



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 2023



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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 2023, the portfolio of properties held by ARA H-Trust comprises 37 upscale select-service hotels (the “**Properties**” or “**Hotels**”) with 4,826 guest rooms located across 19 states.

ARA H-Trust is presenting its financial results for the financial period from 1 January 2023 to 30 June 2023 (“**1H 2023**”). 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 2023 to 30 June 2023 ("1H 2023")	1 January 2022 to 30 June 2022 ("1H 2022")	Change
	US\$'000	US\$'000	%
Revenue	86,015	81,256	5.9
Gross operating profit	30,653	27,551	11.3
Net property income	21,996	21,091	4.3
Distributable income	8,679	8,123	6.8
Distribution per Stapled Security ("DPS") (US cents), comprising of			
- Capital distribution	1.501	1.427	5.2

	As at 30 June 2023	As at 31 December 2022
Net asset value per Stapled Security (US\$)	0.78	0.80

The Stapled Group achieved higher revenue in 1H 2023 vs 1H 2022, as the portfolio's average occupancy improved 6.2 percentage points from 62.7% to 68.9% and RevPAR improved US\$15 from US\$80 to US\$95.

As compared to the same period last year, ARA H-Trust reported higher gross operating profit and net property income of US\$30.7 million and US\$22.0 million, respectively, for 1H 2023, primarily contributed by the higher revenue during the period, which was offset by higher property taxes in the same period. Property taxes were higher in 1H 2023 as they were accrued based on expected tax assessments by the relevant tax authorities, versus when actual assessments were received in 1H 2022. Cash generated from operating activities improved to US\$23.0 million in 1H 2023 from US\$20.4 million in 1H 2022. After deducting non-operating expenses and reserves set aside for routine capital asset improvements and refurbishments for the hotel properties and other adjustments, distributable income and DPS were US\$8.7 million and 1.501 US cents respectively for 1H 2023.

Net asset value per Stapled Security as at 30 June 2023 was US\$0.78 compared to US\$0.80 as at 31 December 2022.

Distribution details are as follows:

Distribution period	1 January 2023 to 30 June 2023
Distribution rate	1.501 US cents per Stapled Security (capital distribution)
Record date	18 August 2023
Payment date	27 September 2023

Statements of Comprehensive Income

	Note	ARA H-Trust		
		1H 2023 US\$'000	1H 2022 US\$'000	Change %
Revenue		86,015	81,256	5.9
Operating expenses		(55,362)	(53,705)	(3.1)
Gross operating profit		30,653	27,551	11.3
Hotel management fee		(2,581)	(2,439)	(5.8)
Property taxes		(4,337)	(2,621)	(65.5)
Other expenses		(1,739)	(1,400)	(24.2)
Net Property Income		21,996	21,091	4.3
Other income		–	532	(100)
Depreciation and amortisation		(14,247)	(12,590)	(13.2)
REIT Manager's and Trustee-Manager's management fees		(914)	(2,603)	64.9
Trustee-Manager's trustee fee		(60)	(60)	–
REIT Trustee's fee		(60)	(54)	(11.1)
Net finance costs	5	(7,245)	(6,164)	(17.5)
Other trust expenses		(1,253)	(1,299)	3.5
Net loss for the period before tax and fair value changes		(1,783)	(1,147)	(55.4)
Fair value changes in assets held for sale		(911)	(628)	(45.1)
Revaluation deficit of property, plant and equipment*		(6,096)	–	(100)
Net loss for the period before tax	6	(8,790)	(1,775)	(>100)
Taxation		3,034	(100)	>100
Net loss for the period after tax		(5,756)	(1,875)	(>100)
Other comprehensive income				
Item that may be reclassified subsequently to profit or loss:				
Effective portion of changes in fair value of cash flow hedges		(2,080)	11,158	(>100)
Revaluation of property, plant and equipment*		11,234	–	100
Deferred tax effects relating to revaluation of property, plant and equipment		(888)	–	(100)
Total comprehensive (loss)/income for the period		(2,510)	9,283	(>100)
Earnings per Stapled Security (U.S. cents)				
Basic	7	(1.00)	(0.33)	(>100)
Diluted	7	(1.00)	(0.33)	(>100)

* A net gain on revaluation of property, plant and equipment of US\$5.1 million was recognized in total comprehensive income in 1H 2023 (nil in 1H 2022).

Statements of Comprehensive Income (cont'd)

	Note	ARA H-REIT		
		1H 2023	1H 2022	Change
		US\$'000	US\$'000	%
Rental revenue		27,123	25,913	4.7
Operating expenses		(108)	(153)	29.4
Gross operating profit		27,015	25,760	4.9
Property taxes		(3,915)	(2,393)	(63.6)
Other expenses		(649)	(565)	(14.9)
Net Property Income		22,451	22,802	(1.5)
REIT Manager's management fees		(685)	(1,953)	64.9
REIT Trustee's fee		(60)	(54)	(11.1)
Net finance costs	5	(19,702)	(18,645)	(5.7)
Other trust expenses		(602)	(603)	0.2
Net income for the period before tax and fair value changes		1,402	1,547	(9.4)
Net change in fair value of investment properties		(5,025)	–	(100)
Fair value changes in assets held for sale		(911)	(32)	>100
Net (loss)/income for the period before tax		(4,534)	1,515	(>100)
Taxation		2,195	(50)	>100
Net (loss)/income for the period after tax		(2,339)	1,465	(>100)
Other comprehensive income				
Item that may be reclassified subsequently to profit or loss:				
Effective portion of changes in fair value of cash flow hedges		(2,080)	11,158	(>100)
Total comprehensive (loss)/income for the period		(4,419)	12,623	(>100)

Statements of Comprehensive Income (cont'd)

	Note	ARA H-BT		
		1H 2023 US\$'000	1H 2022 US\$'000	Change %
Revenue		86,038	81,256	5.9
Operating expenses		(55,254)	(53,552)	(3.2)
Gross operating profit		30,784	27,704	11.1
Hotel management fee		(2,581)	(2,439)	(5.8)
Property taxes		(422)	(228)	(85.1)
Insurance		(646)	(548)	(17.9)
Rental expenses		(4,609)	(3,376)	(36.5)
Net Property Income		22,526	21,113	6.7
Other income		–	532	100
Depreciation and amortisation		(25,504)	(25,002)	(2.0)
Trustee-Manager's management fees		(228)	(650)	64.9
Trustee-Manager's trustee fee		(60)	(60)	–
Net finance income	5	11,123	10,542	5.5
Other trust expenses		(653)	(698)	6.4
Net income for the period before tax and fair value changes		7,204	5,777	24.9
Fair value changes in assets held for sale		–	(11)	100
Net income for the period before tax	6	7,204	5,766	24.9
Taxation		(50)	(50)	–
Net income for the period after tax and total comprehensive income for the period		7,154	5,716	25.2

Statement of Distributable Income

	ARA H-Trust		
	1H 2023	1H 2022	Change
	US\$'000	US\$'000	%
Net loss for the period after tax	(5,756)	(1,875)	(>100)
Add/(Less): Distribution adjustments			
Depreciation and amortisation	14,247	12,590	13.2
Amortisation of upfront debt-related costs	135	295	(54.2)
Interest expenses on lease liabilities	24	34	(29.4)
Manager's management fees paid/payable in Stapled Securities	457	1,301	(64.9)
Fair value changes in assets held for sale	911	628	45.1
Revaluation deficit of property, plant and equipment	6,096	–	100
Deferred tax credits	(3,134)	–	(100)
Others ⁽¹⁾	(4,301)	(4,850)	11.3
Net distribution adjustments	14,435	9,998	24.9
Distributable income	8,679	8,123	6.8

Footnote:

(1) Relates mainly to reserves set aside for capital expenditures.



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Statements of Financial Position

	Note	As at 30 June 2023			As at 31 December 2022		
		ARA H-Trust US\$'000	ARA H-REIT US\$'000	ARA H-BT US\$'000	ARA H-Trust US\$'000	ARA H-REIT US\$'000	ARA H-BT US\$'000
Non-current assets							
Investment properties	11	–	737,464	–	–	720,633	–
Deferred tax assets		12,751	–	12,751	12,751	–	12,751
Derivative financial assets	10	–	–	–	7,349	7,349	–
Property, plant and equipment	11	768,030	–	100,082	749,271	–	106,777
Intangible assets		461	–	461	474	–	474
Loans to related corporation		–	–	294,000	–	–	294,000
		781,242	737,464	407,294	769,845	727,982	414,002
Current assets							
Derivative financial assets	10	5,269	5,269	–	–	–	–
Inventories		442	–	442	391	–	391
Trade and other receivables		3,930	10,208	32,884	5,238	7,359	29,313
Loans to related corporation		–	37,479	–	–	32,253	–
Cash and cash equivalents		21,127	3,897	17,230	50,620	36,978	13,642
		30,768	56,853	50,556	56,249	76,590	43,346
Assets held for sale	12	7,550	7,225	325	295	325	–
		38,318	64,078	50,881	56,544	76,915	43,346
Total assets		819,560	801,542	458,175	826,389	804,897	457,348



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Statements of Financial Position (cont'd)

	Note	As at 30 June 2023			As at 31 December 2022		
		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
Non-current liabilities							
Loans from related corporation		–	294,000	–	–	294,000	–
Loans and borrowings	13	75,933	75,967	27,628	325,615	320,139	47,074
Deferred tax liabilities		19,159	19,159	–	21,405	21,405	–
Other payables		125	125	–	125	125	–
		95,217	389,251	27,628	347,145	635,669	47,074
Current liabilities							
Loans from related corporation		–	–	37,479	–	–	32,253
Trade and other payables		20,784	36,558	23,571	19,009	33,589	16,878
Loans and borrowings	13	249,901	244,380	50,510	257	145	40,202
Tax payable		422	196	226	322	146	176
		271,107	281,134	111,786	19,588	33,880	89,509
Total liabilities		366,324	670,385	139,414	366,733	669,549	136,583
Represented by:							
Stapled Securityholders' funds		453,236	131,157	318,761	459,656	135,348	320,765



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Statements of Movements in Stapled Securityholders' Funds

ARA H-Trust	Stapled Security	Issue Costs	Revenue Reserve	Hedging Reserve	Revaluation Reserve	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2023	484,054	(16,024)	(155,726)	7,349	140,003	459,656
Net loss for the period attributable to Stapled Securityholders, net of tax	–	–	(5,756)	–	–	(5,756)
Other comprehensive income						
Effective portion of changes in fair value of cash flow hedges	–	–	–	(2,080)	–	(2,080)
Revaluation of property, plant and equipment	–	–	–	–	11,234	11,234
Deferred tax effects relating to revaluation of property, plant and equipment	–	–	–	–	(888)	(888)
Total comprehensive (loss)/income for the period, net of tax	–	–	–	(2,080)	10,346	8,266
Contribution by and distribution to Stapled Securityholders						
REIT Manager's and Trustee-Manager's fees paid in Stapled Securities	456	–	–	–	–	456
Distribution to Stapled Securityholders	(9,386)	–	–	–	–	(9,836)
Net distribution to Stapled Securityholders	(8,930)	–	–	–	–	(8,930)
At 30 June 2023	475,124	(16,024)	(161,482)	5,269	150,349	453,236
At 1 January 2022	490,578	(16,024)	(165,238)	(7,310)	97,739	399,745
Net loss for the period attributable to Stapled Securityholders, net of tax	–	–	(1,875)	–	–	(1,875)
Other comprehensive income						
Effective portion of changes in fair value of cash flow hedges	–	–	–	11,158	–	11,158
Total comprehensive income for the period, net of tax	–	–	–	11,158	–	11,158
Contribution by and distribution to Stapled Securityholders						
REIT Manager's and Trustee-Manager's fees paid in Stapled Securities	410	–	–	–	–	410
Distribution to Stapled Securityholders	(2,018)	–	–	–	–	(2,018)
Total contribution by and distribution to Stapled Securityholders	(1,608)	–	–	–	–	(1,608)
At 30 June 2022	488,970	(16,024)	(167,113)	3,848	97,739	407,420



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

ARA H-REIT	Stapled Security	Issue Costs	Revenue Reserve	Hedging Reserve	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2023	178,240	(9,437)	(40,804)	7,349	135,348
Net loss for the period attributable to Stapled Securityholders, net of tax	–	–	(2,339)	–	(2,339)
Other comprehensive income					
Effective portion of changes in fair value of cash flow hedges	–	–	–	(2,080)	(2,080)
Total comprehensive loss for the period, net of tax	–	–	–	(2,080)	(2,080)
Contribution by Stapled Securityholders					
REIT Manager's management fees paid in Stapled Securities	228	–	–	–	228
Total contribution by Stapled Securityholders	228	–	–	–	228
At 30 June 2023	178,468	(9,437)	(43,143)	5,269	131,157
At 1 January 2022	176,431	(9,437)	(82,149)	(7,310)	77,535
Net income for the period attributable to Stapled Securityholders, net of tax	–	–	1,465	–	1,465
Other comprehensive income					
Effective portion of changes in fair value of cash flow hedges	–	–	–	11,158	11,158
Total comprehensive income for the period, net of tax	–	–	–	11,158	11,158
Contribution by and distribution to Stapled Securityholders					
REIT Manager's management fees paid in Stapled Securities	205	–	–	–	205
Total contribution by and distribution to Stapled Securityholders	205	–	–	–	205
At 30 June 2022	176,636	(9,437)	(80,684)	3,848	90,363



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

ARA H-BT	Stapled Security	Issue Costs	Revenue Reserve	Total
	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2023	305,816	(6,587)	21,536	320,765
Net income for the period attributable to Stapled Securityholders, net of tax	–	–	7,154	7,154
Contribution by and distribution to Stapled Securityholders				
Trustee-Manager's management fees paid in Stapled Securities	228	–	–	228
Distribution to Stapled Securityholders	(9,386)	–	–	(9,386)
Net contribution by and distribution to Stapled Securityholders	(9,158)	–	–	(9,158)
At 30 June 2023	296,658	(6,587)	28,690	318,761

At 1 January 2022	314,147	(6,587)	10,715	318,275
Net income for the period attributable to Stapled Securityholders, net of tax	–	–	5,716	5,716
Contribution by and distribution to Stapled Securityholders				
Trustee-Manager's management fees paid in Stapled Securities	205	–	–	205
Distribution to Stapled Securityholders	(2,018)	–	–	(2,018)
Total contribution by and distribution to Stapled Securityholders	(1,813)	–	–	(1,813)
At 30 June 2022	312,334	(6,587)	16,431	322,178

Statements of Cash Flows

	Note	ARA H-Trust	
		1H 2023 US\$'000	1H 2022 US\$'000
Cash flows from operating activities			
Net loss before tax		(8,790)	(1,775)
Adjustments for:			
Reversal of allowance for expected credit loss	6	(53)	(11)
Depreciation of property, plant and equipment		14,234	12,577
Amortisation of intangible assets		13	13
Revaluation deficit of property, plant and equipment		6,096	-
Managers' management fees paid/payable in Stapled Securities		457	1,302
Fair value changes in assets held for sale		911	628
Net finance costs	5	7,245	6,164
Operating income before working capital changes		20,113	18,898
Changes in working capital:			
Inventories		(51)	(35)
Trade and other receivables		1,094	422
Trade and other payables		1,852	1,115
Cash generated from operations		23,008	20,400
Tax refund		-	-
Net cash generated from operating activities		23,008	20,400
Cash flows from investing activities			
Interest received		600	-
Acquisition of property, plant and equipment		(29,725)	-
Net proceeds from disposition of assets held for sale		303	83
Payment for capital expenditure		(6,751)	(4,444)
Net cash used in investing activities		(35,573)	(4,361)
Cash flows from financing activities			
Proceeds from loans and borrowings		-	87,000
Repayment of loans and borrowings		-	(94,000)
Payment of transaction costs relating to new loan facilities		-	(392)
Payment of lease liabilities		(95)	(172)
Distribution to Stapled Securityholders		(9,386)	(2,018)
Interest paid		(7,447)	(5,798)
Net cash used in financing activities		(16,928)	(15,380)
Net (decrease)/increase in cash and cash equivalents		(29,493)	659
Cash and cash equivalents at beginning of the period		50,620	19,153
Cash and cash equivalents at end of the period		21,127	19,812



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Statements of Cash Flows (cont'd)

	Note	ARA H-REIT	
		1H 2023 US\$'000	1H 2022 US\$'000
Cash flows from operating activities			
Net (loss)/ income before tax		(4,534)	1,515
Adjustments for:			
Managers' management fees paid/payable in Stapled Securities		228	651
Net change in fair value of investment properties		5,025	–
Fair value changes in assets held for sale		911	32
Net finance costs	5	19,702	18,645
Operating income before working capital changes		21,332	20,843
Changes in working capital:			
Trade and other receivables		187	274
Trade and other payables		(1,275)	(2,250)
Cash generated from operations		20,244	18,867
Tax refund		–	–
Net cash generated from operating activities		20,244	18,867
Cash flows from investing activities			
Acquisition of investment properties		(28,697)	–
Interest received		600	20
Payment for capital expenditure		(1,149)	(1,083)
Proceeds from disposition of assets held for sale		303	83
Proceeds from loan to related corporation		2,640	–
Issuance of loan to related corporation		(7,866)	(6,050)
Amount due from related corporation – non-trade		(2,759)	(2,554)
Net cash used in investing activities		(36,928)	(9,584)
Cash flows from financing activities			
Proceeds from loans and borrowings		–	76,000
Repayment of loans and borrowings		–	(76,000)
Payment of transaction costs relating to new loan facilities		–	(392)
Payment of lease liabilities		(95)	(95)
Interest paid		(16,872)	(14,614)
Amount due to related corporation – non-trade		570	1,452
Net cash used in financing activities		(16,397)	(13,649)
Net decrease in cash and cash equivalents		(33,081)	(4,366)
Cash and cash equivalents at beginning of the period		36,978	6,592
Cash and cash equivalents at end of the period		3,897	2,226

Statements of Cash Flows (cont'd)

	Note	ARA H-BT	
		1H 2023 US\$'000	1H 2022 US\$'000
Cash flows from operating activities			
Net income before tax		7,204	5,766
Adjustments for:			
Reversal of allowance for expected credit loss		(53)	(11)
Depreciation of property, plant and equipment		25,491	24,989
Amortisation of intangible assets		13	13
Managers' management fees paid/payable in Stapled Securities		228	651
Fair value changes in assets held for sale		–	11
Net finance income	5	(11,123)	(10,542)
Operating income before working capital changes		21,760	20,877
Changes in working capital:			
Inventories		(51)	(35)
Trade and other receivables		1,540	(940)
Trade and other payables		3,252	13,485
Cash generated from operations		26,501	33,387
Tax refund		–	–
Net cash generated from operating activities		26,501	33,387
Cash flows from investing activities			
Acquisition of property, plant and equipment		(1,028)	–
Interest received		9,600	–
Payment for capital expenditures		(5,602)	(3,361)
Amount due from related corporation – non-trade		(1,482)	(1,452)
Net cash generated from/(used in) investing activities		1,488	(4,813)
Cash flows from financing activities			
Proceeds from loans and borrowings		–	11,000
Repayment of loans and borrowings		–	(18,000)
Repayment of loans from related corporation		(2,640)	–
Payment of lease liabilities		(23,095)	(22,900)
Proceeds from loan from related corporation		7,866	6,050
Amount due to related corporation – non-trade		3,205	2,554
Distribution to Stapled Securityholders		(9,386)	(2,018)
Interest paid		(351)	(234)
Net cash used in financing activities		(24,401)	(23,548)
Net increase in cash and cash equivalents		3,588	5,026
Cash and cash equivalents at beginning of the period		13,642	12,561
Cash and cash equivalents at end of the period		17,230	17,587



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 2023 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**”).

Notes to the Interim Financial Statements

2. Basis of preparation (continued)

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 2022. 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 interim financial statements of the Stapled Group, and ARA H-REIT have been prepared on a going concern basis notwithstanding the net current liabilities position of \$232,789,000 of the Stapled Group and net current liabilities of \$217,056,000 of ARA H-REIT. The Stapled Group and ARA H-REIT are in a net current liabilities position because of the classification of secured term loans amounting to US\$249,701,000 and US\$244,231,000 respectively as current liabilities as of 30 June 2023 as these term loans are due to mature in May 2024. The Stapled Group has on 2 August 2023 obtained signed commitment from the existing lender banks to refinance the secured term loans.

The interim financial statements of ARA H-BT have been prepared on a going concern basis notwithstanding the net current liabilities position of \$60,905,000 of ARA H-BT. ARA H-BT has undrawn committed credit facilities of US\$20 million as at 30 June 2023 and the ARA H-REIT has undertaken to provide financial support to ARA H-BT.

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 2023:

- *SFRS(I) 17 Insurance Contracts (including Amendments to SFRS(I) 17 issued in June 2020 and Amendment to SFRS(I) 17- Initial Application of SFRS(I) 17 and SFRS(I) 9 —Comparative Information issued in December 2021)*
- *Amendments to SFRS(I) 1-8: Definition of Accounting Estimates*
- *Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: Disclosure of Accounting Policies*
- *Amendments to SFRS(I) 1-12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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

Notes to the Interim Financial Statements

2. Basis of preparation (continued)

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 2022.

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

Notes to the Interim Financial Statements

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.

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. 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.

4.1 Reportable segments

ARA H-Trust	Hyatt Place US\$'000	Hyatt House US\$'000	Marriott US\$'000	Hilton US\$'000	Total US\$'000
1 January 2023 to 30 June 2023					
Revenue	44,075	29,680	10,877	1,383	86,015
Reportable segment net property income	9,754	7,453	4,053	736	21,996
Depreciation of property, plant and equipment	(7,544)	(4,583)	(1,911)	(196)	(14,234)
Amortisation of intangible assets	–	–	(13)	–	(13)
Revaluation deficit of property, plant and equipment	(3,630)	(2,466)	–	–	(6,096)
Fair value changes in assets held for sale	(889)	(22)	–	–	(911)
Unallocated items:					
– REIT Manager's and Trustee-Managers' management fees					(914)
– Trustee-Manager's trustee fees					(60)
– REIT trustee fees					(60)
– Finance costs					(7,245)
– Other trust expenses					(1,253)
– Taxation					3,034
Net loss for the period					(5,756)

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4.1 Reportable segments (continued)

As at 30 June 2023	Hyatt Place	Hyatt House	Marriott	Hilton	Unallocated	Total
Assets and liabilities	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Reportable segment assets	406,297	217,289	108,732	30,041	57,201	819,560
Reportable segment liabilities	(10,327)	(6,803)	(1,776)	(410)	(347,008)	(366,324)

ARA H-Trust	Hyatt Place	Hyatt House	Marriott	Total
	US\$'000	US\$'000	US\$'000	US\$'000
1 January 2022 to 30 June 2022				
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:				
- REIT Manager's and Trustee Manager's 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)
Net loss for the period				(1,875)

As at 30 June 2022	Hyatt Place	Hyatt House	Marriott	Unallocated	Total
Assets and liabilities	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
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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5. Net finance (costs)/income

	ARA H-Trust	
	1H 2023 US\$'000	1H 2022 US\$'000
Finance income		
Interest income from fixed deposits	334	–
Finance costs		
Financial liabilities measured at amortised cost:		
- Interest paid/payable to banks	(7,420)	(5,835)
- Interest expenses on lease liabilities	(24)	(34)
- Amortisation of debt related transaction costs	(135)	(295)
	<u>(7,579)</u>	<u>(6,164)</u>
Net finance costs	<u>(7,245)</u>	<u>(6,164)</u>

	ARA H-REIT	
	1H 2023 US\$'000	1H 2022 US\$'000
Finance income		
Interest income from fixed deposits	334	–
Interest income under the effective interest method on:		
- Loans to related corporation	542	416
	<u>876</u>	<u>416</u>
Finance costs		
Financial liabilities measured at amortised cost:		
- Interest expense paid/payable to banks	(7,245)	(5,621)
- Interest expense paid/payable to related corporation	(13,176)	(13,176)
- Interest expense on lease liabilities	(22)	(25)
- Amortisation of debt related transaction costs	(135)	(239)
	<u>(20,578)</u>	<u>(19,061)</u>
Net finance costs	<u>(19,702)</u>	<u>(18,645)</u>

Notes to the Interim Financial Statements

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

	ARA H-BT	
	1H 2023 US\$'000	1H 2022 US\$'000
Finance income		
Interest income under the effective interest method on:		
- Loans to related corporation	13,176	13,176
Finance costs		
Financial liabilities measured at amortised cost:		
- Interest expense paid/payable to banks	(176)	(214)
- Interest expense paid/payable to related corporation	(542)	(416)
- Interest expense on lease liabilities	(1,335)	(1,948)
- Amortisation of debt related transaction costs	-	(56)
	<u>(2,053)</u>	<u>(2,634)</u>
Net finance income	<u>11,123</u>	<u>10,542</u>

6. Net loss before tax

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

	ARA H-Trust	
	1H 2023 US\$'000	1H 2022 US\$'000
Reversal of allowance for expected credit loss	<u>(53)</u>	<u>(11)</u>
	ARA H-BT	
	1H 2023 US\$'000	1H 2022 US\$'000
Reversal of allowance for expected credit loss	<u>(53)</u>	<u>(11)</u>

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:

	ARA H-Trust	
	1H 2023 US\$'000	1H 2022 US\$'000
Related entities		
Trustee-Manager's trustee fee paid/payable	60	60
REIT Trustee's fees paid/payable	60	54
Hotel management fee paid/payable	2,581	2,439
REIT Manager's and Trustee-Manager's management fees paid/payable	914	2,603
Reimbursement of expenses (paid on behalf by REIT Manager and Trustee-Manager)	<u>50</u>	<u>92</u>



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Notes to the Interim Financial Statements

6.1 Related party transactions (continued)

	ARA H-REIT	
	1H 2023	1H 2022
	US\$'000	US\$'000
Related entities		
REIT Trustee's fees paid/payable	60	54
REIT Manager's management fees paid/payable	685	1,953
Reimbursement of expenses (paid on behalf by REIT Manager)	14	42
Related corporations within the Stapled Group		
Rental income received/receivable	27,145	25,913
Interest expenses paid/payable	13,176	13,176
Interest income received/receivable	542	416

	ARA H-BT	
	1H 2023	1H 2022
	US\$'000	US\$'000
Related entities		
Trustee-Manager's trustee fee paid/payable	60	60
Hotel management fee paid/payable	2,581	2,439
Trustee-Manager's management fees paid/payable	228	650
Reimbursement of expenses (paid on behalf by Trustee-Manager)	36	50
Related corporations within the Stapled Group		
Rental expenses paid/payable	27,145	25,913
Interest expenses paid/payable	542	416
Interest income received/receivable	13,176	13,176

7. Earnings per Stapled Security

Earnings per Stapled Security is based on:

	ARA H-Trust	
	1H 2023	1H 2022
	US\$'000	US\$'000
Net loss for the period attributable to Stapled Securityholders	(5,756)	(1,875)

Notes to the Interim Financial Statements

7. Earnings per Stapled Security (continued)

	Number of Stapled Securities (‘000)	
Weighted average number of Stapled Securities used in arriving at basic earnings per Stapled Security:		
- issued Stapled Securities at the beginning of the period	569,199	567,342
- issued as payment of REIT Manager’s and Trustee-Manager’s management fees payable in Stapled Securities	5,165	570
- to be issued as payment of REIT Manager’s and Trustee-Manager’s base management fees payable in Stapled Securities	7,458	6
	<u>574,372</u>	<u>567,918</u>
Weighted average number of Stapled Securities used in arriving at diluted earnings per Stapled Security:		
- weighted average number of Stapled Securities (basic EPS)	574,372	567,918
- contingently issuable as payment of REIT Manager’s and Trustee-Manager’s performance management fees payable in Stapled Securities ⁽¹⁾	–	1,782
	<u>574,372</u>	<u>569,700</u>
Earnings per Stapled Security (“EPS”) (US cents)		
Basic and Diluted	<u>(1.00)</u>	<u>(0.33)</u>

8. Distribution per Stapled Security

	1H 2023	1H 2022
Distributions (US\$’000)	<u>8,679</u>	<u>8,123</u>
Number of Stapled Securities on issue and to be issued (‘000)	<u>578,212</u>	<u>569,199</u>
DPS (U.S. cents)	<u>1.501</u>	<u>1.427</u>

9. Net asset value/Net tangible asset

ARA H-Trust	As at 30 June 2023	As at 31 December 2022
Number of Stapled Securities issued and to be issued at the end of the period (‘000)	<u>578,212</u>	<u>576,862</u>
Net assets value / Net tangible asset per Stapled Security (US\$)	<u>0.78</u>	<u>0.80</u>

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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 2023, the Stapled Group had interest rate swaps with a notional amount of US\$244.3 million (31 December 2022: US\$244.3 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.

	ARA H-Trust US\$'000	ARA H-REIT US\$'000	ARA H-BT US\$'000
30 June 2023			
Financial assets not measured at fair value			
Loans to related corporation			
- <i>Carrying amount</i>	–	–	294,000
- <i>Fair value (Level 2)</i>	–	–	294,909
Financial assets measured at fair value			
Derivative financial assets – interest rate swaps			
- <i>Carrying amount</i>	5,296	5,296	–
- <i>Fair value (Level 2)</i>	5,296	5,296	–
Financial liabilities not measured at fair value			
Loans from related corporation			
- <i>Carrying amount</i>	–	(294,000)	–
- <i>Fair value (Level 2)</i>	–	(294,909)	–
31 December 2022			
Financial assets not measured at fair value			
Loans to related corporation			
- <i>Carrying amount</i>	–	–	294,000
- <i>Fair value (Level 2)</i>	–	–	295,022
Financial liabilities measured at fair value			
Derivative financial liabilities – interest rate swaps			
- <i>Carrying amount</i>	7,349	7,349	–
- <i>Fair value (Level 2)</i>	7,349	7,349	–
Financial liabilities not measured at fair value			
Loans from related corporation			
- <i>Carrying amount</i>	–	(294,000)	–
- <i>Fair value (Level 2)</i>	–	(295,022)	–

Notes to the Interim Financial Statements

10. Fair value of assets and liabilities (continued)

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 33 Hyatt hotels, 3 Marriott hotels and 1 Hilton hotel, 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 2023, ARA H-Trust and ARA H-BT capitalised capital expenditures amounting to US\$6,751,000 (31 December 2022: US\$10,107,000) and US\$5,602,000 (31 December 2022: US\$5,427,000) and transferred assets amounting to US\$8,438,000 (31 December 2022: US\$39,412,000), respectively. During 1H 2023, ARA H-REIT incurred capital expenditures amounting to US\$1,149,000 (31 December 2022: US\$4,681,000) and transferred assets amounting to US\$8,438,000 (31 December 2022: US\$36,802,000) to assets held for sale.

As at 30 June 2023, the carrying amounts of 28 portfolio hotels were stated at fair value, which was determined based on independent valuations undertaken by Newmark Valuation & Advisory Services (“**Newmark**”), 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 independent property valuers have the appropriate recognised professional qualifications and recent experience in the location and type of properties being valued.

The valuers have considered the income method - discounted cash flow approach in determining the fair values. The income method - discounted cash flow approach involves the estimation and projection of an income stream over a period and discounting the income stream with an internal rate of return to arrive at the market value. The key assumptions of the market-corroborated discount rate and terminal capitalisation rate are based on significant unobservable inputs and are categorised under Level 3 of the fair value measurement hierarchy. Discussions on the valuation process, key inputs applied in the valuation approach and the reason for the fair value changes are held between the property managers, the Managers and the independent valuer.

The valuation technique(s) considered by valuers for each property is in line with market practices generally adopted in the jurisdiction in which the property is located. The valuation reports highlight that the valuation assumed the expected post rebounding operating performance in the coming years as the market recovers from COVID-19. The projections possess a certain degree of uncertainty.

For the remaining 9 portfolio hotels, the carrying values as at 30 June 2023 were reviewed based on internal valuations undertaken by the Managers using the same income capitalisation – discounted cash flow approach adopted by Newmark, based on the same key assumptions of the market-corroborated discount rate and terminal capitalisation rate.

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11. Property, plant and equipment and investment properties (continued)

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

	30 June 2023 US\$'000	31 December 2022 US\$'000
Capital expenditure contracted but not provided for	2,540	2,734

12. Assets held for sale

	ARA H-Trust	
	30 June 2023 US\$'000	31 December 2022 US\$'000
At beginning of the financial period/year	295	405
Reclassification from property, plant and equipment	8,438	39,412
Sale completed during the financial period/year	(295)	(38,770)
Net changes in fair value of assets held for sale	(888)	(752)
At end of the financial period/year	7,550	295

On 30 June 2023, the Stapled Group entered into conditional purchase and sale agreement (the "PSA") with a purchaser to sell Hyatt Place Oklahoma City for US\$8.0 million. Accordingly, the above-mentioned hotel was classified as assets held for sale as at 30 June 2023.

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 was completed in March 2023.

13. Loans and borrowings

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

- a) US\$260.8 million (31 December 2022: US\$260.8 million) secured term loan and letter of credit facilities; and
- b) US\$95.0 million (31 December 2022: US\$95.0 million) unsecured term loan and revolving facilities;

As at 30 June 2023, the Stapled Group and ARA H-REIT has drawn down US\$249.8 million (31 December 2022: US\$249.8 million) and US\$244.3 million (31 December 2022: US\$244.3 million) respectively of the secured facilities. These loans are due to mature in May 2024 and accordingly the secured term loans have been classified as current liabilities as at 30 June 2023. The aggregate leverage was 39.7% (31 December 2022: 39.4%) and the interest coverage ratio was 2.5 times (31 December 2022: 2.6 times).

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13. Loans and borrowings (continued)

Secured term loan

The facilities are secured on the following:

- mortgages, assignment of leases and rents, security agreement and fixture fittings over 33 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 2023, the unsecured term loan and revolving facilities of US\$75.0 million (31 December 2021: US\$75.0 million) were drawn.

On 2 August 2023, the Stapled Group has obtained signed commitment of new loan facilities amounting to US\$287.5 million to refinance the US\$260.8 million second term loan and letter of credit facilities. The refinancing of the existing facilities are expected to be completed in 3Q2023.

	As at 30 June 2023 US\$'000	As at 31 December 2022 US\$'000
ARA H-Trust		
Secured loans	249,795	249,795
Unsecured loans	75,000	75,000
Lease liabilities	1,351	1,523
	<u>326,146</u>	<u>326,318</u>
Less: Unamortised borrowing costs	(312)	(446)
	<u>325,834</u>	<u>325,872</u>
ARA H-REIT		
Secured loans	244,325	244,325
Unsecured loans	75,000	75,000
Lease liabilities	1,334	1,405
	<u>320,659</u>	<u>320,730</u>
Less: Unamortised borrowing costs	(312)	(446)
	<u>320,347</u>	<u>320,284</u>
ARA H-BT		
Secured loans	5,470	5,470
Unsecured loans	-	-
Lease liabilities	72,668	81,806
	<u>78,138</u>	<u>87,276</u>
Less: Unamortised borrowing costs	-	-
	<u>78,138</u>	<u>87,276</u>

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13. Loans and borrowings (continued)

Loans and borrowings are repayable as follows:

	As at 30 June 2023			As at 31 December 2022		
	Secured US\$'000	Unsecured US\$'000	Lease liabilities US\$'000	Secured US\$'000	Unsecured US\$'000	Lease liabilities US\$'000
ARA H-Trust						
Amount repayable						
- within one year	249,795	75,000	200	-	-	257
- after one year	-	-	1,151	249,795	75,000	1,266
	<u>249,795</u>	<u>75,000</u>	<u>1,351</u>	<u>249,795</u>	<u>75,000</u>	<u>1,523</u>
Less: Unamortised borrowing costs	(94)	(218)	-	(163)	(283)	-
	<u>249,701</u>	<u>74,782</u>	<u>1,351</u>	<u>249,632</u>	<u>74,717</u>	<u>1,523</u>
ARA H-REIT						
Amount repayable						
- within one year	244,325	75,000	149	-	-	145
- after one year	-	-	1,185	244,325	75,000	1,260
	<u>244,325</u>	<u>75,000</u>	<u>1,334</u>	<u>244,325</u>	<u>75,000</u>	<u>1,405</u>
Less: Unamortised borrowing costs	(94)	(218)	-	(163)	(283)	-
	<u>244,231</u>	<u>74,782</u>	<u>1,334</u>	<u>244,162</u>	<u>74,717</u>	<u>1,405</u>
ARA H-BT						
Amount repayable						
- within one year	5,470	-	45,040	-	-	40,202
- after one year	-	-	27,628	5,470	-	41,604
	<u>5,470</u>	<u>-</u>	<u>72,668</u>	<u>5,470</u>	<u>-</u>	<u>81,806</u>
Less: Unamortised borrowing costs	-	-	-	-	-	-
	<u>5,470</u>	<u>-</u>	<u>72,668</u>	<u>5,470</u>	<u>-</u>	<u>81,806</u>

14. Stapled Securities in issue and to be issued

	ARA H-Trust	
	1H2023 '000	FY2022 '000
Stapled securities in issue		
Balance at beginning of period	569,199	567,342
REIT Manager's and Trustee-Manager's management fees paid in Stapled Securities ⁽¹⁾	7,663	1,857
Total Issued Stapled Securities as at end of period/year	<u>576,862</u>	<u>569,199</u>
Stapled Securities to be issued		
REIT Manager's and Trustee-Manager's management fees payable in Stapled Securities ⁽²⁾	1,350	7,663
Total Stapled Securities issued and to be issued as at end of period/year	<u>578,212</u>	<u>576,862</u>

Notes to the Interim Financial Statements

14. Stapled Securities in issue and to be issued (continued)

- (1) 7,662,614 Stapled Securities were issued in March 2023 as payment of 50% of the Managers' base and performance fees for the period from 1 July 2022 to 31 December 2022.
- (2) 1,349,822 Stapled Securities are to be issued in August 2023 as payment of 50% of the Managers' base fees for the period from 1 January 2023 and 30 June 2023.

ARA H-Trust does not hold any treasury Stapled Securities as at 30 June 2023 and 31 December 2022. The total number of issued Stapled Securities in ARA H-Trust as at 30 June 2023 and 31 December 2022 were 576,861,944 and 569,199,330 respectively.

15. Subsequent events

On 7 August 2023, the Board approved distribution of 1.501 US cents per Stapled Security for the period from 1 January 2023 to 30 June 2023.

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 2023 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.

Notes to the Interim Financial Statements

(B) Review of the performance of the Stapled Group

	Note	ARA H-Trust		
		1H 2023 US\$'000	1H 2022 US\$'000	Change %
Revenue	(i)	86,015	81,256	5.9
Operating expenses	(ii)	(55,362)	(53,705)	(3.1)
Gross operating profit	(iii)	30,653	27,551	11.3
Hotel management fee	(iv)	(2,581)	(2,439)	(5.8)
Property taxes	(v)	(4,337)	(2,621)	(65.5)
Other expenses	(vi)	(1,739)	(1,400)	(24.2)
Net Property Income		21,996	21,091	4.3
Other income	(vii)	–	532	(100)
Depreciation and amortisation		(14,247)	(12,590)	(13.2)
REIT Manager's and Trustee-Manager's management fees		(914)	(2,603)	64.9
Trustee-Manager's trustee fee		(60)	(60)	–
REIT Trustee's fee		(60)	(54)	(11.1)
Net finance costs		(7,245)	(6,164)	(17.5)
Other trust expenses	(viii)	(1,253)	(1,299)	3.5
Net loss for the period before tax and fair value changes		(1,783)	(1,147)	(55.4)
Fair value changes in assets held for sale	(ix)	(911)	(628)	(45.1)
Revaluation deficit of property, plant and equipment	(x)	(6,096)	–	(100)
Net loss for the period before tax		(8,790)	(1,775)	(>100)
Taxation	(xi)	3,034	(100)	>100
Net loss for the period after tax		(5,756)	(1,875)	(>100)
Other comprehensive income				
Item that may be reclassified subsequently to profit or loss:				
Effective portion of changes in fair value of cash flow hedges	(xii)	(2,080)	11,158	>100
Revaluation of property, plant and equipment	(x)	11,234	–	100
Deferred tax effects relating to revaluation of property, plant and equipment	(xi)	(888)	–	(100)
Total comprehensive (loss)/income for the period		(2,510)	9,283	(>100)

Notes to the Interim Financial Statements

Notes:

(i)	<p>Revenue</p> <p>The Stapled Group recorded higher revenue in 1H 2023 vs 1H 2022 backed by the portfolio's higher occupancy which improved from 62.7% to 68.9%, and higher RevPAR from US\$80 to US\$95 year on year.</p> <p>The portfolio continued its recovery trajectory in occupancies and RevPAR in 1H2023 arising from the continuing recovery from COVID-19. This is in comparison to 1H 2022 when the lodging industry was in the early stages of recovery.</p>
(ii)	<p>Operating expenses</p> <p>Operating expenses increased in line with higher occupancy in 1H 2023 and inflationary cost pressures. 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>Gross operating profit ("GOP")</p> <p>GOP margin improved to 35.6% in 1H 2023 from 33.9% in 1H 2022, in line with higher occupancy and RevPAR.</p>
(iv)	<p>Hotel management fee</p> <p>Hotel management fee is 3% of total revenue, and increased in line with the higher revenue in 1H 2023.</p>
(v)	<p>Property taxes</p> <p>Property taxes are accrued based on expected property tax assessments by the relevant tax authorities as compared to actual property tax assessments received in 1H 2022.</p>
(vi)	<p>Other expenses</p> <p>Other expenses increased in 1H 2023 primarily due to higher insurance expenses.</p>
(vii)	<p>Other income</p> <p>There was no grant income received in 1H 2023 as compared to 1H 2022's grant income of US\$0.5 million from authorities.</p>
(viii)	<p>Other trust expenses</p> <p>Other trust expenses decreased marginally by in 1H 2023 primarily due to no consulting service fees being incurred in relation to the application of grant income.</p>
(ix)	<p>Fair value changes in assets held for sale</p> <p>The Stapled Group recorded fair value changes in assets held for sale in 1H 2023, which primarily relates to the sale for Hyatt Place Oklahoma City.</p>

Notes to the Interim Financial Statements

Notes:

(x)	<p>Revaluation deficit of property, plant and equipment</p> <p>ARA H-Trust presents the hotel properties as property, plant and equipment in accordance with SFRS(I). The hotel properties were stated at fair value based on independent valuations and internal valuations as at 30 June 2023. The deficit arising from the revaluation against the depreciated book value of such hotel properties is recognized in the profit and loss while any surplus is recognized in other comprehensive income, except to the extent that the surplus reverses a previous revaluation deficit on the same asset recognised in profit or loss. The revaluation has no impact on distributable income.</p>
(xi)	<p>Taxation</p> <p>The Stapled Group recorded deferred tax liabilities due to revaluation of the hotel properties. The deferred tax has no impact on distributable income.</p> <p>Deferred tax credits were recognized at the Stapled Group in 1H2023, mainly due to reassessment of deferred tax liabilities as at 30 June 2023.</p>
(xii)	<p>Effective portion of changes in fair value of cash flow hedges</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 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

The United States ("U.S.") economy continued to surprise forecasters in the first half of 2023, with Real Gross Domestic Product ("GDP") accelerating to 2.4% in 2Q 2023 following a 2.0% increase in 1Q 2023. The solid economic growth adds to the prospect of a soft landing. With unemployment rate at a low of 3.6% in June 2023, coupled with stabilizing wage growth, robust consumer consumption continued to drive the U.S. economy. Nevertheless, the elevated inflation rate of 3.0% vs. the target of 2.0% by the Federal Reserve ("Fed"), led to another increase of the Fed funds rate by 25 bps, to a range of 5.25% to 5.50% in July 2023.

Notes to the Interim Financial Statements

(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 (continued)

The U.S. lodging market continues to recover in the first two quarters of the year. Although investors in commercial real estate turned bearish on the office sector amid changing work policies and structural changes in office demand, the lodging sector continues to distinguish itself and lodging demand stayed resilient, led primarily by pent-up travel demand from the leisure segment. Work from home policies carried over from the COVID-19 pandemic contributed to an expansion of leisure travel days beyond weekends and holidays, further propping lodging demand. While total hotel demand remains below pre-pandemic levels due to the slower return of corporate and group travel, the strong increases in average daily rates (“ADR”) have boosted market revenue per available room (“RevPAR”) to over 2019 levels. U.S. lodging market forecasts by STR and Tourism Economics projects occupancy and RevPAR to increase to approximately 63.5% and US\$98 respectively in 2023¹, achieving a double-digit growth in RevPAR compared to 2019.

According to JLL Research, the U.S. select-service and extended-stay sector showed strong investor appeal in 2022, having achieved higher and more consistent yields relative to other commercial real estate property types². Investment volume growth for the sector exceeded 2021 levels and accounted for more than 50% of the total U.S. hotel investment volume in 2022, underpinned by a growing demand base and higher profitability that is expected to continue in 2023.

Looking ahead, the International Monetary Fund (“IMF”) projects U.S. GDP growth to be 1.8% for 2023³, on the back of a slowdown in global economic activity against a backdrop of elevated inflation. Other significant issues faced in 2022 in the wake of COVID-19 namely a tight labour market, wage pressures and cost increases are carried over to 2023. The U.S. Travel Association expects total travel spending to increase in 2023 through to 2026⁴. In particular, domestic travel is expected to drive the recovery in the U.S. travel industry, with domestic leisure travel normalising in 2023 and a general return to pre-pandemic trends expected in 2024 and beyond. Domestic business travel is expected to continue its recovery, but at a more tempered rate than previously forecasted, largely due to economic conditions.

Amidst the uncertain economic outlook and barring any unforeseen circumstances, which include a prolonged high interest rates environment that may affect travel spend and drag the recovery of the lodging sector, the Managers are cautiously optimistic that the operating metrics of ARA H-Trust will further strengthen in 2023. The Managers’ portfolio optimisation efforts in re-deploying capital into higher-yielding core assets will further improve the portfolio’s occupancy and RevPAR. In addition to prudent capital management, the Managers are also actively monitoring and managing the operating costs of the portfolio.

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. The Managers will continue to pursue their key strategy to build a resilient U.S. hotel portfolio for ARA H-Trust. This includes (i) proactive asset management strategies to maximise the cashflows of the select service hotel portfolio; (ii) execute 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) focus on growth strategies in sub-markets with favourable long-term market fundamentals.

¹ STR and Tourism Economics, June 2023

² JLL Research, January 2023

³ IMF, World Economic Outlook Update, July 2023

⁴ US Travel Association, June 2023

Notes to the Interim Financial Statements

(E) Distribution

(a) Current financial period	
Any distribution declared for the current period?	Yes
5th distribution of the Stapled Group for the period from 1 January 2023 to 30 June 2023	
Distribution type/rate	Distribution of 1.501 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	27 September 2023
Record date	18 August 2023
(b) Corresponding period of the immediately preceding financial year	
Any distribution declared for the corresponding period of the immediately preceding financial year?	Yes
Distribution period	Distribution for the period from 1 January 2022 to 30 June 2022
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.
Distribution per stapled security	1.427 US cents
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.

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

Not applicable.

Notes to the Interim Financial Statements

- (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 2023 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

8 August 2023

Moses K Song
Non-Executive Director

8 August 2023

Notes to the Interim Financial Statements

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.