



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

Unaudited Interim Financial Information
For the six-month period ended 30 June 2024



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Introduction

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

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

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

As at 30 June 2024, the portfolio of properties held by ARA H-Trust comprises 35 upscale select-service hotels (the “**Properties**” or “**Hotels**”) with 4,573 rooms located across 18 states.

ARA H-Trust is presenting its financial results for the financial period from 1 January 2024 to 30 June 2024 (“**1H 2024**”). The financial information presented has not been audited or reviewed by the independent auditors.

Distribution Policy

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



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Summary of Results

ARA H-Trust	As at 30 June 2024	As at 30 June 2023	Change %
No. of hotels	35	37	(5.4)
No. of rooms	4,573	4,826	(5.2)
ARA H-Trust	1 January 2024 to 30 June 2024 ("1H 2024")	1 January 2023 to 30 June 2023 ("1H 2023")	Change
	US\$'000	US\$'000	%
Revenue	83,922	86,015	(2.4)
Gross operating profit	29,636	30,653	(3.3)
Net property income	21,018	21,996	(4.4)
Distributable income	4,334	8,679	(50.1)
Distribution per Stapled Security ("DPS") (US cents), comprising of			
- Capital distribution	0.747	1.501	(50.2)

	As at 30 June 2024	As at 31 December 2023
Net asset value per Stapled Security (US\$)	0.70	0.74

With the disposition of two hotels, Hyatt Place Oklahoma City in September 2023 and Hyatt Place Pittsburgh Airport in March 2024, and asset enhancement initiatives projects at four hotels, namely Hyatt Place Mystic, Hyatt Place Rancho Cordova, Hyatt Place Omaha and Hyatt Place Secaucus during 1H 2024, the Stapled Group's number of hotels and rooms decreased by 5.4% and 5.2% respectively. As a result of the reduction in the portfolio size, revenue declined by 2.4% in 1H 2024 vs 1H 2023. The portfolio's ADR increased from US\$137 to US\$139, however, the portfolio's average occupancy dropped from 68.9% to 67.3%.

As compared to the same period last year, ARA H-Trust reported lower gross operating profit and net property income of US\$29.6 million and US\$21.0 million, respectively, for 1H 2024, primarily contributed by the shortfall in revenue during the period. Cash generated from operating activities was US\$20.5 million in 1H 2024. After deducting non-operating expenses and reserves set aside for routine capital asset improvements and refurbishments for the hotel properties and other adjustments, distributable income and DPS were US\$4.3 million and 0.747 US cents respectively for 1H 2024.

Although net property income decreased by 4.4%, due to the high interest rates environment, distribution income had decreased by 50.1%.

Net asset value per Stapled Security as at 30 June 2024 was US\$0.70 compared to US\$0.74 as at 31 December 2023.



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Distribution details are as follows:

Distribution period	1 January 2024 to 30 June 2024
Distribution rate	0.747 US cents per Stapled Security (capital distribution)
Record date	19 August 2024
Payment date	27 September 2024



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Statements of Comprehensive Income

	Note	ARA H-Trust		Change %
		1H 2024 US\$'000	1H 2023 US\$'000	
Revenue		83,922	86,015	(2.4)
Operating expenses		(54,286)	(55,362)	(1.9)
Gross operating profit		29,636	30,653	(3.3)
Hotel management fee		(2,517)	(2,581)	(2.5)
Property taxes		(3,929)	(4,337)	(9.4)
Other expenses		(2,172)	(1,739)	24.9
Net Property Income		21,018	21,996	(4.4)
Depreciation and amortisation		(14,367)	(14,247)	0.8
REIT Manager's and Trustee-Manager's management fees		(481)	(914)	(47.4)
Trustee-Manager's trustee fee		(60)	(60)	–
REIT Trustee's fee		(57)	(60)	(5.0)
Net finance costs	5	(11,096)	(7,245)	53.2
Other trust expenses		(1,447)	(1,253)	15.5
Net loss for the period before tax and fair value changes		(6,490)	(1,783)	(>100)
Fair value changes in assets held for sale		(4,653)	(911)	(>100)
Revaluation deficit of property, plant and equipment*		–	(6,096)	100
Net loss for the period before tax	6	(11,143)	(8,790)	26.8
Taxation		(137)	3,034	>100
Net loss for the period after tax		(11,280)	(5,756)	96.0
Other comprehensive income/(loss)				
Item that may be reclassified subsequently to profit or loss:				
Effective portion of changes in fair value of cash flow hedges		1,048	(2,080)	(>100)
Revaluation of property, plant and equipment*		–	11,234	100
Deferred tax effects relating to revaluation of property, plant and equipment		–	(888)	100
Total comprehensive (loss)/income for the period		(10,232)	2,510	(>100)
Earnings per Stapled Security (U.S. cents)				
Basic	7	(1.95)	(1.00)	95.0
Diluted	7	(1.95)	(1.00)	95.0

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

Statements of Comprehensive Income (cont'd)

	Note	ARA H-REIT		
		1H 2024 US\$'000	1H 2023 US\$'000	Change %
Rental revenue		27,647	27,123	1.9
Operating expenses		(130)	(108)	20.4
Gross operating profit		27,517	27,015	1.9
Property taxes		(3,695)	(3,915)	(5.6)
Other expenses		(1,186)	(649)	82.7
Net Property Income		22,636	22,451	0.8
REIT Manager's management fees		(361)	(685)	(47.3)
REIT Trustee's fee		(57)	(60)	(5.0)
Net finance costs	5	(23,584)	(19,702)	19.7
Other trust expenses		(690)	(602)	14.6
Net (loss)/income for the period before tax and fair value changes		(2,056)	1,402	(>100)
Net change in fair value of investment properties		–	(5,025)	100
Fair value changes in assets held for sale		(3,172)	(911)	(>100)
Net loss for the period before tax		(5,228)	(4,534)	15.3
Taxation		(87)	2,195	(>100)
Net loss for the period after tax		(5,315)	(2,339)	(>100)
Other comprehensive income/(loss)				
Item that may be reclassified subsequently to profit or loss:				
Effective portion of changes in fair value of cash flow hedges		1,048	(2,080)	(>100)
Total comprehensive loss for the period		(4,267)	(4,419)	(3.4)

Statements of Comprehensive Income (cont'd)

	Note	ARA H-BT		Change %
		1H 2024 US\$'000	1H 2023 US\$'000	
Revenue		83,922	86,038	(2.5)
Operating expenses		(54,156)	(55,254)	(2.0)
Gross operating profit		29,766	30,784	(3.3)
Hotel management fee		(2,517)	(2,581)	(2.5)
Property taxes		(234)	(422)	(44.5)
Insurance		(710)	(646)	9.9
Rental expenses		(4,082)	(4,609)	(11.4)
Net Property Income		22,223	22,526	(1.3)
Other income		–	–	–
Depreciation and amortisation		(26,629)	(25,504)	4.4
Trustee-Manager's management fees		(120)	(228)	(47.4)
Trustee-Manager's trustee fee		(60)	(60)	–
Net finance income	5	11,785	11,123	6.0
Other trust expenses		(760)	(653)	16.4
Net income for the period before tax and fair value changes		6,439	7,204	(10.6)
Fair value changes in assets held for sale		(301)	–	100
Net income for the period before tax	6	6,138	7,204	(14.8)
Taxation		(50)	(50)	–
Net income for the period after tax and total comprehensive income for the period		6,088	7,154	(14.9)

Statement of Distributable Income

	ARA H-Trust		
	1H 2024	1H 2023	Change
	US\$'000	US\$'000	%
Net loss for the period after tax	(11,280)	(5,756)	96.0
Add/(Less): Distribution adjustments			
Depreciation and amortisation	14,367	14,247	0.8
Amortisation of upfront debt-related costs	782	135	>100
Interest expenses on lease liabilities	28	24	16.7
Manager's management fees paid/payable in			
Stapled Securities	–	457	100
Fair value changes in assets held for sale	4,653	911	>100
Gain on cease of lease liabilities/ROU assets	(20)	–	(100)
Revaluation deficit of property, plant and			
equipment	–	6,096	100
Deferred tax credits	–	(3,134)	100
Others ⁽¹⁾	(4,196)	(4,301)	(2.4)
Net distribution adjustments	15,614	14,435	8.2
Distributable income	4,334	8,679	(50.1)

Footnote:

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



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Statements of Financial Position

	Note	As at 30 June 2024			As at 31 December 2023		
		ARA H-Trust US\$'000	ARA H-REIT US\$'000	ARA H-BT US\$'000	ARA H-Trust US\$'000	ARA H-REIT US\$'000	ARA H-BT US\$'000
Non-current assets							
Investment properties	11	–	681,312	–	–	708,789	–
Deferred tax assets		13,868	–	13,868	13,868	–	13,868
Derivative financial assets	10	1,114	1,114	–	–	–	–
Property, plant and equipment	11	708,809	–	65,169	745,027	–	83,236
Intangible assets		436	–	436	449	–	449
Loans to related corporation	10	–	–	294,000	–	–	294,000
		<u>724,227</u>	<u>682,426</u>	<u>373,473</u>	<u>759,344</u>	<u>708,789</u>	<u>391,553</u>
Current assets							
Derivative financial assets	10	–	–	–	1,360	1,360	–
Inventories		436	–	436	440	–	440
Trade and other receivables		6,254	20,031	7,769	3,448	9,812	22,550
Loans to related corporation		–	31,084	–	–	29,390	–
Cash and cash equivalents		26,966	4,419	22,547	20,051	6,314	13,737
		<u>33,656</u>	<u>55,534</u>	<u>30,752</u>	<u>25,299</u>	<u>46,876</u>	<u>36,727</u>
Assets held for sale	12	27,894	26,194	1,700	7,201	6,860	341
		<u>61,550</u>	<u>81,728</u>	<u>32,452</u>	<u>32,500</u>	<u>53,736</u>	<u>37,068</u>
Total assets		<u>785,777</u>	<u>764,154</u>	<u>405,925</u>	<u>791,844</u>	<u>762,525</u>	<u>428,621</u>



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Statements of Financial Position (cont'd)

	Note	As at 30 June 2024			As at 31 December 2023		
		ARA H-Trust	ARA H-REIT	ARA H-BT	ARA H-Trust	ARA H-REIT	ARA H-BT
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Non-current liabilities							
Loans from related corporation	10	–	294,000	–	–	294,000	–
Loans and borrowings	13	264,345	258,915	9,243	324,826	319,612	9,671
Deferred tax liabilities		18,786	18,786	–	18,786	18,786	–
Derivative financial liabilities	10	–	–	–	1,294	1,294	–
Other payables		125	125	–	125	125	–
		283,256	571,826	9,243	345,031	633,817	9,671
Current liabilities							
Loans from related corporation		–	–	31,084	–	–	29,390
Trade and other payables		20,580	15,944	26,267	18,541	23,011	24,472
Loans and borrowings	13	75,177	75,055	24,417	195	151	45,131
Tax payable		622	296	326	522	246	276
		96,379	91,295	82,094	19,258	23,408	99,269
Total liabilities		379,635	663,121	91,337	364,289	657,225	108,940
Represented by:							
Stapled Securityholders' funds		406,142	101,033	314,588	427,555	105,300	319,681



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Statements of Movements in Stapled Securityholders' Funds

ARA H-Trust	Stapled Security US\$'000	Issue Costs US\$'000	Revenue Reserve US\$'000	Hedging Reserve US\$'000	Revaluation Reserve US\$'000	Total US\$'000
At 1 January 2024	467,032	(16,024)	(166,869)	66	143,350	427,555
Net loss for the period attributable to Stapled Securityholders, net of tax	–	–	(11,280)	–	–	(11,280)
Other comprehensive income						
Effective portion of changes in fair value of cash flow hedges	–	–	–	1,048	–	1,048
Total comprehensive income for the period, net of tax	–	–	–	1,048	–	1,048
Contribution by and distribution to Stapled Securityholders						
Distribution to Stapled Securityholders	(11,181)	–	–	–	–	(11,181)
Net distribution to Stapled Securityholders	(11,181)	–	–	–	–	(11,181)
At 30 June 2024	455,851	(16,024)	(178,149)	1,114	143,350	406,142
At 1 January 2023	484,054	(16,024)	(155,726)	7,349	140,003	459,656
Net loss for the period attributable to Stapled Securityholders, net of tax	–	–	(5,756)	–	–	(5,756)
Other comprehensive income						
Effective portion of changes in fair value of cash flow hedges	–	–	–	(2,080)	–	(2,080)
Revaluation of property, plant and equipment	–	–	–	–	11,234	11,234
Deferred tax effects relating to revaluation of property, plant and equipment	–	–	–	–	(888)	(888)
Total comprehensive (loss)/income for the period, net of tax	–	–	–	(2,080)	10,346	8,266
Contribution by and distribution to Stapled Securityholders						
REIT Manager's and Trustee-Manager's fees paid in Stapled Securities	456	–	–	–	–	456
Distribution to Stapled Securityholders	(9,386)	–	–	–	–	(9,386)
Net distribution to Stapled Securityholders	(8,930)	–	–	–	–	(8,930)
At 30 June 2023	475,124	(16,024)	(161,482)	5,269	150,349	453,236



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

ARA H-REIT	Stapled Security US\$'000	Issue Costs US\$'000	Revenue Reserve US\$'000	Hedging Reserve US\$'000	Total US\$'000
At 1 January 2024	178,762	(9,437)	(64,091)	66	105,300
Net loss for the period attributable to Stapled Securityholders, net of tax	–	–	(5,315)	–	(5,315)
Other comprehensive income					
Effective portion of changes in fair value of cash flow hedges	–	–	–	1,048	1,048
Total comprehensive income for the period, net of tax	–	–	–	1,048	1,048
At 30 June 2024	178,762	(9,437)	(69,406)	1,114	101,033
At 1 January 2023	178,240	(9,437)	(40,804)	7,349	135,348
Net loss for the period attributable to Stapled Securityholders, net of tax	–	–	(2,339)	–	(2,339)
Other comprehensive income					
Effective portion of changes in fair value of cash flow hedges	–	–	–	(2,080)	(2,080)
Total comprehensive loss for the period, net of tax	–	–	–	(2,080)	(2,080)
Contribution by Stapled Securityholders					
REIT Manager's management fees paid in Stapled Securities	228	–	–	–	228
Total contribution by Stapled Securityholders	228	–	–	–	228
At 30 June 2023	178,468	(9,437)	(43,143)	5,269	131,157



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

ARA H-BT

	Stapled Security US\$'000	Issue Costs US\$'000	Revenue Reserve US\$'000	Total US\$'000
At 1 January 2024	288,273	(6,587)	37,995	319,681
Net income for the period attributable to Stapled Securityholders, net of tax	–	–	6,088	6,088
Contribution by and distribution to Stapled Securityholders				
Distribution to Stapled Securityholders	(11,181)	–	–	(11,181)
Net contribution by and distribution to Stapled Securityholders	(11,181)	–	–	(11,181)
At 30 June 2024	277,092	(6,587)	44,083	314,588
At 1 January 2023	305,816	(6,587)	21,536	320,765
Net income for the period attributable to Stapled Securityholders, net of tax	–	–	7,154	7,154
Contribution by and distribution to Stapled Securityholders				
Trustee-Manager's management fees paid in Stapled Securities	228	–	–	228
Distribution to Stapled Securityholders	(9,386)	–	–	(9,386)
Net contribution by and distribution to Stapled Securityholders	(9,158)	–	–	(9,158)
At 30 June 2023	296,658	(6,587)	28,690	318,761

Statements of Cash Flows

	Note	ARA H-Trust	
		1H 2024 US\$'000	1H 2023 US\$'000
Cash flows from operating activities			
Net loss before tax		(11,143)	(8,790)
Adjustments for:			
Reversal of allowance for expected credit loss	6	(45)	(53)
Depreciation of property, plant and equipment		14,354	14,234
Amortisation of intangible assets		13	13
Revaluation deficit of property, plant and equipment		–	6,096
Managers' management fees paid/payable in Stapled Securities		–	457
Fair value changes in assets held for sale		4,653	911
Net finance costs	5	11,096	7,245
Operating income before working capital changes		<u>18,928</u>	<u>20,113</u>
Changes in working capital:			
Inventories		4	(51)
Trade and other receivables		(2,800)	1,094
Trade and other payables		4,320	1,852
Cash generated from operations		<u>20,452</u>	<u>23,008</u>
Tax refund		–	–
Net cash generated from operating activities		<u>20,452</u>	<u>23,008</u>
Cash flows from investing activities			
Interest received		–	600
Acquisition of property, plant and equipment		–	(29,725)
Net proceeds from disposition of assets held for sale		7,234	303
Payment for capital expenditure		(12,629)	(6,751)
Net cash used in investing activities		<u>(5,395)</u>	<u>(35,573)</u>
Cash flows from financing activities			
Proceeds from loans and borrowings		23,000	–
Repayment of loans and borrowings		(9,500)	–
Payment of lease liabilities		(136)	(95)
Distribution to Stapled Securityholders		(11,181)	(9,386)
Interest paid		(10,325)	(7,447)
Net cash used in financing activities		<u>(8,142)</u>	<u>(16,928)</u>
Net increase/(decrease) in cash and cash equivalents		6,915	(29,493)
Cash and cash equivalents at beginning of the period		20,051	50,620
Cash and cash equivalents at end of the period		<u>26,966</u>	<u>21,127</u>



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Statements of Cash Flows (cont'd)

	Note	ARA H-REIT	
		1H 2024 US\$'000	1H 2023 US\$'000
Cash flows from operating activities			
Net (loss)/ income before tax		(5,228)	(4,534)
Adjustments for:			
Managers' management fees paid/payable in Stapled Securities		–	228
Net change in fair value of investment properties		–	5,025
Fair value changes in assets held for sale		3,172	911
Net finance costs	5	23,584	19,702
Operating income before working capital changes		21,528	21,332
Changes in working capital:			
Trade and other receivables		(13,671)	187
Trade and other payables		13,770	(1,275)
Cash generated from operations		21,627	20,244
Tax refund		–	–
Net cash generated from operating activities		21,627	20,244
Cash flows from investing activities			
Acquisition of investment properties		–	(28,697)
Interest received		18	600
Payment for capital expenditure		(1,773)	(1,149)
Proceeds from disposition of assets held for sale		6,934	303
Proceeds from loan to related corporation		2,300	2,640
Issuance of loan to related corporation		(4,000)	(7,866)
Amount due from related corporation – non-trade		3,993	(2,759)
Net cash generated from/(used in) investing activities		7,472	(36,928)
Cash flows from financing activities			
Proceeds from loans and borrowings		23,000	–
Repayment of loans and borrowings		(9,500)	–
Payment of lease liabilities		(95)	(95)
Interest paid		(21,682)	(16,872)
Amount due to related corporation – non-trade		(22,717)	570
Net cash used in financing activities		(30,994)	(16,397)
Net decrease in cash and cash equivalents		(1,895)	(33,081)
Cash and cash equivalents at beginning of the period		6,314	36,978
Cash and cash equivalents at end of the period		4,419	3,897

Statements of Cash Flows (cont'd)

	Note	ARA H-BT	
		1H 2024 US\$'000	1H 2023 US\$'000
Cash flows from operating activities			
Net income before tax		6,138	7,204
Adjustments for:			
Reversal of allowance for expected credit loss		(45)	(53)
Depreciation of property, plant and equipment		26,616	25,491
Amortisation of intangible assets		13	13
Managers' management fees paid/payable in Stapled Securities		–	228
Fair value changes in assets held for sale		301	–
Gain on cessation of ROU asset		(18)	–
Net finance income	5	(11,785)	(11,123)
Operating income before working capital changes		<u>21,220</u>	<u>21,760</u>
Changes in working capital:			
Inventories		4	(51)
Trade and other receivables		(6,888)	1,540
Trade and other payables		(13,891)	3,252
Cash generated from operations		<u>445</u>	<u>26,501</u>
Tax refund		–	–
Net cash generated from operating activities		<u>445</u>	<u>26,501</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment		–	(1,028)
Proceeds from disposition of property, plant and equipment		300	–
Interest received		11,548	9,600
Payment for capital expenditures		(10,856)	(5,602)
Amount due from related corporation – non-trade		19,498	(1,482)
Net cash generated from investing activities		<u>20,490</u>	<u>1,488</u>
Cash flows from financing activities			
Repayment of loans from related corporation		(2,300)	(2,640)
Payment of lease liabilities		(23,918)	(23,095)
Proceeds from loan from related corporation		4,000	7,866
Amount due to related corporation – non-trade		21,483	3,205
Distribution to Stapled Securityholders		(11,181)	(9,386)
Interest paid		(208)	(351)
Net cash used in financing activities		<u>(12,124)</u>	<u>(24,401)</u>
Net increase in cash and cash equivalents		8,810	3,588
Cash and cash equivalents at beginning of the period		13,737	13,642
Cash and cash equivalents at end of the period		<u><u>22,547</u></u>	<u><u>17,230</u></u>

Notes to the Interim Financial Statements

1. Corporate information

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

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

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

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

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

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

2. Basis of preparation

The interim financial statements for the six-month period ended 30 June 2024 have been prepared in accordance with Singapore Financial Reporting Standards (International) (“**SFRS(I)**”) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore and the provisions of ARA H-REIT Trust Deed, ARA H-BT Trust Deed and Stapling Deed. The MAS had granted a waiver to ARA H-REIT from complying with the requirement under Paragraph 4.3 of Appendix 6 to the CIS Code to prepare its financial statements in accordance with the Singapore Financial Reporting Standards (“**SFRS**”).

Notes to the Interim Financial Statements

2. Basis of preparation (continued)

The interim financial statements do not include all the information required for a complete set of financial statements, and should be read in conjunction with the Stapled Group's last annual financial statements as at and for the year ended 31 December 2023. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the financial position and performance of the Stapled Group since the last annual financial statements.

The interim financial statements of the Stapled Group, and ARA H-REIT have been prepared on a going concern basis notwithstanding the net current liabilities position of \$34,829,000 of the Stapled Group and net current liabilities of \$9,567,000 of ARA H-REIT. The Stapled Group and ARA H-REIT are in a net current liabilities position because of the classification of unsecured term loan amounting to US\$75,000,000 respectively as current liabilities as of 30 June 2024 as these term loans are due to mature in February 2025. The Stapled Group will be reaching out to the existing lender banks to refinance the loan facility.

The interim financial statements of ARA H-BT have been prepared on a going concern basis notwithstanding the net current liabilities position of \$49,642,000 of ARA H-BT. ARA H-BT has undrawn committed credit facilities of US\$20 million as at 30 June 2024 and the ARA H-REIT has undertaken to provide financial support to ARA H-BT.

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

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

2.1 New and amended standards adopted by the Stapled Group

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

The following SFRS(I)s, amendments to and interpretations of SFRS(I) are applicable for the annual period beginning on 1 January 2024:

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

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

Notes to the Interim Financial Statements

2. Basis of preparation (continued)

2.2 Use of judgements and estimates

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

The significant judgements made by management in applying the Stapled Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2023.

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

Information about assumptions and uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next interim period are included in the following note:

- Note 11 - Property, plant and equipment and investment properties

2.3 Fair value measurement

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

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

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

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

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

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

- Note 10 - Fair value of assets and liabilities
- Note 11 - Property, plant and equipment and investment properties

Notes to the Interim Financial Statements

3. Seasonal operations

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

4. Segment and revenue information

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

Information regarding the results of each reportable segment is included below. Performance is measured based on segment net property income, as included in internal management reports that are reviewed by the Board. Segment net property income is used to measure performance as the Managers believe that such information is the most relevant in evaluating the results of the portfolio relative to those that operate within the same industry.

4.1 Reportable segments

ARA H-Trust	Hyatt Place US\$'000	Hyatt House US\$'000	Marriott US\$'000	Hilton US\$'000	Total US\$'000
1 January 2024 to 30 June 2024					
Revenue	39,870	30,229	11,078	2,745	83,922
Reportable segment net property income	7,617	7,647	4,519	1,235	21,018
Depreciation of property, plant and equipment	(7,643)	(4,121)	(2,073)	(517)	(14,354)
Amortisation of intangible assets	–	–	(13)	–	(13)
Revaluation deficit of property, plant and equipment	–	–	–	–	–
Fair value changes in assets held for sale	–	(4,653)	–	–	(4,653)
Unallocated items:					
– REIT Manager's and Trustee-Managers' management fees					(481)
– Trustee-Manager's trustee fees					(60)
– REIT trustee fees					(57)
– Finance costs					(11,096)
– Other trust expenses					(1,447)
– Taxation					(137)
Net loss for the period					(11,280)

ARA US Hospitality Trust
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Notes to the Interim Financial Statements

4.1 Reportable segments (continued)

As at 30 June 2024	Hyatt Place	Hyatt House	Marriott	Hilton	Unallocated	Total
Assets and liabilities	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Reportable segment assets	385,535	217,844	110,261	29,761	42,376	785,777
Reportable segment liabilities	(9,279)	(6,988)	(1,846)	(326)	(361,196)	(379,635)

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

As at 31 December 2023	Hyatt Place	Hyatt House	Marriott	Hilton	Unallocated	Total
Assets and liabilities	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Reportable segment assets	401,701	216,499	108,732	30,041	34,871	791,844
Reportable segment liabilities	(5,463)	(7,501)	(1,377)	(359)	(349,589)	(364,289)

ARA US Hospitality Trust
 Unaudited Interim Financial Information
 For the six-month period ended 30 June 2024

Notes to the Interim Financial Statements

5. Net finance (costs)/income

	ARA H-Trust	
	1H 2024	1H 2023
	US\$'000	US\$'000
Finance income		
Interest income from fixed deposits	–	334
Finance costs		
Financial liabilities measured at amortised cost:		
- Interest paid/payable to banks	(10,286)	(7,420)
- Interest expenses on lease liabilities	(28)	(24)
- Amortisation of debt related transaction costs	(782)	(135)
	<u>(11,096)</u>	<u>(7,579)</u>
Net finance costs	<u>(11,096)</u>	<u>(7,245)</u>

	ARA H-REIT	
	1H 2024	1H 2023
	US\$'000	US\$'000
Finance income		
Interest income from fixed deposits	–	334
Interest income under the effective interest method on:		
- Loans to related corporation	591	542
	<u>591</u>	<u>876</u>
Finance costs		
Financial liabilities measured at amortised cost:		
- Interest expense paid/payable to banks	(10,124)	(7,245)
- Interest expense paid/payable to related corporation	(13,249)	(13,176)
- Interest expense on lease liabilities	(20)	(22)
- Amortisation of debt related transaction costs	(782)	(135)
	<u>(24,175)</u>	<u>(20,578)</u>
Net finance costs	<u>(23,584)</u>	<u>(19,702)</u>

Notes to the Interim Financial Statements

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

	ARA H-BT	
	1H 2024 US\$'000	1H 2023 US\$'000
Finance income		
Interest income under the effective interest method on:		
- Loans to related corporation	13,249	13,176
Finance costs		
Financial liabilities measured at amortised cost:		
- Interest expense paid/payable to banks	(162)	(176)
- Interest expense paid/payable to related corporation	(591)	(542)
- Interest expense on lease liabilities	(711)	(1,335)
	<u>(1,464)</u>	<u>(2,053)</u>
Net finance income	<u>11,785</u>	<u>11,123</u>

6. Net loss before tax

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

	ARA H-Trust	
	1H 2024 US\$'000	1H 2023 US\$'000
Reversal of allowance for expected credit loss	<u>(45)</u>	<u>(53)</u>
	ARA H-BT	
	1H 2024 US\$'000	1H 2023 US\$'000
Reversal of allowance for expected credit loss	<u>(45)</u>	<u>(53)</u>

6.1 Related party transactions

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

	ARA H-Trust	
	1H 2024 US\$'000	1H 2023 US\$'000
Related entities		
Trustee-Manager's trustee fee paid/payable	60	60
REIT Trustee's fees paid/payable	57	60
Hotel management fee paid/payable	2,517	2,581
REIT Manager's and Trustee-Manager's management fees paid/payable	481	914
Reimbursement of expenses (paid on behalf by REIT Manager and Trustee-Manager)	<u>50</u>	<u>50</u>



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Notes to the Interim Financial Statements

6.1 Related party transactions (continued)

	ARA H-REIT	
	1H 2024	1H 2023
	US\$'000	US\$'000
Related entities		
REIT Trustee's fees paid/payable	57	60
REIT Manager's management fees paid/payable	361	685
Reimbursement of expenses (paid on behalf by REIT Manager)	—	14
Related corporations within the Stapled Group		
Rental income received/receivable	27,647	27,145
Interest expenses paid/payable	13,249	13,176
Interest income received/receivable	591	542
<hr/>		
	ARA H-BT	
	1H 2024	1H 2023
	US\$'000	US\$'000
Related entities		
Trustee-Manager's trustee fee paid/payable	60	60
Hotel management fee paid/payable	2,517	2,581
Trustee-Manager's management fees paid/payable	120	228
Reimbursement of expenses (paid on behalf by Trustee-Manager)	15	36
Related corporations within the Stapled Group		
Rental expenses paid/payable	27,647	27,145
Interest expenses paid/payable	591	542
Interest income received/receivable	13,249	13,176
<hr/>		

7. Earnings per Stapled Security

Earnings per Stapled Security is based on:

	ARA H-Trust	
	1H 2024	1H 2023
	US\$'000	US\$'000
Net loss for the period attributable to Stapled Securityholders	(11,280)	(5,756)
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Notes to the Interim Financial Statements

7. Earnings per Stapled Security (continued)

	Number of Stapled Securities (‘000)	
Weighted average number of Stapled Securities used in arriving at basic earnings per Stapled Security:		
- issued Stapled Securities at the beginning of the period	578,212	569,199
- issued as payment of REIT Manager’s and Trustee-Manager’s management fees payable in Stapled Securities	1,267	5,165
- to be issued as payment of REIT Manager’s and Trustee-Manager’s base management fees payable in Stapled Securities	–	8
	579,479	574,372
Weighted average number of Stapled Securities used in arriving at diluted earnings per Stapled Security:		
- weighted average number of Stapled Securities (basic EPS)	579,479	574,372
	579,479	574,372
Earnings per Stapled Security (“EPS”) (US cents)		
Basic and Diluted	(1.95)	(1.00)

8. Distribution per Stapled Security

	1H 2024	1H 2023
Distributions (US\$’000)	4,334	8,679
Number of Stapled Securities on issue and to be issued (‘000)	580,103	578,212
DPS (U.S. cents)	0.747	1.501

9. Net asset value/Net tangible asset

ARA H-Trust	As at 30 June 2024	As at 31 December 2023
Number of Stapled Securities issued and to be issued at the end of the period (‘000)	580,103	580,103
Net assets value / Net tangible asset per Stapled Security (US\$)	0.70	0.74

Notes to the Interim Financial Statements

10. Fair value of assets and liabilities

The Stapled Group uses interest rate swaps to manage its exposure to interest rate risks. As at 30 June 2024, the Stapled Group had interest rate swaps with a notional amount of US\$119.0 million (31 December 2023: US\$329.3 million) designated as cash flow hedging instruments.

The effective portion of changes in the fair value of the derivative is recognised in Other Comprehensive Income (“OCI”) and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include financial assets and financial liabilities whose carrying amount is a reasonable approximation of fair value.

	ARA H-Trust US\$'000	ARA H-REIT US\$'000	ARA H-BT US\$'000
30 June 2024			
Financial assets not measured at fair value			
Loans to related corporation			
- <i>Carrying amount</i>	–	–	294,000
- <i>Fair value (Level 2)</i>	–	–	294,787
Financial assets measured at fair value			
Derivative financial assets – interest rate swaps			
- <i>Carrying amount</i>	1,114	1,114	–
- <i>Fair value (Level 2)</i>	1,114	1,114	–
Financial liabilities not measured at fair value			
Loans from related corporation			
- <i>Carrying amount</i>	–	(294,000)	–
- <i>Fair value (Level 2)</i>	–	(294,787)	–
31 December 2023			
Financial assets not measured at fair value			
Loans to related corporation			
- <i>Carrying amount</i>	–	–	294,000
- <i>Fair value (Level 2)</i>	–	–	294,850
Financial assets measured at fair value			
Derivative financial assets – interest rate swaps			
- <i>Carrying amount</i>	1,360	1,360	–
- <i>Fair value (Level 2)</i>	1,360	1,360	–
Financial liabilities not measured at fair value			
Loans from related corporation			
- <i>Carrying amount</i>	–	(294,000)	–
- <i>Fair value (Level 2)</i>	–	(294,850)	–
Financial liabilities measured at fair value			
Derivative financial liabilities – interest rate swaps			
<i>Carrying amount</i>	(1,294)	(1,294)	–
<i>Fair value (Level 2)</i>	(1,294)	(1,294)	–

Notes to the Interim Financial Statements

10. Fair value of assets and liabilities (continued)

Valuation techniques and significant unobservable inputs

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

Financial instruments measured at fair value	Valuation technique
Interest rate swaps	The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transaction in similar instruments.

11. Property, plant and equipment and investment properties

The portfolio hotels, comprising 31 Hyatt hotels, 3 Marriott hotels and 1 Hilton hotel, are presented as property, plant and equipment in the financial statements of ARA H-Trust and ARA H-BT, and as investment properties in the financial statements of ARA H-REIT.

During 1H 2024, ARA H-Trust and ARA H-BT capitalised capital expenditures amounting to US\$12,629,000 (31 December 2023: US\$48,900,000) and US\$10,856,000 (31 December 2023: US\$22,688,000) and transferred assets amounting to US\$32,547,000 (31 December 2023: US\$19,162,000) and US\$1,955,000 (31 December 2023: US\$1,493,000) to assets held for sale. During 1H 2024, ARA H-REIT incurred capital expenditures amounting to US\$1,773,000 (31 December 2023: US\$3,586,000) and transferred assets amounting to US\$29,445,000 (31 December 2023: US\$15,510,000) to assets held for sale.

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

The carrying values of property, plant and equipment and investment properties as at 30 June 2024 were reviewed based on internal valuations undertaken by the Manager using the income capitalisation – discounted cash flows approach which involves certain estimates and significant unobservable inputs, such as market-corroborated discount rate of 10.50% to 11.00% (31 December 2023: 10.50% to 11.00%) and terminal capitalisation rate of 7.50% to 9.42% (31 December 2023: 7.50% to 9.42%).

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

As at 31 December 2023, the carrying amounts of 35 portfolio hotels were stated at fair value, which was determined based on independent valuations undertaken by Newmark Valuation & Advisory Services (“Newmark”), prepared in accordance with the Uniform Standards of Professional Practice (“USPAP”), and in compliance with the requirements under the SGX Listing Manual and Code on Collective Investment Schemes (the “Code”). The independent property valuers have the appropriate recognised professional qualifications and recent experience in the location and type of properties being valued.

The valuers have considered the income method - discounted cash flow approach in determining the fair values. The income method - discounted cash flow approach involves the estimation and projection of an income stream over a period and discounting the income stream with an internal rate of return to arrive at the market value. The key assumptions of the market-corroborated discount rate and terminal

Notes to the Interim Financial Statements

capitalisation rate are based on significant unobservable inputs and are categorised under Level 3 of the fair value measurement hierarchy. Discussions on the valuation process, key inputs applied in the valuation approach and the reason for the fair value changes are held between the property managers, the Managers and the independent valuer.

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

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

	30 June 2024	31 December 2023
	US\$'000	US\$'000
Capital expenditure contracted but not provided for	6,434	15,188

12. Assets held for sale

	ARA H-Trust	
	30 June 2024	31 December 2023
	US\$'000	US\$'000
At beginning of the financial period/year	7,201	295
Reclassification from property, plant and equipment	32,547	16,160
Sale completed during the financial period/year	(7,201)	(7,880)
Net changes in fair value of assets held for sale	(4,653)	(1,374)
At end of the financial period/year	<u>27,894</u>	<u>7,201</u>

On 8 May 2024, the Stapled Group entered into conditional purchase and sale agreements with a purchaser to sell Hyatt House Philadelphia Plymouth Meeting, Philadelphia, Pennsylvania (“HHPM”) and Hyatt House Shelton, Connecticut (“HHS”) for a total consideration of US\$31.0 million. Accordingly, the above-mentioned hotels were classified as assets held for sale as at 30 April 2024. Sale of HHPM was subsequently completed on 16 July 2024.

On 27 November 2023, the Stapled Group entered into conditional purchase and sale agreement with a purchaser to sell Hyatt Place Pittsburgh Airport (“HPPA”) for US\$7.7 million. Accordingly, HPPA was classified as assets held for sale as at 30 November 2023. Sale of HPPA was subsequently completed on 25 March 2024.

On 30 June 2023, the Stapled Group entered into a conditional purchase and sale agreement with a purchaser to sell Hyatt Place Oklahoma City (“HPKOC”) for US\$8.0 million. Accordingly, HPKOC was classified as assets held for sale as at 30 June 2023. Sale of HPKOC was subsequently completed on 26 September 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. Sale of the Excess Land was completed on 14 March 2023 at the sale consideration at \$325,000.

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13. Loans and borrowings

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

- a) US\$257.5million (31 December 2023: US\$257.5 million) secured term loan and letter of credit facilities; and
- b) US\$125.0 million (31 December 2023: US\$125.0 million) unsecured term loan and revolving facilities;

As at 30 June 2024, the Stapled Group and ARA H-REIT has drawn down US\$249.5 million (31 December 2023: US\$249.5 million) and US\$244.3 million (31 December 2023: US\$244.3 million) respectively of the secured facilities.

As at 30 June 2024, the unsecured term loan and revolving facilities of US\$92.0 million (31 December 2023: US\$78.5 million) were drawn. The Stapled Group and ARA H-REIT has outstanding unsecured term loan of US\$75.0 million (31 December 2023: US\$75.0 million) respectively due to mature in February 2025. The loan has been classified as current liabilities as at 30 June 2024.

The weighted average interest rates relating to the loans drawn down during 1H 2024 and 1H 2023 were 6.41% and 4.58% per annum respectively.

The aggregate leverage was 43.5% (31 December 2023: 41.5%) and the interest coverage ratio was 2.2 times (31 December 2023: 2.7 times).

Secured term loan

The facilities are secured on the following:

- mortgages, assignment of leases and rents, security agreement and fixture fittings over 28 Hyatt hotel properties;
- an assignment of the franchise agreement and Aimbridge hotel management agreement;
- an assignment of insurances taken in respect of each hotel property; and
- a charge over certain bank accounts of the Stapled Group.

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13. Loans and borrowings (continued)

	As at 30 June 2024 US\$'000	As at 31 December 2023 US\$'000
ARA H-Trust		
Secured loans	249,500	249,500
Unsecured loans	92,000	78,500
Lease liabilities	1,561	1,341
	<u>343,061</u>	<u>329,341</u>
Less: Unamortised borrowing costs	(3,539)	(4,321)
	<u>339,522</u>	<u>325,020</u>
ARA H-REIT		
Secured loans	244,325	244,325
Unsecured loans	92,000	78,500
Lease liabilities	1,184	1,259
	<u>337,509</u>	<u>324,084</u>
Less: Unamortised borrowing costs	(3,539)	(4,321)
	<u>333,970</u>	<u>319,763</u>
ARA H-BT		
Secured loans	5,175	5,175
Unsecured loans	–	–
Lease liabilities	28,485	49,627
	<u>33,660</u>	<u>54,802</u>
Less: Unamortised borrowing costs	–	–
	<u>33,660</u>	<u>54,802</u>

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13. Loans and borrowings (continued)

Loans and borrowings are repayable as follows:

	As at 30 June 2024			As at 31 December 2023		
	Secured US\$'000	Unsecured US\$'000	Lease liabilities US\$'000	Secured US\$'000	Unsecured US\$'000	Lease liabilities US\$'000
ARA H-Trust						
Amount repayable						
- within one year	–	75,000	275	–	–	195
- after one year	249,500	17,000	1,286	249,500	78,500	1,146
	<u>249,500</u>	<u>92,000</u>	<u>1,561</u>	<u>249,500</u>	<u>78,500</u>	<u>1,341</u>
Less: Unamortised borrowing costs	(3,452)	(87)	–	(4,169)	(152)	–
	<u>246,048</u>	<u>91,913</u>	<u>1,561</u>	<u>245,331</u>	<u>78,348</u>	<u>1,341</u>
ARA H-REIT						
Amount repayable						
- within one year	–	75,000	153	–	–	151
- after one year	244,325	17,000	1,031	244,325	78,500	1,108
	<u>244,325</u>	<u>92,000</u>	<u>1,184</u>	<u>244,325</u>	<u>78,500</u>	<u>1,259</u>
Less: Unamortised borrowing costs	(3,452)	(87)	–	(4,169)	(152)	–
	<u>240,873</u>	<u>91,913</u>	<u>1,184</u>	<u>240,156</u>	<u>78,348</u>	<u>1,259</u>
ARA H-BT						
Amount repayable						
- within one year	–	–	24,417	–	–	45,131
- after one year	5,175	–	4,068	5,175	–	4,496
	<u>5,175</u>	<u>–</u>	<u>28,485</u>	<u>5,175</u>	<u>–</u>	<u>49,627</u>
Less: Unamortised borrowing costs	–	–	–	–	–	–
	<u>5,175</u>	<u>–</u>	<u>28,485</u>	<u>5,175</u>	<u>–</u>	<u>49,627</u>

Notes to the Interim Financial Statements

14. Stapled Securities in issue and to be issued

	ARA H-Trust	
	1H2024 '000	FY2023 '000
Stapled securities in issue		
Balance at beginning of period	580,103	569,199
REIT Manager's and Trustee-Manager's management fees paid in Stapled Securities ⁽¹⁾	–	9,013
Total Issued Stapled Securities as at end of period/year	580,103	578,212
Stapled Securities to be issued		
REIT Manager's and Trustee-Manager's management fees payable in Stapled Securities ⁽²⁾	–	1,891
Total Stapled Securities issued and to be issued as at end of period/year	580,103	580,103

(1) 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 and 30 June 2023 respectively.

(2) 1,891,000 Stapled Securities were issued in March 2024 as payment of 50% of the Managers' base fees and performance fees for the period from 1 July 2023 to 31 December 2023.

ARA H-Trust does not hold any treasury Stapled Securities as at 30 June 2024 and 31 December 2023. The total number of issued Stapled Securities in ARA H-Trust as at 30 June 2024 and 31 December 2023 were 508,103,000 respectively.

15. Subsequent events

On 6 August 2024, the Board approved distribution of 0.747 US cents per Stapled Security for the period from 1 January 2024 to 30 June 2024.

Other Information Required Under Appendix 7.2 of the Listing Manual

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

The interim financial information for the six-month period ended 30 June 2024 has not been audited or reviewed by the independent auditors.

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

Not applicable.

Notes to the Interim Financial Statements

(B) Review of the performance of the Stapled Group

	Note	ARA H-Trust		Change %
		1H 2024 US\$'000	1H 2023 US\$'000	
Revenue	(i)	83,922	86,015	(2.4)
Operating expenses	(ii)	(54,285)	(55,362)	(1.9)
Gross operating profit	(iii)	29,637	30,653	(3.3)
Hotel management fee	(iv)	(2,517)	(2,581)	(2.5)
Property taxes	(v)	(3,929)	(4,337)	(9.4)
Other expenses	(vi)	(2,172)	(1,739)	24.9
Net Property Income		21,018	21,996	(4.4)
Other income	(vii)	–	–	–
Depreciation and amortisation		(14,367)	(14,247)	0.8
REIT Manager's and Trustee-Manager's management fees		(481)	(914)	(47.4)
Trustee-Manager's trustee fee		(60)	(60)	–
REIT Trustee's fee		(57)	(60)	(5.0)
Net finance costs	(viii)	(11,096)	(7,245)	53.2
Other trust expenses	(ix)	(1,447)	(1,253)	15.5
Net loss for the period before tax and fair value changes		(6,490)	(1,783)	(>100)
Fair value changes in assets held for sale	(x)	(4,653)	(911)	(>100)
Revaluation deficit of property, plant and equipment	(xi)	–	(6,096)	100
Net loss for the period before tax		(11,143)	(8,790)	26.8
Taxation	(xii)	(137)	3,034	(>100)
Net loss for the period after tax		(11,280)	(5,756)	96.0
Other comprehensive income				
Item that may be reclassified subsequently to profit or loss:				
Effective portion of changes in fair value of cash flow hedges	(xiii)	1,048	(2,080)	(>100)
Revaluation of property, plant and equipment	(xi)	–	11,234	100
Deferred tax effects relating to revaluation of property, plant and equipment	(xii)	–	(888)	100
Total comprehensive (loss)/income for the period		(10,232)	2,510	(>100)

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Notes:

(i)	<p>Revenue</p> <p>With the disposition of two hotels, Hyatt Place Oklahoma City in September 2023 and Hyatt Place Pittsburgh Airport in March 2024, and asset enhancement initiatives projects at four hotels, namely Hyatt Place Mystic, Hyatt Place Rancho Cordova, Hyatt Place Omaha and Hyatt Place Secaucus during 1H 2024, the Stapled Group's number of hotels and rooms decreased by 5.4% and 5.2% respectively as at 30 June 2024 as compared to as at 30 June 2023. As a result of the reduction in the portfolio size, revenue declined by 2.4% in 1H 2024 vs 1H 2023. The portfolio's ADR increased from US\$137 to US\$139, however, the portfolio's average occupancy dropped from 68.9% to 67.3%.</p>
(ii)	<p>Operating expenses</p> <p>Operating expenses decreased in line with lower occupancy in 1H 2024 and inflationary cost pressures. Operating expenses include room expenses, other operating expenses, administrative and general expenses, sales and marketing expenses, franchise fees, property operations and maintenance expenses and utilities.</p>
(iii)	<p>Gross operating profit ("GOP")</p> <p>GOP margin remained relatively constant at 35.3% in 1H 2024 from 35.6% in 1H 2023 due to cost management measures.</p>
(iv)	<p>Hotel management fee</p> <p>Hotel management fee is 3% of total revenue. The decreased in line with the decrease in revenue in 1H 2024.</p>
(v)	<p>Property taxes</p> <p>Property taxes are accrued based on expected property tax assessments by the relevant tax authorities.</p>
(vi)	<p>Other expenses</p> <p>Other expenses increased in 1H 2024 primarily due to higher insurance expenses.</p>
(vii)	<p>Other income</p> <p>There was no other income received in 1H 2024 and 1H 2023.</p>
(viii)	<p>Net finance costs</p> <p>The interest rate swaps that were entered into in early 2024 were higher than the interest rate swaps from the earlier years which had matured in February 2024. Coupled with high interest rates on the floating rate loans, the net finance costs were higher in 1H 2024 than in 1H 2023. The weighted average interest rates relating to the loans drawn down during 1H 2024 and 1H 2023 were 6.41% and 4.58% per annum, respectively.</p>
(ix)	<p>Other trust expenses</p> <p>Other trust expenses increased in 1H 2024 primarily due to higher professional costs driven by inflationary pressures.</p>
(x)	<p>Fair value changes in assets held for sale</p> <p>The Stapled Group recorded fair value changes in assets held for sale, which primarily relates to the sale of Hyatt House Plymouth Meeting and Hyatt House Shelton in 1H 2024 and the sale of Hyatt Place Oklahoma City in 1H 2023.</p>

Notes to the Interim Financial Statements

Notes:

(xi)	<p>Revaluation deficit of property, plant and equipment</p> <p>ARA H-Trust presents the hotel properties as property, plant and equipment in accordance with SFRS(I). The hotel properties were stated at fair value based on independent valuations and internal valuations as at 30 June 2023 and were reviewed based on internal valuations taken by the Managers as at 30 June 2024. The deficit arising from the revaluation against the depreciated book value of such hotel properties is recognized in the profit and loss while any surplus is recognized in other comprehensive income, except to the extent that the surplus reverses a previous revaluation deficit on the same asset recognised in profit or loss. The revaluation has no impact on distributable income.</p>
(xii)	<p>Taxation</p> <p>The Stapled Group recorded deferred tax liabilities due to revaluation of the hotel properties. The deferred tax has no impact on distributable income.</p>
(xiii)	<p>Effective portion of changes in fair value of cash flow hedges</p> <p>Effective portion of changes in fair value of cash flow hedges relates to fair value changes of the interest rate swaps entered into for hedging purposes. This has no impact on distributable income.</p>

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

The current results are broadly in line with the Stapled Group’s commentary made in the announcement of results for the Financial Year ended 31 December 2023 under Paragraph (D) of Page 34. The Stapled Group has not disclosed any financial forecast to the market.

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

The United States (“U.S.”) economy showed signs of stabilizing in the first half of 2024, with Gross Domestic Product (“GDP”) growth of 1.4% and 2.8%¹ in the first and second quarter, respectively, a deceleration from 3.4% in the fourth quarter of 2023. Elevated interest rates and persistent inflation dampened consumer spending, which is the primary driver of U.S. GDP growth. However, inflation is easing. Inflation, as measured by Consumer Price Index (“CPI”), rose 3% for the 12 months ending June 2024, down from 3.3% in May 2024.

The U.S. labour market is showing signs of weakness. According to the U.S. Bureau of Labor Statistics, unemployment rate ticked up to 4.1% in June 2024. Fortunately, wage growth tempered by only increasing by 3.9%, the smallest increase since June 2021². With inflation slowing but the unemployment rate increasing, the general expectation is that the Fed will likely lower interest rates late 2024 to ensure a soft landing for the economy.

Historically, lodging demand growth has closely mirrored economic growth in the U.S. However, this correlation has decoupled recently. In June 2024³, STR and U.S. Tourism Economics revised their U.S. hotel forecasts. The U.S. hotel market occupancy is expected to decline marginally by 0.2% to 62.8%. Average daily room rates (“ADR”) and revenue per available room (“RevPAR”) are projected to grow at a slower pace of 2.1% and 2.0%, respectively, reaching approximately US\$158 and US\$100 compared to the same metrics for 2023. Modest growth in ADR and RevPAR of 2.0% and 2.6%, respectively, is expected to continue into 2025, while occupancy forecasted to improve to 63.2%.

¹ U.S. Bureau of Economic Analysis, July 2024

² U.S. Bureau of Labor Statistics, June 2024

³ STR and Tourism Economics, June 2024

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Elevated interest rates and inflation have weighed on price-sensitive consumers, leading to a decline in hotel demand for lower and middle-income households. Additionally, the strong U.S. dollar has stimulated outbound tourism, thereby reducing demand for domestic leisure travel. Despite these challenges, the U.S. lodging industry remains positive and stable, with growth being fuelled by the steady recovery of corporate transient and group travel demand.

Additionally, inbound international travel has started to rise, albeit still below pre-pandemic levels. According to the latest forecast by U.S. Tourism Economics, nearly 78 million foreign visitors are expected to visit the US by the end of 2024, and spending by international travellers is expected to grow by 74% between 2023 and 2027⁴.

Looking ahead, the International Monetary Fund ("IMF") projects U.S. GDP growth to increase to 2.6% in 2024, before tapering to 1.9% in 2025⁵. This deceleration is attributed to a cooling labour market, reduced consumption, and a gradual tightening of fiscal policy, which is expected to temper overall demand. Near-term risks include geopolitical tensions in the Middle East and Europe. These factors pose risks to all industries, including the lodging sector.

The IMF remains optimistic that inflation reach the Fed's 2% target by mid-2025 due to weakening consumer demand⁶. Inflation will have an impact ARA H-Trust's operating costs and high interest rates will affect our cost of debt. As such, the Managers will exercise prudent capital management, including hedging strategies to mitigate interest rate volatility exposures. The Managers will also continue its portfolio optimisation and rebalancing efforts of selling non-core assets and reinvesting into higher-yielding core assets or pare down debt.

ARA H-Trust's high quality, premium-branded, diversified upscale select-service portfolio provides our stapled securityholders with an optimal long-term U.S. lodging strategy. The Managers will continue to pursue their key strategy to build a resilient U.S. hotel portfolio for ARA H-Trust. This includes (i) proactive asset management strategies to maximise the cashflows of the select service hotel portfolio; (ii) execute portfolio optimisation and prudent capital management to free up capital to be potentially deployed towards asset management initiatives for core assets that will drive returns, profits and distributions for Stapled Securityholders; and (iii) focus on growth strategies in sub-markets with favourable long-term market fundamentals.

⁴ The Brand USA, news release, May 2024

⁵ IMF, World Economic Outlook Update, July 2024.

⁶ IMF, US Economy Report, June 2024

Notes to the Interim Financial Statements
(E) Distribution

(a) Current financial period	
Any distribution declared for the current period?	Yes
Distribution of the Stapled Group for the period from 1 January 2024 to 30 June 2024	
Distribution type/rate	Distribution of 0.747 US cents per Stapled Security comprising solely capital distribution. Stapled Securityholder will receive distribution in the Singapore dollar equivalent of the amount declared in the United States dollar, unless he/she elects otherwise.
Tax rate	Capital distribution represents a return of capital to Stapled Securityholders for Singapore income tax purpose and is therefore not subject to income tax. For Stapled Securityholders who are liable to Singapore income tax on profits from sale of ARA H-Trust Stapled Securities, the amount of capital distribution will be applied to reduce the cost base of their ARA H-Trust Stapled Securities for Singapore income tax purpose.
Payment date	27 September 2024
Record date	19 August 2024
(b) Corresponding period of the immediately preceding financial year	
Any distribution declared for the corresponding period of the immediately preceding financial year?	Yes
Distribution period	Distribution for the period from 1 January 2023 to 30 June 2023
Distribution type/rate	Distribution of 1.501 US cents per Stapled Security comprising solely capital distribution. Stapled Securityholder will receive distribution in the Singapore dollar equivalent of the amount declared in the United States dollar, unless he/she elects otherwise.
Distribution per stapled security	1.501 US cents
Tax rate	Capital distribution represents a return of capital to Stapled Securityholders for Singapore income tax purpose and is therefore not subject to income tax. For Stapled Securityholders who are liable to Singapore income tax on profits from sale of ARA H-Trust Stapled Securities, the amount of capital distribution will be applied to reduce the cost base of their ARA H-Trust Stapled Securities for Singapore income tax purpose.

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

Not applicable.

Notes to the Interim Financial Statements

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

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

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

The Board of Directors of the REIT Manager and the Trustee Manager hereby confirm that, to the best of our knowledge, nothing has come to our attention which may render the unaudited interim financial information of ARA H-REIT, ARA H-BR and ARA H-Trust for the six-month period ended 30 June 2024 to be false or misleading in any material respect.

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

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

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

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

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

Stephen Ray Finch
Chairman and
Independent Non-Executive Director

7 August 2024

Lin Daqi

Non-Executive Director

7 August 2024

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Important Notice

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

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

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

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