,556	2,683	2,885	9,124
Depreciation of property, plant and equipment	(6,486)	(4,022)	(1,470)	(11,978)
Amortisation of intangible assets	-	-	(13)	(13)
Unallocated items:				
- Other income				25
- Trustee-Manager's trustee fees				(60)
- REIT trustee fees				(54)
- Finance costs				(6,078)
- Other trust expenses				(1,152)
- Taxation				685
<b>Net loss for the period</b>				<b>(9,501)</b>

<b>As at 31 December 2021 Assets and liabilities</b>	<b>Hyatt Place US\$'000</b>	<b>Hyatt House US\$'000</b>	<b>Marriott US\$'000</b>	<b>Unallocated US\$'000</b>	<b>Total US\$'000</b>
Reportable segment assets	394,760	251,027	96,911	21,378	764,076
Reportable segment liabilities	(9,964)	(4,559)	(2,691)	(347,117)	(364,331)

**5. Net finance (costs)/income**

	<b>ARA H-Trust</b>	
	<b>1H 2022 US\$'000</b>	<b>1H 2021 US\$'000</b>
<b>Finance costs</b>		
Financial liabilities measured at amortised cost:		
- Interest paid/payable to banks	(5,835)	(5,781)
- Interest expenses on lease liabilities	(34)	(139)
- Amortisation of debt related transaction costs	(295)	(158)
<b>Net finance costs</b>	<b>(6,164)</b>	<b>(6,078)</b>

	<b>ARA H-REIT</b>	
	<b>1H 2022 US\$'000</b>	<b>1H 2021 US\$'000</b>
<b>Finance income</b>		
Interest income under the effective interest method on:		
- Loans to related corporation	416	426
	<u>416</u>	<u>426</u>
<b>Finance costs</b>		
Financial liabilities measured at amortised cost:		
- Interest expense paid/payable to banks	(5,621)	(5,499)
- Interest expense paid/payable to related corporation	(13,176)	(13,176)
- Interest expense on lease liabilities	(25)	(131)
- Amortisation of debt related transaction costs	(239)	(131)
	<u>(19,061)</u>	<u>(18,937)</u>
<b>Net finance costs</b>	<b>(18,645)</b>	<b>(18,511)</b>



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	<b>ARA H-BT</b>	
	<b>1H 2022</b>	<b>1H 2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Finance income</b>		
Interest income under the effective interest method on:		
- Loans to related corporation	13,176	13,176
<b>Finance costs</b>		
Financial liabilities measured at amortised cost:		
- Interest expense paid/payable to banks	(214)	(283)
- Interest expense paid/payable to related corporation	(416)	(426)
- Interest expense on lease liabilities	(1,948)	(2,502)
- Amortisation of debt related transaction costs	(56)	(26)
	<u>(2,634)</u>	<u>(3,237)</u>
<b>Net finance income</b>	<u>10,542</u>	<u>9,939</u>

**6. Net loss before taxation**

The following items have been included in arriving at net loss for the interim period

	<b>ARA H-Trust</b>	
	<b>1H 2022</b>	<b>1H 2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>
(Reversal of)/allowance for expected credit loss and bad debts written off	(11)	68

	<b>ARA H-BT</b>	
	<b>1H 2022</b>	<b>1H 2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>
(Reversal of)/allowance for expected credit loss and bad debts written off	(11)	68

**6.1 Related party transactions**

During the financial period, other than the transactions disclosed elsewhere in the interim financial statements, these were the following significant related party transactions:

	<b>ARA H-Trust</b>	
	<b>1H 2022</b>	<b>1H 2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Related entities</b>		
Trustee-Manager's trustee fee paid/payable	60	60
REIT Trustee's fees paid/payable	54	54
Hotel management fee paid/payable	2,439	1,586
Managers' management fees paid/payable	2,603	-
Reimbursement of expenses (paid on behalf by REIT Manager and Trustee-Manager)	92	39



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	<b>ARA H-REIT</b>	
	<b>1H 2022</b>	<b>1H 2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Related entities</b>		
REIT Trustee's fees paid/payable	54	54
REIT Manager's management fees paid/payable	1,953	-
Reimbursement of expenses (paid on behalf by REIT Manager)	42	13
<b>Related corporations within the Stapled Group</b>		
Rental income received/receivable	25,913	22,606
Interest expenses paid/payable	13,176	13,176
Interest income received/receivable	416	426

	<b>ARA H-BT</b>	
	<b>1H 2022</b>	<b>1H 2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>
<b>Related entities</b>		
Trustee-Manager's trustee fee paid/payable	60	60
Hotel management fee paid/payable	2,439	1,586
Trustee-Manager's management fees paid/payable	650	-
Reimbursement of expenses (paid on behalf by Trustee-Manager)	50	26
<b>Related corporations within the Stapled Group</b>		
Rental expenses paid/payable	25,913	22,606
Interest expenses paid/payable	416	426
Interest income received/receivable	13,176	13,176

**7. Earnings per Stapled Security**

Earnings per Stapled Security is based on:

	<b>ARA H-Trust</b>	
	<b>1H 2022</b>	<b>1H 2021</b>
	<b>US\$'000</b>	<b>US\$'000</b>
Net loss for the period attributable to Stapled Securityholders	(1,875)	(9,501)

	<b>Number of Stapled Securities ('000)</b>	
	Weighted average number of Stapled Securities used in arriving at basic earnings per Stapled Security:	
- issued Stapled Securities at the beginning of the period	567,342	567,342
- issued as payment of REIT Manager's and Trustee-Manager's management fees payable in Stapled Securities	570	-
- to be issued as payment of REIT Manager's and Trustee-Manager's base management fees payable in Stapled Securities	6	-
	<u>567,918</u>	<u>567,342</u>

Weighted average number of Stapled Securities used in arriving at diluted earnings per Stapled Security:		
- weighted average number of Stapled Securities (basic EPS)	567,918	567,342
- contingently issuable as payment of REIT Manager's and Trustee-Manager's performance management fees payable in Stapled Securities <sup>(1)</sup>	1,782	-
	<u>569,700</u>	<u>567,342</u>

(1) Approximately 1,782,000 Stapled Securities are contingently issuable as payment of 50% of the Managers' performance fees if the conditions for the performance fees are met.

<b>Earnings per Stapled Security ("EPS") (US cents)</b>		
Basic and Diluted	<u>(0.33)</u>	<u>(1.67)</u>



**8. Distribution per Stapled Security**

ARA H-Trust	1H 2022 US\$'000	1H 2021 US\$'000
Distributions	8,123	-
Number of Stapled Securities on issue and to be issued ('000)	569,199	567,342
DPS (U.S. cents)	1.427	-

**9. Net assets value**

ARA H-Trust	As at 30 June 2022	As at 31 December 2021
Net assets attributable to Stapled Securityholders (US\$'000)	407,420	399,745
Net tangible assets attributable to Stapled Securityholders (US\$'000)	406,933	399,246
Number of Stapled Securities on issue at the end of the period ('000)	568,188	567,342
<b>Net assets / Net tangible assets per Stapled Security (US\$)</b>	<b>0.72</b>	<b>0.70</b>

**10. Fair value of assets and liabilities**

The Stapled Group uses interest rate swaps to manage its exposure to interest rate risks. As at 30 June 2022, the Stapled Group had interest rate swaps with a notional amount of US\$266.3 million (31 December 2021: US\$266.3 million) designated as cash flow hedging instruments.

The effective portion of changes in the fair value of the derivative is recognised in Other Comprehensive Income ("OCI") and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of 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.

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 financial assets and financial liabilities whose carrying amount is a reasonable approximation of fair value.



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	ARA H-Trust US\$'000	ARA H-REIT US\$'000	ARA H-BT US\$'000
<b>30 June 2022</b>			
<b>Financial assets not measured at fair value</b>			
Loans to related corporation			
- <i>Carrying amount</i>	–	–	294,000
- <i>Fair value (Level 2)</i>	–	–	295,022
<b>Financial assets measured at fair value</b>			
Derivative financial assets – interest rate swaps			
- <i>Carrying amount</i>	3,848	3,848	–
- <i>Fair value (Level 2)</i>	3,848	3,848	–
<b>Financial liabilities not measured at fair value</b>			
Loans from related corporation			
- <i>Carrying amount</i>	–	(294,000)	–
- <i>Fair value (Level 2)</i>	–	(295,074)	–
Loans and borrowings <sup>(1)</sup>			
- <i>Carrying amount</i>	(329,212)	(319,742)	(9,470)
- <i>Fair value (Level 2)</i>	(329,761)	(319,372)	(10,389)
<b>31 December 2021</b>			
<b>Financial assets not measured at fair value</b>			
Loans to related corporation			
- <i>Carrying amount</i>	–	–	294,000
- <i>Fair value (Level 2)</i>	–	–	295,074
<b>Financial liabilities measured at fair value</b>			
Derivative financial liabilities – interest rate swaps			
- <i>Carrying amount</i>	(7,310)	(7,310)	–
- <i>Fair value (Level 2)</i>	(7,310)	(7,310)	–
<b>Financial liabilities not measured at fair value</b>			
Loans from related corporation			
- <i>Carrying amount</i>	–	(294,000)	–
- <i>Fair value (Level 2)</i>	–	(295,074)	–
Loans and borrowings <sup>(1)</sup>			
- <i>Carrying amount</i>	(336,309)	(319,894)	(16,415)
- <i>Fair value (Level 2)</i>	(336,810)	(320,340)	(16,471)

<sup>(1)</sup> Excluding lease liabilities

**Valuation techniques and significant unobservable inputs**

The following table shows the valuation techniques used in measuring Level 2 fair values.

Financial instruments measured at fair value	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.

## 11. Property, plant and equipment and investment properties

The portfolio hotels, comprising 38 Hyatt hotels and 3 Marriott hotels, are presented as property, plant and equipment in the financial statements of ARA H-Trust and ARA H-BT, and as investment properties in the financial statements of ARA H-REIT.

During 1H 2022, ARA H-Trust and ARA H-BT capitalised capital expenditures amounting to US\$4,444,000 (31 December 2021: US\$9,258,000) and US\$3,361,000 (31 December 2021: US\$3,082,000), respectively. During 1H 2022, ARA H-REIT capitalised capital expenditures amounting to US\$1,083,000 (31 December 2021: US\$6,176,000).

The fair values of the Stapled Group's portfolio hotels are determined based on significant unobservable inputs and are categorised under Level 3 of the fair value measurement hierarchy. Level 3 fair values are derived using the income capitalisation – discounted cash flows approach where the net property income is capitalised at a rate which reflects the present and potential income growth over the unexpired lease term. An increase in discount rate and terminal capitalisation rate in isolation would result in a lower fair value.

The carrying values of property, plant and equipment and investment properties as at 30 June 2022 were reviewed based on internal valuations undertaken by the Manager using the income capitalisation – discounted cash flows approach which involves certain estimates and significant unobservable inputs, such as market-corroborated discount rate of 9.00% to 10.75% (31 December 2021: 9.00% to 10.75%) and terminal capitalisation rate of 7.00% to 8.75% (31 December 2021: 7.00% to 8.75%).

On an annual basis, the Stapled Group engages external, independent and qualified valuers to perform a full valuation of the portfolio hotels, prepared in accordance with the Uniform Standards of Professional Practice (“USPAP”), and in compliance with the requirements under the SGX Listing Manual and Code on Collective Investment Schemes (the “Code”). The external independent property valuer is required to have appropriate recognised professional qualifications and recent experience in the location and type of properties being valued.

Property, plant and equipment and investment properties as at 31 December 2021 are stated at fair value based on valuations by Jones Lang LaSalle Valuation & Advisory Services. The valuer considered the income capitalisation – discounted cash flows in arriving at the fair value as at the reporting date. In determining the fair value, the valuer 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 considered all available information as at 31 December 2021 relating to the COVID-19 pandemic and made necessary adjustments to the valuation. The Managers have exercised their judgement and are satisfied that the valuation methods and estimates are reflective of current market conditions.

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.

As at the reporting date, the Stapled Group has the following capital commitments:

	30 June 2022 US\$'000	31 December 2021 US\$'000
Capital expenditure contracted but not provided for	2,486	1,871

## 12. Assets held for sale

	ARA H-Trust	
	30 June 2022 US\$'000	31 December 2021 US\$'000
At beginning of the financial period/year	405	-
Reclassification from property, plant and equipment	39,207	405
Sale completed during the financial period/year	(54)	-
Net changes in fair value of assets held for sale	(628)	-
At end of the financial period/year	<u>38,930</u>	<u>405</u>

During 1H 2022, the Stapled Group entered into conditional purchase and sale agreements (the "PSA") with various purchasers to sell Hyatt Place Chicago Itasca for US\$7.75 million and a portfolio of hotels comprising Hyatt Place Pittsburgh Cranberry, Hyatt Place Birmingham Inverness, Hyatt Place Cincinnati Northeast and Hyatt Place Cleveland Independence for US\$32.5 million. Accordingly, the above-mentioned hotels were classified as assets held for sale as at 30 June 2022. Sale of Hyatt Place Chicago Itasca was completed on 8 July 2022.

During the financial year 2021, the Stapled Group received a notice from the Georgia Department of Transportation (the "GDOT") on acquisition of a portion of the unused land of approximately 3,851 sq ft of Hyatt Place Atlanta Alpharetta (the "Affected Excess Land") for a roadway improvement project. The Affected Excess Land does not contribute any economic value to the property and does not affect existing hotel operations. The GDOT had offered an amount of US\$79,600 for the Affected Excess Land, based on the fair market value as appraised by a third party valuer. Sale of the Affected Excess Land was completed in 1H 2022.

During the financial year 2021, the Stapled Group also received an unsolicited offer for a portion of an unused land of approximately 105,000 sq ft of Hyatt House Morriston (the "Excess Land") from an adjacent property owner. The Excess Land does not contribute any economic value to the property and does not affect existing hotel operations. The sale price of the Excess Land is US\$325,000, based on the fair market value as appraised by a third party valuer. Sale of the Excess Land is expected to be completed in 2H 2022.

## 13. Loans and borrowings

The Stapled Group has in place the following USD loan facilities:

- US\$260.8 million (31 December 2021: US\$260.8 million) secured term loan and letter of credit facilities; and
- US\$95.0 million (31 December 2021: US\$95.0 million) unsecured term loan and revolving facilities;

As at 30 June 2022, the aggregate limit was 43.5% (31 December 2021: 44.3%) and the interest coverage ratio was 2.8 times (31 December 2021: 2.0 times).

### Secured term loan

The facilities are secured on the following:

- mortgages, assignment of leases and rents, security agreement and fixture fittings over 38 Hyatt 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.

As at 30 June 2022, US\$80.0 million (31 December 2021: US\$85.0 million) of the unsecured term loan and revolving facilities has been drawn down.



**ARA US Hospitality Trust**  
**Unaudited Interim Financial Information**  
**For the six-month period ended 30 June 2022**

	<b>As at 30 June 2022 US\$'000</b>	<b>As at 31 December 2021 US\$'000</b>
<b>ARA H-Trust</b>		
Secured loans	249,795	251,795
Unsecured loans	80,000	85,000
Lease liabilities	1,690	1,826
	<u>331,485</u>	<u>338,621</u>
Less: Unamortised borrowing costs	(584)	(486)
	<u><u>330,901</u></u>	<u><u>338,135</u></u>
<b>ARA H-REIT</b>		
Secured loans	244,325	244,325
Unsecured loans	76,000	76,000
Lease liabilities	1,476	1,546
	<u>321,801</u>	<u>321,871</u>
Less: Unamortised borrowing costs	(584)	(431)
	<u><u>321,217</u></u>	<u><u>321,440</u></u>
<b>ARA H-BT</b>		
Secured loans	5,470	7,470
Unsecured loans	4,000	9,000
Lease liabilities	110,114	125,191
	<u>119,584</u>	<u>141,661</u>
Less: Unamortised borrowing costs	-	(55)
	<u><u>119,584</u></u>	<u><u>141,606</u></u>

**ARA US Hospitality Trust**  
**Unaudited Interim Financial Information**  
**For the six-month period ended 30 June 2022**

Loans and borrowings are repayable as follows:

	As at 30 June 2022			As at 31 December 2021		
	Secured US\$'000	Unsecured US\$'000	Lease liabilities US\$'000	Secured US\$'000	Unsecured US\$'000	Lease liabilities US\$'000
<b>ARA H-Trust</b>						
Amount repayable						
- within one year	-	-	286	-	10,000	281
- after one year	249,795	80,000	1,404	251,795	75,000	1,545
	249,795	80,000	1,690	251,795	85,000	1,826
Less: Unamortised borrowing costs	(235)	(349)	-	(414)	(72)	-
	249,560	79,651	1,690	251,381	84,928	1,826
<b>ARA H-REIT</b>						
Amount repayable						
- within one year	-	-	143	-	10,000	141
- after one year	244,325	76,000	1,333	244,325	66,000	1,405
	244,325	76,000	1,476	244,325	76,000	1,546
Less: Unamortised borrowing costs	(235)	(349)	-	(304)	(127)	-
	244,090	75,651	1,476	244,021	75,873	1,546
<b>ARA H-BT</b>						
Amount repayable						
- within one year	-	-	42,954	-	-	40,367
- after one year	5,470	4,000	67,160	7,470	9,000	84,824
	5,470	4,000	110,114	7,470	9,000	125,191
Less: Unamortised borrowing costs	-	-	-	-	(55)	-
	5,470	4,000	110,114	7,470	8,945	125,191

**14. Stapled Securities in issue and to be issued**

	ARA H-Trust	
	1H2022 '000	FY2021 '000
<b>Stapled securities in issue</b>		
<b>Balance at beginning of period</b>	567,342	567,342
REIT Manager's and Trustee-Manager's management fees paid in Stapled Securities <sup>(1)</sup>	846	-
<b>Total Issued Stapled Securities as at end of period/year</b>	568,188	567,342
<b>Stapled Securities to be issued</b>		
REIT Manager's and Trustee-Manager's management fees payable in Stapled Securities <sup>(2)</sup>	1,011	846
<b>Total Stapled Securities issued and to be issued as at end of period/year</b>	569,199	568,188

(1) 845,242 Stapled Securities were issued in February 2022 as payment of 50% of the Managers' base and performance fees for the period from 1 October 2021 to 31 December 2021.

(2) 1,011,721 Stapled Securities are to be issued in August 2022 as payment of 50% of the Managers' base fees for the period from 1 January 2022 and 30 June 2022.

ARA H-Trust does not hold any treasury Stapled Securities as at 30 June 2022 and 31 December 2021. The total number of issue Stapled Securities in ARA H-Trust as at 30 June 2022 and 31 December 2021 were 568,188,000 and 567,342,000 respectively.

**15. Subsequent events**

- a) On 8 July 2022, the Stapled Group completed sale of Hyatt Place Chicago Itasca for US\$7.75 million.
- b) On 3 August 2022, the Board of the Managers approved distributions of 1.427 US cents per Stapled Security for the period from 1 January 2022 to 30 June 2022.

**Other Information Required Under Appendix 7.2 of the Listing Manual**

**(A) Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice**

The interim financial information for the six-month period ended 30 June 2022 has not been audited or reviewed by the independent auditors.

**Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter**

Not applicable.

(B) Review of the performance of the Stapled Group

	Note	ARA H-Trust		
		1H 2022 US\$'000	1H 2021 US\$'000	Change %
Revenue	(i)	81,256	52,847	53.8
Operating expenses	(ii)	(53,705)	(38,715)	(38.7)
<b>Gross operating profit</b>	(iii)	<b>27,551</b>	<b>14,132</b>	<b>95.0</b>
Hotel management fee	(iv)	(2,439)	(1,586)	(53.8)
Property taxes	(v)	(2,621)	(2,329)	(12.5)
Other expenses	(vi)	(1,400)	(1,093)	(28.1)
<b>Net Property Income</b>		<b>21,091</b>	<b>9,124</b>	<b>&gt;100</b>
Other income	(vii)	532	25	>100
Depreciation and amortisation		(12,590)	(11,991)	(5.0)
REIT Manager's and Trustee-Manager's management fees		(2,603)	-	N.M.
Trustee-Manager's trustee fee		(60)	(60)	-
REIT Trustee's fee		(54)	(54)	-
Net finance costs		(6,164)	(6,078)	(1.4)
Other trust expenses	(viii)	(1,299)	(1,152)	(12.8)
<b>Net loss for the period before tax and fair value changes</b>		<b>(1,147)</b>	<b>(10,186)</b>	<b>N.M.</b>
Fair value changes in assets held for sale	(ix)	(628)	-	N.M.
<b>Net loss for the period before tax</b>		<b>(1,775)</b>	<b>(10,186)</b>	<b>N.M.</b>
Taxation	(x)	(100)	685	N.M.
<b>Net loss for the period after tax</b>		<b>(1,875)</b>	<b>(9,501)</b>	<b>N.M.</b>
<b>Other comprehensive income</b>				
Item that may be reclassified subsequently to profit or loss:				
Effective portion of changes in fair value of cash flow hedges	(xi)	11,158	4,086	>100
<b>Total comprehensive income for the period</b>		<b>9,283</b>	<b>(5,415)</b>	<b>N.M.</b>

**Notes:**

(i)	<p><b>Revenue</b></p> <p>The Stapled Group recorded higher revenue in 1H 2022 vs 1H 2021 as the portfolio's occupancy improved to 51.2% from 62.7%, while RevPAR improved to US\$52 from US\$80 year on year.</p> <p>The portfolio continued its recovery trajectory in occupancies and RevPAR in FY2022 due to the successful widespread distribution of effective vaccines, general management of COVID-19 cases, and subsequent lifting of restrictions and mandates related to COVID-19. This is in comparison to 1H 2021 when the lodging industry was in the early stages of recovery and before COVID-19 vaccines were available.</p>
(ii)	<p><b>Operating expenses</b></p> <p>Operating expenses increased in line with higher occupancy in 1H 2022. Operating expenses include room expenses, other operating expenses, administrative and general expenses, sales and marketing expenses, franchise fees, property operations and maintenance expenses and utilities.</p>
(iii)	<p><b>Gross operating profit ("GOP")</b></p> <p>GOP margin improved from 26.7% in 1H 2021 to 33.9% in 1H 2022, in line with higher occupancy and RevPAR.</p>
(iv)	<p><b>Hotel management fee</b></p> <p>Hotel management fee is 3% of total revenue, increased in line with the higher revenue in 1H 2022.</p>
(v)	<p><b>Property taxes</b></p> <p>Property taxes based on issue of property tax assessments by relevant authorities in accordance with SFRS(I), increased by US\$0.3 million in 1H 2022.</p>
(vi)	<p><b>Other expenses</b></p> <p>Other expenses increased in 1H 2022 primarily due to higher insurance expenses.</p>
(vii)	<p><b>Other income</b></p> <p>The Stapled Group received the grant income of US\$0.5 million from a State government in 1H 2022.</p>
(viii)	<p><b>Other trust expenses</b></p> <p>Other trust expenses increased marginally by US\$0.1 million to US\$1.3 million in 1H 2022 primarily due to consulting service fee in relation to the application of grant income.</p>
(ix)	<p><b>Fair value changes in assets held for sale</b></p> <p>The Stapled Group recorded fair value changes in assets held for sale in 1H 2022, which primarily relates to Hyatt Place Chicago Itasca.</p>
(x)	<p><b>Taxation</b></p> <p>The Stapled Group recorded a tax credit of US\$0.7 million in 1H 2021 relating to federal tax refund received in respect of prior years.</p>
(xi)	<p><b>Effective portion of changes in fair value of cash flow hedges</b></p> <p>Effective portion of changes in fair value of cash flow hedges relates to fair value changes of the interest rate swaps entered into for hedging purposes. This has no impact on distributable income.</p>



**(C) Where a forecast, or prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

The current results are broadly in line with the Stapled Group's commentary made in the announcement of results for the Financial Year ended 31 December 2021 under Paragraph (D) of Page 34. The Stapled Group has not disclosed any financial forecast to the market.

**(D) Commentary on the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months**

In the United States ("U.S.") domestic as well as international travel continued to recover strongly in the second quarter. COVID-19 is transitioning from a pandemic to an endemic situation. Although the Omicron variant of COVID-19 surged in January 2022 temporarily disrupting travel, case counts quickly subsided by February 2022 and the travel recovery resumed.

While lodging demand growth historically exhibited a close correlation with economic growth in the U.S., this dynamic decoupled during the past two years with the COVID-19 pandemic. High vaccination rates led to a return in travel confidence, and the lifting of lockdowns and other restrictions imposed during the height of the COVID-19 pandemic unleashed strong pent-up demand for travel, particularly for the leisure segment.

According to the latest forecast by Tourism Economics and STR in June 2022, U.S. hotel market occupancy and market revenue per average room rate ("RevPAR") are projected to recover to 63% and US\$92, respectively, in 2022<sup>1</sup>. Market occupancy is expected to be just three percentage points below 2019 peak level as business and group demand have yet to fully recover. Meanwhile, market RevPAR increased by 60% in 2021 and is projected to increase by another 28% in 2022, exceeding the 2019 high watermark by 7%.

The gradual return of business and group demand on top of leisure demand is expected to lead to a full recovery in U.S. hotel market occupancy, as well as drive further increases in market RevPAR. The US Travel Association<sup>2</sup> expects total travel spending to increase in 2022 through to 2024 despite inflation concerns from pent-up demand and strong consumer savings. Domestic travel is expected to continue to drive the recovery overall in the U.S. travel industry, with leisure travel and business travel spending to reach 108% and 90%, respectively, of 2019 levels by 2024.

The state of the U.S. economy is affected by mixed signals. Gross domestic product ("GDP") shrank in the first six months of 2022, with declines of -1.6% in 1Q 2022 and -0.9% in 2Q 2022<sup>3</sup>. The back-to-back quarterly contractions signal a technical recession; however, jobs and spending data show an economic recovery that is still ongoing. Indeed, job gains have been robust in recent months. According to the U.S. Bureau of Labor Statistics<sup>4</sup>, June employment rose by 372,000 and the unemployment rate remained at a low 3.6% in June 2022 for the fourth month in a row. Both consumer spending and business spending have also increased in the second quarter.

Although the economic signals are mixed, the U.S. economy faces the primary risk factor of inflation. The U.S. Consumer Price Index ("CPI") rose by 9.1% for the 12 months ended June 2022. The Federal Reserve ("The Fed") responded to the high inflation level by tightening monetary policy with successive increases to the federal funds rate since March 2022, to 2.25-2.50% as at end July 2022. The Fed's restrictive monetary policy is showing effects of cooling the economy, therefore future rate increases are expected to taper. For fiscal year 2022 the International Monetary Fund ("IMF")<sup>5</sup> projects U.S. GDP growth to be positive, albeit at a moderate rate of 2.3%. Inflation will have an impact on the operating costs of ARA H-Trust, and while we will be affected by rising interest rates, this is ameliorated by most of our borrowings being well hedged through to 1Q 2024.

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<sup>1</sup> STR and Tourism Economics, June 2022

<sup>2</sup> US Travel Association, 21 June 2022

<sup>3</sup> U.S. Bureau of Economic Analysis, July 2022

<sup>4</sup> U.S. Bureau of Labor Statistics, July 2022

<sup>5</sup> IMF, World Economic Outlook Update, July 2022

The Managers' key investment strategy for ARA H-Trust in building a resilient portfolio include (i) proactive asset management strategies to maximise the cashflows of the select service hotel portfolio; (ii) portfolio optimisation and prudent capital management to free up capital to be potentially deployed towards asset management initiatives for core assets that will drive returns, profits and distributions for Stapled Securityholders; and (iii) pursue growth strategies in sub-markets with favourable long-term market fundamentals.

The operating performance of ARA H-Trust is expected to continue to outperform this year on the back of the robust U.S. lodging recovery supported by the pent-up demand and pricing strength. The hotel portfolio average daily rate ("ADR") has surged and this pricing strength is enabling hotel revenue growth to outpace expense increases, mitigating inflation concerns on margins. Both portfolio occupancy and RevPAR are expected to continue to increase with the gradual return of the business and group demand segments, further improving pricing fundamentals. The strengthening revenues combined with the highly efficient cost structure for select-service hotels are expected to enhance returns and deliver value for investors over the long run.

Therefore, ARA H-Trust's high quality, premium-branded, diversified upscale select-service portfolio provides our stapled securityholders with an optimal long-term U.S. lodging strategy.

**(E) Distributions**

<b>(a) Current financial period</b>	
Any distribution declared for the current period?	Yes
<b><u>3<sup>rd</sup> distribution of the Stapled Group for the period from 1 January 2022 to 30 June 2022</u></b>	
Distribution type/rate	Distribution of 1.427 US cents per Stapled Security comprising solely capital distribution.  Stapled Securityholder will receive distribution in the Singapore dollar equivalent of the amount declared in the United States dollar, unless he/she elects otherwise.
Tax rate	Capital distribution represents a return of capital to Stapled Securityholders for Singapore income tax purpose and is therefore not subject to income tax. For Stapled Securityholders who are liable to Singapore income tax on profits from sale of ARA H-Trust Stapled Securities, the amount of capital distribution will be applied to reduce the cost base of their ARA H-Trust Stapled Securities for Singapore income tax purpose.
Payment date	26 September 2022
Record date	18 August 2022
<b>(b) Corresponding period of the immediately preceding financial year</b>	
Any distribution declared for the corresponding period of the immediately preceding financial year?	No

**If no distribution has been declared/(recommended), a statement to that effect and the reason(s) for the decision**

Not applicable.

**(F) If the Group has obtained a general mandate from unitholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect**

The Stapled Group has not obtained a general mandate from Stapled Securityholders for Interested Person Transactions.

**(G) Directors' confirmation pursuant to Rule 705(5) of the Listing Manual**

The Board of Directors of the REIT Manager and the Trustee Manager hereby confirm that, to the best of our knowledge, nothing has come to our attention which may render the unaudited interim financial information of ARA H-REIT, ARA H-BR and ARA H-Trust for the six-month period ended 30 June 2022 to be false or misleading in any material respect.

**(H) Confirmation pursuant to Rule 720(1) of the Listing Manual**

The REIT Manager and Trustee-Manager confirm that it has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) pursuant to Rule 720(1) of the Listing Manual of SGX-ST.

**(I) Confirmation pursuant to Rule 704(13) of the Listing Manual**

Pursuant to Rule 704(13) of the Listing Manual of SGX-ST, the Managers confirm that there is no person occupying a managerial position in ARA Trust Management (USH) Pte. Ltd. or ARA Business Trust Management (USH) Pte. Ltd. or in any of ARA H-Trust's principal subsidiaries who is a relative of a director, chief executive officer, substantial shareholder of the Managers or substantial unitholder of ARA H-Trust.

On behalf of the Board of Directors  
ARA Trust Management (USH) Pte. Ltd.  
ARA Business Trust Management (USH) Pte. Ltd.

Stephen Ray Finch  
Chairman and  
Independent Non-Executive Director

4 August 2022

Seow Bee Lian  
Non-Executive Director

4 August 2022

**Important Notice**

This release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses (including employee wages, benefits and training costs), property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the current views of management on future events.

The value of the Stapled Securities in ARA H-Trust ("Stapled Securities") and the income derived by them, if any, may fall or rise. Stapled Securities are not obligations of, deposits in, or guaranteed by, REIT Manager, Trustee-Manager or any of its affiliates. An investment in the Stapled Securities is subject to investment risks, including the possible loss of the principal amount invested.

Investors should note that they will have no right to request the REIT Manager or the Trustee-Manager to redeem or purchase their Stapled Securities for so long as the Stapled Securities are listed on Singapore Exchange Securities Trading Limited ("SGX-ST"). It is intended that holders of Stapled Securities may only deal in their Stapled Securities through trading on the SGX-ST. The listing of the Stapled Securities on SGX-ST does not guarantee a liquid market for the Stapled Securities.

The past performance of ARA H-Trust is not necessarily indicative of the future performance of ARA H-Trust.