

# STRENGTH IN RESILIENCE

Annual Report 2023





## OUR MISSION

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

## CORPORATE PROFILE

### ARA US Hospitality Trust

Listed on the Singapore Exchange on 9 May 2019, ARA US Hospitality Trust (“**ARA H-Trust**”) is a hospitality stapled group comprising ARA US Hospitality Property Trust (“**ARA H-REIT**”) and ARA US Hospitality Management Trust (“**ARA H-BT**”). ARA H-Trust invests in income-producing real estate assets used primarily for hospitality and/or hospitality-related purposes located in the United States (“**U.S.**”). Its portfolio currently comprises 36 upscale select-service hotels with a total of 4,700 rooms across 18 states in the United States.

ARA H-Trust has a market capitalization of US\$176.4 million as at 31 December 2023.


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

### The Managers

ARA H-Trust is managed by ARA Trust Management (USH) Pte. Ltd. (“**REIT Manager**”) and ARA Business Trust Management (USH) Pte. Ltd. (“**Trustee-Manager**”) (collectively known as the “**Managers**”). The Managers are wholly-owned subsidiaries of ARA Asset Management Limited (“**ARA**”). The Sponsor, ARA Real Estate Investors 23 Pte. Ltd., is an indirect wholly-owned subsidiary of ARA.

ARA is part of ESR Group (“**ESR**”), APAC’s largest real asset manager powered by the New Economy and one of the largest listed real estate investment managers globally. With over US\$80 billion in fee-related assets under management, our fully integrated fund management and development platform extends across key APAC markets, including China, Japan, South Korea, Australia, Singapore, India, New Zealand and Southeast Asia, with a presence in Europe and the U.S.. We provide a diverse range of real asset investment solutions and New Economy real estate development opportunities across our private funds business, which allow capital partners and customers to capitalise on the most significant secular trends in APAC. Our purpose — Space and Investment Solutions for a Sustainable Future — drives us to manage sustainably and impactfully and we consider the environment and the communities in which we operate as key stakeholders of our business.

Listed on the Main Board of The Stock Exchange of Hong Kong, ESR is a constituent of the FTSE Global Equity Index Series (Large Cap), Hang Seng Composite Index and MSCI Hong Kong Index. For more information on ESR, please visit [www.esr.com](http://www.esr.com).





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# DIVERSIFIED PORTFOLIO

Legend



Hyatt House



Hyatt Place



AC Hotels by Marriott



Courtyard by Marriott



Residence Inn by Marriott



Home2 Suites by Hilton



Sacramento Rancho Cordova



Boise Towne Square



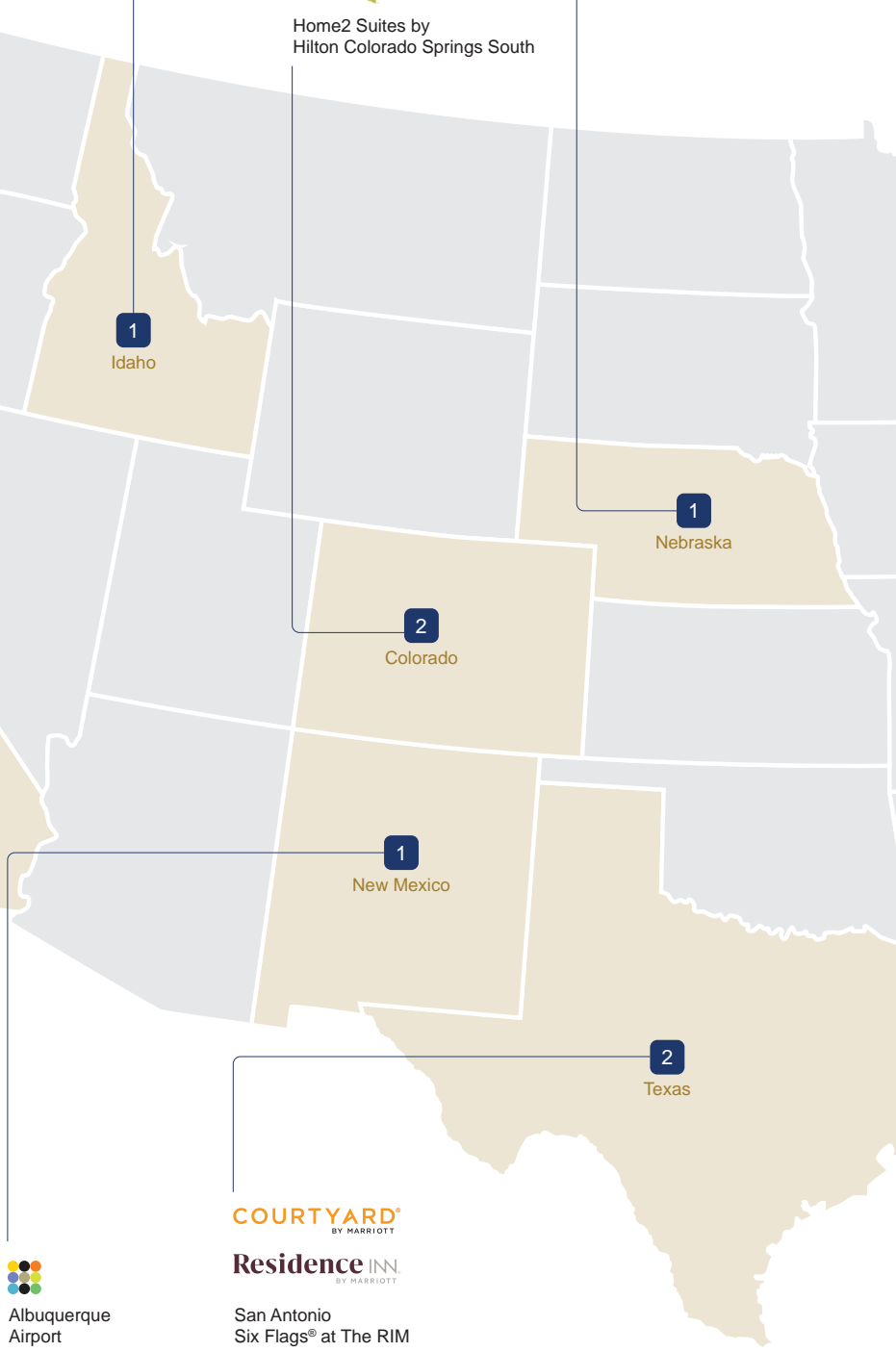
Denver Airport



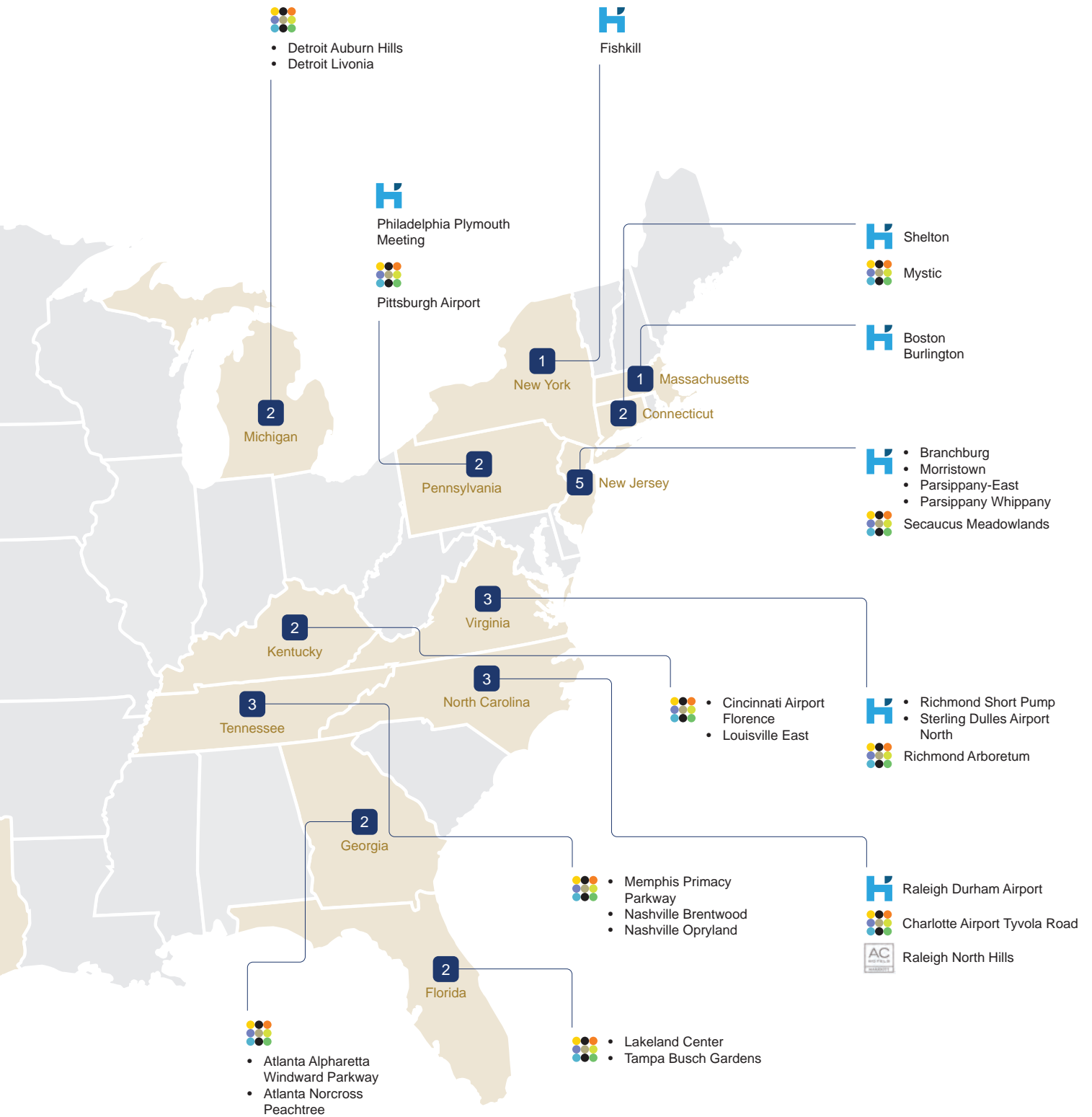
Home2 Suites by Hilton Colorado Springs South



Omaha Downtown Old Market





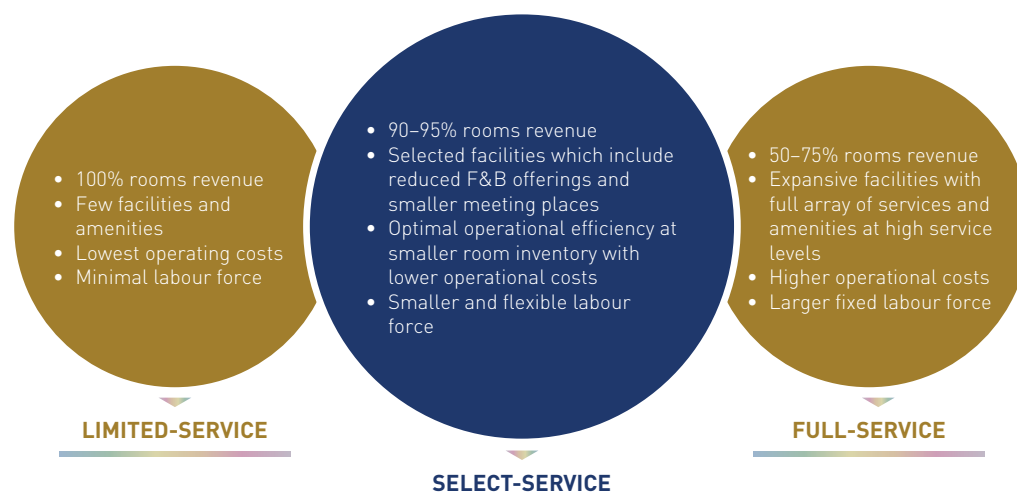


## HOTEL SEGMENT

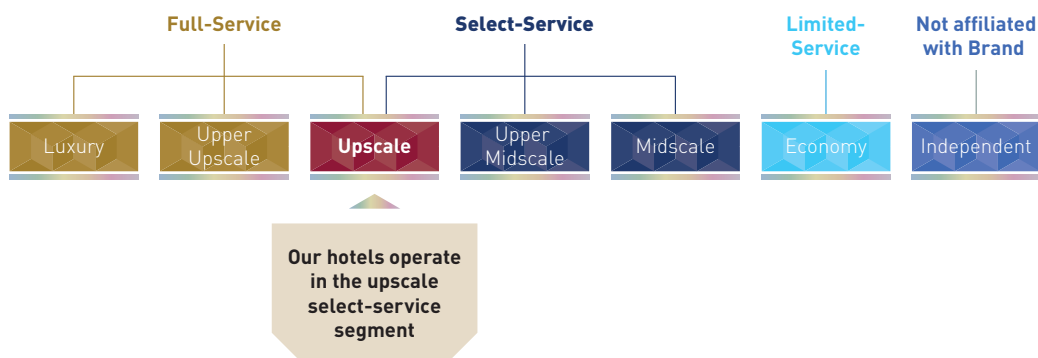
The U.S. hospitality market is the largest in the world with over 5.6 million rooms as at end FY2023, with over 70% of the industry supply branded and characterised into full-service, select-service and limited-service segments. The hotel brands can also be classified under chain scales by price levels.

ARA H-Trust is focused on owning premium-branded, upscale, select-service hotels in the U.S. The hotels are franchised under three of the world's largest hotel chains, Marriott International ("**Marriott**"), Hyatt Hotels Corporation ("**Hyatt**") and Hilton Worldwide ("**Hilton**").

### Hotel Segment Attributes



### Hotel Segment and Chain Scale Classification



### ADDITIONAL INFORMATION ON THE MASTER LEASE AGREEMENTS<sup>1</sup>

In FY2023, all of the assets owned by ARA H-REIT were leased to either ARA USH Chicago Tenant, LLC, ARA USH Blue Runner Tenant, LLC, or ARA CS Tenant, LLC, all of which are wholly-owned subsidiaries of ARA H-BT.

Tenant	Industry	Percentage of Revenue in FY2023	Expiry <sup>2</sup>
ARA USH Chicago Tenant, LLC	Hospitality	85.6%	31 December 2024
ARA USH Blue Runner Tenant, LLC	Hospitality	12.0%	16 January 2025
ARA CS Tenant, LLC	Hospitality	2.4%	30 April 2028

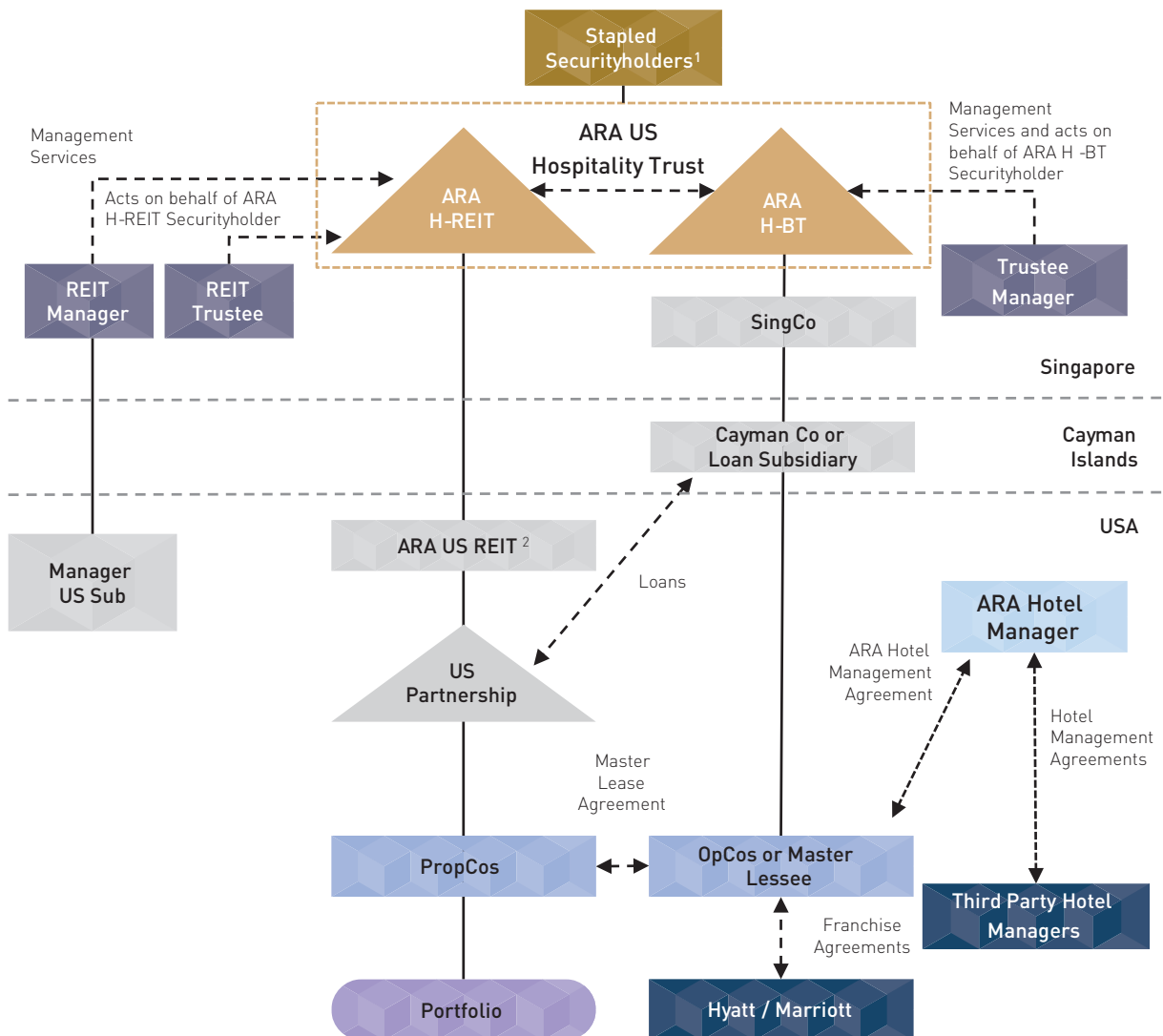
As at 31 December 2023, the weighted average lease expiry ("**WALE**") is 1.1 years

<sup>1</sup> All master lease agreements of ARA H-Trust are internal master lease arrangements between ARA H-REIT and ARA H-BT within ARA H-Trust  
<sup>2</sup> As ARA H-REIT owns the assets, while ARA H-BT is the master lessee which manages and operates these assets, it is expected that the master leases will be renewed as long as ARA H-REIT and ARA H-BT remain stapled

# TRUST STRUCTURE

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

The ARA Hotel Manager oversees the operations, management, and maintenance of the Portfolio. The ARA Hotel Manager uses third-party hotel managers (Aimbridge, Avion, Chartwell, and Concord) for direct, day-to-day operations of the hotels. The hotels are affiliated with various brands of Marriott, Hyatt, and Hilton through franchise agreements.



1 Please refer to the section "Important Notice Regarding the Ownership of Stapled Securities" in the Prospectus  
 2 ARA USH REIT, Inc. qualified as a real estate investment trust for U.S. federal income tax purposes ("US REIT") for the year 2023. A US REIT is not subject to U.S. federal income tax on its net income distributed as dividends



## FY2023 KEY HIGHLIGHTS

### OPERATIONAL & FINANCIAL PERFORMANCE RECOVERY

Occupancy Rate

**69.3%**

**12.9%** y-o-y  
increase in RevPAR to

**US\$96**

**12.3%**  
increase in DPS to

**3.430 US cents**  
in FY2023

### CAPITAL MANAGEMENT

Proportion of Fixed Rate Debt

**74.5%**

Interest Coverage Ratio

**2.7x**

Weighted Average All-in Cost of Debt

**4.8%**

**41.5%**

Aggregate Leverage;

**40.0%** Net Gearing

### PORTFOLIO OPTIMISATION

Acquired **Home2 Suites** by Hilton Colorado Springs South, a newly-built select-service, extended-stay hotel with 119 keys at a NPI yield of approximately **9.0%**<sup>1</sup> in FY2023

Unlocked about **US\$8 million** in net disposal proceeds from disposal of Hyatt Place Oklahoma City Airport in FY2023

Pending sale of Hyatt Place Pittsburgh Airport, a non-core asset, for **S\$7.7 million** with proceeds used to pare down existing bank borrowings.

### VALUATION

**0.5%** y-o-y increase in portfolio valuation to **US\$751.4 million** as at 31 December 2023

**7.5%** decrease in Net Asset Value per Stapled Security to **US\$0.74**

<sup>1</sup> Based on trailing 12-month NPI for FY2022











# FINANCIAL SUMMARY

## For the Financial Year

### Revenue<sup>1</sup>

(US\$ million)

2023		175.5
2022		169.0
2021		130.7

### Gross Operating Profit ("GOP")

(US\$ million)

2023		62.0
2022		57.3
2021		40.5

### Net Property Income ("NPI")

(US\$ million)

2023		47.7
2022		41.4
2021		24.9

### Distributable Income

(US\$ million)

2023		19.8
2022		17.5
2021		2.0

### Distribution per Stapled Security ("DPS")

(cents)

2023		3.430
2022		3.054
2021		0.355

### Distribution Yield<sup>2</sup>

(%)

2023		11.2%
2022		8.7%
2021		0.7%

Balance Sheet as at 31 December	2023	2022	2021
Property, Plant and Equipment (US\$ million) <sup>3</sup>	745.0	749.3	724.5
Total Assets (US\$ million)	791.8	826.4	764.1
Total Loans and Borrowings (US\$ million)	325.0	325.9	338.1
Stapled Securityholders' Funds (US\$ million)	427.6	459.7	399.7
Number of Stapled Securities in issue (million)	580.1	569.2	567.3

Financial Ratios as at 31 December	2023	2022	2021
Net Asset Value per Stapled Security (US\$)	0.74	0.80	0.70
Aggregate Leverage (%)	41.5	39.4	44.3
Net Gearing <sup>4</sup> (%)	40.0	35.4	42.8
Interest Coverage Ratio <sup>5</sup> (x)	2.7	2.6	2.0
Proportion of Fixed Debt (%)	74.5	82.0	79.1
Weighted Average All-in Cost of Debt (%)	4.8	3.8	3.4
Weighted Average Debt Maturity (years)	2.5	1.5	2.0

1 FY2021, FY2022 and FY2023 comprises 41 hotels, 36 hotels and 36 hotels, respectively.

2 Based on the closing price on the last trading day of the year

3 The portfolio hotels are presented as property, plant and equipment and measured at fair value in the financial statements of ARA H-Trust in accordance with the applicable accounting standards

4 Computed based on total debt less cash and cash equivalents over total assets less cash and cash equivalents

5 Computation excluded interest expense on lease liabilities. It is regarded as a component of finance cost under SFRS(I)16 which is an accounting classification and does not have a bearing on debt servicing ability. The adjusted Interest Coverage Ratio (as defined in the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore ("CIS Code")) is the same as the reported Interest Coverage Ratio, as no hybrid securities have been issued to date

# LETTER TO STAPLED SECURITYHOLDERS

## STEADILY PROGRESSING



### STEPHEN RAY FINCH AND LEE JIN YONG

*Chairman & Chief Executive Officer*

Dear Stapled Securityholders,

On behalf of the Board of the Managers of ARA H-Trust, we are pleased to present the annual report of ARA H-Trust for the financial year ended 31 December 2023 (“**FY2023**”).

### OVERVIEW OF 2023

The U.S. Gross Domestic Product (“**GDP**”) expanded 2.5% in 2023, driven primarily by consumer spending, which was supported by declining inflation rates and a strong jobs market, marked by historically low unemployment rates. Although inflation, measured by the Consumer Price Index (“**CPI**”), rose by 3.4% for the period ending December 2023, remaining above the Federal Reserve target of 2%, robust consumer spending and low unemployment rates have allayed recession fears.

The U.S. hotel industry continued to recover in 2023 with the growth in U.S. lodging demand closely correlated to the strong performance of the U.S. economy. Lodging demand stayed resilient, underpinned by robust leisure travel demand, recovering group demand, modest recovery in business transient travel and the return of international visitors. The increasing emphasis on hybrid work arrangement contributed to the rise in “bleisure” demand, as employees organize their travel schedules to combine business trips with leisure travel, thereby further boosting lodging demand.

Whilst occupancy rates have not reached pre-pandemic levels due to lagging business travel demand, robust average daily room rate (“**ADR**”) growth boosted revenue per available room (“**RevPAR**”) growth to exceed pre-pandemic levels. However, the rate of growth has slowed in 2023 due to moderating inflation and reduced leisure demand, partly influenced by a shift towards outbound tourism. RevPAR for the U.S. hotel industry reached US\$98, marking a 5% year-on-year increase (approximately 12.6% above the 2019 levels). Both the U.S. hotel occupancy and ADR experienced slight upticks in 2023, reaching 63.0% and US\$155, respectively, compared to 62.7% and US\$149, respectively, in 2022. Hence, the recovery outlook for the U.S. lodging market remains positive, albeit trending toward slower, normalizing performance in the long-term.



**“As we continue our recovery trajectory, our steadfast commitment to hands-on asset management and optimal portfolio management will drive returns and value to our Staped Securityholders.”**

According to JLL Research<sup>1</sup>, investors are increasingly attracted to the U.S. select-service and extended stay sector due to its strong returns relative to other commercial real estate classes. Although investment volume for U.S. lodging declined in 2023 compared to 2022, primarily due to elevated interest rates and tight credit markets, select-service and extended-stay hotels have stood out given their consistent performance driven by broad consumer appeal and inherently lean operating model.

### **PERFORMANCE HIGHLIGHTS**

ARA H-Trust's portfolio performance in FY2023 mirrored the continued recovery of the U.S. lodging industry. Our portfolio's occupancy increased four percentage points from 65.3% in FY2022 to 69.3% in FY2023 and RevPAR improved 12.9% from US\$85 to US\$96.

With pro-active asset management, our GOP margin improved by 1.4 percentage points year-on-year to 35.3%. This resulted in revenue and net property income (“NPI”) of US\$175.5 million and US\$47.7 million, respectively, an increase of 3.8% and 15.1%, respectively, from the year before.

Consequently, ARA H-Trust's DPS for the year was 3.43 US cents, 12.3% higher than the DPS achieved in FY2022.

### **ACTIVE OPTIMIZATION STRATEGY IMPROVES PORTFOLIO VALUATION**

As part of our pro-active asset management strategy, the Managers adopt a bottoms-up approach to identify non-core hotels to rebalance and rejuvenate the portfolio. The multi-prong approach seeks to allocate capital efficiently to hotels that exemplify greater profitability and valuation growth potential and/or to pare down debt to strengthen our balance sheet.

In 2022, we disposed of five assets, yielding net proceeds of approximately US\$38 million. In April 2023, we deployed US\$29 million of the net proceeds to acquire Home2 Suites by Hilton Colorado Springs South, a newly built select-service, extended-stay hotel, at an NPI yield of approximately 9% (based on its trailing 12-month NPI), which was immediately accretive to DPS. In September 2023, we disposed of the Hyatt Place Oklahoma City for US\$8 million

1 JLL Research, U.S. select-service and extended-stay hotel trends and outlook, January 2024



## LETTER TO STAPLED SECURITYHOLDERS

and used the proceeds to pare down debt. In November 2023, we announced the proposed divestment of Hyatt Place Pittsburgh Airport for US\$7.7 million, which is pending completion.

As at 31 December 2023, the ARA H-Trust portfolio comprised 36 select-service hotels with a total of 4,700 rooms across 18 states in the U.S. The portfolio value as at the end of the financial year was US\$751.4 million, a marginal increase of 0.5% from last year's portfolio value despite an increase in capitalization rates resulting from higher interest rates. The portfolio valuation is underpinned by the positive outlook of the U.S. lodging market and the recovery in cash flows across the portfolio.

Looking ahead, it is anticipated that gains in hotel operational performance over the next 12 months will primarily come from ADR growth, underpinned by limited growth in hotel supply. Green Street forecasts<sup>2</sup> that the high construction cost and elevated interest rates will limit hotel development activity over the next three years. As hotels have a unique ability to re-set rents on a daily basis, the lower supply growth pressure will benefit hotel's pricing power and therefore, also support underlying valuations.

### DISCIPLINED CAPITAL MANAGEMENT

ARA H-Trust's financial position remains healthy. On 26 September 2023, we completed the refinancing of the new loan facilities amounting to US\$287.5 million. All debts maturing in 2024 have been refinanced and the weighted average debt maturity now stands at 2.5 years.

As at 31 December 2023, the portfolio average leverage ratio stood at 41.5%. With a cash balance of US\$20.1 million, net gearing excluding cash and cash equivalents was lower at 40.0%. Notably, the interest coverage ratio increased to 2.7x, raising the permissible aggregate leverage limit to 50%. Despite higher interest rates, the average cost of debt was 4.8% in FY2023 compared to 3.8% in FY2022, cushioned by a high percentage of our debt being hedged to fixed rates.

### SUSTAINABILITY

Sustainability remains a key priority as we continue to explore opportunities and initiatives to integrate sustainable practices into the management of our hotels. ARA H-Trust is committed to contributing to the social and environmental well-being of our stakeholders while delivering sustainable and stable returns over the long term.

The Managers mapped the material factors to the most relevant United Nations Sustainability Development Goals (SDGs) to identify the most impactful actions from its operations, as well as to show the commitment to collaborate with its stakeholders to achieve these common goals. Additionally, reducing the environmental footprint of our assets and operations remains a priority. We have progressively introduced new energy saving initiatives across our hotel portfolios such as the installation of Verdant Smart Thermostats, which automatically adjust to real-time occupancy patterns to optimize energy consumption, on-demand water heaters to reduce energy consumption and continued with LED lighting upgrades across our portfolio. In addition, our waste reduction initiatives include donation of old furniture to local charities and reconditioning of furniture for use at other hotels within our portfolio.

ARA H-Trust's environmental, social and governance ("ESG") policies, practices and performances will be thoroughly outlined in the FY2023 Sustainability Report, which is aligned with the recommendations from The Task Force on Climate-related Financial Disclosures ("TCFD") and adhere to Global Reporting Initiative ("GRI") Universal Standards 2021. This year, we will introduce a new GRI topic under our employment material factor.

The FY2023 sustainability report is scheduled to be released by the end of April 2024.

## IN CLOSING

The global outlook for 2024 remains clouded by many exogeneous factors including geopolitical turmoil in the Middle East and Europe, national elections in several countries including the U.S. presidential election in November, the ability for governments globally to tame inflation, as well as the outlook for interest rates, China's economic trajectory, climate change and many more.

The International Monetary Fund ("IMF")<sup>3</sup> recently upgraded its forecast for the U.S. GDP growth to 2.1% in 2024 versus an earlier estimate of 1.5% in October 2023. The upgrade was on the back of fiscal support and strong consumer spending. With U.S. inflation getting under control, expectations are for the U.S. Federal Reserve to begin lowering interest rates gradually in the second half of 2024. Whilst this would be a benefit to us, this outcome is far from certain, and we will remain vigilant with our interest rate hedging policy.

As for the lodging market, STR and U.S. Tourism Economics<sup>4</sup> project U.S. hotel market occupancy to remain steady at 64%, with modest growth in ADR and RevPAR at 3% and 4%, respectively, by 2025, as the lodging market stabilizes. U.S. Tourism Economics predicts demand growth will stem from households prioritizing travel, a continued rebuilding of business travel and group events, and a rebound in international tourism. Given that ARA H-Trust's portfolio is orientated towards domestic transient leisure and business travellers, with minimal dependence on international demand, we are optimistic about the Trust's performance in the upcoming year, barring unforeseen circumstances.

As we continue our recovery trajectory, our steadfast commitment to hands-on asset management and optimal portfolio management will drive returns and value to our Stapled Securityholders. We remain committed to execute on our portfolio optimization and rebalancing strategy, to build cashflow resilience over the long-term, thereby ensuring sustainable returns to our Stapled Securityholders.

## IN APPRECIATION

We wish to thank the Board of Directors for their steadfast counsel and guidance. We also wish to extend our appreciation to our management teams in the U.S. and Singapore for their hard work and dedication. Above all, we would like to also thank our Stapled Securityholders, Trustee and stakeholders for their continued support and trust.

### STEPHEN RAY FINCH

*Chairman*  
21 March 2024

### LEE JIN YONG

*Chief Executive Officer*  
21 March 2024

3 IMF, World Economic Outlook Update, January 2024  
4 STR and Tourism Economics, January 2024

## BOARD OF DIRECTORS



**STEPHEN RAY FINCH**

Chairman and Independent Non-Executive Director

### **STEPHEN RAY FINCH**

#### **Chairman and Independent Non-Executive Director**

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

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

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



**RANDY ALLAN DANIELS**

Independent Non-Executive Director

### **RANDY ALLAN DANIELS**

#### **Independent Non-Executive Director**

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

Mr. Daniels currently serves as the Chairman of BWC Terminals Inc. and as independent director of JP Morgan Real Estate Income Trust, Inc.. His present directorships include serving as a Non-Executive Director of JP Morgan Real Estate Income and Growth Fund and Southwest Water Company since 2012 and 2011 respectively. Prior to this, he served as a Director at JP Morgan International Infrastructure Board from 2007 to 2018, and as Chairman of the New York State Real Estate Board, which is the regulatory board that oversees more than 250,000 real estate brokers in New York state. Mr. Daniels was also previously the Managing Director of Pickwick Capital Partners LLC, a company which specialises in the private placement of foreign investment in real estate development projects in the United States, and was Vice Chairman of Gilford Securities Inc, specialising in real estate investment from 2007 to 2015. From 2001 to 2006, Mr. Daniels was a Senior Government Official of the New York State, Department of State where he managed 17 divisions, 2,000 employees, a US\$1 billion annual budget and reviewed and approved all waterfront developments.

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



**STEFANIE YUEN THIO**

Independent Non-Executive Director,  
Chairperson of the Audit and Risk Committee

**STEFANIE YUEN THIO****Independent Non-Executive Director, Chairperson of the Audit and Risk Committee**

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

Ms. Yuen Thio is the Joint Managing Partner of TSMP Law Corporation and heads its corporate practice. Admitted to the Singapore Bar in 1994, she has over 30 years of legal experience in mergers and acquisitions, equity capital markets, corporate transactions and regulatory advice. Her clients range from listed corporates to international companies, including in real estate, the hospitality industry, and REITs. She is regularly named by legal journals as a leading practitioner in her areas of specialisation. Ms. Yuen Thio is the Chairperson of ESR Funds Management (S) Limited, the manager of ESR-REIT.

Ms. Yuen Thio has more than 16 years of experience as a director of listed entities on the SGX-ST, including as member of audit committees, and has the necessary accounting and financial expertise and experience. Ms. Yuen Thio was appointed by the Monetary Authority of Singapore to the Corporate Governance Council 2017 to review the Code of Corporate Governance and is a Fellow of the Singapore Institute of Directors. From 2014 to 2017, she was a member of the Expert Panel, Centre for Cross-Border Commercial Law in Asia. She was also a member of the Singapore Governance and Transparency Index Advisory Panel from June 2016 to May 2018. She is the Chairperson of SG Her Empowerment Ltd (SHE) a women's empowerment charity and Institution of Public Character which she founded in 2022. She has also served on a number of charities over the past 20 years.

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

**WONG CHOONG MANN**

Independent Non-Executive Director

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

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

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

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

## BOARD OF DIRECTORS



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

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

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

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

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

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



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

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

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

Ms. Seow was previously the Group Chief Financial Officer of ARA, and in her 20-year tenure, oversaw ARA's Group Finance, Business Division Support and Corporate Projects functions. Prior to joining ARA, Ms. Seow established and ran her own boutique consultancy firm providing accounting and consultancy services to small and medium enterprises. She also held senior finance positions in various companies listed on the SGX-ST. She was Deputy Financial Controller and Company Secretary of L.C. Development Ltd and was with Royal Sporting House and Lum Chang Holdings Limited. Ms. Seow began her career with Deloitte Touche Tohmatsu, Singapore in 1988.

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

**LIN DAQI**

Non-Independent Non-Executive Director

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

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

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

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



# MANAGEMENT TEAM



**LEE JIN YONG**  
Chief Executive Officer



**JAMES S. JUNG**  
Director, Investments



**LISA SWAIN**  
Director, Asset Management



**RYAN IKEMEIER**  
Assistant Director, Asset Management



**CHERYL CHOR**  
Senior Accountant



**LIM KAI LUN**  
Head of Finance



**DAWN LEE**  
Investor Relations Manager

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

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

Mr. Lee has full executive responsibilities over the business directions and operational decisions in the day-to-day management of the Managers. He has more than 30 years of relevant hotel management and investment experience, personally closing over US\$4.0 billion in hotel and real estate transactions in his career.

Mr. Lee received a Bachelor of Science in Hotel Administration from Cornell University, New York, U.S. and a Masters of Business Administration from the University of California, Irvine, U.S. Mr. Lee is also licensed with the US Financial Industry Regulatory Authority as a registered representative for private securities transactions.

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

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

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

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

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

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

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

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

**RYAN IKEMEIER**  
**Assistant Director, Asset Management**

Mr. Ryan Ikemeier is the Assistant Director, Asset Management and is based in the U.S.

Mr. Ikemeier has over 25 years of hospitality industry experience with expertise in hotel operations, revenue management, and sales. Prior to joining the ARA Hotel Manager, he was Vice President of Operations at Aimbridge Hospitality, the largest third party hotel management firm in the U.S. In this position, he had direct oversight and accountability for a portfolio of 80+ hotels and 15+ ownership groups.

Mr. Ikemeier holds a Bachelor of Arts (Hospitality, Meeting and Travel Administration) from the Metropolitan State College of Denver in Colorado, U.S.

## MANAGEMENT TEAM

### LIM KAI LUN Head of Finance

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

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

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

### CHERYL CHOR Senior Accountant

Ms Cheryl Chor is the Senior Accountant of the Managers and is based in Singapore.

Ms Chor assists the Head of Finance with the finance function of ARA H-Trust and she has more than 15 years of experience in the accounting and finance industry. Prior to joining the Managers, she held various finance positions in real estate related and public listed companies, including Mapletree Investments Pte Ltd, Venture Corporation Limited and Singapore Press Holdings Limited.

Ms Chor graduated from Ngee Ann Polytechnic with a Diploma in Accountancy.

### DAWN LEE Investor Relations Manager

Ms Dawn Lee is the Investor Relations Manager of the Managers and is based in Singapore.

She is responsible for the investor relations of ARA H-Trust and has over 14 years of work experience in the real estate valuation services and government industry. Prior to joining the Managers, she worked in Colliers International and Jurong Town Corporation.

Ms Lee holds a Bachelor of Science (Real Estate) degree from the National University of Singapore, a Master of Business Administration from the University of Chicago Booth School of Business, Illinois, U.S. and is a licensed valuer with the Inland Revenue Authority of Singapore.









# OPERATIONAL REVIEW

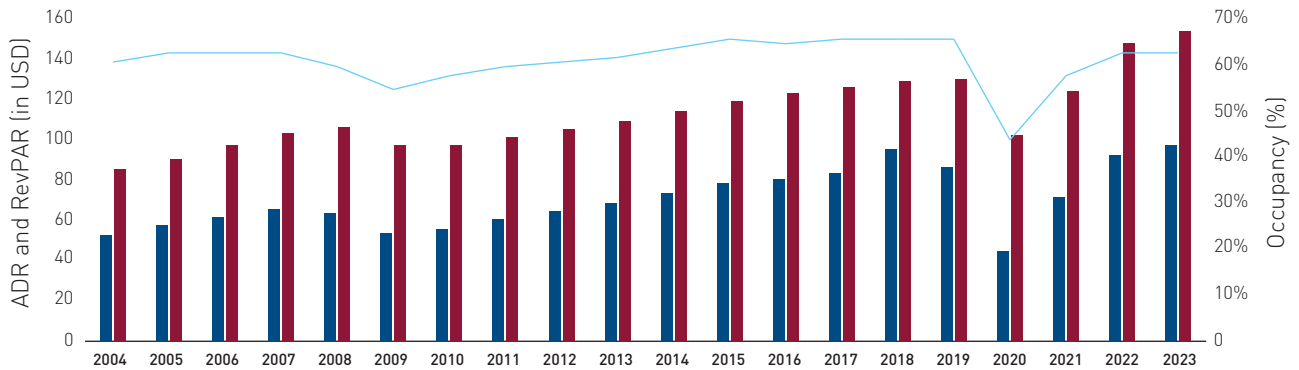
## U.S. LODGING INDUSTRY OVERVIEW

### Demand and Performance

The U.S. lodging market continued its recovery trajectory in 2023 despite the elevated interest rate environment. U.S. hotel market occupancy and ADR was recorded at 63.0% and US\$155 respectively for 2023, up from 62.7% and US\$149 respectively for 2022. Consequently, RevPAR registered at US\$98, up 5% year-on-year.

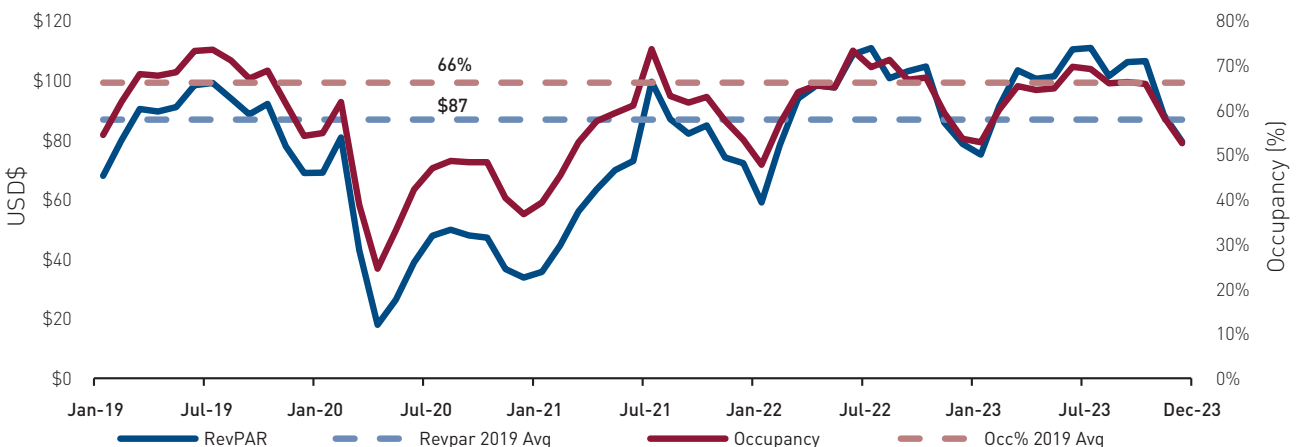
While economic sentiments have improved, headwinds including the impact of elevated interest rates on business and consumer spending is expected to weigh on GDP growth. Lodging demand has stayed resilient, maintaining its recovery trajectory, buoyed by improvements to group and business travel demand. The rise in hybrid work arrangements carried over from the COVID-19 pandemic has fueled a rise in “bleisure” demand, as guests merge business with leisure travel, extending stays beyond weekdays, consequently boosting lodging demand. While total hotel demand remains below pre-pandemic levels due to the lagging return of corporate travel, strong ADR growth has boosted RevPAR, ending the year approximately 12.6% above the 2019 level of US\$87.

### U.S. Hotel Market RevPAR and Occupancy



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
RevPAR	53	58	62	66	64	54	56	61	65	69	74	79	81	84	96	87	45	72	93	98
ADR	86	91	98	104	107	98	98	102	106	110	115	120	124	127	130	131	103	125	149	155
Occ	61%	63%	63%	63%	60%	55%	58%	60%	61%	62%	64%	66%	65%	66%	66%	66%	44%	58%	63%	63%

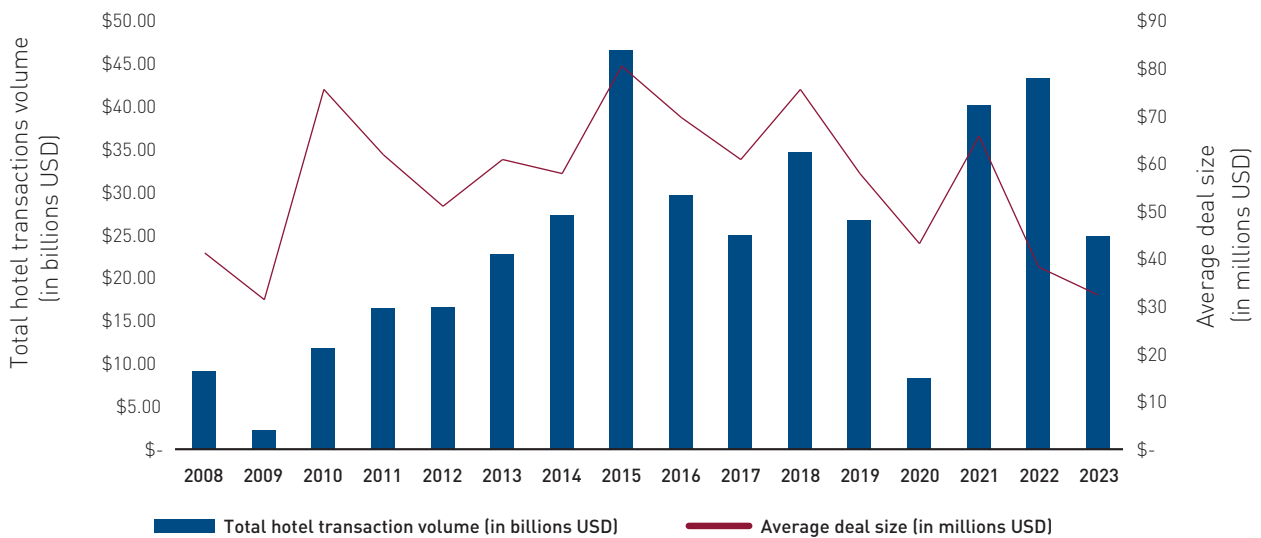
### U.S. Hotel Market Growth in RevPAR and Occupancy vs 2019



**Investment Market**

The U.S. hotel transaction volume fell to a 10-year low in 2023 (excluding 2020) driven by capital market dislocation as a result of the Federal Reserve’s ongoing monetary tightening policies. Affected by the high cost of debt, the average deal size shrank to US\$31 million in 2023, stimulating a greater appetite for select-service hotels due to their smaller cheque sizes. According to JLL Research, select-service hotels comprise an increasing portion of single-asset transactions volume in 2023 driven by its rising yields and robust operating performance. Looking ahead, the anticipated easing of Federal Reserve policies and interest rate cuts in the second half of 2024 is expected to stimulate transaction activity.

**U.S. Hotel Investment Volume & Average Deal Size (2008-2023)**



Source: JLL Research

**Portfolio Performance**

ARA H-Trust’s portfolio performance in FY2023 demonstrated resilience and continues to outperform year-on-year, reflecting the continuous recovery of the U.S. lodging industry. Its portfolio of upscale select-service hotels achieved an occupancy rate and RevPAR of 69.3% and US\$96, respectively, up from 65.3% and US\$85 in FY2022. The year-on-year RevPAR growth of 12.9% was attributed to rises in ADR and improvements in occupancy rate. The performance of the portfolio throughout the year is influenced by seasonality, with the second and third quarters being peak seasons.

Portfolio indicators	FY2022	FY2023	Change
Occupancy (%)	65.3	69.3	4.0pp
RevPAR (US\$)	85	96	12.9%

For FY2023, the Hyatt Place portfolio recorded an occupancy and RevPAR of 64.3% and US\$83, respectively, a growth of about four percentage points and 11%, respectively, year-on-year. The Hyatt House portfolio recorded an occupancy and RevPAR of 75.8% and US\$109, respectively, a growth of three percentage points and 11%, respectively, year-on-year.

The AC Hotel Raleigh North Hills recorded an occupancy and RevPAR of 78.6% and US\$174, respectively, a growth of about three percentage points and 8% respectively, year-on-year. The Courtyard by Marriott San Antonio Six Flags® at The RIM hotel recorded an occupancy of 74.4% and RevPAR was lower year-on-year at US\$102, respectively. The Residence Inn San Antonio Six Flags® at The RIM hotel recorded an occupancy and RevPAR of 77.0% and US\$97, respectively, lower year-on-year. Since its acquisition in April 2023, Home2 Suites by Colorado Springs South hotel recorded an occupancy and RevPAR of 79.6% and US\$136, respectively, for FY2023.

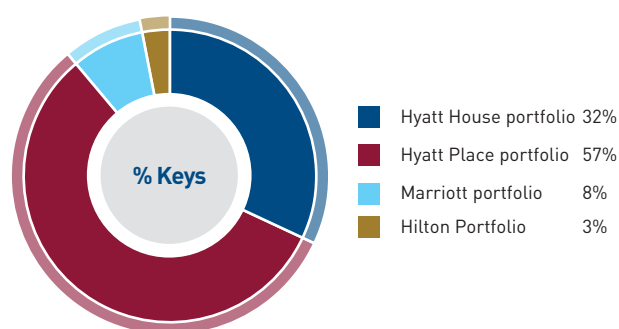
# OPERATIONAL REVIEW

## Portfolio Valuation

As at 31 December 2023, ARA H-Trust’s portfolio comprised 36 upscale select-service hotels with a total of 4,700 rooms across 18 states in the United States. About 94% of the portfolio’s value consists of properties with freehold titles, with the remaining 6% being properties with leasehold titles.

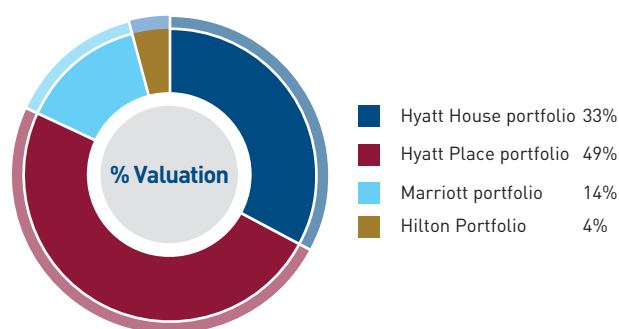
The Managers seek to build resilience with its portfolio optimization and rebalancing strategy. In FY2023, the proceeds from the sale of five Hyatt Place hotels, yielding 4.4% NPI, were redeployed to purchase Home2 Suites by Hilton Colorado Springs South hotel, which had an NPI yield of 9%. The hotel is well-located in a growing sub-market which outperformed the Colorado Springs submarket and its competitive set in 2022.

In addition, Hyatt Place Oklahoma City Airport was disposed at a sale consideration of US\$8.0 million in September 2023. The hotel was a non-core asset located in a market with declining economic conditions exacerbated by the COVID-19 pandemic. As at 31 December 2023, the majority of our portfolio consists of Hyatt Place hotels, accounting for 57%, followed by Hyatt House hotels, Marriott hotels and Hilton hotels.



In accordance with the CIS code, the valuation of ARA H-Trust’s portfolio is to be conducted once every year. As at 31 December 2023, independent valuations were carried out by Newmark Valuation & Advisory Services, LLC. Valuation methods used include income method — discounted cash flow approach in determining the fair values of the hotels. The ARA H-Trust’s portfolio of 36 hotels was valued at US\$751.4 million, as compared to US\$747.8 million a year ago.

	As at 31 Dec 2023	As at 31 Dec 2022
Hyatt Portfolio	US\$614.3 mil	US\$643.9 mil
Marriott Portfolio	US\$105.6 mil	US\$104.7 mil
Acquired Hilton Hotel	US\$31.5 mil	—
<b>Portfolio Value</b>	<b>US\$751.4 mil</b>	<b>US\$747.8 mil</b>









# FINANCIAL REVIEW

## REVENUE

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

Total revenue for the financial year ended 31 December 2023 was US\$175.5 million, which was 3.8% higher as compared to the previous year, despite dispositions of five Hyatt Place hotels during FY2022. The portfolio continued its recovery trajectory, buoyed by robust group travel demand, continued recovery of business transient travel and return of international visitors, resulting in improvements in both occupancy rate and ADR. Occupancy rate increased by 4.0 percentage points to 69.3% while ADR increased by 5.3% to US\$138. Consequently, RevPAR grew by 12.9% to US\$96 in FY2023.

## GROSS OPERATING PROFIT

GOP is revenue less operating expenses. Operating expenses comprise room expenses (e.g. housekeeping, guest supplies, laundry, etc.), other operating expenses, administrative and general expenses, sales and marketing expenses, franchise fees, property operations and maintenance expenses, and utilities.

Operating expenses for FY2023 were 1.6% higher than FY2022, in line with the increase in business volume and inflationary pressures. Notwithstanding the rise in occupancy rate, the Managers embarked on several cost initiatives to contain the rise in operating costs. As a result, ARA H-Trust's GOP improved to US\$62.0 million in FY2023, up 8.1% as compared to FY2022.

## NET PROPERTY INCOME

NPI is GOP less property expenses. Property expenses comprise hotel management fee, property taxes, insurance and other expenses. Hotel management fee is based on 3% of total revenues.

ARA H-Trust reported a NPI of US\$47.7 million in FY2023, up 15.1% as compared to FY2022, mainly attributed to higher GOP from higher revenue. Lower property taxes, including property tax refunds received from successful appeals at certain properties, also contributed to the higher NPI.

## DISTRIBUTABLE INCOME

After setting aside reserves of US\$8.8 million for capital expenditure and paying for borrowing costs and fees in accordance with provisions in the Trust Deeds, distributable income amounted to US\$19.8 million for FY2023, representing an increase of 13.3% against that of US\$17.5 million in FY2022 as ARA H-Trust's operating performance continued its recovery trajectory. The reserves for capital expenditure will be utilised for long-term capital asset improvements and refurbishment investments for the portfolio.

## ASSETS AND LIABILITIES

Total assets of ARA H-Trust as at 31 December 2023 were US\$791.8 million, with NAV per Stapled Security at US\$0.74. The decrease in total assets and NAV were mainly attributed to the disposed hotel properties and the lower appraised values of the Hyatt Portfolio as at 31 December 2023, as well as a decrease in the fair value of derivative financial assets as they near their maturities. Overall portfolio valuation, including the newly acquired Hilton Hotel, stayed relatively flat at US\$751.4 million, up 0.5% compared to 31 December 2022 despite increase in capitalization rates resulting from higher interest rates.

Total borrowings of ARA H-Trust as at 31 December 2023 amounted to US\$325.0 million, comprising bank borrowings of US\$323.7 million and lease liabilities of US\$1.3 million, comparable to that as at 31 December 2022. On 26 September 2023, ARA H-Trust successfully refinanced US\$270.8 million of loan facilities. Through its subsidiaries, the term loan facilities maturing in May 2024 was re-allocated and extended into a US\$198.5 million 3-year term loan facility maturing in September 2026 and a US\$51.0 million term loan facility maturing in September 2027. In addition, a new US\$30.0 million 3-year revolving credit facility maturing in September 2026 was granted to the subsidiaries and the maturity date of an existing US\$8.0 million credit facility was extended to September 2026. With the weighted average debt maturity extended to 2.5 years, ARA H-Trust has no immediate debts due for refinancing in FY2024.

For FY2023, the all-in cost of debt was 4.8% per annum and bank borrowings were 74.5% hedge to fixed rate as at 31 December 2023, demonstrating the prudence in interest rate risk management by the Managers.

Although the average leverage ratio increased to 41.5% as at 31 December 2023, interest coverage ratio based on a trailing 12-month basis improved to 2.7 times, allowing a higher aggregate leverage limit of 50% according to the CIS code.

All borrowings of ARA H-Trust are denominated in USD, the functional currency of ARA H-Trust and the currency of its underlying investments and income. ARA H-Trust is not exposed to any foreign currency fluctuations.

#### **CASH FLOWS AND LIQUIDITY**

As at 31 December 2023, ARA H-Trust had cash and cash equivalents of US\$20.1 million. Net cash generated from operating activities was US\$45.1 million for FY2023.

Net cash generated used in investing activities amounted to US\$40.5 million, after accounting for the acquisition of Home2 Suites by Hilton Colorado Springs South and capital expenditures. Net cash used in financing activities was US\$35.1 million, comprising mainly distributions to the Stapled Securityholders as well as interest payments during the year.

As at 31 December 2023, ARA H-Trust had an unutilised revolving facility of US\$46.5 million and a letter of credit facility of US\$8.0 million in place.

Despite the elevated interest rate environment, ARA H-Trust has improved its financial performance and maintained a healthy cash balance. ARA H-Trust remains in a sound financial and liquidity position to meet its operational needs and financial commitments. The Managers will continue to execute proactive hands-on asset management strategies to maximise cashflows and pursue a prudent and disciplined approach in capital management.

## HOTEL PORTFOLIO

### PREMIER INTERNATIONAL HOTEL BRANDS

Our portfolio is branded under tree of the world's largest hotel chains, Marriott International, Hyatt Hotels Corporation and Hilton Worldwide. The various brands include in Hyatt House, Hyatt Place, AC Hotels by Marriott, Courtyard by Marriott, Residence Inn by Marriott and Home2 Suites by Hilton Worldwide. As disclosed in the prospectus dated 2 May 2019 for the initial public offering ("IPO") of ARA H-Trust, the initial portfolio of 38 properties were at the time of IPO already held by ARA H-Trust and the deemed purchase price was US\$695 million on a portfolio basis. Of the 38 properties, 6 properties, Hyatt Place Chicago Itasca, Hyatt Place Pittsburgh Cranberry, Hyatt Place Birmingham Inverness, Hyatt Place Cincinnati Northeast and Hyatt Place Cleveland Independence, were disposed in FY2022 and Hyatt Place Oklahoma City Airport was disposed in FY2023. Presently, only 32 of the IPO properties are currently still held by ARA H-Trust (of which 21 hotels are branded under "Hyatt Place" branding while 11 hotels are branded under "**Hyatt House**"). The portfolio of Marriot-branded hotels, namely the AC by Marriott Raleigh North Hills, Courtyard San Antonio Six Flags® at The RIM and the Residence Inn San Antonio Six Flags® at The RIM, were acquired on 17 January 2020 for a total consideration of US\$84.0 million. Home2 Suites by Hilton Colorado Springs South was acquired on 18 April 2023 for a total consideration of \$29.0 million.



## HYATT PLACE



**21** hotels

**2,665** Keys

**Revenue US\$86.5 mil**  
(FY2023)

**GOP US\$27.0 mil**  
(FY2023)

**Valuation US\$364.3 mil**  
(as at 31 December 2023)

Hyatt Place hotels are upscale select-service hotels which offer a modern and comfortable experience for their guests. Hyatt Place hotels offer spacious guestrooms which feature a Cozy Corner sofa sleeper, the Hyatt Grand Bed™, a high-definition television and a wet bar with a refrigerator. Hyatt Place hotels also offer the 24/7 Gallery Menu where guests can order gastropub items such as sandwiches, soups, salads and snacks and the Coffee to Cocktails Bar, which features specialty coffees, premium beer, wine, and spirits.

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

## HYATT HOUSE



**11** hotels

**1,526** Keys

**Revenue \$63.8 mil**  
(FY2023)

**GOP US\$23.7 mil**  
(FY2023)

**Valuation US\$250.0 mil**  
(as at 31 December 2023)

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

Typically located in urban, airport, and suburban areas, Hyatt House hotels cater to extended-stay business travellers, as well as leisure travellers and families. Hyatt House hotels are also well suited to serve small meetings and events. These hotels typically achieve higher occupancy than Hyatt Place hotels due to the extended-stay orientation of Hyatt House hotels. As Hyatt House hotels cater towards longer-term stay guests, this resulted in higher average occupancy as compared to Hyatt Place hotels. Hyatt House hotels also hold a slight premium in ADR over Hyatt Place, which is reflective of the larger room product (mostly suites), with their apartment-style rooms equipped with kitchenettes.



# HOTEL PORTFOLIO

## AC HOTELS BY MARRIOTT



**1** hotel

**135** Keys

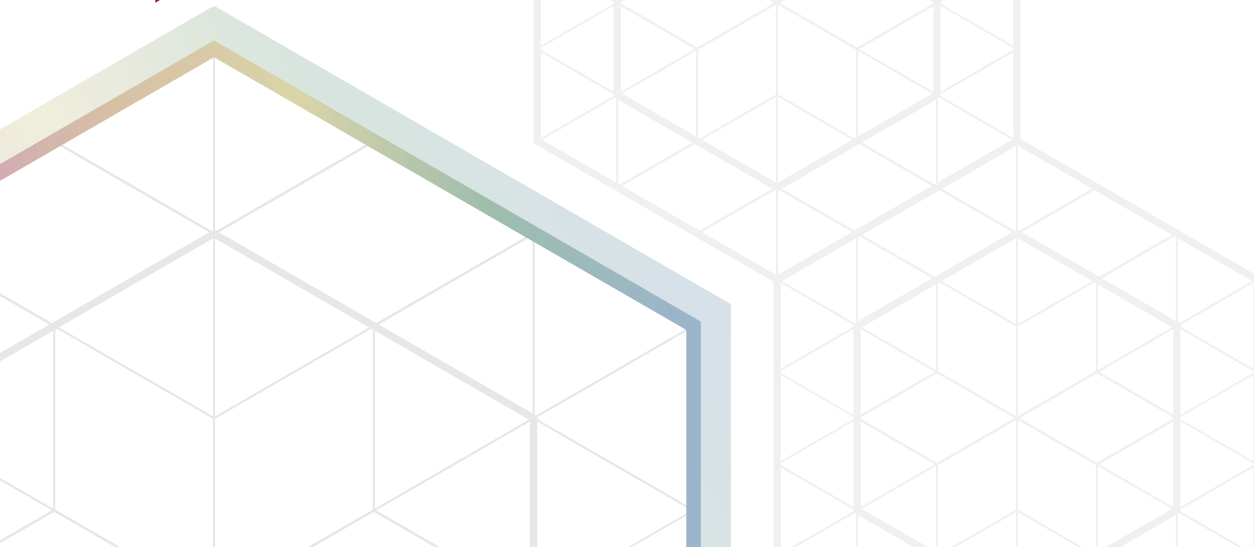
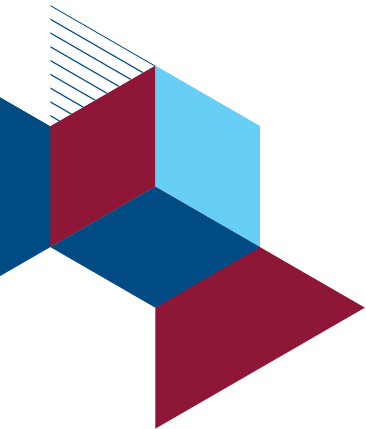
**Revenue US\$11.2 mil**  
(FY2023)

**GOP US\$5.3 mil**  
(FY2023)

**Valuation US\$61.1 mil**  
(as at 31 December 2023)

AC Hotels by Marriott hotels are upscale select-service hotels which celebrate the importance of purposeful design with its unwavering attention to the small but impactful details of a guest's stay. With a trendy modern design imbued with European soul and Spanish roots, the AC Hotels are lifestyle hotels designed for business travellers and leisure travellers, offering signature spaces such as the AC Lounge (bar) and the AC Meeting Salon (conference room) that are also well-suited to host small meetings and events.

Our AC Hotel Raleigh North Hills is nestled directly in Raleigh's bustling North Hills neighbourhood where travellers experience a unique combination of timeless European design, comfort and true authenticity, and also enjoy the Triangle region's prime shopping, dining and entertainment.



## COURTYARD BY MARRIOTT

COURTYARD<sup>®</sup>  
BY MARRIOTT**1 hotel****124 Keys****Revenue US\$5.0 mil**  
(FY2023)**GOP US\$2.0 mil**  
(FY2023)**Valuation US\$22.9 mil**  
(as at 31 December 2023)

Courtyard by Marriott hotels are upscale select-service hotels which target business and leisure travellers alike with quality comfort without the frills. Marriott's second largest brand by properties, Courtyard by Marriott hotels offers a sophisticated yet comfortable environment with adaptable and welcoming spaces to allow for conversation and interaction. Introduced into the market more than 35 years ago as a brand built for business, it has continuously evolved to provide guestrooms fitted with thoughtful amenities and flexible work areas that fits a wide range of site needs.

Our Courtyard by Marriott San Antonio Six Flags<sup>®</sup> at The RIM hotel offers a perfect place to work, relax and recharge, with plush bedding, modern and flexible spaces with well-lit work space and free Wi-Fi.

## RESIDENCE INN BY MARRIOTT

Residence INN<sup>®</sup>  
BY MARRIOTT**1 hotel****131 Keys****Revenue US\$4.8 mil**  
(FY2023)**GOP US\$1.9 mil**  
(FY2023)**Valuation US\$21.6 mil**  
(as at 31 December 2023)

Residence Inn by Marriott is an upscale extended-stay hotel which is designed to provide comfortable longer stays lodging for the business and leisure travellers. One of the global leaders in the extended-stay segment in the United States, the Residence Inn brand provides spacious suites featuring distinct living, working and sleeping spaces, with fully equipped kitchens in each suite. The warm and inviting public spaces feature modern residential design allowing guests to feel right at home, paired with the added amenities of upscale hotel living. Catering to both business and leisure travelers, Residence Inn by Marriott is optimally positioned to recognise and serve the different needs of long-stay guests.

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

# HOTEL PORTFOLIO

## HOME2 SUITES BY HILTON WORLDWIDE



**1** hotel

**119** Keys

**Revenue US\$4.2 mil<sup>1</sup>**  
(FY2023)

**GOP US\$2.4 mil<sup>1</sup>**  
(FY2023)

**Valuation US\$31.5 mil**  
(as at 31 December 2023)

Home2 Suites by Hilton, one of the fastest growing brands in Hilton's history, is an all-suite, award-winning extended-stay hotel concept designed to offer stylish accommodations with flexible guest room configurations and inspired amenities for cost-conscious guests and their pets. With a commitment to environmentally friendly products and hotel operations, Home2 Suites by Hilton offers complimentary hot breakfast, innovative and customisable guestroom designs, laundry and fitness areas, free Wi-Fi, multiple outdoor spaces 24-hour business centers, expansive community spaces and pet-friendly environments. The hotel brand targets both business and leisure travelers.

1 Revenue is for the period 18 April 2023 to 31 December 2023.

**Hyatt House Boston Burlington, Massachusetts**



Hyatt House Boston Burlington is c. 12 miles northwest of downtown Boston, which is one of the top Metropolitan Statistical Areas (“MSAs”) in the U.S. The region is known for biotechnology, life sciences, pharmaceuticals, and its universities. Hyatt House Boston Burlington is in close proximity to diverse corporate businesses such as (i) Fuji Film (2) Salesforce (3) Microsoft (4) BAE Systems (an arms, security and aerospace corporation). In addition, the Hotel benefits from its proximity to Lahey Clinic, a research center involved in more than 300 clinical trial protocols, bringing numerous national and international study participants to the area each year.

**Hyatt House Branchburg, New Jersey**



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

**Hotel Statistics  
As at 31 December 2023**

<b>Location</b>	2 Van De Graaff Drive, Burlington, MA 01803
<b>Type of Hotel</b>	Upscale Extended-stay
<b>Title</b>	Freehold
<b>Number of Keys</b>	150
<b>Year of Commencement of Operations</b>	1998
<b>Year of Last Renovation</b>	2016
<b>Valuation (US\$ mil)</b>	36.0
<b>Revenue (US\$ mil)</b>	8.2
<b>Occupancy Rate (%)</b>	83.3

**Hotel Statistics  
As at 31 December 2023**

<b>Location</b>	3141 Route 22 East, Branchburg, NJ 08876
<b>Type of Hotel</b>	Upscale Extended-stay
<b>Title</b>	Freehold
<b>Number of Keys</b>	139
<b>Year of Commencement of Operations</b>	2004
<b>Year of Last Renovation</b>	2016
<b>Valuation (US\$ mil)</b>	23.0
<b>Revenue (US\$ mil)</b>	5.3
<b>Occupancy Rate (%)</b>	74.3



## HOTEL PORTFOLIO

### Hyatt House Fishkill, New York



Hyatt House Fishkill is located within the Hudson Valley region at the Catskills Mountains, a popular leisure destination for those that enjoy hiking, other outdoor recreational opportunities and numerous historic landmarks. Dutchess County has a large inventory of sites for filming movies, commercials, and TV shows with a growing number of production studios developing in the area. The Hudson Valley averages \$58 million annually in film industry direct spending. The area is headquarters to Jehovah's Witness attracting leisure visitors and host to several meetings and conventions each year. The Hotel is in close proximity to diverse corporate businesses such as (i) CryusOne (real estate investment trust investing in data centers), (ii) Gap's distribution center, (iii) Linuo Solar Group and (iv) Mechtronics. It is also located near a medical center, numerous education institutions and a sports dome that is expected to draw approximately 600,000 visitors per year.

#### Hotel Statistics As at 31 December 2023

<b>Location</b>	100 Westage Business Center, Fishkill, NY 12524
<b>Type of Hotel</b>	Upscale Extended-stay
<b>Title</b>	Freehold
<b>Number of Keys</b>	135
<b>Year of Commencement of Operations</b>	2006
<b>Year of Last Renovation</b>	2016
<b>Valuation (US\$ mil)</b>	20.9
<b>Revenue (US\$ mil)</b>	6.1
<b>Occupancy Rate (%)</b>	76.3

### Hyatt House Morristown, New Jersey



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

#### Hotel Statistics As at 31 December 2023

<b>Location</b>	194 Park Avenue, Morristown, NJ 07960
<b>Type of Hotel</b>	Upscale Extended-stay
<b>Title</b>	Freehold
<b>Number of Keys</b>	132
<b>Year of Commencement of Operations</b>	1997
<b>Year of Last Renovation</b>	2016
<b>Valuation (US\$ mil)</b>	30.7
<b>Revenue (US\$ mil)</b>	6.7
<b>Occupancy Rate (%)</b>	78.6

**Hyatt House Parsippany-East, New Jersey**



With a concentration of a dozen Fortune 500 companies and nearly 1,000 firms, three regional universities and a regional medical center, Morris County is considered one of the strongest local economies in the New Jersey-New York-Connecticut metropolitan region. Parsippany enjoys convenient accessibility to New York City via public transit systems as the county is only 30 miles northwest to the heart of Manhattan. Hyatt House Parsippany-East is in close proximity to diverse corporate businesses such as (i) Wyndham Worldwide, (ii) Avis Budget Group, (iii) PBF Energy, (iv) Bayer Corporation, (v) AIG and (vi) Teva Pharmaceutical.

**Hyatt House Parsippany Whippany, New Jersey**



With a concentration of a dozen Fortune 500 companies and nearly 1,000 firms, three regional universities and a regional medical center, Morris County is considered one of the larger local economies in the New Jersey-New York-Connecticut metropolitan region. Whippany enjoys having convenient accessibility to New York City via public transit systems as the county is only 30 miles northwest to the heart of Manhattan. Hyatt House Parsippany Whippany is in close proximity to diverse corporate businesses such as (i) Wyndham Worldwide, (ii) Avis Budget Group, (iii) Accenture, (iv) International Business Machines Corporation, (v) Bayer Corporation and (vi) Immunomedics (biotechnology). The Hotel is also located close to special events facilities, which hosts large corporate and special events.

**Hotel Statistics  
As at 31 December 2023**

<b>Location</b>	299 Smith Road, Parsippany, NJ 07054
<b>Type of Hotel</b>	Upscale Extended-stay
<b>Title</b>	Freehold
<b>Number of Keys</b>	140
<b>Year of Commencement of Operations</b>	2004
<b>Year of Last Renovation</b>	2015
<b>Valuation (US\$ mil)</b>	17.0
<b>Revenue (US\$ mil)</b>	5.8
<b>Occupancy Rate (%)</b>	76.2

**Hotel Statistics  
As at 31 December 2023**

<b>Location</b>	1 Ridgedale Avenue North, Whippany, NJ 07981
<b>Type of Hotel</b>	Upscale Extended-stay
<b>Title</b>	Freehold
<b>Number of Keys</b>	135
<b>Year of Commencement of Operations</b>	1997
<b>Year of Last Renovation</b>	2016
<b>Valuation (US\$ mil)</b>	21.1
<b>Revenue (US\$ mil)</b>	5.9
<b>Occupancy Rate (%)</b>	76.7

# HOTEL PORTFOLIO

## Hyatt House Philadelphia Plymouth Meeting, Philadelphia



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

## Hyatt House Raleigh Durham Airport, North Carolina



Located five miles from Raleigh Durham International Airport, Hyatt House Raleigh Durham Airport is situated in the heart of the Research Triangle, a renowned corridor of technology related companies in the Raleigh MSA. The hotel is home to Wake Competition Center, USA Baseball National Training Complex, Triangle Aquatic Center, and Church Street Cricket Park attracting sports enthusiasts and hosting several tournaments. Hyatt House Raleigh Durham Airport is within a five-mile radius of diverse corporate businesses such as (i) Lenovo, (ii) Credit Suisse, (iii) Cisco Systems, (iv) Amazon and (v) Microsoft. Goggle, Apple and Nike have all recently announced regional hubs for Raleigh. The area is also home to major academic and healthcare institutions, including Duke University, North Carolina State University, Duke University Health System and UNC REX Healthcare.

### Hotel Statistics As at 31 December 2023

<b>Location</b>	501 East Germantown Pike, East Norriton, PA 19401
<b>Type of Hotel</b>	Upscale Extended-stay
<b>Title</b>	Freehold
<b>Number of Keys</b>	131
<b>Year of Commencement of Operations</b>	2000
<b>Year of Last Renovation</b>	2016
<b>Valuation (US\$ mil)</b>	11.7
<b>Revenue (US\$ mil)</b>	4.5
<b>Occupancy Rate (%)</b>	70.6

### Hotel Statistics As at 31 December 2023

<b>Location</b>	10962 Chapel Hill Road, Morrisville, NC 27560
<b>Type of Hotel</b>	Upscale Extended-stay
<b>Title</b>	Freehold
<b>Number of Keys</b>	141
<b>Year of Commencement of Operations</b>	2009
<b>Year of Last Renovation</b>	2017
<b>Valuation (US\$ mil)</b>	20.4
<b>Revenue (US\$ mil)</b>	4.7
<b>Occupancy Rate (%)</b>	71.3

**Hyatt House Richmond Short Pump, Virginia**



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

**Hyatt House Shelton, Connecticut**



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

**Hotel Statistics  
As at 31 December 2023**

**Location** 11800 West Broad Street,  
Richmond, VA 23233

**Type of Hotel** Upscale Extended-stay

**Title** Freehold

**Number of Keys** 134

**Year of Commencement  
of Operations** 2009

**Year of Last Renovation** 2017

**Valuation (US\$ mil)** 28.3

**Revenue (US\$ mil)** 5.7

**Occupancy Rate (%)** 71.0

**Hotel Statistics  
As at 31 December 2023**

**Location** 830 Bridgeport Avenue,  
Shelton, CT 06484

**Type of Hotel** Upscale Extended-stay

**Title** Freehold

**Number of Keys** 127

**Year of Commencement  
of Operations** 2010

**Year of Last Renovation** 2017

**Valuation (US\$ mil)** 19.7

**Revenue (US\$ mil)** 5.6

**Occupancy Rate (%)** 82.5



# HOTEL PORTFOLIO

## Hyatt House Sterling Dulles Airport North, Virginia



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

## Hyatt Place Albuquerque Airport, New Mexico



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

Hotel Statistics As at 31 December 2023	
Location	45520 Dulles Plaza, Sterling, VA 20166
Type of Hotel	Upscale Extended-stay
Title	Freehold
Number of Keys	162
Year of Commencement of Operations	2007
Year of Last Renovation	2016
Valuation (US\$ mil)	21.2
Revenue (US\$ mil)	5.2
Occupancy Rate (%)	73.7

Hotel Statistics As at 31 December 2023	
Location	1400 Sunport Place South East, NM 87106
Type of Hotel	Upscale Select-service
Title	Freehold
Number of Keys	127
Year of Commencement of Operations	1998
Year of Last Renovation	2016
Valuation (US\$ mil)	15.2
Revenue (US\$ mil)	3.9
Occupancy Rate (%)	68.9

**Hyatt Place Atlanta Alpharetta Windward Parkway, Georgia**



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

**Hyatt Place Atlanta Norcross Peachtree, Georgia**



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

**Hotel Statistics  
As at 31 December 2023**

**Location** 5595 Windward Parkway, Alpharetta, GA 30004

**Type of Hotel** Upscale Select-service

**Title** Freehold

**Number of Keys** 127

**Year of Commencement of Operations** 1998

**Year of Last Renovation** 2016

**Valuation (US\$ mil)** 16.0

**Revenue (US\$ mil)** 2.6

**Occupancy Rate (%)** 52.2

**Hotel Statistics  
As at 31 December 2023**

**Location** 5600 Peachtree Parkway, Norcross, GA 30092

**Type of Hotel** Upscale Select-service

**Title** Freehold

**Number of Keys** 126

**Year of Commencement of Operations** 1996

**Year of Last Renovation** 2016

**Valuation (US\$ mil)** 14.0

**Revenue (US\$ mil)** 2.7

**Occupancy Rate (%)** 53.2

## HOTEL PORTFOLIO

### Hyatt Place Boise Towne Square, Idaho



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

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



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

#### Hotel Statistics As at 31 December 2023

**Location** 925 North Milwaukee Street, Boise, ID 83704

**Type of Hotel** Upscale Select-service

**Title** Freehold

**Number of Keys** 127

**Year of Commencement of Operations** 1999

**Year of Last Renovation** 2015

**Valuation (US\$ mil)** 19.9

**Revenue (US\$ mil)** 3.8

**Occupancy Rate (%)** 60.4

#### Hotel Statistics As at 31 December 2023

**Location** 2950 Oak Lake Boulevard, Charlotte, NC 28208

**Type of Hotel** Upscale Select-service

**Title** Freehold

**Number of Keys** 127

**Year of Commencement of Operations** 1999

**Year of Last Renovation** 2016

**Valuation (US\$ mil)** 16.0

**Revenue (US\$ mil)** 4.1

**Occupancy Rate (%)** 74.8

**Hyatt Place Cincinnati Airport Florence, Kentucky**



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

**Hyatt Place Denver Airport, Colorado**



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

Hotel Statistics As at 31 December 2023	
Location	300 Meijer Drive, Florence, KY 41042
Type of Hotel	Upscale Select-service
Title	Freehold
Number of Keys	126
Year of Commencement of Operations	1997
Year of Last Renovation	2017
Valuation (US\$ mil)	19.1
Revenue (US\$ mil)	3.7
Occupancy Rate (%)	68.9

Hotel Statistics As at 31 December 2023	
Location	16250 East 40th Avenue, Aurora, CO 80011
Type of Hotel	Upscale Select-service
Title	Freehold
Number of Keys	126
Year of Commencement of Operations	1998
Year of Last Renovation	2016
Valuation (US\$ mil)	18.5
Revenue (US\$ mil)	4.3
Occupancy Rate (%)	69.8



## HOTEL PORTFOLIO

### Hyatt Place Detroit Auburn Hills, Michigan



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

#### Hotel Statistics As at 31 December 2023

<b>Location</b>	1545 North Opdyke Road, Auburn Hills, MI 48326
<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Number of Keys</b>	127
<b>Year of Commencement of Operations</b>	1996
<b>Year of Last Renovation</b>	2016
<b>Valuation (US\$ mil)</b>	8.9
<b>Revenue (US\$ mil)</b>	2.2
<b>Occupancy Rate (%)</b>	42.5

### Hyatt Place Detroit Livonia, Michigan



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

#### Hotel Statistics As at 31 December 2023

<b>Location</b>	19300 Haggerty Road, Livonia, MI 48152
<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Number of Keys</b>	127
<b>Year of Commencement of Operations</b>	1998
<b>Year of Last Renovation</b>	2016
<b>Valuation (US\$ mil)</b>	13.3
<b>Revenue (US\$ mil)</b>	3.4
<b>Occupancy Rate (%)</b>	61.3

**Hyatt Place Lakeland Center, Florida**



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

**Hyatt Place Louisville East**



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

**Hotel Statistics  
As at 31 December 2023**

<b>Location</b>	525 West Orange Street, Lakeland, FL 33815
<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	75 year leasehold with a remaining term of 51 years expiring in July 2073 <sup>2</sup>
<b>Number of Keys</b>	127
<b>Year of Commencement of Operations</b>	1999
<b>Year of Last Renovation</b>	2016
<b>Valuation (US\$ mil)</b>	20.4
<b>Revenue (US\$ mil)</b>	5.2
<b>Occupancy Rate (%)</b>	74.0

**Hotel Statistics  
As at 31 December 2023**

<b>Location</b>	701 South Hurstbourne Parkway, Louisville, KY 40222
<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Number of Keys</b>	121
<b>Year of Commencement of Operations</b>	1994
<b>Year of Last Renovation</b>	2016
<b>Valuation (US\$ mil)</b>	14.1
<b>Revenue (US\$ mil)</b>	3.3
<b>Occupancy Rate (%)</b>	60.3

2 This assumes that ARA H-Trust exercises its right to renew the initial lease for each property on the same terms upon the expiry of the initial lease in 2023 for five consecutive terms of 10 years each

## HOTEL PORTFOLIO

### Hyatt Place Memphis Primacy Parkway, Tennessee



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

#### Hotel Statistics As at 31 December 2023

<b>Location</b>	1220 Primacy Parkway, Memphis, TN 38119
<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Number of Keys</b>	126
<b>Year of Commencement of Operations</b>	1996
<b>Year of Last Renovation</b>	2016
<b>Valuation (US\$ mil)</b>	9.6
<b>Revenue (US\$ mil)</b>	3.4
<b>Occupancy Rate (%)</b>	66.7

### Hyatt Place Mystic, Connecticut



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

#### Hotel Statistics As at 31 December 2023

<b>Location</b>	224 Greenmanville Avenue, Mystic, CT 06355
<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Number of Keys</b>	79
<b>Year of Commencement of Operations</b>	1999
<b>Year of Last Renovation</b>	2023-2024
<b>Valuation (US\$ mil)</b>	15.1
<b>Revenue (US\$ mil)</b>	4.2
<b>Occupancy Rate (%)</b>	78.0

**Hyatt Place Nashville Brentwood, Tennessee**



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

**Hyatt Place Nashville Opryland, Tennessee**



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

**Hotel Statistics  
As at 31 December 2023**

<b>Location</b>	202 Summit View Drive, Brentwood, TN 37027
<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Number of Keys</b>	124
<b>Year of Commencement of Operations</b>	1991
<b>Year of Last Renovation</b>	2015
<b>Valuation (US\$ mil)</b>	17.9
<b>Revenue (US\$ mil)</b>	3.3
<b>Occupancy Rate (%)</b>	52.9

**Hotel Statistics  
As at 31 December 2023**

<b>Location</b>	220 Rudy Circle, Nashville, TN 37214
<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Number of Keys</b>	123
<b>Year of Commencement of Operations</b>	1990
<b>Year of Last Renovation</b>	2016
<b>Valuation (US\$ mil)</b>	24.1
<b>Revenue (US\$ mil)</b>	4.8
<b>Occupancy Rate (%)</b>	64.5



## HOTEL PORTFOLIO

### Hyatt Place Omaha Downtown Old Market, Nebraska



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

#### Hotel Statistics As at 31 December 2023

<b>Location</b>	540 South 12th Street, Omaha, NE 68102
<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Number of Keys</b>	159
<b>Year of Commencement of Operations</b>	2013
<b>Year of Last Renovation</b>	2023-2024
<b>Valuation (US\$ mil)</b>	32.4
<b>Revenue (US\$ mil)</b>	5.7
<b>Occupancy Rate (%)</b>	66.3

### Hyatt Place Pittsburgh Airport, Pennsylvania



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

#### Hotel Statistics As at 31 December 2023

<b>Location</b>	6011 Campbells Run Road, Pittsburgh, PA 15205
<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Number of Keys</b>	127
<b>Year of Commencement of Operations</b>	1998
<b>Year of Last Renovation</b>	2016
<b>Valuation (US\$ mil)</b>	7.7
<b>Revenue (US\$ mil)</b>	3.1
<b>Occupancy Rate (%)</b>	54.7

**Hyatt Place Richmond Arboretum, Virginia**



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

**Hyatt Place Sacramento Rancho Cordova, California**



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

**Hotel Statistics  
As at 31 December 2023**

<b>Location</b>	201 Arboretum Place, Richmond, VA 23236
<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Number of Keys</b>	127
<b>Year of Commencement of Operations</b>	1997
<b>Year of Last Renovation</b>	2016
<b>Valuation (US\$ mil)</b>	13.5
<b>Revenue (US\$ mil)</b>	3.7
<b>Occupancy Rate (%)</b>	63.6

**Hotel Statistics  
As at 31 December 2023**

<b>Location</b>	10744 Gold Center Drive, Rancho Cordova, CA 95670
<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Number of Keys</b>	127
<b>Year of Commencement of Operations</b>	1999
<b>Year of Last Renovation</b>	2023-2024
<b>Valuation (US\$ mil)</b>	22.4
<b>Revenue (US\$ mil)</b>	4.4
<b>Occupancy Rate (%)</b>	72.8

## HOTEL PORTFOLIO

### Hyatt Place Secaucus Meadowlands, New Jersey



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

### Hyatt Place Tampa Busch Gardens, Florida



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

#### Hotel Statistics As at 31 December 2023

<b>Location</b>	575 Park Plaza Drive, Secaucus, NJ 07094
<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	75 year leasehold with a remaining term of 49 years expiring in June 2071 <sup>3</sup>
<b>Number of Keys</b>	159
<b>Year of Commencement of Operations</b>	1998
<b>Year of Last Renovation</b>	2023-2024
<b>Valuation (US\$ mil)</b>	26.0
<b>Revenue (US\$ mil)</b>	7.7
<b>Occupancy Rate (%)</b>	77.6

#### Hotel Statistics As at 31 December 2023

<b>Location</b>	11408 North 30th Street, Tampa, FL 33612
<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Number of Keys</b>	126
<b>Year of Commencement of Operations</b>	1997
<b>Year of Last Renovation</b>	2016
<b>Valuation (US\$ mil)</b>	20.2
<b>Revenue (US\$ mil)</b>	5.1
<b>Occupancy Rate (%)</b>	67.6

<sup>3</sup> This assumes that ARA H-Trust exercises its right to renew the current lease for each property on the same terms upon the expiry of the current lease in 2021 for five consecutive terms of 10 years each

**AC by Marriott Raleigh North Hills, North Carolina**



AC by Marriott Raleigh North Hills is the newest hotel within the heart of Raleigh’s North Hills — one of Raleigh/Durham’s premier live work-play destination. North Hills is a mixed-use development that contains more than 1.5 million square feet of office space, with notable tenants such as First Citizens Bank, United Healthcare, PwC, KPMG, Advanced Auto Parts, plus retail, entertainment and residences. The North Hills area is undergoing a major expansion including a \$1 billion Innovation District adding an 18-storey office tower, apartments and a two-story food hall. Upon completion, the North Hills footprint will contain more than 120 acres. Besides that, the Hotel is in close proximity to leading universities including the North Carolina State University (35,000 students), Duke University (15,000 students), University of North Carolina (29,000 students).

**Courtyard San Antonio Six Flags® at The RIM, Texas**



Courtyard San Antonio Six Flags® at The RIM is located in one of the most desirable sub-market in San Antonio. The Hotel is situated within attractive residential, retail and office and close to popular leisure attractions. It is located near major highways and less than 30 minutes from the airport, downtown, and other office parks. The key demand drivers within a five kilometres radius include corporations such as Valero Headquarters (Fortune 500 energy group), Medtronic (1+ employees), USAA (Fortune 500 financial group), NuStar Energy (1000+ employees). The Hotel is also located in a popular regional destination that include the Six Flags Fiesta Texas (a popular amusement park) and a 2.8 million square feet of master development with retail and dining component. It is also close to The University of Texas at San Antonio with student enrolment of c. 31,000 students.

**Hotel Statistics  
As at 31 December 2023**

<b>Location</b>	101 Park at North Hills Street, Raleigh, NC 27609
<b>Type of Hotel</b>	Upscale Select-service (Lifestyle)
<b>Title</b>	Freehold
<b>Number of Keys</b>	135
<b>Year of Commencement of Operations</b>	2017
<b>Year of Last Renovation</b>	—
<b>Purchase Price (US\$ mil)</b>	43.0 (as at 17 January 2020)
<b>Valuation (US\$ mil)</b>	61.1
<b>Revenue (US\$ mil)</b>	11.2
<b>Occupancy Rate (%)</b>	78.6

**Hotel Statistics  
As at 31 December 2023**

<b>Location</b>	5731 Rim Pass, San Antonio, TX 78257
<b>Type of Hotel</b>	Upscale Select-service
<b>Title</b>	Freehold
<b>Number of Keys</b>	124
<b>Year of Commencement of Operations</b>	2009
<b>Year of Last Renovation</b>	2017
<b>Purchase Price (US\$ mil)</b>	21.8 (as at 17 January 2020)
<b>Valuation (US\$ mil)</b>	22.9
<b>Revenue (US\$ mil)</b>	5.0
<b>Occupancy Rate (%)</b>	74.4



## HOTEL PORTFOLIO

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



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

#### Hotel Statistics As at 31 December 2023

<b>Location</b>	5707 Rim Pass, San Antonio, TX 78257
<b>Type of Hotel</b>	Upscale Extended-stay
<b>Title</b>	Freehold
<b>Number of Keys</b>	131
<b>Year of Commencement of Operations</b>	2009
<b>Year of Last Renovation</b>	2017
<b>Purchase Price (US\$ mil)</b>	19.3 (as at 17 January 2020)
<b>Valuation (US\$ mil)</b>	21.6
<b>Revenue (US\$ mil)</b>	4.8
<b>Occupancy Rate (%)</b>	76.9

### Home2 Suites by Hilton Colorado Springs South



Home2 Suites by Hilton Colorado Springs South is a recently constructed hotel strategically positioned in a growing sub-market within Colorado Springs. The hotel is in a multi-family, high-end residential enclave and is near popular leisure attractions. Nested in the foothills of the Rockies, it is located near major highways, and it is just a 10-minute drive from downtown Colorado Springs. The hotel is conveniently situated near prominent corporations, including Lockheed Martin (Fortune 500 aerospace group), Northrop Grumman (Fortune 500 aerospace group), Hewlett Packard Enterprise (10,000+ employees) and Compassion International (1000+ employees). Additionally, it is only 5 miles away from U.S. Olympic and Paralympic training centre and museum, and 2 miles from the Broadmoor World Arena, the largest premier sports and entertainment venue in South Colorado. Colorado Springs is also home to several prominent U.S. military establishments such as Fort Carson Army Base and the U.S. Air Force Academy and in close proximity to the University of Colorado Springs, boasting a student population of 12,000.

#### Hotel Statistics As at 31 December 2023

<b>Location</b>	1235 Tenderfoot Hill Road, Colorado Springs, Colorado 80906
<b>Type of Hotel</b>	Upscale Extended-stay
<b>Title</b>	Freehold
<b>Number of Keys</b>	119
<b>Year of Commencement of Operations</b>	2019
<b>Year of Last Renovation</b>	—
<b>Purchase Price (US\$ mil)</b>	29.0 (as at 18 April 2023)
<b>Valuation (US\$ mil)</b>	31.5
<b>Revenue (US\$ mil)</b>	4.2 <sup>4</sup>
<b>Occupancy Rate (%)</b>	79.7

# INVESTOR RELATIONS

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

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

Following the amendments to Rule 705(2) of the Listing Manual of the Singapore Exchange Securities Trading Limited, ARA H-Trust has adopted half-yearly reporting of financial results since March 2020. Nevertheless, ARA H-Trust continues to provide quarterly business updates to keep our stakeholders apprised of operational performance regularly.

The Managers will continue to proactively engage stakeholders through various communication channels, including providing relevant business and operational updates between the announcements of half-yearly financial statements.

## FY2023 INVESTOR RELATIONS CALENDAR

First Quarter	
Analyst earnings call for FY2023 results	February 2023
Investor conference call hosted by DBS Vickers Securities (Singapore)	February 2023
Second Quarter	
FY2022 Annual General Meeting	April 2023
Analyst earnings call for 1Q 2023 business and operational updates	May 2023
Investor conference call hosted by DBS Vickers Securities (Singapore)	May 2023
2023 REITs Symposium	May 2023
CEO's interview with Business Times	June 2023
Third Quarter	
Meeting with CGS-CIMB Securities	August 2023
Analyst earnings call for 1H 2023 results	August 2023
Investor conference call hosted by DBS Vickers Securities (Singapore)	August 2023
Fourth Quarter	
Analyst earnings call for 3Q 2023 business and operational updates	November 2023
Investor conference call hosted by DBS Vickers Securities (Singapore)	November 2023

## FINANCIAL CALENDARS

Financial Year Ended 31 December 2023		Dates
First Quarter Business and Operational Updates Announcement		4 May 2023
First Half Results Announcement		8 August 2023
Payment of Distribution (six months ended June 2023)		27 September 2023
Third Quarter Business and Operational Updates Announcement		10 November 2023
Full Year Results Announcement		22 February 2024
Payment of Distribution (six months ended December 2023)		28 March 2024
FY2023 Annual General Meeting		19 April 2024
Financial Year Ended 31 December 2024		Tentative Dates
First Quarter Business and Operational Updates Announcement		May 2024
First Half Results Announcement		August 2024
Payment of Distribution (six months ending 30 June 2024)		September 2024
Third Quarter Business and Operational Updates Announcement		November 2024
Full Year Results Announcement		February 2025
Payment of Distribution (six months ending December 2024)		March 2025
FY2024 Annual General Meeting		April 2025

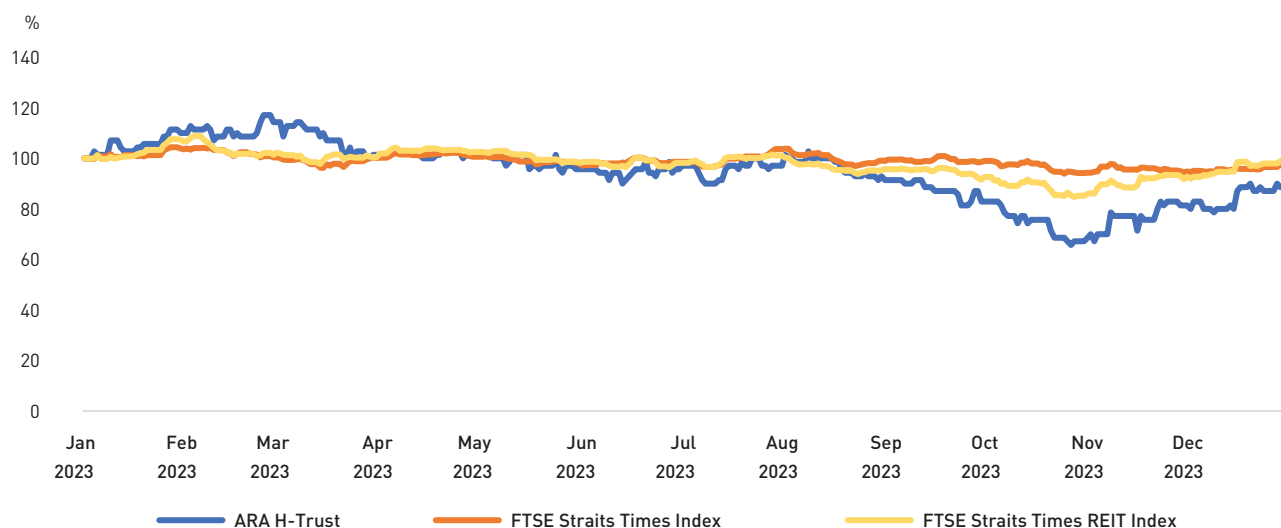
# INVESTOR RELATIONS

## STAPLED SECURITY PRICE PERFORMANCE

	FY2023	FY2022
Opening Price on the first trading day of the Financial Year (US\$)	0.350	0.500
Closing Price on the last trading day of the Financial Year (US\$)	0.305	0.350
Highest Closing Price (US\$)	0.410	0.530
Lowest Closing Price (US\$)	0.230	0.350
Average Closing Price (US\$)	0.330	0.452
Total Traded Volume (Stapled Securities)	28,875,800	39,594,600
Average Daily Volume Traded (Stapled Securities)	124,777	163,614
Total Return	-5.05%	-27.4%

Source: Bloomberg

## RELATIVE PERFORMANCE INDICES FOR FY2023



Source: Bloomberg

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

## STAPLED SECURITYHOLDER ENQUIRIES

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

### Investor Relations

Email: [usht\\_ir@desr.com](mailto:usht_ir@desr.com)

Website: [www.araushotels.com](http://www.araushotels.com)

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# CORPORATE GOVERNANCE REPORT

## INTRODUCTION

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

The units in ARA H-REIT (each, a “**ARA H-REIT Unit**”) and the units in ARA H-BT (each, a “**ARA H-BT Unit**”) are stapled together under the terms of a stapling deed dated 17 April 2019 (the “**Stapling Deed**”) entered into between ARA Trust Management (USH) Pte. Ltd., as manager of ARA H-REIT (the “**ARA H-REIT Manager**”), DBS Trustee Limited, as trustee of ARA H-REIT (the “**ARA H-REIT Trustee**”) and ARA Business Trust Management (USH) Pte. Ltd., as trustee-manager of ARA H-BT (the “**ARA H-BT Trustee Manager**”, and together with the ARA H-REIT Manager, the “**Managers**”), to form stapled securities in ARA H-Trust (“**Stapled Securities**”, and each a “**Stapled Security**”). Each Stapled Security consists of one ARA H-REIT Unit and one ARA H-BT Unit, which cannot be traded separately. The Stapled Securities were listed on the Mainboard of Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 9 May 2019.

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

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

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

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

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

## THE MANAGERS

The Managers are currently wholly-owned subsidiaries of ARA Asset Management Limited (“**ARA**”), which is part of the ESR Group, APAC’s largest real asset manager. Each of the ARA H-REIT Manager and the ARA H-BT Trustee Manager has general powers of management over the business and assets of ARA H-REIT and ARA H-BT, respectively.

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

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

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

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

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

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

# CORPORATE GOVERNANCE REPORT

## (A) BOARD MATTERS

### The Board's Conduct of Affairs

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

The composition of the board of directors of the Managers (the “**Board**”<sup>1</sup>) as at 31 December 2023 is as follows:

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

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

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

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

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

<sup>1</sup> In this Report, references to the “Board”, “Directors”, “Management” and similar words and expressions are intended to mean the Board, Directors, Management etc. of each of the ARA H-REIT Manager and the ARA H-BT Trustee Manager (save where the context otherwise requires), as during the financial year ended 31 December 2023 (“**FY2023**”), the Board and Management of the ARA H-REIT Manager and the ARA H-BT Trustee Manager comprised the same persons.

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

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

During FY2023, the Board has been working closely with the Management in reviewing the business opportunities and impact on ARA H-Trust's business and operations post the COVID-19 pandemic.

### **Board Committee**

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

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

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

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



# CORPORATE GOVERNANCE REPORT

## Board Meetings

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

Prior to the Board Committee's meetings and the Board meetings and on an on-going basis, the Management provides complete, adequate and timely information to the Board on ARA H-Trust's affairs and issues that require the Board's decision, to enable the Board to make informed decisions and discharge their duties and responsibilities. Explanatory background information relating to matters brought before the Board includes quarterly business updates, half-yearly and full year results announcements, budgets and documents related to the operational and financial performance of ARA H-Trust.

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

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

If a Director is unable to attend the Board meetings, he or she would review the Board papers and advise the Chairman or the chairperson of the Board Committee of his or her views on the matters to be discussed and conveyed to other Directors at the meetings. The Board and Board Committee may also make decisions and approve matters by way of written resolutions. Where appropriate, Management will be requested to attend meetings of the Board and the Board Committee in order to provide their input and insight into the matters being discussed, and to respond to any queries that the Directors may have. At the Board and Board Committee meetings, all the Directors actively participate in discussions, in particular, they engage in open and constructive debate and provide feedback to Management on its recommendations. The Board composition allows for diversity in views and perspectives which enriches deliberations and contributes to better decision-making of the Board in the best interest of ARA H-Trust.

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

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

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

Four Board meetings were held in FY2023. The key deliberations and decisions taken at Board meetings are minuted. The attendance of the Directors at Board meetings, Audit and Risk Committee meetings and the Annual General Meeting ("AGM") as well as the frequency of such meetings, are set out below.

#### Directors' Attendance at Board, Audit and Risk Committee and Stapled Securityholders' Meetings in FY2023

Directors	Board Meetings		Audit and Risk Committee Meetings		AGM
	Participation	Attendance/ Number of Meetings	Participation	Attendance/ Number of Meetings	Attendance/ Number of meetings
Mr Stephen Ray Finch	Chairman	4/4	Member	4/4	1/1
Mr Randy Allan Daniels	Member	4/4	Member	4/4	1/1
Ms Stefanie Yuen Thio	Member	4/4	Chairperson	4/4	1/1
Mr Wong Choong Mann	Member	4/4	Member	4/4	1/1
Mr Moses K Song	Member	4/4	NA	NA	1/1 <sup>(2)</sup>
Ms Cheryl Seow Bee Lian	Member	4/4	NA	4/4 <sup>(1)</sup>	1/1
Mr Lin Daqi	Member	4/4	NA	NA	1/1

Note:

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

<sup>(2)</sup> Attendance via videoconferencing.

#### Professional Development

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

The Directors are provided with opportunities to develop and maintain their skills and knowledge at the Managers' expense. A director who has no prior experience as a director of an issuer listed on the SGX-ST must undergo training in the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST. The Directors receive regular training and are able to participate in conferences, seminars or training programmes in connection with their duties such as those conducted by the Singapore Institute of Directors, SGX-ST and REIT Association of Singapore ("REITAS"). A list of training courses and seminars which may be of interest is sent to the Directors for their consideration. The costs of arranging and funding the training of the Directors are borne by the Managers. The Directors also received regular training on sustainability topics, as prescribed by the SGX-ST, shared by the external consultants which are advising on climate-related risk, sustainability reporting and benchmarking surveys.

The Managers note the requirements under the 2018 CG Code and Rule 210(5) of the Listing Manual on the training requirements for directors with no prior experience on listed companies and would arrange for the necessary training for such directors in future appointments. No new Director was appointed during FY2023.

# CORPORATE GOVERNANCE REPORT

## Professional Development (continued)

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

## Board Composition and Guidance

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

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

The Chairman of the Board is Mr Stephen Ray Finch.

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

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

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

## Independent Composition

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

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

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

Directors are expected to disclose to the Board any relationships with the Managers, its related corporation, its substantial shareholders, its officers or the substantial stapled securityholders, if any, which may affect their independence, as and when it arises, and each Independent Non-Executive Director has made such declarations whether there were any relationships or any instances that would otherwise deem him or her not to be independent. None of the Independent Non-Executive Directors has served for a continuous period of nine years or longer on the Board. The independence declarations have been duly reviewed by the Board. The Board has conducted its own assessment and has determined that the Independent Non-Executive Directors are independent as defined under the relevant regulations. Each of the Independent Non-Executive Directors has recused himself or herself from reviewing his or her own independence.

In FY2023, the Chairman of the Board is an Independent Non-Executive Director. Further, its current composition of Independent Non-Executive Directors has made up a majority of the Board, which is in line with the 2018 CG Code. The Board continuously reviews its composition to enhance its independence, by taking into consideration the following factors:

- (i) there are four Independent Non-Executive Directors and three Non-Independent Non-Executive Directors, out of a total of seven members during FY2023. Independent Non-Executive Directors make up a majority of the Board and Non-Executive Directors make up 100% of the Board;
- (ii) the Independent Non-Executive Directors have been assessed based on the independence criteria which include (a) length of service of not more than nine years, (b) independence from management and business relationships with the Managers and ARA H-Trust, (c) independence from Substantial Shareholders of the Managers and Substantial Stapled Securityholders, and (d) other factors described in Principles 2 and 4 of this Report; and
- (iii) interested Director(s) are required to abstain from voting when passing Board resolutions and the quorum for such matter must comprise a majority of Independent Non-Executive Directors, excluding such interested Director(s).

The Board has noted that Ms Stefanie Yuen Thio is currently the Independent Non-Executive Chairperson of ESR-LOGOS Funds Management (S) Limited, the manager of ESR-LOGOS REIT ("**ESRFM**"). ESRFM is a subsidiary of the controlling shareholder of the Managers following completion of the acquisition of ARA by ESR on 20 January 2022. Notwithstanding Ms Stefanie Yuen Thio does not fulfil the conditions in Regulations 13D(7)(b)(ii) and 13D(7)(b)(iii) of the SF(LCB)R to be considered independent, the Board has reviewed that (i) Ms Stefanie Yuen Thio does not have any relationship with the CEO, members of the management team, board of directors or major shareholders/unitholders of ESRFM, and ESR-LOGOS REIT; (ii) she does not sit on the Board of ESR, which is also the Sponsor of ESR-LOGOS REIT, or ARA; (iii) she is not involved in the day-to-day management and operations of ESRFM and ESR-LOGOS REIT; (iv) she does not own any shares in ESRFM and has insignificant interest in ESR-LOGOS REIT; (v) she exercises independent judgment as a member of the ESRFM Board and the ESRFM Board Committees; and (vi) ESR-LOGOS REIT has a different investment mandate from ARA H-Trust. Where Ms Stefanie Yuen Thio or any of her associates has any interest in a transaction with ARA H-Trust or the Managers, Ms Stefanie Yuen Thio is required to abstain from passing any related board resolutions or participating in the review and approval of such a transaction.

Having reviewed the above and pursuant to Regulation 13D(8) of the SF(LCB)R and Regulation 12(6) of the BTR, the Board is of the view that Ms Stefanie Yuen Thio is independent from management and business relationships with the Managers and independent from Substantial Shareholders of the Managers. As at the last day of FY2023, Ms Stefanie Yuen Thio was able to act in the best interests of all Stapled Securityholders as a whole and the Board has determined and is satisfied that Ms Stefanie Yuen Thio was able to act in the best interests of all Stapled Securityholders as a whole. As with the other Directors, prior approval was obtained from the MAS before the appointment of Ms Stefanie Yuen Thio as a Director.



# CORPORATE GOVERNANCE REPORT

## Independent Composition (continued)

In FY2023, the Board has reviewed the Directors' independence declarations at year-end, and after conducting its own assessment, determined that Mr Stephen Ray Finch, Mr Randy Allan Daniels, Ms Stefanie Yuen Thio and Mr Wong Choong Mann are independent and are free from any of the relationships stated in the 2018 CG Code, the Listing Manual, the SF(LCB)R and the BTA/BTR, save for the relevant disclosures made under Principle 2 above in respect of Ms Stefanie Yuen Thio.

Mr Moses K Song, Ms Cheryl Seow Bee Lian and Mr Lin Daqi are non-independent Directors. Mr Moses K Song is the Chief Executive Officer of ARA and Ms Cheryl Seow Bee Lian was the Chief Financial Officer of ARA until 31 August 2022, and served as the Senior Advisor of ARA from 1 September 2022 to 31 January 2023. Mr Lin Daqi is the Investment Manager of Haiyi Holdings Pte Ltd, a related corporation of a Substantial Stapled Securityholder.

Further, for the purposes of Regulations 13E(b)(i)(F) and 13E(b)(iii) of the SF(LCB)R, the Board is satisfied that, as at the last day of FY2023, all non-independent Directors were able to act in the best interests of all the Stapled Securityholders of ARA H-Trust as a whole.

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

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

When reviewing Management's proposals or decisions, the Non-Executive Directors provide their objective judgment on business activities and transactions involving conflicts of interests and other complexities. The Non-Executive Directors and/or Independent Non-Executive Directors, meet without the presence of the Management regularly, as led by the Independent Non-Executive Directors, and the chairman of such meetings provides feedback and updates to the Board where necessary and as appropriate.

The composition of the Board is reviewed regularly to ensure that the Board has the appropriate mix of industry expertise and experience. In particular, the Board's diversity policy strives to ensure that the Board as a whole has the requisite background, and diverse experience and knowledge in business, accounting and finance, and management skills critical to ARA H-Trust's businesses. The Managers have adopted the ESR Board Diversity Policy (the "**Policy**"), which has an established framework for setting the Board diversity approach, including measurable objectives to ensure diversity of its composition. The selection process for Board candidates is structured to account for a range of diversity perspectives including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service are considered.

The current composition of the Board has achieved the diversity objectives under the ESR Board Diversity Policy of having international and industry experience, expertise in related fields including real estate, investing, financial and legal, gender and age diversity. Gender diversity is also considered an important aspect of diversity. The current Board has two female members. Collectively and individually, the Directors act in good faith and exercise due diligence and care in the course of their deliberations and, at all times, consider objectively the interests of ARA H-Trust and its Stapled Securityholders. The ultimate decision will be based on merits and contributions that the selected candidates will bring to the Board that complement and expand the skills and experience of the Board as a whole, and having regard to the overall balance and effectiveness of a diverse Board. The Managers are committed to implementing the Board Diversity Policy and will review the Policy periodically to ensure its effectiveness and alignment with best practice and the requirements of the 2018 CG Code, or as amended from time to time, and any other relevant legislation.

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

In particular, (i) each of Mr Stephen Ray Finch and Mr Moses K Song has considerable expertise in real estate management, investment and fund-raising, in particular, Mr Stephen Ray Finch has work experience in REIT management and fund management, and was involved in various real estate management trust and local and international debt securities offerings, and Mr Moses K Song oversees strategy, business and product development, capital raising and all investment management activities involving ARA, (ii) Mr Lin Daqi has considerable expertise in investments across industries and geographies, (iii) Mr Randy Allan Daniels has considerable real estate development expertise, including in-country expertise and networks for the United States real estate market, having served on the boards of various entities in the United States real estate industry, (iv) Ms Cheryl Seow Bee Lian brings with her considerable finance and accounting expertise, having more than 20 years of work experience in corporate finance roles and providing accounting and consulting services, (v) Ms Stefanie Yuen Thio brings with her considerable legal expertise for various corporates and international companies, including in real estate, the hospitality industry and REITs, (vi) Mr Wong Choong Mann brings with him considerable working experience in the civil service industry. The collective diversity, backgrounds and skillsets of the Board members serve to optimally support the business growth as well as the effective and sound governance of ARA H-Trust and its subsidiaries.

Based on the above assessment, the Board is of the view that the current composition of Directors, as a group, provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age and that the current Board size is appropriate, taking into consideration the nature and scope of ARA H-Trust's operations.

The Board values the benefits that diversity can bring to the Board in its deliberations by avoiding groupthink and fostering constructive debate. In addition, prior approval of the MAS is required for appointment of any Board member or the CEO. The Board will continue to review its composition to ensure that it continues to adhere to the requirements under Principle 2. The Managers are accordingly of the view that its practice is consistent with the intent of Principle 2 of the 2018 CG Code as a whole.

Profiles of the Directors and other relevant information are set out on pages 14 to 17 of this Annual Report. There were no Alternate Directors appointed to the Board in FY2023.

### **Chairman and Chief Executive Officer**

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

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

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

# CORPORATE GOVERNANCE REPORT

## Chairman and Chief Executive Officer (continued)

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

## Board Membership

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

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

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

- tabling nominations for appointment and re-appointment to the Board, and reviewing as well as taking into account the succession plan and framework for the Chairman, the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the Managers (“**key management personnel**”);
- reviewing the structure, size, and composition of the Board;
- reviewing the process and criteria for the evaluation of the performance of the Board, the Audit and Risk Committee and the Directors;
- reviewing the overall performance and progress of the Board, the Audit and Risk Committee and the Directors;
- reviewing the independence of Board members; and
- reviewing the training and professional development of the Board and the Directors and the relevant training and professional development programmes for the Board and the Directors.

The Board believes that it can achieve orderly succession and renewal through continuously reviewing the appropriate composition of the Board. The Board also has in place guidelines on the tenure of the Directors. The guidelines provided that an Independent Director should serve up to a period of nine years.

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

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

When reviewing and recommending the appointment and re-appointment of Directors, the Board takes into consideration the current Board's size and mix, and the principles outlined in the subsequent part of this Report. The Board has put in place a process for shortlisting, evaluating and nominating candidates for appointment as Directors. The selection and appointment of potential new candidates is evaluated through taking into account various factors including the current and mid-term needs and goals of ARA H-Trust, as well as the relevant experience, skillsets and background of the candidates and their potential contributions to ARA H-Trust's business as may be determined by the Board, which provide an appropriate balance and contribute to the balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, of the Board, taking into consideration the nature and scope of ARA H-Trust's operations. With regard to the channels used in the search and nomination process for identifying appropriate candidates, candidates may be put forward or sought through contacts and recommendations by the Directors or through external referrals where applicable.

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

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

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

The Board itself undertakes the role of determining the independence status of the Directors (as required under Provision 4.4) prior to the appointment and thereafter, annually with reference to the principles and provisions set out in the 2018 CG Code and applicable laws and regulations, as well as the disclosures that Directors are required to make to the Board of any non-independent relationships or instances.



# CORPORATE GOVERNANCE REPORT

## Annual Review of Directors' Time Commitments

Although the Directors have other listed company board representations and principal commitments (as set out on pages 14 to 17 of the Annual Report), the Board has determined that each individual Director is able to and has been carrying out his or her duties and has devoted sufficient time and attention to his or her role as a Director and to the affairs of the Managers (as required under Provisions 1.5 and 4.5) and this is being assessed as part of the Director's performance as disclosed in Principle 5 below. In FY2023, the Directors attended Board meetings, had given feedback and participated constructively when discussing the activities of ARA H-Trust. Their attendance record for FY2023 is set out on page 59 of this Annual Report. The Board has undergone the self-assessment and has also procured written confirmations from the Directors stating that sufficient time and attention are given to the affairs of ARA H-Trust, and they are able to carry out their duties as Directors of the Managers and they would address any competing time commitments that may arise, despite their multiple Board representations. The Board is of the view that such external appointments do not hinder the Directors from diligently discharging their duties.

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

## Board Performance

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

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

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

For FY2023, based on the assessment of the Board and each individual Director's performance, the Board is satisfied with the overall result. The Board has also taken on feedback and will arrange an annual discussion amongst its members without the presence of Management.

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

## (B) REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies and Level and Mix of Remuneration

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

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

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

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

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

### Remuneration Framework

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

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

# CORPORATE GOVERNANCE REPORT

## Link between Pay and Performance

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

In addition to the base salary and a variable year-end bonus, designated key management personnel of the Managers participate in a Performance Based Bonus Scheme (the "**PBBS**"). Under the PBBS, designated key management personnel of the Managers may be entitled to a pool of incentive payments based on certain performance indicators linked to the growth of ARA H-Trust and optimising the returns to Stapled Securityholders. The incentive payments are paid in cash and allocated amongst the designated key management personnel based on various factors and conditions, including seniority, length of service, performance and contributions.

The designated key management personnel of the Managers also participate in a Long Term Incentive Plan Scheme ("**LTIP**"). The objective of the LTIP is to effectively recognise, reward and motivate designated key management personnel for their contributions to the growth and long term success of the business of ARA H-Trust in driving business continuity and retaining talent following the completion of the acquisition of ARA by ESR on 20 January 2022. The incentive payments for the LTIP are awarded through the vesting of shares in ESR across 4 years and allocated amongst the designated key management personnel who have a more direct impact and influence over the long term business goals and results, with the condition of payment tied to the continued employment of the designated key management personnel. Subject to the continued employment of the designated key management personnel who remain in service until the vesting date, the first quarter of the vested amount of shares was issued in FY2023. In addition, such compensation is in the long-term interests of ARA H-Trust as ARA H-Trust is a key part of ESR's business and ecosystem and Management's actions to grow ARA H-Trust and drive ARA H-Trust's performance will also have a positive impact on ESR. With the ultimate aim of retaining talent and that the LTIP has a 4-year vesting period and is linked to the continued employment of the designated key management personnel in contributing to the business of ARA H-Trust and not to the KPIs of the designated key management personnel, the LTIP will accordingly not result in the designated key management personnel prioritising the interest of ESR over that of ARA H-Trust. In addition, to further mitigate any potential conflicts of interests, it should be further noted that under the SFA, the Managers and Directors are required to act in the best interest of ARA H-Trust and give priority to the interest of ARA-H-Trust over the interests of the shareholders of the Managers, and the Managers have established internal control procedures to ensure that all Interested Person Transactions (as defined below) will be undertaken on an arm's length basis and on normal commercial terms and are not prejudicial to the interests of ARA H-Trust and its Stapled Securityholders. Based on the above, the Managers are of the view that there would not be any conflicts of interest arising from the arrangement and there is no misalignment of interest, and the designated key management personnel of the Managers will act objectively in the best interests of ARA H-Trust and its Stapled Securityholders.

The remuneration of the CEO and key management personnel is not linked to the gross revenue of ARA H-Trust. As and when required, the Board will have access to independent remuneration consultants, but it did not engage any during FY2023.

In FY2023, there were no termination, retirement and post-employment benefits granted to Directors, the CEO and key management personnel.

## Disclosure on Remuneration

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

The remuneration of the Directors for FY2023 comprises the fees of four Independent Non-Executive Directors and one Non-Independent Non-Executive Director paid entirely in cash, and the details of the Directors' remuneration are set out below:

Directors	Salary (S\$)	Bonus (S\$)	Directors' Fees (S\$)	Others (S\$)	Total (S\$)
Mr Stephen Ray Finch	—	—	100,000	—	100,000
Mr Randy Allan Daniels	—	—	70,000	—	70,000
Ms Stefanie Yuen Thio	—	—	90,000	—	90,000
Mr Wong Choong Mann	—	—	70,000	—	70,000
Mr Moses K Song	—	—	—	—	—
Ms Cheryl Seow Bee Lian	—	—	50,000	—	50,000
Mr Lin Daqi	—	—	—	—	—

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

The framework for determining the Directors' fees is shown in the table below:

Main Board	
Chairman	S\$80,000 per annum
Members	S\$50,000 per annum
Audit and Risk Committee	
Chairperson	S\$40,000 per annum
Members	S\$20,000 per annum

The Managers are cognisant of the requirement to disclose (i) the remuneration of the CEO and each individual Director on a named basis; (ii) the remuneration of at least the top five key management personnel (who are not also Directors or the CEO), on a named basis, in bands no wider than S\$250,000; (iii) the aggregate remuneration of its CEO and the top five key management personnel (who are not also Directors or the CEO); and (iv) any other forms of remuneration and other payments and miscellaneous staff benefits paid to key management personnel (who are not also Directors or the CEO) (as required under Provisions 8.1 and 8.3). The Board has assessed and elected not to disclose the above remuneration for the following reasons:

- (i) the competition for talent in the area of REITs and the business trusts management industry is very keen and the Managers have, in the interests of Stapled Securityholders, opted not to disclose the remuneration of the CEO and top five key management personnel (who are not also Directors or the CEO) so as to minimise potential staff movement which would cause undue disruptions to the management team of the Managers;



# CORPORATE GOVERNANCE REPORT

## Disclosure On Remuneration (continued)

- (ii) it is important that the Managers retain their competent and committed staff to ensure the stability and continuity of business and operations of ARA H-Trust;
- (iii) due to the confidentiality and sensitivity of staff remuneration matters, the Managers are of the view that such disclosures could be prejudicial to the interests of Stapled Securityholders. Conversely, the Managers are of the view that such non-disclosure will not be prejudicial to the interests of Stapled Securityholders as the information provided regarding the Managers' remuneration policies is sufficient to enable Stapled Securityholders to understand the link between remuneration paid to the CEO and the top five key management personnel (who are not also Directors or the CEO) and their performance; and
- (iv) there is no misalignment between the remuneration of the CEO and key management personnel and the interests of the Stapled Securityholders as their remuneration is paid out from the fees that the Managers receive from ARA H-Trust, rather than borne by ARA H-Trust.

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

In FY2023, there are no employees of the Managers who are Substantial Shareholders of the Managers or Substantial Stapled Securityholders, or immediate family members of a Director, the CEO, a Substantial Shareholder of the Managers or a Substantial Stapled Securityholder, and whose remuneration exceeds S\$100,000 during the year.

Other than payment of the LTIP, the key management personnel were wholly remunerated in cash in FY2023. As the vesting in shares in ESR will take place across 4 years, the first quarter of the vested amount of shares was issued in FY2023.

## (C) ACCOUNTABILITY AND AUDIT

### Risk Management and Internal Controls

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

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

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

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

### Risk Management Committee

A separate risk management committee (the “**Risk Management Committee**”) was established to assist the Audit and Risk Committee in assessing the adequacy and effectiveness of internal controls. The Risk Management Committee comprises the CEO, Head of Finance, Director of Asset Management, Assistant Finance Director and the Group Head of Governance & Sustainability (“**G&S**”) of ESR. G&S is a corporate division of ESR, the ultimate holding company of the Managers.

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

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

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

### Role of the Board and the Audit and Risk Committee

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

For the financial year in review, the Board has received written assurances (the “**Written Assurances**”) (a) from the CEO and the Head of Finance that the financial records have been properly maintained and that the financial statements give a true and fair view of ARA H-Trust’s operations and finances; and (b) from the CEO and other key management personnel who have responsibility regarding various aspects of risk management and internal controls, that ARA H-Trust’s risk management and internal control systems are adequate and effective.

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

# CORPORATE GOVERNANCE REPORT

## Role of the Board and the Audit and Risk Committee (Continued)

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

For FY2023, the Board is satisfied with the adequacy and effectiveness of ARA H-Trust’s internal controls (including financial, operational, compliance and information technology controls) and risk management systems, taking into account the nature, scale and complexity of the Managers’ operations. The Board arrived at this assessment based on the ERM Framework established, the 1207(10) Checklist and the reviews conducted by the Internal Auditors and the External Auditors, together with the Management’s confirmation on the adequacy and effectiveness of the internal controls. The Audit and Risk Committee has concurred with the Board’s assessment. In addition, the Audit and Risk Committee has reviewed and is satisfied with the adequacy of resources and qualifications of the Managers’ key management personnel who are performing accounting, financial reporting and compliance roles.

The Managers have maintained proper records of the discussions and decisions of the Board and the Audit and Risk Committee.

## Whistle-Blowing Policy

Pursuant to the Whistle-Blowing Policy which has been put in place, the Audit and Risk Committee is responsible for oversight and monitoring of whistle-blowing and reviews arrangements by which staff of the Managers or any other persons may, in confidence, raise their concerns to the Audit and Risk Committee about possible improprieties in matters of financial reporting or such other matters relating to the Managers and its officers in a responsible and effective manner. The policy protects the complainant from reprisal or victimisation when he/she raises any concern in good faith and without malice. A feedback channel on ARA H-Trust’s website allows any complainant to raise in strict confidence possible improprieties or concerns directly to the Audit and Risk Committee (with such complaints copied to the ESR’s Group Head of G&S) and helps to facilitate an independent investigation of any matter raised and allow appropriate follow-up action as required. Through such feedback channel on ARA H-Trust’s website, the identity of the whistleblower is kept confidential to ensure protection of the whistleblower against detrimental or unfair treatment.

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

The Audit and Risk Committee is guided by the Whistle-Blowing Policy to ensure proper conduct and closure of investigations, including handling of possible improprieties, prohibition of obstructive or retaliatory actions, confidentiality, disciplinary and civil or criminal actions. All such investigations are undertaken by the Internal Auditors based on instructions from the Audit and Risk Committee. The identity of the complainant is kept confidential except for circumstances where it is required by law for such identity to be revealed. The outcome of each investigation is reported to the Audit and Risk Committee.

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

No whistle-blowing concerns were reported for FY2023.

## Audit and Risk Committee

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

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

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

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

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

In compliance with the 2018 CG Code, the Audit and Risk Committee does not comprise any former partner or director of the incumbent External Auditors (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation and in any case, (b) for as long as they hold any financial interest in the auditing firm or auditing corporation.

Four Audit and Risk Committee meetings were held during FY2023.

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

- reviewing financial statements and formal announcements relating to financial performance and reviewing significant financial reporting issues and judgments contained in them, for better assurance of the integrity of such statements and announcements;
- reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Managers and ARA H-Trust's risk management and internal controls, including financial, operational, compliance, environmental and information technology controls;



# CORPORATE GOVERNANCE REPORT

## Audit and Risk Committee (Continued)

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

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

The Audit and Risk Committee meets with the External Auditors, and with the Internal Auditors, in each case without the presence of Management, at least annually. In FY2023, the Audit and Risk Committee had met with the Internal Auditors and External Auditors without the presence of Management. The Internal Auditors and External Auditors may request the Audit and Risk Committee to meet if they consider a meeting necessary. Both the Internal Auditors and External Auditors have confirmed that they had full access to and had received the co-operation and support of Management, with no restrictions placed on the scope of their audits.

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

During FY2023, the Audit and Risk Committee performed reviews of the quarterly business updates, and the half-yearly and full year financial statements of ARA H-Trust. In the process, the Audit and Risk Committee reviewed the key areas of management judgement applied for adequate provisioning and disclosure, accounting policies, key audit matters and any significant changes made which have a material impact on the financials. The External Auditors also presented their audit results report to the Audit and Risk Committee, covering the audit focus areas, key audit matters findings, quality and independence.

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

The Audit and Risk Committee had also conducted a review of all non-audit services provided by Ernst & Young LLP ("**EY**"), the External Auditors of ARA H-Trust, an auditing firm registered with the Accounting and Corporate Regulatory Authority, and noted that no non-audit services were provided by the External Auditors in FY2023. The aggregate amount of audit and non-audit fees paid/payable to the External Auditors for FY2023 is disclosed on page 159 of this Annual Report.

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

The Audit and Risk Committee, with the concurrence of the Board, has recommended the appointment of EY as the external auditors of ARA H-Trust at the forthcoming AGM. The Managers, on behalf of ARA H-Trust, confirm that it has complied with the requirements of Rules 712 and 715 read with 716 of the Listing Manual in respect of the suitability of the auditing firms of ARA H-Trust and its significant subsidiaries.

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

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

# CORPORATE GOVERNANCE REPORT

## Internal Audit Function

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

For FY2023, the internal audit function of the Managers was outsourced to the Internal Auditors, Deloitte & Touche Enterprise Risk Services Pte. Ltd., a member firm of Deloitte Touche Tohmatsu Limited (the "**Internal Auditors**"). The Internal Auditors are independent of Management and report directly to the Audit and Risk Committee on audit matters and to Management on administrative matters.

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

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

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

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

## (D) SHAREHOLDER RIGHTS AND ENGAGEMENT

### Shareholder Rights and Conduct of General Meetings and Engagement with Shareholders

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

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

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

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

Stapled Securityholders are notified in advance of the date of release of ARA H-Trust's financial results through an announcement on the SGX-ST via SGXNET. Since FY2020, ARA H-Trust changed its financial reporting from quarterly to half-yearly, having fulfilled the requirements under the Listing Manual. In lieu of the first and third financial quarters' detailed financial result announcements, the Managers shall prepare a set of investors' presentation slides which included assets/portfolio performance and summarised financial information ("**Investors Slides**"). The Investors Slides would be published on ARA H-Trust's website as well as announced via SGXNET. The Managers conduct regular briefings for analysts and media representatives, which generally coincide with the release of ARA H-Trust's quarterly business and operational updates, half-yearly and full year financial results. During these briefings, the Managers present ARA H-Trust's most recent performance. In line with the Managers' objective of transparent communication, briefing materials are also simultaneously released on the SGX-ST via SGXNET and made available on ARA H-Trust's website.

In FY2023, Management provided institutional investors and analysts with publicly available information through group presentations, one-on-one meetings and conference calls. Management strives to maintain regular dialogue with retail investors and keep them updated on developments through participations in seminars and symposiums, timely announcements on the SGX-ST via SGXNET, ARA H-Trust's website and the general media, in order to ensure a level playing field.

### **Conduct of general meetings**

Stapled Securityholders are informed of meetings through notices accompanied by Annual Reports or circulars sent to them. All Stapled Securityholders are entitled to receive the annual reports at least 14 days prior to the AGM. The Managers ensure that Stapled Securityholders are able to participate effectively and vote at the general meeting of Stapled Securityholders ("**Stapled Securityholders' meetings**"). In this regard, the Stapled Securityholders' meetings are generally convened in a wholly physical format (subject to compliance with any prevailing applicable regulatory requirements) and held in central locations which are easily accessible by public transportation. Stapled Securityholders are invited at such meetings to put forth any questions they may have on the resolutions to be debated and decided upon.

The Managers have not implemented absentia voting methods such as voting via email or fax (as recommended under Provision 11.4) due to security, integrity and other pertinent considerations. Stapled Securityholders may appoint up to two proxies to attend, speak and vote, on their behalf, at general meetings through proxy forms to be made available to the Stapled Securityholder on SGX-ST's website and ARA H-Trust's website. A Stapled Securityholder who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than one proxy to attend and vote. As such, Stapled Securityholders have the opportunities to communicate their views on matters affecting ARA H-Trust even when they are not in attendance at general meetings. The Managers are accordingly of the view that their practice is consistent with the intent of Principle 11 of the 2018 CG Code as a whole.



# CORPORATE GOVERNANCE REPORT

## Conduct of general meetings (continued)

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

Stapled Securityholders are invited to put forth any questions they may have on the resolutions to be debated and decided upon, and the Board of Directors of the Managers, Management and External Auditors will be in attendance at these meetings to address questions raised by Stapled Securityholders.

Voting at general meetings will be conducted by way of electronic poll voting for all the Stapled Securityholders/proxies present at the meeting for all resolutions proposed at the general meetings. Stapled Securityholders/proxies will be briefed on the voting and vote tabulation procedures involved in conducting a poll before the meeting proceeds. This allows all Stapled Securityholders present or represented at the meetings to vote on a "one Stapled Security, one vote" basis. There will be no option to participate virtually. An independent scrutineer will be appointed to validate the proxy forms submitted by the Stapled Securityholders and the vote tabulation procedures.

The voting results of all votes cast for or against each resolution are disclosed at each general meeting with respective percentages and these details are announced through SGXNET after the meeting.

Minutes of the Stapled Securityholders' meetings which recorded the substantial and relevant comments or queries from Stapled Securityholders and the corresponding responses provided from the Board and Management would be prepared and made publicly available on the ARA H-Trust's website as soon as practicable.

The AGM held on 27 April 2023 was convened in the manner set out above.

## ARA H-Trust's Distribution Policy

ARA H-REIT's distribution policy is to distribute at least 90.0% of its distribution 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 declared, unless he/she elects otherwise.

## (E) MANAGING STAKEHOLDERS RELATIONSHIPS

### Engagement with Stakeholders

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

The Managers recognise the importance of maintaining positive stakeholder relationships and adopting an inclusive approach in the management and engagement of ARA H-Trust's stakeholders, which include Stapled Securityholders, Government and Regulatory Authorities, Employees and third-party Hotel Managers and Hotel Guests. The Managers' strategy is to ensure active engagement and frequent communication with the relevant stakeholders through various engagement channels including meetings, forums and dialogues, general meetings and announcements, investor conferences, employee and hotel guests' satisfaction surveys.

ARA H-Trust issued its sustainability report for FY2022 on 28 April 2023, in accordance with the requirements set out in Practice Note 7.6 of the Listing Manual. The FY2023 Sustainability Report, which will be released by end April 2024, will outline ARA H-Trust's ESG policies, practices and performance from the financial, socioeconomic, stakeholder, community and environmental perspective. The report is prepared in accordance with the relevant framework and guidelines such as the Global Reporting Initiatives ("GRI") Standards 2021, the recommendations by The Task Force on Climate-related Financial Disclosures ("TCFD") and the Guidelines on Environmental Risk Management for Asset Managers published by the MAS in December 2020.

The Board has set a strategic direction in ensuring good corporate governance, prudent financial management, fair employment practices and efficient utilisation of resources. The Managers believe in the importance of integrating sustainability into its business strategies and operations in achieving sustainable economic growth and delivering long-term value for Stapled Securityholders.

Stakeholders will be able to access ARA H-Trust's sustainability reports on ARA H-Trust's website under "Sustainability" within "Portfolio", and provide any feedback relating to ESG matters.

#### **(F) ADDITIONAL EXEMPTIONS IN THE LISTING MANUAL**

The Managers note the exemptions under Practice Note 4.2 of the Listing Manual, which provides that Rules 210(5)(d) (iv), 210(5)(e) and 720(5) of the Listing Manual do not apply to a REIT and Business Trust as long as the REIT and Business Trust continue to comply with the SFA and BTA/BTR provisions and the regulations and notices made thereunder which substantively addresses the requirements under these rules. Under the SFA and BTA/BTR provisions, the Managers must act in the best interest of all Stapled Securityholders as a whole and give priority to their interests over the Managers' own interests and the interests of the shareholders of the Managers in the event of a conflict. The SFA and BTA/BTR provisions also stipulate the requirements for the composition of the Board, circumstances where Directors' appointment shall be endorsed by Stapled Securityholders, establishment of an Audit and Risk Committee, and criteria in which a Director of the REIT Manager and Trustee-Manager is considered independent. In this regard, the Managers have complied with all the relevant provisions under the SFA and BTA/BTR for FY2023.

#### **Dealings in Stapled Securities**

The Managers have adopted the ESR Employee Dealing and the Handling of Inside Information Policy to guide its Directors, key management personnel and employees (collectively referred to as the "**Managers' personnel**") in respect of dealings in Stapled Securities.

This policy prohibits the Managers' personnel from dealing in such Stapled Securities (i.e. not to deal on short-term considerations):

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

The Managers' personnel are also prohibited from communicating price-sensitive information to any persons and to avoid, and be seen to avoid, actual or potential conflict between personal interest and duty to the Stapled Securityholders. The Managers had confirmed that its Directors, key management personnel and employees have adhered to the policy for dealing in the Stapled Securities for FY2023.

# CORPORATE GOVERNANCE REPORT

## Dealings in Stapled Securities (continued)

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

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

## Dealing with Conflicts of Interest

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

1. the ARA H-REIT Manager shall be a dedicated manager to ARA H-REIT and will not manage any other REIT which invests in the same type of properties as ARA H-REIT;
2. all key executive officers will be employed and will work exclusively for the ARA H-REIT Manager and will not hold other executive positions in other firms;
3. all resolutions in writing of the Directors in relation to matters concerning ARA H-REIT must be approved by a majority of the Directors, including at least one Independent Non-Executive Director;
4. at least a majority of the Board shall comprise Independent Non-Executive Directors;
5. in respect of matters in which a Director or his associates have an interest, direct or indirect, the interested Director will abstain from voting. In such matters, the quorum must comprise a majority of the Independent Non-Executive Directors of the ARA H-REIT Manager and must exclude such interested Director;
6. in respect of matters in which ESR and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by ESR and/or its subsidiaries to the Board to represent their interests will abstain from voting. In such matters, the quorum must comprise a majority of the Independent Non-Executive Directors and must exclude nominee Directors of ESR and/or its subsidiaries;
7. save as to resolutions relating to the removal of the ARA H-REIT Manager, the ARA H-REIT Manager and its associates are prohibited from voting or being counted as part of a quorum for any meeting of the unitholders of ARA H-REIT convened to approve any matter in which the ARA H-REIT Manager and/or any of its associates has an interest, and for so long as the ARA H-REIT Manager is the manager of ARA H-REIT, the controlling shareholders of the ARA H-REIT Manager and of any of its associates are prohibited from voting or being counted as part of a quorum for any meeting of the holders of ARA H-REIT Units convened to consider a matter in respect of which the relevant controlling shareholders of the ARA H-REIT Manager and/or of any of its associates have an interest; and

8. it is also provided in the ARA H-REIT Trust Deed that if the ARA H-REIT Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the ARA H-REIT Trustee for and on behalf of ARA H-REIT with an "interested person" (as defined in the Listing Manual) or an "interested party" (as defined in the Property Funds Appendix) (collectively, an "**Interested Person**") of the ARA H-REIT Manager, the ARA H-REIT Manager shall be obliged to consult with a reputable law firm (acceptable to the ARA H-REIT Trustee) which shall provide legal advice on the matter. If the said law firm is of the opinion that the ARA H-REIT Trustee, on behalf of ARA H-REIT, has a *prima facie* case against the party allegedly in breach under such agreement, the ARA H-REIT Manager shall be obliged to take appropriate action in relation to such agreement. The Directors will have a duty to ensure that the ARA H-REIT Manager so complies. Notwithstanding the foregoing, the ARA H-REIT Manager shall inform the ARA H-REIT Trustee as soon as it becomes aware of any breach of any agreement entered into by the ARA H-REIT Trustee for and on behalf of ARA H-REIT with an Interested Person of the ARA H-REIT Manager and the ARA H-REIT Trustee may take such action as it deems necessary to protect the rights of the unitholders of ARA H-REIT and/or which is in the interests of the unitholders of ARA H-REIT. Any decision by the ARA H-REIT Manager not to take action against an Interested Person of the ARA H-REIT Manager shall not constitute a waiver of the ARA H-REIT Trustee's right to take such action as it deems fit against such Interested Person.

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

Information on the conflict policy the ARA H-BT Trustee Manager has instituted to deal with conflicts of interest that may arise in managing ARA H-BT can be found in the Statement on the Policies and Practices in Relation to the Management and Governance of ARA US Hospitality Management Trust on pages 84 to 90 of this Annual Report.

## **DEALING WITH INTERESTED PERSON TRANSACTIONS**

### **Review Procedures for Interested Person Transactions**

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

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

# CORPORATE GOVERNANCE REPORT

## Review Procedures for Interested Person Transactions (continued)

In addition, the following procedures will be undertaken:

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

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

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

ARA H-REIT will announce any Interested Person Transactions in accordance with the Listing Manual if such transaction, by itself or when aggregated with other Interested Person Transactions (each equal to or exceeding S\$100,000 in value) entered into with the same Interested Person during the same financial year, is 3.0% or more of ARA H-REIT's latest audited net tangible assets. The aggregate value of all Interested Person Transactions which are subject to Rules 905 and 906 of the Listing Manual in a particular financial year will be disclosed in the annual report for that financial year.

Information on the measures and procedures put in place by the ARA H-BT Trustee Manager to manage potential Interested Person Transactions relating to ARA H-BT can be found in the Statement on the Policies and Practices in Relation to the Management and Governance of ARA US Hospitality Management Trust on pages 84 to 90 of this Annual Report.



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

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

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

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

Information on the role of the Audit and Risk Committee of the ARA H-BT Trustee Manager to manage potential Interested Person Transactions relating to ARA H-BT can be found in the Statement on the Policies and Practices in Relation to the Management and Governance of ARA US Hospitality Management Trust on pages 84 to 90 of this Annual Report.

### **Material Contracts**

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

### **Statement of Policies and Practices of ARA H-BT**

Apart from the corporate governance practices disclosed above, the ARA H-BT Trustee Manager has prepared a statement of policies and practices in relation to the management and governance of ARA H-BT (as described in section 87(1) of the BTA) in respect of FY2023, which is set out on pages 84 to 90 of this Annual Report.

# STATEMENT OF POLICIES AND PRACTICES

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

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

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

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

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

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

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

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

- at all times act honestly and exercise reasonable diligence in the discharge of its duties as the trustee-manager of ARA H-BT in accordance with the BTA, the ARA H-BT Trust Deed and the Stapling Deed;
- act in the best interests of all the ARA H-BT Unitholders as a whole and give priority to the interests of all ARA H-BT Unitholders as a whole over its own interests in the event of a conflict between the interests of all ARA H-BT Unitholders as a whole and its own interests;

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

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

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

The ARA H-BT Trustee Manager has also adopted a set of corporate governance practices as set out on pages 54 to 83 of this Annual Report.

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

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

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

# STATEMENT OF POLICIES AND PRACTICES

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

## Adherence to Business Scope

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

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

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

## Potential Conflicts of Interest

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

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

1. the ARA H-BT Trustee Manager will not manage any other business trust which invests in the same type of properties as ARA H-BT;
2. all key executive officers will be working exclusively for the Managers and will not hold executive positions in other entities, save for any wholly-owned subsidiaries of the Managers;
3. all resolutions in writing of the Directors of the ARA H-BT Trustee Manager in relation to matters concerning ARA H-BT must be approved by at least a majority of the Directors of the ARA H-BT Trustee Manager (excluding any interested Director), including at least one Independent Director;
4. at least half of the ARA H-BT Trustee Manager Board shall comprise Independent Directors;
5. in respect of matters in which a Director of the ARA H-BT Trustee Manager or his associates (as defined in the Listing Manual) has an interest, direct or indirect, such interested director will abstain from voting. In such matters, the quorum must comprise a majority of the Directors of the ARA H-BT Trustee Manager and must exclude such interested Director;

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

## Interested Person Transactions

### (i) Exempted Agreements

The entry into and the fees and charges payable by ARA H-BT under the ARA H-BT Trust Deed, the Stapling Deed, as well as the entry into and the fees and charges payable by ARA USH Chicago Tenant, LLC (a subsidiary of ARA H-BT) under the ARA Hotel Management Agreement, which each constitutes an Interested Person Transaction, are deemed to have been specifically approved by Stapled Securityholders upon their purchase of the stapled securities in ARA H-Trust (“**Stapled Securities**”) at the initial public offering of ARA H-Trust, and are therefore not subject to Rules 905 and 906 of the Listing Manual to the extent that there is no subsequent change to the rates and/or bases of the fees charged thereunder which will adversely affect ARA H-BT. However, the renewal of such agreements or amendments thereof will be subject to Rules 905 and 906 of the Listing Manual.



# STATEMENT OF POLICIES AND PRACTICES

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

## (ii) Present and Ongoing Interested Person Transactions

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

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

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

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

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

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

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

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

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

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

**Management Fees**

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

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

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

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

**Acquisition and Divestment Fees**

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

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

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

# STATEMENT OF POLICIES AND PRACTICES

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

## Trustee Fees

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

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

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

## Hotel Management Fees

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

The table below sets out the fees earned by the ARA H-BT Trustee Manager and the ARA Hotel Manager for FY2023:

Fee	Amount (US\$'000)	% in cash	% in Stapled Securities
ARA H-BT Trustee Manager			
— Base fees	522	—	100%
— Trustee fees	120	100%	—
ARA Hotel Manager			
— Hotel management fees	5,253 <sup>(1)</sup>	100%	—

Note 1: In FY2023, ARA Hotel Manager pays \$4.757 million out of its hotel management fees to the third party hotel operators.

## Expenses charged to ARA H-BT

The ARA H-BT Trustee Manager Board will put in place measures, including reviews by internal and external auditors, to ensure that the expenses payable to the ARA H-BT Trustee Manager out of the ARA H-BT Trust Property are appropriate and in accordance with the ARA H-BT Trust Deed. For the financial year ended 31 December 2023, save for the fees set out above, there were no expenses paid to the ARA H-BT Trustee Manager out of the ARA H-BT Trust Property.

## Compliance with the BTA and Listing Manual

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

The ARA H-BT Trustee Manager will also engage the services of and obtain advice from professional advisers and consultants from time to time to ensure compliance with the requirements of the BTA and the Listing Manual.

# STATEMENT ON COMPOSITION OF THE BOARD OF DIRECTORS

of the ARA H-BT Trustee Manager

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

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

The Board has noted that Ms Stefanie Yuen Thio is currently the independent Non-Executive Chairperson of ESR-LOGOS Funds Management (S) Limited (“**ESRFM**”), the manager of ESR-LOGOS REIT. ESRFM is a subsidiary of the controlling shareholder of the ARA H-BT Trustee Manager following completion of the acquisition of ARA by ESR on 20 January 2022. The Board has reviewed that (i) Ms Stefanie Yuen Thio does not have any relationship with the CEO, members of the management team, board of directors or major shareholders/unitholders of ESRFM, and ESR-LOGOS REIT; (ii) she does not sit on the Board of the ESR, which is also the Sponsor of ESR-LOGOS REIT, or ARA; (iii) she is not involved in the day-to-day management and operations of ESRFM and ESR-LOGOS REIT; (iv) she does not own any shares in ESRFM and has insignificant interest in ESR-LOGOS REIT; (v) she exercises independent judgment as a member of the ESRFM Board and the ESRFM Board Committees; and (vi) ESR-LOGOS REIT has a different investment mandate from ARA H-Trust. Where Ms Stefanie Yuen Thio or any of her associates has any interest in a transaction with ARA H-BT or the ARA H-BT Trustee Manager, Ms Stefanie Yuen Thio is required to abstain from passing any related board resolutions or participating in the review and approval of such a transaction.

Having reviewed the above and pursuant to Regulation 12(6) of the BTR, the Board is of the view that Ms Stefanie Yuen Thio is independent from management and business relationships with the ARA H-BT Trustee Manager and independent from Substantial Shareholders of the ARA H-BT Trustee Manager notwithstanding her relationship with ESRFM which is a related corporation of a Substantial Shareholder of the ARA H-BT Trustee-Manager. As at the last day of FY2023, Ms Stefanie Yuen Thio was able to act in the best interests of all ARA H-BT Unitholders and ARA H-Trust Stapled Securityholders as a whole and the Board has determined and is satisfied that Ms Stefanie Yuen Thio’s independent judgment and ability to act with regard to the interests of all the ARA H-BT Unitholders and ARA H-Trust Stapled Securityholders as a whole will not be interfered with, despite the relationship.

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

Mr Moses K Song and Ms Cheryl Seow Bee Lian are not independent from the substantial shareholder of the ARA H-BT Trustee Manager under Regulation 4(2)(b) of the BTR. Mr Moses K Song is the Chief Executive Officer of ARA and Ms Cheryl Seow Bee Lian was the Chief Financial Officer of ARA until 31 August 2022 and served as the Senior Advisor of ARA from 1 September 2022 to 31 January 2023. ARA is a related corporation of the ARA H-BT Trustee Manager and is also a substantial Stapled Securityholder of ARA H-Trust.

Notwithstanding that Mr Lin Daqi is independent from the management and business relationships with the ARA H-BT Trustee Manager and from every substantial shareholder of the ARA H-BT Trustee Manager, he is designated as a non-independent Director as Mr Lin Daqi is the Investment Manager of Haiyi Holdings Pte Ltd, a related corporation of a substantial Stapled Securityholder of ARA H-Trust and is deemed to be non-independent from the substantial Stapled Securityholder of ARA H-Trust under the 2018 CG Code and Regulation 13E of the SF(LCB)R.

## RISK MANAGEMENT

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

The Managers adopt an enterprise-wide approach in making risk-based strategies and decisions across respective functions. The Managers identify potential issues and events that may affect ARA H-Trust, and manage risks to an acceptable level and within risk appetite as approved by the Board and ARC. The risk management approach provides assurance to the Board that the system of risk management and internal controls are adequate and effective in mitigating the identified risks. ARA H-Trust's Enterprise Risk Management Framework (the "**ERM Framework**") is adapted from ISO 31000 International Risk Management Standards, COSO Internal Control-Integrated Framework (the "**COSO Framework**") and best practices from the Task-Force on Climate-related Financial Disclosure ("**TCFD**"). The COSO Framework is designed to provide reasonable assurance on safeguarding of assets, maintenance of reliable and proper accounting records, compliance with relevant legislations and prevent material misstatements of losses. The TCFD Framework is designed to assess, identify, understand, adapt and/or mitigate climate-related risks and opportunities (both physical and transition) that are material to ARA H-Trust. These include potential financial impacts through scenarios analysis and climate risk assessments. The ERM Framework provides a holistic and consistent process for identifying, assessing, monitoring and reporting of risks and aims to drive risk accountability and ownership at all levels of the organisation.

Key risks and mitigating controls are identified, assessed and monitored by the Risk Management Committee and reported to the ARC on a regular basis. The risk profiles highlight any changes in risk assessments and trends, factors affecting the inherent risk levels and mitigating controls to arrive at the residual risk levels, which are within the risk appetite or tolerance approved by the Board. In addition, the Managers have engaged internal auditors to perform a review of the risk profile as part of the internal audit plan approved by the ARC, providing reasonable assurance to the ARC on the adequacy and effectiveness of the risk management and internal control systems.

The key risks identified include but are not limited to:

### STRATEGIC RISK

Strategic risks relate to the sustainable long-term growth of ARA H-Trust. The Managers proactively manage ARA H-Trust's asset portfolio to maximise returns, through acquisitions, proactive asset enhancements, as well as divesting of non-core and/or mature assets at an opportune time.

All investment proposals are subject to a rigorous, disciplined and thorough evaluation process according to the relevant investment criteria including, but not limited to, alignment to ARA H-Trust's investment mandate, ESG objectives, asset quality, location, yield accretion, total expected returns, growth potential and sustainability of asset performance, taking into account the existing economic and financial market conditions.

In addition, asset enhancement initiatives are initiated when necessary to ensure that ARA H-Trust's properties remain competitive and profitable. The Managers have established a robust assessment and selection process, as well as implemented procedures to monitor and track capital expenditures. The Managers also closely monitored the impact of property valuations on the gearing ratio of ARA H-Trust.

The Managers adopt a bottom-up approach to identify divestment targets that rank lowest in profitability, cashflow yield metrics, operating in sub-markets with deteriorating demand and skilled labour availability, and require a high amount of capital improvement cost relative to value.



## OPERATIONAL RISK

ARA H-Trust relies on ARA Hotel Manager and its outsourced third-party hotel operators for the day-to-day running of operations at its properties. It reduces its operational risks by engaging reputable hotel operators with established track records. The Managers and ARA Hotel Manager have put in place robust processes to manage the hotel operators and align their interests, such as active and regular oversight of the performance of the hotels and benchmarking the hotels' performance vis-à-vis their competitive sets.

A business continuity plan is in place to mitigate the risk of interruptions or catastrophic loss to operations arising from unanticipated events such as outbreak of contagious diseases and natural disasters. In addition, ARA H-Trust's properties are properly and adequately insured in accordance with current industry practices.

Human capital risk is mitigated by maintaining a robust human resource policy and processes including careful screening of staff, fair and reasonable remuneration in line with local market conditions, personal development and training opportunities to enhance staff progression and retention. In addition, the Managers also recognise that human capital is key to the business and has put in place measures on talent management, including succession planning, periodic benchmarking of staff remuneration, performance-based rewards. ARA Hotel Manager also works closely with its outsourced third-party hotel operators to address the human capital risk at the hotel property level to ensure that the hotels are properly managed and meet customers' expectations.

## FINANCIAL RISK

ARA H-Trust believes that financial prudence is integral to business sustainability and adopts a disciplined financial management approach by maintaining a strong balance sheet and robust capital management. The Managers actively and closely monitors ARA H-Trust's financial risks and capital structure under both normal and stressed conditions. The Managers maintain an efficient use of cash and debt facilities to ensure sufficient liquidity to finance its operations and meet its financial obligations, working capital and capital expenditure commitments. It is the Managers' intention to diversify funding sources and spread out the maturity profile of borrowings. Borrowings are refinanced early, where possible, to reduce refinancing risk and lengthen debt maturity. On an ongoing basis, the Managers also closely monitored the impact of property valuations, property performance and borrowings on the key financial metrics of ARA H-Trust, such as aggregate leverage ratio and interest coverage ratio. The Managers are required to adhere to the bank covenants stipulated in loan agreements, as well as abide by the requirements set out in Appendix 6 of the Code of Collective Investment Scheme (the "**Property Funds Appendix**") issued by the Monetary Authority of Singapore (the "**MAS**").

Interest rate risk is monitored on a continuing basis with the objective of limiting ARA H-Trust's exposure to movements in interest rates through interest rate swaps. In the current high interest rate environment, the Managers proactively seek to mitigate interest rate risks and, as at 31 December 2023, approximately 75% of its borrowings are hedged at fixed rates. Moreover, ARA H-Trust is not subject to significant credit risk or foreign currency exposures.

To augment the defence mechanisms against the financial repercussions of cyber incidents, the Managers have secured cyber liability insurance, which also covers information security risks. This strategic move provides an additional safeguard, aimed at mitigating the potential financial losses and liabilities that may arise from cybersecurity threats and data breaches.

# RISK MANAGEMENT

## TECHNOLOGY RISK

The Managers acknowledge the rising threats posed by cyber-attacks which have become increasingly more prevalent and sophisticated. The IT department from ESR Group is continuously assessing the adequacy of the computer systems and implementing improvements to the platforms. There are multiple layers of security incorporated across the IT landscape. Periodic IT security trainings are conducted for new and existing employees to raise IT security awareness on the evolving threats landscape such as spotting potential phishing attempts and simulated phishing exercises. Technical implementations such as Secure Access Service Edge (“**SASE**”), antivirus, firewalls, monitoring and alerts and Multi-Factor Authentication (“**MFA**”) are also applied to reduce the varying risk of cyber security attacks across the IT spectrum. Policies and processes governing information availability, confidentiality and security are also implemented and updated periodically. In addition, an IT disaster recovery plan is in place and tested annually to ensure that the Managers’ business recovery objectives are met in the event of a disaster and the information proprietary is kept safe.

The Managers also reviewed the System and Organisations Controls (“**SOC**”) Reports received from the third-party hotel operators. In the SOC Reports, independent service auditors of the hotel operators provide an independent assessment on among other things, the description of certain aspects of the IT General Computer Control Environment and expressed a fair opinion on effectiveness and adequacy on the design of the system controls. Based on the independent assessments, the Managers are able to obtain a level of assurance on the effectiveness and adequacy of the hotel operators’ system controls and processes.

## COMPLIANCE RISK

ARA H-Trust is subject to applicable laws and regulations of the various jurisdictions in which it operates, including the Listing Manual of the Singapore Exchange Securities Trading Limited, the Securities and Futures Act 2001 of Singapore (the “**SFA**”), the Business Trusts Act 2004 of Singapore, the Code of Corporate Governance 2018, the Code of Collective Investment Schemes issued by the MAS and tax rulings issued by the Inland Revenue Authority of Singapore. The ARA H-REIT Manager, being a Capital Markets Services Licence holder, is required to comply with the conditions of the Capital Markets Services Licence for REIT Management issued by the MAS under the SFA. The Managers have put in place policies and procedures with the necessary checklists to facilitate compliance with the applicable laws and regulations in its day-to-day business processes and do not tolerate any breaches in regulatory compliance. The Managers work closely with external legal professionals and internal compliance support from ESR on legal and regulatory matters. The Managers stay well informed of the latest developments in the relevant laws and regulations through training and attending relevant seminars.

## CLIMATE-RELATED RISK

The Managers acknowledge the increasing expectations from the regulators and investors on environmental risk management of ARA H-Trust and have taken reasonable and progressive steps to assess and address the climate-related risks. The Managers have also undertaken gap analysis and developed a climate risk register. Where material risks are identified, mitigating controls have been/will be put in place to address these risks. The Managers are also currently working closely with external consultants and support at ESR level on other sustainability related reporting requirements and compliance. The Board and the ARC, in their regular meetings, review the environmental, social and governance issues pertinent to ARA H-Trust, including climate-related or environmental risks. Please refer to ARA H-Trust Sustainability Report FY2023, which will be released by end April 2024, for more details.



## **ARA US HOSPITALITY PROPERTY TRUST**

[Constituted in the Republic of Singapore pursuant to a trust deed dated 24 September 2018]

Financial Statements

Year ended 31 December 2023

## **ARA US HOSPITALITY MANAGEMENT TRUST**

[Constituted in the Republic of Singapore pursuant to a trust deed dated 29 October 2018]

Financial Statements

Year ended 31 December 2023


## **ARA US HOSPITALITY TRUST**

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

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## **FINANCIAL STATEMENTS**

Year ended 31 December 2023



# Report of the Trustee

of ARA US Hospitality Property Trust

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

To the best knowledge of the REIT Trustee, the REIT Manager has, in all material respects, managed the ARA H-REIT Group during the period covered by these financial statements set out on pages 107 to 189, in accordance with the limitations imposed on the investment and borrowing powers set out in the ARA H-REIT Trust Deed.

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

**Chan Kim Lim**  
*Director*

21 March 2024

# Report of the Manager

of ARA US Hospitality Property Trust

In the opinion of the directors of ARA Trust Management (USH) Pte. Ltd. (the “**REIT Manager**”), the Manager of ARA US Hospitality Property Trust (“**ARA H-REIT**”), the accompanying consolidated financial statements of ARA H-REIT and its subsidiaries (“**ARA H-REIT Group**”) set out on pages 107 to 189, comprising the statement of financial position, statement of comprehensive income, statement of movements in Stapled Securityholders’ funds, and cash flow statement of the ARA H-REIT Group and notes to the financial statements, are drawn up so as to present fairly, in all material respects, the financial position of the ARA H-REIT Group as at 31 December 2023, the financial performance, movements in Stapled Securityholders’ funds and cash flows of the ARA H-REIT Group for the year ended on that date, in accordance with the Singapore Financial Reporting Standards (International) and the provisions of the ARA H-REIT Trust Deed between DBS Trustee Limited (the “**REIT Trustee**”) and the REIT Manager dated 24 September 2018 (as amended). At the date of this statement, there are reasonable grounds to believe that the ARA H-REIT Group will be able to meet their financial obligations as and when they materialise.

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

**Stephen Ray Finch**  
*Chairman and Independent Non-Executive Director*

21 March 2024



# Report of the Trustee-Manager

of ARA US Hospitality Property Trust

The directors of ARA Business Trust Management (USH) Pte. Ltd. (the “**Trustee-Manager**”), the Trustee-Manager of ARA US Hospitality Management Trust (“**ARA H-BT**”) and its subsidiaries (collectively, the “**ARA H-BT Group**”), are pleased to submit this report to the Stapled Securityholders of ARA US Hospitality Trust (“**ARA H-Trust**” or the “**Stapled Group**”), together with the audited financial statements of ARA H-BT Group for the financial year ended 31 December 2023.

## DIRECTORS

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

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

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

Neither at the end of nor at any time during the financial year ended 31 December 2023 was the Trustee-Manager a party to any arrangement whose object was to enable any or all Directors of the Trustee-Manager to acquire benefits by means of the acquisition of stapled securities, or debentures, of ARA H-Trust.

## DIRECTORS' INTEREST IN STAPLED SECURITIES OR DEBENTURES

According to the register kept by the Trustee-Manager for the purposes of Section 76 of the Business Trusts Act 2004 (the “**Act**”), particulars of interest of director who held office at the end of the financial year (including those held by their spouses and children below 18 years of age) in Stapled Securities of ARA H-Trust are as follows:

	Direct Interest		Deemed Interest	
	Holdings at beginning of the year	Holdings at end of the year	Holdings at beginning of the year	Holdings at end of the year
Stephen Ray Finch	–	–	160,000	160,000
Stefanie Yuen Thio	50,000	50,000	–	–
Lin Daqi	30,000	88,000	–	–
Cheryl Seow Bee Lian	550,000	550,000	–	–
Moses K Song	50,000	50,000	–	–

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

There were no changes in the abovementioned interests of ARA H-Trust between the end of the financial year and 21 January 2024.

## DIRECTORS' CONTRACTUAL BENEFITS

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

# Report of the Trustee-Manager

of ARA US Hospitality Property Trust

## OPTIONS

During the financial year, there were:

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

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

## AUDIT AND RISK COMMITTEE

The members of the Audit and Risk Committee ("**ARC**") during the year and at the date of this statement are:

- Stefanie Yuen Thio (Chairperson)-Independent Non-Executive Director
- Stephen Ray Finch — Independent Non-Executive Director
- Randy Allan Daniels — Independent Non-Executive Director
- Wong Choong Mann — Independent Non-Executive Director

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

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

The Audit and Risk Committee also reviewed the following:

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

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

The Audit and Risk Committee is satisfied with the independence and objectivity of the external auditors.

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

The ARC has recommended to the Board of Directors the appointment of Ernst & Young LLP as the independent external auditor of the Trust at the forthcoming annual general meeting of ARA H-Trust.

# Report of the Trustee-Manager

of ARA US Hospitality Property Trust

## AUDITORS

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

## STATEMENT BY THE TRUSTEE-MANAGER

In our opinion:

- (a) the accompanying consolidated financial statements of the ARA H-BT Group, set out on pages 107 to 189, are drawn up so as to give a true and fair view of the financial position of the ARA H-BT Group as at 31 December 2023, the financial performance, movements in Stapled Securityholder's funds and cash flows of the ARA H-BT Group for the year ended on that date in accordance with the provisions of the Act and Singapore Financial Reporting Standards (International) ("SFRS(I)");
- (b) the accompanying consolidated financial statements of the ARA H-Trust set out on pages 107 to 189, are drawn up so as to give a true and fair view of the financial position of the ARA H-Trust as at 31 December 2023, and the financial performance, distributable income, movements in Stapled Securityholders' funds and cash flows of the ARA H-Trust for the year ended on that date in accordance with the SFRS(I) and the provision of stapling deed of ARA H-Trust between DBS Trustee Limited (the "REIT Trustee"), ARA Trust Management (USH) Pte. Ltd. (the "REIT Manager") and the Trustee-Manager dated 17 April 2019;
- (c) at the date of this statement, there are reasonable grounds to believe that the Trustee-Manager will be able to fulfil, out of the trust property of ARA H-BT Group, the liabilities of the ARA H-BT Group as and when they fall due; and
- (d) at the date of this statement, there are reasonable grounds to believe that the ARA H-Trust will be able to pay its debts as and when they fall due.

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

- fees or charges paid or payable out of the trust property to the Trustee-Manager are in accordance with ARA H-BT's trust deed dated 29 October 2018 (as amended);
- interested person transactions are not detrimental to the interests of all the Stapled Securityholders as a whole based on the circumstances at the time of the transaction; and
- the Board of Directors is not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of the ARA H-BT Group or on the interests of all the Stapled Securityholders as a whole.

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

**For and on behalf of the Board of Directors of the Trustee-Manager,  
ARA Business Trust Management (USH) Pte. Ltd.**

**Stephen Ray Finch**  
*Chairman and Independent Non-Executive Director*

**Moses K Song**  
*Non-Executive Director*

21 March 2024

# Statement by the Chief Executive Office

of the Trustee-Manager

In accordance with Section 86 of the Act, I certify that I am not aware of any violation of duties of the Trustee-Manager which would have a materially adverse effect on the business of the ARA H-BT Group or on the interests of all the Stapled Securityholders of ARA H-BT as a whole.

**Lee Jin Yong**

*Chief Executive Officer*

21 March 2024

# Independent Auditors' Report

Stapled Securityholders of ARA US Hospitality Trust

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited:

- (i) the consolidated financial statements of ARA US Hospitality Property Trust ("**ARA H-REIT**") and its subsidiaries (the "**ARA H-REIT Group**"), which comprise the statement of financial position as at 31 December 2023, the statement of comprehensive income, statement of movements in Stapled Securityholders funds and cash flow statement of the ARA H-REIT Group for the year then ended, and notes to the financial statements, including material accounting policy information;
- (ii) the consolidated financial statements of ARA US Hospitality Management Trust ("**ARA H-BT**") and its subsidiaries (the "**ARA H-BT Group**"), which comprise the statement of financial position as at 31 December 2023, the statement of comprehensive income, statement of movements in Stapled Securityholders' funds and cash flow statement of the ARA H-BT Group for the year then ended, and notes to the financial statements, including material accounting policy information; and
- (iii) the consolidated financial statements of ARA US Hospitality Trust, which comprise the statement of financial position as at 31 December 2023, the statement of comprehensive income, statement of distributable income, statement of movements in Stapled Securityholders' funds and cash flow statement of ARA US Hospitality Trust for the year then ended, and notes to the financial statements, including material accounting policy information;

as set out on pages 107 to 189. ARA US Hospitality Trust, which comprises the ARA H-REIT Group and the ARA H-BT Group, is hereinafter referred to as "**ARA H-Trust**" or the "**Stapled Group**".

In our opinion:

- (a) the accompanying consolidated financial statements of the ARA H-REIT Group present fairly, in all material respects, the financial position of the ARA H-REIT Group as at 31 December 2023 and the financial performance, movements in Stapled Securityholders' funds and cash flows of the ARA H-REIT Group for the year ended on that date in accordance with the Singapore Financial Reporting Standards (International) ("**SRFS(I)s**");
- (b) the accompanying consolidated financial statements of the ARA H-BT Group are properly drawn up in accordance with the provisions of the Business Trust Act 2004 (the "**Act**") and the SFRS(I)s so as to give a true and fair view of the financial position of the ARA H-BT Group as at 31 December 2023 and the financial performance, movements in Stapled Securityholders' funds and cash flows of the ARA H-BT Group for the year ended on that date; and
- (c) the accompanying consolidated financial statements of the Stapled Group are properly drawn up in accordance with the provisions of the SFRS(I)s so as to give a true and fair view of the financial position of the Stapled Group as at 31 December 2023 and the financial performance, distributable income, movements in Stapled Securityholders' funds and cash flows of the Stapled Group for the year ended on that date.



# Independent Auditors' Report

Stapled Securityholders of ARA US Hospitality Trust

## Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("**SSAs**"). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Stapled Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("**ACRA Code**") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key audit matters

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

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

## Valuation of property, plant and equipment

The Stapled Group has hotel properties which are classified as property, plant and equipment and are stated at revalued amount of US\$707.5 million as at 31 December 2023. These hotel properties accounted for 89.3% of the Stapled Group's total assets.

As disclosed in Note 4, valuations of hotel properties are sensitive to changes in the significant unobservable inputs, particularly those relating to, discount rates and capitalisation rates. The extent of estimation uncertainty and judgement is further impacted by volatility in the relevant market and economic conditions. Accordingly, we have identified this as a key audit matter.

The REIT Manager uses external appraisers to support its determination of the individual fair value of the hotel properties. Our audit procedures included, amongst others, an assessment of the Stapled Group's process relating to the selection of the external appraisers, the determination of the scope of work of the appraisers, and a review of the valuation reports issued by the external appraisers. We evaluated the objectivity, independence and expertise of the external appraisers and read their terms of engagement to ascertain whether there are matters that might have affected the scope of their work and their objectivity.

We involved our internal real estate valuation specialists to assist us in assessing the reasonableness of the valuation model and the reasonableness of the key assumptions and estimates by reference to historical rates and market data. Our procedures included checking the property related data used by the external appraisers, assessing the appropriateness of the valuation techniques and basis for the significant assumptions and estimates used, including key valuation adjustments made by the external appraisers in response to the changes in market and economic conditions. We assessed the overall reasonableness of the movements in fair value of the hotel properties. We also assessed the adequacy of disclosures in Note 4 and Note 5 to the consolidated financial statements.

# Independent Auditors' Report

Stapled Securityholders of ARA US Hospitality Trust

## Other Matter

The financial statements of the ARA H-REIT Group, ARA H-BT Group and Stapled Group for the financial year ended 31 December 2022, were audited by another auditor who expressed an unmodified opinion on these financial statements on 28 March 2023.

## Other information

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

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

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

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

## Responsibilities of the REIT Manager for the financial statements

The REIT Manager is responsible for the preparation and fair presentation of the consolidated financial statements of the ARA H-REIT Group in accordance with the SFRS(I)s, and for such internal controls as the REIT Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

The Trustee-Manager is responsible for the preparation of the consolidated financial statements of the ARA H-BT Group and Stapled Group that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets that are part of the trust property of the registered business trust are safeguarded against loss from unauthorised use or disposition; and transactions by the Trustee-Manager entered into on behalf of or purported to be entered into on behalf of the registered business trust are properly authorised and that they are recorded as necessary to permit the preparation of true and fair accounts and to maintain accountability of assets.

# Independent Auditors' Report

Stapled Securityholders of ARA US Hospitality Trust

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

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

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

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

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

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

# Independent Auditors' Report

Stapled Securityholders of ARA US Hospitality Trust

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

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

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

## Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Trustee-Manager on behalf of ARA H-BT have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Chen Wee Teck, Nelson.

## Ernst & Young LLP

*Public Accountants and  
Chartered Accountants*

## Singapore

21 March 2024

# Statements of Financial Position

As at 31 December 2023

	Note	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
		2023	2022	2023	2022	2023	2022
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Non-current assets</b>							
Investment properties	4	708,789	720,633	-	-	-	-
Property, plant and equipment	5	-	-	83,236	106,777	745,027	749,271
Intangible assets	6	-	-	449	474	449	474
Loans to related corporation	7	-	-	294,000	294,000	-	-
Derivative financial assets	13	-	7,349	-	-	-	7,349
Deferred tax assets	8	-	-	13,868	12,751	13,868	12,751
		<b>708,789</b>	<b>727,982</b>	<b>391,553</b>	<b>414,002</b>	<b>759,344</b>	<b>769,845</b>
<b>Current assets</b>							
Inventories		-	-	440	391	440	391
Trade and other receivables	9	9,812	7,359	22,550	29,313	3,448	5,238
Loans to related corporation	7	29,390	32,253	-	-	-	-
Cash and cash equivalents	10	6,314	36,978	13,737	13,642	20,051	50,620
Assets held for sale	11	6,860	325	341	-	7,201	295
Derivative financial assets	13	1,360	-	-	-	1,360	-
		<b>53,736</b>	<b>76,915</b>	<b>37,068</b>	<b>43,346</b>	<b>32,500</b>	<b>56,544</b>
<b>Total assets</b>		<b>762,525</b>	<b>804,897</b>	<b>428,621</b>	<b>457,348</b>	<b>791,844</b>	<b>826,389</b>
<b>Non-current liabilities</b>							
Loans from related corporation	7	294,000	294,000	-	-	-	-
Loans and borrowings	12	319,612	320,139	9,671	47,074	324,826	325,615
Derivative financial liabilities	13	1,294	-	-	-	1,294	-
Deferred tax liabilities	8	18,786	21,405	-	-	18,786	21,405
Other payables	14	125	125	-	-	125	125
		<b>633,817</b>	<b>635,669</b>	<b>9,671</b>	<b>47,074</b>	<b>345,031</b>	<b>347,145</b>
<b>Current liabilities</b>							
Loans from related corporation	7	-	-	29,390	32,253	-	-
Loans and borrowings	12	151	145	45,131	40,202	195	257
Trade and other payables	14	23,011	33,589	24,472	16,878	18,541	19,009
Tax payable		246	146	276	175	522	322
		<b>23,408</b>	<b>33,880</b>	<b>99,269</b>	<b>89,508</b>	<b>19,258</b>	<b>19,588</b>
<b>Total liabilities</b>		<b>657,225</b>	<b>669,549</b>	<b>108,940</b>	<b>136,582</b>	<b>364,289</b>	<b>366,733</b>
<b>Net assets</b>		<b>105,300</b>	<b>135,348</b>	<b>319,681</b>	<b>320,766</b>	<b>427,555</b>	<b>459,656</b>
Represented by:							
<b>Stapled Securityholders' funds</b>		<b>105,300</b>	<b>135,348</b>	<b>319,681</b>	<b>320,766</b>	<b>427,555</b>	<b>459,656</b>
Stapled Securities in issue ('000)	15	578,212	569,199	578,212	569,199	578,212	569,199
Net asset value per Stapled Security (US\$)	16					0.74	0.80

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



# Statements of Comprehensive Income

For the financial year ended 31 December 2023

	Note	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
		2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
<b>Revenue</b>	17	<b>55,203</b>	51,808	<b>175,496</b>	169,015	<b>175,496</b>	169,015
Operating expenses	21	<b>(453)</b>	(310)	<b>(113,092)</b>	(111,418)	<b>(113,545)</b>	(111,728)
<b>Gross operating profit</b>		<b>54,750</b>	51,498	<b>62,404</b>	57,597	<b>61,951</b>	57,287
Hotel management fee		-	-	<b>(5,253)</b>	(5,071)	<b>(5,253)</b>	(5,071)
Property taxes		<b>(5,496)</b>	(7,684)	<b>(525)</b>	(349)	<b>(6,021)</b>	(8,033)
Insurance		<b>(1,160)</b>	(906)	<b>(1,288)</b>	(1,108)	<b>(2,449)</b>	(2,014)
Rental and other expenses		<b>(171)</b>	(181)	<b>(9,465)</b>	(7,776)	<b>(557)</b>	(767)
<b>Net property income</b>		<b>47,923</b>	42,727	<b>45,873</b>	43,293	<b>47,671</b>	41,402
Other income	18	<b>32</b>	-	-	945	<b>32</b>	945
Depreciation and amortisation	5, 6	-	-	<b>(51,206)</b>	(49,283)	<b>(28,858)</b>	(25,292)
REIT Manager and Trustee- Manager's management fees	19	<b>(1,566)</b>	(4,811)	<b>(522)</b>	(1,603)	<b>(2,088)</b>	(6,414)
Trustee-Manager's trustee fee		-	-	<b>(120)</b>	(120)	<b>(120)</b>	(120)
REIT Trustee's fee		<b>(118)</b>	(110)	-	-	<b>(118)</b>	(110)
Other trust expenses		<b>(1,266)</b>	(1,057)	<b>(1,223)</b>	(1,043)	<b>(2,535)</b>	(2,417)
Net finance (costs)/income	20	<b>(40,892)</b>	(37,874)	<b>22,713</b>	21,840	<b>(15,790)</b>	(12,571)
<b>Net income/(loss) for the year before tax and fair value changes</b>		<b>4,113</b>	(1,125)	<b>15,515</b>	14,029	<b>(1,806)</b>	(4,577)
Net change in fair value of investment properties	4	<b>(28,617)</b>	62,460	-	-	-	-
Net change in fair value of assets held for sale		<b>(1,301)</b>	586	-	(1,477)	<b>(1,374)</b>	(752)
Net loss on disposition of properties/ property, plant and equipment		-	(16)	<b>(74)</b>	(10)	-	-
Revaluation of property, plant and equipment	5	-	-	-	-	<b>(11,182)</b>	17,319
<b>Net (loss)/income for the year before tax</b>	21	<b>(25,805)</b>	61,905	<b>15,441</b>	12,542	<b>(14,362)</b>	11,990
Taxation	22	<b>2,518</b>	(20,560)	<b>1,017</b>	(1,720)	<b>3,219</b>	(2,478)
<b>Net (loss)/income for the year after tax</b>		<b>(23,287)</b>	41,345	<b>16,458</b>	10,822	<b>(11,143)</b>	9,512

# Statements of Comprehensive Income

For the financial year ended 31 December 2023

	Note	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
		2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
<b>Other comprehensive income</b>							
<b>Items that will not be reclassified subsequently to profit or loss:</b>							
Revaluation of property, plant and equipment	5	-	-	-	-	3,031	62,066
Deferred tax effects relating to revaluation of property, plant and equipment	22	-	-	-	-	316	(19,802)
<b>Items that are or may be reclassified subsequently to profit or loss:</b>							
Effective portion of changes in fair value of cash flow hedges		(7,283)	14,659	-	-	(7,283)	14,659
<b>Total comprehensive income for the year</b>		<b>(30,570)</b>	56,004	<b>16,458</b>	10,822	<b>(15,079)</b>	66,435
<b>Earnings per Stapled Security (US cents)</b>							
Basic and diluted	23					<b>(1.93)</b>	1.67

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## Statement of Distributable Income

For the financial year ended 31 December 2023

	Stapled Group	
	2023 US\$'000	2022 US\$'000
<b>Net (loss)/income for the year after tax</b>	<b>(11,143)</b>	9,512
Add/(Less): Distribution adjustments		
— Depreciation and amortisation	<b>28,858</b>	25,292
— Amortisation of debt-related transaction costs	<b>664</b>	432
— Gain on derecognition of right-of-use asset and lease liability	<b>-</b>	(2)
— Interest expenses on lease liabilities	<b>50</b>	67
— Manager's fees paid/payable in Stapled Securities	<b>1,044</b>	3,206
— Deferred tax (credits)/expense	<b>(3,419)</b>	2,328
— Revaluation of property, plant and equipment	<b>11,182</b>	(17,319)
— Net change in fair value of assets held for sale	<b>1,374</b>	752
— Others <sup>(1)</sup>	<b>(8,775)</b>	(6,760)
<b>Net distribution adjustments</b>	<b>30,978</b>	7,996
<b>Distributable income</b>	<b>19,835</b>	17,508
<b>Distribution per Stapled Security (DPS) (US cents)</b>	<b>3.430</b>	3.054

<sup>(1)</sup> Relates mainly to reserves set aside for capital expenditures.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of Movements in Stapled Securityholders' Funds

For the financial year ended 31 December 2023

	ARA H-REIT Group				
	Stapled Securities	Issue costs	Hedging reserve	Revenue reserve	Total
	US\$'000	US\$'000	(Note 29) US\$'000	US\$'000	US\$'000
<b>At 1 January 2023</b>	<b>178,240</b>	<b>(9,437)</b>	<b>7,349</b>	<b>(40,804)</b>	<b>135,348</b>
Total income for the year attributable to Stapled Securityholders, net of tax	-	-	-	(23,287)	(23,287)
<b>Other comprehensive income</b>					
Effective portion of changes in fair value of cash flow hedges	-	-	(7,283)	-	(7,283)
<b>Total comprehensive income for the year, net of tax</b>	<b>-</b>	<b>-</b>	<b>(7,283)</b>	<b>-</b>	<b>(7,283)</b>
<b>Contribution by Stapled Securityholders</b>					
REIT Manager's management fees paid/ payable in Stapled Securities	522	-	-	-	522
<b>Total contribution by Stapled Securityholders</b>	<b>522</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>522</b>
<b>At 31 December 2023</b>	<b>178,762</b>	<b>(9,437)</b>	<b>66</b>	<b>(64,091)</b>	<b>105,300</b>
<b>At 1 January 2022</b>	176,431	(9,437)	(7,310)	(82,149)	77,535
Total income for the year attributable to Stapled Securityholders, net of tax	-	-	-	41,345	41,345
<b>Other comprehensive income</b>					
Effective portion of changes in fair value of cash flow hedges	-	-	14,659	-	14,659
<b>Total comprehensive income for the year, net of tax</b>	<b>-</b>	<b>-</b>	<b>14,659</b>	<b>-</b>	<b>14,659</b>
<b>Contribution by Stapled Securityholders</b>					
REIT Manager's management fees paid/ payable in Stapled Securities	1,809	-	-	-	1,809
<b>Total contribution by Stapled Securityholders</b>	<b>1,809</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,809</b>
<b>At 31 December 2022</b>	<b>178,240</b>	<b>(9,437)</b>	<b>7,349</b>	<b>(40,804)</b>	<b>135,348</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## Statements of Movements in Stapled Securityholders' Funds

For the financial year ended 31 December 2023

	ARA H-BT Group			
	Stapled Securities US\$'000	Issue costs US\$'000	Revenue reserve US\$'000	Total US\$'000
<b>At 1 January 2023</b>	<b>305,816</b>	<b>(6,587)</b>	<b>21,537</b>	<b>320,766</b>
Total income for the year attributable to Stapled Securityholders, net of tax	-	-	16,458	16,458
<b>Contribution by and distribution to Stapled Securityholders</b>				
Distribution to Stapled Securityholders	(18,065)	-	-	(18,065)
Trustee-Manager's management fees paid/payable in Stapled Securities	522	-	-	522
<b>Total contribution by and distribution to Stapled Securityholders</b>	<b>(17,543)</b>	<b>-</b>	<b>-</b>	<b>(17,543)</b>
<b>At 31 December 2023</b>	<b>288,273</b>	<b>(6,587)</b>	<b>37,995</b>	<b>319,681</b>
<b>At 1 January 2022</b>	314,147	(6,587)	10,715	318,275
Total income for the year attributable to Stapled Securityholders, net of tax	-	-	10,822	10,822
<b>Contribution by and distribution to Stapled Securityholders</b>				
Distribution to Stapled Securityholders	(10,140)	-	-	(10,140)
Trustee-Manager's management fees paid/payable in Stapled Securities	1,809	-	-	1,809
<b>Total contribution by and distribution to Stapled Securityholders</b>	<b>(8,331)</b>	<b>-</b>	<b>-</b>	<b>(8,331)</b>
<b>At 31 December 2022</b>	<b>305,816</b>	<b>(6,587)</b>	<b>21,537</b>	<b>320,766</b>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.



# Statements of Movements in Stapled Securityholders' Funds

For the financial year ended 31 December 2023

	Stapled Group					
	Stapled Securities	Issue costs	Hedging reserve	Revaluation reserve	Revenue reserve	Total
	US\$'000	US\$'000	(Note 29) US\$'000	(Note 29) US\$'000	US\$'000	US\$'000
<b>At 1 January 2023</b>	<b>484,054</b>	<b>(16,024)</b>	<b>7,349</b>	<b>140,003</b>	<b>(155,726)</b>	<b>459,656</b>
Total income for the year attributable to Stapled Securityholders, net of tax	-	-	-	-	(11,143)	(11,143)
<b>Other comprehensive income</b>						
Revaluation of property, plant and equipment	-	-	-	3,031	-	3,031
Deferred tax effects relating to revaluation of property, plant and equipment	-	-	-	316	-	316
Effective portion of changes in fair value of cash flow hedges	-	-	(7,283)	-	-	(7,283)
<b>Total comprehensive income for the year, net of tax</b>	<b>-</b>	<b>-</b>	<b>(7,283)</b>	<b>3,347</b>	<b>-</b>	<b>(3,936)</b>
<b>Contribution by and distribution to Stapled Securityholders</b>						
Distribution to Stapled Securityholders REIT Manager's and Trustee-Manager's management fees paid/payable in Stapled Securities	(18,065)	-	-	-	-	(18,065)
	1,043	-	-	-	-	1,043
<b>Total contribution by and distribution to Stapled Securityholders</b>	<b>(17,022)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(17,022)</b>
<b>At 31 December 2023</b>	<b>467,032</b>	<b>(16,024)</b>	<b>66</b>	<b>143,350</b>	<b>(166,869)</b>	<b>427,555</b>

## Statements of Movements in Stapled Securityholders' Funds

For the financial year ended 31 December 2023

	Stapled Group					
	Stapled Securities	Issue costs	Hedging reserve (Note 29)	Revaluation reserve (Note 29)	Revenue reserve	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>At 1 January 2022</b>	490,578	(16,024)	(7,310)	97,739	(165,238)	399,745
Total income for the year attributable to Stapled Securityholders, net of tax	-	-	-	-	9,512	9,512
<b>Other comprehensive income</b>						
Revaluation of property, plant and equipment	-	-	-	62,066	-	62,066
Deferred tax effects relating to revaluation of property, plant and equipment	-	-	-	(19,802)	-	(19,802)
Effective portion of changes in fair value of cash flow hedges	-	-	14,659	-	-	14,659
<b>Total comprehensive income for the year, net of tax</b>	-	-	14,659	42,264	-	56,923
<b>Contribution by and distribution to Stapled Securityholders</b>						
Distribution to Stapled Securityholders REIT Manager's and Trustee-Manager's management fees paid/payable in Stapled Securities	(10,140)	-	-	-	-	(10,140)
	3,616	-	-	-	-	3,616
<b>Total contribution by and distribution to Stapled Securityholders</b>	(6,524)	-	-	-	-	(6,524)
<b>At 31 December 2022</b>	484,054	(16,024)	7,349	140,003	(155,726)	459,656

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Cash Flow Statements

For the financial year ended 31 December 2023

Note	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
	2023	2022	2023	2022	2023	2022
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Cash flows from operating activities</b>						
	(25,805)	61,905	15,442	12,542	(14,362)	11,990
	Net (loss)/income before tax					
	Adjustments for:					
	Allowance for/(Reversal of) expected credit loss					
	-	-	8	(51)	8	(51)
6	-	-	25	25	25	25
Amortisation of intangible assets						
5	-	-	51,181	49,258	28,833	25,267
Depreciation of property, plant and equipment						
4	28,617	(62,460)	-	-	-	-
Net change in fair value of investment properties						
20	40,892	37,874	(22,713)	(21,840)	15,790	12,571
Net finance costs/(income)						
	-	-	(52)	(326)	-	(2)
Net gain on derecognition of right-of-use asset and lease liability						
	1,301	(586)	-	1,477	1,374	752
Net change in fair value of assets held for sale						
	-	16	74	10	-	-
Net loss on disposition of properties/property, plant and equipment						
	522	1,603	521	1,603	1,044	3,206
Manager's base fee paid/payable in Stapled Securities						
5	-	-	-	-	11,182	(17,319)
Revaluation of property, plant and equipment						
	45,527	38,352	44,486	42,698	43,894	36,439
Operating income before working capital changes						
Changes in working capital:						
	-	-	(49)	14	(49)	14
Inventories						
	(1,738)	(473)	2,751	(2,127)	1,783	(375)
Trade and other receivables						
	(1,773)	2,344	1,502	(982)	(515)	1,578
Trade and other payables						
	42,016	40,223	48,690	39,603	45,113	37,656
<b>Net cash generated from operating activities</b>						
<b>Cash flows from investing activities</b>						
	2,322	222	40,700	21,230	337	222
Interest received						
	(28,697)	-	(1,028)	-	(29,725)	-
Acquisition of investment property/property, plant and equipment						
	7,675	37,452	234	1,318	7,880	38,770
Proceeds from disposition of assets held for sale						
	(3,586)	(4,681)	(15,455)	(5,427)	(19,041)	(10,109)
Payment for capital expenditure						
	(1,610)	(4,405)	(10,126)	1,239	-	-
Amount due from related corporations (non-trade)						
	(21,450)	(8,500)	-	-	-	-
Issuance of loans to related corporation						
	24,313	3,450	-	-	-	-
Proceeds from loans to related corporation						
	(21,033)	23,538	14,325	18,360	(40,549)	28,883
<b>Net cash (used in)/generated from investing activities</b>						

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

## Cash Flow Statements

For the financial year ended 31 December 2023

Note	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
<b>Cash flows from financing activities</b>						
Proceeds from loans and borrowings	<b>268,632</b>	76,000	<b>5,175</b>	11,000	<b>273,800</b>	87,000
Repayment of loans and borrowings	<b>(265,125)</b>	(77,000)	<b>(5,470)</b>	(22,000)	<b>(270,588)</b>	(99,000)
Proceeds from loans from related corporation	-	-	<b>21,450</b>	8,500	-	-
Repayment of loans from related corporation	-	-	<b>(24,313)</b>	(3,450)	-	-
Payment of transaction costs relating to new loan facilities	<b>(4,546)</b>	(392)	-	-	<b>(4,546)</b>	(392)
Payment of lease liabilities	<b>(189)</b>	(190)	<b>(46,294)</b>	(44,744)	<b>(325)</b>	(353)
Interest paid	<b>(55,743)</b>	(33,067)	<b>(2,257)</b>	(383)	<b>(15,409)</b>	(12,187)
Distribution to Stapled Securityholders	-	-	<b>(18,065)</b>	(10,140)	<b>(18,065)</b>	(10,140)
Amount due to related corporation – non-trade	<b>5,324</b>	1,274	<b>6,854</b>	4,335	-	-
Net cash used in financing activities	<b>(51,647)</b>	(33,375)	<b>(62,920)</b>	(56,882)	<b>(35,133)</b>	(35,072)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(30,664)</b>	30,386	<b>95</b>	1,081	<b>(30,569)</b>	31,467
Cash and cash equivalents at the beginning of the year	<b>36,978</b>	6,592	<b>13,642</b>	12,561	<b>50,620</b>	19,153
<b>Cash and cash equivalents at the end of the year</b>	<b>6,314</b>	36,978	<b>13,737</b>	13,642	<b>20,051</b>	50,620

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The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 1. GENERAL 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, the “ARA H-Trust” or the “**Stapled Group**”).

ARA H-REIT is a Singapore-domiciled unit trust constituted pursuant to the trust deed dated 24 September 2018 (the “**ARA H-REIT Trust Deed**”) between ARA Trust Management (USH) Pte. Ltd. (the “**REIT Manager**”) and DBS Trustee Limited (the “**REIT Trustee**”). The ARA H-REIT Trust Deed is governed by the laws of the Republic of Singapore. The REIT Trustee is under a duty to take into custody and hold the assets of ARA H-REIT held by it or through its subsidiaries in trust for the holders of units in ARA H-REIT. ARA H-BT is a business trust constituted by a trust deed dated 29 October 2018 (the “**ARA H-BT Trust Deed**”) and is managed by ARA Business Trust Management (USH) Pte. Ltd. (the “**Trustee-Manager**”) (the “**REIT Manager**” and together with the “**Trustee-Manager**”, defined as the “**Managers**”). The units in each of ARA H-REIT and ARA H-BT are stapled together under the terms of a stapling deed dated 17 April 2019 entered into between the REIT Manager, the REIT Trustee and the Trustee-Manager (the “**Stapling Deed**”) and cannot be traded separately. Each stapled security in ARA US Hospitality Trust (the “**Stapled Security**”) comprises a unit in ARA H-REIT (the “**ARA H-REIT Unit**”) and a unit in ARA H-BT (the “**ARA H-BT Unit**”).

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

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

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

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

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

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

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

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

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 1. GENERAL INFORMATION (continued)

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

The management fee is payable in the form of cash and/or Stapled Securities as the Managers may elect, and in such proportion and for such period as may be determined by the Managers. For financial year ended 31 December 2023, 50% of the management fees were or would be paid in Stapled Securities issued at the market price (as defined in the Stapling Deed) with the remainder to be paid in cash.

### (b) REIT Trustee's fee

Pursuant to Clause 15.3 of the ARA H-REIT Trust Deed, the REIT Trustee's fee shall not exceed 0.1% per annum based on the ARA H-REIT's deposited property, subject to a minimum of S\$10,000 per month, excluding out-of-pocket expenses and applicable taxes.

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

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

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

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

## 2. BASIS OF PREPARATION

### 2.1 Going concern

The financial statements of the ARA H-BT Group have been prepared on a going concern basis notwithstanding the net current liabilities position of US\$62,201,000 as at 31 December 2023 (2022: US\$46,162,000). ARA H-BT Group has undrawn committed credit facilities of US\$46,500,000 as at 31 December 2023 (2022: US\$20,000,000) and the ARA H-REIT has undertaken to provide financial support to ARA H-BT Group for the next twelve months from the date of the Report of the Trustee-Manager to enable the ARA H-BT Group to continue as a going concern and to meet the liabilities of ARA H-BT Group as and when they fall due.

### 2.2 Statement of compliance

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

The financial statements of the ARA H-BT Group have been prepared in accordance with SFRS(I), the applicable requirements of the Business Trust Act 2004 and the provisions of the ARA H-BT Trust Deed.

The financial statements of the Stapled Group have been prepared in accordance with the SFRS(I) and the provisions of the Stapling Deed.



# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 2. BASIS OF PREPARATION (continued)

### 2.3 Basis of measurement

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

### 2.4 Functional and presentation currency

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

### 2.5 Use of estimates and judgements

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

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

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

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

#### Measurement of fair values

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

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

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

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 2. BASIS OF PREPARATION (continued)

### 2.5 Use of estimates and judgements (continued)

#### Measurement of fair values (continued)

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

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

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

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

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

### 2.6 Changes in material accounting policies

#### New standards and amendments

The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group have applied the following SFRS(I)s and amendments to SFRS(I) for the first time for the annual period beginning on 1 January 2023:

- SFRS(I) 17 *Insurance Contracts*
- Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2 *Disclosure of Accounting Policies*
- Amendments to SFRS(I) 1-8 *Definition of Accounting Estimates*
- Amendments to SFRS(I) 1-12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to SFRS(I) 1-12 *International Tax Reform — Pillar Two Model Rules*

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

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

### 3.1 Basis of consolidation

#### (i) Stapling

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

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

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

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

#### (iii) Subsidiaries

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

The accounting policies of subsidiaries have been changed where necessary to align them with the policies of the ARA H-REIT Group or the ARA H-BT Group.

#### (iv) Transactions eliminated on consolidation

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

### 3.2 Foreign currencies

#### (i) Foreign currency transactions

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

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### 3.2 Foreign currencies (continued)

#### (i) Foreign currency transactions (continued)

Transactions in foreign currencies are translated to the respective functional currencies of the entities in the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

### 3.3 Property, plant and equipment

#### (i) Recognition and measurement

Properties are classified either as investment properties or property, plant and equipment in the statement of financial position. In assessing whether a property is classified as an investment property or property, plant and equipment, the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group take into consideration several factors including, but not limited to, the business model, the extent of ancillary services provided, the power that the ARA H-REIT Group/ARA H-BT Group/Stapled Group has to make significant operating and financing decisions regarding the operations of the property and the significance of its exposure to variations in the net cash flows of the property. The factors above are considered collectively, together with the facts and circumstances of each lease, in determining the classification of a property.

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

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

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

The accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. A transfer from revaluation surplus to revenue reserve is made in full upon the disposal of property, plant and equipment.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### 3.3 Property, plant and equipment (continued)

#### (i) Recognition and measurement (continued)

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

#### (ii) Subsequent costs

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

#### (iii) Depreciation

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

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

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

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

Leasehold land	8 years
Buildings	7 years to 40 years
Motor vehicles	1 year to 5 years
Furniture, fixtures and equipment	1 year to 7 years

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

### 3.4 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any changes therein recognised in profit or loss.

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

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### 3.4 Investment property (continued)

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

### 3.5 Financial instruments

#### (i) Recognition and initial measurement

##### Non-derivative financial assets and financial liabilities

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the ARA H-REIT Group/ARA H-BT Group/Stapled Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

#### (ii) Classification and subsequent measurement

##### Non-derivative financial assets

On initial recognition, a financial asset is classified at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the ARA H-REIT Group/ARA H-BT Group/Stapled Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

##### *Financial assets at amortised cost*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

##### Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.



# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### 3.5 Financial instruments (continued)

#### (ii) Classification and subsequent measurement (continued)

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses (continued)

Other financial liabilities are initially measured at fair value less any directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

#### (iii) Derecognition

Financial assets

The ARA H-REIT Group, the ARA H-BT Group or the Stapled Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the ARA H-REIT Group, the ARA H-BT Group or the Stapled Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

Financial liabilities

The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis — i.e. the basis immediately before the change.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### 3.5 Financial instruments (continued)

#### (iii) Derecognition (continued)

##### Interest rate benchmark reform (continued)

When changes were made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group first update the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group apply the policies on accounting for modifications to the additional changes.

#### (iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the ARA H-REIT Group/ARA H-BT Group/Stapled Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

#### (v) Cash and cash equivalents

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

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

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

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The ARA H-REIT Group and the Stapled Group designate certain derivatives as hedging instruments in qualifying hedging relationships. At inception of designated hedging relationships, the ARA H-REIT Group and the Stapled Group documents the risk management objective and strategy for undertaking the hedge. The ARA H-REIT Group and the Stapled Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### 3.5 Financial instruments (continued)

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

##### Cash flow hedges

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

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve are immediately reclassified to profit or loss.

### 3.6 Leases

At inception of a contract, the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### As a lessee

At commencement or on modification of a contract that contains a lease component, the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of land, buildings and motor vehicles, the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### 3.6 Leases (continued)

#### As a lessee (continued)

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the ARA H-REIT Group's, the ARA H-BT Group's and the Stapled Group's incremental borrowing rate. Generally, the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group use the lessee's incremental borrowing rate as the discount rate.

The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group determine its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise one or more of the following:

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

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group change its assessment of whether it will exercise extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

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

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### 3.6 Leases (continued)

#### As a lessee (continued)

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

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

#### As a lessor

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

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

To classify each lease, the ARA H-REIT Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the ARA H-REIT Group considers certain indicators such as whether the lease was for the major part of the economic life of the asset.

The ARA H-REIT Group recognises lease payments received from investment properties under operating leases as income on a straight-line basis over the lease term as part of 'revenue'.

### 3.7 Intangible assets

#### (i) Intangible assets

Intangible assets that are acquired and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

#### (ii) Amortisation

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

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

Franchise licenses	19 to 27 years
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Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

### 3.8 Inventories

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

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### 3.9 Non-current assets held for sale

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

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

Impairment losses on initial classification as held for sale and subsequent write down of the asset to fair value less costs of disposal are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

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

### 3.10 Impairment

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

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

Loss allowances of the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group are measured on either of the following bases:

- 12-month ECL: these are ECL that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECL: these are ECL that result from all possible default events over the expected life of a financial instrument.

#### Simplified approach

The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group apply the simplified approach to provide for ECL for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECL.

#### General approach

The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group apply the general approach to provide for ECL on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECL at initial recognition.

At each reporting date, the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group assess whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECL.



# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### 3.10 Impairment (continued)

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

##### General approach (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECL.

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

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

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

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

##### Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group expect to receive). ECLs are discounted at the effective interest rate of the financial asset.

##### Credit-impaired financial assets

At each reporting date, the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### 3.10 Impairment (continued)

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

Credit-impaired financial assets (continued)

Evidence that a financial asset is credit-impaired includes the following observable data:

- the financial asset is 90 days past due;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group on terms that the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the ARA H-REIT Group's, the ARA H-BT Group's and the Stapled Group's procedures for recovery of amounts due.

#### (ii) Non-financial assets

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### 3.10 Impairment (continued)

#### (ii) Non-financial assets (continued)

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (groups of CGUs), and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 3.11 Stapled Securityholders' funds

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

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

### 3.12 Levies

A provision for levies is recognised when the condition that triggers the payment of the levy as specified in the relevant legislation is met. If a levy obligation is subject to a minimum activity threshold so that the obligating event is reaching a minimum activity, then a provision is recognised when that minimum activity threshold is reached.

### 3.13 Revenue

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

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

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

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

### 3.14 Government grant

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

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### 3.14 Government grant (continued)

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

### 3.15 Finance income and finance costs

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

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

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

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

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

### 3.16 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised either directly in equity or OCI.

The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group have determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, measured using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### 3.16 Tax (continued)

Current tax assets and liabilities are offset only if certain criteria are met. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that
  - is not a business combination and
  - at the time of the transaction (i) affects neither accounting nor taxable profit or loss and (ii) does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investments in subsidiaries to the extent that the ARA H-REIT Group, the ARA H-BT Group or the Stapled Group are able to control the timing of reversal of the temporary difference and it is not probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group expect, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the carrying amount of the investment property is presumed to be recovered through sale, and the ARA H-REIT Group has not rebutted this presumption. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised in the foreseeable future; such reductions are reversed when probability of future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group have obtained tax rulings from the Inland Revenue Authority of Singapore ("IRAS") in relation to Singapore income tax treatment of certain income from properties located overseas.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

### 3.17 Earnings per Stapled Security

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

### 3.18 Segment reporting

An operating segment is a component of the Stapled Group that engages in business activities from which they may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the other components of the Stapled Group.

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

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

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

## 4. INVESTMENT PROPERTIES

	ARA H-REIT Group	
	2023 US\$'000	2022 US\$'000
At beginning of the financial year	720,633	690,292
Acquisitions	28,697	–
Capital expenditure	3,586	4,681
Remeasurement of right-of-use asset	1	2
Reclassification to assets held for sale (Note 11)	(15,511)	(36,802)
Fair value changes	(28,617)	62,460
At end of the financial year	708,789	720,633

### Security

As at 31 December 2023, investment properties of the ARA H-REIT Group with a fair value (based on valuation reports) of US\$548.3 million (2022: US\$620.6 million) were pledged as security to secure bank facilities obtained from financial institutions (see Note 12).



# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 4. INVESTMENT PROPERTIES (continued)

### Measurement of fair value

#### (i) Fair value hierarchy

The fair values of the investment properties were determined by external property valuers, Newmark Valuation & Advisory (2022: Newmark Valuation & Advisory). The external property valuers have appropriate recognised professional qualifications and recent experience in the location and category of properties being valued.

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

	2023 US\$'000	2022 US\$'000
Fair value of investment properties (based on valuation reports)	707,529	719,131
Add: Carrying amount of right-of-use assets	1,260	1,502
Carrying amount of investment properties	<b>708,789</b>	720,633

#### Valuation technique and significant unobservable inputs

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

Valuation technique	Significant unobservable inputs	2023	2022
Discounted cash flows	Discount rates	<b>10.00%–11.25%</b>	9.50%–11.00%
	Terminal capitalisation rates	<b>7.50%–9.42%</b>	7.50%–9.41%

#### Inter-relationship between key unobservable inputs and fair value measurement

The significant unobservable inputs used in the fair values measurement of investment properties are discount rates and terminal capitalisation rates. An increase/(decrease) in discount rate and terminal capitalisation rate in isolation would result in a lower/(higher) fair value.

The valuers have considered the income capitalisation — discounted cash flows approach (2022: income capitalisation — discounted cash flows approach) in arriving at the fair value as at the reporting date. In determining the fair value, the valuers have used valuation techniques which involve certain estimates. The key assumptions used to determine the fair value of properties include market-corroborated discount rate and terminal capitalisation rate.

In relying on the valuation reports, the Managers have exercised their judgement and are satisfied that the valuation methods and estimates are reflective of current market conditions.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 5. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings US\$'000	Motor vehicles US\$'000	Furniture, fixtures and equipment US\$'000	Capital work- in-progress US\$'000	Total US\$'000
<b>ARA H-BT Group</b>					
<b>At cost</b>					
At 1 January 2022	200,893	539	85,134	95	286,661
Additions	-	-	4,566	861	5,427
Reclassification to assets held for sale	-	-	(4,720)	-	(4,720)
Remeasurement of right-of-use assets	5,875	-	-	-	5,875
Derecognition of right-of-use assets	(16,284)	(48)	-	-	(16,332)
At 31 December 2022	190,484	491	84,980	956	276,911
Additions	6,079	143	6,141	10,325	22,688
Reclassification to assets held for sale	-	-	(1,493)	-	(1,493)
Remeasurement of right-of-use assets	6,550	-	-	-	6,550
Derecognition of right-of-use assets	(3,324)	-	-	-	(3,324)
At 31 December 2023	199,789	634	89,628	11,281	301,332

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 5. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings US\$'000	Motor vehicles US\$'000	Furniture, fixtures and equipment US\$'000	Capital work- in-progress US\$'000	Total US\$'000
<b>ARA H-BT Group</b>					
<b>Accumulated depreciation and impairment losses</b>					
At 1 January 2022	79,901	265	51,324	-	131,490
Depreciation	41,270	131	7,857	-	49,258
Reclassification to assets held for sale	-	-	(1,915)	-	(1,915)
Derecognition of right-of-use assets	(8,667)	(32)	-	-	(8,699)
At 31 December 2022	112,504	364	57,266	-	170,134
Depreciation	42,788	129	8,264	-	51,181
Reclassification to assets held for sale	-	-	(844)	-	(844)
Derecognition of right-of-use assets	(2,375)	-	-	-	(2,375)
At 31 December 2023	152,917	493	64,686	-	218,096
<b>Carrying amounts</b>					
At 31 December 2022	77,980	127	27,714	956	106,777
At 31 December 2023	46,872	141	24,942	11,281	83,236

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 5. PROPERTY, PLANT AND EQUIPMENT (continued)

	At valuation		At cost				Total US\$'000
	Freehold land US\$'000	Buildings US\$'000	Leasehold land US\$'000	Motor vehicles US\$'000	Furniture, fixtures and equipment US\$'000	Capital work in progress US\$'000	
<b>Stapled Group</b>							
<b>At valuation/cost</b>							
At 1 January 2022	84,366	604,425	1,796	539	53,195	95	744,416
Additions	-	4,682	-	-	4,566	861	10,109
Reclassification to assets held for sale (Note 11)	(6,587)	(34,174)	-	-	(4,720)	-	(45,481)
Derecognition of right-of-use assets	-	-	-	(48)	-	-	(48)
Revaluation differences recognised in							
— OCI	-	62,066	-	-	-	-	62,066
— Profit or loss	-	17,319	-	-	-	-	17,319
Elimination of accumulated depreciation on revaluation	-	(12,966)	-	-	-	-	(12,966)
At 31 December 2022	77,779	641,352	1,796	491	53,041	956	775,415
Additions	2,527	29,764	-	143	6,141	10,325	48,900
Reclassification to assets held for sale (Note 11)	(2,389)	(15,280)	-	-	(1,493)	-	(19,162)
Derecognition of right-of-use assets	-	-	-	-	-	-	-
Revaluation differences recognised in							
— OCI	-	3,031	-	-	-	-	3,031
— Profit or loss	-	(11,182)	-	-	-	-	(11,182)
Elimination of accumulated depreciation on revaluation	-	(18,125)	-	-	-	-	(18,125)
At 31 December 2023	77,917	629,560	1,796	634	57,689	11,281	778,877

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 5. PROPERTY, PLANT AND EQUIPMENT (continued)

	At valuation		At cost				Total US\$'000
	Freehold land US\$'000	Buildings US\$'000	Leasehold land US\$'000	Motor vehicles US\$'000	Furniture, fixtures and equipment US\$'000	Capital work in progress US\$'000	
<b>Stapled Group</b>							
<b>Accumulated depreciation</b>							
At 1 January 2022	-	-	294	265	19,385	-	19,944
Depreciation	-	17,120	159	131	7,857	-	25,267
Reclassification to assets held for sale (Note 11)	-	(4,154)	-	-	(1,915)	-	(6,069)
Derecognition of right-of-use assets	-	-	-	(32)	-	-	(32)
Elimination of accumulated depreciation on revaluation	-	(12,966)	-	-	-	-	(12,966)
At 31 December 2022	-	-	453	364	25,327	-	26,144
Depreciation	-	20,283	157	129	8,264	-	28,833
Reclassification to assets held for sale (Note 11)	-	(2,158)	-	-	(844)	-	(3,002)
Derecognition of right-of-use assets	-	-	-	-	-	-	-
Elimination of accumulated depreciation on revaluation	-	(18,125)	-	-	-	-	(18,125)
At 31 December 2023	-	-	610	493	32,747	-	33,850
<b>Carrying amounts</b>							
At 31 December 2022	77,779	641,352	1,343	127	27,714	956	749,271
At 31 December 2023	77,917	629,560	1,186	141	24,942	11,281	745,027

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 5. PROPERTY, PLANT AND EQUIPMENT (continued)

### Security

As at 31 December 2023, the property, plant and equipment of the ARA H-BT Group and the Stapled Group with carrying amount of US\$26.5 million and US\$574.8 million respectively (2022: US\$22.5 million and US\$643.1 million) were pledged as security to secure bank facilities obtained from financial institutions (see Note 12).

### Measurement of fair value

Hotel properties comprise of freehold land and building. As at 31 December 2023, the carrying amount of hotel properties is US\$707.5 million (2022: US\$719.1 million). The fair values of the hotel properties were determined by external property valuers, Newmark Valuation & Advisory (2022: Newmark Valuation & Advisory), and relevant information are disclosed in Note 4 to the financial statements.

## 6. INTANGIBLE ASSETS

	ARA H-BT Group		Stapled Group	
	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
<b>Franchise licenses</b>				
Cost				
At 1 January and 31 December	<b>548</b>	548	<b>548</b>	548
<b>Accumulated amortisation</b>				
At 1 January	<b>74</b>	49	<b>74</b>	49
Amortisation	<b>25</b>	25	<b>25</b>	25
At 31 December	<b>99</b>	74	<b>99</b>	74
<b>Carrying amounts</b>				
At 1 January	<b>474</b>	499	<b>474</b>	499
At 31 December	<b>449</b>	474	<b>449</b>	474

## 7. LOANS TO/(FROM) RELATED CORPORATION

### Non-current

Loans to/(from) related corporation relates to the ten-year term loan facilities granted by the ARA H-BT Group to ARA H-REIT Group pursuant to the US\$272 million loan agreement dated 17 April 2019 and the US\$22 million loan agreement dated 1 December 2019. The loans are unsecured and payable in full on 9 May 2029 and 10 December 2029, and bear interest of 9.00% (2022: 9.00%) and 9.50% (2022: 9.50%) per annum, respectively. The amounts are to be settled in cash.

### Current

Loans to/(from) related corporation relate to short-term loans extended by the ARA H-REIT Group to the ARA H-BT Group. The loans are unsecured, repayable in 2024 (2022: in 2023) and bear interest of 1.68% to 4.47% (2022: 1.68% to 3.00%) per annum. The amounts are to be settled in cash.



# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 8. DEFERRED TAX (LIABILITIES)/ASSETS

	As at 1 January 2022 US\$'000	Recognised in profit or loss (Note 22) US\$'000	Recognised in other comprehensive income (Note 22) US\$'000	As at 31 December 2022 US\$'000	Recognised in profit or loss (Note 22) US\$'000	Recognised in other comprehensive income (Note 22) US\$'000	As at 31 December 2023 US\$'000
<b>ARA H-BT Group</b>							
<b>Deferred tax assets</b>							
Tax losses carried forward	13,160	1,977	-	15,137	(1,224)	-	13,913
Property, plant and equipment	1,236	(3,622)	-	(2,386)	2,341	-	(45)
	14,396	(1,645)	-	12,751	1,117	-	13,868
<b>ARA H-REIT Group</b>							
<b>Deferred tax liabilities</b>							
Investment properties	(920)	(20,485)	-	(21,405)	2,619	-	(18,786)
<b>Stapled Group</b>							
<b>Deferred tax assets</b>							
Tax losses carried forward	13,160	1,977	-	15,137	(1,224)	-	13,913
Property, plant and equipment	1,236	(3,622)	-	(2,386)	2,341	-	(45)
	14,396	(1,645)	-	12,751	1,117	-	13,868
<b>Deferred tax liabilities</b>							
Property, plant and equipment	(920)	(683)	(19,802)	(21,405)	2,302	317	(18,786)
	13,476	(2,328)	(19,802)	(8,654)	3,419	317	(4,918)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax liabilities and when the deferred taxes relate to the same tax authority. The amounts determined after appropriate offsetting are included in the statement of financial position as follows:

	2023 US\$'000	2022 US\$'000
<b>Stapled Group</b>		
Deferred tax assets	13,868	12,751
Deferred tax liabilities	(18,786)	(21,405)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised in the foreseeable future.

## Notes to the Financial Statements

For the financial year ended 31 December 2023

### 9. TRADE AND OTHER RECEIVABLES

	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
Trade receivables	-	19	232	3,077	232	3,096
Allowance for expected credit loss	-	-	(32)	(93)	(32)	(93)
Amounts due from related corporations:	-	19	200	2,984	200	3,003
— trade	1,510	768	-	-	-	-
— non-trade	6,082	4,445	13,233	3,106	-	-
Interest receivables from related corporations	296	1,190	7,793	21,923	-	-
Deposits	-	-	61	18	61	18
Other receivables	908	824	148	437	1,056	1,261
	8,796	7,246	21,435	28,468	1,317	4,282
Prepayments	1,016	113	1,115	845	2,131	956
	9,812	7,359	22,550	29,313	3,448	5,238

Related corporations refer to the ARA H-REIT Group and the ARA H-BT Group.

The ARA H-REIT Group's properties are leased to the ARA H-BT Group under a master lease arrangement. The exposure of the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group to credit risk and impairment losses for trade receivables is disclosed in Note 25.

Non-trade amounts due from related corporations relate to advances to related corporations. These amounts are unsecured, interest-free and repayable on demand. The amounts are to be settled in cash.

### 10. CASH AND CASH EQUIVALENTS

	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
Cash at bank and in hand	6,314	4,789	13,737	13,642	20,051	18,431
Fixed deposits	-	32,189	-	-	-	32,189
	6,314	36,978	13,737	13,642	20,051	50,620

Fixed deposits are made for varying periods depending on immediate cash requirements and earn interest at respective short-term deposit rates.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 11. ASSETS HELD FOR SALE

Note	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
At beginning of the financial year	325	405	-	-	295	405
Reclassification from investment properties/property, plant and equipment						
4, 5	15,511	36,802	649	2,805	16,160	39,412
Net change in fair value of assets held for sale	(1,301)	586	-	(1,477)	(1,374)	(752)
Net loss on disposition of properties/property, plant and equipment	-	(16)	(74)	(10)	-	-
Sale completed during the financial year	(7,675)	(37,452)	(234)	(1,318)	(7,880)	(38,770)
At end of the financial year	6,860	325	341	-	7,201	295

### 2023

In 2021, the Stapled Group received an unsolicited offer for a portion of an unused land of approximately 105,000 sq ft of Hyatt House Morristown (the "Excess Land") from an adjacent property owner. The Excess Land does not contribute any economic value to the hotel and its sale will not affect existing hotel operations. The Stapled Group commissioned an independent valuer, Newmark Knight Frank to conduct a valuation of the Excess land, with the land appraised at US\$325,000 arrived using the sales comparison approach. Sale of the Excess Land was completed on 14 March 2023 at the sale consideration at \$325,000.

On 30 June 2023, the Stapled Group entered into a conditional purchase and sale agreement with a purchaser to sell Hyatt Place Oklahoma City ("OKC") for US\$8.0 million. Accordingly, OKC was classified as assets held for sale as at 30 June 2023. Sale of OKC was subsequently completed on 26 September 2023.

On 27 November 2023, the Stapled Group entered into conditional purchase and sale agreement with a purchaser to sell Hyatt Place Pittsburgh Airport for US\$7.7 million. Accordingly, the above-mentioned hotel was classified as assets held for sale as at 30 November 2023.

### 2022

In 2022, the Stapled Group entered into conditional purchase and sale agreements 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. Sale of these hotels were completed in 2022.

In 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 Hyatt Place Atlanta Alpharetta of approximately 3,851 sq ft for a roadway improvement project. The GDOT had offered an amount of US\$79,600, based on the fair market value of the land appraised by a third-party valuer, using the sales comparison approach. The sale was completed in 2022.

The fair value measurement for assets held for sale (before costs of disposal) for the ARA H-REIT Group, ARA H-BT Group and the Stapled Group have been categorised as level 3 fair values.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 12. LOANS AND BORROWINGS

	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
<b>Non-current</b>						
Secured bank loans	<b>244,325</b>	244,325	<b>5,175</b>	5,470	<b>249,500</b>	249,795
Unsecured bank loans	<b>78,500</b>	75,000	<b>-</b>	-	<b>78,500</b>	75,000
Lease liabilities	<b>1,108</b>	1,260	<b>4,496</b>	41,604	<b>1,147</b>	1,266
	<b>323,933</b>	320,585	<b>9,671</b>	47,074	<b>329,147</b>	326,061
Less: Transaction costs capitalised	<b>(4,321)</b>	(446)	<b>-</b>	-	<b>(4,321)</b>	(446)
	<b>319,612</b>	320,139	<b>9,671</b>	47,074	<b>324,826</b>	325,615
<b>Current</b>						
Unsecured bank loans	<b>-</b>	-	<b>-</b>	-	<b>-</b>	-
Lease liabilities	<b>151</b>	145	<b>45,131</b>	40,202	<b>195</b>	257
	<b>151</b>	145	<b>45,131</b>	40,202	<b>195</b>	257

The Stapled Group have in place the following loan facilities:

- US\$257.5 million (2022: US\$260.8 million) secured term loan and letter of credit facilities;
- US\$75.0 million (2022: US\$75.0 million) unsecured term loan facility; and
- US\$50.0 million (2022: US\$20.0 million) million unsecured revolving facilities.

### Secured term loan

As at 31 December 2023, the Stapled Group has drawn down US\$249.5 million (2022: US\$251.8 million) of the secured facilities. The facilities are secured on the following:

- mortgages, assignment of leases and rents, security agreement and fixture fittings over the 28 (2022: 33) hotel properties;
- an assignment of the franchise agreement and Aimbridge hotel management agreement;
- an assignment of insurances taken in respect of each hotel property; and
- a charge over certain bank accounts of the Stapled Group.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 12. LOANS AND BORROWINGS (continued)

### Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	Nominal interest rate %	Year of maturity	Face value US\$'000	Carrying amount US\$'000
<b>31 December 2023</b>				
<b>ARA H-REIT Group</b>				
Secured bank loans	5.94–7.24	2026–2027	244,325	240,156
Unsecured bank loans	6.06–7.09	2025–2026	78,500	78,348
Lease liabilities	3.28	2031	1,418	1,259
			<b>324,243</b>	<b>319,763</b>
<b>ARA H-BT Group</b>				
Secured bank loans	5.93–7.24	2027	5,175	5,175
Lease liabilities	2.30–6.50	2024–2028	51,140	49,627
			<b>56,315</b>	<b>54,802</b>
<b>Stapled Group</b>				
Secured bank loans	5.93–7.24	2026–2027	249,500	245,331
Unsecured bank loans	6.06–7.09	2025–2026	78,500	78,348
Lease liabilities	2.30–6.10	2026–2031	1,575	1,342
			<b>329,575</b>	<b>325,021</b>

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 12. LOANS AND BORROWINGS (continued)

### Terms and debt repayment schedule (continued)

Terms and conditions of outstanding loans and borrowings are as follows:

	Nominal interest rate %	Year of maturity	Face value US\$'000	Carrying amount US\$'000
<b>31 December 2022</b>				
<b>ARA H-REIT Group</b>				
Secured bank loans	1.65–5.94	2024	244,325	244,162
Unsecured bank loans	1.83–5.64	2025	75,000	74,717
Lease liabilities	3.28	2071–2073	1,607	1,405
			<u>320,932</u>	<u>320,284</u>
<b>ARA H-BT Group</b>				
Secured bank loans	1.65–5.62	2024	5,470	5,470
Lease liabilities	2.30–3.28	2023–2025	84,429	81,806
			<u>89,899</u>	<u>87,276</u>
<b>Stapled Group</b>				
Secured bank loans	1.65–5.94	2024	249,795	249,632
Unsecured bank loans	1.83–5.64	2025	75,000	74,717
Lease liabilities	2.30–3.28	2023–2073	1,742	1,523
			<u>326,537</u>	<u>325,872</u>



# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 12. LOANS AND BORROWINGS (continued)

### Reconciliation of movements of liabilities to cash flows arising from financing activities

	Lease liabilities US\$'000	Bank borrowings US\$'000	Interest payable (Note 14) US\$'000	Amount due to related corporation — non-trade (Note 14) US\$'000	Total US\$'000
<b>ARA H-REIT Group</b>					
<b>At 1 January 2023</b>	1,405	318,879	22,137	3,106	345,527
<b>Changes from financing cash flows</b>					
Proceeds from loans and borrowings	-	268,632	-	-	268,632
Repayment of loans and borrowings	-	(265,125)	-	-	(265,125)
Payment of transaction costs relating to new loan facilities	-	(4,546)	-	-	(4,546)
Payment of lease liabilities	(189)	-	-	-	(189)
Interest paid	-	-	(55,743)	-	(55,743)
Advances from related corporation	-	-	-	5,324	5,324
<b>Total changes from financing cash flows</b>	(189)	(1,039)	(55,743)	5,324	(51,647)
<b>Other changes</b>					
<b>Liability-related</b>					
Interest expense	43	-	41,615	-	41,658
Amortisation of transaction costs related to loans and borrowings	-	664	-	-	664
<b>Total liability-related other changes</b>	43	664	41,615	-	42,322
<b>At 31 December 2023</b>	1,259	318,504	8,009	8,430	336,202

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 12. LOANS AND BORROWINGS (continued)

### Reconciliation of movements of liabilities to cash flows arising from financing activities (continued)

	Lease liabilities US\$'000	Bank borrowings US\$'000	Interest payable (Note 14) US\$'000	Amount due to related corporation — non-trade (Note 14) US\$'000	Total US\$'000
<b>ARA H-REIT Group</b>					
<b>At 1 January 2022</b>	1,546	319,894	16,627	1,832	339,899
<b>Changes from financing cash flows</b>					
Proceeds from loans and borrowings	–	76,000	–	–	76,000
Repayment of loans and borrowings	–	(77,000)	–	–	(77,000)
Payment of transaction costs relating to new loan facilities	–	(392)	–	–	(392)
Payment of lease liabilities	(190)	–	–	–	(190)
Interest paid	–	–	(33,067)	–	(33,067)
Advances from related corporation	–	–	–	1,274	1,274
<b>Total changes from financing cash flows</b>	(190)	(1,392)	(33,067)	1,274	(33,375)
<b>Other changes</b>					
<b>Liability-related</b>					
Interest expense	49	–	38,577	–	38,626
Amortisation of transaction costs related to loans and borrowings	–	377	–	–	377
<b>Total liability-related other changes</b>	49	377	38,577	–	39,003
<b>At 31 December 2022</b>	1,405	318,879	22,137	3,106	345,527

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 12. LOANS AND BORROWINGS (continued)

### Reconciliation of movements of liabilities to cash flows arising from financing activities (continued)

	Lease liabilities US\$'000	Bank borrowings US\$'000	Loans from related corporation US\$'000	Interest payable (Note 14) US\$'000	Amount due to related corporation — non-trade (Note 14) US\$'000	Total US\$'000
<b>ARA H-BT Group</b>						
<b>At 1 January 2023</b>	<b>81,806</b>	<b>5,470</b>	<b>32,253</b>	<b>1,096</b>	<b>4,445</b>	<b>125,070</b>
<b>Changes from financing cash flows</b>						
Proceeds from loans and borrowings	-	5,175	-	-	-	5,175
Proceeds from loans from related corporation	-	-	21,450	-	-	21,450
Repayment of loans and borrowings	-	(5,470)	-	-	-	(5,470)
Repayment of loans from related corporation	-	-	(24,313)	-	-	(24,313)
Payment of lease liabilities	(46,294)	-	-	-	-	(46,294)
Interest paid	-	-	-	(2,257)	-	(2,257)
Proceeds of advances from related corporation	-	-	-	-	6,854	6,854
<b>Total changes from financing cash flows</b>	<b>(46,294)</b>	<b>(295)</b>	<b>(2,863)</b>	<b>(2,257)</b>	<b>6,854</b>	<b>(44,855)</b>
<b>Other changes</b>						
<b>Liability-related</b>						
Interest expense	2,395	-	-	1,462	-	3,857
Recognition of lease liability	6,222	-	-	-	-	6,222
Remeasurement of existing leases	6,550	-	-	-	-	6,550
Derecognition of lease liability	(1,052)	-	-	-	-	(1,052)
<b>Total liability-related other changes</b>	<b>14,115</b>	<b>-</b>	<b>-</b>	<b>1,462</b>	<b>-</b>	<b>15,577</b>
<b>At 31 December 2023</b>	<b>49,627</b>	<b>5,175</b>	<b>29,390</b>	<b>301</b>	<b>11,299</b>	<b>95,792</b>

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 12. LOANS AND BORROWINGS (continued)

### Reconciliation of movements of liabilities to cash flows arising from financing activities (continued)

	Lease liabilities US\$'000	Bank borrowings US\$'000	Interest payable (Note 14) US\$'000	Total US\$'000
<b>Stapled Group</b>				
<b>At 1 January 2023</b>	1,523	324,349	215	326,087
<b>Changes from financing cash flows</b>				
Proceeds from loans and borrowings	-	273,800	-	273,800
Repayment of loans and borrowings	-	(270,588)	-	(270,588)
Payment of transaction costs relating to new loan facilities	-	(4,546)	-	(4,546)
Payment of lease liabilities	(325)	-	-	(325)
Interest paid	-	-	(15,409)	(15,409)
<b>Total changes from financing cash flows</b>	<b>(325)</b>	<b>(1,334)</b>	<b>(15,409)</b>	<b>(17,068)</b>
<b>Other changes</b>				
<b>Liability-related</b>				
Interest expense	50	-	15,413	15,463
Recognition of lease liability	94	-	-	94
Amortisation of transaction costs related to loans and borrowings	-	664	-	664
<b>Total liability-related other changes</b>	<b>144</b>	<b>664</b>	<b>15,413</b>	<b>16,221</b>
<b>At 31 December 2023</b>	<b>1,342</b>	<b>323,679</b>	<b>219</b>	<b>325,240</b>

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 12. LOANS AND BORROWINGS (continued)

### Reconciliation of movements of liabilities to cash flows arising from financing activities (continued)

	Lease liabilities US\$'000	Bank borrowings US\$'000	Interest payable (Note 14) US\$'000	Total US\$'000
<b>Stapled Group</b>				
<b>At 1 January 2022</b>	1,826	336,309	46	338,181
<b>Changes from financing cash flows</b>				
Proceeds from loans and borrowings	–	87,000	–	87,000
Repayment of loans and borrowings	–	(99,000)	–	(99,000)
Payment of transaction costs relating to new loan facilities	–	(392)	–	(392)
Payment of lease liabilities	(353)	–	–	(353)
Interest paid	–	–	(12,187)	(12,187)
<b>Total changes from financing cash flows</b>	(353)	(12,392)	(12,187)	(24,932)
<b>Other changes</b>				
<b>Liability-related</b>				
Interest expense	67	–	12,356	12,423
Derecognition of lease liability	(17)	–	–	(17)
Amortisation of transaction costs related to loans and borrowings	–	432	–	432
<b>Total liability-related other changes</b>	50	432	12,356	12,838
<b>At 31 December 2022</b>	1,523	324,349	215	326,087

## Notes to the Financial Statements

For the financial year ended 31 December 2023

### 13 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	ARA H-REIT Group		Stapled Group	
	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
<b>Non-current assets</b>				
Interest rate swaps	-	7,349	-	7,349
<b>Current assets</b>				
Interest rate swaps	1,360	-	1,360	-
<b>Non-current liabilities</b>				
Interest rate swaps	1,294	-	1,294	-

The ARA H-REIT Group and the Stapled Group use interest rate swaps to manage its exposure to interest rate risks.

As at 31 December 2023, an aggregate of US\$244.3 million of loan (2022: US\$266.3 million) has been hedged with a termination date of 28 February 2024. In 2023, The ARA H-REIT Group and the Stapled Group entered into a 4-year forward interest rate swap to hedge US\$85.0 million (2022: Nil) starting 28 February 2024.

### 14. TRADE AND OTHER PAYABLES

	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
Trade payables	1,419	1,128	8,762	8,419	10,604	9,547
Amounts due to related corporations:						
- trade	-	-	1,510	768	-	-
- non-trade	8,430	3,106	11,299	4,445	-	-
Amounts due to related parties — trade	616	2,754	128	34	744	2,788
Other payables	125	125	560	526	685	651
Interest payable	8,009	22,137	301	1,096	219	215
Accruals	4,537	4,464	1,912	1,590	6,414	5,933
	<b>23,136</b>	33,714	<b>24,472</b>	16,878	<b>18,666</b>	19,134
Non-current	125	125	-	-	125	125
Current	<b>23,011</b>	33,589	<b>24,472</b>	16,878	<b>18,541</b>	19,009
	<b>23,136</b>	33,714	<b>24,472</b>	16,878	<b>18,666</b>	19,134

Related parties refer to the REIT Manager, Trustee-Manager and its related entities. Related corporations refer to ARA H-REIT Group and ARA H-BT Group.

Non-trade amounts due to the related corporations relate to advances from related corporations. These amounts are unsecured, interest-free, repayable on demand and are to be settled in cash.

The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group's exposures to liquidity risk related to trade and other payables are disclosed in Note 25.



# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 15. STAPLED SECURITIES IN ISSUE AND TO BE ISSUED

	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
	2023 '000	2022 '000	2023 '000	2022 '000	2023 '000	2022 '000
<b>Stapled Securities in issue</b>						
At 1 January	<b>569,199</b>	567,342	<b>569,199</b>	567,342	<b>569,199</b>	567,342
REIT Manager/Trustee-Manager's management fees paid in Stapled Securities	<b>9,013</b>	1,857	<b>9,013</b>	1,857	<b>9,013</b>	1,857
At 31 December	<b>578,212</b>	569,199	<b>578,212</b>	569,199	<b>578,212</b>	569,199
<b>Stapled Securities to be issued</b>						
REIT Manager/Trustee-Manager's management fees payable in Stapled Securities	<b>1,891</b>	7,663	<b>1,891</b>	7,663	<b>1,891</b>	7,663
At 31 December	<b>1,891</b>	7,663	<b>1,891</b>	7,663	<b>1,891</b>	7,663
<b>Stapled Securities issued and to be issued as at 31 December</b>	<b>580,103</b>	576,862	<b>580,103</b>	576,862	<b>580,103</b>	576,862

### Financial year ended 31 December 2023

- (i) 7,663,000 Stapled Securities and 1,350,000 Stapled Securities were issued in March 2023 and August 2023 as payment of 50% of the Managers' base and performance fees for the period from 1 July 2022 to 31 December 2022 and 50% of the Managers' base fees for the period from 1 January 2023 to 30 June 2023 respectively. The Stapled Securities were issued at a unit price of US\$0.36 per Stapled Security.
- (ii) 1,891,000 Stapled Securities are to be issued in March 2024 as payment of 50% of the Managers' base and performance fees for the period from 1 July 2023 to 31 December 2023. The Stapled Securities will be issued at a unit price of US\$0.31 per Stapled Security.

### Financial year ended 31 December 2022

- (i) During the financial year, 846,000 Stapled Securities at a unit price of US\$0.48 per Stapled Security, amounting to US\$410,000, were issued as satisfaction of the REIT Manager's and Trustee-Manager's base fees for the period from 1 October 2021 to 31 December 2021 and performance fees for the period from 1 January 2021 to 31 December 2021;
- (ii) During the financial year, 1,011,000 Stapled Securities at a unit price of US\$0.47 per Stapled Security, amounting to US\$472,000, were issued as satisfaction of the REIT Manager's and Trustee-Manager's management fees for the period from 1 January 2022 to 30 June 2022; and
- (iii) 7,663,000 Stapled Securities at a unit price of US\$0.36 per Stapled Security, amounting to US\$2,734,000, will be issued subsequent to year end as satisfaction of the REIT Manager's and Trustee-Manager's base fees for the period from 1 July 2022 to 31 December 2022 and performance fees for the period from 1 January 2022 to 31 December 2022.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 15. STAPLED SECURITIES IN ISSUE AND TO BE ISSUED (continued)

### Financial year ended 31 December 2022 (continued)

Each ARA H-REIT unit is stapled together with an ARA H-BT unit under the terms of a stapling deed dated 17 April 2019 entered into between the REIT Manager, the REIT Trustee and the Trustee-Manager and cannot be traded separately. Each Stapled Security represents an undivided interest in ARA H-REIT and ARA H-BT.

A holder of the Stapled Security has no equitable or proprietary interest in the underlying assets of the Stapled Group and is not entitled to the transfer to it of any asset (or any part thereof) or of any real estate, any interest in any asset and real estate-related assets (or any part thereof) of the Stapled Group.

Each ARA H-REIT unit and ARA H-BT unit carry the same voting rights.

### Capital management

The Managers' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Managers monitor the yield, which is defined as net property income from the property divided by the latest valuation for the property, on the properties acquired. The Managers also monitor the level of distributions made to holders of Stapled Securities.

The Managers seek to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

## 16. NET ASSET VALUE PER STAPLED SECURITY

	Note	2023	2022
Net asset value per Stapled Security is based on:			
Net assets attributable to Stapled Securityholders (US\$'000)		427,555	459,656
Total issued and to be issued Stapled Securities ('000)	15	580,103	576,862
<b>Net asset value per Stapled Security (US\$)</b>		<b>0.74</b>	0.80

## 17. REVENUE

	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
<b>Revenue from contracts with customers</b>						
Room revenue	-	-	165,918	160,267	165,918	160,267
Other operating revenue	-	-	9,578	8,748	9,578	8,748
<b>Other revenue</b>						
Rental revenue	55,203	51,808	-	-	-	-
	<b>55,203</b>	51,808	<b>175,496</b>	169,015	<b>175,496</b>	169,015

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 17. REVENUE (continued)

	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
<b>Revenue from contracts with customers</b>						
Timing of revenue recognition						
Products and services transferred over time	-	-	165,918	160,267	165,918	160,267
Products and services transferred at a point in time	-	-	9,578	8,748	9,578	8,748
	-	-	175,496	169,015	175,496	169,015

### Rental revenue of ARA H-REIT

Rental revenue for the ARA H-REIT Group relates to rental income received/receivable from the ARA H-BT Group.

Under the terms of the master lease agreements for the properties, the ARA H-REIT Group is entitled to a fixed rent component and a variable rent component computed based on a certain percentage of the revenue. The fixed rent component is adjusted annually to incorporate average consumer price index ("CPI") changes during the year.

## 18. OTHER INCOME

	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
Government grants	-	-	-	864	-	864
Other income	32	-	-	81	32	81
	32	-	-	945	32	945

## 19. REIT MANAGER'S AND TRUSTEE-MANAGER'S MANAGEMENT FEES

Included in the REIT Manager's and Trustee-Manager's management fees is an aggregate of 3,240,000 (2022: 8,674,000) Stapled Securities, amounting to US\$1,044,000 (2022: US\$3,206,000), that were issued or issuable to the REIT Manager and Trustee-Manager as satisfaction of 50% of the REIT Manager's and Trustee-Manager's management fees payable in Stapled Securities, at an average stapled security price of US\$0.32 (2022: US\$0.37) per Stapled Security.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 20. NET FINANCE (COSTS)/INCOME

	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
<b>Finance income</b>						
Interest income under the effective interest method on:						
— deposits with financial institutions	330	284	-	-	330	284
— loan to related corporation	1,093	845	26,570	26,570	-	-
— others	7	-	-	-	7	-
	<b>1,430</b>	1,129	<b>26,570</b>	26,570	<b>337</b>	284
<b>Finance costs</b>						
Financial liabilities measured at amortised cost:						
— interest expense:						
— loans from banks	(15,045)	(12,007)	(369)	(349)	(15,413)	(12,356)
— loan from related corporation	(26,570)	(26,570)	(1,093)	(845)	-	-
— lease liabilities	(43)	(49)	(2,395)	(3,481)	(50)	(67)
— amortisation of transaction costs	(664)	(377)	-	(55)	(664)	(432)
	<b>(42,322)</b>	(39,003)	<b>(3,857)</b>	(4,730)	<b>(16,127)</b>	(12,855)
<b>Net finance (costs)/income</b>	<b>(40,892)</b>	(37,874)	<b>22,713</b>	21,840	<b>(15,790)</b>	(12,571)

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 21. NET INCOME/(LOSS) FOR THE YEAR BEFORE TAX

Net income/(loss) for the year before tax is arrived at after charging the following items:

	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
Room expenses	-	-	<b>48,212</b>	47,368	<b>48,212</b>	47,368
Other operating expenses	-	-	<b>4,802</b>	4,572	<b>4,802</b>	4,572
Administrative and general expenses	<b>404</b>	261	<b>16,467</b>	16,743	<b>16,871</b>	17,004
Sales and marketing expenses	-	-	<b>13,682</b>	13,260	<b>13,682</b>	13,260
Franchise fee	-	-	<b>8,555</b>	8,033	<b>8,555</b>	8,033
Property operations and maintenance expenses	-	-	<b>14,044</b>	14,300	<b>14,044</b>	14,300
Utilities	<b>49</b>	49	<b>7,330</b>	7,142	<b>7,379</b>	7,191
Operating expenses	<b>453</b>	310	<b>113,092</b>	111,418	<b>113,545</b>	111,728
Audit fees payable to auditors	<b>349</b>	395	<b>349</b>	395	<b>698</b>	790
Non-audit fees payable to auditors	-	150	-	150	-	300
Allowance for/(Reversal of) expected credit loss	-	-	<b>8</b>	(51)	<b>8</b>	(51)
Operating expenses arising from rental of investment properties	<b>7,280</b>	9,081	-	-	-	-

## Notes to the Financial Statements

For the financial year ended 31 December 2023

### 22. TAXATION

	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
<b>Tax recognised in profit or loss</b>						
<b>Current tax expense</b>						
Current year tax expense	100	75	100	75	200	150
	100	75	100	75	200	150
<b>Deferred tax (credit)/expense</b>						
Tax effect of tax loss carry forward	-	-	1,224	(1,977)	1,224	(1,977)
Origination and reversal of temporary differences of properties	(2,618)	20,485	(2,341)	3,622	(4,643)	4,305
	(2,618)	20,485	(1,117)	1,645	(3,419)	2,328
	(2,518)	20,560	(1,017)	1,720	(3,219)	2,478
<b>Tax recognised in other comprehensive income</b>						
<b>Deferred tax (credit)/expense</b>						
Origination and reversal of temporary differences of properties	-	-	-	-	(316)	19,802
Tax expense/(credit)	(2,518)	20,560	(1,017)	1,720	(3,535)	22,280
<b>Reconciliation of effective tax rate</b>						
	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
Net (loss)/income for the year before tax	(25,805)	61,905	15,442	12,542	(14,362)	11,990
Tax using the Singapore tax rate of 17% (2022: 17%)	(4,386)	10,524	2,625	2,132	(2,442)	2,038
Effect of tax rates in foreign jurisdictions	(1,489)	3,887	524	1,077	(1,187)	329
Tax-exempt income	(9,570)	(8,951)	(4,517)	(4,517)	-	-
Non-deductible expenses	12,927	15,100	351	3,028	410	111
	(2,518)	20,560	(1,017)	1,720	(3,219)	2,478



# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 22. TAXATION (continued)

### Reconciliation of effective tax rate (continued)

Uncertainties exist with respect to the interpretation of complex tax regulations in the jurisdictions in which the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group operate, and the amount and timing of future taxable income. Given the span of tax regulations which may apply to the various taxable entities within the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group, the cross-border and long-term nature and complexity of the contractual arrangements, and the conditions to the tax rulings which have been obtained, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions recorded or require new or additional tax provisions to be recorded. The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group establish provisions, based on reasonable estimates, for anticipated tax liabilities or possible consequences of audits by the tax authorities of the respective jurisdictions in which it operates. The amount of such provisions is based on various factors, such as differing interpretations of tax regulations between the taxable entities involved and the relevant tax authority, and anticipated future changes in the tax laws that may have a direct impact on any tax ruling or favourable tax treatment relied upon. Such instances may arise on a wide variety of issues depending on the conditions prevailing in the domicile of the respective entities involved.

## 23. EARNINGS PER STAPLED SECURITY

Earnings per Stapled Security is based on:

	2023 US\$'000	2022 US\$'000
Net (loss)/income for the year attributable to Stapled Securityholders	(11,143)	9,512
	Number of Stapled Securities	
	2023 '000	2022 '000
Weighted average number of Stapled Securities used in arriving at basic and diluted earnings per Stapled Security:		
— issued Stapled Securities at the beginning of the year	569,199	567,342
— issued as payment of REIT Manager's and Trustee-Manager's management fees payable in Stapled Securities	6,942	1,102
— to be issued as payment of REIT Manager's and Trustee-Manager's management fees payable in Stapled Securities	5	21
	<b>576,146</b>	568,465
<b>Earnings per Stapled Security ("EPS") (US cents)</b>		
Basic	(1.93)	1.67
Diluted	(1.93)	1.67

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 24. OPERATING SEGMENTS

Information regarding the results of each reportable segment is included below. Performance is measured based on segment net property income, as included in internal management reports that are reviewed by the Board of Directors of the Managers. Segment net property income is used to measure performance as the Managers believe that such information is the most relevant in evaluating the results of the segments relative to other entities that operate within the same industry.

### Information about reportable segments

	Hyatt Place US\$'000	Hyatt House US\$'000	Marriott US\$'000	Hilton US\$'000	Total US\$'000
<b>Stapled Group</b>					
<b>2023</b>					
Revenue	86,460	63,766	21,042	4,228	175,496
Reportable segment net property income	19,176	18,576	7,685	2,234	47,671
Other income	-	-	-	32	32
Depreciation of property, plant and equipment	(14,043)	(10,194)	(3,896)	(700)	(28,833)
Amortisation of intangible assets	-	-	(25)	-	(25)
Net change in fair value of assets held for sale	(1,352)	(22)	-	-	(1,374)
Revaluation of property, plant and equipment	(2,561)	(8,621)	-	-	(11,182)
Unallocated items:					
— REIT Manager's and Trustee-Manager's management fees					(2,088)
— Trustee-Manager's trustee fees					(120)
— REIT Trustee's fees					(118)
— Other trust expenses					(2,535)
— Net finance costs					(15,790)
— Taxation					3,219
<b>Net loss for the year</b>					<b>(11,143)</b>
<b>Assets and liabilities</b>					
Reportable segment assets	401,701	216,499	108,732	30,041	756,973
Reportable segment liabilities	(5,463)	(7,501)	(1,377)	(359)	(14,700)
<b>Other segmental information</b>					
Acquisition of and capital expenditure on property, plant and equipment	12,606	4,875	1,683	29,736	48,900
<b>Allowance for/(Reversal of) expected credit loss</b>	<b>15</b>	<b>(7)</b>	<b>-</b>	<b>-</b>	<b>8</b>

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 24. OPERATING SEGMENTS (continued)

### Information about reportable segments (continued)

	Hyatt Place US\$'000	Hyatt House US\$'000	Marriott US\$'000	Hilton US\$'000	Total US\$'000
<b>Stapled Group</b>					
<b>2022</b>					
Revenue	91,294	56,842	20,879	–	169,015
Reportable segment net property income	18,940	15,218	7,244	–	41,402
Other income	299	646	–	–	945
Depreciation of property, plant and equipment	(12,737)	(9,201)	(3,329)	–	(25,267)
Amortisation of intangible assets	–	–	(25)	–	(25)
Net change in fair value changes in assets held for sale	(722)	(30)	–	–	(752)
Revaluation of property, plant and equipment	15,424	1,895	–	–	17,319
Unallocated items:					
– REIT Manager's and Trustee-Manager's management fees					(6,414)
– Trustee-Manager's trustee fees					(120)
– REIT Trustee's fees					(110)
– Other trust expenses					(2,417)
– Net finance costs					(12,571)
– Taxation					(2,478)
<b>Net income for the year</b>					<b>9,512</b>
<b>Assets and liabilities</b>					
Reportable segment assets	384,884	277,964	93,112	–	755,960
Reportable segment liabilities	(8,576)	(5,408)	(1,175)	–	(15,159)
<b>Other segmental information</b>					
Capital expenditure on property, plant and equipment	5,251	3,941	917	–	10,109
Allowance for/(Reversal of) expected credit loss and bad debts written off	36	(94)	7	–	(51)

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 24. OPERATING SEGMENTS (continued)

### Reconciliations of reportable segment assets and liabilities

	2023 US\$'000	2022 US\$'000
<b>Assets</b>		
Total assets for reportable segments	756,973	755,960
Other unallocated amounts	34,871	70,429
	<b>791,844</b>	<b>826,389</b>
<b>Liabilities</b>		
Total liabilities for reportable segments	14,700	15,159
Other unallocated amounts	349,589	351,574
	<b>364,289</b>	<b>366,733</b>

### Geographical segments

No geographical information is presented as the Stapled Group operates in the United States only.

## 25. FINANCIAL RISK MANAGEMENT

### Overview

The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group have exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the exposure of the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group to each of the above risks, their objectives, policies and procedures for measuring and managing risk, and their management of capital.

### Risk management framework

Risk management is integral to the whole business of the Stapled Group, comprising ARA H-REIT Group and ARA H-BT Group. The Stapled Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The REIT Manager and the Trustee-Manager continually monitor the Stapled Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Stapled Group's activities.

The Audit and Risk Committee of the Managers assist the Board in reviewing the effectiveness of the Stapled Group's material internal controls, including those relating to financial, operational and compliance.

In addition, the Audit and Risk Committee of the Managers also assist the Board in discharging its duties with respect to maintaining an effective control environment that reflects both the established risk appetite and the business objectives of the Stapled Group. The Audit and Risk Committees oversee how management monitors compliance with the Stapled Group's risk management policies and procedures and review the adequacy of the risk management framework in relation to the risks faced by the Stapled Group.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 25. FINANCIAL RISK MANAGEMENT (continued)

### Credit risk

Credit risk is the risk of financial loss to the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group's receivables from customers.

The carrying value of financial assets in the statement of financial position represents the maximum exposure of the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group to credit risk.

Impairment losses on financial assets recognised in profit or loss were as follows:

	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
Allowance for/(Reversal of) expected credit loss	-	-	8	(51)	8	(51)

### Trade receivables

#### ARA H-BT Group and Stapled Group

The hotel operators which manage the hotels under the ARA H-BT Group perform credit evaluations on certain customers before accepting reservations and monitor their balances on an on-going basis.

#### ARA H-REIT Group

Trade receivables relate to amounts due from ARA H-BT Group arising from the master lease arrangements for hotel properties.

#### Exposure to credit risk

As at the reporting date, the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group believes there is little or no credit risk inherent in its trade receivables, based on payment behaviours.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 25. FINANCIAL RISK MANAGEMENT (continued)

### Credit risk (continued)

#### Expected credit loss assessment

##### Trade receivables

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2023 and 31 December 2022:

	Gross carrying amount US\$'000	Expected credit loss allowance US\$'000	Credit impaired
<b>ARA H-REIT Group</b>			
<b>2023</b>			
Not past due	1,510	-	No
<b>2022</b>			
Not past due	787	-	No
<b>ARA H-BT Group</b>			
<b>2023</b>			
Not past due	-	-	No
Past due 31-60 days	-	-	No
Past due 61-90 days	180	-	No
Past due over 90 days	52	(32)	Yes
	<b>232</b>	<b>(32)</b>	
<b>2022</b>			
Not past due	2,203	-	No
Past due 31-60 days	426	-	No
Past due 61-90 days	177	-	No
Past due over 90 days	271	(93)	Yes
	<b>3,077</b>	<b>(93)</b>	
<b>Stapled Group</b>			
<b>2023</b>			
Not past due	-	-	No
Past due 31-60 days	-	-	No
Past due 61-90 days	180	-	No
Past due over 90 days	52	(32)	Yes
	<b>232</b>	<b>(32)</b>	
<b>2022</b>			
Not past due	2,222	-	No
Past due 31-60 days	426	-	No
Past due 61-90 days	177	-	No
Past due over 90 days	271	(93)	Yes
	<b>3,096</b>	<b>(93)</b>	

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 25. FINANCIAL RISK MANAGEMENT (continued)

### Credit risk (continued)

#### Expected credit loss assessment (continued)

##### Trade receivables (continued)

The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group use an allowance matrix to measure the ECLs of trade receivables.

Loss rates are based on actual credit loss experience. These rates are multiplied by scalar factors to reflect differences between economic conditions during the year over which the historic data has been collected, current conditions and the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group's view of economic conditions over the expected lives of the receivables.

##### Movements in allowance for impairment in respect of trade receivables

The movement in the allowance for impairment in respect of trade receivables during the year was as follows.

	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
At 1 January	-	-	93	187	93	187
Allowance for/(Reversal of) expected credit loss	-	-	8	(51)	8	(51)
Amount utilised	-	-	(69)	(43)	(69)	(43)
At 31 December	-	-	32	93	32	93

##### Cash and cash equivalents and derivative financial assets

The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group held cash and cash equivalents of US\$6,314,000, US\$13,737,000 and US\$20,051,000 respectively at 31 December 2023 (2022: US\$36,978,000, US\$13,642,000 and US\$50,620,000 respectively), and the ARA H-REIT Group and the Stapled Group held derivative financial assets of US\$1,360,000 (2022: US\$7,349,000). The cash and cash equivalents and derivative financial assets are held with reputable bank and financial institution counterparties which are regulated. Investments and transactions involving derivative financial instruments are only allowed with counterparties with sound credit ratings.

Impairment on cash and cash equivalents are assessed based on the 12-month expected loss basis and reflects the short maturities of the exposures. The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

The amount of the allowance on cash and cash equivalents is negligible.

With respect to derivative financial instruments, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. It is the Stapled Group's policy to enter into financial instruments with credit worthy counterparties. The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group do not expect to incur material credit losses on these financial assets.



# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 25. FINANCIAL RISK MANAGEMENT (continued)

### Credit risk (continued)

#### Expected credit loss assessment (continued)

Movements in allowance for impairment in respect of trade receivables (continued)

#### *Non-trade amount due from related corporation and loan to related corporation*

At 31 December 2023, the ARA H-REIT Group held non-trade and interest receivable from its related corporation and loan to related corporation of US\$6,378,000 (2022: US\$5,635,000) and US\$29,390,000 (2022: US\$32,253,000), and the ARA H-BT Group held non-trade and interest receivable from its related corporation and loan to related corporation of US\$21,026,000 (2022: US\$25,029,000) and US\$294,000,000 (2022: US\$294,000,000) respectively. There is no significant increase in credit risk for these exposures. Impairment on these balances has been measured on the 12-month expected credit loss basis. The amount of the allowance is insignificant.

### Liquidity risk

Liquidity risk is the risk that the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Managers monitor their liquidity risk and maintain a level of cash and cash equivalents deemed adequate to finance the ARA H-REIT Group's and the ARA H-BT Group's operations and to mitigate the effects of fluctuations in cash flows. The REIT Manager also monitors and observes the Property Funds Appendix concerning limits on total borrowings. As at the end of the financial year, the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group maintain several credit facilities (Note 12).

The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group has contractual commitments to incur capital expenditure (Note 27).

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 25. FINANCIAL RISK MANAGEMENT (continued)

### Liquidity risk (continued)

#### Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments.

	Note	Carrying amount US\$'000	Contractual cash flows US\$'000	Cash outflow/(inflow)		
				Within 1 year US\$'000	Between 1 to 5 years US\$'000	More than 5 years US\$'000
<b>ARA H-REIT Group</b>						
<b>2023</b>						
<b>Non-derivative financial liabilities</b>						
Loans from related corporation	7	294,000	437,405	26,570	410,835	-
Loans and borrowings	12	319,763	381,547	22,861	358,402	284
Trade and other payables	14	23,136	23,136	23,011	-	125
		<b>636,899</b>	<b>842,088</b>	<b>72,442</b>	<b>769,237</b>	<b>409</b>
<b>2022</b>						
<b>Non-derivative financial liabilities</b>						
Loans from related corporation	7	294,000	464,187	26,570	106,280	331,337
Loans and borrowings	12	320,284	338,070	11,214	326,194	662
Trade and other payables	14	33,714	33,714	33,589	-	125
		<b>647,998</b>	<b>835,971</b>	<b>71,373</b>	<b>432,474</b>	<b>332,124</b>
<b>2023</b>						
<b>Derivative financial liabilities</b>						
Interest rate swaps used for hedging	13	1,294	1,564	(409)	1,973	-

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 25. FINANCIAL RISK MANAGEMENT (continued)

### Liquidity risk (continued)

#### Exposure to liquidity risk (continued)

	Note	Carrying amount US\$'000	Contractual cash flows US\$'000	Cash outflow/(inflow)		
				Within 1 year US\$'000	Between 1 to 5 years US\$'000	More than 5 years US\$'000
<b>ARA H-BT Group</b>						
<b>2023</b>						
<b>Non-derivative financial liabilities</b>						
Loans from related corporation	7	29,390	29,390	29,390	-	-
Loans and borrowings	12	54,802	57,715	46,489	11,226	-
Trade and other payables	14	24,472	24,472	24,472	-	-
		<b>108,664</b>	<b>111,577</b>	<b>100,351</b>	<b>11,226</b>	<b>-</b>
<b>2022</b>						
<b>Non-derivative financial liabilities</b>						
Loans from related corporation	7	32,253	32,532	32,532	-	-
Loans and borrowings	12	87,276	90,151	42,353	47,798	-
Trade and other payables	14	16,878	16,878	16,878	-	-
		<b>136,407</b>	<b>139,561</b>	<b>91,763</b>	<b>47,798</b>	<b>-</b>
<b>Stapled Group</b>						
<b>2023</b>						
<b>Non-derivative financial liabilities</b>						
Loans and borrowings	12	325,021	388,278	23,286	364,708	284
Trade and other payables	14	18,666	18,666	18,541	-	125
		<b>343,687</b>	<b>406,944</b>	<b>41,827</b>	<b>364,708</b>	<b>409</b>
<b>2022</b>						
<b>Non-derivative financial liabilities</b>						
Loans and borrowings	12	325,872	428,221	53,567	373,992	662
Trade and other payables	14	19,134	19,134	19,009	-	125
		<b>345,006</b>	<b>447,355</b>	<b>72,576</b>	<b>373,992</b>	<b>787</b>
<b>2023</b>						
<b>Derivative financial liabilities</b>						
Interest rate swaps used for hedging	13	1,294	1,564	(409)	1,973	-

The maturity analyses show the contractual undiscounted cash flows of the ARA H-REIT Group's, the ARA H-BT Group's and the Stapled Group's financial liabilities on the basis of their earliest possible contractual maturity. The disclosure represents the contractual undiscounted cash flows relating to derivative financial instruments held for risk management purposes and which are usually not closed out prior to contractual maturity.

The interest payments on variable interest rate loans in the table above reflect market forward interest rates at the reporting date and these amounts may change as market interest rates changes.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 25. FINANCIAL RISK MANAGEMENT (continued)

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the profit or loss of the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the returns.

The ARA H-REIT Group and the Stapled Group enter into derivatives in order to manage market risks. All such transactions are carried out within the guidelines set by the Audit and Risk Committee of the Managers. Generally, the ARA H-REIT Group and the Stapled Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

### Currency risk

The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group's business are not exposed to significant currency risk as the portfolio of properties are located in the United States and the cash flows from the properties are denominated in US\$, which is the functional currency of the entities within the ARA H-REIT Group and ARA H-BT Group. The loans and borrowings are made in the same currency as the assets in order to manage the foreign currency risk.

### Interest rate risk

The REIT Manager's and the Trustee-Manager's strategy to manage the risk of potential interest rate volatility from floating rate loans and borrowings is through the use of interest rate hedging instruments. The Managers will regularly evaluate the feasibility of putting in place the appropriate level of interest rate hedges, after taking into account the prevailing market conditions.

The ARA H-REIT Group and the Stapled Group determine the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates, maturities and the notional amounts.

The ARA H-REIT Group and the Stapled Group assess whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are:

- the effect of the counterparty's and the ARA H-REIT Group's and the Stapled Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and
- differences in repricing dates or interest rate benchmark between the swaps and the borrowings.

Interest rate derivative financial instruments in respect of the ARA H-REIT Group and the Stapled Group's borrowings have been entered into to achieve an appropriate mix of fixed and floating rate exposures within the ARA H-REIT Group's and the Stapled Group's policy. Generally, the maturities of these interest rate derivative financial instruments follow the maturities of the related borrowings. The ARA H-REIT Group and the Stapled Group hold interest rate swaps for risk management purposes which are designated in cash flow hedging relationships. The interest rate swaps have floating legs that are indexed to SOFR as at the reporting date.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 25. FINANCIAL RISK MANAGEMENT (continued)

### Market risk (continued)

#### Managing interest rate benchmark reform and associated risks

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (“IBOR”) with alternative nearly risk-free rates (referred to as “IBOR reform”). The ARA H-REIT Group, and the Stapled Group’s IBOR exposure were indexed to US dollar LIBOR. The alternative reference rate for US dollar LIBOR is the Secured Overnight Financing Rate (“SOFR”). The ARA H-REIT Group and the Stapled Group has finished the process of implementing appropriate fallback clauses for all US dollar LIBOR indexed exposures. The clauses automatically switch the instrument from USD LIBOR to SOFR as and when USD LIBOR ceases. As announced by the Financial Conduct Authority (“FCA”) in early 2022, the panel bank submissions for overnight and 12-month US dollar LIBOR ceased on 30 June 2023.

#### Exposure to interest rate risk

At the reporting date, the interest rate profile of the interest-bearing financial instruments based on their nominal amounts was as follows:

	ARA H-REIT Group		Nominal amount ARA H-BT Group		Stapled Group	
	2023	2022	2023	2022	2023	2022
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Fixed rate instruments</b>						
Financial assets	29,390	32,253	294,000	294,000	-	-
Financial liabilities	(294,000)	(294,000)	(29,390)	(32,253)	-	-
	<b>(264,610)</b>	<b>(261,747)</b>	<b>264,610</b>	<b>261,747</b>	<b>-</b>	<b>-</b>
	ARA H-REIT Group		Nominal amount ARA H-BT Group		Stapled Group	
	2023	2022	2023	2022	2023	2022
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Variable rate instruments</b>						
Financial liabilities	(322,825)	(319,325)	(5,175)	(5,470)	(328,000)	(324,795)
Effect of interest rate swaps	244,300	266,325	-	-	244,300	266,325
	<b>(78,525)</b>	<b>(53,000)</b>	<b>(5,175)</b>	<b>(5,470)</b>	<b>(83,700)</b>	<b>(58,470)</b>

As at 31 December 2023, an aggregate of US\$244.3 million of loan (2022: US\$266.3 million) has been hedged with a termination date of 28 February 2024. In 2023, The ARA H-REIT Group and the Stapled Group entered into a 4-year forward interest rate swap to hedge US\$85.0 million (2022: Nil) starting 28 February 2024.

#### Fair value sensitivity analysis for fixed rate instruments

The ARA H-REIT Group and the Stapled Group do not account for any fixed rate financial assets and liabilities at FVTPL and the ARA H-REIT Group and the Stapled Group do not designate derivative interest swaps as hedging instruments under a fair value hedge accounting model. Therefore, in respect of the fixed rate instrument a change in interest rates at the reporting date would not affect profit or loss.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 25. FINANCIAL RISK MANAGEMENT (continued)

### Market risk (continued)

#### Exposure to interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) Stapled Securityholders' funds and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or loss		Stapled Securityholders' funds	
	100 bp increase US\$'000	100 bp decrease US\$'000	100 bp increase US\$'000	100 bp decrease US\$'000
<b>ARA H-REIT Group</b>				
<b>2023</b>				
Variable rate instruments	(3,228)	3,228	-	-
Interest rate swaps	-	-	3,058	(3,191)
Cash flow sensitivity (net)	(3,228)	3,228	3,058	(3,191)
<b>2022</b>				
Variable rate instruments	(3,193)	3,193	-	-
Interest rate swaps	-	-	241	(241)
Cash flow sensitivity (net)	(3,193)	3,193	241	(241)

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 25. FINANCIAL RISK MANAGEMENT (continued)

### Market risk (continued)

#### Exposure to interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments (continued)

	Profit or loss		Stapled Securityholders' funds	
	100 bp increase US\$'000	100 bp decrease US\$'000	100 bp increase US\$'000	100 bp decrease US\$'000
<b>ARA H-BT Group</b>				
<b>2023</b>				
Variable rate instruments	(52)	52	-	-
Cash flow sensitivity (net)	(52)	52	-	-
<b>2022</b>				
Variable rate instruments	(55)	55	-	-
Cash flow sensitivity (net)	(55)	55	-	-
<b>Stapled Group</b>				
<b>2023</b>				
Variable rate instruments	(3,280)	3,280	-	-
Interest rate swaps	-	-	3,058	(3,191)
Cash flow sensitivity (net)	(3,280)	3,280	3,058	(3,191)
<b>2022</b>				
Variable rate instruments	(3,248)	3,248	-	-
Interest rate swaps	-	-	241	(241)
Cash flow sensitivity (net)	(3,248)	3,248	241	(241)



# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 25. FINANCIAL RISK MANAGEMENT (continued)

### Market risk (continued)

#### Cash flow hedges

At the reporting date, the ARA H-REIT Group and the Stapled Group held the following instruments to hedge exposures to changes in interest rates.

	Within 1 year	Maturity Between 1 to 5 years	More than 5 years
<b>ARA H-REIT Group and Stapled Group</b>			
<b>2023</b>			
Interest rate risk			
Interest rate swaps			
Net exposure (in thousands of US\$)	244,325	85,000	-
Average fixed interest rate	2.44%	3.98%	-
<b>2022</b>			
Interest rate risk			
Interest rate swaps			
Net exposure (in thousands of US\$)	22,000	244,325	-
Average fixed interest rate	1.00%	2.00%	-

The amounts at the reporting date relating to items designated as hedged items were as follows.

	Change in value used for calculating hedge ineffectiveness US\$'000	Hedging reserve US\$'000	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied US\$'000
<b>ARA H-REIT Group and Stapled Group</b>			
<b>2023</b>			
<b>Interest rate risk</b>			
Variable-rate instruments	-	66	-

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 25. FINANCIAL RISK MANAGEMENT (continued)

### Market risk (continued)

#### Cash flow hedges (continued)

	Change in value used for calculating hedge ineffectiveness US\$'000	Hedging reserve US\$'000	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied US\$'000
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#### ARA H-REIT Group and Stapled Group

##### 2022

#### Interest rate risk

Variable-rate instruments

-	7,349	-
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The ARA H-REIT Group and the Stapled Group's derivative transactions that are not transacted on an exchange are entered into under ISDA Master Netting Agreements. In general, under such agreements the amounts owed by each counterparty that are due on a single day in respect of all transactions outstanding in the same currency under the agreement are aggregated into a single net amount being payable by one party to the other. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions.

The above ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the ARA H-REIT Group and the Stapled Group or the counterparties. In addition, the ARA H-REIT Group and the Stapled Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 25. FINANCIAL RISK MANAGEMENT (continued)

### Market risk (continued)

#### Fair values

#### Accounting classifications and fair values

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Note	Carrying amount				Fair value			
		Financial assets at amortised cost	Fair value-hedging instruments	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>ARA H-REIT Group</b>									
<b>31 December 2023</b>									
<b>Financial assets measured at fair value</b>									
Derivative financial assets	13	-	1,360	-	1,360	-	1,360	-	1,360
<b>Financial assets not measured at fair value</b>									
Loans to related corporation	7	29,390	-	-	29,390	-	-	-	-
Trade and other receivables <sup>(1)</sup>	9	8,796	-	-	8,796	-	-	-	-
Cash and cash equivalents	10	6,314	-	-	6,314	-	-	-	-
		<b>44,500</b>	<b>-</b>	<b>-</b>	<b>44,500</b>				
<b>Financial liabilities measured at fair value</b>									
Financial derivative liabilities	13	-	(1,294)	-	(1,294)	-	1,294	-	1,294
<b>Financial liabilities not measured at fair value</b>									
Loans from related corporation	7	-	-	(294,000)	(294,000)	-	(294,849)	-	(294,849)
Loans and borrowings <sup>(2)</sup>	12	-	-	(318,504)	(318,504)	-	-	-	-
Trade and other payables	14	-	-	(23,136)	(23,136)	-	-	-	-
		<b>-</b>	<b>-</b>	<b>(635,640)</b>	<b>(635,640)</b>				

<sup>(1)</sup> Excluding prepayments

<sup>(2)</sup> Excluding lease liabilities

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 25. FINANCIAL RISK MANAGEMENT (continued)

### Market risk (continued)

#### Fair values (continued)

##### Accounting classifications and fair values (continued)

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Note	Carrying amount				Fair value			
		Financial assets at amortised cost	Fair value-hedging instruments	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>ARA H-REIT Group</b>									
<b>31 December 2022</b>									
<b>Financial assets measured at fair value</b>									
Derivative financial assets	13	-	7,349	-	7,349	-	7,349	-	7,349
<b>Financial assets not measured at fair value</b>									
Loans to related corporation	7	32,253	-	-	32,253				
Trade and other receivables <sup>(1)</sup>	9	7,246	-	-	7,246				
Cash and cash equivalents	10	36,978	-	-	36,978				
		<u>76,477</u>	<u>-</u>	<u>-</u>	<u>76,477</u>				
<b>Financial liabilities not measured at fair value</b>									
Loans from related corporation	7	-	-	(294,000)	(294,000)	-	(295,022)	-	(295,022)
Loans and borrowings <sup>(2)</sup>	12	-	-	(318,879)	(318,879)				
Trade and other payables	14	-	-	(33,714)	(33,714)				
		<u>-</u>	<u>-</u>	<u>(646,593)</u>	<u>(646,593)</u>				

<sup>(1)</sup> Excluding prepayments  
<sup>(2)</sup> Excluding lease liabilities

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 25. FINANCIAL RISK MANAGEMENT (continued)

### Market risk (continued)

#### Fair values (continued)

Accounting classifications and fair values (continued)

	Note	Carrying amount			Fair value			
		Financial assets at amortised cost US\$'000	Other financial liabilities US\$'000	Total US\$'000	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
<b>ARA H-BT Group</b>								
<b>31 December 2023</b>								
<b>Financial assets not measured at fair value</b>								
Loans to related corporation	7	294,000	-	294,000	-	294,849	-	294,849
Trade and other receivables <sup>(1)</sup>	9	21,435	-	21,435				
Cash and cash equivalents	10	13,737	-	13,737				
		<b>329,172</b>	<b>-</b>	<b>329,172</b>				
<b>Financial liabilities not measured at fair value</b>								
Loans from related corporation	7	-	(29,390)	(29,390)				
Loans and borrowings <sup>(2)</sup>	12	-	(5,175)	(5,175)				
Trade and other payables	14	-	(24,472)	(24,472)				
		<b>-</b>	<b>(59,037)</b>	<b>(59,037)</b>				

<sup>(1)</sup> Excluding prepayments  
<sup>(2)</sup> Excluding lease liabilities

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 25. FINANCIAL RISK MANAGEMENT (continued)

### Market risk (continued)

#### Fair values (continued)

Accounting classifications and fair values (continued)

	Note	Carrying amount			Fair value			
		Financial assets at amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>ARA H-BT Group</b>								
<b>31 December 2022</b>								
<b>Financial assets not measured at fair value</b>								
Loans to related corporation	7	294,000	-	294,000	-	295,022	-	295,022
Trade and other receivables <sup>(1)</sup>	9	28,468	-	28,468				
Cash and cash equivalents	10	13,642	-	13,642				
		<u>336,110</u>	<u>-</u>	<u>336,110</u>				
<b>Financial liabilities not measured at fair value</b>								
Loans from related corporation	7	-	(32,253)	(32,253)				
Loans and borrowings <sup>(2)</sup>	12	-	(5,470)	(5,470)				
Trade and other payables	14	-	(16,878)	(16,878)				
		<u>-</u>	<u>(54,601)</u>	<u>(54,601)</u>				

<sup>(1)</sup> Excluding prepayments  
<sup>(2)</sup> Excluding lease liabilities

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 25. FINANCIAL RISK MANAGEMENT (continued)

### Market risk (continued)

#### Fair values (continued)

Accounting classifications and fair values (continued)

	Note	Carrying amount				Fair value			
		Financial assets at amortised cost	Fair value-hedging instruments	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Stapled Group</b>									
<b>31 December 2023</b>									
<b>Financial assets measured at fair value</b>									
Financial derivative assets	13	-	1,360	-	1,360	-	1,360	-	1,360
<b>Financial assets not measured at fair value</b>									
Trade and other receivables <sup>(1)</sup>	9	1,317	-	-	1,317				
Cash and cash equivalents	10	20,051	-	-	20,051				
		<b>21,368</b>	<b>-</b>	<b>-</b>	<b>21,368</b>				
<b>Financial liabilities measured at fair value</b>									
Financial derivative liabilities	13	-	(1,294)	-	(1,294)	-	1,294	-	1,294
<b>Financial liabilities not measured at fair value</b>									
Loans and borrowings <sup>(2)</sup>	12	-	-	(323,679)	(323,679)				
Trade and other payables	14	-	-	(18,666)	(18,666)				
		<b>-</b>	<b>-</b>	<b>(342,345)</b>	<b>(342,345)</b>				

<sup>(1)</sup> Excluding prepayments  
<sup>(2)</sup> Excluding lease liabilities



# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 25. FINANCIAL RISK MANAGEMENT (continued)

### Market risk (continued)

#### Fair values (continued)

Accounting classifications and fair values (continued)

	Note	Carrying amount				Fair value			
		Financial assets at amortised cost	Fair value-hedging instruments	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<b>Stapled Group</b>									
<b>31 December 2022</b>									
<b>Financial assets measured at fair value</b>									
Financial derivative assets	13	-	7,349	-	7,349	-	7,349	-	7,349
<b>Financial assets not measured at fair value</b>									
Trade and other receivables <sup>(1)</sup>	9	4,282	-	-	4,282				
Cash and cash equivalents	10	50,620	-	-	50,620				
		54,902	-	-	54,902				
<b>Financial liabilities not measured at fair value</b>									
Loans and borrowings <sup>(2)</sup>	12	-	-	(324,349)	(324,349)				
Trade and other payables	14	-	-	(19,134)	(19,134)				
		-	-	(343,483)	(343,483)				

<sup>(1)</sup> Excluding prepayments  
<sup>(2)</sup> Excluding lease liabilities

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 25. FINANCIAL RISK MANAGEMENT (CONT'D) (continued)

### Market risk (continued)

#### Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 fair values.

ARA H-REIT Group, ARA H-BT Group and Stapled Group

#### *Financial instruments measured at fair value*

Type	Valuation technique
Interest rate swaps	The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transaction in similar instruments.

#### *Financial instruments not measured at fair value*

Type	Valuation technique
Loans to/ (from) related corporation	The fair values of loans to/(from) related corporation are calculated using the discounted cash flow technique based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date.

The fair value of the ARA H-REIT Group, ARA H-BT Group and the Stapled Group’s non-current loans and borrowings with floating interest rate approximate their fair value.

## 26. LEASES

### Leases as lessee

The ARA H-REIT Group leases land, the ARA H-BT Group leases land, buildings, and motor vehicles and the Stapled Group leases land and motor vehicles. The leases typically run for a period of 4 to 65 years. For certain leases, the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group are restricted from entering into any sub-lease arrangements.

Under the terms of the master lease agreements for the properties, the ARA H-BT Group pays fixed rent and variable rent computed based on a certain percentage of the revenue to the ARA H-REIT Group. The fixed rent component is adjusted annually to incorporate average consumer price index (“CPI”) changes during the year. ARA H-BT Group remeasures the lease liability annually to incorporate changes in the fixed rent arising from CPI changes.

Information about leases for which the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group are the lessee is presented below.

## Notes to the Financial Statements

For the financial year ended 31 December 2023

### 26. LEASES (continued)

#### Leases as lessee (continued)

##### Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property is presented as property, plant and equipment.

	ARA H-BT Group		Stapled Group	
	Land and buildings US\$'000	Motor vehicles US\$'000	Leasehold land US\$'000	Motor vehicles US\$'000
<b>2023</b>				
Balance at 1 January	77,980	127	1,343	127
Additions to right-of-use assets	6,079	143	-	143
Remeasurement of right-of-use assets	6,550	-	-	-
Depreciation charge for the year	(42,788)	(129)	(157)	(129)
Derecognition of right-of-use assets	(949)	-	-	-
Balance at 31 December	46,872	141	1,186	141
<b>2022</b>				
Balance at 1 January	120,992	274	1,502	274
Remeasurement of right-of-use assets	5,875	-	-	-
Depreciation charge for the year	(41,270)	(131)	(159)	(131)
Derecognition of right-of-use assets	(7,617)	(16)	-	(16)
Balance at 31 December	77,980	127	1,343	127

Right-of-use assets of the ARA H-REIT Group are presented as investment properties (see Note 4).

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 26. LEASES (continued)

### Leases as lessee (continued)

Amounts recognised in profit or loss

	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
<b>Interest on lease liabilities</b>	<b>43</b>	49	<b>2,395</b>	3,481	<b>50</b>	67
Expenses relating to variable lease payments not included in the measurement of lease liabilities	-	-	<b>8,842</b>	7,468	-	-
Expenses relating to short-term leases	-	-	<b>7</b>	16	<b>7</b>	16

Amounts recognised in statement of cash flows

	2023 US\$'000	2022 US\$'000
<b>ARA H-REIT Group</b>		
<b>Total cash outflow for leases</b>	<b>(189)</b>	(190)
<b>ARA BT Group</b>		
<b>Total cash outflow for leases</b>	<b>(46,294)</b>	(44,744)
<b>Stapled Group</b>		
<b>Total cash outflow for leases</b>	<b>(325)</b>	(353)

### Extension options

Land leases contain extension options exercisable by the ARA H-REIT Group and the Stapled Group before the end of the non-cancellable contract period. Where practicable, the ARA H-REIT Group and the Stapled Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the ARA H-REIT Group and the Stapled Group and not by the lessors. The ARA H-REIT Group and the Stapled Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The ARA H-REIT Group and the Stapled Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

### Leases as lessor

The ARA H-REIT Group leases out its investment properties to the ARA H-BT Group. All leases are classified as operating leases from a lessor perspective.

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 26. LEASES (continued)

### Operating lease

The ARA H-REIT Group leases out its investment properties. The ARA H-REIT Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

The ARA H-REIT Group is exposed to changes in residual value at the end of the lease term, the ARA H-REIT Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the investment properties.

Rental income from investment properties recognised by the ARA H-REIT Group during the year was US\$55,203,000 (2022: US\$51,808,000).

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	2023 US\$'000	2022 US\$'000
Within one year	47,169	45,419
Between one and five years	4,919	45,634
	<b>52,088</b>	91,053

The above operating lease receivables are based on the fixed component of the rent receivable under the lease agreements. The fixed rent component is adjusted annually to incorporate average consumer price index ("CPI") changes during the year.

## 27. COMMITMENTS

### Capital commitments

	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
Capital expenditure contracted but not provided for	2,245	1,281	11,714	1,453	13,959	2,734

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 28. RELATED PARTY TRANSACTIONS

During the financial year, other than the transactions disclosed elsewhere in the financial statements, there were the following significant related party transactions:

	ARA H-REIT Group		ARA H-BT Group		Stapled Group	
	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000	2023 US\$'000	2022 US\$'000
<b>Related entities</b>						
REIT Manager's and Trustee- Manager's management fees paid/payable	<b>1,566</b>	4,811	<b>522</b>	1,603	<b>2,088</b>	6,414
Trustee-Manager's trustee fee paid/ payable	-	-	<b>120</b>	120	<b>120</b>	120
REIT Trustee's fees paid/payable	<b>118</b>	110	-	-	<b>118</b>	110
Hotel management fee paid/payable	-	-	<b>5,253</b>	5,071	<b>5,253</b>	5,071
Acquisition fee paid/payable	<b>290</b>	-	-	-	-	-
Divestment fee paid/payable	<b>40</b>	151	-	50	<b>40</b>	201
Reimbursement of expenses (paid on behalf by REIT Manager and Trustee-Manager)	<b>59</b>	82	<b>88</b>	120	<b>147</b>	202
<b>Related corporations</b>						
Rental expenses paid/payable	-	-	<b>55,203</b>	51,808	-	-
Rental income received/receivable	<b>55,203</b>	51,808	-	-	-	-
Interest expenses paid/payable	<b>26,570</b>	26,570	<b>1,093</b>	845	-	-
Interest income received/receivable	<b>1,093</b>	845	<b>26,570</b>	26,570	-	-

# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 29. RESERVES

### (a) Revaluation reserve

Revaluation reserve represents increases in the fair value of freehold land and buildings, net of tax, and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in other comprehensive income.

### (b) Hedging reserve

Hedging reserve represents the effective portion of the cash flow hedge relationship incurred as at the reporting date.

## 30. SUBSIDIARIES

Details of the significant subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Effective equity interest held by the Group	
		2023 %	2022 %
<b>Subsidiaries of ARA H-REIT</b>			
ARA USH Investment Holding, LLC <sup>(1)</sup>	United States	100	100
ARA USH Chicago, LLC <sup>(1)</sup>	United States	100	100
ARA USH Blue Runner, LLC <sup>(1)</sup>	United States	100	100
ARA AC Raleigh North Hills, LLC <sup>(1)</sup>	United States	100	100
ARA CY San Antonio Rim, LLC <sup>(1)</sup>	United States	100	100
ARA RI San Antonio Rim, LLC <sup>(1)</sup>	United States	100	100
ARA CS LLC <sup>(1)</sup>	United States	100	–
<b>Subsidiaries of ARA H-BT</b>			
ARA TRS Management Limited <sup>(1)</sup>	Cayman Islands	100	100
ARA USH Chicago Tenant, LLC <sup>(1)</sup>	United States	100	100
ARA USH Blue Runner Tenant, LLC <sup>(1)</sup>	United States	100	100
ARA CS Tenant LLC <sup>(1)</sup>	United States	100	–

<sup>(1)</sup> Audited by EY LLP Singapore for consolidation purpose



# Notes to the Financial Statements

For the financial year ended 31 December 2023

## 31. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the ARA H-REIT Group's, ARA H-BT Group's and the Stapled Group's financial statements are disclosed below. The ARA H-REIT Group, the ARA H-BT Group and the Stapled Group intend to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- Amendments to SFRS(I) 1-1: Classification of Liabilities as Current or Non-current
- Amendments to SFRS(I) 16: Lease Liability in a Sale and Leaseback
- Amendments to SFRS(I) 1-7 and SFRS(I) 7: Supplier Finance Arrangement
- Amendments to SFRS(I) 1-21: Lack of Exchangeability

These amendments to SFRS(I)s are not expected to have any significant impact on the ARA H-REIT Group, the ARA H-BT Group and the Stapled Group's financial statements.

## 32. SUBSEQUENT EVENTS

On 22 February 2024, the Managers approved a distribution of 1.929 US cents per Stapled Security for the period from 1 July 2023 to 31 December 2023 to be paid on 28 March 2024.

## 33. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2023 were authorized for issue by the REIT Manager, the Trustee-Manager, and the REIT Trustee on 21 March 2024.

# STATISTICS OF STAPLED SECURITYHOLDINGS

As at 18 March 2024

There were 580,102,394 Stapled Securities (one vote per Stapled Security) in issue as at 18 March 2024. Each Stapled Security comprises one unit in ARA H-REIT and one unit in ARA H-BT. There is only one class of units in each of ARA H-REIT and ARA H-BT.

## DISTRIBUTION OF STAPLED SECURITYHOLDINGS

SIZE OF HOLDINGS	NO. OF STAPLED SECURITYHOLDERS	%	NO. OF STAPLED SECURITIES	%
1-99	0	0.00	0	0.00
100-1,000	506	14.65	486,346	0.09
1,001-10,000	1,714	49.64	11,841,350	2.04
10,001-1,000,000	1,208	34.99	67,592,600	11.65
1,000,001 AND ABOVE	25	0.72	500,182,098	86.22
<b>TOTAL</b>	<b>3,453</b>	<b>100.00</b>	<b>580,102,394</b>	<b>100.00</b>

## TWENTY LARGEST STAPLED SECURITYHOLDERS

NO.	NAME	NO. OF STAPLED SECURITIES	%
1	DB NOMINEES (SINGAPORE) PTE LTD	122,225,600	21.07
2	RAFFLES NOMINEES (PTE.) LIMITED	79,163,560	13.65
3	DBS NOMINEES (PRIVATE) LIMITED	79,128,600	13.64
4	OCBC SECURITIES PRIVATE LIMITED	51,754,500	8.92
5	PHILLIP SECURITIES PTE LTD	46,554,998	8.03
6	CITIBANK NOMINEES SINGAPORE PTE LTD	43,615,500	7.52
7	SUN LAP FONG	9,039,000	1.56
8	ABN AMRO CLEARING BANK N.V.	7,812,700	1.35
9	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	6,709,700	1.16
10	TOH ONG TIAM	6,688,900	1.15
11	UOB KAY HIAN PRIVATE LIMITED	6,439,300	1.11
12	ARA TRUST MANAGEMENT (USH) PTE LTD	6,380,070	1.10
13	ARA BUSINESS TRUST MANAGEMENT (USH) PTE LTD	6,337,570	1.09
14	GOI SENG HUI	5,681,800	0.98
15	HSBC (SINGAPORE) NOMINEES PTE LTD	4,496,600	0.78
16	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	4,002,000	0.69
17	MAYBANK SECURITIES PTE. LTD.	2,449,700	0.42
18	IFAST FINANCIAL PTE. LTD.	2,259,700	0.39
19	YIM CHEE CHONG	1,902,400	0.33
20	CHONG GEORGE	1,500,000	0.26
<b>TOTAL</b>		<b>494,142,198</b>	<b>85.20</b>

## SUBSTANTIAL STAPLED SECURITYHOLDERS' INTERESTS

Based on the register of Substantial Stapled Securityholders (based on statutory notifications filed by such persons or entities with the Managers and information available to the Managers as at 18 March 2024), the list of Substantial Stapled Securityholders are as follows:

Name	Number of Stapled Securities		% of Stapled Securities
	Direct	Deemed	
ARA Real Estate Investors 23 Pte. Ltd. <sup>1</sup>	118,750,000	—	20.47
ARA RE Investment Group (Singapore) Pte. Ltd. <sup>2</sup>	—	118,750,000	20.47
ARA Asset Management Limited <sup>3</sup>	—	131,467,640	22.66
ESR Cayman Limited <sup>4</sup>	—	131,467,640	22.66
Tang Gordon @ Tang Yigang and Celine Tang @ Chen Huaidan <sup>5</sup>	53,750,000	—	9.27
Yang Shi Ying	45,454,600	—	7.84
Yu Duan	47,007,100	—	8.10

Notes:

1. ARA Real Estate Investors 23 Pte. Ltd. holds 118,750,000 Stapled Securities through DB Nominees (Singapore) Pte Ltd.
2. ARA RE Investment Group (Singapore) Pte. Ltd. holds 100% of the shares of ARA Real Estate Investors 23 Pte. Ltd, hence it is deemed to be interested in the Stapled Securities held by ARA Real Estate Investors 23 Pte. Ltd.
3. ARA Asset Management Limited holds 100% of the shares of ARA RE Investment Group (Singapore) Pte. Ltd., hence it is deemed to be interested in the Stapled Securities which ARA RE Investment Group (Singapore) Pte. Ltd. is deemed interested in. ARA Asset Management Limited also holds 100% of the shares of the Managers and is therefore deemed to be interested in 12,717,640 Stapled Securities held by the Managers.
4. ESR Cayman Limited holds 100% of the shares of ARA Asset Management Limited, hence it is deemed to be interested in the Stapled Securities which ARA Asset Management Limited is deemed interested in.
5. Gordon Tang is the spouse of Celine Tang. The 53,750,000 Stapled Securities are held jointly by Gordon Tang and Celine Tang.

## PUBLIC FLOAT

Rule 723 of the Listing Manual of the SGX-ST requires that at least 10% of the total number of issued securities that is listed on the SGX-ST is at all times held by the public. Based on the information available to the Managers as at 18 March 2024, approximately 52.0% of ARA US Hospitality Trust's listed securities were held in the hands of the public. Accordingly, Rule 723 of the Listing Manual of the SGX-ST has been complied with.

## ADDITIONAL INFORMATION

### INTERESTED PERSON (AS DEFINED IN THE LISTING MANUAL AND BUSINESS TRUSTS ACT) AND INTERESTED PARTY (AS DEFINED IN THE PROPERTY FUNDS APPENDIX) TRANSACTIONS (COLLECTIVELY, "INTERESTED PERSON TRANSACTIONS")

The aggregate value of all Interested Person Transactions which were entered into during the financial year ended 31 December 2023 (excluding transactions less than S\$100,000) are listed below.

Name of Interested Person	Nature of Relationship	Aggregate value of all Interested Person Transactions during the financial year under review (excluding transactions of less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) US\$'000	Aggregate value of all Interested Person Transactions during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) US\$'000
ESR Group and its associates	Controlling shareholder of the Managers and controlling stapled securityholder, and its subsidiaries and associates		
ARA Trust Management (USH) Pte. Ltd.	ARA H-REIT Manager	687	—
ARA USH Management, Inc	Subsidiary of ARA H-REIT Manager	1,209	—
ARA Business Trust Management (USH) Pte. Ltd.	ARA H-BT Trustee-Manager	642	—
ARA US Hospitality Management, Inc	Subsidiary of the controlling shareholder of the Managers	5,253	—
		7,791	—
DBS Trustee Limited	ARA H-REIT Trustee	118	—
		<b>7,909</b>	<b>—</b>

For the purpose of the disclosure, the full contract sum was used when an interested person transaction had a fixed term and contract value, while the annual amount incurred and/or accrued was used when the contract had an indefinite term or where the total contract value was not specified.

## ADDITIONAL DISCLOSURE ON FEES PAYABLE TO THE MANAGERS

The Managers are committed to delivering value to the stakeholders of ARA H-Trust, in addition to their key responsibilities of managing and maintaining the long-term interests of all Stapled Securityholders. The Managers are entitled to the following fees for the management of ARA H-Trust, which cover an extensive scope of functions including but not limited to asset management (including asset enhancements), financing, investment management and investor relations:

### Management Fee

The management fees make up a substantial portion of the Managers' total remuneration for the provision of on-going management services. These services cover functions such as asset management, investment management, capital management, accounting, legal, compliance and investor relations, rendered by a licensed REIT manager and a professional trustee-manager on a full time and dedicated basis. Pursuant to Clauses 14.1 and 14.2 of the Stapling Deed, the Managers are entitled to the following management fees:

#### (i) Base Fee

The total base fee ("**Total Base Fee**") is calculated based on 10% per annum of the distributable income of ARA H-Trust and calculated before accounting for the Total Base Fee and the Total Performance Fee (as defined below). The Total Base Fee is recurring and enables the Managers to cover operational and administrative overheads incurred in the management of the portfolio.

#### (ii) Performance Fee

The total performance fee ("**Total Performance Fee**") is calculated based on 25% of the increase in distribution per Stapled Security ("**DPS**") in a financial year over the DPS in the preceding financial year (calculated before accounting for the Total Performance Fee but after accounting for the base fee payable to the Managers out of the total deposited property of ARA H-Trust in each financial period or year) multiplied by the weighted average number of Stapled Securities in issue for such financial period or year. The Total Performance Fee aligns the interests of the Managers with Stapled Securityholders. By implementing and executing on the key strategies identified, the Managers will be compensated for delivering sustainable and growing DPS. If there is no growth in DPS from the immediately preceding financial year, no performance fee is payable.

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

Since the IPO of ARA H-Trust, the Managers had consistently received 50% of the Base Fee and Performance Fee in the form of cash and 50% in Stapled Securities.

## ADDITIONAL INFORMATION

### Acquisition Fee and Divestment Fee

In addition, the ARA H-REIT Manager or the ARA H-BT Trustee-Manager (as the case may be) is entitled to receive:

- (i) an Acquisition Fee (as defined in Clause 15.2 of the ARA H-REIT Trust Deed and Clause 14.2 of the ARA H-BT Trust Deed) at the rate of 1.0% (or such lower percentage as may be determined by the ARA H-REIT Manager or the ARA H-BT Trustee-Manager (as the case may be) in their absolute discretion); and
- (ii) a Divestment Fee (as defined in Clause 15.2 of the ARA H-REIT Trust Deed and Clause 14.2 of the ARA H-BT Trust Deed) at the rate of 0.5%.

The Acquisition Fee and Divestment Fee serve to compensate the ARA H-REIT Manager or the ARA H-BT Trustee-Manager (as the case may be) for the time, effort and cost spent by the management team in (for the case of an acquisition) sourcing, evaluating and executing new investments to grow ARA H-REIT or ARA H-BT (as applicable) and (for the case of a divestment) facilitating to unlock the underlying value of existing properties where they have reached a stage which offers limited scope for further growth. The ARA H-REIT Manager or the ARA H-BT Trustee-Manager (as the case may be) provides these services over and above the provision of ongoing management services with the aim of enhancing long-term returns and achieving the investment objectives of ARA H-REIT Manager or the ARA H-BT Trustee-Manager (as applicable).

The Divestment Fee is lower than the Acquisition Fee because there is generally less work required to be undertaken in terms of sourcing, evaluating and conducting due diligence for a disposal. As the Divestment Fee for all disposals is the same, the ARA H-REIT Manager or the ARA H-BT Trustee-Manager (as the case may be) will also be incentivised to sell a property at the best price.

The Acquisition Fee and Divestment Fee are payable to the ARA H-REIT Manager or the ARA H-BT Trustee-Manager (as the case may be) or to any person which they may designate or nominate in the form of cash and/or Stapled Securities (as the ARA H-REIT Manager or the ARA H-BT Trustee-Manager (as the case may be) may elect) provided that in respect of any acquisition or divestment of real estate assets from/to related parties, such a fee should be in the form of Stapled Securities at prevailing market price(s) instead of cash. The Stapled Securities issued as Acquisition Fee or Divestment Fee should not be sold within one year from the date of their issuance.

### Development Management Fee

The ARA H-REIT Manager or the ARA H-BT Trustee-Manager (as the case may be) are also entitled to receive Development Management Fee (as defined in Clause 15.5 of the ARA H-REIT Trust Deed and Clause 14.4 of the ARA H-BT Trust Deed) equivalent to 3.0% of total project costs incurred in a development project undertaken by the ARA H-REIT Manager or the ARA H-BT Trustee-Manager (as the case may be) on behalf of ARA H-REIT or ARA H-BT.

The Development Management Fee is payable in equal monthly instalments over the construction period of each development project based on the ARA H-REIT Manager's or ARA H-BT Trustee-Manager's (as the case may be) best estimate of the total project costs and construction period and, if necessary, a final payment of the balance amount when the total project costs is finalised.

The Development Management Fee allows the ARA H-REIT Manager or the ARA H-BT Trustee-Manager (as the case may be) to recover the cost of providing resources to manage the development projects, which is outside the scope of the usual operations of the ARA H-REIT Manager or the ARA H-BT Trustee-Manager (as the case may be). This serves to incentivise them to undertake development projects that will enhance returns for Stapled Securityholders, thereby aligning their interests with that of Stapled Securityholders.

### Hotel Management Fee

Under the hotel management agreement entered into between ARA H-BT, through its subsidiaries and the hotel manager, ARA US Hospitality Management, Inc. (the “**ARA Hotel Manager**”), the ARA Hotel Manager will be paid a fee equivalent to 3% of total revenue of the hotel properties.

The fee payable to the ARA Hotel Manager seeks to compensate the ARA Hotel Manager for having the overall responsibility of the management and operation of the hotels. In turn, the ARA Hotel Manager outsources the day-to-day management of the hotels to third-party professional hotel operators, and the ARA Hotel Manager will be responsible for monitoring the performance of such third-party hotel operators. The hotel management fee payable to the ARA Hotel Manager is pegged to the total operating revenues of the respective hotels and ensure that the ARA Hotel Manager’s interests are aligned with those of ARA H-Trust.

### PERCENTAGE OF TOTAL OPERATING EXPENSES TO NET ASSETS

	US\$'000
Total operating expenses <sup>1</sup>	161,544
Net assets	427,555
Percentage of total operating expenses to net assets	37.8%

The total operating expenses incurred by ARA H-Trust amounted to approximately US\$161.5 million, equivalent to 37.8% of ARA H-Trust’s net assets as at 31 December 2023.

### SUBSCRIPTION OF STAPLED SECURITIES IN ARA H-TRUST

As at 31 December 2023, an aggregate of 578,211,766 Stapled Securities were in issue. On 14 March 2024, ARA H-Trust issued an aggregate of 1,890,628 Stapled Securities to the Managers in satisfaction of the base fees for the period of 1 July 2023 to 31 December 2023.

<sup>1</sup> Comprising property expenses and trust expenses, including all fees and charges paid/payable to the ARA H-REIT Trustee, ARA H-REIT Manager, ARA H-REIT Trustee-Manager and related parties. Excludes finance cost.



# CORPORATE DIRECTORY

## MANAGERS

### REIT Manager of ARA H-REIT

ARA Trust Management (USH) Pte. Ltd.

### Trustee Manager of ARA H-BT

ARA Business Trust Management (USH) Pte. Ltd.

### Singapore

5 Temasek Boulevard, #12-01  
Suntec Tower Five  
Singapore 038985

### United States of America

5301 Headquarters Drive, Suite 130  
Plano, Texas 75024

## BOARD OF DIRECTORS

### Stephen Ray Finch

Chairman and Independent Non-Executive Director

### Randy Allan Daniels

Independent Non-Executive Director

### Stefanie Yuen Thio

Independent Non-Executive Director

### Wong Choong Mann

Independent Non-Executive Director

### Moses K Song

Non-Independent Non-Executive Director

### Cheryl Seow Bee Lian

Non-Independent Non-Executive Director

### Lin Daqi

Non-Independent Non-Executive Director

## AUDIT AND RISK COMMITTEE

### Stefanie Yuen Thio

Chairperson

### Stephen Ray Finch

Member

### Randy Allen Daniels

Member

### Wong Choong Mann

Member

## REIT TRUSTEE

### DBS Trustee Limited

12 Marina Boulevard  
Marina Bay Financial Centre Tower 3  
Singapore 018982

## AUDITOR

### Ernst & Young LLP

Public Accountants and Chartered Accountants  
One Raffles Quay  
North Tower, Level 18  
Singapore, 048583

Partner-In-Charge:

Nelson Chen

(appointed with effect from 27 April 2023)

## LEGAL ADVISER

### Allen & Gledhill LLP

One Marina Boulevard #28-00  
Singapore 018989

### Akin Gump Strauss Hauer & Feld LLP (for US law)

2300 North Field Street, Suite 1800  
Dallas, Texas 75201  
United States of America

## COMPANY SECRETARY OF THE MANAGERS

Low Mei Mei Maureen

### TMF Singapore H Pte. Ltd.

38 Beach Road, #29-11  
South Beach Tower  
Singapore 189767

## STAPLED SECURITY REGISTRAR

### Boardroom Corporate & Advisory Services Pte. Ltd.

1 Harbourfront Avenue  
Keppel Bay Tower #14-07  
Singapore 098632

## STOCK EXCHANGE QUOTATION

Counter Name: ARA US Hospitality Trust

SGX Counter Code: XZL

Bloomberg: ARAUS SP

Reuters: ARAU.SI

## WEBSITES

[www.araushotels.com](http://www.araushotels.com)

[www.esr.com](http://www.esr.com)



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