



ANNUAL REPORT 2019



Our Mission

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



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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.**”). ARA H-Trust’s portfolio currently comprises 41 upscale select-service hotels with a total of 5,340 rooms across 22 states in the U.S. 39 out of the 41 hotels are freehold assets.

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 indirect wholly-owned subsidiaries of ARA Asset Management Limited (“**ARA**” or the “**ARA Group**”).

ARA H-Trust had a market capitalization of US\$493.3 million as at 31 December 2019.

For more information, please visit www.araushotels.com.

SPONSOR

The Sponsor, ARA Real Estate Investors 23 Pte. Ltd., is an indirect wholly-owned subsidiary of ARA, a leading Asia Pacific real assets fund manager with a global reach. As at 31 December 2019, the ARA Group and its Associates have S\$88 billion in gross assets under management, across 28 countries.

ARA Group and its Associates’ businesses include:

- (a) REITs – ARA is one of the largest REIT managers in Asia Pacific. It directly manages Suntec REIT, Cache Logistics Trust and ARA H-Trust, listed in Singapore; and Fortune REIT, Hui Xian REIT and Prosperity REIT, listed in Hong Kong. It also indirectly manages REITs in Japan, Australia, Singapore and Malaysia through its associate companies.
- (b) Private real estate funds – ARA manages private funds providing investment opportunities in diverse real estate sectors and geographies that cater to different investor risk appetites.

- (c) Country desks – ARA operates country desks in China, Korea, Japan, Malaysia, Australia, Europe and the United States. The country desks employ a strong understanding of each local market to facilitate the flow of inbound and outbound capital and cross-country collaborations.
- (d) Infrastructure – ARA Infrastructure was established in 2018 to cater to strong investor demand for global infrastructure investment.
- (e) Real estate management services – As part of the ARA investor-operator philosophy, its dedicated property management teams actively work the ground to manage its assets globally.

ARA’s multi-platform, multi-product global fund management strategy, combined with its dedicated teams with in-depth local knowledge, enables ARA to offer enduring value to investors. Built on a foundation of strong corporate governance and business integrity, ARA counts some of the world’s largest pension funds, sovereign wealth funds, financial institutions, endowments and family offices as its investors.

For more information, please visit www.ara-group.com.



PREMIER INTERNATIONAL HOTEL BRANDS

in the upscale select-service hospitality space

Our portfolio is branded under two of the world's largest hotel chains, Marriott and Hyatt, which have over 150 million members combined worldwide¹.

¹ Source: Marriott and Hyatt websites

- 01 AC Hotel Raleigh North Hills, North Carolina
- 02 Courtyard San Antonio Six Flags® at The Rim, Texas
- 03 Hyatt Place Omaha Downtown Old Market, Nebraska
- 04 Hyatt House Boston Burlington, Massachusetts

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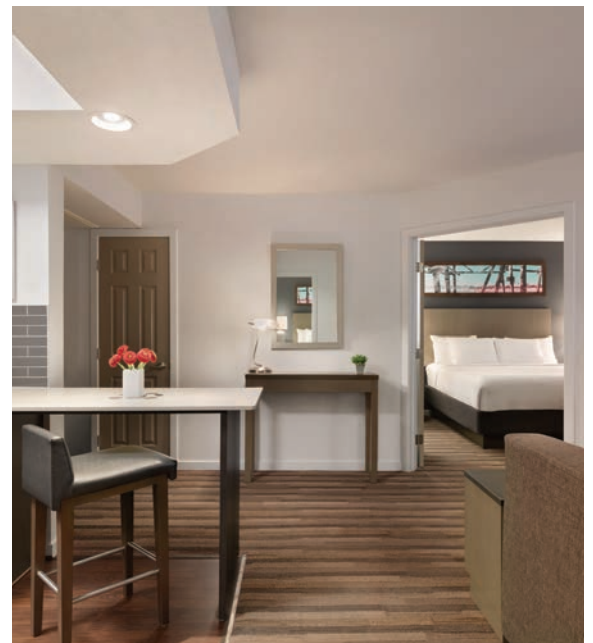
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DIVERSIFIED PORTFOLIO

41 HOTELS

- UPSCALE EXTENDED-STAY
- UPSCALE SELECT-SERVICE

5,340 ROOMS

ROBUST SUPPLY

22 STATES

GEOGRAPHICALLY DIVERSIFIED

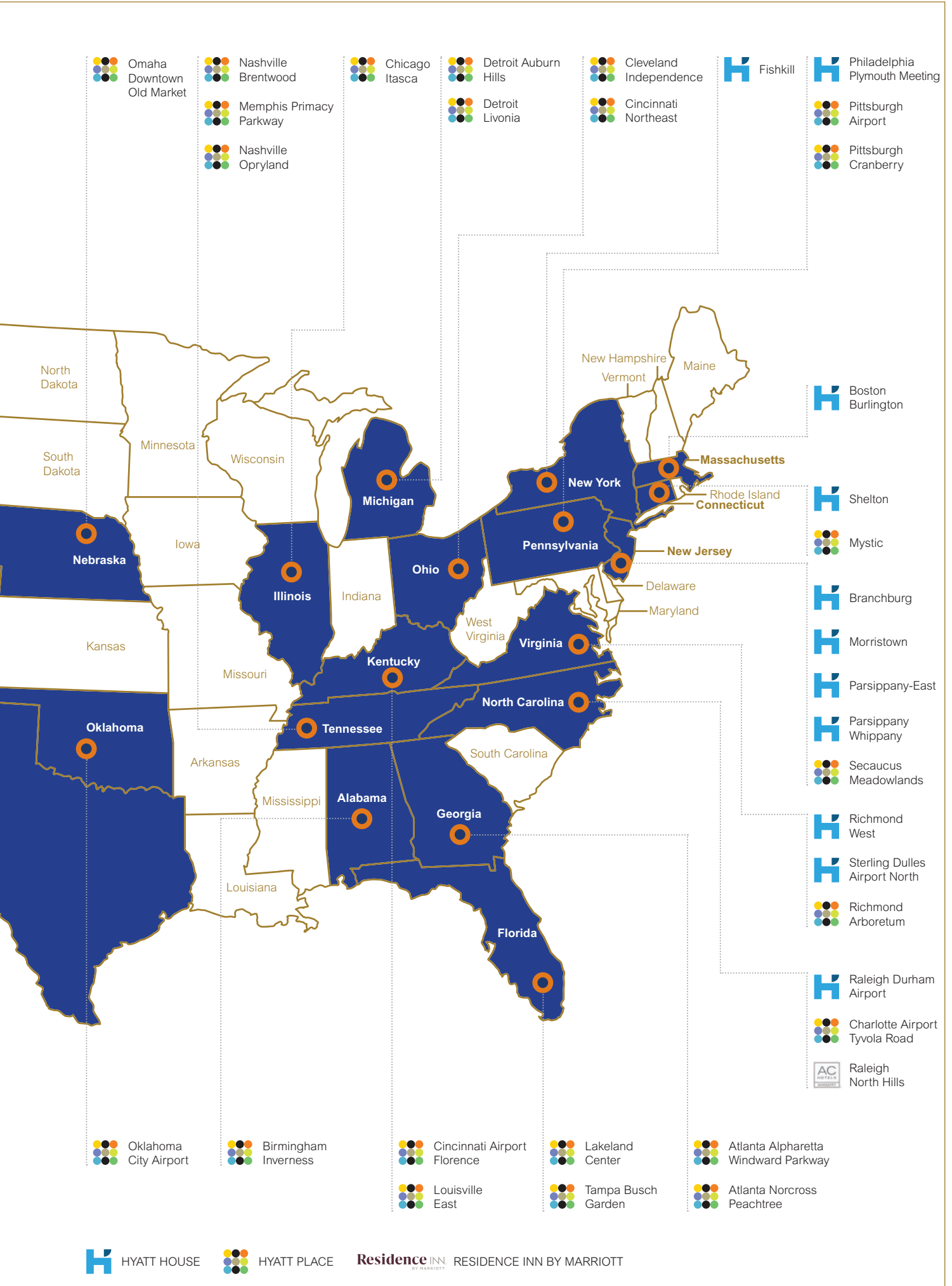
5 PREMIER INTERNATIONAL HOTEL BRANDS

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

2 ESTABLISHED HOTEL OPERATORS

- AIMBRIDGE HOSPITALITY
- CONCORD HOSPITALITY





Key Highlights

STABLE FINANCIAL PERFORMANCE

For financial period from 9 May 2019 (Listing Date) to 31 December 2019



77%
OCCUPANCY
RATE



US\$115.0M
TOTAL
REVENUE



US\$94
REVENUE PER
AVAILABLE ROOM
(REVPAR)



4.21 U.S. cents

translating to annualized yield of 7.4%¹

DISTRIBUTION
PER STAPLED
SECURITY



106.3%
REVPAR
INDEX



32.1%²
GEARING

¹ Based on IPO price of US\$0.88 for the period from 9 May (Listing Date) to 31 December 2019 (FY2019)

² As at 31 December 2019



US\$32.6M
NET PROPERTY
INCOME



US\$23.9M
DISTRIBUTABLE
INCOME



0.87 U.S. cents
NET ASSET VALUE
PER STAPLED
SECURITY



3.9% p.a.
AVERAGE
COST OF
DEBT



83%
PERCENTAGE OF
FIXED RATE DEBT



4.5 times
INTEREST
COVERAGE RATIO



Year in Brief

MAY 2019

Listed on Mainboard of SGX-ST on 9 May. Total gross proceeds of US\$498.0 million were raised. ARA H-Trust was the first mainboard listing for 2019.

Participated in the annual REITs Symposium organized by ShareInvestor and REITAS.

SEPTEMBER 2019

Included in the GPR/APREA Composite Index and GPR/APREA Composite REIT Index on 23 September.

JULY 2019

Announced maiden 2Q2019 results on 30 July which exceeded IPO profit forecast. DPS of 1.36 U.S. cents outperformed forecast by 3.8%.

Partnered NTUC First Campus Bright Horizons Fund on the Family and School Together programme for a visit to the zoo with less-privileged kids.

OCTOBER 2019

Moved into our new office in Dallas, Texas, United States helmed by our Chief Executive Officer, Mr Lee Jin Yong.

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NOVEMBER 2019

Announced the proposed acquisition of a portfolio of three premium Marriott-branded upscale select-service hotels in the United States.

Participated in the annual SGX Bull Charge Charity Run 2019.

JANUARY 2020

Completed the acquisition of three premium Marriott-branded upscale select-service hotels for US\$84.0 million.

Established S\$800 million Multicurrency Stapled Debt Issuance Programme.

DECEMBER 2019

Announced the establishment of a new 3-year unsecured US\$75.0 million facility to partially fund the proposed acquisition.

Participated in “Be a Hero and Donate” at the Carter BloodCare blood donation drive and Silver Bells Christmas Donation.

- 01 Listed on Mainboard of SGX-ST on 9 May 2019
- 02 Participated in the annual REITs Symposium
- 03 Participated in ARA/NTUC First Campus to bring 750 pre-school kids to the zoo
- 04 ARA US participated in Silver Bells Christmas Present Donation

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Letter to Stapled Securityholders

WE ARE IN A UNIQUE SPACE AS
THE FIRST AND ONLY PURE-PLAY
U.S. UPSCALE SELECT-SERVICE
HOSPITALITY TRUST LISTED ON THE
SINGAPORE EXCHANGE

Dear Investors,

On behalf of the Board and management, it is our pleasure to present to you ARA H-Trust's inaugural annual report for the financial period from its listing date of 9 May 2019 to 31 December 2019 ("**FY2019**"). ARA H-Trust debuted on 9 May

2019 as the first pure-play U.S. hospitality trust listed on the Singapore Exchange and was also the first Mainboard listing in 2019. The Initial Public Offering ("**IPO**") raised gross proceeds of US\$498.0 million at US\$0.88 per Stapled Security.

Portfolio VS U.S. Lodging Industry Performance in 2019

	Occupancy	RevPAR	RevPAR Index
ARA H-Trust Portfolio ¹	77.0%	US\$94	106.3%
U.S. Lodging Industry	66.1%	US\$86	-

¹ For the period from 9 May 2019 (Listing Date) to 31 December 2019.

Left to Right:

Stephen Ray Finch
Chairman

Lee Jin Yong
Chief Executive Officer



FINANCIAL PERFORMANCE

In FY2019, ARA H-Trust delivered a set of stable results, with Distributable Income of US\$23.9 million, or Distribution Per Stapled Security (“DPS”) of 4.21 U.S. cents. The DPS translates to an annualized yield of 7.4% based on the IPO Price of US\$0.88 per Stapled Security.

Total revenue and net property income for FY2019 were US\$115.0 million and US\$32.6 million respectively. Our portfolio of branded upscale select-service hotels achieved an occupancy of 77.0% despite substantial new supply competition in many of our markets. The ability to maintain market share is a testament to the appeal of our branded upscale select-service hotels and affirmation of our strategy.

Furthermore, the portfolio’s RevPAR index of 106.3% demonstrates the strength of the portfolio in outperforming its competition by capturing greater than its fair share of revenue in the market.

FY2019 presented challenges to our plan to grow RevPAR in certain markets as new supply headwinds, property-level leadership transition, and exogenous events such as Hurricane Dorian and the General Motors Strike disrupted demand and pricing in affected markets. The Managers worked closely with our property teams to develop comprehensive action plans to optimize pricing, control costs and initiate strategic asset enhancement initiatives to enhance guest appeal and improve the competitiveness of our hotels.

Letter to Stapled Securityholders

GROWING THE PORTFOLIO THROUGH ACCRETIVE ACQUISITIONS

On 17 January 2020, ARA H-Trust successfully acquired a portfolio of three Marriott-branded upscale select-service hotels totaling 390 keys in the states of North Carolina and Texas. These freehold hotels are located in prime markets with robust demand drivers such as corporate offices, research universities and amusement parks. The three Marriott-branded hotels will increase our earnings base and further enhance our geographical and brand diversification. With the acquisition funded by bank loans and internal cash resources, the new hotels will be DPS accretive to the Stapled Securityholders.

We will continue to monitor the market for the right opportunity to pursue yield accretive acquisitions to grow distributions to our Stapled Securityholders while maintaining an appropriate capital structure.

PRUDENT CAPITAL MANAGEMENT

In managing capital structure and financial risks, ARA H-Trust seeks to maintain a strong balance sheet through prudent capital and financial management, to ensure continuous access to funding at optimal cost and maintain stable distributions to our Stapled Securityholders.

ARA H-Trust's balance sheet remains strong with an aggregate leverage ratio of 38.2% post acquisition of the three Marriott-branded hotels, which is well within the regulatory limit of 45.0%. The average all-in cost of debt for FY2019 was lower than IPO forecast at 3.90% p.a. and

will fall further with the new loan drawn for the acquisition. We will also actively monitor the market for opportunities to hedge our floating rate loans to manage our interest rate risk exposure and lower our overall cost of debt.

Planning ahead, the Managers have also established a S\$800.0 million Multicurrency Stapled Debt Issuance program in January 2020. This provides ARA H-Trust greater flexibility and more diversified sources of funds to capitalize on potential acquisition opportunities.

LOOKING AHEAD

Although the U.S. economy has recorded positive and stable economic growth momentum in 2019, the growth outlook for the year ahead is likely to be clouded by unprecedented challenges arising from the global COVID-19 pandemic. As government authorities and corporations adopt containment mitigants to restrict travel and social contact in the U.S., hotels around the country are grappling with an extraordinary contraction in demand and occupancies. Similarly, our portfolio is facing increasing booking cancellations and declining new reservations.

Our commitment to safeguard the interests of our Stapled Securityholders and preserve the value and performance of our portfolio remains top priority. In view of the escalating COVID-19 pandemic and the uncertainty of its magnitude and duration, the Managers have initiated a series of proactive cost mitigation and capital preservation measures which include cost controls through reduction in labour hours and staffing, closure of certain facilities and amenities and

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01
AC Hotel Raleigh North Hills, North Carolina

02
Hyatt Place Atlanta Norcross Peachtree, Georgia

03
Hyatt Place Omaha Downtown Old Market, Nebraska

review of all operating contracts. We have also taken further steps to proactively protect and conserve cash flow by postponing non-essential capital expenditures and actively managing working capital. We are confident that the strength of our platform and business model, combined with our experienced and hands-on team of hospitality specialists based in the U.S., will help us to navigate through these unprecedented times.

IN APPRECIATION

We are pleased to welcome Mr. Wong Choong Mann and Mr. Lin Daqi who recently joined the Board. Their vast and varied experiences will complement and strengthen the Board.

On behalf of the Board, we would like to express our gratitude to our Stapled Securityholders, business partners, advisors and guests for your valuable support. We also wish to extend our appreciation to the entire Board of Directors for their counsel and our management team for their dedication and hard work.

We look forward to the year ahead with cautious optimism. We hope to forge ahead with your continued support and remain committed to increasing shareholder value through stable and growing distributions and achieving long-term growth.

We are confident that the strength of our platform and business model, combined with our experienced and hands-on team of hospitality specialists based in the U.S., will help us to navigate through these unprecedented times.

Stephen Ray Finch
Chairman

Lee Jin Yong
Chief Executive Officer

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Our Hotel Segment

UPSCALE SELECT-SERVICE HOTEL SEGMENT IN THE U.S.

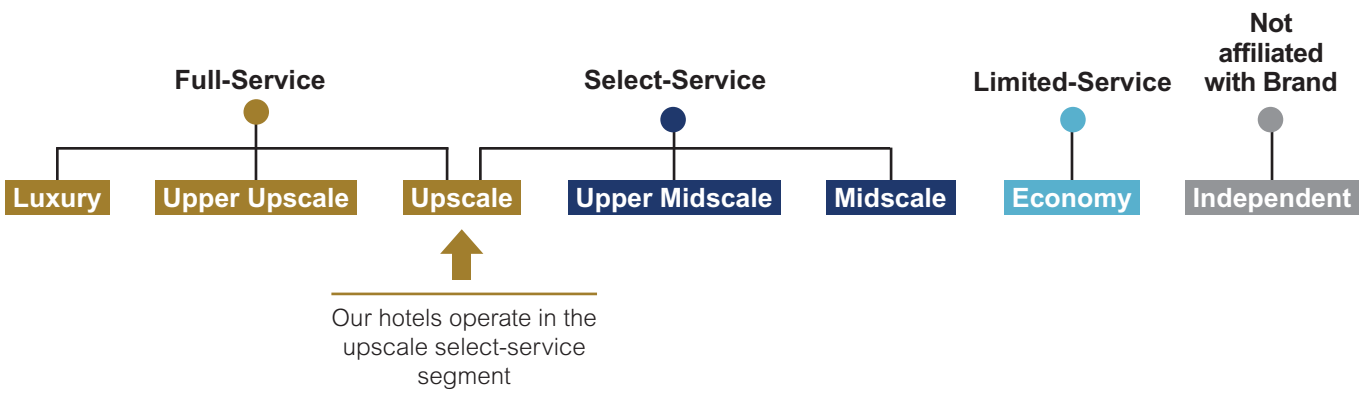
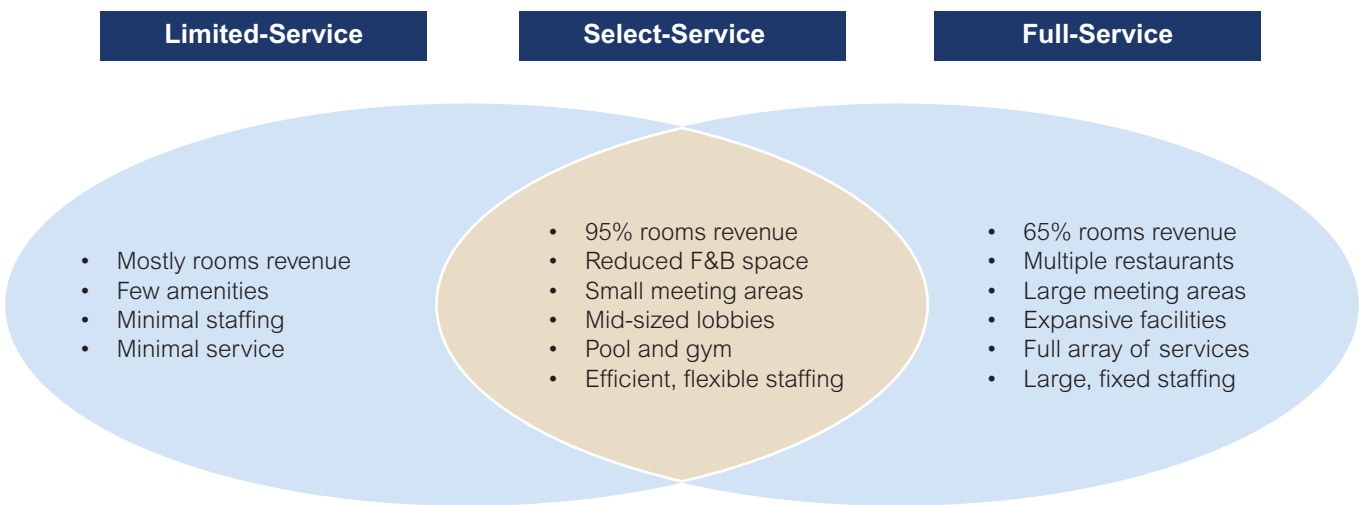
The U.S. is the largest lodging market in the world with over 5 million rooms. Around 70% of the total room supply are affiliated with a brand and the remaining are independent. Within branded hotels, they can be further characterized into full-service, select-service and limited-service segments.

Extended-stay hotels are a subsegment of select-service hotels. These hotels typically accommodate guests for extended periods and are distinguished by a more residential design and furnishings, defined living and sleeping areas and a fully-equipped kitchenette.

The table below distinguishes between full-service, select-service and limited-service hotels.

Hotels are also grouped by chain scale segments in accordance to their average daily rates (ADR).

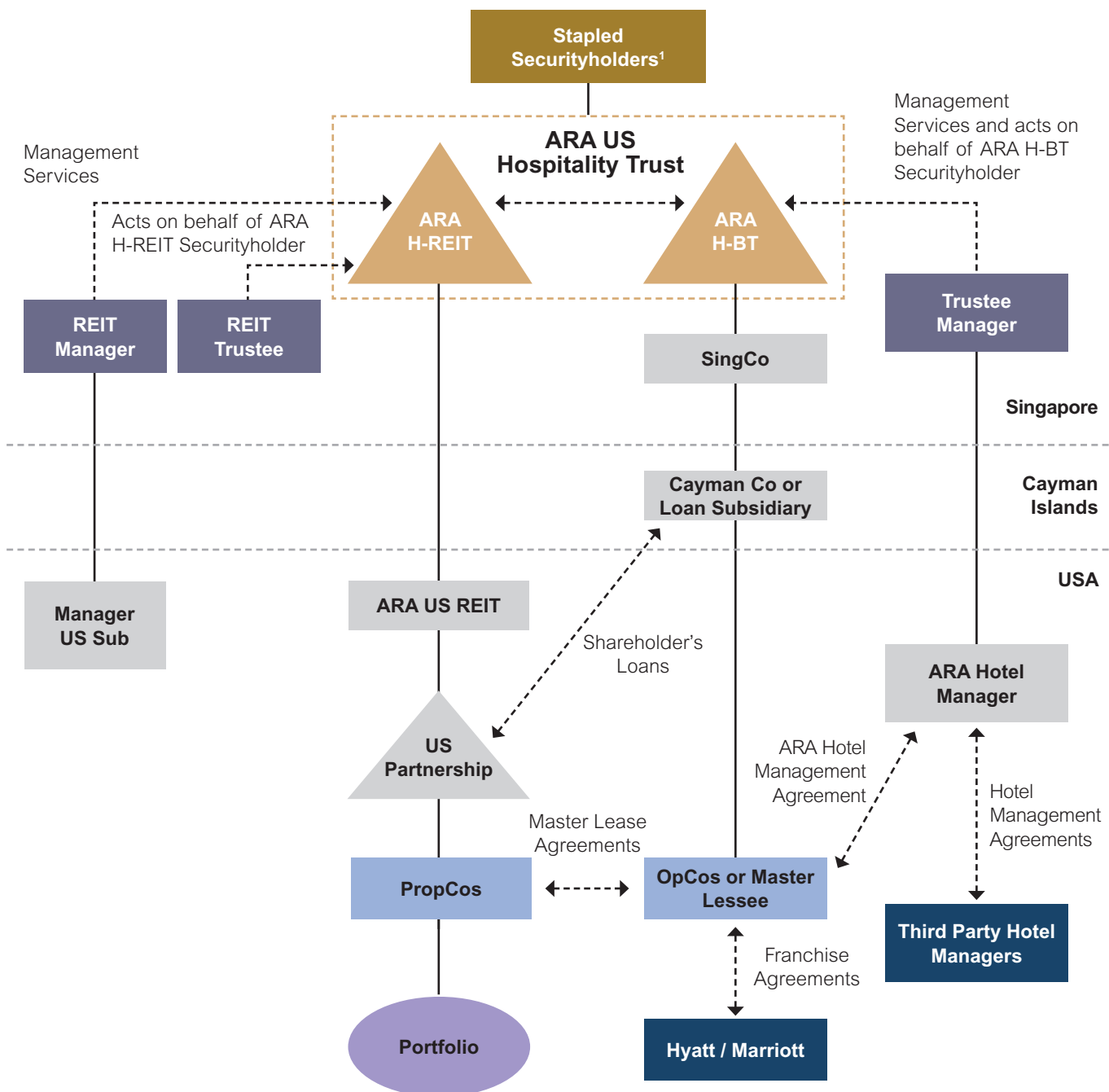
Attributes of Select-Service Hotels



Trust Structure

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

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



Additional Information on the Master Lease Agreements

In FY2019, all of the assets owned by ARA H-REIT were leased to ARA USH Chicago Tenant, LLC, a wholly-owned subsidiary of ARA H-BT.

Tenant	Industry	Percentage of Revenue	Expiry	Weighted Average Lease Expiry
ARA USH Chicago Tenant, LLC	Hospitality	100.0%	31 December 2024 ²	5.0 years

¹ Please refer to the section "Important Notice Regarding the Ownership of Stapled Securities" in the Prospectus.

² 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.

Board of Directors



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1. Stephen Ray Finch
Independent Non-Executive Chairman

2. Randy Allan Daniels
Independent Non-Executive Director

3. Stefanie Yuen Thio
Independent Non-Executive Director

4. Wong Choong Mann
Independent Non-Executive Director

5. Cheryl Seow Bee Lian
Non-Independent Non-Executive Director

6. Moses K. Song
Non-Independent Non-Executive Director

7. Lin Daqi
Non-Independent Non-Executive Director

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

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

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

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

Mr Daniels is currently 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. Prior to this, Mr Daniels 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 currently serves as the Chairman of Blackwater Midstream Corporation, and has served as a Non-Executive Director of JP Morgan Real Estate Income and Growth Fund and Southwest Water Company, since 2012 and 2011

respectively. Previously, 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 received a Bachelor of Science in Political Science and Broadcast Journalism from the Southern Illinois University, United States of America, in 1973.

Stefanie Yuen Thio **Independent Non-Executive Director, Chairwoman of the Audit Committees**

Ms Stefanie Yuen Thio is the 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. She was admitted to the Singapore Bar in 1994 and her areas of expertise include mergers and acquisitions, equity capital markets, corporate transactions and regulatory advice. She has more than 10 years of experience as a director of listed entities on the SGX-ST. In 2017, she was appointed by the Monetary Authority of Singapore to the Corporate Governance Council 2017 to review the Code of Corporate Governance. Ms Yuen Thio is a Fellow of the Singapore Institute of Directors. She currently serves as the Independent Non-Executive Director of ESR Funds Management (S) Limited (Manager of ESR-REIT) and Singapore Medical Group Limited. ESR-REIT and Singapore Medical Group Limited are both listed on the SGX.

Ms Yuen Thio graduated from the National University of Singapore with an LL.B (Honours) degree in 1993.

Wong Choong Mann **Independent Non-Executive Director**

Mr Wong Choong Mann is the 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 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 Corrupt Practices Investigation Bureau, 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 Choong Mann 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

Cheryl Seow Bee Lian

Non-Independent Non-Executive Director

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

Ms Seow is currently the Assistant Group Chief Executive Officer and Group Chief Financial Officer of ARA, overseeing the Group Finance and Group Risk Management & Internal Audit functions. Ms Seow also serves on the investment committee of ARA Private Funds. Prior to this, Ms Seow was a consultant providing accounting and consultancy services to small and medium enterprises from 2002 to 2003. Ms Seow also served as deputy financial controller and company secretary at L.C Development Ltd from 1997 to 2002, and as corporate finance manager at Royal Sporting House Pte Ltd from 1994 to 1997. Prior thereto, Ms Seow was an accountant at Amara Holdings Pte Ltd from 1993 to 1994 and Lum Chang Holdings Limited from 1990 to 1993. Ms Seow began her career with Deloitte Touche and Tohmatsu 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.

Moses K. Song

Non-Independent Non-Executive Director

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

Mr Moses K. Song is the Assistant Group Chief Executive Officer of ARA, responsible for leading the Group's global business expansion initiatives and overseeing ARA's Country Desks in Australia, the People's Republic of China, Korea, U.S., Japan and Europe. He holds the concurrent appointment of Group Chief Investment Officer and heads ARA's Group Investment Office, responsible for leading the Group's principal investment activities, developing new products and establishing new investment management platforms. Mr Song serves on the investment and executive committees of ARA Private Funds. He is also an Executive Board Member of the Asian Association for Investors in Non-listed Real Estate Vehicles (ANREV).

Prior to joining the Group, Mr Song was a Principal and Chief Operating Officer at Lubert-Adler Asia Advisors Pte. Ltd. Previously, he was a Managing Director with Marathon Asset Management (Singapore) Pte. Ltd. He was based in Hong Kong from 2004 to 2007 with Merrill Lynch (Asia Pacific) Ltd. as a Director in the Global Principal Investments group and Morgan Stanley Asia Ltd, as a Vice President in the Investment Banking Division. Mr Song began his career as a corporate and real estate finance attorney in the U.S. He moved to Asia in 2000 as a seconded attorney to Morgan Stanley International Real Estate Funds ("MSREF") in Tokyo, Japan and subsequently was appointed general counsel of MSREF's real asset management platform in Seoul, Korea in 2001.

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

Lin Daqi

Non-Independent Non-Executive Director

Mr Lin Daqi is the 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



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1. Lee Jin Yong
Chief Executive Officer

2. James S. Jung
Director, Investments

3. Lisa Swain
Director, Asset Management

4. Ling Hong Liang
Finance Director

5. Candice Cheng
Finance Manager

6. Jean Tan
Assistant Finance Manager

7. Low Ru Yan
Investor Relations Manager

Management Team

Lee Jin Yong Chief Executive Officer

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

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

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

James S. Jung Director, Investments

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

Mr Jung will work 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 a decade 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, who is based in the U.S. and employed by the ARA Hotel Manager, has over 25 years of experience and operational expertise in revenue management, sales and e-commerce. Prior to joining the ARA Hotel Manager, Ms Swain was Vice President of Asset Management at Clarion Partners, and oversaw a portfolio of 26 select-service and 6 full-service hotels. Ms Swain also has additional experience in hotel real estate investment consulting and property-level hotel management.

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

Ling Hong Liang Finance Director

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

Mr Ling is responsible for the finances of ARA US Hospitality Trust. Mr Ling has more than 17 years of experience in the accounting, finance and audit industry. Prior to joining the Managers, Mr Ling was the Vice President, Group Deputy Controller of GLP. Mr Ling also spent 9 years at Deloitte & Touche LLP, Singapore in the audit division where he had been the engagement senior manager for local listed companies and leading clients.

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

Candice Cheng
Finance Manager

Ms Candice Cheng is the Finance Manager of the Managers and is based in Singapore.

Ms Cheng is responsible for assisting the Finance Director with the finance function of ARA US Hospitality Trust. She has more than 10 years of experience in the finance industry. Prior to joining the Managers, she was Vice President, Equity Capital Markets at United Overseas Bank Limited. Ms Cheng has advised on several initial public offerings and other corporate finance activities for companies listed on the SGX-ST. She was also previously Corporate Finance Manager of Japan Residential Assets Manager Limited (Manager of Saizen REIT).

Ms Cheng holds a Bachelor of Accountancy degree from Nanyang Technological University and is a CFA Charterholder.

Jean Tan
Assistant Finance Manager

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

Ms Tan is responsible for the full scope of finance and reporting functions of ARA US Hospitality Trust. She has more than 18 years of work experience in the accounting and finance industry. Prior to joining the Managers, she worked at GLP, Ascendas, Banyan Tree & Resorts and Far East Organization in various finance and managerial positions.

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

Low Ru Yan
Investor Relations Manager

Ms Low Ru Yan is the Investor Relations Manager of the Managers and is based in Singapore. She is responsible for investor relations of ARA US Hospitality Trust and has over 10 years of work experience in the banking, government and hotel industry. Prior to joining the Managers, she worked in Samanea Management Ltd, Artyzen Hospitality Group, Enterprise Singapore and HSBC.

Ms Low holds a Bachelor of Business degree from Nanyang Technological University.

Operational Review

THE PORTFOLIO ACHIEVED AN OCCUPANCY OF 77.0%, ABOVE THE NATIONAL AVERAGE OF 66.1%, A TESTAMENT TO THE APPEAL OF OUR BRANDED UPSCALE SELECT-SERVICE PORTFOLIO

INDUSTRY OVERVIEW

In 2019, the overall U.S. lodging industry recorded supply growth of 2.0%, on par with demand growth of 2.0%. As a result, national occupancy held steady while ADR and RevPAR increased by 1.0% and 0.9% respectively.

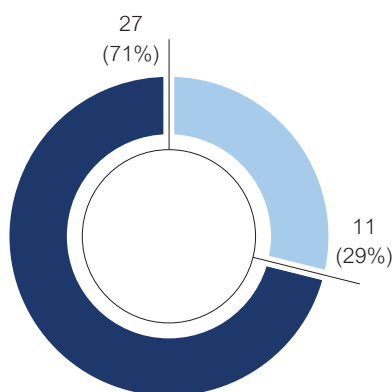
Compared to the U.S. national figures, the upscale select-service segment experienced supply growth of 4.9% in 2019 as hotel companies and developers continued to favor select-service hotels due to their superior demand and return profile. Meanwhile, demand growth for the segment during the year slightly lagged at 4.0%. Nevertheless, this was twofold of total U.S. demand growth. The temporary supply and demand imbalance resulted in a 0.8% decline in occupancy and 0.5% decrease in RevPAR. While supply headwinds have impacted RevPAR growth, it is considered to be a temporary condition and RevPAR performance is expected to gradually improve as new supply is absorbed.

REVIEW OF PORTFOLIO PERFORMANCE

In FY2019, ARA H-Trust's portfolio comprised 38 upscale select-service hotels, totaling 4,950 rooms across 21 states in the U.S.

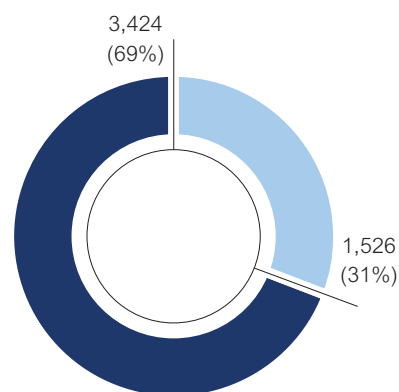
Since Listing Date to 31 December 2019, ARA H-Trust's portfolio recorded a RevPAR of US\$94, 7.7% lower than forecast. This was primarily attributable to new supply impact in various markets, resulting in temporary ADR dislocation due to introductory pricing from new supply entrants. Supply headwinds were exacerbated with demand dislocations, such as Hurricane Dorian and the General Motor strike. Furthermore, the portfolio experienced property management turnover in some instances, as we took active measures to upgrade staffing for key positions at the hotels.

Number of Hotels by Brand (2019)



Hyatt House Hyatt Place

Number of Guest Rooms by Brand (2019)



Hyatt House Hyatt Place

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Hyatt House Boston Burlington, Massachusetts

Notwithstanding the above, the portfolio achieved an occupancy of 77.0%, above the national average of 66.1%, a testament to the appeal of our branded upscale select-service portfolio and affirmation of our upscale select-service segment investment strategy. Furthermore, the portfolio’s RevPAR index of 106.3% demonstrates the strength of the portfolio in outperforming its competition.

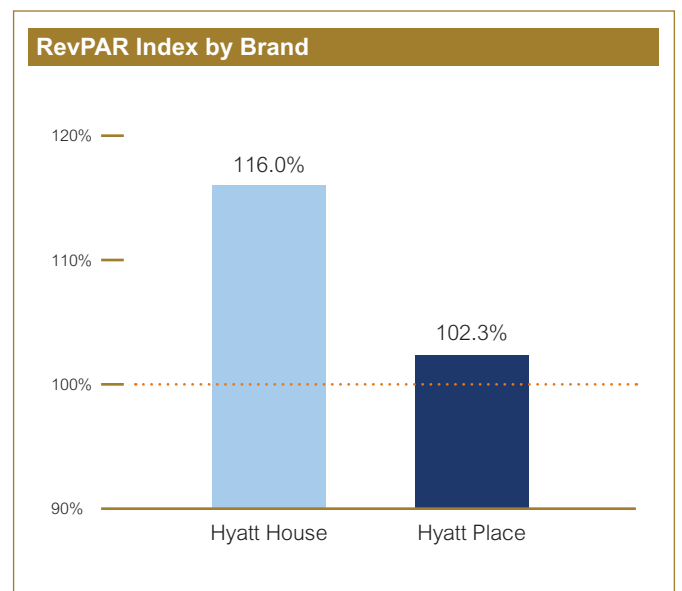
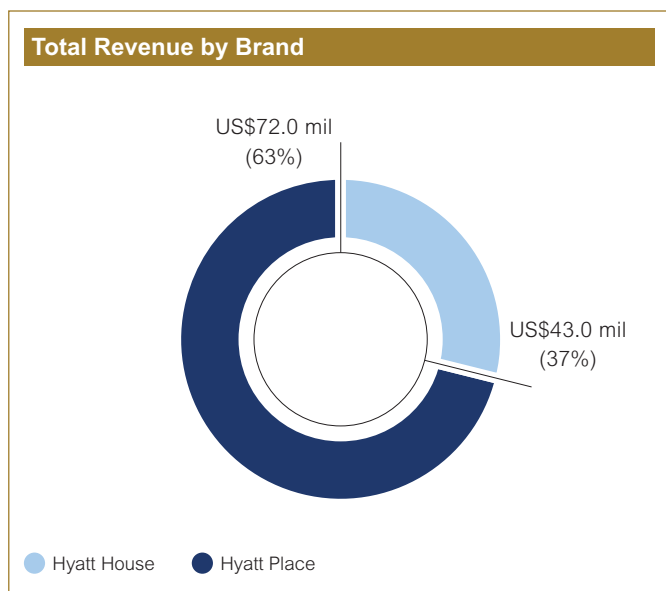
During FY2019, the Managers initiated a comprehensive action plan for the portfolio which included:

- 1) revenue management initiatives to optimize pricing;
- 2) sales initiatives to enhance capture and improve digital marketing;
- 3) cost management strategies focused on labor productivity improvements and detailed expense reviews; and
- 4) asset enhancement initiatives concentrated on enhancing guest appeal to improve competitiveness.

These comprehensive initiatives are steps to defend occupancy and accelerate ADR growth once the supply-demand conditions stabilize. This action plan combined with active asset management will help drive revenues, resulting in improved profits and yields.

Operating Performance Overview

	Occupancy	RevPAR	GOP Margin
Hyatt House	82.3%	US\$113	41.2%
Hyatt Place	74.6%	US\$85	35.7%
Total Portfolio	77.0%	US\$94	37.5%



Operational Review

HYATT HOUSE

About Hyatt House

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.

Hyatt House 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 comparatively 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.



11
HOTELS

Operational Performance

In FY2019, our Hyatt House hotels recorded a strong occupancy of 82.3% which outperformed the forecast of 81.4% and the ADR was 3.5% lower at US\$137. As a result, RevPAR was US\$113, or 2.5% lower than forecast. Nevertheless, our Hyatt House hotels outperformed their competitive sets significantly, with a RevPAR Index of 116.0%. From a geographical location perspective, most of our Hyatt House hotels are located around the Northeastern states which benefited from the stronger economic conditions largely driven by Boston and New York metro areas.

HYATT PLACE

About Hyatt Place

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 business travellers, as well as leisure guests and families. Hyatt Place hotels are also well suited to serve small meetings and events.

Hyatt Place hotels are typically oriented towards transient business and leisure travellers. The Hyatt Place hotels face varying degrees of competition from new supply depending on location. Certain markets with low barriers to entry and ample available land experienced new supply entering the market with introductory rates. The competition from new supply poses challenges to our Hyatt Place hotels as it dilutes demand, creating pricing pressure to lower ADR to maintain competitiveness. As new supply gets absorbed, occupancy and ADR growth are anticipated to resume.



27
HOTELS

Operational Performance

Our Hyatt Place hotels recorded an occupancy of 74.6% which was slightly lower than the forecast of 77.6% and the ADR was 6.9% lower than forecast at US\$122. As a result, RevPAR was US\$85, or 10.5% lower than forecast. Nevertheless, the hotels continued to outperform their competitive sets, with RevPAR Index at 102.3%.

AC HOTELS, COURTYARD AND RESIDENCE INN



COURTYARD
BY MARRIOTT

Residence INN
BY MARRIOTT

New Additions

In January 2020, ARA H-Trust completed the acquisition of three Marriott-branded upscale select-service hotels to add on to our initial portfolio. The three new freehold assets are located within dynamic submarkets with strong corporate and leisure demand drivers, with convenient access to downtown, airport, universities and corporate parks.

These hotels also bring further geographical diversification to increase our footprint to 22 states in the U.S. and are franchised under the well-known Marriott select-service brands, which enjoy brand affiliation and access to the Marriott Bonvoy loyalty program network.



Financial Review

TOTAL REVENUE

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

Total revenue for the financial period from Listing Date to 31 December 2019 was 7.9% lower than forecast as ADR was 5.5% lower at US\$122, while occupancy was 1.8% lower at 77.0%.

GROSS OPERATING PROFIT AND NET PROPERTY INCOME

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

Operating expenses for the financial period from Listing Date to 31 December 2019 was 1.7% lower than forecast primarily due to lower franchise fees, other operating expenses and utilities. Room expenses and property operations and maintenance expenses were in line with forecast as occupancy remained strong at 77.0%.

Net property income (“**NPI**”) is total revenue less property expenses. Property expenses comprise operating expenses, hotel management fee, property taxes and other expenses.

Hotel management fee is based on 3% of total revenue. Other expenses primarily comprise insurance and lease rental expenses.

GOP margin and NPI margin at 37.5% and 28.4% were lower by 4.0% and 4.4% respectively, primarily due to the lower ADR compared to forecast.

DISTRIBUTABLE INCOME

Distributable income and DPS were 7.7% lower than forecast for the period from Listing Date to 31 December 2019, primarily due to lower NPI, while tax expenses and net finance costs were lower.

Net finance costs were lower than forecast mainly due to lower interest rates, interest income from fixed deposits and the repayment of US\$7.5 million revolving credit facility in May 2019.

The operating subsidiary of ARA H-BT recognised deferred tax assets on tax loss carryforwards as a result of the lower GOP for the period. Tax loss carryforwards may be used to offset future taxable income, subject to compliance with the conditions to be fulfilled.

ASSETS AND LIABILITIES

Total assets of ARA H-Trust as at 31 December 2019 were US\$758.6 million, with NAV per Stapled Security at US\$0.87. As at 31 December 2019, assets under management amounted to US\$704.8 million.

Total borrowings of ARA H-Trust as at 31 December 2019 amounted to US\$244.3 million. At IPO, ARA H-Trust had gross borrowings of US\$251.8 million, which comprised US\$244.3 million of long-term loans and US\$7.5 million of revolving credit facility drawn. The revolving credit facility was subsequently repaid in May 2019 from existing cash resources. All borrowings are USD-denominated, which provides a natural hedge for the corresponding investments and income.

The IPO borrowings had a term to maturity of 4.4 years as at 31 December 2019 and was 83% hedged to fixed rate. The fair value of these derivative financial instruments was 1.5% of the net assets of ARA H-Trust as at 31 December 2019. All-in-cost of debt was 3.90% per annum, with aggregate leverage and interest coverage ratio at 32.1% and 4.5 times respectively.

In December 2019, ARA H-Trust entered into new unsecured loan facilities that amounted to US\$75 million which comprised a US\$66.0 million term loan facility and a US\$9.0 million unsecured revolving credit facility. The US\$66.0 million term loan facility was subsequently drawn down on 17 January 2020 to part finance the acquisition of a new portfolio of 3 Marriott-branded hotels.

As at 31 January 2020, ARA H-Trust has total unutilized revolving credit facilities of US\$19.0 million, unutilized renovation loan facility of US\$8.5 million and letter of credit facility of US\$8.0 million in place to meet its future obligations.

CASH FLOWS AND LIQUIDITY

As at 31 December 2019, ARA H-Trust had cash and cash equivalents of US\$45.2 million. Net cash generated from operating activities was US\$25.6 million for the period from Listing Date to 31 December 2019. Net cash used in investing activities amounted to US\$6.7 million, primarily due to payment for capital expenditure. Net cash generated from financing activities was US\$4.4 million, comprising proceeds from the issuance of Stapled Securities at IPO and proceeds from IPO borrowings, used for the redemption of existing units, repayment of pre-IPO loan facilities and payment of IPO transaction costs and loan interest expense.

USE OF IPO PROCEEDS

ARA H-Trust raised gross proceeds of US\$498.0 million from the issuance of 565,909,000 Stapled Securities at the IPO price of US\$0.88 per Stapled Security. The use of proceeds raised from the IPO, including proceeds from the IPO loan facilities of US\$251.8 million, had been fully utilized and is in accordance with the stated uses as disclosed in the Prospectus and announcements as set out on the next page:

Use of IPO Proceeds

	Per Prospectus	Actual	Variance	Balance of net proceeds
	US\$'000	US\$'000	US\$'000	US\$'000
Redemption of existing units and repayment of existing loan facilities	715,242	715,242	-	-
Transaction costs ¹	28,063	17,051	11,012	-
Working capital ¹	6,520	-	6,520	-
Proceeds for Acquisition ²	-	17,532	(17,532)	-
	749,825	749,825	-	-

¹ IPO transaction costs were lower due to savings in IPO related fees and GST refund on transaction costs. Unutilised net proceeds for transaction costs of US\$11,012,000 and working capital of \$6,520,000 were redeployed for purposes of the Acquisition (as defined below).

² Proceeds for Acquisition were applied towards partially funding the acquisition of a portfolio of three premium Marriott-branded upscale select-service hotels in the U.S. (the "**Acquisition**"). Please refer to the announcements of ARA H-Trust dated 6 November 2019 and 20 January 2020 for further information on the Acquisition.

Financial Summary

Listing Date to 31 December 2019

INCOME STATEMENT AND DISTRIBUTIONS

Gross Revenue (US\$'000)	114,952
Gross Operating Profit (US\$'000)	43,092
Net Property Income (US\$'000)	32,598
Distributable Income (US\$'000)	23,863
Distribution per Stapled Security (U.S. cents)	4.21

BALANCE SHEET

Property, Plant and Equipment (US\$'000)	704,808
Total Assets (US\$'000)	758,611
Total Borrowings (US\$'000)	243,739
Stapled Securityholders' Funds (US\$'000)	493,216
Net Asset Value per Stapled Security (U.S. cents)	0.87

KEY FINANCIAL INDICATORS

Aggregate Leverage Ratio	32.1%
Interest Coverage Ratio	4.5x
Weighted Average Cost of Debt	3.90%
Weighted Average Debt to Maturity (Years)	4.4

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 subsequently on ARA H-Trust's corporate website (www.araushotels.com) so as to keep investors updated of the material developments and financial performance of ARA H-Trust. Stapled Securityholders and the general public can also subscribe to ARA H-Trust's email alert service via the corporate website and they will receive email notifications of latest announcements and SGXNET filings on ARA H-Trust. There is also a dedicated communication channel (via email and telephone) to address queries from investors and the general public.

The Managers actively engage the investment community through regular results briefings, investor meetings, conference calls, non-deal roadshows, and investor conferences and events. Such interactions allow senior management to provide key strategic and performance updates on ARA H-Trust and help to raise the profile of ARA H-Trust. They also enable the Managers to gain insights into the market perceptions and expectations of ARA H-Trust. To engage retail investors, the Managers also participate in the Annual REITs Symposium, jointly organised by Shareinvestor and the REIT Association of Singapore, as part of the ARA Group.

The Annual General Meeting is also an important channel for communication between the Board of Directors, the management of the Managers and Stapled Securityholders. It provides a good platform for the Board of Directors and senior management of the Managers to actively engage retail investors in their enquiries and discussions about ARA H-Trust.

Investor Relations Calendar for FY2019

	Event	Location
May 2019	Listing of ARA US Hospitality Trust on 9 May 2019	Singapore
	Annual REITs Symposium	Singapore
July 2019	Post-2QFY2019 results briefing	Singapore
	Non-deal roadshow	Singapore
August 2019	Non-deal roadshow	Malaysia
November 2019	Post-3QFY2019 results briefing	Singapore
February 2020	Post-4QFY2019 results briefing	Singapore
By June 2020	FY2019 Annual General Meeting	Singapore

Proposed Financial and Distribution Calendar for FY2020

Half Year Results Announcement	August 2020
Payment of Distribution to Stapled Securityholders (six months ending 30 June)	September 2020
Full Year Results Announcement	February 2021
Payment of Distribution to Stapled Securityholders (six months ending 31 December)	March 2021
Annual General Meeting	April 2021

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:

Ms Low Ru Yan, Investor Relations Manager
 Telephone: +65 6601 9362
 Email: ruyanlow@ara-group.com
 Website: www.araushotels.com

Stapled Security Price Performance

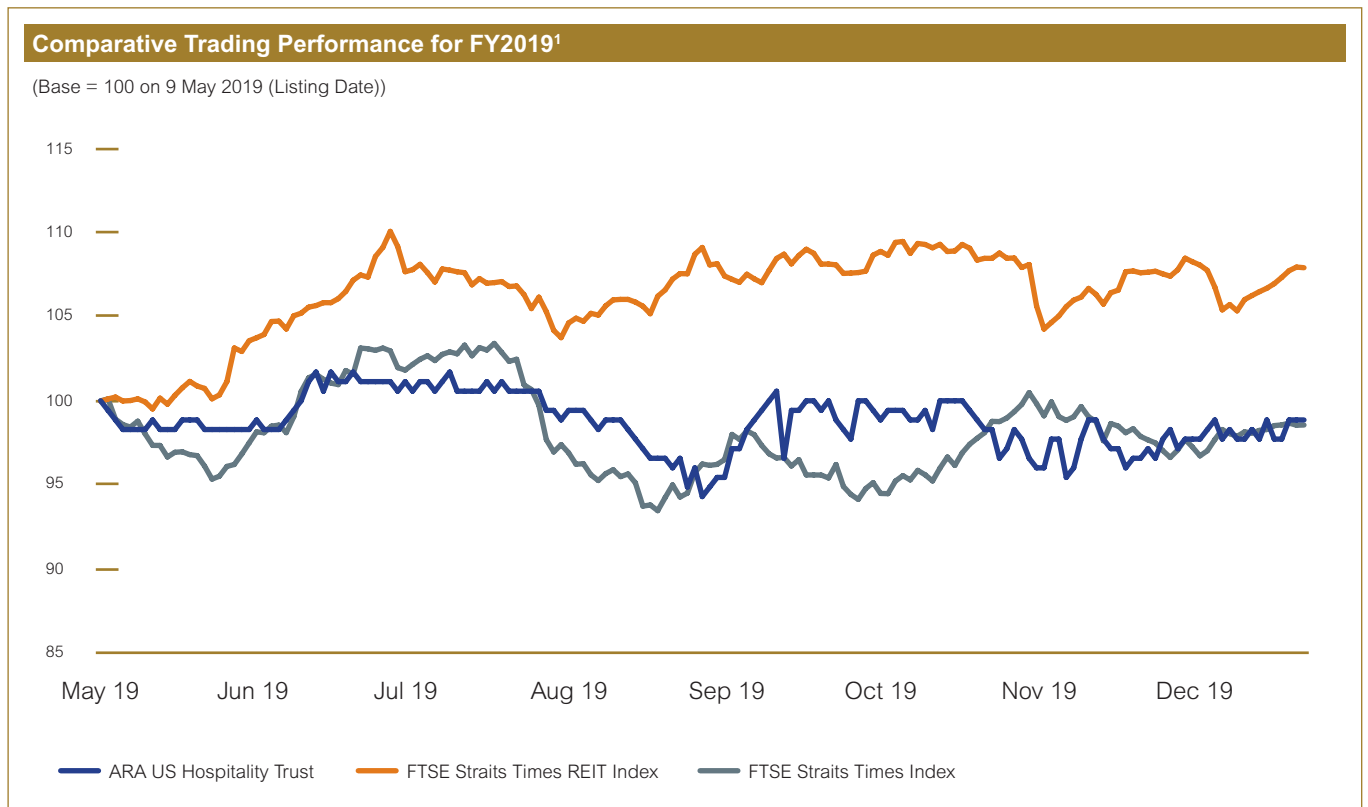
Stapled Security Price Performance

	FY2019 ¹
IPO Price as at 9 May 2019	US\$0.880
Closing Price as at 31 December 2019	US\$0.870
Highest Closing Price	US\$0.895
Lowest Closing Price	US\$0.830
Total Traded Volume (million Stapled Securities)	79.8
Average Daily Volume Traded (million Stapled Securities)	0.5
Total Return ²	3.6%

Notes:

¹ For the period from 9 May 2019 (Listing Date) to 31 December 2019.

² Based on the IPO Price of US\$0.880 per Stapled Security, closing price of US\$0.870 per Stapled Security as at 31 December 2019 and the distribution declared for FY2019 of US\$0.04206 per Stapled Security.



Source: Bloomberg

Notes:

¹ For the period from 9 May 2019 (Listing Date) to 31 December 2019.

² 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.

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01 Hyatt Place Omaha Downtown Old Market, Nebraska

02 Hyatt Place Chicago Itasca, Illinois

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

04 Courtyard San Antonio Six Flags® at The Rim, Texas

05 AC Hotel Raleigh North Hills, North Carolina

06 Hyatt House Parsippany Whippany, New Jersey

Our Hotels

HYATT HOUSE BOSTON BURLINGTON, MASSACHUSETTS

2 Van De Graaff Drive, Burlington, MA 01803



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

Type of Hotel	Upscale Extended-stay
Title	Freehold
Valuation (US\$ million)	36.0
Valuation Date	31 December 2019
Number of Rooms	150
Year of Commencement of Operations	1998
Year of Last Renovation	2016
Food & Beverage	Complimentary buffet breakfast, H-Bar offering beverages and snacks
Other Amenities & Services	Outdoor pool and whirlpool, Business centre, Fitness centre, 24-hour on-site market, guest laundry and complimentary Wi-Fi Internet access
Parking Spaces	162
Total Revenue* (US\$ million)	5.2
Occupancy Rate*	87.2%

* 9 May 2019 (Listing Date) till 31 December 2019

HYATT HOUSE BRANCBURG, NEW JERSEY

3141 Route 22 East, Branchburg, NJ 08876



Hyatt House Branchburg is located close to three major highways providing guests that drive to Somerset County for various events easy access to the Property. The Bridgewater Branchburg region, a town of Somerset County, is 43 miles from New York City and 65 miles from Philadelphia. Hyatt House Bridgewater Branchburg is within a five-mile radius to diverse corporate businesses such as (i) Merck (pharmaceutical corporation), (ii) Nestle, (iii) Qualcomm (semiconductor and telecommunications corporation), (iv) Linde Group (gases and engineering manufacturer) and (v) Allergan (pharmaceutical corporation). In addition, the Property is 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.

Type of Hotel	Upscale Extended-stay
Title	Freehold
Valuation (US\$ million)	24.7
Valuation Date	31 December 2019
Number of Rooms	139
Year of Commencement of Operations	2004
Year of Last Renovation	2016
Food & Beverage	Daily complimentary breakfast, H-Bar serving cocktails and light food options in the evening
Other Amenities & Services	Outdoor pool and whirlpool, Business centre, Fitness centre, 24-hour on-site market, guest laundry, outdoor patio with barbeque area and complimentary Wi-Fi Internet access
Parking Spaces	170
Total Revenue* (US\$ million)	4.0
Occupancy Rate*	78.3%

* 9 May 2019 (Listing Date) till 31 December 2019

HYATT HOUSE FISHKILL, NEW YORK

100 Westage Business Center, Fishkill, NY 12524



Hyatt House Fishkill is located within the Hudson Valley region at the Catskills Mountains, a popular leisure destination for those that enjoy hiking, other outdoor recreational opportunities and numerous historic landmarks. The Property is located in Dutchess County which has recently experienced a growing economy. As of early 2018, more than US\$2.5 billion worth of projects were under construction and US\$540 million were invested in planning and development of the county. Hyatt House Fishkill is in close proximity to diverse corporate businesses such as (i) CryusOne (real estate investment trust investing in data centres), (ii) Gap’s distribution centre, (iii) Linuo Solar Group and (iv) Mechtronics. In addition, the Property is located near a medical centre, numerous education institutions and a recently constructed sports dome that is expected to draw approximately 600,000 visitors per year.

Type of Hotel	Upscale Extended-stay
Title	Freehold
Valuation (US\$ million)	20.2
Valuation Date	31 December 2019
Number of Rooms	135
Year of Commencement of Operations	2006
Year of Last Renovation	2016
Food & Beverage	Complimentary daily breakfast, H-Bar offering premium alcoholic beverages, and light fare options
Other Amenities & Services	Indoor pool and whirlpool, business centre, fitness centre, 24-hour on-site market, guest laundry and complimentary Wi-Fi Internet access
Parking Spaces	151
Total Revenue* (US\$ million)	3.7
Occupancy Rate*	82.2%

* 9 May 2019 (Listing Date) till 31 December 2019

HYATT HOUSE MORRISTOWN, NEW JERSEY

194 Park Avenue, Morristown, NJ 07960



Morristown County has a concentration of a dozen Fortune 500 companies and nearly 1,000 firms, three regional universities and regional medical centre. 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 corporate businesses 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. In addition, there are several large corporate presences that include (i) BASF (chemicals manufacturer), (ii) American International Group, Inc. (AIG), (iii) Automatic Data Processing, Inc (ADP), (iv) MetLife (insurance provider), (v) PricewaterhouseCoopers and (vi) Deloitte.

Type of Hotel	Upscale Extended-stay
Title	Freehold
Valuation (US\$ million)	35.1
Valuation Date	31 December 2019
Number of Rooms	132
Year of Commencement of Operations	1997
Year of Last Renovation	2016
Food & Beverage	Daily complimentary breakfast, H-Bar lounge serving cocktails and light food options in the evenings
Other Amenities & Services	Outdoor pool and whirlpool, sports court, Business centre, Fitness centre, 24-hour on-site market, guest laundry and complimentary Wi-Fi Internet access
Parking Spaces	147
Total Revenue* (US\$ million)	4.6
Occupancy Rate*	85.2%

* 9 May 2019 (Listing Date) till 31 December 2019

Our Hotels

HYATT HOUSE PARSIPPANY-EAST, NEW JERSEY

299 Smith Road, Parsippany, NJ 07054



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

Type of Hotel	Upscale Extended-stay
Title	Freehold
Valuation (US\$ million)	23.9
Valuation Date	31 December 2019
Number of Rooms	140
Year of Commencement of Operations	2004
Year of Last Renovation	2015
Food & Beverage	Daily complimentary breakfast, H-Bar serving cocktails and light food options in the evening
Other Amenities & Services	Outdoor pool and whirlpool, Business centre, Fitness centre, sports court, 24-hour on-site market, guest laundry and complimentary Wi-Fi Internet access
Parking Spaces	164
Total Revenue* (US\$ million)	3.9
Occupancy Rate*	78.1%

* 9 May 2019 (Listing Date) till 31 December 2019

HYATT HOUSE PARSIPPANY WHIPPANY, NEW JERSEY

1 Ridgedale Avenue North, Whippany, NJ 07981



With a concentration of a dozen Fortune 500 companies and nearly 1000 firms, three regional universities and a regional medical centre, 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 (IBM) and (v) Bayer Corporation. The Property is also located close to special events facilities, which hosts large corporate and special events.

Type of Hotel	Upscale Extended-stay
Title	Freehold
Valuation (US\$ million)	29.0
Valuation Date	31 December 2019
Number of Rooms	135
Year of Commencement of Operations	1997
Year of Last Renovation	2016
Food & Beverage	Daily complimentary breakfast, H-Bar serving cocktails and light food options in the evening
Other Amenities & Services	Outdoor pool, Business centre, Fitness centre, 24-hour on-site market, guest laundry and complimentary Wi-Fi Internet access
Parking Spaces	145
Total Revenue* (US\$ million)	4.2
Occupancy Rate*	87.5%

* 9 May 2019 (Listing Date) till 31 December 2019

HYATT HOUSE PHILADELPHIA PLYMOUTH MEETING, PHILADELPHIA

501 East Germantown Pike, East Norriton, PA 19401



Hyatt House Philadelphia Plymouth Meeting is situated within Montgomery County, the region's second most populated county, 25 miles north of Philadelphia International Airport and 20 miles from downtown Philadelphia, the nation's fifth-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 corporate businesses such as (i) Dow Chemical, (ii) GlaxoSmithKline, (iii) Colonial Electric Company, (iv) Markel (insurance and investment corporation) and (v) IKEA. In addition, the Property is located near a regional shopping centre and a regional hospital. It is also located near the largest enclosed shopping centre in the U.S., one of the region's premier leisure demand generators.

Type of Hotel	Upscale Extended-stay
Title	Freehold
Valuation (US\$ million)	14.7
Valuation Date	31 December 2019
Number of Rooms	131
Year of Commencement of Operations	2000
Year of Last Renovation	2016
Food & Beverage	Complimentary buffet breakfast; H-Bar offering beverages and snacks
Other Amenities & Services	Outdoor pool, Business centre, Fitness centre, 24-hour on-site market, guest laundry and complimentary Wi-Fi
Parking Spaces	165
Total Revenue* (US\$ million)	3.3
Occupancy Rate*	82.5%

* 9 May 2019 (Listing Date) till 31 December 2019

HYATT HOUSE RALEIGH DURHAM AIRPORT, NORTH CAROLINA

10962 Chapel Hill Road, Morrisville, NC 27560



Located five miles from Raleigh Durham International Airport, Hyatt House Raleigh Durham Airport is situated in the heart of the Research Triangle, a renowned corridor of technology related companies in the Raleigh MSA. A recent study by the Milken Institute ranked the Raleigh MSA the second best-performing large city in the U.S.. Hyatt House Raleigh Durham Airport is within a five-mile radius of diverse corporate businesses such as (i) Lenovo, (ii) Credit Suisse, (iii) PPD (pharmaceuticals corporation), (iv) Amazon and (v) Toshiba Global Commerce. 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.

Type of Hotel	Upscale Extended-stay
Title	Freehold
Valuation (US\$ million)	22.2
Valuation Date	31 December 2019
Number of Rooms	141
Year of Commencement of Operations	2009
Year of Last Renovation	2016
Food & Beverage	Complimentary buffet breakfast; H-Bar offering beverages and snacks
Other Amenities & Services	Outdoor pool, Business centre, Fitness centre, 24-hour on-site market, guest laundry and complimentary Wi-Fi Internet access
Parking Spaces	154
Total Revenue* (US\$ million)	3.2
Occupancy Rate*	76.7%

* 9 May 2019 (Listing Date) till 31 December 2019

Our Hotels

HYATT HOUSE RICHMOND WEST, VIRGINIA

11800 West Broad Street, Richmond, VA 23233



Hyatt House Richmond West 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 Property is only 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. In addition, the Property 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.

Type of Hotel	Upscale Extended-stay
Title	Expiring in July 2072 ¹
Valuation (US\$ million)	34.1
Valuation Date	31 December 2019
Number of Rooms	134
Year of Commencement of Operations	2009
Year of Last Renovation	2017
Food & Beverage	Complimentary buffet breakfast; H-Bar offering beverages and snacks
Other Amenities & Services	Outdoor infinity-edge pool, business centre, fitness centre, 24-hour on-site market and complimentary Wi-Fi Internet access
Parking Spaces	5
Total Revenue* (US\$ million)	3.9
Occupancy Rate*	79.2%

¹ Hyatt House Richmond West is held under a ground leasehold (expiring in July 2072) and ARA H-REIT (through its wholly-owned subsidiary) has exercised the right to purchase the fee simple interest over the property at a price of US\$3.3 million. The conversion is currently being processed.

* 9 May 2019 (Listing Date) till 31 December 2019

HYATT HOUSE SHELTON, CONNECTICUT

830 Bridgeport Avenue, Shelton, CT 06484



Hyatt House Shelton is easily accessible from two major highway arteries in the state of Connecticut and has convenient access to local attractions and commuter transit to New York City. Hyatt House Shelton is also 10 minutes to a renowned U.S. military aircraft manufacturer. In addition, the Property is 20 minutes by car from several universities, most notably, Yale University. The Hotel is in close proximity to diverse corporate businesses 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). In addition, the Property is located near a regional shopping centre, a youth sporting facility which houses the world's only double-decker ice-skating arena, and several universities.

Type of Hotel	Upscale Extended-stay
Title	Freehold
Valuation (US\$ million)	17.8
Valuation Date	31 December 2019
Number of Rooms	127
Year of Commencement of Operations	2010
Year of Last Renovation	2017
Food & Beverage	Complimentary breakfast, H-Bar offering premium alcoholic beverages, and light fare for purchase
Other Amenities & Services	Indoor pool and whirlpool, Business centre, Fitness centre, 24-hour on-site market, guest laundry and complimentary Wi-Fi Internet access
Parking Spaces	77
Total Revenue* (US\$ million)	3.4
Occupancy Rate*	84.9%

* 9 May 2019 (Listing Date) till 31 December 2019

HYATT HOUSE STERLING DULLES AIRPORT NORTH, VIRGINIA

45520 Dulles Plaza, Sterling, VA 20166



The region has one of the fastest growing job markets in the U.S. having obtained more than US\$7 billion in commercial investment. It also offers easy access to the Washington, D.C. region. Hyatt House Sterling Dulles Airport North 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). In addition, the Property is located near the Washington Dulles International Airport, a major transit hub.

Type of Hotel	Upscale Extended-stay
Title	Freehold
Valuation (US\$ million)	22.0
Valuation Date	31 December 2019
Number of Rooms	162
Year of Commencement of Operations	2007
Year of Last Renovation	2016
Food & Beverage	Complimentary buffet breakfast; H-Bar offering beverages and snacks
Other Amenities & Services	Outdoor pool and whirlpool, Business centre, Fitness centre, 24-hour on-site market, guest laundry, outdoor patio and barbeque grill and complimentary Wi-Fi Internet access
Parking Spaces	153
Total Revenue* (US\$ million)	3.7
Occupancy Rate*	83.5%

* 9 May 2019 (Listing Date) till 31 December 2019

HYATT PLACE ALBUQUERQUE AIRPORT, NEW MEXICO

1400 Sunport Place South East, NM 87106



Hyatt Place Albuquerque Airport is located less than two miles from the Albuquerque International Airport, New Mexico's largest commercial airport and within 5 miles from various sectors including commercial, military, medical and education. Hyatt Place Albuquerque Airport is in close proximity to diverse corporate businesses such as (i) Kirtland Air Force Base and (ii) Sandia National Laboratories, both of which employ over 10,000 employees. The Property is also located near the region's two largest medical centres Presbyterian Hospital and University of New Mexico Hospital, and the University of New Mexico which is home to over 26,000 students.

Type of Hotel	Upscale Select-service
Title	Freehold
Valuation (US\$ million)	14.5
Valuation Date	31 December 2019
Number of Rooms	127
Year of Commencement of Operations	1998
Year of Last Renovation	2016
Food & Beverage	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
Other Amenities & Services	Outdoor pool, Business centre, Fitness centre and complimentary Wi-Fi Internet access
Parking Spaces	130
Total Revenue* (US\$ million)	2.6
Occupancy Rate*	81.6%

* 9 May 2019 (Listing Date) till 31 December 2019

Our Hotels

HYATT PLACE ATLANTA ALPHARETTA WINDWARD PARKWAY, GEORGIA

5595 Windward Parkway, Alpharetta, GA 30004



Hyatt Place Atlanta Alpharetta Windward Parkway is approximately 25 miles north of downtown Atlanta, which is ranked the ninth largest city in U.S. The Hyatt Place hotel is 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 Property. Hyatt Place Atlanta Alpharetta Windward Parkway is in close proximity to diverse corporate businesses such as (i) Hewlett-Packard, (ii) Halyard Health, (iii) Verizon, (iv) Fiserv and (v) ADP. The Property is also minutes from a lifestyle mixed-use development, which includes retail and restaurants. The presence of such infrastructure has increased the appeal of the region.

Type of Hotel	Upscale Select-service
Title	Freehold
Valuation (US\$ million)	21.9
Valuation Date	31 December 2019
Number of Rooms	127
Year of Commencement of Operations	1998
Year of Last Renovation	2016
Food & Beverage	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
Other Amenities & Services	Outdoor pool, Business centre, Fitness centre and complimentary Wi-Fi Internet access
Parking Spaces	150
Total Revenue* (US\$ million)	2.7
Occupancy Rate*	65.7%

* 9 May 2019 (Listing Date) till 31 December 2019

HYATT PLACE ATLANTA NORCROSS PEACHTREE, GEORGIA

5600 Peachtree Parkway, Norcross, GA 30092



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

Type of Hotel	Upscale Select-service
Title	Freehold
Valuation (US\$ million)	12.9
Valuation Date	31 December 2019
Number of Rooms	126
Year of Commencement of Operations	1996
Year of Last Renovation	2016
Food & Beverage	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
Other Amenities & Services	Outdoor pool, Business centre, Fitness centre, complimentary Wi-Fi Internet access and shuttle
Parking Spaces	116
Total Revenue* (US\$ million)	2.1
Occupancy Rate*	68.8%

* 9 May 2019 (Listing Date) till 31 December 2019

HYATT PLACE BIRMINGHAM INVERNESS, ALABAMA

4686 Highway 280 East, Birmingham, AL 35242



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

Type of Hotel	Upscale Select-service
Title	Freehold
Valuation (US\$ million)	9.6
Valuation Date	31 December 2019
Number of Rooms	126
Year of Commencement of Operations	1997
Year of Last Renovation	2015
Food & Beverage	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
Other Amenities & Services	Outdoor pool, Business centre, Fitness centre and complimentary Wi-Fi Internet access
Parking Spaces	126
Total Revenue* (US\$ million)	2.0
Occupancy Rate*	68.4%

* 9 May 2019 (Listing Date) till 31 December 2019

HYATT PLACE BOISE TOWNE SQUARE, IDAHO

925 North Milwaukee Street, Boise, ID 83704



Hyatt Place Boise Towne Square is located less than 6 miles from the Boise Airport and downtown Boise. It is located around 1.5 miles from Boise Town Square, the only super-regional shopping centre in Idaho and 2 miles from a regional hospital. Hyatt Place Boise Towne Square 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.

Type of Hotel	Upscale Select-service
Title	Freehold
Valuation (US\$ million)	16.9
Valuation Date	31 December 2019
Number of Rooms	127
Year of Commencement of Operations	1999
Year of Last Renovation	2015
Food & Beverage	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
Other Amenities & Services	Indoor pool, Business centre, Fitness centre, complimentary Wi-Fi Internet access and shuttle
Parking Spaces	116
Total Revenue* (US\$ million)	2.5
Occupancy Rate*	73.7%

* 9 May 2019 (Listing Date) till 31 December 2019

Our Hotels

HYATT PLACE CHARLOTTE AIRPORT TYVOLA ROAD, NORTH CAROLINA

2950 Oak Lake Boulevard, Charlotte, NC 28208



Hyatt Place Charlotte Airport Tyvola Road is four miles from Charlotte Douglas International Airport and five miles from Charlotte's CBD. Charlotte is a major centre of finance, industry, technology and entertainment. It is the third largest financial centre in the U.S. after New York City and San Francisco. 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. Hyatt Place Charlotte Airport Tyvola Road is within three miles of diverse corporate businesses such as (i) United Technologies, (ii) Vanguard, (iii) Time Warner Cable and (iv) Trane (heating and airconditioning manufacturer). In addition, the Property is minutes from two major professional sports stadiums which host both professional and intercollegiate games and tournaments.

Type of Hotel	Upscale Select-service
Title	Freehold
Valuation (US\$ million)	19.2
Valuation Date	31 December 2019
Number of Rooms	127
Year of Commencement of Operations	1999
Year of Last Renovation	2014
Food & Beverage	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
Other Amenities & Services	Outdoor pool, Business centre, Fitness centre, complimentary Wi-Fi Internet access and shuttle
Parking Spaces	142
Total Revenue* (US\$ million)	2.6
Occupancy Rate*	78.8%

* 9 May 2019 (Listing Date) till 31 December 2019

HYATT PLACE CHICAGO ITASCA, ILLINOIS

1150 North Arlington Heights Road, Itasca, IL 60143



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

Type of Hotel	Upscale Select-service
Title	Freehold
Valuation (US\$ million)	9.8
Valuation Date	31 December 2019
Number of Rooms	126
Year of Commencement of Operations	1996
Year of Last Renovation	2015
Food & Beverage	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
Other Amenities & Services	Indoor pool, Business centre, Fitness centre, complimentary Wi-Fi Internet access and shuttle
Parking Spaces	141
Total Revenue* (US\$ million)	2.4
Occupancy Rate*	74.5%

* 9 May 2019 (Listing Date) till 31 December 2019

HYATT PLACE CINCINNATI AIRPORT FLORENCE, KENTUCKY

300 Meijer Drive, Florence, KY 41042



Hyatt Place Cincinnati Airport Florence is located minutes from the Cincinnati International Airport (“**CVG**”) approximately 11 miles from downtown Cincinnati. The Cincinnati MSA ranks as the 30th largest in the U.S. and has a stable economy with nine Fortune 500 companies, more per capita than larger cities like New York, Chicago or Los Angeles. As an airport hotel, Hyatt Place Cincinnati Airport Florence 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. In addition to the airport, the interchange area is home to a regional hospital, regional shopping centre, Turfway Racetrack (horse racing grounds) and the Florence Executive Park.

Type of Hotel	Upscale Select-service
Title	Freehold
Valuation (US\$ million)	22.1
Valuation Date	31 December 2019
Number of Rooms	126
Year of Commencement of Operations	1997
Year of Last Renovation	2017
Food & Beverage	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
Other Amenities & Services	Indoor pool, Business centre, Fitness centre, complimentary Wi-Fi Internet access and shuttle
Parking Spaces	127
Total Revenue* (US\$ million)	3.6
Occupancy Rate*	90.6%

* 9 May 2019 (Listing Date) till 31 December 2019

HYATT PLACE CINCINNATI NORTHEAST, OHIO

5070 Natorp Boulevard, Mason, OH 45040



The Property is located within Warren County, the state's second fastest growing county. It is highlighted by 90 corporations that are headquartered throughout the 24 commercial parks and boasts one of the largest concentrations of international businesses in the region. Hyatt Place Cincinnati Northeast is in close proximity to diverse corporate businesses including (i) Procter & Gamble, (ii) Portion Pac, (iii) Macy's, (iv) Mitsubishi Electric Automotive and (v) Microsoft. The Property is also located near Kings Island Amusement Park, which was the second most visited amusement park in 2016 in the U.S.

Type of Hotel	Upscale Select-service
Title	Freehold
Valuation (US\$ million)	10.1
Valuation Date	31 December 2019
Number of Rooms	127
Year of Commencement of Operations	1999
Year of Last Renovation	2015
Food & Beverage	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
Other Amenities & Services	Indoor pool, Business centre, Fitness centre and complimentary Wi-Fi Internet access
Parking Spaces	109
Total Revenue* (US\$ million)	2.3
Occupancy Rate*	65.4%

* 9 May 2019 (Listing Date) till 31 December 2019

Our Hotels

HYATT PLACE CLEVELAND INDEPENDENCE, OHIO

6025 Jefferson Drive, Independence, OH 44131



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

Type of Hotel	Upscale Select-service
Title	Freehold
Valuation (US\$ million)	10.1
Valuation Date	31 December 2019
Number of Rooms	127
Year of Commencement of Operations	1996
Year of Last Renovation	2016
Food & Beverage	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
Other Amenities & Services	Indoor pool, Business centre, Fitness centre and complimentary Wi-Fi Internet access
Parking Spaces	128
Total Revenue* (US\$ million)	2.2
Occupancy Rate*	67.6%

* 9 May 2019 (Listing Date) till 31 December 2019

HYATT PLACE DENVER AIRPORT, COLORADO

16250 East 40th Avenue, Aurora, CO 80011



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

Type of Hotel	Upscale Select-service
Title	Freehold
Valuation (US\$ million)	17.3
Valuation Date	31 December 2019
Number of Rooms	126
Year of Commencement of Operations	1998
Year of Last Renovation	2014
Food & Beverage	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
Other Amenities & Services	Indoor pool, Business centre, Fitness centre, complimentary Wi-Fi Internet access and shuttle
Parking Spaces	145
Total Revenue* (US\$ million)	3.3
Occupancy Rate*	82.6%

* 9 May 2019 (Listing Date) till 31 December 2019

HYATT PLACE DETROIT AUBURN HILLS, MICHIGAN

1545 North Opdyke Road, Auburn Hills, MI 48326



Hyatt Place Detroit Auburn Hills is in Auburn Hills, approximately 30 miles outside Detroit, in one of the MSA's fastest growing submarkets. 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. Hyatt Place Detroit Auburn Hills 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. In addition, the Property is located near Oakland University, which houses 20,000 students. It is also within five miles from approximately 15 million sq ft wide of office space and approximately 41.6 million sq ft wide of industrial space.

Type of Hotel	Upscale Select-service
Title	Freehold
Valuation (US\$ million)	12.3
Valuation Date	31 December 2019
Number of Rooms	127
Year of Commencement of Operations	1996
Year of Last Renovation	2016
Food & Beverage	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
Other Amenities & Services	Indoor pool, Business centre, Fitness centre and complimentary Wi-Fi Internet access
Parking Spaces	149
Total Revenue* (US\$ million)	2.1
Occupancy Rate*	66.0%

* 9 May 2019 (Listing Date) till 31 December 2019

HYATT PLACE DETROIT LIVONIA, MICHIGAN

19300 Haggerty Road, Livonia, MI 48152



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

Type of Hotel	Upscale Select-service
Title	Freehold
Valuation (US\$ million)	15.2
Valuation Date	31 December 2019
Number of Rooms	127
Year of Commencement of Operations	1998
Year of Last Renovation	2016
Food & Beverage	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
Other Amenities & Services	Indoor pool, Business centre, Fitness centre, complimentary Wi-Fi Internet access and shuttle
Parking Spaces	125
Total Revenue* (US\$ million)	2.7
Occupancy Rate*	75.1%

* 9 May 2019 (Listing Date) till 31 December 2019

Our Hotels

HYATT PLACE LAKELAND CENTER, FLORIDA

525 West Orange Street, Lakeland, FL 33815



Hyatt Place Lakeland Center is located in downtown Lakeland, one of Florida's dynamic mid-sized MSAs. The region is also home to fulfillment centres of large online retailers and delivery service providers such as Amazon, Walmart and FedEx. Hyatt Place Lakeland Center 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. In addition, the Property is located near a convention and entertainment complex which is currently being upgraded, a regional medical centre and a sports stadium.

Type of Hotel	Upscale Select-service
Title	Leasehold expiring in July 2073
Valuation (US\$ million)	15.3
Valuation Date	31 December 2019
Number of Rooms	127
Year of Commencement of Operations	1999
Year of Last Renovation	2016
Food & Beverage	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
Other Amenities & Services	Outdoor pool, Business centre, Fitness centre and complimentary Wi-Fi Internet access
Parking Spaces	128
Total Revenue* (US\$ million)	2.1
Occupancy Rate*	68.1%

* 9 May 2019 (Listing Date) till 31 December 2019

HYATT PLACE LOUISVILLE EAST

701 South Hurstbourne Parkway, Louisville, KY 40222



Hyatt Place Louisville East is 11.5 miles from Lexington's CBD and 3.5 miles from a business park. The Louisville region is a major centre for the healthcare and medical science industries. Hyatt Place Louisville East 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. In addition, the Property is located near a local university and international convention centre.

Type of Hotel	Upscale Select-service
Title	Freehold
Valuation (US\$ million)	16.1
Valuation Date	31 December 2019
Number of Rooms	121
Year of Commencement of Operations	1994
Year of Last Renovation	2015
Food & Beverage	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
Other Amenities & Services	Outdoor pool, Business centre, Fitness centre, complimentary Wi-Fi Internet access and shuttle
Parking Spaces	120
Total Revenue* (US\$ million)	2.5
Occupancy Rate*	75.2%

* 9 May 2019 (Listing Date) till 31 December 2019

HYATT PLACE MEMPHIS PRIMACY PARKWAY, TENNESSEE

1220 Primacy Parkway, Memphis, TN 38119



Hyatt Place Memphis Primacy Parkway is located in Memphis, which is widely known as a distribution centre. The region is hence the headquarters for major manufacturing and services. Hyatt Place Memphis Primacy Parkway 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). In addition, the Property is located near several hospitals.

Type of Hotel	Upscale Select-service
Title	Freehold
Valuation (US\$ million)	13.0
Valuation Date	31 December 2019
Number of Rooms	126
Year of Commencement of Operations	1996
Year of Last Renovation	2015
Food & Beverage	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
Other Amenities & Services	Outdoor pool, Business centre, Fitness centre and complimentary Wi-Fi Internet access
Parking Spaces	147
Total Revenue* (US\$ million)	2.5
Occupancy Rate*	76.0%

* 9 May 2019 (Listing Date) till 31 December 2019

HYATT PLACE MYSTIC, CONNECTICUT

224 Greenmanville Avenue, Mystic, CT 06355



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

Type of Hotel	Upscale Select-service
Title	Freehold
Valuation (US\$ million)	11.0
Valuation Date	31 December 2019
Number of Rooms	79
Year of Commencement of Operations	1999
Year of Last Renovation	2014
Food & Beverage	Complimentary buffet breakfast; 24/7 Gallery and Coffee to Cocktails Bar
Other Amenities & Services	Outdoor pool, Business centre, Fitness centre and complimentary Wi-Fi Internet access
Parking Spaces	96
Total Revenue* (US\$ million)	2.2
Occupancy Rate*	78.6%

* 9 May 2019 (Listing Date) till 31 December 2019

Our Hotels

HYATT PLACE NASHVILLE BRENTWOOD, TENNESSEE

202 Summit View Drive, Brentwood, TN 37027



Hyatt Place Nashville Brentwood is approximately 11 miles south of downtown Nashville, ranked as the seventh fastest-growing American city in 2018, approximately 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. Hyatt Place Nashville Brentwood is near several national or regional headquarters of diverse corporate businesses such as (i) AIG, (ii) AT&T, (iii) Tractor Supply and (iv) Comdata. The Property is also located near to the 1 million sq ft-wide mall CoolSprings Galleria, one of Tennessee's largest shopping malls, which is located adjacent to Brentwood's southern border.

Type of Hotel	Upscale Select-service
Title	Freehold
Valuation (US\$ million)	17.0
Valuation Date	31 December 2019
Number of Rooms	124
Year of Commencement of Operations	1991
Year of Last Renovation	2015
Food & Beverage	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
Other Amenities & Services	Outdoor pool, Business centre, Fitness centre and complimentary Wi-Fi Internet access
Parking Spaces	134
Total Revenue* (US\$ million)	2.8
Occupancy Rate*	76.5%

* 9 May 2019 (Listing Date) till 31 December 2019

HYATT PLACE NASHVILLE OPRYLAND, TENNESSEE

220 Rudy Circle, Nashville, TN 37214



Hyatt Place Nashville Opryland is approximately six miles off downtown Nashville. With 14 Fortune 1000 companies 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. More than twelve institutions of higher education call the region home, including the renowned Vanderbilt University. Hyatt Place Nashville Opryland is within a five-mile radius of corporate businesses such as Nissan North America, CHS (agriculture corporation) and Kirkland's (retail chain corporation). The Property 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.

Type of Hotel	Upscale Select-service
Title	Freehold
Valuation (US\$ million)	23.4
Valuation Date	31 December 2019
Number of Rooms	123
Year of Commencement of Operations	1990
Year of Last Renovation	2015
Food & Beverage	Complimentary buffet breakfast; 24/7 Gallery and Coffee to Cocktails Bar
Other Amenities & Services	Outdoor pool, Business centre, Fitness centre and complimentary Wi-Fi Internet access
Parking Spaces	121
Total Revenue* (US\$ million)	3.6
Occupancy Rate*	78.6%

* 9 May 2019 (Listing Date) till 31 December 2019

HYATT PLACE OKLAHOMA CITY AIRPORT, OKLAHOMA

1818 South Meridian Avenue, Oklahoma City, OK 73108



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

Type of Hotel	Upscale Select-service
Title	Freehold
Valuation (US\$ million)	11.5
Valuation Date	31 December 2019
Number of Rooms	126
Year of Commencement of Operations	1997
Year of Last Renovation	2015
Food & Beverage	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
Other Amenities & Services	Outdoor pool, Business centre, Fitness centre, complimentary Wi-Fi Internet access and shuttle
Parking Spaces	143
Total Revenue* (US\$ million)	2.0
Occupancy Rate*	70.1%

* 9 May 2019 (Listing Date) till 31 December 2019

HYATT PLACE OMAHA DOWNTOWN OLD MARKET, NEBRASKA

540 South 12th Street, Omaha, NE 68102



Hyatt Place Omaha Downtown Old Market is situated in the centre of Omaha's historic Old Market District which is a unique art, shopping and entertainment district. Further, the Property is located within two miles of 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 Property is only one mile away from the 250,000 sq ft CenturyLink Center Omaha Convention Centre which hosts concerts, conventions and sporting events, attracting over one million visitors each year. Hyatt Place Omaha Downtown Old Market is 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.

Type of Hotel	Upscale Select-service
Title	Freehold
Valuation (US\$ million)	28.9
Valuation Date	31 December 2019
Number of Rooms	159
Year of Commencement of Operations	2013
Year of Last Renovation	-
Food & Beverage	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
Other Amenities & Services	Indoor pool, Business centre, Fitness centre and complimentary Wi-Fi Internet access
Parking Spaces	168
Total Revenue* (US\$ million)	4.2
Occupancy Rate*	79.2%

* 9 May 2019 (Listing Date) till 31 December 2019

Our Hotels

HYATT PLACE PITTSBURGH AIRPORT, PENNSYLVANIA

6011 Campbells Run Road, Pittsburgh, PA 15205



The city of Pittsburgh enjoys a well-diversified and dynamic economy. Historically known for its prominence in steel production and heavy manufacturing, Pittsburgh currently has a vibrant economy, with healthcare services, retail, government and hospitality combining to create a stable yet robust marketplace. Hyatt Place Pittsburgh Airport 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. In addition, the Property enjoys additional demand from its proximity to the airport and three major universities.

Type of Hotel	Upscale Select-service
Title	Freehold
Valuation (US\$ million)	8.5
Valuation Date	31 December 2019
Number of Rooms	127
Year of Commencement of Operations	1998
Year of Last Renovation	2014
Food & Beverage	Complimentary buffet breakfast; 24/7 Gallery and Coffee to Cocktails Bar
Other Amenities & Services	Outdoor pool, Business centre, Fitness centre and complimentary Wi-Fi Internet access
Parking Spaces	120
Total Revenue* (US\$ million)	2.0
Occupancy Rate*	67.3%

* 9 May 2019 (Listing Date) till 31 December 2019

HYATT PLACE PITTSBURGH CRANBERRY, PENNSYLVANIA

136 Emeryville Drive, Cranberry Township, PA 16066



Hyatt Place Pittsburgh Cranberry is situated in one of Pennsylvania's fastest growing communities, Cranberry Township. The local area provides easy access to a transportation network that is easily accessible from the greater Pittsburgh region. Cranberry Township is a commercial centre for retail, office and industrial space users. Hyatt Place Pittsburgh Cranberry is surrounded by large office parks within a five-mile radius. In addition, the Property is located near a regional shopping centre, a professional sports training facility and an advanced health care centre that provides specialised medical and surgical treatment.

Type of Hotel	Upscale Select-service
Title	Freehold
Valuation (US\$ million)	8.8
Valuation Date	31 December 2019
Number of Rooms	127
Year of Commencement of Operations	1998
Year of Last Renovation	2015
Food & Beverage	Complimentary buffet breakfast; 24/7 Gallery and Coffee to Cocktails Bar
Other Amenities & Services	Indoor pool, Business centre, Fitness centre, market pantry and complimentary Wi-Fi Internet access
Parking Spaces	132
Total Revenue* (US\$ million)	2.1
Occupancy Rate*	71.7%

* 9 May 2019 (Listing Date) till 31 December 2019

HYATT PLACE RICHMOND ARBORETUM, VIRGINIA

201 Arboretum Place, Richmond, VA 23236



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

Type of Hotel	Upscale Select-service
Title	Freehold
Valuation (US\$ million)	15.0
Valuation Date	31 December 2019
Number of Rooms	127
Year of Commencement of Operations	1997
Year of Last Renovation	2015
Food & Beverage	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
Other Amenities & Services	Outdoor pool, Business centre, Fitness centre and complimentary Wi-Fi Internet access
Parking Spaces	145
Total Revenue* (US\$ million)	2.4
Occupancy Rate*	69.3%

* 9 May 2019 (Listing Date) till 31 December 2019

HYATT PLACE SACRAMENTO RANCHO CORDOVA, CALIFORNIA

10744 Gold Centre Drive, Rancho Cordova, CA 95670



As a state capital of California, the economy has diversified as lower living and business costs compared to the nearby San Francisco city continue to attract investment 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) Ernst & Young, and (iv) IBM. In addition, the Property is located near a sports and event centre which hosts several tournaments and events throughout the year. The Property is also three miles away from Mather Commercial Centre, one of the largest business parks in Greater Sacramento and within 5 miles of approximately 16.5 million sq ft wide of office space and approximately 17.9 million wide sq ft wide of industrial space.

Type of Hotel	Upscale Select-service
Title	Freehold
Valuation (US\$ million)	23.8
Valuation Date	31 December 2019
Number of Rooms	127
Year of Commencement of Operations	1999
Year of Last Renovation	2014
Food & Beverage	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
Other Amenities & Services	Outdoor pool, Business centre, Fitness centre, complimentary Wi-Fi Internet access and shuttle
Parking Spaces	158
Total Revenue* (US\$ million)	3.2
Occupancy Rate*	80.3%

* 9 May 2019 (Listing Date) till 31 December 2019

Our Hotels

HYATT PLACE SECAUCUS MEADOWLANDS, NEW JERSEY

575 Park Plaza Drive, Secaucus, NJ 07094



Located four miles from the heart of New York City, and 12 miles from Newark Liberty International Airport, the Hyatt Place Secaucus Meadowlands is situated within the Harmon Meadow mixed-use development and within walking distance of a variety of retail, dining, entertainment and Class A office space. Hyatt Place Secaucus Meadowlands is in close proximity to diverse corporate businesses such as (i) UBS, (ii) the National Basketball Association, (iii) Kenneth Cole and (iv) Xerox Corporation. The Property is also just four miles from the Meadowlands Sports Complex, which houses two major American national football teams. In addition, the Property is located near a regional shopping centre which is slated to open in stages commencing from 2019 and houses an indoor ski and snowboard park, a Sea Life Aquarium and a Nickelodeon Universe-themed indoor amusement park and water park.

Type of Hotel	Upscale Select-service
Title	Leasehold expiring in June 2071
Valuation (US\$ million)	24.2
Valuation Date	31 December 2019
Number of Rooms	159
Year of Commencement of Operations	1998
Year of Last Renovation	2014
Food & Beverage	Daily complimentary breakfast, 24/7 Gallery and Coffee to Cocktails Bar
Other Amenities & Services	Business centre, Fitness centre, complimentary Wi-Fi Internet access and shuttle
Parking Spaces	17
Total Revenue* (US\$ million)	5.0
Occupancy Rate*	85.5%

* 9 May 2019 (Listing Date) till 31 December 2019

HYATT PLACE TAMPA BUSCH GARDENS, FLORIDA

11408 North 30th Street, Tampa, FL 33612



Hyatt Place Tampa Busch Gardens is situated in Tampa MSA which is one of the fastest growing markets with several local development projects lined up. Hyatt Place Tampa Busch Gardens 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 Centre. In addition, the Property is located near a theme park and one of the nation's largest colleges.

Type of Hotel	Upscale Select-service
Title	Freehold
Valuation (US\$ million)	16.6
Valuation Date	31 December 2019
Number of Rooms	126
Year of Commencement of Operations	1997
Year of Last Renovation	2014
Food & Beverage	Complimentary buffet breakfast, 24/7 Gallery and Coffee to Cocktails Bar
Other Amenities & Services	Outdoor pool, Business centre, Fitness centre, complimentary Wi-Fi Internet access and shuttle
Parking Spaces	140
Total Revenue* (US\$ million)	2.5
Occupancy Rate*	76.6%

* 9 May 2019 (Listing Date) till 31 December 2019

AC HOTEL RALEIGH NORTH HILLS, NORTH CAROLINA

101 Park at North Hills Street, Raleigh, NC 27609



AC Hotel 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 million square feet of office space, with notable tenants such as PwC, KPMG and Bank of America, plus retail, entertainment and residences. The key demand drivers include the Research Triangle Park – one of the most prominent high-tech research and development parks in the United States and houses 200 companies (including IBM, SAS, GlaxoSmithKline, Cisco and Lenovo) with over 50,000 workers. Besides that, the hotel is in close proximity to leading universities including the North Carolina State University (35,000 students), Duke University (15,000 students), University of North Carolina (29,000 students).

Type of Hotel	Upscale Select-service
Title	Freehold
Acquisition Date	17 January 2020
Purchase Price (US\$ million)	43.0
Valuation (US\$ million)	45.1
Valuation Date	1 December 2019
Number of Rooms	135
Year of Commencement of Operations	2017
Year of Last Renovation	-
Food & Beverage	Rooftop bar and lounge
Other Amenities & Services	Fitness center, lobby workstation and a market pantry
Parking Spaces	Communal Garage
Occupancy Rate*	78.3%

* 1 January 2019 to 31 December 2019, prior to ARA H-Trust's ownership

COURTYARD SAN ANTONIO SIX FLAGS® AT THE RIM, TEXAS

5731 Rim Pass, San Antonio, TX 78257



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

Type of Hotel	Upscale Select-service
Title	Freehold
Acquisition Date	17 January 2020
Purchase Price (US\$ million)	21.75
Valuation (US\$ million)	22.9
Valuation Date	1 December 2019
Number of Rooms	124
Year of Commencement of Operations	2009
Year of Last Renovation	2017
Food & Beverage	Restaurant and lounge
Other Amenities & Services	Outdoor pool, outdoor whirlpool, fitness centre, lobby workstation, market pantry, guest laundry room, outdoor patio and barbecue area
Parking Spaces	103
Occupancy Rate*	79.9%

* 1 January 2019 to 31 December 2019, prior to ARA H-Trust's ownership

Our Hotels

RESIDENCE INN SAN ANTONIO SIX FLAGS® AT THE RIM, TEXAS

5707 Rim Pass, San Antonio, TX 78257



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

Type of Hotel	Upscale Extended-stay
Title	Freehold
Acquisition Date	17 January 2020
Purchase Price (US\$ million)	19.25
Valuation (US\$ million)	20.9
Valuation Date	1 December 2019
Number of Rooms	131
Year of Commencement of Operations	2009
Year of Last Renovation	2017
Food & Beverage	Complimentary services area
Other Amenities & Services	Outdoor pool, an outdoor whirlpool, fitness centre, lobby workstation, guest laundry room and a sports court
Parking Spaces	162
Occupancy Rate*	79.4%

* 1 January 2019 to 31 December 2019, prior to ARA H-Trust's ownership

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.**

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United States of America
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Texas 75024

BOARD OF DIRECTORS

Stephen Ray Finch
Independent Non-Executive
Chairman

Randy Allan Daniels
Independent Non-Executive
Director

Stefanie Yuen Thio
Independent Non-Executive
Director

Wong Choong Mann
Independent Non-Executive
Director

Cheryl Seow Bee Lian
Non-Independent Non-Executive
Director

Moses K. Song
Non-Independent Non-Executive
Director

Lin Daqi
Non-Independent Non-Executive
Director

AUDIT COMMITTEE

Stefanie Yuen Thio
Chairwoman

Stephen Ray Finch
Member

Randy Allan Daniels
Member

Wong Choong Mann
Member

REIT TRUSTEE

DBS Trustee Limited
12 Marina Boulevard
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Tel: +65 6878 8888

AUDITOR

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Partner-In-Charge:
Tan Kar Yee Linda
(appointed with effect from
09 May 2019)

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STOCK EXCHANGE QUOTATION

Counter Name:
ARA US Hospitality Trust

SGX Counter Code:
XZL

Bloomberg:
ARAUS SP

Reuters:
ARAUSI

WEBSITES

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FINANCIAL REPORT 2019





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Corporate Governance Report

INTRODUCTION

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

The units in ARA H-REIT (each, a “**ARA H-REIT Unit**”) and the units in ARA H-BT (each, a “**ARA H-BT Unit**”) are stapled together under the terms of a stapling deed dated 17 April 2019 (the “**Stapling Deed**”) entered into between ARA Trust Management (USH) Pte. Ltd., as manager of ARA H-REIT (the “**ARA H-REIT Manager**”), DBS Trustee Limited, as trustee of ARA H-REIT (the “**ARA H-REIT Trustee**”) and ARA Business Trust Management (USH) Pte. Ltd., as trustee-manager of ARA H-BT (the “**ARA H-BT Trustee Manager**”, and together with the ARA H-REIT Manager, the “**Managers**”), to form stapled securities in ARA H-Trust (“**Stapled Securities**”, and each a “**Stapled Security**”). Each Stapled Security consists of one ARA H-REIT Unit and one ARA H-BT Unit and is treated as a single instrument. The Stapled Securities are 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, Chapter 289 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, Chapter 31A 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 confirm that they have adhered to the principles and provisions as set out in the 2018 CG Code, and have specified and explained areas of deviation relating to the training for first-time Directors, 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. Explanations for such deviations as well as how the practices adopted by the Managers are consistent with the intent of the relevant principles have been provided within this Report.

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.

Corporate Governance Report

The Managers

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

The ARA H-REIT Manager holds a Capital Markets Services (“**CMS**”) Licence issued by the Monetary Authority of Singapore (the “**MAS**”) to carry out REIT management activities. In addition, employees of the ARA H-REIT Manager 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 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 ARA H-BT Trustee Manager are remunerated by the ARA H-REIT Manager and ARA H-BT Trustee Manager and not by 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**") is as follows:

Directors	Position
Mr Stephen Ray Finch	Independent Non-Executive Chairman
Mr Randy Allan Daniels	Independent Non-Executive Director
Ms Stefanie Yuen Thio	Independent Non-Executive Director and Chairwoman of the Audit Committee
Mr Wong Choong Mann ⁽¹⁾	Independent Non-Executive Director
Ms Cheryl Seow Bee Lian	Non-Executive Director
Mr Moses K. Song	Non-Executive Director
Mr Lin Daqi ⁽¹⁾	Non-Executive Director

Note:

⁽¹⁾ Appointed as Directors on 15 January 2020

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.

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 appointment of 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 recuse himself or herself from the deliberations and abstain from voting on the matter.

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.

¹ 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 period of 9 May 2019 (listing date) to 31 December 2019 ("**FY2019**"), the Boards and Management of the ARA H-REIT Manager and the ARA H-BT Trustee Manager comprised the same persons.

Corporate Governance Report

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.

Board Committee

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

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

Board Meetings

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

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

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

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

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

Corporate Governance Report

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

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

The Company Secretary and/or her authorised designate(s) attend(s) all Board 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.

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 advisers is subject to approval by the Board.

Two Board meetings were held in FY2019 since the date of listing on the SGX-ST. The attendance of the Directors at Board meetings and Audit Committee meetings, as well as the frequency of such meetings, are set out below.

Directors' Attendance at Board and Audit Committee Meetings in FY2019

Directors ⁽¹⁾	Board Meetings		Audit Committee Meetings	
	Participation	Attendance/ Number of Meetings	Participation	Attendance/ Number of Meetings
Mr Stephen Ray Finch	Chairman	2/2	Member	2/2
Mr Randy Allan Daniels	Member	2/2	Member	2/2
Ms Stefanie Yuen Thio	Member	2/2	Chairwoman	2/2
Ms Cheryl Seow Bee Lian	Member	2/2	NA	2/2 ⁽²⁾
Mr Moses K. Song	Member	2/2	NA	NA

Notes:

⁽¹⁾ Mr Wong Choong Mann and Mr Lin Daqi were appointed as Directors on 15 January 2020.

⁽²⁾ Attendance by invitation.

Corporate Governance Report

Professional Development

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

The Directors are provided with opportunities to develop and maintain their skills and knowledge. They receive regular training and are able to participate in conferences, seminars or training programmes in connection with their duties such as those conducted by the Singapore Institute of Directors, SGX-ST and REIT Association of Singapore (“**REITAS**”). A list of training courses and seminars which might be of interest is sent to the Directors for their consideration. The costs of arranging and funding the training of the Directors will be borne by the Managers. The Managers note the requirement 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 (“**First-time Directors**”). Mr Stephen Ray Finch, Mr Randy Allan Daniels and Ms Cheryl Seow Bee Lian are Directors with no prior experience on listed companies. Mr Wong Choong Mann and Mr Lin Daqi, who were appointed as Independent Non-Executive Director and Non-Executive Director respectively on 15 January 2020, have no prior experience acting as Directors of a listed company. As part of the training programme arranged for the Directors during the year, they were invited to attend the “What you need to know as an Independent Director of a REIT Manager” seminar conducted by REITAS, as well as, the “Compliance Training Workshop for ARA US Hospitality Trust Management” workshop conducted by Allen & Gledhill LLP. In relation to the prescribed training courses conducted by the Singapore Institute of Directors, the Managers have written in to the SGX-ST to seek additional time for these First-time Directors to attend such training courses (as required under Provision 1.2). An extension has been granted up to 8 May 2021 for the First-time Directors to complete their prescribed training courses. In the case of Ms Cheryl Seow Bee Lian, the Board reassessed the need for her to undergo mandatory training in light of her years of experience and involvement in ARA Asset Management Limited (“ARA”) (listed on SGX-ST from 2007 to 2016) and its listed REITs. The Board noted that Ms Cheryl Seow had been attending the Board and Audit Committee meetings of ARA, Fortune REIT, Suntec REIT, Prosperity REIT and ARA US Hospitality Trust, over the past years since 2003. When attending these meetings, Ms Cheryl Seow represents ARA to oversee matters relating to corporate governance, financial management & reporting, internal controls, risk management, compliance and audits, and contributed to discussions with the boards. Ms Cheryl Seow is also an appointed member of Suntec and Prosperity REIT’s Designated Committees since 2010, which comprise of independent directors and herself. The Designated Committees assist the Suntec REIT’s and Prosperity REIT’s boards in reviewing matters related to financing, refinancing, hedging strategies and arrangements and transactions involving derivative instruments for hedging and project purposes. Within the ARA Group, Ms Cheryl Seow is the Assistant Group Chief Executive Officer and Group Chief Financial Officer, where she is responsible for overseeing the Group’s Finance, Risk Management & Internal Audit, and Legal & Compliance functions. She is also a member of the ARA Group Business Development Committee which drives and coordinates all new ARA business initiatives, and a member of the ARA Group Investment Review Committee which oversees its global investment strategy. Accordingly, the Board is of the view that Ms Cheryl Seow qualifies to be exempted from the requirement to undergo mandatory training for purposes of Rule 210(5)(a). Based on the foregoing, the SGX-ST has granted an exemption to Ms Cheryl Seow from the requirement to undergo the prescribed mandatory training pursuant to Rule 210(5)(a) of the Listing Manual.

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.

BOARD COMPOSITION AND GUIDANCE

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

The Board currently comprises seven members: three Non-Executive Directors and four Independent Non-Executive Directors (FY2019: two Non-Executive Directors and three 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.

Corporate Governance Report

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

1. the Chairman of the Board should be a Non-Executive Director;
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 majority³ of the Board should comprise Independent Non-Executive Directors.

The Boards seek to refresh its membership and welcomed Mr Lin Daqi and Mr Wong Choong Mann as Non-Executive Directors on 15 January 2020. The appointment of new Directors allows the Board to refresh itself in an orderly and progressive manner, in line with its Board diversity policy and in compliance with the applicable regulatory requirements.

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

Each Independent Non-Executive Director has declared whether there were any relationships or any instances that would otherwise deem him or her not to be independent. None of the Independent Non-Executive Directors has served for a continuous period of nine years or longer on the Board. The independence declarations have been duly reviewed by the Board. On the basis of the declarations of independence provided, the Board 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.

The Board has noted that Ms Stefanie Yuen Thio is currently an independent non-executive director of ESR Funds Management (S) Limited, the manager of ESR-REIT ("**ESRFM**"), and was previously an independent non-executive director of ARA Trust Management (Cache) Limited, the manager of Cache Logistics Trust (the "**CLT Manager**"), from March 2010 to March 2019 and had received director's fees in such capacity. The CLT Manager is a related corporation of the Managers, while ESRFM is an associated corporation of a Substantial Shareholder of the Managers.

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, ESR-REIT, the CLT Manager and Cache Logistics Trust; (ii) she is neither involved in the day-to-day management and operations of ESRFM and ESR-REIT nor was she previously involved in the day-to-day management and operation of the CLT Manager and Cache Logistics Trust; (iii) she does not own any shares in ESRFM, ESR-REIT and the CLT Manager, and she is a minority unitholder of Cache Logistics Trust; (iv) she exercises independent judgment as a member of the audit, risk management and compliance committee of ESRFM and exercised independent judgment as a member of the audit committee of the CLT Manager; and (v) both ESR-REIT and Cache Logistics Trust have different investment mandates 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 transaction.

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

Corporate Governance Report

Having reviewed the above and pursuant to Regulation 13D(8) of the SF(LCB)R and Regulation 12(6) of the BTR, the Board has resolved that Ms Stefanie Yuen Thio is independent from management and business relationships with the Managers and independent from Substantial Shareholders of the Managers. As at the last day of FY2019, Ms Stefanie Yuen Thio was able to act in the interests of all Stapled Securityholders as a whole and the Board has determined and is satisfied that Ms Stefanie Yuen Thio was able to act in the best interests of all Stapled Securityholders as a whole. As with the same as other Directors, prior approval was obtained from the MAS before the appointment of Ms Stefanie Yuen Thio as a Director.

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

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

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

The composition of the Board is reviewed regularly to ensure that the Board has the appropriate mix of industry expertise and experience. In particular, the Board's diversity policy strives to ensure that the Board as a whole has the requisite background, and diverse experience and knowledge in business, accounting and finance, and management skills critical to ARA H-Trust's businesses. Collectively and individually, the Directors act in good faith and exercise due diligence and care in the course of their deliberations and, at all times, consider objectively the interests of ARA H-Trust and its Stapled Securityholders.

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

In FY2019, the Board determined that the Chairman of the Board is an Independent Non-Executive Director. Further, its current composition of Independent Non-Executive Directors has made up a majority of the Board, which is in line with the 2018 CG Code. The Board continuously reviews their composition to enhance their independence, by taking into consideration the following factors:

- (i) there are three Independent Non-Executive Directors and two Non-Executive Directors, out of a total of five members during FY2019. Independent Non-Executive Directors make up a majority of the Board and Non-Executive Directors make up 100% of the Board;
- (ii) there is a newly appointed Independent Non-Executive Director and a Non-Executive Director in January 2020, bringing fresh independent perspective to the Board;
- (iii) 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
- (iv) interested Director(s) are required to abstain from voting when passing Board resolutions and the quorum for such matter must comprise a majority of Independent Non-Executive Directors, excluding such interested Director(s).

Based on the above assessment, the Board is of the view that the current composition of Directors, as a group, provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity and that the current Board size is appropriate, taking into consideration the nature and scope of ARA H-Trust's operations. In addition, prior approval of the MAS is required for appointment of any Board member or the CEO. The Board will continue to review their composition to ensure that they adhere to the requirements under Principle 2.

Profiles of the Directors and other relevant information are set out on pages 16 to 18 of the Annual Report. There were no Alternate Directors in FY2019.

Corporate Governance Report

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. 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 for sound decision making.

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 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, consistent with the intent under Principle 4 of the 2018 CG Code. Therefore, a separate committee, comprising at least three directors, a majority of whom, including the committee chairman are independent, is not necessary (as required under Provisions 4.1 and 4.2). 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, taking into account the succession plan and framework for the Chairman, the CEO and key management personnel;
- reviewing the structure, size, and composition of the Board;
- reviewing the overall performance and progress of the Board, the Audit Committee and the Directors;
- reviewing the independence of Board members; and
- reviewing the training and professional development of the Board and the Directors.

The Board believes that it can achieve orderly succession and renewal through continuously reviewing the appropriate composition of the Board. This is evident in the changes to the Board composition, as described under Principle 1 above.

Corporate Governance Report

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 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 background of the candidates and their potential contributions. Candidates may be put forward or sought through contacts and recommendations by the Directors or through external referrals where applicable.

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

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

Review of Directors' Independence

The Board itself undertakes the role of determining the independence status of the Directors (as required under Provision 4.4) which was described under Principle 2 above. The independence of each Director is reviewed prior to the appointment and thereafter, annually with reference to the principles and provisions set out in the 2018 CG Code and applicable laws and regulations.

In FY2019, the Board has reviewed the Directors' independence declarations at initial appointment and at year-end, and determined that Mr Stephen Ray Finch, Mr Randy Allan Daniels and Ms Stefanie Yuen Thio 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. The Board has also, prior to the appointment of Mr Wong Choong Mann, received his declaration and has reviewed and determined that Mr Wong Choong Mann is considered to be independent and free from any of the relationships stated in the above relevant regulations.

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

Annual Review of Directors' Time Commitments

Although the Directors have other listed company board representations and principal commitments (as set out on pages 16 to 18 of the Annual Report), the Board has determined that each individual Director has devoted sufficient time and attention to his or her role as a Director and to the affairs of the Managers (as required under Provision 4.5) and this is being assessed as part of the Director's performance as disclosed in Principle 5 below. In FY2019, the Directors attended Board meetings, had given feedback and participated constructively when discussing the activities of ARA H-Trust. The Board has also procured written confirmations from the Directors stating that they are able to carry out their duties as Directors of the Managers and they would address any competing time commitments that may arise, despite their multiple Board representations. The Board is of the view that such external appointments do not hinder the Directors from carrying out their duties.

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

Corporate Governance Report

BOARD PERFORMANCE

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

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

As part of the Managers' commitment towards good corporate governance, the Board has implemented a structured process in assessing the performance of the Board as a whole and for the Board Committee and Directors (as required under Provision 5.1). This process is facilitated by the Company Secretary as an external facilitator and it encompasses the use of confidential questionnaires, laying out the performance criteria determined by the Board. These criteria include an evaluation of the Board's oversight over the performance of ARA H-Trust, the size and composition of the Board, overall governance and risk framework, Board meeting participation, access to information, as well as standards of individual Director's conduct, independence and performance, and the upkeep of their professional development. The results are aggregated and presented during the board meetings for overall analysis and where necessary, follow-up actions are taken to enhance the effectiveness of the Board in discharging its duties and responsibilities.

For FY2019, based on the assessment of the Board and each individual Director's performance, the Board is satisfied with the result and therefore approves the re-election of the Directors at the Annual General Meeting of the Managers. 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 Principle 5 of the 2018 CG Code as the Board can effectively undertake a formal assessment of its effectiveness as a whole and that of its Board Committee and individual Directors.

(B) REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES AND LEVEL AND MIX OF REMUNERATION

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

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

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

The Board has assessed the remuneration policies and practices of ARA, in lieu of reviewing specific remuneration packages for key management personnel (as required under Provisions 6.1 and 6.3). As a result, the Board has deemed such remuneration policies and practices to be fair and appropriate for ARA H-Trust. Accordingly, the Managers have adopted the remuneration policies and practices of ARA, which has an established framework for the remuneration, compensation, benefits and succession planning for the Directors and key management executives of the Managers.

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

Corporate Governance Report

Remuneration Framework

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

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

Link between Pay and Performance

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

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

The remuneration of the CEO and key management executives is not linked to the gross revenue of ARA H-Trust. As and when required, the Board will have access to independent remuneration consultants, but it did not engage any during FY2019.

In FY2019, there were no termination, retirement and post-employment benefits granted to Directors, the CEO and key management executives.

DISCLOSURE ON REMUNERATION

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

The remuneration of the Directors for FY2019 comprises entirely Directors’ fees paid entirely in cash and the details of the Directors’ remuneration are set out below:

Directors	Salary (S\$)	Bonus (S\$)	Directors’ Fees (S\$)	Others (S\$)	Total (S\$)
Mr Stephen Ray Finch	-	-	72,329	-	72,329
Mr Randy Allan Daniels	-	-	50,630	-	50,630
Ms Stefanie Yuen Thio	-	-	65,096	-	65,096
Ms Cheryl Seow Bee Lian	-	-	-	-	-
Mr Moses K. Song	-	-	-	-	-

Corporate Governance Report

Directors' fees are established annually based on the Directors' responsibilities on the Board and the Audit Committee. The Board believes that the remuneration for Directors is appropriate to attract, retain and motivate the Directors and is also appropriate to the level of contribution and takes into account the industry practices and norms for Directors to provide stewardship of the Board, while being commensurate with their efforts, responsibilities and time spent. Each 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 Committee	
Chairman	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 executives (who are not also Directors or the CEO), on a named basis, in bands of S\$250,000; (iii) the aggregate remuneration of its CEO and the top five key management executives (who are not also Directors or the CEO); and (iv) any other forms of remuneration and other payments and miscellaneous staff benefits paid to key management executives (who are not also Directors or the CEO) (as required under Provisions 8.1 and 8.3). The Board has assessed and elected not to disclose the above remuneration for the following reasons:

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

The Managers are accordingly of the view that their practice is consistent with Principle 8 of the 2018 CG Code as a whole.

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

The key management executives were remunerated wholly in cash in FY2019.

Corporate Governance Report

(C) ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

Risk Management Committee

A separate risk management committee (the "**Risk Management Committee**") was established to assist the Audit Committee in assessing the adequacy and effectiveness of internal controls. The Risk Management Committee comprises the CEO, Finance Director, Director of Asset Management and the Head of ARA Group Risk Management & Internal Audit Division ("**GRM & IA**"). GRM & IA is a corporate division of ARA, the 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 Committee on overall risk management matters during the quarterly Audit Committee meetings.

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

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

Corporate Governance Report

Role of Board and Audit Committee

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

For the financial year in review, the Board has received written assurances from the CEO and Finance Director that (a) 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) ARA H-Trust's risk management and internal control systems are adequate and effective.

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

For FY2019, 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 Boards arrived at this assessment based on the reviews conducted by the Internal Auditors and External Auditors, together with the Management's confirmation on the adequacy and effectiveness of the internal controls. The Audit Committee has concurred with the Board's assessment. In addition, the Audit Committee has reviewed and is satisfied with the adequacy of resources and qualifications of the Managers' key management executives who are performing accounting, financial reporting and compliance roles.

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

Whistle-Blowing Policy

Pursuant to the Whistle-Blowing Programme which has been put in place, the Audit Committee reviews arrangements by which staff of the Managers or any other persons may, in confidence, raise their concerns to the Audit Committee about possible improprieties in matters of financial reporting or such other matters in a responsible and effective manner.

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

The Audit Committee is guided by the Whistle-Blowing Programme to ensure proper conduct and closure of investigations, including handling of possible improprieties, prohibition of obstructive or retaliatory actions, confidentiality, disciplinary and civil or criminal actions. All such investigations are undertaken by the Internal Auditors based on instructions from the Audit Committee.

Details of the Whistle-Blowing Programme and arrangements are posted on ARA H-Trust's website. The website provides a feedback channel for any complainant to raise possible improprieties directly to the Audit Committee (with such complaints copied to the Head of ARA GRM & IA), to facilitate an independent investigation of any matter raised and allow appropriate follow-up action as required. The Whistle-Blowing Programme and Code of Conduct, amongst other policies, are circulated to all new incoming staff and also covered as part of the staff's annual declaration of compliance.

Corporate Governance Report

AUDIT COMMITTEE

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

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

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

- Ms Stefanie Yuen Thio (Chairwoman)⁽¹⁾
- Mr Stephen Ray Finch (Member)⁽¹⁾
- Mr Randy Allan Daniels (Member)⁽¹⁾
- Mr Wong Choong Mann (Member)⁽²⁾

Notes:

⁽¹⁾ For FY2019, the Audit Committee comprised three Independent Non-Executive Directors

⁽²⁾ Appointed on 15 January 2020

The members of the Audit Committee bring with them professional expertise and experience in the financial, business management and consultancy fields. The Board is of the view that the Audit Committee Chairwoman 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 a 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 Committee does not comprise any former partner or director of the incumbent External Auditors within the previous two years or hold any financial interest in the auditing firm.

Two Audit Committee meetings were held during FY2019.

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

- reviewing financial statements and formal announcements relating to financial performance and reviewing significant financial reporting issues and judgments contained in them, for better assurance of the integrity of such statements and announcements;
- reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Managers and ARA H-Trust's risk management and internal controls, including financial, operational, compliance and information technology controls;
- reviewing the assurance from the CEO and the Finance Director on the financial records and financial statements;
- making recommendations to the Board on (i) the proposals to Stapled Securityholders on the appointment, re-appointment and removal of the External Auditors, and (ii) reviewing the proposed fees for the External Auditors and authorising the Managers to fix the remuneration and terms of engagement of the External Auditors for the financial year;

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- 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 and objectivity 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 of the Managers' and ARA H-Trust's internal audit function, at least annually;
- ensuring at least annually that the internal audit function is adequately resourced and has appropriate standing with the Managers and ARA H-Trust;
- approving the accounting/auditing firm or corporation to which the internal audit function is outsourced;
- monitoring the procedures in place to ensure compliance with applicable legislation, the Listing Manual and the CIS Code (including the Property Funds Appendix);
- reviewing the Whistle-Blowing Policy and arrangements by which employees of the Managers and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, to ensure that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow up action to be taken;
- reviewing and discussing with the External Auditors, any suspected fraud or irregularity, or suspected infringement of any applicable law, rules or regulations, which has or is likely to have a material impact on ARA H-Trust's operating results or financial position and Management's response; and
- reviewing Interested Person Transactions (as defined below) and conflicts of interest, including ensuring compliance with the provisions of the Listing Manual relating to "interested person transaction" and the provisions of the Property Funds Appendix relating to "interested party transactions" ("**Interested Person Transactions**").

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

In FY2019, the Audit Committee had met with the Internal Auditors and External Auditors without the presence of Management. The Internal Auditors and External Auditors may request the Audit Committee to meet if they consider a meeting necessary. Both the Internal Auditors and External Auditors have confirmed that they had full access and had received the co-operation and support of Management, with no restrictions placed on the scope of their audits.

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

During FY2019, the Audit Committee performed an independent review of the quarterly and full yearly financial statements of ARA H-Trust. In the process, the Audit Committee reviewed the key areas of management judgement applied for adequate provisioning and disclosure, accounting policies, key audit matters and any significant changes made which have a material impact on the financials. The External Auditors also presented their salient features memorandum to the Audit Committee, covering the audit focus areas, key audit matters findings, quality and independence.

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

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The Audit Committee had also conducted a review of all non-audit services provided by KPMG LLP, the External Auditors of ARA H-Trust, and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the External Auditors. The aggregate amount of audit and non-audit fees paid/payable to the External Auditors for FY2019 is disclosed on page 73 of this Financial Report. The Audit Committee has noted that the nature of the non-audit services pertained to tax compliance and tax advisory services, which were performed by separate engagement teams from those working on the audit and were led by partners from KPMG LLP's tax services practice.

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

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

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

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

Internal Audit Function

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

For FY2019, 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 are independent of Management and report directly to the Audit Committee on audit matters and to Management on administrative matters.

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

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

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

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

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(D) SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS AND ENGAGEMENT WITH SHAREHOLDERS

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

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

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

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

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

In FY2019, 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 SGXNET, ARA H-Trust's website and the general media, in order to ensure a level playing field.

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 meetings of Stapled Securityholders ("**Stapled Securityholders' meetings**"). In this regard, the Stapled Securityholders' meetings are generally held in central locations which are easily accessible by public transportation. Stapled Securityholders are invited at such meetings to put forth any questions they may have on the resolutions to be debated and decided upon. If any Stapled Securityholder is unable to attend, he or she is allowed to appoint in advance up to two proxies to vote on his/her behalf at the meeting through proxy forms sent to the Stapled Securityholder. 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. The Managers are of the view that their practice is consistent with Principle 11 of the 2018 CG Code as the 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. Stapled Securityholders may appoint proxies to attend, speak and vote, on their behalf, at general meetings.

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At the Stapled Securityholders' meetings, each distinct issue is proposed as a separate resolution and full information is provided for each item in the agenda for the AGM in the Notice of AGM. Each item of special business included in the notice of the meeting is accompanied by an explanation for the proposed resolution.

The Directors, Audit Committee, Management and External Auditors will be in attendance at these meetings to address questions raised by Stapled Securityholders. No Stapled Securityholders' meetings were held since ARA H-Trust was listed on 9 May 2019 up to 31 December 2019.

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 procedures involved in conducting a poll. This allows all Stapled Securityholder present or represented at the meetings to vote on "one Stapled Security, one vote" basis. An independent scrutineer will be appointed to validate the vote tabulation procedures. The voting results of all votes cast for or against each resolution are disclosed at each meeting with respective percentages and these details are announced through SGXNET after the meeting.

The Company Secretary prepares the minutes of Stapled Securityholders' meetings, which will incorporate comments or queries from Stapled Securityholders and the corresponding responses from the Board and Management. The minutes will be made publicly available on ARA H-Trust's website after the general meeting.

ARA H-Trust's current distribution policy is to distribute 100% of its distributable income for FY2019 and for the financial year ending 31 December 2020, and at least 90% of its distributable income half-yearly thereafter.

(E) MANAGING STAKEHOLDERS RELATIONSHIPS

ENGAGEMENT WITH STAKEHOLDERS

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

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

ARA H-Trust will issue its first sustainability report for the financial year ending 31 December 2020 in accordance with the requirements set out in Practice Note 7.6 of the Listing Manual, setting out its Sustainability Reporting Framework focusing on ESG impacts and strategy in relation to the management of stakeholder relationships. This will enable the collection of a longer period of ESG data for analysis and publication. The Managers believe in the importance of integrating sustainability into its business strategies and operations in achieving sustainable economic growth and delivering long-term value for Stapled Securityholders.

Stakeholders will be able to access ARA H-Trust's sustainability report on ARA H-Trust's website under the "Investor Relations" link, 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)(iii), 210(5)(e) and 720(5) do not apply to a REIT and Business Trust as long as the REIT and Business Trust continue to comply with the SFA and BTA/BTR provisions and the regulations and notices made thereunder which substantively 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 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 FY2019.

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DEALINGS IN STAPLED SECURITIES

The Managers have adopted the ARA Dealing in Securities Policy to guide its Directors, key management executives and employees (collectively referred to as the “**Managers’ personnel**”) in respect of dealings in Stapled Securities.

This policy encourages the Managers’ personnel to hold Stapled Securities (i.e. not to deal for short-term considerations), and prohibits them from dealing in such Stapled Securities:

1. during the period commencing two weeks before the public announcement of ARA H-Trust’s quarterly results and one month before the public announcement of ARA H-Trust’s annual 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 price-sensitive information.

The Managers’ personnel are also prohibited from communicating price-sensitive information to any persons and to avoid, and be seen to avoid, actual or potential conflict between personal interest and duty to the Stapled Securityholders. The Managers had confirmed that its Directors, key management executives and employees have adhered to the policy for dealing in the Units for FY2019.

The Managers make announcements on the SGX-ST in respect of any changes to their stapled securityholding interest in ARA H-Trust within one business day. The Managers will not deal in Stapled Securities during the period commencing two weeks and one month before the public announcement of ARA H-Trust’s quarterly and full year results respectively and (where applicable) any property valuations, and ending on the date of announcement of the said information. The Managers confirm that they have complied with Rule 1207(19) of the Listing Manual.

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

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

In view of such changes, the ARA Dealing in Securities Policy has been updated to reflect that the “black-out” period is defined as two weeks prior to the quarterly release of Investors Slides (in relation to the first and third financial quarters) and one month before the date of announcement of half year and full year results and (where applicable) any property valuations.

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

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

Information on the conflict policy the ARA H-BT Trustee Manager has instituted to deal with conflicts of interest that may arise in managing ARA H-BT can be found in the Statement on the Policies and Practices in Relation to the Management and Governance of ARA US Hospitality Management Trust on pages 26 to 31 of this Financial Report.

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DEALING WITH INTERESTED PERSON TRANSACTIONS

Review Procedures for Interested Person Transactions

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

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

In addition, the following procedures will be undertaken:

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

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

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

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

Information on the measures and procedures put in place by the ARA H-BT Trustee Manager to manage potential Interested Person Transactions relating to ARA H-BT can be found in the Statement on the Policies and Practices in Relation to the Management and Governance of ARA US Hospitality Management Trust on pages 26 to 31 of this Financial Report.

Corporate Governance Report

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

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

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

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

Information on the role of the Audit Committee of the ARA H-BT Trustee Manager to manage potential Interested Person Transactions relating to ARA H-BT can be found in the Statement on the Policies and Practices in Relation to the Management and Governance of ARA US Hospitality Management Trust on pages 26 to 31 of this Financial 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 FY2019, which is set out on pages 26 to 31 of this Financial 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) (the “**ARA H-BT Trust Deed**”), the stapling deed dated 17 April 2019 (as amended) (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 the ARA US Hospitality Trust (“**ARA H-Trust**”). For ARA H-REIT, it 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;

Statement of Policies and Practices

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

- 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 (“**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 2 to 25 in this Financial Report.

ARA H-BT Trust Property Properly Accounted For

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

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

Adherence to Business Scope

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

- (i) the management or operation of the 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), including the management and/or leasing of the Authorised Investments.

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

Statement of Policies and Practices

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

Potential conflicts of interest

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

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

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

Statement of Policies and Practices

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

Interested Person Transactions

(i) Exempted Agreements

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

(ii) Present and Ongoing Interested Person Transactions

ARA H-BT is regulated by the Listing Manual and the BTA in relation to Interested Person Transactions. Depending on the materiality of the transaction, ARA H-BT may be required to make a public announcement, or to make a public announcement of and to obtain prior approval of Stapled Securityholders for the 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 not less than 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 material 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 at any time in future seek a general annual mandate from 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 Rule 905 and 906 of the Listing Manual. In seeking such a general annual mandate, the ARA H-BT Trustee Manager will 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 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 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 Stapled Securityholders; and
- in accordance with all applicable requirements of the Listing Manual and the BTA relating to the transaction in question.

Statement of Policies and Practices

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

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 Total 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-BT (pro-rated if applicable to the proportion of ARA H-BT's interest).

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

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

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 Agreement, the ARA Hotel Manager, a subsidiary of the ARA H-BT Trustee Manager, will be paid a fee equivalent to 3.0% of total revenue of the hotels in cash, payable on a monthly basis. ARA Hotel Manager will separately pay fees equivalent to 2.75% of total revenue of the hotels to third-party Hotel Managers.

The table below sets out the fees earned/(paid) by the ARA H-BT Trustee Manager and its subsidiaries for the financial year ended 31 December 2019:

Fee	Amount (US\$'000)	% in cash	% in Stapled Securities
Management Fee	628	-	100%
Trustee Fee	77	100%	-
Hotel Management Fee	3,448	100%	-
Hotel Management Fee	(3,161)	100%	-

Expenses charged to ARA H-BT

The ARA H-BT Trustee Manager Board will put in place measures, including reviews by internal and external auditors, to ensure that the expenses payable to the ARA H-BT Trustee Manager out of the ARA H-BT Trust Property are appropriate and in accordance with the ARA H-BT Trust Deed. For the financial year ended 31 December 2019, save for the fees set out above, there were no expenses paid to the ARA H-BT Trustee Manager out of the ARA H-BT Trust Property.

Compliance with the BTA and Listing Manual

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

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

Statement on Composition of the Board of Directors

of the ARA H-BT Trustee Manager

The Board of Directors of ARA Business Trust Management (USH) Pte Ltd, the trustee-manager of ARA US Hospitality Management Trust (the “**ARA H-BT Trustee Manager**”), have 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 (appointed on 15 January 2020)

Ms Cheryl Seow Bee Lian, Mr Moses K. Song and Mr Lin Daqi (appointed on 15 January 2020) are considered non-independent Directors.

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

Risk Management

RISK MANAGEMENT

The Managers recognises that effective and proactive risk management is an important part of ARA H-Trust's business strategy. The Board and Audit Committee ("**AC**") are responsible for ensuring that the Managers establish robust risk management policies and procedures to safeguard ARA H-Trust's assets and address its strategic enterprise, operational, financial and compliance risks.

The Managers adopt an enterprise-wide approach in making risk based strategies and decisions across respective functions, identifying potential issues and events that may affect ARA H-Trust, managing risks to an acceptable level and within risk appetite as approved by the Board and AC and providing assurance to the Board that the system of risk management and internal controls are adequate and effective in mitigating the identified risks. Key risks and mitigating controls are identified and monitored and reviewed by the Managers and the AC on a regular basis. In addition, the Managers have engaged internal auditors to perform a review of risk profile as part of the internal audit plan approved by the AC, providing reasonable assurance to the AC on the adequacy and effectiveness of the internal control system. The key risks identified include but are not limited to:

STRATEGIC RISK

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

OPERATIONAL RISK

ARA H-Trust relies on its appointed hotel managers for the day-to-day running of operations at its properties. It reduces its operational risks through the engagement of reputable hotel operators with an established track record. The Managers have put in place robust processes to manage the hotel operators and to align interests, including active and regular oversight of the performance of the hotels and the hotel operators, including benchmarking the hotels' performance vis-à-vis their competitive sets.

A business continuity plan is in place to mitigate the business continuity risk of interruptions or catastrophic loss to operations. In addition, ARA H-Trust's properties are properly insured in accordance with current industry practices. The outsourced Information Technology ("**IT**") team from the Managers' parent group ARA Asset Management Limited ("**ARA Group**") has in place a disaster recovery plan which is reviewed and tested periodically.

FINANCIAL RISK

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

Interest rate risk is monitored on a continuing basis with the objective of limiting ARA H-Trust's exposure to changes in interest rates. The Managers manage ARA H-Trust's exposure to interest rate volatility through interest rate swaps. The Managers proactively seek to mitigate interest rate risks. As at 31 December 2019, approximately 83% of its borrowings are hedged at fixed rates.

Risk Management

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, Chapter 289 of Singapore, the Business Trusts Act, Chapter 31A of Singapore, the Code of Corporate Governance, the Code of Collective Investment Schemes issued by the MAS and tax rulings issued by the Inland Revenue Authority of Singapore. The ARA H-REIT Manager, being a Capital Markets Services Licence holder, is required to comply with the conditions of the Capital Markets Services Licence for REIT Management issued by the MAS under the Securities and Futures Act. The Managers have put in place policies and procedures with the necessary checklists to facilitate compliance with the applicable laws and regulations. The Managers work closely with external legal professionals and internal compliance support from ARA Group on legal and regulatory matters. The Manager stays well informed of the latest developments in the relevant laws and regulations through training and attending relevant seminars.

HUMAN CAPITAL RISK

Human capital risk is mitigated by maintaining a robust human resource policy which includes careful screening of staff, fair and reasonable remuneration in line with industry conditions, personal development and training opportunities to enhance staff progression and retention in a conducive workplace.



ARA US Hospitality Trust

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

Financial Statements

For period from 9 May 2019 (Listing date)
to 31 December 2019

ARA US HOSPITALITY TRUST**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 holders (“**ARA H-REIT Unitholders**”) of units in ARA H-REIT. In accordance with the Securities and Futures Act, Chapter 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes, the REIT Trustee shall monitor the activities of ARA Trust Management (USH) Pte. Ltd. (the “**REIT Manager**”) for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 24 September 2018 (as amended) (the “**ARA H-REIT Trust Deed**”) between the REIT Manager and the REIT Trustee in each annual accounting period; and report thereon to ARA H-REIT Unitholders 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 46 to 88, 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**

Jane Lim Puay Yuen

Director

18 March 2020

ARA US HOSPITALITY TRUST**Report of the Manager**

of ARA US Hospitality Property Trust

In the opinion of the directors of ARA Trust Management (USH) Pte. Ltd. (the “**REIT Manager**”), the Manager of ARA US Hospitality Property Trust (“**ARA H-REIT**”), the accompanying consolidated financial statements of ARA US Hospitality Trust (“**ARA H-Trust**” or the “**Stapled Group**”), set out on pages 46 to 88, comprising the statement of financial position, statement of comprehensive income, statement of distributable income, statement of movements in stapled securityholders’ funds and statement of cash flows of the Stapled Group; and notes to the financial statements, are drawn up so as to present fairly, in all material respects, the financial position of the Stapled Group as at 31 December 2019, and the financial performance, distributable income, movements in stapled securityholders’ funds and cash flows of the Stapled Group from 9 May 2019 (listing date) to 31 December 2019 in accordance with the Singapore Financial Reporting Standards (International) and the provisions of ARA H-REIT Trust Deed between DBS Trustee Limited (the “**REIT Trustee**”) and the REIT Manager dated 24 September 2018 and the stapling deed of ARA H-Trust between the REIT Trustee, the REIT Manager and ARA Business Trust Management (USH) Pte. Ltd. (the Trustee-Manager of ARA H-BT) dated 17 April 2019. At the date of this statement, there are reasonable grounds to believe that the Stapled Group will be able to meet their respective financial obligations as and when they materialise.

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

Stephen Ray Finch
Director

18 March 2020

ARA US HOSPITALITY TRUST

Report of the Trustee-Manager

of ARA US Hospitality Management Trust

The directors of ARA Business Trust Management (USH) Pte. Ltd. (the “**Trustee-Manager**”), the Trustee-Manager of ARA US Hospitality Management Trust (“**ARA H-BT**”) and its subsidiaries (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-Trust for the financial period from 9 May 2019 (Listing date) to 31 December 2019.

DIRECTORS

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

Stephen Ray Finch (Chairman)	(Appointed on 12 April 2019)
Randy Allan Daniels	(Appointed on 12 April 2019)
Stefanie Yuen Thio	(Appointed on 12 April 2019)
Wong Choong Mann	(Appointed on 15 January 2020)
Lin Daqi	(Appointed on 15 January 2020)
Cheryl Seow Bee Lian	(Appointed on 29 August 2018)
Moses K. Song	(Appointed on 29 August 2018)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE STAPLED SECURITIES AND DEBENTURES

Neither at the end of nor at any time during the financial period of ARA H-BT Group from 29 October 2018 (date of constitution) to 31 December 2019 was the Trustee-Manager a party to any arrangement whose objective 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-BT.

DIRECTORS’ INTEREST IN UNITS OR DEBENTURES

According to the register kept by the Trustee-Manager for the purposes of Section 76 of the Business Trusts Act, Chapter 31A of Singapore (the “**Act**”), particulars of interest of director who held office at the end of the financial period (including those held by their spouses and children below 18 years of age) in units of ARA H-BT are as follows:

	Direct Interest		Deemed Interest	
	Holdings at beginning of the period	Holdings at end of the period	Holdings at beginning of the period	Holdings at end of the period
Stephen Ray Finch	–	–	100,000	100,000
Stefanie Yuen Thio	50,000	50,000	–	–
Cheryl Seow Bee Lian	500,000	500,000	–	–

Except as disclosed in this statement, no director who held office at the end of the financial period had interests in units of ARA H-BT either at the beginning of the financial period, or the date of appointment if later, or at the end of the financial period.

There were no changes in the abovementioned interests of ARA H-BT between the end of the financial period and 21 January 2020.

ARA US HOSPITALITY TRUST**Report of the Trustee-Manager**

of ARA US Hospitality Management Trust

DIRECTORS' CONTRACTUAL BENEFITS

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

OPTIONS

During the financial period, there were:

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

As at the end of the financial period, there were no unissued units of ARA H-BT under options.

AUDIT COMMITTEE

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

- Stefanie Yuen Thio (Chairwoman) - 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 (Appointed on 15 January 2020)

The Audit Committee performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance.

In performing its functions, the Audit Committee met with ARA H-BT's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the ARA H-BT's internal accounting control system.

The Audit Committee also reviewed the following:

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

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

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

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

AUDITORS

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

ARA US HOSPITALITY TRUST**Report of the Trustee-Manager**

of ARA US Hospitality Management Trust

STATEMENT BY THE TRUSTEE-MANAGER

In our opinion:

- (a) the accompanying consolidated financial statements of ARA H-Trust, set out on pages 46 to 88, comprising the statement of financial position, statement of comprehensive income, statement of distributable income, statement of movements in stapled securityholders' funds and statement of cash flows of the Stapled Group; and notes to the financial statements, are drawn up so as to present fairly, in all material respects, the financial position of the Stapled Group as at 31 December 2019, and the financial performance, distributable income, movements in stapled securityholders' funds and cash flows of the Stapled Group from 9 May 2019 (Listing date) to 31 December 2019 in accordance with the Singapore Financial Reporting Standards (International) 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; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Stapled Group will be able to pay its debts as and when they fall due.

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

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

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

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

Stephen Ray Finch

Director

Cheryl Seow Bee Lian

Director

18 March 2020

ARA US HOSPITALITY TRUST

Statement by the Chief Executive Officer

of the Trustee-Manager

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

Lee Jin Yong

Chief Executive Officer

18 March 2020

ARA US HOSPITALITY TRUST**Independent Auditors' Report**

Stapled Securityholders of ARA US Hospitality Trust

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS*Opinion*

We have audited the consolidated financial statements of ARA US Hospitality Trust, which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of distributable income, statement of movements in stapled securityholders' funds and statement of cash flows of ARA US Hospitality Trust for the period from 9 May 2019 (listing date) to 31 December 2019, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 46 to 88. 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, the accompanying consolidated financial statements of the Stapled Group present fairly, in all material respects, the financial position of the Stapled Group as at 31 December 2019 and the financial performance, distributable income, movements in stapled securityholders' funds and cash flows of the Stapled Group for the period from 9 May 2019 (listing date) to 31 December 2019 in accordance with the SFRS(I)s.

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.

Valuation of property, plant and equipment

(Refer to Note 4 to the financial statements)

Risk

The Stapled Group has hotel properties which are classified as property, plant and equipment with a carrying value of US\$704.8 million as at 31 December 2019. Property, plant and equipment accounts for 93% of the total assets, representing the most significant asset category on the statement of financial position.

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

ARA US HOSPITALITY TRUST**Independent Auditors' Report**

Stapled Securityholders of ARA US Hospitality Trust

Our response

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

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

We considered the valuation methodologies adopted against those applied by other valuers for similar property types. We tested the reasonableness of inputs of the projected cash flows used in the valuation to historical records of supporting revenue per available room ("**REVPAR**"), adjusted for current market factors and other documents.

We evaluated the discount rates and terminal capitalisation rates used in the valuation by comparing them against available industry data, taking into consideration comparability and market factors. Where the rates were outside the expected range, we undertook further procedures to understand the effect of additional factors and, when necessary, held further discussions with the external property valuers.

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

Findings

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

We also found the related disclosures in the financial statements to be appropriate.

Other information

ARA Trust Management (USH) Pte. Ltd., the Manager of ARA H-REIT (the "**REIT Manager**") and ARA Business Trust Management Pte. Ltd., the Trustee-Manager of ARA H-BT (the "**Trustee-Manager**") (collectively, the "**Managers**") 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.

ARA US HOSPITALITY TRUST**Independent Auditors' Report**

Stapled Securityholders of ARA US Hospitality Trust

Responsibilities of the Managers for the financial statements

The Managers are responsible for the preparation and fair presentation of the consolidated financial statements of the Stapled Group in accordance with the SFRS(I)s, and for such internal controls as the Managers determine 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 Managers are responsible for assessing the ability of the Stapled Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Managers either intend to terminate the Stapled Group or to cease the operations of the Stapled Group, or have no realistic alternative but to do so.

The Managers' responsibilities include overseeing the financial reporting process of the 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 Stapled Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Managers.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Managers 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 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 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 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.

ARA US HOSPITALITY TRUST**Independent Auditors' Report**

Stapled Securityholders of ARA US Hospitality Trust

Auditors' responsibilities for the audit of the financial statements (cont'd)

We communicate with the Managers 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 Managers 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 Managers, 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.

The engagement partner on the audit resulting in this independent auditors' report is Tan Kar Yee, Linda.

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore
18 March 2020

ARA US HOSPITALITY TRUST

Statement of Financial Position

As at 31 December 2019

	Note	2019 US\$'000
Non-current assets		
Property, plant and equipment	4	704,808
Deferred tax assets	5	1,680
		<u>706,488</u>
Current assets		
Inventories		432
Trade and other receivables	6	6,451
Cash and cash equivalents	7	45,240
		<u>52,123</u>
Total assets		<u>758,611</u>
Non-current liabilities		
Loans and borrowings	8	243,739
Derivative financial liabilities	9	7,282
Deferred tax liabilities	5	2,568
Other payables	10	125
		<u>253,714</u>
Current liabilities		
Trade and other payables	10	11,605
Tax payable		76
		<u>11,681</u>
Total liabilities		<u>265,395</u>
Represented by:		
Stapled Securityholders' funds		<u>493,216</u>
Stapled Securities in issue ('000)	11	<u>566,971</u>
Net asset value per Stapled Security (US\$)	12	<u>0.87</u>

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

ARA US HOSPITALITY TRUST

Statement of Comprehensive Income

For the Financial Period from 9 May 2019 (Listing date) to 31 December 2019

	Note	Period from 9 May 2019 to 31 December 2019 US\$'000
Revenue	13	114,952
Operating expenses		(71,860)
Gross operating profit		43,092
Hotel management fee		(3,448)
Property taxes		(4,926)
Other expenses		(2,120)
Net property income		32,598
Depreciation	4	(13,694)
REIT Manager's and Trustee-Manager's management fees	14	(2,512)
Trustee-Manager's trustee fee		(77)
REIT Trustee's fee		(71)
Other trust expenses		(1,341)
Net finance costs	15	(5,995)
Net income for the period before tax	16	8,908
Taxation	17	1,795
Net income for the period after tax		10,703
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Revaluation of property, plant and equipment		(1,338)
Deferred tax effects relating to revaluation of property, plant and equipment		(194)
Items that may be reclassified subsequently to profit or loss:		
Effective portion of changes in fair value of cash flow hedges		(4,951)
Total comprehensive income for the period		4,220
Earnings per Stapled Security (US cents)		
Basic	18	1.89
Diluted	18	1.89

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

ARA US HOSPITALITY TRUST

Statement of Distributable Income

For the Financial Period from 9 May 2019 (Listing date) to 31 December 2019

	Period from 9 May 2019 to 31 December 2019 US\$'000
Net income for the period after tax	10,703
Add/(less): Distribution adjustments	
Depreciation	13,694
Amortisation of debt-related transaction costs	84
Manager's fees paid/payable in Stapled Securities	1,256
Deferred tax credits	(1,874)
Net distribution adjustments	<u>13,160</u>
Distributable income	<u>23,863</u>
Distribution per Stapled Security (DPS) (US cents)	<u>4.21</u>

ARA US HOSPITALITY TRUST

Statement of Movements in Stapled Securityholders' Funds

For the Financial Period from 9 May 2019 (Listing Date) to 31 December 2019

	Stapled security US\$'000	Issue costs US\$'000	Hedging reserve US\$'000	Revaluation reserve US\$'000	Revenue reserve US\$'000	Total US\$'000
At 9 May 2019 (Listing date)⁽¹⁾	–	–	(2,331)	61,245	(52,478)	6,436
Total income for the period attributable to Stapled Securityholders, net of tax	–	–	–	–	10,703	10,703
Increase in net assets from operations	–	–	(2,331)	61,245	(41,775)	17,139
Other comprehensive income						
Revaluation of property, plant and equipment	–	–	–	(1,338)	–	(1,338)
Deferred tax effects relating to revaluation of property, plant and equipment	–	–	–	(194)	–	(194)
Effective portion of changes in fair value of cash flow hedges	–	–	(4,951)	–	–	(4,951)
Total comprehensive income for the period, net of tax	–	–	(4,951)	(1,532)	–	(6,483)
Contribution by and distribution to Stapled Securityholders						
Issue of new units on Initial Public Offering	498,000	–	–	–	–	498,000
REIT Manager's and Trustee-Manager's management fees paid in Stapled Securities ⁽²⁾	934	–	–	–	–	934
Issue costs	–	(16,374)	–	–	–	(16,374)
Total contribution by and distribution to Stapled Securityholders	498,934	(16,374)	–	–	–	482,560
At 31 December 2019	498,934	(16,374)	(7,282)	59,713	(41,775)	493,216

⁽¹⁾ For the purpose of presenting the statement of movements in Stapled Securityholders' Funds from 9 May 2019 (Listing date) to 31 December 2019, the redemption of the ARA Real Estate Investors XVI Limited's Initial Stapled Securities on Listing date was included in the balance at 9 May 2019.

⁽²⁾ Represents 1,062,000 Stapled Securities issued as payment of 50% of Managers' base fees for the period from Listing date to 30 September 2019.

ARA US HOSPITALITY TRUST

Statement of Cash Flows

For the Financial Period from 9 May 2019 (Listing date) to 31 December 2019

	Note	Period from 9 May 2019 to 31 December 2019 US\$'000
Cash flows from operating activities		
Net income before tax		8,908
Adjustments for:		
Allowance for expected credit loss and bad debts written off		287
Depreciation of property, plant and equipment	4	13,694
Net finance costs	15	5,995
Manager's base fee paid/payable in stapled securities		1,256
Operating income before working capital changes		<u>30,140</u>
Changes in working capital:		
Inventories		(42)
Trade and other receivables		(1,673)
Trade and other payables		(2,863)
Net cash generated from operating activities		<u>25,562</u>
Cash flows from investing activities		
Interest received		363
Payment for capital expenditure		(7,098)
Net cash used in investing activities		<u>(6,735)</u>
Cash flows from financing activities		
Proceeds from issuance of Stapled Securities		498,000
Redemption of existing units	11	(174,565)
Payment of transaction costs relating to the issuance of Stapled Securities		(16,374)
Repayment of existing loan facilities		(540,000)
Repayment of loans and borrowings		(7,500)
Proceeds from loans and borrowings		251,825
Payment of transaction costs relating to new loan facilities		(677)
Interest paid		(6,349)
Net cash generated from financing activities		<u>4,360</u>
Net increase in cash and cash equivalents		23,187
Cash and cash equivalents at the beginning of the period		<u>22,053</u>
Cash and cash equivalents as at 31 December 2019	7	<u>45,240</u>

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

ARA US HOSPITALITY TRUST**Notes to the Financial Statements**

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by ARA Trust Management (USH) Pte. Ltd. (the “**REIT Manager**”), ARA Business Trust Management (USH) Pte. Ltd. (the “**Trustee-Manager**”), and DBS Trustee Limited (the “**REIT Trustee**”) on 18 March 2020.

1 GENERAL

ARA US Hospitality Trust is a stapled group comprising ARA US Hospitality Property Trust (“**ARA H-REIT**”) and its subsidiaries (the “**ARA H-REIT Group**”) and ARA US Hospitality Management Trust (“**ARA H-BT**”) and its subsidiaries (the “**ARA H-BT Group**”) (collectively, “**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 “**REIT Manager**”) and together with the “**Trustee-Manager**”, defined as the “**Managers**”). 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 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 Stapled Group’s first year financial statements, prepared for the Stapled Securityholders cover the period from 9 May 2019 (Listing date) to 31 December 2019, as determined by the Managers to be the financial period relevant to the Stapled Securityholders.

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.**” or “**United States**”), 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 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 Stapled Group relate to the ARA H-REIT Group and the ARA H-BT Group.

ARA US HOSPITALITY TRUST

Notes to the Financial Statements

1 GENERAL (CONT'D)

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 total base fee payable to the Managers out of the total deposited property of the Stapled Group in each financial period or year) multiplied by the weighted average number of Stapled Securities in issue for such financial period or year.

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

The portion of the base management fees payable in the form of cash and/or Stapled Securities will be made on a quarterly basis, in arrears. No performance fee is paid/payable for the period ended 31 December 2019.

(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 value of the ARA H-REIT's deposited property, subject to a minimum of S\$10,000 per month, excluding out-of-pocket expenses and applicable taxes. In addition, the ARA H-REIT Group will pay the REIT Trustee a one-time inception fee as may be agreed between the REIT Manager and the REIT Trustee, subject to a maximum of S\$60,000.

(c) Trustee-Manager's trustee fee

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

(d) Hotel Manager's management fee

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Stapled Group have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("**SFRS(I)**") and the provisions of the Stapling Deed.

2.2 Basis of measurement

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

ARA US HOSPITALITY TRUST

Notes to the Financial Statements

2 BASIS OF PREPARATION (CONT'D)

2.3 Functional and presentation currency

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

2.4 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 critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Note 4 – Valuation of property, plant and equipment

Measurement of fair values

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

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

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

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 property, plant and equipment
- Note 20 – Valuation of financial instruments

ARA US HOSPITALITY TRUST

Notes to the Financial Statements**2 BASIS OF PREPARATION (CONT'D)****2.5 Early adoption of Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 Interest Rate Benchmark Reform**

The Stapled Group has early adopted amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 on 9 May 2019 (Listing date). The Stapled Group applied the interest rate benchmark reform amendments retrospectively to hedging relationship that existed at 9 May 2019 (Listing date) or were designated thereafter and that are directly affected by interest rate benchmark reform. These amendments also apply to the gain or loss recognised in the other comprehensive income that existed on 9 May 2019 (Listing date). The adoption of amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 did not have a material impact on the financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied by the Stapled Group consistently to all periods presented in these financial statements.

3.1 Basis of consolidation**(i) Stapling**

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

(ii) Business combinations

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

The Stapled Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest (“**NCI**”) in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree, over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

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

ARA US HOSPITALITY TRUST**Notes to the Financial Statements****3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(iii) Property acquisitions and business combinations**

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

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

(iv) Subsidiaries

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

The accounting policies of subsidiaries have been changed where necessary to align them with the policies of the Stapled Group.

(v) Transactions eliminated on consolidation

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

3.2 Foreign currencies**(i) Foreign currency transactions**

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

Transactions in foreign currencies are translated to the respective functional currencies of the entities in the Stapled Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in the profit or loss.

ARA US HOSPITALITY TRUST

Notes to the Financial Statements**3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.3 Property, plant and equipment****(i) Recognition and measurement**

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

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

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

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

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

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

(ii) Subsequent costs

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

ARA US HOSPITALITY TRUST

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (cont'd)

(iii) Depreciation

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

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

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

The estimated useful lives for the current year are as follows:

- Buildings 5 years to 39 years
- Furniture, fixtures and equipment 3 years to 7 years

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

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

3.4 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 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 assets: Classification, subsequent measurement and gains and losses

On initial recognition, a financial asset is classified at: amortised cost; fair value through OCI ("FVOCI") – debt instrument; FVOCI – equity investment or FVTPL.

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

ARA US HOSPITALITY TRUST

Notes to the Financial Statements**3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.4 Financial instruments (cont'd)*****Financial assets at amortised cost***

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

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

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

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

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

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

(iii) Derecognition***Financial assets***

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

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

Financial liabilities

The Stapled Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. 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.

ARA US HOSPITALITY TRUST**Notes to the Financial Statements****3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.4 Financial instruments (cont'd)****(iv) Offsetting**

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

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits that are subject to an insignificant risk of changes in their fair values, and are used by the Stapled Group in the management of its short-term commitments. For the purpose of the statement of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Stapled Group's cash management are included in cash and cash equivalent.

(vi) Derivative financial instruments and hedge accounting

The Stapled Group holds derivative financial instruments to hedge its interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

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

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

Cash flow hedges

The Stapled Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in interest rates.

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

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

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve are immediately reclassified to profit or loss.

ARA US HOSPITALITY TRUST

Notes to the Financial Statements**3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.4 Financial instruments (cont'd)****(vi) Derivative financial instruments and hedge accounting (cont'd)*****Specific policies for hedges directly affected by interbank offer rates (IBOR) reform***

For a cash flow hedge of a forecast transaction, the Stapled Group assumes that the benchmark interest rate will not be altered as a result of IBOR reform for the purpose of asserting that the forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss. The Stapled Group will no longer apply the amendments to its highly probable assessment of the hedged item when the uncertainty arising from interest rate benchmark reform with respect to the timing and amount of the interest rate benchmark-based future cash flows of the hedged item is no longer present, or when the hedging relationship is discontinued. To determine whether the designated forecast transaction is no longer expected to occur, the Stapled Group assumes that the interest rate benchmark cash flows designated as a hedge will not be altered as a result of interest rate benchmark reform.

3.5 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Determining whether an arrangement contains a lease

At inception of an arrangement, the Stapled Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of that specific asset or assets; and
- the arrangement contains a right to use the asset(s).

At inception or upon reassessment of the arrangement, the Stapled Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Stapled Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Stapled Group's incremental borrowing rate.

3.6 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.

ARA US HOSPITALITY TRUST

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment

(i) Non-derivative financial assets

The Stapled Group recognises loss allowances for expected credit loss (“ECL”) on financial assets measured at amortised cost.

Loss allowances of 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 Stapled Group applies the simplified approach to provide for ECL for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECL.

General approach

The Stapled Group applies the general approach to provide for ECL on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECL at initial recognition.

At each reporting date, the Stapled Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Stapled Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the 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 Stapled Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Stapled Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Stapled Group in full, without recourse by the Stapled Group to actions such as realising security (if any is held); or
- the financial asset is more than 120 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the Stapled Group is exposed to credit risk.

ARA US HOSPITALITY TRUST

Notes to the Financial Statements**3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.7 Impairment (cont'd)****(i) Non-derivative financial assets (cont'd)*****Measurement of ECLs***

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Stapled Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Stapled Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- the financial asset is 120 days past due;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Stapled Group on terms that the Stapled Group would not consider otherwise;
- it is probable that the debtor 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 Stapled Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Stapled Group's procedures for recovery of amounts due.

ARA US HOSPITALITY TRUST**Notes to the Financial Statements****3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.7 Impairment (cont'd)****(ii) Non-financial assets**

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (groups of CGUs), and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.8 Stapled Securityholders' funds

Stapled Securityholders' funds of the Stapled Group comprise the aggregated unitholders' funds of ARA H-REIT Group and ARA H-BT Group. 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.

3.9 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.

3.10 Revenue***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.

ARA US HOSPITALITY TRUST**Notes to the Financial Statements****3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.11 Finance income and finance costs**

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.

3.12 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in OCI.

The Stapled Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, measured using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Stapled Group is able to control the timing of reversal of the temporary difference and it is not probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

ARA US HOSPITALITY TRUST**Notes to the Financial Statements****3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.12 Tax (cont'd)**

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Stapled Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Stapled Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

In determining the amount of current and deferred tax, the Stapled Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Stapled Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Stapled Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

The Stapled Group has obtained tax rulings from the Inland Revenue Authority of Singapore (“**IRAS**”) in relation to Singapore income tax treatment of certain income from properties located overseas.

3.13 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.

ARA US HOSPITALITY TRUST

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 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 ("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 finance income, finance costs and trust expenses.

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

4 PROPERTY, PLANT AND EQUIPMENT

	At valuation		At cost		Total US\$'000
	Freehold land US\$'000	Buildings US\$'000	Furniture, fixtures and equipment US\$'000	Capital work in progress US\$'000	
At valuation/cost					
At 9 May 2019 (Listing date)	71,203	619,991	30,605	–	721,799
Additions	–	1,636	5,354	108	7,098
Revaluation differences recognised in OCI	–	(1,338)	–	–	(1,338)
Elimination of accumulated depreciation on revaluation	–	(17,889)	–	–	(17,889)
At 31 December 2019	<u>71,203</u>	<u>602,400</u>	<u>35,959</u>	<u>108</u>	<u>709,670</u>
Accumulated depreciation					
At 9 May 2019 (Listing date)	–	7,225	1,832	–	9,057
Depreciation	–	10,664	3,030	–	13,694
Elimination of accumulated depreciation on revaluation	–	(17,889)	–	–	(17,889)
At 31 December 2019	<u>–</u>	<u>–</u>	<u>4,862</u>	<u>–</u>	<u>4,862</u>
Carrying amounts					
At 9 May 2019 (Listing date)	<u>71,203</u>	<u>612,766</u>	<u>28,773</u>	<u>–</u>	<u>712,742</u>
At 31 December 2019	<u>71,203</u>	<u>602,400</u>	<u>31,097</u>	<u>108</u>	<u>704,808</u>

Security

As at 31 December 2019, the property, plant and equipment of the Stapled Group with a carrying amount of US\$704.8 million are pledged as security to secure bank facilities obtained from financial institutions (see Note 8).

ARA US HOSPITALITY TRUST

Notes to the Financial Statements

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Measurement of fair value

(i) Fair value hierarchy

The fair values of the properties were determined by an external property valuer, HVS Consulting and Valuation Services. The external property valuer has appropriate recognised professional qualifications and recent experience in the location and category of properties being valued.

The fair value measurement of properties has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used (see Note 2.4).

Level 3 fair values

Reconciliations from the beginning balances to the ending balances for level 3 fair value measurements are set out in the table above.

(ii) Valuation technique and significant unobservable inputs

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

Valuation technique	Significant unobservable inputs	2019
Discounted cash flows	Discount rate	9.21% - 9.67%
	Terminal capitalisation rate	7.50% - 9.20%

Inter-relationship between key unobservable inputs and fair value measurement

The significant unobservable inputs used in the fair values measurement of properties are discount rate and terminal capitalisation rate. An increase in discount rate and terminal capitalisation rate in isolation would result in a lower fair value.

5 DEFERRED TAX ASSETS/(LIABILITIES)

	As at Listing date US\$'000	Recognised in profit or loss (Note 17) US\$'000	As at 31 December 2019 US\$'000
Deferred tax assets			
Tax losses carried forward	–	1,680	1,680
Deferred tax liabilities			
Property, plant and equipment	(2,762)	194	(2,568)

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:

	2019 US\$'000
Deferred tax assets	1,680
Deferred tax liabilities	(2,568)

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.

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Notes to the Financial Statements

6 TRADE AND OTHER RECEIVABLES

	2019 US\$'000
Trade receivables	3,102
Allowance for expected credit loss	(326)
	2,776
Interest receivables:	
- fixed deposits	19
Deposits	2,000
Other receivables	660
	5,455
Prepayments	996
	<u>6,451</u>

The Stapled Group's exposures to credit risk and impairment losses for trade receivables are disclosed in Note 20.

7 CASH AND CASH EQUIVALENTS

	2019 US\$'000
Cash at bank and in hand	10,214
Fixed deposits with financial institutions	35,026
	<u>45,240</u>

At as 31 December 2019, the interest rates for fixed deposits with financial institutions ranged from 1.3% to 2.5% per annum.

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Notes to the Financial Statements

8 LOANS AND BORROWINGS

	2019 US\$'000
Secured bank loans	244,325
Less: Transaction costs capitalised	(586)
	<u>243,739</u>

The Stapled Group has in place the following loan facilities:

- a) US\$260.8 million secured term loan and letter of credit facilities;
- b) US\$66.0 million unsecured term loan facility; and
- c) US\$19.0 million unsecured revolving facilities.

Secured term loan

As at 31 December 2019, the Stapled Group has drawn down US\$244.3 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 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.

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	Currency	Nominal interest rate %	Year of maturity	Face value US\$'000	Carrying amount US\$'000
Secured term loans	USD	3.25 – 3.98	2024	<u>244,325</u>	<u>243,739</u>

ARA US HOSPITALITY TRUST

Notes to the Financial Statements

8 LOANS AND BORROWINGS (CONT'D)

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Loans and borrowings US\$'000	Interest payable US\$'000	Total US\$'000
At 9 May 2019 (Listing date)	540,007	102	540,109
Changes from financing cash flows			
Proceeds from loans and borrowings	251,825	–	251,825
Payment of transaction costs related to new loans and borrowings	(677)	–	(677)
Repayment of existing loan facilities	(540,000)	–	(540,000)
Repayment of loans and borrowings	(7,500)	–	(7,500)
Interest paid	–	(6,349)	(6,349)
Total changes from financing cash flows	(296,352)	(6,349)	(302,701)
Other changes			
Liability-related			
Interest expense	–	6,293	6,293
Amortisation of transaction costs related to loans and borrowings	84	–	84
Total liability-related other changes	84	6,293	6,377
At 31 December 2019	243,739	46	243,785

9 DERIVATIVE FINANCIAL LIABILITIES

	2019 US\$'000
Interest rate swaps	7,282

The Stapled Group uses interest rate swaps to manage its exposure to interest rate risks.

As at 31 December 2019, the Stapled Group had interest rate swaps with a notional amount of US\$202.0 million.

10 TRADE AND OTHER PAYABLES

	2019 US\$'000
Trade payables	8,903
Amount due to related parties - trade	643
Other payables	998
Interest payable	46
Accruals	1,140
	<u>11,730</u>
Non-current	125
Current	11,605
	<u>11,730</u>

Related parties refer to the REIT Manager, the Trustee-Manager and its related entities.

The Stapled Group's exposures to liquidity risk related to trade and other payables are disclosed in Note 20.

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Notes to the Financial Statements

11 STAPLED SECURITIES IN ISSUE AND TO BE ISSUED

	2019 '000
Stapled Securities in issue	
At Listing date	— ⁽¹⁾
Issue of new Stapled Securities on Initial Public Offering	565,909
REIT Manager/Trustee-Manager's management fees paid in Stapled Securities	1,062
At 31 December 2019	<u>566,971</u>
Stapled Securities to be issued	
REIT Manager/Trustee-Manager's management fees payable in Stapled Securities	371
At 31 December 2019	<u>371</u>
Total Stapled Securities issued and to be issued as at 31 December 2019	<u>567,342</u>

(1) Post redemption of 198,392,000 existing units held by ARA Real Estate Investors XVI Limited on Listing date.

On 9 May 2019, the Stapled Group redeemed 198,392,000 existing units held by ARA Real Estate Investors XVI Limited at the price of US\$0.88 per unit, amounting to US\$174,565,000.

(i) During the financial period, the following Stapled Securities were issued:

- 565,909,000 Stapled Securities at unit price of US\$0.88 per Stapled Security, amounting to US\$498 million, were issued on the Listing date with a transaction cost of US\$16.4 million;
- 1,062,000 Stapled Securities at unit prices ranging from US\$0.88 to US\$0.89 per Stapled Security, amounting to US\$934,000, were issued as satisfaction of the REIT Manager's and Trustee-Manager's base fee for the period from 9 May 2019 (Listing date) to 30 September 2019 which are payable in units; and

(ii) 371,000 Stapled Securities at a unit price of US\$0.86 per Stapled Security, amounting to US\$322,000, will be issued subsequent to year end as satisfaction of the REIT Manager's and Trustee-Manager's base fee for the period from 1 October 2019 to 31 December 2019.

Each ARA H-REIT unit is stapled together with a ARA H-BT unit under the terms of the Stapling Deed dated 17 April 2019 entered into between the REIT Manager, the REIT Trustee and the Trustee-Manager and cannot be traded separately. Each Stapled Security represents an undivided interest in ARA H-REIT and ARA H-BT.

A holder of the Stapled Security has no equitable or proprietary interest in the underlying assets of the Stapled Group and is not entitled to the transfer to it of any asset (or any part thereof) or of any real estate, any interest in any asset and real estate-related assets (or any part thereof) of the Stapled Group.

The liability of a holder of the Stapled Securities is limited to the amount paid or payable for the Stapled Securities.

Each ARA H-REIT unit and ARA H-BT unit carry the same voting rights.

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.

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Notes to the Financial Statements

12 NET ASSET VALUE PER STAPLED SECURITY

	Note	2019 US\$'000
Net asset value per Stapled Security is based on:		
Net assets attributable to Stapled Securityholders (US\$'000)		493,216
Total issued and to be issued Stapled Securities ('000)	11	567,342
Net asset value per Stapled Security (US\$)		0.87

13 REVENUE

	Period from 9 May 2019 to 31 December 2019 US\$'000
Room revenue	109,450
Other operating revenue	5,502
	114,952

Room revenue and other operating revenue are recognised at a point in time when the accommodation and related services are rendered.

14 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 1,433,000 Stapled Securities, amounting to US\$1,256,000, that have been or will be issued to the REIT Manager and Trustee-Manager in satisfaction of the REIT Manager's and Trustee-Manager's management fees payable in Stapled Securities, at unit prices ranging from US\$0.86 to US\$0.89 per Stapled Security.

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Notes to the Financial Statements

15 NET FINANCE COSTS

	Period from 9 May 2019 to 31 December 2019 US\$'000
Finance income	
Interest income under the effective interest method on:	
- fixed deposits with financial institutions	382
	<u>382</u>
Finance costs	
Financial liabilities measured at amortised cost:	
- interest expense	(6,293)
- amortisation of transaction costs	(84)
	<u>(6,377)</u>
Net finance costs	<u>(5,995)</u>

16 NET INCOME FOR THE PERIOD BEFORE TAX

Net income for the period before tax is arrived at after charging the following items:

	Period from 9 May 2019 to 31 December 2019 US\$'000
Room expenses	32,145
Other operating expenses	3,168
Administrative and general expenses	10,111
Sales and marketing expenses	9,706
Franchise fee	5,462
Property operations and maintenance expenses	6,802
Utilities	4,466
Operating expenses	<u>71,860</u>
Audit fees payable to auditors	516
Non-audit fees payable to auditors	223
Impairment loss on trade receivables	242
Operating lease expenses from rental of land	<u>484</u>

Besides the fees above, the Stapled Group also paid non-recurring issuance costs of US\$2,383,000 to the auditors which is capitalised as part of the Initial Public Offering issue costs, and the fees paid in total for audit and non-audit services were US\$920,000 and US\$1,463,000 respectively.

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Notes to the Financial Statements

17 TAXATION

	Period from 9 May 2019 to 31 December 2019 US\$'000
Current tax expenses	
Current year	79
Deferred tax credit	
Origination and reversal of temporary differences	(1,874)
Tax credit	(1,795)

Reconciliation of effective tax rate

	Period from 9 May 2019 to 31 December 2019 US\$'000
Net income for the period before tax	8,908
Tax using the Singapore tax rate of 17%	1,514
Effect of tax rates in foreign jurisdictions	(357)
Utilisation of previously unrecognised temporary differences	(2,952)
	(1,795)

18 EARNINGS PER STAPLED SECURITY

Earnings per Stapled Security is based on:

	Period from 9 May 2019 to 31 December 2019 US\$'000
Net income for the period attributable to Stapled Securityholders	10,703

	Number of Stapled Securities Period from 9 May 2019 to 31 December 2019 '000
Weighted average number of Stapled Securities used in arriving at basic earnings per Stapled Security:	
- issuance of new Stapled Securities on Initial Public Offering	565,909
- issued as payment of REIT Manager's and Trustee-Manager's management fees payable in Stapled Securities	423
	566,332

ARA US HOSPITALITY TRUST

Notes to the Financial Statements

18 EARNINGS PER STAPLED SECURITY (CONT'D)

	Number of Stapled Securities Period from 9 May 2019 to 31 December 2019 '000
Weighted average number of Stapled Securities used in arriving at diluted earnings per Stapled Security:	
- weighted average number of Stapled Securities (basic)	566,332
- to be issued as payment of REIT Manager's and Trustee-Manager's management fees payable in Stapled Securities	647
	<u>566,979</u>
Earnings per Stapled Security ("EPS") (US cents)	
Basic	1.89
Diluted	<u>1.89</u>

19 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	Total US\$'000
2019			
Revenue	72,000	42,952	114,952
Reportable segment net property income	18,899	13,699	32,598
Depreciation of property, plant and equipment	(8,591)	(5,103)	(13,694)
Unallocated items:			
- REIT Manager's and Trustee-Manager's management fees			(2,512)
- Trustee-Manager's trustee fees			(77)
- REIT trustee fees			(71)
- Other trust expenses			(1,341)
- Finance income			382
- Finance costs			(6,377)
- Taxation			1,795
Net income for the period			<u>10,703</u>
Assets and liabilities			
Reportable segment assets	451,494	268,713	720,207
Reportable segment liabilities	5,600	3,049	8,649
Other segmental information			
Capital expenditure on property, plant and equipment	4,319	2,779	7,098
Allowance for expected credit loss and bad debts written off	154	133	287

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Notes to the Financial Statements

19 OPERATING SEGMENTS (CONT'D)

Reconciliations of reportable segment assets and liabilities

	2019 US\$'000
Assets	
Total assets for reportable segments	720,207
Other unallocated amounts	38,404
	<u>758,611</u>
Liabilities	
Total liabilities for reportable segments	8,649
Other unallocated amounts	256,746
	<u>265,395</u>

20 FINANCIAL INSTRUMENTS

Financial risk management**Overview**

The Stapled Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the exposure of the Stapled Group to each of the above risks, their objectives, policies and procedures for measuring and managing risk, and their management of capital.

Risk management framework

Risk management is integral to the whole business of the Stapled Group. The Stapled Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The Managers continually monitor the Stapled Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Stapled Group's activities.

The Audit Committee of the Managers assist the REIT Manager's and the Trustee-Manager's 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 Committee of the Managers also assist the REIT Manager's and the Trustee-Manager's 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 Committee oversees how management monitors compliance with the Stapled Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Stapled Group.

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Notes to the Financial Statements

20 FINANCIAL INSTRUMENTS (CONT'D)

(i) Credit risk

Credit risk is the risk of financial loss to the Stapled Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from 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 Stapled Group to credit risk, before taking into account any rental deposit held.

Impairment losses on financial assets recognised in profit or loss were as follows:

	Period from 9 May 2019 to 31 December 2019 US\$'000
Allowance for expected credit loss	242
Bad debt written off	45
	<u>287</u>

Trade receivables

The hotel operators which manage the hotels under ARA H-BT Group perform credit evaluations on customers before accepting customers and monitor their balances on an on-going basis.

Exposure to credit risk

As at the reporting date, the Stapled Group believes there is little credit risk inherent in its trade receivables, based on payment behaviours and rental deposits held. The carrying amounts of financial assets represent the Stapled Group's maximum exposure to credit risk.

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Notes to the Financial Statements

20 FINANCIAL INSTRUMENTS (CONT'D)

(i) Credit risk (cont'd)

Expected credit loss assessment as at 31 December 2019

Trade receivables

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2019:

	Gross carrying amount US\$'000	Impairment loss allowance US\$'000	Credit impaired
Not past due	1,506	–	No
Past due 31 – 60 days	396	–	No
Past due 61 – 90 days	261	–	No
Past due over 90 days	939	(326)	Yes
	<u>3,102</u>	<u>(326)</u>	

The Stapled Group uses an allowance matrix to measure the ECLs of trade receivables.

Loss rates are based on actual credit loss experience. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions 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 period was as follows.

	2019 US\$'000
At Listing date	84
Impairment loss recognised	<u>242</u>
At 31 December	<u>326</u>

Cash and cash equivalents

The Stapled Group held cash and cash equivalents of US\$45,240,000 at 31 December 2019. The cash and cash equivalents are held with 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 has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. 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.

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Notes to the Financial Statements

20 FINANCIAL INSTRUMENTS (CONT'D)

(ii) Liquidity risk

Liquidity risk is the risk that 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 the Stapled Group's liquidity risk and maintain a level of cash and cash equivalents deemed adequate to finance the Stapled Group's operations and to mitigate the effects of fluctuations in cash flows. The REIT Manager also observes and monitors compliance with the CIS Code issued by the MAS concerning limits on total borrowings. As at the end of the financial period, the Stapled Group maintains several lines of credit (Note 8).

The Stapled Group has contractual commitments to incur capital expenditure (Note 21).

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

	Note	Carrying amount US\$'000	Contractual cash flows US\$'000	Cash flows		
				Within 1 year US\$'000	Between 1 to 5 years US\$'000	More than 5 years US\$'000
2019						
Non-derivative financial liabilities						
Loans and borrowings	8	243,739	283,279	8,942	274,337	–
Trade and other payables	10	11,730	11,730	11,605	–	125
		255,469	295,009	20,547	274,337	125
Derivative financial liabilities						
Interest rate swaps	9	7,282	7,214	(16)	7,230	–

The maturity analysis show the contractual undiscounted cash flows of the Stapled Group's financial liabilities on the basis of their earliest possible contractual maturity. The cash inflows/(outflows) disclosed represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are usually not closed out prior to contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement e.g. forward exchange contracts. Net-settled derivative financial assets are included in the maturity analyses as they are held to hedge the cash flow variability of the Stapled Group's floating rate loans.

The interest payments on variable interest rate loans in the table above reflect market forward interest rates at the period end and these amounts may change as market interest rates change.

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Notes to the Financial Statements

20 FINANCIAL INSTRUMENTS (CONT'D)

(iii) Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the profit or loss of the Stapled Group. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Stapled Group enters into derivatives in order to manage market risks. All such transactions are carried out within the guidelines set by the Audit Committee of the REIT Manager. Generally, the Stapled Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

Currency risk

The Stapled Group's business is 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 U.S. Dollar. The loans and borrowings are made in the same currency as the assets in order to manage the foreign currency risk.

Where appropriate based on the prevailing market conditions, suitable hedging strategies are adopted to minimise any foreign exchange risk.

Interest rate risk

The REIT Manager's and the Trustee-Manager's strategy to manage the risk of potential interest rate volatility is through the use of interest rate hedging instruments and/or fixed rate borrowings. The Managers will regularly evaluate the feasibility of putting in place the appropriate level of interest rate hedges, after taking into account the prevailing market conditions.

The Stapled Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts.

The Stapled Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

Exposure to interest risk

At the end of the financial period, the interest rate profile of the interest-bearing financial instruments based on their nominal amounts was as follows:

	Nominal amount 2019 US\$'000
Fixed rate instruments	
Financial assets	35,026
Variable rate instruments	
Financial liabilities	(244,325)
Effect of interest rate swaps	202,000
	<u>(42,325)</u>

To manage its exposure to interest rate movements on its variable rate financial liabilities, the Stapled Group entered into interest rate swaps with a notional amount of US\$202.0 million to swap floating rate interest on US Dollar ("USD") loan of US\$202.0 million for fixed rate USD interest.

ARA US HOSPITALITY TRUST

Notes to the Financial Statements

20 FINANCIAL INSTRUMENTS (CONT'D)

(iii) Market risk (cont'd)

Interest rate benchmark reform

A fundamental review and reform of major interest rate benchmarks is being undertaken globally to replace or reform existing benchmark IBORs with alternative rates. The Stapled Group hedged items and hedging instruments continue to be indexed to London Inter-bank Offered Rate (“LIBOR”). There is uncertainty as to the timing and the methods of transition for the Stapled Group.

As a result of these uncertainties, significant judgement is involved in determining certain hedge accounting relationships that hedge the variability of interest rate risk due to expected changes in IBORs continue to qualify for hedge accounting as at 31 December 2019. IBORs continue to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected end date for IBOR. The Stapled Group believes the current market structure supports the continuation of hedge accounting as at 31 December 2019.

At 31 December 2019, the Stapled Group has interest rate swaps classified as cash flow hedges with notional contractual amount of US\$202.0 million which pay fixed interest rates averaging 2.43% per annum and receive variable rates equal to USD LIBOR on the notional amount.

Fair value sensitivity analysis for fixed rate instruments

The Stapled Group does not account for any fixed rate financial assets and liabilities at FVTPL. Therefore, in respect of the fixed rate instrument a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) Stapled Securityholders' funds and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or loss		Stapled Securityholders' funds	
	100 bp increase US\$'000	100 bp decrease US\$'000	100 bp increase US\$'000	100 bp decrease US\$'000
31 December 2019				
Variable rate instruments	(2,443)	2,443	–	–
Interest rate swaps	–	–	163	(163)
Cash flow sensitivity (net)	(2,443)	2,443	163	(163)

ARA US HOSPITALITY TRUST

Notes to the Financial Statements

20 FINANCIAL INSTRUMENTS (CONT'D)

(iii) Market risk (cont'd)

Hedge accounting

Cash flow hedges

At 31 December 2019, the Stapled Group held the following instruments to hedge its exposures to changes in interest rates.

	Within 1 year	Maturity Within 2-5 years	More than 5 years
Interest rate risk			
Interest rate swaps			
Net exposure (US\$'000)	–	202,000	–
Average fixed interest rate	–	2.43%	–

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
31 December 2019			
Interest rate risk			
Variable-rate instruments	–	7,282	–

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Stapled Group's statement of financial position; or
- are subject to an enforceable master netting arrangement, irrespective of whether they are offset in the statement of financial position.

Financial instruments such as loans and receivables and financial liabilities are not disclosed in the tables below unless they are offset in the statement of financial position.

The Stapled Group's derivative transactions that are not transacted on an exchange are entered into under International Swaps and Derivatives Association ("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 Stapled Group or the counterparties. In addition, 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.

ARA US HOSPITALITY TRUST

Notes to the Financial Statements

20 FINANCIAL INSTRUMENTS (CONT'D)

(iii) Market risk (cont'd)

Hedge accounting (cont'd)

Financial assets and financial liabilities subject to offsetting and enforceable master netting arrangement

	Gross amount of recognised financial liabilities US\$'000	Gross amount of recognised financial liabilities offset in the statement of financial position US\$'000	Net amount of financial liabilities presented in the statement of financial position US\$'000	Related amount not offset in the statement of financial position US\$'000	Net amount US\$'000
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31 December 2019**Financial liabilities**

Interest rate swaps	(7,282)	-	(7,282)	-	(7,282)
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The gross amounts of financial assets and financial liabilities and their net amounts as presented in the statement of financial position that are disclosed in the above table are measured in the statement of financial position on the following basis:

- interest rate swaps – fair value

ARA US HOSPITALITY TRUST

Notes to the Financial Statements

20 FINANCIAL INSTRUMENTS (CONT'D)

(iii) Market risk (cont'd)

*Fair values***Accounting classifications and fair values**

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

	Note	Carrying amount			Fair value				
		Amortised cost US\$'000	Fair value – hedging instruments US\$'000	Other financial liabilities US\$'000	Total US\$'000	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
31 December 2019									
Financial assets not measured at fair value									
Trade and other receivables ⁽¹⁾	6	5,455	–	–	5,455				
Cash and cash equivalents	7	45,240	–	–	45,240				
		<u>50,695</u>	<u>–</u>	<u>–</u>	<u>50,695</u>				
Financial liabilities measured at fair value									
Derivative financial liabilities	9	–	(7,282)	–	(7,282)	–	(7,282)	–	(7,282)
Financial liabilities not measured at fair value									
Loans and borrowings	8	–	–	(243,739)	(243,739)	–	(244,413)	–	(244,413)
Trade and other payables	10	–	–	(11,730)	(11,730)				
		<u>–</u>	<u>–</u>	<u>(255,469)</u>	<u>(255,469)</u>				

⁽¹⁾ Excluding prepayments

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

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.

ARA US HOSPITALITY TRUST

Notes to the Financial Statements

21 COMMITMENTS

Operating leases as a lessee

Non-cancellable operating lease rentals are payable as follows:

	2019 US\$'000
Within one year	533
Between one and five years	1,501
More than five years	12,381
	<u>14,415</u>

The above operating lease payables are based on the fixed component of the rent payable under the lease agreements, adjusted for increases in rent where such increases have been provided for under the lease agreements.

Capital commitments

	2019 US\$'000
Capital expenditure contracted but not provided for	<u>6,759</u>

22 RELATED PARTIES

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

	Period from 9 May 2019 to 31 December 2019 US\$'000
Related entities	
REIT Manager's and Trustee-Manager's management fees paid/payable	2,512
Trustee-Manager's trustee fee paid/payable	77
REIT Trustee's fees paid/payable	71
Hotel management fee paid/payable	3,448
Reimbursement of expenses (paid on behalf by Managers)	<u>319</u>

ARA US HOSPITALITY TRUST

Notes to the Financial Statements

23 SUBSIDIARIES

Details of the significant subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Effective equity interest held by the Stapled Group
		2019 %
Subsidiaries of ARA H-REIT		
ARA USH Investment Holding, LLC ⁽¹⁾	United States	100
ARA USH Chicago, LLC ⁽²⁾	United States	100
Subsidiaries of ARA H-BT		
ARA USH Chicago Tenant, LLC ⁽²⁾	United States	100

⁽¹⁾ Not required to be audited by laws of country of incorporation.

⁽²⁾ Audited by other member firms of KPMG International.

24 NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED

A number of new standards, interpretations and amendments to standards are effective for annual period beginning after 1 January 2019 and earlier application is permitted. However, the Stapled Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are applicable to the 2020 financial statements.

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23: *Uncertainty over Income Tax Treatments*
- Amendments to SFRS(I) 3: *Definition of a Business*
- Amendments to SFRS(I) 1-1 and 1-8: *Definition of Material*
- Amendments to References to the Conceptual Framework in SFRS(I) Standards

ARA US HOSPITALITY TRUST

Notes to the Financial Statements**24 NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED (CONT'D)**

The Stapled Group is in the process of assessing the impact of these new SFRS(I)s, amendments to and interpretations of SFRS(I)s on the financial statements. The Stapled Group's assessment of SFRS(I) 16 *Leases*, which is applicable to the Group's 2020 financial statements and expected to have a more significant impact, is described below.

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including FRS 17 *Leases*, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives* and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Stapled Group plans to apply SFRS(I) 16 initially on 1 January 2020, using the modified retrospective approach. Therefore, the cumulative effect of adopting SFRS(I) 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2020, with no restatement of comparative information. The Stapled Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply SFRS(I) 16 to all contracts entered into before 1 January 2020 and identified as leases in accordance with FRS 17 and INT FRS 104.

The Entity as lessee

The Stapled Group expects to measure lease liabilities by applying a single discount rate to its portfolio of property leases with reasonably similar characteristics. Furthermore, the Stapled Group is likely to apply the practical expedient to recognise amounts of ROU assets equal to its lease liabilities at 1 January 2020. For lease contracts that contain the option to renew, the Stapled Group is expected to use hindsight in determining the lease term.

The Stapled Group expects its existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16. Lease payments that are increased every year to reflect market rentals, and those that are based on changes in local price index, are included in the measurement of lease liabilities as at date of initial application. In addition, the Stapled Group will no longer recognise provisions for operating leases that it assessed to be onerous as described in note 21. Instead, the Stapled Group will include the payments due under the lease in its lease liability.

The Stapled Group has performed preliminary assessment of the new standard on its existing operating lease agreements as a lessee. The Stapled Group's existing operating lease commitments on an undiscounted basis amount to approximately US\$14,415,000 as at 31 December 2019 (Note 21).

The Entity as lessor

SFRS(I) 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Stapled Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively.

No significant impact is expected for other leases in which the Stapled Group is a lessor.

ARA US HOSPITALITY TRUST**Notes to the Financial Statements****25 COMPARATIVE INFORMATION**

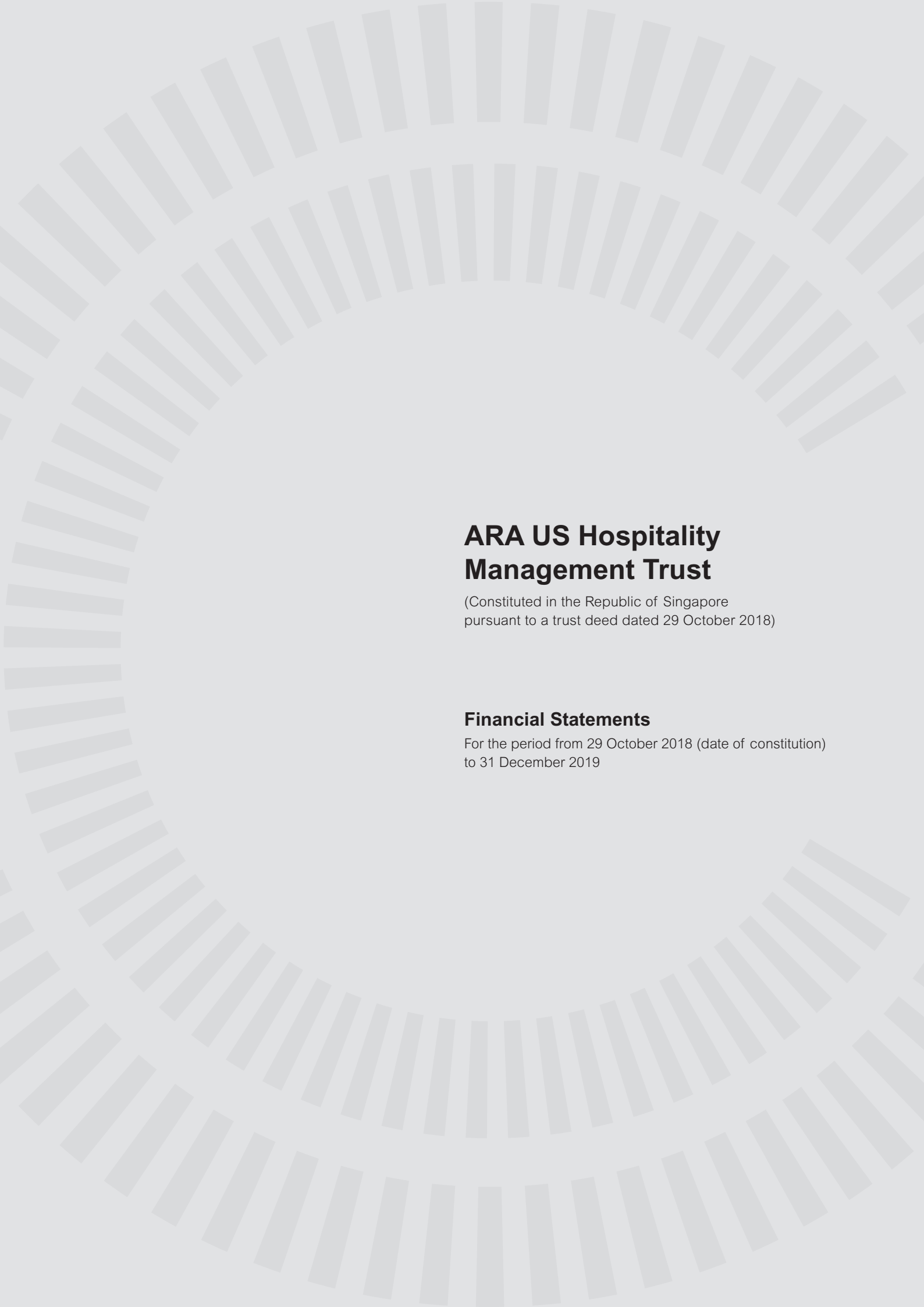
No comparative figures have been presented as this is the first set of financial statements prepared by the Stapled Group since the Listing date.

26 SUBSEQUENT EVENTS

On 17 January 2020, the Stapled Group completed the acquisition of a portfolio of three Marriott-Branded upscale select-service hotels in United States for a purchase consideration of US\$84 million.

On 24 January 2020, the Stapled Group established a S\$800 million Multicurrency Stapled Debt Issuance programme.

On 11 March 2020, the World Health Organisation (“WHO”) declared the outbreak of COVID-19, which is sweeping across the world as a pandemic. On 13 March 2020, the U.S. government declared a national emergency, with more than 30 states also declaring state of emergencies in response to the COVID-19 outbreak. The hospitality sector will be impacted due to travel restrictions for non-essential travel imposed and travel-related concerns of transient business and leisure travellers in the U.S. There is uncertainty on the extent of impact of the COVID-19 outbreak to the Stapled Group’s revenue and profitability. In addition, there may be other risks that are not reasonably foreseeable at date of this report. Any impact on the Group’s profitability may in turn affect the valuation of property, plant and equipment. In response, the Managers have initiated a series of cost mitigation and capital preservation measures to deal with the potential challenges posed by COVID-19. The Managers have also taken further measures to proactively protect and conserve cash flow by postponing non-essential capital expenditures and actively managing working capital.



ARA US Hospitality Management Trust

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

Financial Statements

For the period from 29 October 2018 (date of constitution)
to 31 December 2019

ARA US HOSPITALITY MANAGEMENT TRUST

Report of the Trustee-Manager

of ARA US Hospitality Management Trust

The directors of ARA Business Trust Management (USH) Pte. Ltd. (the “**Trustee-Manager**”), the Trustee-Manager of ARA US Hospitality Management Trust (“**ARA H-BT**”) and its subsidiaries (collectively, the “**ARA H-BT Group**”), are pleased to submit this report to the stapled securityholders of ARA H-Trust, together with the audited financial statements of ARA H-BT Group for the financial period from 29 October 2018 (date of constitution) to 31 December 2019.

DIRECTORS

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

Stephen Ray Finch (Chairman)	(Appointed on 12 April 2019)
Randy Allan Daniels	(Appointed on 12 April 2019)
Stefanie Yuen Thio	(Appointed on 12 April 2019)
Wong Choong Mann	(Appointed on 15 January 2020)
Lin Daqi	(Appointed on 15 January 2020)
Cheryl Seow Bee Lian	(Appointed on 29 August 2018)
Moses K. Song	(Appointed on 29 August 2018)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE UNITS AND DEBENTURES

Neither at the end of nor at any time during the financial period from 29 October 2018 (date of constitution) to 31 December 2019 was the Trustee-Manager a party to any arrangement whose objective was to enable any or all Directors of the Trustee-Manager to acquire benefits by means of the acquisition of units, or debentures of ARA H-BT.

DIRECTORS' INTEREST IN UNITS OR DEBENTURES

According to the register kept by the Trustee-Manager for the purposes of Section 76 of the Business Trusts Act, Chapter 31A of Singapore (the “**Act**”), particulars of interest of director who held office at the end of the financial period (including those held by their spouses and children below 18 years of age) in stapled securities of ARA US Hospitality Trust (“**ARA H-Trust**”) are as follows:

	Direct Interest		Deemed Interest	
	Holdings at beginning of the period	Holdings at end of the period	Holdings at beginning of the period	Holdings at end of the period
Stephen Ray Finch	–	–	–	100,000
Stefanie Yuen Thio	–	50,000	–	–
Cheryl Seow Bee Lian	–	500,000	–	–

Except as disclosed in this statement, no director who held office at the end of the financial period had interests in units of ARA H-Trust either at the beginning of the financial period, or the date of appointment if later, or at the end of the financial period.

There were no changes in the abovementioned interests of ARA H-BT between the end of the financial period and 21 January 2020.

ARA US HOSPITALITY MANAGEMENT TRUST**Report of the Trustee-Manager**

of ARA US Hospitality Management Trust

DIRECTORS' CONTRACTUAL BENEFITS

During the financial period from 29 October 2018 (date of constitution) to 31 December 2019, no director has received or become entitled to receive a benefit by reason of a contract made by ARA H-BT or a related corporation with the director, or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the financial statements.

OPTIONS

During the financial period, 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 period, there were no unissued stapled securities of ARA H-Trust under options.

AUDIT COMMITTEE

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

- Stefanie Yuen Thio (Chairwoman) - 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 (Appointed on 15 January 2020)

The Audit Committee performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance.

In performing its functions, the Audit Committee met with ARA H-BT's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the ARA H-BT's internal accounting control system.

The Audit Committee also reviewed the following:

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

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

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

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

AUDITORS

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

ARA US HOSPITALITY MANAGEMENT TRUST**Report of the Trustee-Manager**

of ARA US Hospitality Management Trust

STATEMENT BY THE TRUSTEE-MANAGER

In our opinion:

- (a) the accompanying consolidated financial statements of the ARA H-BT Group set out on pages 97 to 124 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 2019 and the financial performance, movements in unitholders' funds and cash flows of the ARA H-BT Group for the period from 29 October 2018 (date of constitution) to 31 December 2019 in accordance with the provisions of the Act and Singapore Financial Reporting Standards (International); and
- (b) 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.

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

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

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

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

Stephen Ray Finch

Director

Cheryl Seow Bee Lian

Director

18 March 2020

ARA US HOSPITALITY MANAGEMENT TRUST

Statement by the Chief Executive Officer

of the Trustee-Manager

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

Lee Jin Yong

Chief Executive Officer

18 March 2020

ARA US HOSPITALITY MANAGEMENT TRUST**Independent Auditors' Report**

Unitholder of ARA US Hospitality Management Trust

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS*Opinion*

We have audited 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 2019, the statement of comprehensive income, statement of movements in unitholders' funds and statement of cash flows of the ARA H-BT Group for the period from 29 October 2018 (date of constitution) to 31 December 2019, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 97 to 124.

In our opinion, the accompanying consolidated financial statements of the ARA H-BT Group are properly drawn up in accordance with the provisions of the Business Trust Act, Chapter 31A of Singapore (the "**Act**") and the SFRS(I)s so as to give a true and fair view of the financial position of the ARA H-BT Group as at 31 December 2019 and the financial performance, movements in unitholders' funds and cash flows of the ARA H-BT Group for the period from 29 October 2018 (date of constitution) to 31 December 2019.

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 ARA H-BT 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.

Other information

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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.

ARA US HOSPITALITY MANAGEMENT TRUST**Independent Auditors' Report**

Unitholder of ARA US Hospitality Management Trust

Responsibilities of the Trustee-Manager for the financial statements

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

In preparing the financial statements, the Trustee-Manager is responsible for assessing the ability of the ARA H-BT Group 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 or to cease the operations of the ARA H-BT Group, or has no realistic alternative but to do so.

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

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-BT Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee-Manager.
- Conclude on the appropriateness of the use of the going concern basis of accounting by 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-BT 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-BT 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-BT 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.

ARA US HOSPITALITY MANAGEMENT TRUST**Independent Auditors' Report**

Unitholder of ARA US Hospitality Management Trust

Auditors' responsibilities for the audit of the financial statements (cont'd)

We communicate with 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 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 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.

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

18 March 2020

ARA US HOSPITALITY MANAGEMENT TRUST**Statement of Financial Position**

As at 31 December 2019

	Note	2019 US\$'000
Non-current assets		
Plant and equipment	4	31,205
Loans to related corporation	5	294,000
Deferred tax assets	6	1,680
		<u>326,885</u>
Current assets		
Inventories		432
Trade and other receivables	7	4,074
Cash and cash equivalents	8	12,112
		<u>16,618</u>
Total assets		<u><u>343,503</u></u>
Current liabilities		
Trade and other payables	9	13,393
Tax payable		72
		<u>13,465</u>
Total liabilities		<u><u>13,465</u></u>
Represented by:		
Unitholders' funds		<u><u>330,038</u></u>

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

ARA US HOSPITALITY MANAGEMENT TRUST

Statement of Comprehensive Income

For the financial period from 29 October 2018 (date of constitution) to 31 December 2019

	Note	Period from 29 October 2018 (date of constitution) to 31 December 2019 US\$'000
Revenue	11	184,176
Operating expenses		(116,331)
Gross operating profit		<u>67,845</u>
Hotel management fee		(5,525)
Property taxes		(336)
Insurance		(1,495)
Rental expenses		(52,151)
Net property income		<u>8,338</u>
Depreciation	4	(4,862)
Impairment loss on plant and equipment	4	(31,939)
Trustee-Manager's management fees	12	(1,017)
Trustee-Manager's trustee fee		(77)
Other trust expenses		(776)
Net finance income	13	16,326
Net loss for the period before tax	14	(14,007)
Taxation	15	1,530
Net loss for the period after tax		<u>(12,477)</u>
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Gain on redemption of existing units		29,980
Total comprehensive income for the period		<u><u>17,503</u></u>

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

ARA US HOSPITALITY MANAGEMENT TRUST

Statement of Movements in Unitholders' Funds

For the financial period from 29 October 2018 (date of constitution) to 31 December 2019

	Units in issue US\$'000	Issue costs US\$'000	Revenue reserve US\$'000	Total US\$'000
At 29 October 2018 (date of constitution)	–	–	–	–
Total loss for the period after tax attributable to unitholders	–	–	(12,477)	(12,477)
Decrease in net assets from operations	–	–	(12,477)	(12,477)
Other comprehensive income				
Redemption of existing units ⁽¹⁾	–	–	29,980	29,980
Total comprehensive income for the period, net of tax	–	–	29,980	29,980
Contribution by and distribution to unitholders				
Issue of existing units	63,700	–	–	63,700
Redemption of existing units ⁽¹⁾	(63,700)	–	–	(63,700)
Issue of new units on Initial Public Offering ("IPO")	318,720	–	–	318,720
Trustee-Manager's management fees paid in units ⁽²⁾	467	–	–	467
Issue costs	–	(6,652)	–	(6,652)
Total contribution by and distribution to unitholders	319,187	(6,652)	–	312,535
At 31 December 2019	319,187	(6,652)	17,503	330,038

⁽¹⁾ This relates to the redemption of the ARA Real Estate Investors XVI Limited's Initial Stapled Securities on 9 May 2019 (Listing date).

⁽²⁾ Represents 531,000 units issued as payment of Trustee-Manager's share of the base fees for the period from 9 May 2019 (Listing date) to 30 September 2019.

ARA US HOSPITALITY MANAGEMENT TRUST

Statement of Cash Flows

For the financial period from 29 October 2018 (date of constitution) to 31 December 2019

	Note	Period from 29 October 2018 (date of constitution) to 31 December 2019 US\$'000
Cash flows from operating activities		
Net loss before tax		(14,007)
Adjustments for:		
Allowance for expected credit loss and bad debts written off		371
Depreciation of plant and equipment	4	4,862
Impairment loss on plant and equipment	4	31,939
Net finance income	13	(16,326)
Trustee-manager's fee paid/payable in units	12	628
Operating income before working capital changes		<u>7,467</u>
Changes in working capital:		
– Inventories		(122)
– Trade and other receivables		(257)
– Trade and other payables		10,061
Cash used in operating activities		<u>17,149</u>
Tax paid		(78)
Net cash used in operating activities		<u>17,071</u>
Cash flows from investing activities		
Interest received		16,429
Payment for capital expenditure		(7,307)
Amount due from related corporations – non-trade		(252)
Loans to related corporation		(357,700)
Net cash used in investing activities		<u>(348,830)</u>
Cash flows from financing activities		
Proceeds from issuance of existing units		63,700
Proceeds from issuance of units on Initial Public Offering		318,720
Redemption of existing units		(33,720)
Payment of transaction costs relating to the issuance of units		(6,652)
Interest paid		(223)
Amount due to related corporation – non-trade		2,046
Net cash generated from financing activities		<u>343,871</u>
Net increase in cash and cash equivalents		12,112
Cash and cash equivalents at the beginning of the period		–
Cash and cash equivalents as at end of the period	8	<u>12,112</u>

Non-cash transaction:

A loan due from ARA H-REIT Group of US\$63.7 million was utilised as consideration for the acquisition of subsidiaries from ARA H-REIT Group.

ARA US HOSPITALITY MANAGEMENT TRUST

Notes to the Financial Statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Trustee-Manager on 18 March 2020.

1 GENERAL

ARA US Hospitality Management Trust (“**ARA H-BT**”) is a business trust constituted by a trust deed dated 29 October 2018 (as amended) (the “**ARA H-BT Trust Deed**”) and is managed by ARA Business Trust Management (USH) Pte. Ltd. (the “**Trustee-Manager**”). The units in each of ARA H-BT and ARA US Hospitality Property Trust (“**ARA H-REIT**”) are stapled together under the terms of a stapling deed dated 17 April 2019 entered into between the Trustee-Manager, ARA Trust Management (USH) Pte. Ltd. (the “**REIT Manager**”) and DBS Trustee Ltd (the “**REIT Trustee**”) (the “**Stapling Deed**”) and cannot be traded separately. Each stapled security in ARA US Hospitality Trust (the “**Stapled Group**” or the “**ARA H-Trust**”) 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-BT’s first year financial statements cover the period from 29 October 2018 (date of constitution as a business trust) to 31 December 2019.

The principal activities of 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-BT Group relate to ARA H-BT and its subsidiaries.

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

(a) *Trustee-Manager’s management fees*

Pursuant to Clauses 14.1 and 14.2 of the Stapling Deed, the Trustee-Manager is 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 total base fee payable to the Trustee-Manager out of the total deposited property of the Stapled Group in each financial period or year) multiplied by the weighted average number of Stapled Securities in issue for such financial period or year.

The management fee is payable in the form of cash and/or units as the Trustee-Manager may elect, and in such proportion and for such period as may be determined by the Trustee-Manager.

Any increase in the rate or any change in the structure of the Trustee-Manager’s management fees must be approved by an extraordinary resolution at a meeting of holders of the units duly convened and held in accordance with the provisions of the ARA H-BT Trust Deed.

The portion of the base management fees payable in the form of cash and/or units will be made on a quarterly basis, in arrears. No performance fee is paid/payable for the period ended 31 December 2019.

ARA US HOSPITALITY MANAGEMENT TRUST**Notes to the Financial Statements****1 GENERAL (CONT'D)***(b) Trustee-Manager's trustee fee*

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

(c) Hotel Manager's management fee

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

2 BASIS OF PREPARATION**2.1 Statement of compliance**

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 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.

The Trustee-Manager is of the opinion that there are no critical judgements made in applying the entity's accounting policies and no assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year.

ARA US HOSPITALITY MANAGEMENT TRUST**Notes to the Financial Statements****3 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied by the ARA H-BT Group consistently to all periods presented in these financial statements.

3.1 Basis of consolidation**(i) Property acquisitions and business combinations**

At the time of acquisition, the ARA H-BT 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 Trustee-Manager considers 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.

(ii) Subsidiaries

Subsidiaries are entities controlled by the ARA H-BT Group. The ARA H-BT Group controls 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-BT Group.

(iii) 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-BT Group.

3.2 Foreign currencies**(i) Foreign currency transactions**

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

Transactions in foreign currencies are translated to the respective functional currencies of the entities in the ARA H-BT Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in the profit or loss.

ARA US HOSPITALITY MANAGEMENT TRUST**Notes to the Financial Statements****3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.3 Plant and equipment****(i) Recognition and measurement**

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

Subsequent to recognition, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

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

The gain or loss on disposal of an item of 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 Unitholders' funds in respect of an item of plant and equipment measured using revaluation model, is transferred directly to Unitholders' funds.

(ii) Subsequent costs

The cost of replacing a component of an item of 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-BT 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 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 plant and equipment, unless it is included in the carrying amount of another asset. Capital work in progress are stated at cost and are not depreciated.

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

The estimated useful live for the current year is as follows:

- Furniture, fixtures and equipment 3 years to 7 years

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

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

ARA US HOSPITALITY MANAGEMENT TRUST

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 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-BT 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 assets: Classification, subsequent measurement and gains and losses

On initial recognition, a financial asset is classified at: amortised cost; fair value through OCI ("FVOCI") – debt instrument; FVOCI – equity investment or FVTPL.

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

Financial assets at amortised cost

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

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

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

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

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

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

ARA US HOSPITALITY MANAGEMENT TRUST

Notes to the Financial Statements**3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.4 Financial instruments (cont'd)****(iii) Derecognition*****Financial assets***

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

Financial liabilities

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

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

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the ARA H-BT 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-BT Group in the management of its short-term commitments.

ARA US HOSPITALITY MANAGEMENT TRUST

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Determining whether an arrangement contains a lease

At inception of an arrangement, the ARA H-BT Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of that specific asset or assets; and
- the arrangement contains a right to use the asset(s).

At inception or upon reassessment of the arrangement, the ARA H-BT Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the ARA H-BT Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the ARA H-BT Group's incremental borrowing rate.

3.6 Inventories

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

3.7 Impairment

(i) Non-derivative financial assets

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

Loss allowances of the ARA H-BT 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-BT Group applies the simplified approach to provide for ECL for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECL.

ARA US HOSPITALITY MANAGEMENT TRUST**Notes to the Financial Statements****3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.7 Impairment (cont'd)****(i) Non-derivative financial assets (cont'd)*****General approach***

The ARA H-BT Group applies the general approach to provide for ECL on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECL at initial recognition.

At each reporting date, the ARA H-BT Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the ARA H-BT Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the ARA H-BT 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-BT Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The ARA H-BT Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the ARA H-BT Group in full, without recourse by the ARA H-BT Group to actions such as realising security (if any is held); or
- the financial asset is more than 120 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the ARA H-BT Group is 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-BT Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

ARA US HOSPITALITY MANAGEMENT TRUST

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment (cont'd)

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

Credit-impaired financial assets

At each reporting date, the ARA H-BT Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- the financial asset is 120 days past due;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the ARA H-BT Group on terms that the ARA H-BT Group would not consider otherwise;
- it is probable that the debtor 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-BT Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the ARA H-BT Group's procedures for recovery of amounts due.

(ii) Non-financial assets

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (groups of CGUs), and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

ARA US HOSPITALITY MANAGEMENT TRUST**Notes to the Financial Statements****3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.8 Unitholders' funds**

Unitholders' funds represent the unitholders' interest in the ARA H-BT Group's net assets upon termination and is classified as equity. Incremental costs directly attributable to the issue of units are recognised as a deduction from unitholders' funds.

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

3.9 Revenue***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.

3.10 Finance income and finance costs

The ARA H-BT Group's finance income and finance costs include:

- interest income; and
- interest expense.

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.

3.11 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in OCI.

The ARA H-BT Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, measured using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Current tax assets and liabilities are offset only if certain criteria are met.

ARA US HOSPITALITY MANAGEMENT TRUST**Notes to the Financial Statements****3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.11 Tax (cont'd)**

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the ARA H-BT Group is able to control the timing of reversal of the temporary difference and it is not probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the ARA H-BT Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively 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-BT Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

In determining the amount of current and deferred tax, the ARA H-BT Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The ARA H-BT Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the ARA H-BT Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

The ARA H-BT Group has obtained tax rulings from the Inland Revenue Authority of Singapore (“**IRAS**”) in relation to Singapore income tax treatment of certain income from properties located overseas.

ARA US HOSPITALITY MANAGEMENT TRUST

Notes to the Financial Statements

4 PLANT AND EQUIPMENT

	Furniture, fixtures and equipment US\$'000	Capital work in progress US\$'000	Total US\$'000
At cost			
At 29 October 2018 (date of constitution)	–	–	–
Acquisition of subsidiaries	60,699	–	60,699
Additions	7,199	108	7,307
At 31 December 2019	<u>67,898</u>	<u>108</u>	<u>68,006</u>
Accumulated depreciation and impairment losses			
At 29 October 2018 (date of constitution)	–	–	–
Depreciation	4,862	–	4,862
Impairment loss	31,939	–	31,939
At 31 December 2019	<u>36,801</u>	<u>–</u>	<u>36,801</u>
Carrying amounts			
At 29 October 2018 (date of constitution)	–	–	–
At 31 December 2019	<u>31,097</u>	<u>108</u>	<u>31,205</u>

Security

As at 31 December 2019, the plant and equipment of the ARA H-BT Group with a carrying amount of US\$31.2 million are pledged as security to secure bank facilities of the Stapled Group.

Impairment loss

Plant and equipment are reviewed for impairment on an annual basis. The ARA H-BT Group estimates the recoverable amount of plant and equipment using a fair value less costs of disposal derived from valuation reports of hotel properties. During the year, the Trustee-Manager recognised an impairment loss of US\$31,939,000 as their fair value less costs of disposal were assessed to be lower than its carrying amounts. The impairment loss of US\$31,939,000 was included in profit or loss as impairment loss on plant and equipment.

5 LOANS TO RELATED CORPORATION

Loans to related corporation relates to the ten-year term loan facilities granted by the ARA H-BT Group to ARA USH Investment Holding, LLC 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 respectively. The interest rate of the loans are 9% and 9.5% per annum respectively.

ARA US HOSPITALITY MANAGEMENT TRUST

Notes to the Financial Statements

6 DEFERRED TAX ASSETS

	As at date of constitution US\$'000	Recognised in profit or loss (Note 15) US\$'000	As at 31 December 2019 US\$'000
Deferred tax assets			
Tax losses carried forward	–	1,680	1,680

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.

7 TRADE AND OTHER RECEIVABLES

	2019 US\$'000
Trade receivables	3,102
Allowance for expected credit loss	(326)
	2,776
Amounts due from related corporations – non-trade	252
Interest receivable from related corporation	120
Other receivables	260
	3,408
Prepayments	666
	4,074

Related corporations refer to the ARA H-REIT and its subsidiaries (“ARA H-REIT Group”).

Non-trade amounts due from related corporations relate to advances to related corporations. These amounts are unsecured, interest-free and repayable on demand.

The exposure of the ARA H-BT Group to credit risk and impairment losses for trade receivables is disclosed in Note 16.

8 CASH AND CASH EQUIVALENTS

	2019 US\$'000
Cash at bank and in hand	9,098
Fixed deposits with financial institutions	3,014
	12,112

At as 31 December 2019, the interest rates for fixed deposits with financial institutions ranged from 1.3% to 2.5% per annum.

ARA US HOSPITALITY MANAGEMENT TRUST

Notes to the Financial Statements

9 TRADE AND OTHER PAYABLES

	2019 US\$'000
Trade payables	8,903
Amount due to related corporations:	
– trade	1,579
– non-trade	2,046
Amount due to related parties - trade	161
Accruals	704
	<u>13,393</u>

Related parties refer to the Trustee-Manager and its related entities. Related corporations refer to ARA H-REIT and its subsidiaries.

Non-trade amounts due to related corporations relate to advances from related corporations. These amounts are unsecured, interest-free and repayable on demand.

The ARA H-BT Group's exposures to liquidity risk related to trade and other payables are disclosed in Note 16.

10 UNITS IN ISSUE AND TO BE ISSUED

	2019 '000
Units in issue	
At 29 October 2018 (date of constitution)	—*
Issuance of unit	—*
Sub-division of units	198,392
Redemption of existing units	(198,392)
Issue of new units on Initial Public Offering	565,909
REIT Manager/Trustee-Manager's management fees paid in units	1,062
At 31 December 2019	<u>566,971</u>
Units to be issued	
REIT Manager/Trustee-Manager's management fees payable in units	371
At 31 December 2019	<u>371</u>
Total units issued and to be issued as at 31 December	<u>567,342</u>

* Relates to 1 unit issued on date of constitution and 1 unit issued on 25 March 2019

Each ARA H-REIT unit is stapled together with a ARA H-BT unit under the terms of the Stapling Deed dated 17 April 2019 entered into between the Trustee-Manager, the REIT Manager and the REIT Trustee 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 ARA H-BT 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 ARA H-BT Group.

The liability of a holder of the Stapled Securities is limited to the amount paid or payable for the Stapled Securities.

Each ARA H-REIT unit and ARA H-BT unit carry the same voting rights.

ARA US HOSPITALITY MANAGEMENT TRUST

Notes to the Financial Statements

10 UNITS IN ISSUE AND TO BE ISSUED (CONT'D)

On 29 October 2018 (date of constitution), ARA H-BT issued one unit at an issue price of US\$1. On 25 March 2019, ARA H-BT issued one unit at an issue price of US\$63,700,000.

On 7 May 2019, the proposed sub-division of every 1 existing unit in the units in issue of ARA H-BT into 99,196,000 units was completed.

On 9 May 2019, ARA H-BT redeemed 198,392,000 existing units from ARA Real Estate Investors XVI Limited at the price of US\$0.88 per unit, amounting to US\$174,565,000, of which US\$33,720,000 was paid by ARA H-BT Group.

- (i) During the financial period, ARA H-BT issued the following:
- 565,909,000 units at the unit price of US\$0.56 per unit, amounting to US\$318,720,000, were issued on the Listing date with a transaction cost of US\$6,652,000;
 - 1,062,000 units at the unit price of US\$0.44 per unit, amounting to US\$467,000, were issued as satisfaction of the Trustee-Manager's fee for the period from 9 May 2019 (Listing date) to 30 September 2019 which are payable in units; and
- (ii) 371,000 units at the unit price of US\$0.43 per unit, amounting to US\$161,000, will be issued subsequent to year end as satisfaction of the Trustee-Manager's fee for the period from 1 October 2019 to 31 December 2019.

Capital management

The Trustee-Manager's 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 Trustee-Manager monitors 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 Trustee-Manager also monitors the level of distributions made to holders of Stapled Securities.

The Trustee-Manager seeks 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.

11 REVENUE

	Period from 29 October 2018 (date of constitution) to 31 December 2019 US\$'000
Room revenue	175,109
Other operating revenue	9,067
	<hr/>
	184,176
	<hr/>

Room revenue and other operating revenue are recognised at a point in time when the accommodation and related services are rendered.

ARA US HOSPITALITY MANAGEMENT TRUST

Notes to the Financial Statements

12 TRUSTEE-MANAGER'S MANAGEMENT FEES

Included in the Trustee-Manager's management fees is an aggregate of 716,500 Stapled Securities, amounting to US\$628,000, that have been or will be issued to the Trustee-Manager in satisfaction of the Trustee-Manager's management fees payable in Stapled Securities, at security prices ranging from US\$0.86 to US\$0.89 per Stapled Security.

13 NET FINANCE INCOME

	Period from 29 October 2018 (date of constitution) to 31 December 2019 US\$'000
Finance income	
Interest income under the effective interest method on:	
- fixed deposits with financial institutions	317
- loans to related corporation	16,232
	<u>16,549</u>
Finance costs	
Financial liabilities measured at amortised cost:	
- interest expense	(223)
	<u>(223)</u>
Net finance income	<u>16,326</u>

14 NET LOSS FOR THE PERIOD BEFORE TAX

Net loss for the period before tax is arrived at after charging the following items:

	Period from 29 October 2018 (date of constitution) to 31 December 2019 US\$'000
Allowance for expected credit loss and bad debt written off	<u>371</u>

ARA US HOSPITALITY MANAGEMENT TRUST

Notes to the Financial Statements

15 TAXATION

	Period from 29 October 2018 (date of constitution) to 31 December 2019 US\$'000
Current tax expenses	
Current year	75
Withholding tax	75
	<u>150</u>
Deferred tax expenses	
Origination and reversal of temporary differences	<u>(1,680)</u>
Tax credit	<u>(1,530)</u>
Reconciliation of effective tax rate	
Net loss for the period before tax	<u>(14,007)</u>
Tax using the Singapore tax rate of 17%	(2,381)
Effect of tax rates in foreign jurisdiction	(560)
Non-deductible expenses	1,336
Withholding tax	75
	<u>(1,530)</u>

16 FINANCIAL INSTRUMENTS

Financial risk management

Overview

The ARA H-BT Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the exposure of the ARA H-BT Group to each of the above risks, their objectives, policies and procedures for measuring and managing risk, and their management of capital.

ARA US HOSPITALITY MANAGEMENT TRUST

Notes to the Financial Statements

16 FINANCIAL INSTRUMENTS (CONT'D)

Risk management framework

Risk management is integral to the whole business of the ARA H-BT Group. The ARA H-BT 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 Trustee-Manager continually monitors the ARA H-BT 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 ARA H-BT Group's activities.

The Audit Committee of the Trustee-Manager assist the Trustee-Manager's Board in reviewing the effectiveness of the ARA H-BT Group's material internal controls, including those relating to financial, operational and compliance.

In addition, the Audit Committee of the Trustee-Manager also assist the Trustee-Manager's Boards in discharging its duties with respect to maintaining an effective control environment that reflects both the established risk appetite and the business objectives of the ARA H-BT Group. The Audit Committee oversees how management monitors compliance with the ARA H-BT Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the ARA H-BT Group.

(i) Credit risk

Credit risk is the risk of financial loss to the ARA H-BT Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the ARA H-BT Group's receivables from customers.

The carrying value of financial assets in the statement of financial position represents maximum exposure of the ARA H-BT Group to credit risk, before taking into account any rental deposit held.

Impairment losses on financial assets recognised in profit or loss were as follows:

	Period from 29 October 2018 (date of constitution) to 31 December 2019 US\$'000
Allowance for expected credit loss	326
Bad debts written off	45
	<u>371</u>

Trade receivables

The hotel operator which manages the hotels under ARA H-BT Group performs credit evaluations on customers before accepting customers and monitor their outstanding balances on an on-going basis.

Exposure to credit risk

As at the reporting date, the ARA H-BT Group believes there is little credit risk inherent in its trade receivables, based on payment behaviours and rental deposits held. The carrying amounts of financial assets represent the ARA H-BT Group's maximum exposure to credit risk.

ARA US HOSPITALITY MANAGEMENT TRUST

Notes to the Financial Statements

16 FINANCIAL INSTRUMENTS (CONT'D)

Expected credit loss assessment as at 31 December 2019

Trade receivables

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2019:

	Gross carrying amount US\$'000	Impairment loss allowance US\$'000	Credit impaired
Not past due	1,506	–	No
Past due 31 – 60 days	396	–	No
Past due 61 – 90 days	261	–	No
Past due over 90 days	939	(326)	Yes
	3,102	(326)	

The ARA H-BT Group uses an allowance matrix to measure the ECLs of trade receivables.

Loss rates are based on actual credit loss experience. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the ARA H-BT 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 period was as follows.

	2019 US\$'000
At date of constitution	–
Impairment loss recognised	326
At 31 December	326

Cash and cash equivalents

The ARA H-BT Group held cash and cash equivalents of US\$12,112,000 at 31 December 2019. The cash and cash equivalents are held with 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 has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The ARA H-BT Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents is negligible.

Non-trade amounts and loans due from related corporations

At 31 December 2019, the ARA H-BT Group held non-trade amounts and loans from its related corporations of US\$252,000 and 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.

ARA US HOSPITALITY MANAGEMENT TRUST

Notes to the Financial Statements

16 FINANCIAL INSTRUMENTS (CONT'D)

(ii) Liquidity risk

Liquidity risk is the risk that the ARA H-BT Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Trustee-Manager monitors the ARA H-BT Group's liquidity risk and maintain a level of cash and cash equivalents deemed adequate to finance the ARA H-BT Group's operations and to mitigate the effects of fluctuations in cash flows.

The ARA H-BT Group has contractual commitments to incur capital expenditure (Note 17).

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

	Note	Carrying amount US\$'000	Contractual cash flows US\$'000	Cash flows		
				Within 1 year US\$'000	Between 1 to 5 years US\$'000	More than 5 years US\$'000

2019**Non-derivative financial liabilities**

Trade and other payables	9	13,393	13,393	13,393	–	–
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The maturity analysis shows the contractual undiscounted cash flows of the ARA H-BT Group's financial liabilities on the basis of their earliest possible contractual maturity.

(iii) Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the profit or loss of the ARA H-BT Group. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Currency risk

The ARA H-BT Group's business are not exposed to significant currency risk as the portfolio of properties are located in the United States and the cash flows from the properties are denominated in US\$. The loans and borrowings are made in the same currency as the assets in order to manage the foreign currency risk.

Where appropriate based on the prevailing market conditions, suitable hedging strategies are adopted to minimise any foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The ARA H-BT Group's exposures to interest rate risk relates primarily to the ARA H-BT Group's interest-earning financial assets.

ARA US HOSPITALITY MANAGEMENT TRUST

Notes to the Financial Statements

16 FINANCIAL INSTRUMENTS (CONT'D)

(iii) Market risk (cont'd)

Exposure to interest risk

At the end of the financial period, the interest rate profile of the interest-earning financial instruments based on their nominal amounts was as follows:

	Nominal amount 2019 US\$'000
Fixed rate instruments	
Financial assets	<u>297,014</u>

Fair value sensitivity analysis for fixed rate instruments

The ARA H-BT Group do not account for any fixed rate financial assets at FVTPL. Therefore, in respect of the fixed rate instrument a change in interest rates at the reporting date would not affect profit or loss.

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.

	Carrying amount			Fair value			
	Note	Amortised cost US\$'000	Other financial liabilities US\$'000	Total US\$'000	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000

31 December 2019**Financial assets
not measured
at fair value**

Loans to related corporation	5	294,000	–	294,000	–	295,262	–	295,262
Trade and other receivables ⁽¹⁾	7	3,408	–	3,408				
Cash and cash equivalents	8	12,112	–	12,112				
		<u>309,520</u>	<u>–</u>	<u>309,520</u>				

**Financial liabilities
not measured at fair value**

Trade and other payables	9	–	(13,393)	(13,393)				
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⁽¹⁾ Excluding prepayments

ARA US HOSPITALITY MANAGEMENT TRUST

Notes to the Financial Statements

17 COMMITMENTS

Operating leases as a lessee

Non-cancellable operating lease rentals are payable as follows:

	2019 US\$'000
Within one year	39,241
Between one and five years	156,830
	<u>196,071</u>

The above operating lease payables are based on the fixed component of the rent payable under the lease agreements, adjusted for increases in rent where such increases have been provided for under the lease agreements.

Capital commitments

	2019 US\$'000
Capital expenditure contracted but not provided for	<u>3,459</u>

18 RELATED PARTIES

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

	Period from 29 October 2018 (date of constitution) to 31 December 2019 US\$'000
Related entities	
Trustee-Manager's management fees paid/payable	1,017
Trustee-Manager's trustee fee paid/payable	77
Hotel management fee paid/payable	5,525
Reimbursement of expenses (paid on behalf by Trustee-Manager)	180
Related corporations	
Rental expenses paid/payable	52,151
Interest expenses paid/payable	223
Interest income received/receivable	<u>16,232</u>

ARA US HOSPITALITY MANAGEMENT TRUST

Notes to the Financial Statements

19 SUBSIDIARY

Details of the significant subsidiary of the ARA H-BT Group are as follows:

Name of subsidiary	Country of incorporation	Effective equity interest held by the ARA H-BT Group
		2019 %
ARA USH Chicago Tenant, LLC ⁽¹⁾	United States	100

⁽¹⁾ Audited by other member firms of KPMG International.

20 ACQUISITION OF SUBSIDIARIES

The primary reason for the acquisitions of subsidiaries is to expand the Stapled Group's portfolio of hotel properties in the U.S. At the time of acquisition, the ARA H-REIT Group, together with ARA H-BT Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. ARA BT Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. Typically, the ARA H-BT Group assesses the acquisition as a purchase of business when the strategic management function and the associated processes were purchased along with the underlying properties.

Acquisition of subsidiaries during the period

On 30 November 2018, the ARA H-REIT Group, together with ARA H-BT Group acquired its initial portfolio comprising 38 upscale select-service hotel properties located across the U.S. from a third party. As part of the acquisition, ARA H-BT Group paid US\$63.7 million for ARA USH Chicago TRS, LLC and its subsidiaries with total tangible assets for a consideration of US\$64.8 million and liabilities assumed amounting to US\$1.1 million. Following the completion of the acquisition, ARA H-BT Group managed and operated the hotel properties. The acquisition was accounted for as an acquisition of assets and was affected by way of acquiring those subsidiaries.

21 NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED

A number of new standards, interpretations and amendments to standards are effective for annual period beginning after 1 January 2019 and earlier application is permitted. However, the ARA H-BT Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are applicable to the 2020 financial statements.

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23: *Uncertainty over Income Tax Treatments*
- Amendments to SFRS(I) 3: *Definition of a Business*
- Amendments to SFRS(I) 1-1 and 1-8: *Definition of Material*
- Amendments to References to the Conceptual Framework in SFRS(I) Standards

The ARA H-BT Group is in the process of assessing the impact of the new SFRS(I)s, amendments to and interpretations of SFRS(I)s on the financial statements. The ARA H-BT Group's assessment of SFRS(I) 16 *Leases*, which is applicable to the Company's 2020 financial statements and expected to have a more significant impact, is described below.

ARA US HOSPITALITY MANAGEMENT TRUST

Notes to the Financial Statements

21 NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED (CONT'D)

SFRS(I) 16

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (“**ROU**”) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including FRS 17 *Leases*, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives* and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The ARA H-BT Group plans to apply SFRS(I) 16 initially on 1 January 2020, using the modified retrospective approach. Therefore, the cumulative effect of adopting SFRS(I) 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2020, with no restatement of comparative information. The ARA H-BT Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply SFRS(I) 16 to all contracts entered into before 1 January 2020 and identified as leases in accordance with FRS 17 and INT FRS 104.

The Entity as lessee

The ARA H-BT Group expects to measure lease liabilities by applying a single discount rate to its portfolio of property leases with reasonably similar characteristics. Furthermore, the ARA H-BT Group are likely to apply the practical expedient to recognise amounts of ROU assets equal to its lease liabilities at 1 January 2020. For lease contracts that contain the option to renew, the ARA H-BT Group is expected to use hindsight in determining the lease term.

The ARA H-BT Group expects its existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16. Lease payments that are increased every year to reflect market rentals, and those that are based on changes in local price index, are included in the measurement of lease liabilities as at date of initial application.

The ARA H-BT Group has performed preliminary assessment of the new standard on its existing operating lease agreements as a lessee. The ARA H-BT Group’s existing operating lease commitments on an undiscounted basis amount to approximately US\$196,071,000 as at 31 December 2019 (Note 17).

22 COMPARATIVE INFORMATION

No comparative figures have been presented as this is the first set of financial statements prepared by the ARA H-BT Group since the date of constitution.

23 SUBSEQUENT EVENTS

On 17 January 2020, the Stapled Group completed the acquisition of a portfolio of three Marriott-Branded upscale select-service hotels in United States for a purchase consideration of US\$84 million.

On 24 January 2020, the Stapled Group established a S\$800 million Multicurrency Stapled Debt Issuance programme.

On 11 March 2020, the World Health Organisation (“WHO”) declared the outbreak of COVID-19, which is sweeping across the world as a pandemic. On 13 March 2020, the U.S. government declared a national emergency, with more than 30 states also declaring state of emergencies in response to the COVID-19 outbreak. The hospitality sector will be impacted due to travel restrictions for non-essential travel imposed and travel-related concerns of transient business and leisure travellers in the U.S. There is uncertainty on the extent of impact of the COVID-19 outbreak to the ARA H-BT Group’s revenue and profitability. In addition, there may be other risks that are not reasonably foreseeable at date of this report. Any impact on its profitability may in turn affect the valuation of property, plant and equipment. In response, the Trustee-Manager has initiated a series of cost mitigation and capital preservation measures to deal with the potential challenges posed by COVID-19. The Trustee-Manager has also taken further measures to proactively protect and conserve cash flow by postponing non-essential capital expenditures and actively managing working capital.

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ARA US Hospitality Property Trust

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

Financial Statements

For the period from 24 September 2018 (date of constitution)
to 31 December 2019

ARA US HOSPITALITY PROPERTY TRUST**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 unitholders. In accordance with the Securities and Futures Act, Chapter 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes, the REIT Trustee shall monitor the activities of ARA Trust Management (USH) Pte. Ltd. (the “**REIT Manager**”) for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 24 September 2018 (as amended) (the “**ARA H-REIT Trust Deed**”) between the REIT Manager and the REIT Trustee in each annual accounting period and report thereon to unitholders 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 131 to 168 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**

Jane Lim Puay Yuen

Director

18 March 2020

ARA US HOSPITALITY PROPERTY TRUST**Report of the Manager**

of ARA US Hospitality Property Trust

In the opinion of the directors of ARA Trust Management (USH) Pte. Ltd. (the “**REIT Manager**”), the Manager of ARA US Hospitality Property Trust (“**ARA H-REIT**”), the accompanying consolidated financial statements of ARA H-REIT Group set out on pages 131 to 168, comprising the statement of financial position, statement of comprehensive income, statement of movements in unitholders funds, statement of cash flows of the ARA H-REIT Group and notes to the financial statements, are drawn up so as to present fairly, in all material respects, the financial positions of the ARA H-REIT Group as at 31 December 2019, the financial performance, movements in unitholders’ funds and cash flows of the ARA H-REIT Group for the financial period from 24 September 2018 (date of constitution) to 31 December 2019, in accordance with the Singapore Financial Reporting Standards (International) and the provisions of ARA H-REIT Trust Deed between DBS Trustee Limited (the “**REIT Trustee**”) and the REIT Manager dated 24 September 2018. At the date of this statement, there are reasonable grounds to believe that the ARA H-REIT Group will be able to meet their financial obligations as and when they materialise.

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

Stephen Ray Finch

Director

18 March 2020

ARA US HOSPITALITY PROPERTY TRUST**Independent Auditors' Report**

Unitholder of ARA US Hospitality Property Trust

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS*Opinion*

We have audited 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 2019, the statement of comprehensive income, statement of movements in unitholders' funds and statement of cash flows of the ARA H-REIT Group for the period from 24 September 2018 (date of constitution) to 31 December 2019, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 131 to 168.

In our opinion 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 2019 and the financial performance, movements in unitholders' funds and cash flows of the ARA H-REIT Group for the period from 24 September 2018 (date of constitution) to 31 December 2019 in accordance with the Singapore Financial Reporting Standards (International) (“**SRFS(I)s**”).

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 ARA H-REIT 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.

Other information

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

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

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

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

ARA US HOSPITALITY PROPERTY TRUST**Independent Auditors' Report**

Unitholder of ARA US Hospitality Property Trust

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.

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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the REIT Manager.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the REIT 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 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 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 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.

ARA US HOSPITALITY PROPERTY TRUST**Independent Auditors' Report**

Unitholder of ARA US Hospitality Property Trust

Auditors' responsibilities for the audit of the financial statements (cont'd)

We communicate with the REIT 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 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, 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.

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

18 March 2020

ARA US HOSPITALITY PROPERTY TRUST

Statement of Financial Position

As at 31 December 2019

	Note	2019 US\$'000
Non-current asset		
Investment properties	4	673,603
Current assets		
Trade and other receivables	5	6,369
Cash and cash equivalents	6	33,128
		<u>39,497</u>
Total assets		<u>713,100</u>
Non-current liabilities		
Loans from related corporation	7	294,000
Loans and borrowings	8	243,739
Derivative financial liabilities	9	7,282
Deferred tax liabilities	10	2,568
Other payables	11	125
		<u>547,714</u>
Current liabilities		
Trade and other payables	11	2,209
Tax payable		3
		<u>2,212</u>
Total liabilities		<u>549,926</u>
Represented by:		
Unitholders' funds		<u>163,174</u>

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

ARA US HOSPITALITY PROPERTY TRUST

Statement of Comprehensive Income

For the period from 24 September 2018 (date of constitution) to 31 December 2019

	Note	Period from 24 September 2018 to 31 December 2019 US\$'000
Revenue	13	52,151
Operating expenses		(265)
Gross operating profit		<u>51,886</u>
Property taxes		(6,334)
Other expenses		(1,775)
Net property income		<u>43,777</u>
Gain on disposal of investment in subsidiaries		34,717
REIT Manager's management fees	14	(3,052)
REIT Trustee's fee		(71)
Other trust expenses		(1,879)
Net finance costs	15	(34,700)
Net income for the period before change in fair value of investment properties		<u>38,792</u>
Net fair value gain on investment properties	4	41,938
Net income for the period before tax	16	80,730
Taxation	17	(2,572)
Net income for the period after tax		78,158
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Loss on redemption of existing units		(77,727)
Items that may be reclassified subsequently to profit or loss:		
Effective portion of changes in fair value of cash flow hedges		(7,282)
Total comprehensive income for the period		<u><u>(6,851)</u></u>

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

ARA US HOSPITALITY PROPERTY TRUST

Statement of Movements in Unitholders' Funds

For the period from 24 September 2018 (date of constitution) to 31 December 2019

	Units in issue US\$'000	Issue costs US\$'000	Hedging reserve US\$'000	Revenue reserve US\$'000	Total US\$'000
At 24 September 2018 (date of constitution)	–	–	–	–	–
Total income for the period after tax attributable to unitholders	–	–	–	78,158	78,158
Increase in net assets from operations	–	–	–	78,158	78,158
Other comprehensive income					
Redemption of existing units ⁽¹⁾	–	–	–	(77,727)	(77,727)
Effective portion of changes in fair value of cash flow hedges	–	–	(7,282)	–	(7,282)
Total comprehensive income for the period, net of tax	–	–	(7,282)	(77,727)	(85,009)
Contribution by and distribution to unitholders					
Issue of existing units	63,137	–	–	–	63,137
Redemption of existing units ⁽¹⁾	(63,137)	–	–	–	(63,137)
Issue of new units on Initial Public Offering (“IPO”)	179,280	–	–	–	179,280
REIT Manager's management fees paid in units ⁽²⁾	467	–	–	–	467
Issue costs	–	(9,722)	–	–	(9,722)
Total contribution by and distribution to unitholders	179,747	(9,722)	–	–	170,025
At 31 December 2019	179,747	(9,722)	(7,282)	431	163,174

⁽¹⁾ Relates to the redemption of the ARA Real Estate Investors XVI Limited's Initial Stapled Securities on 9 May 2019 (Listing date)..⁽²⁾ Represents 531,000 units issued as payment of REIT Manager's share of the base fees for the period from 9 May 2019 (Listing date) to 30 September 2019.

ARA US HOSPITALITY PROPERTY TRUST

Statement of Cash Flows

For the period from 24 September 2018 (date of constitution) to 31 December 2019

	Note	2019 US\$'000
Cash flows from operating activities		
Net income before tax		80,730
Adjustments for:		
Gain on disposal of investment in subsidiaries		(34,717)
Net fair value gain on investment properties	4	(41,938)
Net finance costs	15	34,700
Manager's base fee paid/payable in units		628
Operating income before working capital changes		<u>39,403</u>
Changes in working capital:		
– Trade and other receivables		(4,529)
– Trade and other payables		1,954
Net cash generated from operating activities		<u>36,828</u>
Cash flows from investing activities		
Acquisition of subsidiaries	22	(653,001)
Interest received		268
Payment for capital expenditure		(2,090)
Payment of transaction costs relating to acquisition of subsidiaries		(5,556)
Amount due from related corporation – non-trade		(2,041)
Net cash used in investing activities		<u>(662,420)</u>
Cash flows from financing activities		
Proceeds from issuance of units		179,280
Proceeds from issuance of existing units		63,137
Redemption of existing units		(140,845)
Payment of transaction costs relating to the issuance of units		(9,722)
Proceeds from loans and borrowings		791,825
Repayment of loans and borrowings		(547,500)
Payment of transaction costs relating to existing loans and borrowings		(1,080)
Payment of transaction costs relating to new loan facilities		(677)
Interest paid		(33,650)
Loans from related corporation		357,700
Amount due to related corporation – non-trade		252
Net cash generated from financing activities		<u>658,720</u>
Net increase in cash and cash equivalents		33,128
Cash and cash equivalents at the beginning of the period		–
Cash and cash equivalents as at 31 December 2019	6	<u>33,128</u>

Non-cash transaction:

A loan due to ARA H-BT Group of US\$63.7 million was utilised as consideration for the divestment of subsidiaries to ARA H-BT Group.

ARA US HOSPITALITY PROPERTY TRUST

Notes to the Financial Statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the REIT Manager and the REIT Trustee on 18 March 2020.

1 GENERAL

ARA US Hospitality Property Trust (“**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 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. The units in each of ARA H-REIT and ARA US Hospitality Management Trust (“**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 ARA Business Trust Management (USH) Pte. Ltd. (the “**Trustee-Manager**”) (the “**Stapling Deed**”) and cannot be traded separately. Each stapled security in ARA US Hospitality Trust (the “**Stapled Group**” or “**ARA H-TRUST**”) 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-REIT’s first financial year financial statements cover the period from 24 September 2018 (date of constitution as a real estate investment trust) to 31 December 2019.

The principal activity of ARA H-REIT Group involves 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 consolidated financial statements of the ARA H-REIT Group relate to ARA H-REIT and its subsidiaries.

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

(a) *REIT Manager’s management fees*

Pursuant to Clauses 14.1 and 14.2 of the Stapling Deed, the REIT Manager is 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 total base fee payable to the REIT Manager out of the total deposited property of the Stapled Group in each financial period or year) multiplied by the weighted average number of Stapled Securities in issue for such financial period or year.

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

The portion of the base management fees payable in the form of cash and/or units will be made on a quarterly basis, in arrears. No performance fee is paid/payable for the period ended 31 December 2019.

(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 value of the ARA H-REIT’s deposited property, subject to a minimum of S\$10,000 per month, excluding out-of-pocket expenses and applicable taxes. In addition, the ARA H-REIT Group will pay the REIT Trustee a one-time inception fee as may be agreed between the REIT Manager and the REIT Trustee, subject to a maximum of S\$60,000.

ARA US HOSPITALITY PROPERTY TRUST**Notes to the Financial Statements****2 BASIS OF PREPARATION****2.1 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.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 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 critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 4 – Valuation of investment properties.

Measurement of fair values

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

The REIT Manager has 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 REIT Manager.

The REIT Manager regularly reviews 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 REIT Manager assesses 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.

ARA US HOSPITALITY PROPERTY TRUST

Notes to the Financial Statements

2 BASIS OF PREPARATION (CONT'D)

2.4 Use of estimates and judgements (cont'd)

Measurement of fair values (cont'd)

When measuring the fair value of an asset or a liability, the REIT Manager uses 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 19 – Valuation of financial instruments

2.5 Early adoption of Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 Interest Rate Benchmark Reform

The ARA H-REIT Group has early adopted amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 on 9 May 2019 (Listing date). The ARA H-REIT Group applied the interest rate benchmark reform amendments retrospectively to hedging relationship that existed at 24 September 2018 (date of constitution) or were designated thereafter and that are directly affected by interest rate benchmark reform. These amendments also apply to the gain or loss recognised in the other comprehensive income that existed on 24 September 2018 (date of constitution). The adoption of amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 did not have a material impact on the financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied by the ARA H-REIT Group consistently to all periods presented in these financial statements.

3.1 Basis of consolidation

(i) Property acquisitions and business combinations

At the time of acquisition, the ARA H-REIT 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 REIT Manager considers 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.

ARA US HOSPITALITY PROPERTY TRUST

Notes to the Financial Statements**3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.1 Basis of consolidation (cont'd)****(ii) Subsidiaries**

Subsidiaries are entities controlled by the ARA H-REIT Group. The ARA H-REIT Group controls 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 when necessary to align them with the policies of the ARA H-REIT Group.

(iii) 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.

3.2 Foreign currencies**(i) Foreign currency transactions**

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

Transactions in foreign currencies are translated to the respective functional currencies of the entities in the ARA H-REIT Group, at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in the profit or loss.

3.3 Investment property

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

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

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

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

ARA US HOSPITALITY PROPERTY TRUST

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 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 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; fair value through OCI ("FVOCI") – debt instrument; FVOCI – equity investment or FVTPL.

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

Financial assets at amortised cost

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

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

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

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

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

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

ARA US HOSPITALITY PROPERTY TRUST

Notes to the Financial Statements**3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.4 Financial instruments (cont'd)****(iii) Derecognition*****Financial assets***

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

Financial liabilities

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

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

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the ARA H-REIT 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 with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair values, and are used by the ARA H-REIT Group in the management of its short-term commitments.

(vi) Derivative financial instruments and hedge accounting

The ARA H-REIT Group holds derivative financial instruments to hedge its interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

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

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

ARA US HOSPITALITY PROPERTY TRUST**Notes to the Financial Statements****3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.4 Financial instruments (cont'd)****(vi) Derivative financial instruments and hedge accounting (cont'd)*****Cash flow hedges***

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

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

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

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve are immediately reclassified to profit or loss.

Specific policies for hedges directly affected by interbank offer rates (IBOR) reform

For a cash flow hedge of a forecast transaction, the ARA H-REIT Group assumes that the benchmark interest rate will not be altered as a result of IBOR reform for the purpose of asserting that the forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss. The ARA H-REIT Group will no longer apply the amendments to its highly probable assessment of the hedged item when the uncertainty arising from interest rate benchmark reform with respect to the timing and amount of the interest rate benchmark-based future cash flows of the hedged item is no longer present, or when the hedging relationship is discontinued. To determine whether the designated forecast transaction is no longer expected to occur, the ARA H-REIT Group assumes that the interest rate benchmark cash flows designated as a hedge will not be altered as a result of interest rate benchmark reform.

ARA US HOSPITALITY PROPERTY TRUST

Notes to the Financial Statements**3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.5 Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Determining whether an arrangement contains a lease

At inception of an arrangement, the ARA H-REIT Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of that specific asset or assets; and
- the arrangement contains a right to use the asset(s).

At inception or upon reassessment of the arrangement, the ARA H-REIT Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the ARA H-REIT Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the ARA H-REIT Group's incremental borrowing rate.

3.6 Impairment**(i) Non-derivative financial assets**

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

Loss allowances of the ARA H-REIT 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 applies the simplified approach to provide for ECL for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECL.

ARA US HOSPITALITY PROPERTY TRUST**Notes to the Financial Statements****3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.6 Impairment (cont'd)****(i) Non-derivative financial assets (cont'd)*****General approach***

The ARA H-REIT Group applies the general approach to provide for ECL on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECL at initial recognition.

At each reporting date, the ARA H-REIT Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the ARA H-REIT Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the ARA H-REIT Group'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 assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The ARA H-REIT Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the ARA H-REIT Group in full, without recourse by the ARA H-REIT Group to actions such as realising security (if any is held); or
- the financial asset is more than 120 days past due.

The maximum period considered when estimating ECL is the maximum contractual period over which the ARA H-REIT Group is 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 expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

ARA US HOSPITALITY PROPERTY TRUST

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**3.6 Impairment (cont'd)****(i) Non-derivative financial assets (cont'd)*****Credit-impaired financial assets***

At each reporting date, the ARA H-REIT Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- the financial asset is 120 days past due;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the ARA H-REIT Group on terms that the ARA H-REIT Group would not consider otherwise;
- it is probable that the debtor 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 determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the ARA H-REIT Group's procedures for recovery of amounts due.

(ii) Non-financial assets

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (groups of CGUs), and then to reduce the carrying amount of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Unitholders' funds

Unitholders' funds represent the unitholders' interest in the ARA H-REIT Group's net assets upon termination and is classified as equity. Incremental costs directly attributable to the issue of units are recognised as a deduction from Unitholders' funds.

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

3.8 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.

3.9 Revenue

Rental income from operating leases

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

3.10 Finance income and finance costs

The ARA H-REIT 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.

ARA US HOSPITALITY PROPERTY TRUST**Notes to the Financial Statements****3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.11 Tax**

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in OCI.

The ARA H-REIT Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, measured using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the ARA H-REIT Group is able to control the timing of reversal of the temporary difference and it is not probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the ARA H-REIT Group expects, 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 substantively 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. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when probability of future taxable profits improves.

ARA US HOSPITALITY PROPERTY TRUST

Notes to the Financial Statements

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 Tax (cont'd)

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

In determining the amount of current and deferred tax, the ARA H-REIT Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The ARA H-REIT Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the ARA H-REIT Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

The ARA H-REIT Group has obtained tax rulings from the Inland Revenue Authority of Singapore ("IRAS") in relation to Singapore income tax treatment of certain income from properties located overseas.

4 INVESTMENT PROPERTIES

	2019 US\$'000
At 24 September 2018 (date of constitution)	–
Acquisition of subsidiaries	629,575
Capital expenditure	2,090
Fair value changes	41,938
At 31 December 2019	<u>673,603</u>

Security

As at 31 December 2019, investment properties of the ARA H-REIT Group with a carrying amount of US\$673.6 million are pledged as security to secure bank facilities obtained from financial institutions (see Note 8).

Measurement of fair value

(i) Fair value hierarchy

The fair values of the investment properties were determined by an external property valuer, HVS Consulting and Valuation Services. The external property valuer has 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 2.4).

Level 3 fair values

Reconciliations from the beginning balances to the ending balances for Level 3 fair value measurements are set out in the table above.

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Notes to the Financial Statements

4 INVESTMENT PROPERTIES (CONT'D)

(ii) Valuation technique and significant unobservable inputs

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

Valuation technique	Significant unobservable inputs	2019
Discounted cash flows	Discount rate	9.21% - 9.67%
	Terminal capitalisation rate	7.50% - 9.20%

Inter-relationship between key unobservable inputs and fair value measurement

The significant unobservable inputs used in the fair values measurement of investment properties are discount rate and terminal capitalisation rate. An increase in discount rate and terminal capitalisation rate in isolation would result in a lower fair value.

5 TRADE AND OTHER RECEIVABLES

	2019 US\$'000
Amounts due from related corporations:	
- trade	1,579
- non-trade	2,041
Interest receivable from fixed deposits	19
Deposits	2,000
Other receivables	400
	6,039
Prepayments	330
	6,369

Related corporations refer to the ARA H-BT and their subsidiaries ("ARA H-BT Group").

The ARA H-REIT Group's properties are leased to the ARA H-BT Group as master lessee. The exposure of the ARA H-REIT Group to credit risk and impairment losses for trade receivables is disclosed in Note 18.

Non-trade amounts due from related corporations relate to advances to related corporations. These amounts are unsecured, interest-free and repayable on demand.

ARA US HOSPITALITY PROPERTY TRUST

Notes to the Financial Statements

6 CASH AND CASH EQUIVALENTS

	2019 US\$'000
Cash at bank and in hand	1,116
Fixed deposits with financial institutions	32,012
	<u>33,128</u>

At as 31 December 2019, the interest rates for fixed deposits with financial institutions ranged from 1.5% to 2.5% per annum.

7 LOANS FROM RELATED CORPORATION

Loans from related corporation relate to the ten-year term loan facilities granted by the ARA H-BT Group to the ARA H-REIT Group pursuant to the USD\$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 respectively. The interest rate of the loans are 9% and 9.5% per annum respectively.

8 LOANS AND BORROWINGS

	2019 US\$'000
Non-current	
Secured bank loans	244,325
Less: Transaction costs capitalised	(586)
	<u>243,739</u>

The ARA H-REIT Group has in place the following loan facilities:

- a) US\$260.8 million secured term loan and letter of credit facilities;
- b) US\$66.0 million unsecured term loan facility; and
- c) US\$19.0 million unsecured revolving facility.

Secured term loan

As at 31 December 2019, the ARA H-REIT Group has drawn down US\$244.3 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 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 ARA H-REIT Group.

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Notes to the Financial Statements

8 LOANS AND BORROWINGS (CONT'D)

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	Currency	Nominal interest rate %	Year of maturity	Face value US\$'000	Carrying amount US\$'000
Secured term loans	USD	3.25 – 3.98	2024	244,325	243,739

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Loans and borrowings US\$'000	Loans from related corporation US\$'000	Interest payable US\$'000	Total US\$'000
At 24 September 2018	–	–	–	–
Changes from financing cash flows				
Proceeds from loans and borrowings	791,825	–	–	791,825
Loan from related corporation	–	357,700	–	357,700
Payment of transaction costs related to:				
– existing loans and borrowings	(1,080)	–	–	(1,080)
– new loan facilities	(677)	–	–	(677)
Repayment of loans and borrowings	(547,500)	(63,700)	–	(611,200)
Interest paid	–	–	(33,650)	(33,650)
Total changes from financing cash flows	242,568	294,000	(33,650)	502,918
Other changes				
Liability-related				
Interest expense	–	–	33,816	33,816
Amortisation of transaction costs related to loans and borrowings	1,171	–	–	1,171
Total liability-related other changes	1,171	–	33,816	34,987
At 31 December 2019	243,739	294,000	166	537,905

ARA US HOSPITALITY PROPERTY TRUST

Notes to the Financial Statements

9 DERIVATIVE FINANCIAL LIABILITIES

	2019 US\$'000
Interest rate swaps	7,282

The ARA H-REIT Group uses interest rate swaps to manage its exposure to interest rate risks.

As at 31 December 2019, the ARA H-REIT Group had interest rate swaps with a notional amount of US\$202.0 million.

10 DEFERRED TAX LIABILITIES

	As at date of constitution US\$'000	Recognised in profit or loss (Note 17) US\$'000	As at 31 December 2019 US\$'000
Deferred tax liabilities			
Investment properties	–	(2,568)	(2,568)

11 TRADE AND OTHER PAYABLES

	2019 US\$'000
Amounts due to related corporations – non-trade	252
Amounts due to related parties – trade	482
Other payables	998
Interest payables	166
Accruals	436
	<u>2,334</u>
Non-current	125
Current	2,209
	<u>2,334</u>

Related parties refer to the REIT Manager and its related entities. Related corporations refer to the ARA H-BT and its subsidiaries.

Non-trade amounts due to the related corporations relate to advances from related corporations. These amounts are unsecured, interest-free and repayable on demand.

The ARA H-REIT Group's exposures to liquidity risk related to trade and other payables are disclosed in Note 18.

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Notes to the Financial Statements

12 UNITS IN ISSUE AND TO BE ISSUED

	2019 '000
Units in issue	
At date of constitution	—*
Issuance of unit	—*
Sub-division of units	198,392
Redemption of existing units	(198,392)
Issue of new units on Initial Public Offering	565,909
REIT Manager/Trustee-Manager's management fees paid in units	1,062
At 31 December 2019	<u>566,971</u>
* Relates to 1 unit issued on date of constitution and 1 unit issued on 25 March 2019	
Units to be issued	
REIT Manager/Trustee-Manager's management fees payable in units	371
At 31 December 2019	<u>371</u>
Total units issued and to be issued as at 31 December	<u>567,342</u>

Each ARA H-REIT unit is stapled together with a ARA H-BT unit under the terms of a stapling deed dated 17 April 2019 entered into between the REIT Manager, the REIT Trustee and the Trustee-Manager and cannot be traded separately. Each Stapled Security represents an undivided interest in ARA H-REIT and ARA H-BT.

A holder of the Stapled Security has no equitable or proprietary interest in the underlying assets of the ARA H-REIT 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 ARA H-REIT Group.

The liability of a holder of the Stapled Securities is limited to the amount paid or payable for the Stapled Securities.

Each ARA H-REIT unit and ARA H-BT unit carry the same voting rights.

On 24 September 2018 (date of constitution), ARA H-REIT issued one unit at an issue price of US\$1. On 25 March 2019, ARA H-REIT issued one unit at an issue price of US\$63,137,000.

On 7 May 2019, the proposed sub-division of every 1 existing unit in the units in issue of ARA H-REIT into 99,196,000 units was completed.

On 9 May 2019, ARA H-REIT redeemed 198,392,000 existing units held by ARA Real Estate Investors XVI Limited at the price of US\$0.88 per unit, amounting to US\$174,565,000, of which US\$140,845,000 was paid by ARA H-REIT Group.

- (i) During the financial period, ARA H-REIT issued the following:
- 565,909,000 units at the unit price of US\$0.32 per unit, amounting to US\$179,280,000 were issued on the Listing date with a transaction cost of US\$9,722,000;
 - 1,062,000 units at the unit price of US\$0.44 per unit, amounting to US\$467,000, were issued as satisfaction of the REIT Manager's base fee for the period from 9 May 2019 (Listing date) to 30 September 2019 which are payable in units; and
- (ii) 371,000 units at the unit price of US\$0.43 per unit, amounting to US\$161,000, will be issued subsequent to year end as satisfaction of the REIT Manager's base fee for the period from 1 October 2019 to 31 December 2019.

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Notes to the Financial Statements

12 UNITS IN ISSUE AND TO BE ISSUED (CONT'D)

Capital management

The REIT Manager's 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 REIT Manager monitors 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 REIT Manager also monitors the level of distributions made to holders of Stapled Securities.

The REIT Manager seeks 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.

13 REVENUE

	Period from 24 September 2018 to 31 December 2019 US\$'000
Rental income	<u>52,151</u>

Rental income is received from the ARA H-BT Group.

Under the terms of the master lease agreements for the properties, the ARA H-REIT Group is generally entitled to a fixed rent component and/or a variable rent component computed based on a certain percentage of the revenue.

14 REIT MANAGER'S MANAGEMENT FEES

Included in the REIT Manager's management fees is an aggregate of 716,500 Stapled Securities, amounting to US\$628,000, that have been or will be issued to the REIT Manager in satisfaction of the REIT Manager's management fees payable in Stapled Securities, at unit prices ranging from US\$0.86 to US\$0.89 per Stapled Security.

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Notes to the Financial Statements

15 NET FINANCE COSTS

	Period from 24 September 2018 to 31 December 2019 US\$'000
Finance income	
Interest income under the effective interest method on:	
- fixed deposits with financial institutions	64
- loan to related corporation	223
	<u>287</u>
Finance costs	
Financial liabilities measured at amortised cost:	
- interest expense:	
- borrowings at amortised cost	(17,584)
- loans from related corporation	(16,232)
- amortisation of transaction costs	(1,171)
	<u>(34,987)</u>
Net finance costs	<u>(34,700)</u>

16 NET INCOME FOR THE PERIOD BEFORE TAX

Net income for the period before tax is arrived at after charging the following items:

	Period from 24 September 2018 to 31 December 2019 US\$'000
Operating lease expenses from rental of land	<u>769</u>

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Notes to the Financial Statements

17 TAXATION

	Period from 24 September 2018 to 31 December 2019 US\$'000
Current tax expenses	
Current year	4
Deferred tax expenses	
Origination and reversal of temporary differences	2,568
Tax expense	2,572

Reconciliation of effective tax rate

	Period from 24 September 2018 to 31 December 2019 US\$'000
Net income for the period before tax	80,730
Tax using the Singapore tax rate of 17%	13,724
Effect of tax rates in foreign jurisdictions	3,229
Net income not subject to tax	(14,381)
	2,572

18 FINANCIAL INSTRUMENTS

Financial risk management**Overview**

The ARA H-REIT Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the exposure of the ARA H-REIT Group to each of the above risks, their objectives, policies and procedures for measuring and managing risk, and their management of capital.

ARA US HOSPITALITY PROPERTY TRUST

Notes to the Financial Statements**18 FINANCIAL INSTRUMENTS (CONT'D)****Risk management framework**

Risk management is integral to the whole business of the ARA H-REIT Group. The ARA H-REIT 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 continually monitors the ARA H-REIT 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 ARA H-REIT Group's activities.

The Audit Committee of the REIT Manager assist the REIT Manager's Board in reviewing the effectiveness of the ARA H-REIT Group's material internal controls, including those relating to financial, operational and compliance.

In addition, the Audit Committee of the REIT Manager also assist the REIT Manager's 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 ARA H-REIT Group. The Audit Committee oversee how management monitors compliance with the ARA H-REIT Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the ARA H-REIT Group.

(i) Credit risk

Credit risk is the risk of financial loss to the ARA H-REIT 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'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 to credit risk, before taking into account any rental deposit held.

Trade receivables

At 31 December 2019, the trade receivable from related corporation arising from the master lease arrangements for hotel properties represent a significant portion of the ARA H-REIT Group's receivables (Note 5). Except as disclosed, there was no significant concentration of credit risk.

Exposure to credit risk

As at the reporting date, the ARA H-REIT Group believes there is little credit risk inherent in its trade receivables based on payment behaviours. The carrying amounts of financial assets represent the ARA H-REIT Group's maximum exposure to credit risk.

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Notes to the Financial Statements

18 FINANCIAL INSTRUMENTS (CONT'D)

Expected credit loss assessment as at 31 December 2019

Trade receivables

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 December 2019:

	Gross carrying amount US\$'000	Impairment loss allowance US\$'000	Credit impaired
Not past due	1,579	–	No

The ARA H-REIT Group uses an allowance matrix to measure the ECLs of trade receivables.

Loss rates are based on actual credit loss experience. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the ARA H-REIT Group's view of economic conditions over the expected lives of the receivables.

Cash and cash equivalents

The ARA H-REIT Group held cash and cash equivalents of US\$33,128,000 at 31 December 2019. The cash and cash equivalents are held with 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 has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The ARA H-REIT Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents is negligible.

Non-trade amounts due from related corporations

At 31 December 2019, the ARA H-REIT Group held non-trade receivables from its related corporations of US\$2,041,000. 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.

ARA US HOSPITALITY PROPERTY TRUST

Notes to the Financial Statements

18 FINANCIAL INSTRUMENTS (CONT'D)

(ii) Liquidity risk

Liquidity risk is the risk that the ARA H-REIT Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The REIT Manager monitors the ARA H-REIT Group's liquidity risk and maintain a level of cash and cash equivalents deemed adequate to finance the ARA H-REIT Group's operations and to mitigate the effects of fluctuations in cash flows. The REIT Manager also observes and monitors compliance with the CIS Code issued by the MAS concerning limits on total borrowings. As at the end of the financial period, the ARA H-REIT Group maintains several lines of credit (Note 8).

The ARA H-REIT Group has contractual commitments to incur capital expenditure (Note 20).

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

	Note	Carrying amount US\$'000	Contractual cash flows US\$'000	Cash flows		
				Within 1 year US\$'000	Between 1 to 5 years US\$'000	More than 5 years US\$'000
2019						
Non-derivative financial liabilities						
Loans from related corporation	7	294,000	543,970	26,570	53,140	464,260
Loans and borrowings	8	243,739	283,279	8,942	274,337	–
Trade and other payables	11	2,334	2,334	2,209	–	125
		540,073	829,583	37,721	327,477	464,385
Derivative financial liabilities						
Interest rate swaps	9	7,282	7,214	(16)	7,230	–

The maturity analysis shows the contractual undiscounted cash flows of the ARA H-REIT Group's financial liabilities on the basis of their earliest possible contractual maturity. The cash inflows/(outflows) disclosed represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are usually not closed out prior to contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement e.g. forward exchange contracts. Net-settled derivative financial assets are included in the maturity analyses as they are held to hedge the cash flow variability of the ARA H-REIT Group's floating rate loans.

The interest payments on variable interest rate loans in the table above reflect market forward interest rates at the period end and these amounts may change as market interest rates change.

ARA US HOSPITALITY PROPERTY TRUST

Notes to the Financial Statements

18 FINANCIAL INSTRUMENTS (CONT'D)

(iii) Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the profit or loss of the ARA H-REIT Group. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The ARA H-REIT Group enters into derivatives in order to manage market risks. All such transactions are carried out within the guidelines set by the Audit Committee of the REIT Manager. Generally, the ARA H-REIT Group seeks to apply hedge accounting in order to manage volatility in profit or loss.

Currency risk

The ARA H-REIT Group business is not exposed to significant currency risk as the portfolio of properties are located in the United States and the cash flows from the properties are denominated in US\$. The loans and borrowings are made in the same currency as the assets in order to manage the foreign currency risk.

Where appropriate based on the prevailing market conditions, suitable hedging strategies are adopted to minimise any foreign exchange risk.

Interest rate risk

The REIT Manager's strategy to manage the risk of potential interest rate volatility is through the use of interest rate hedging instruments and/or fixed rate borrowings. The REIT Manager 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 determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts.

The ARA H-REIT Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

Exposure to interest risk

At the end of the financial period, the interest rate profile of the interest-earning financial instruments based on their nominal amounts was as follows:

	Nominal amount 2019 US\$'000
Fixed rate instruments	
Financial assets	32,012
Financial liabilities	(294,000)
	<u>(261,988)</u>
Variable rate instruments	
Financial liabilities	(244,325)
Effect of interest rate swaps	202,000
	<u>(42,325)</u>

To manage its exposure to interest rate movements on its variable rate financial liabilities, the ARA H-REIT Group entered into interest rate swaps with a notional amount of US\$202.0 million to swap floating rate interest on US Dollar ("USD") loan of US\$202.0 million for fixed rate USD interest.

ARA US HOSPITALITY PROPERTY TRUST

Notes to the Financial Statements

18 FINANCIAL INSTRUMENTS (CONT'D)

(iii) Market risk (cont'd)

Interest rate benchmark reform

A fundamental review and reform of major interest rate benchmarks is being undertaken globally to replace or reform existing benchmark IBORs with alternative rates. The ARA H-REIT Group hedged items and hedging instruments continue to be indexed to London Inter-bank Offered Rate ("LIBOR"). There is uncertainty as to the timing and the methods of transition for the ARA H-REIT Group.

As a result of these uncertainties, significant judgement is involved in determining certain hedge accounting relationships that hedge the variability of interest rate risk due to expected changes in IBORs continue to qualify for hedge accounting as at 31 December 2019. IBORs continue to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected end date for IBOR. The ARA H-REIT Group believes the current market structure supports the continuation of hedge accounting as at 31 December 2019.

At 31 December 2019, the ARA H-REIT Group has interest rate swaps classified as cash flow hedges with notional contractual amount of US\$202.0 million which pay fixed interest rates averaging 2.43% per annum and receive variable rates equal to the USD LIBOR on the notional amount.

Fair value sensitivity analysis for fixed rate instruments

The ARA H-REIT Group does not account for any fixed rate financial assets and liabilities at FVTPL. Therefore, in respect of the fixed rate instrument a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) unitholders' funds and profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or loss		Unitholders' funds	
	100 bp increase US\$'000	100 bp decrease US\$'000	100 bp increase US\$'000	100 bp decrease US\$'000
31 December 2019				
Variable rate instruments	(2,443)	2,443	–	–
Interest rate swaps	–	–	163	(163)
Cash flow sensitivity (net)	(2,443)	2,443	163	(163)

ARA US HOSPITALITY PROPERTY TRUST

Notes to the Financial Statements

18 FINANCIAL INSTRUMENTS (CONT'D)

(iii) Market risk (cont'd)

Hedge accounting

Cash flow hedges

At 31 December 2019, the ARA H-REIT Group held the following instruments to hedge its exposures to changes in interest rates.

	Within 1 year	Maturity Within 2-5 years	More than 5 years
Interest rate risk			
Interest rate swaps			
Net exposure (in thousands of US\$)	–	202,000	–
Average fixed interest rate	–	2.43%	–

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
31 December 2019			
Interest rate risk			
Variable-rate instruments	–	7,282	–

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the ARA H-REIT Group's statement of financial position; or
- are subject to an enforceable master netting arrangement, irrespective of whether they are offset in the statement of financial position.

Financial instruments such as loans and receivables and financial liabilities are not disclosed in the tables below unless they are offset in the statement of financial position.

The ARA H-REIT Group's derivative transactions that are not transacted on an exchange are entered into under International Swaps and Derivatives Association ("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 or the counterparties. In addition, the ARA H-REIT Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

ARA US HOSPITALITY PROPERTY TRUST

Notes to the Financial Statements

18 FINANCIAL INSTRUMENTS (CONT'D)

(iii) Market risk (cont'd)

Financial assets and financial liabilities subject to offsetting and enforceable master netting arrangement

	Gross amount of recognised financial liabilities US\$'000	Gross amount of recognised financial liabilities offset in the statement of financial position US\$'000	Net amount of financial liabilities presented in the statement of financial position US\$'000	Related amount not offset in the statement of financial position US\$'000	Net amount US\$'000
--	--	--	--	--	------------------------

31 December 2019**Financial liabilities**

Interest rate swaps	(7,282)	–	(7,282)	–	(7,282)
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The gross amounts of financial assets and financial liabilities and their net amounts as presented in the statement of financial position that are disclosed in the above tables are measured in the statement of financial position on the following basis:

- interest rate swaps – fair value

ARA US HOSPITALITY PROPERTY TRUST

Notes to the Financial Statements

18 FINANCIAL INSTRUMENTS (CONT'D)

(iii) Market risk (cont'd)

*Fair values***Accounting classifications and fair values**

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

	Note	Carrying amount			Fair value				
		Amortised cost US\$'000	Fair value – hedging instruments US\$'000	Other financial liabilities US\$'000	Total US\$'000	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
31 December 2019									
Financial assets not measured at fair value									
Trade and other receivables ⁽¹⁾	5	6,039	–	–	6,039				
Cash and cash equivalents	6	33,128	–	–	33,128				
		<u>39,167</u>	<u>–</u>	<u>–</u>	<u>39,167</u>				
Financial liabilities measured at fair value									
Derivative financial liabilities	9	–	(7,282)	–	(7,282)	–	(7,282)	–	(7,282)
Financial liabilities not measured at fair value									
Loans from related corporation	7	–	–	(294,000)	(294,000)	–	(295,262)	–	(295,262)
Loans and borrowings	8	–	–	(243,739)	(243,739)	–	(244,413)	–	(244,413)
Trade and other payables	11	–	–	(2,334)	(2,334)				
		<u>–</u>	<u>–</u>	<u>(540,073)</u>	<u>(540,073)</u>				

⁽¹⁾ Excluding prepayments

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

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.

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Notes to the Financial Statements

19 COMMITMENTS

Operating leases as a lessor

The ARA H-REIT Group leases out its investment properties to the ARA H-BT Group. Non-cancellable operating lease rentals are receivable as follows:

	2019 US\$'000
Within one year	39,134
Between one and five years	156,535
More than five years	—
	<u>195,669</u>

The above operating lease receivables are based on the fixed component of the rent receivable under the lease agreements, adjusted for increases in rent where such increases have been provided for under the lease agreements.

Operating leases as a lessee

Non-cancellable operating lease rentals are payable as follows:

	2019 US\$'000
Within one year	425
Between one and five years	1,205
More than five years	12,381
	<u>14,011</u>

The above operating lease payables are based on the fixed component of the rent payable under the lease agreements, adjusted for increases in rent where such increases have been provided for under the lease agreements.

Capital commitments

	2019 US\$'000
Capital expenditure contracted but not provided for	<u>3,300</u>

ARA US HOSPITALITY PROPERTY TRUST

Notes to the Financial Statements

20 RELATED PARTIES

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

	Period from 24 September 2018 to 31 December 2019 US\$'000
Related entities	
REIT Manager's management fees paid/payable	3,052
REIT Trustee's fees paid/payable	71
Reimbursement of expenses (paid on behalf by REIT Manager)	139
Related corporations	
Rental income received/receivable	52,151
Interest expenses paid/payable	16,232
Interest income received/receivable	223

21 SUBSIDIARIES

Details of the significant subsidiaries of the ARA H-REIT Group are as follows:

Name of subsidiaries	Country of incorporation	Effective equity interest held by the ARA H-REIT Group
		2019 %
Subsidiaries of ARA H-REIT		
ARA USH Investment Holding, LLC ⁽¹⁾	United States	100
ARA USH Chicago, LLC ⁽²⁾	United States	100

⁽¹⁾ Not required to be audited by laws of country of incorporation.

⁽²⁾ Audited by other member firms of KPMG International.

ARA US HOSPITALITY PROPERTY TRUST

Notes to the Financial Statements

22 ACQUISITION AND DIVESTMENT OF SUBSIDIARIES

The primary reason for the acquisitions of subsidiaries is to expand the Stapled Group's portfolio of hotel properties in the U.S. At the time of acquisition, the ARA H-REIT Group, together with ARA H-BT Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. ARA H-REIT Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. Typically, the ARA H-REIT Group assesses the acquisition as a purchase of business when the strategic management function and the associated processes were purchased along with the underlying properties.

Acquisition and divestment of subsidiaries during the period

On 30 November 2018, the ARA H-REIT Group, together with ARA H-BT Group acquired its initial portfolio comprising 38 upscale select-service hotel properties located across the U.S. from a third party. ARA H-REIT Group paid total consideration of US\$666.6 million for ARA USH REIT, Inc and its subsidiaries with tangible assets of US\$667.7 million and liabilities amounting to US\$1.1 million. Capitalised transaction costs amounted to US\$5.6 million. As part of the acquisition, ARA H-BT Group paid US\$63.7 million for the subsidiaries with plant and equipment and other tangible assets of US\$30.1 million and liabilities of US\$1.1 million. The divestment of the subsidiaries to ARA H-BT Group resulted in a gain of US\$34.7 million recorded by ARA H-REIT Group. ARA H-REIT Group recorded a net cash outflow on acquisition of US\$658.6 million, with cash of US\$8.0 million acquired as part of the transaction. ARA H-REIT Group recorded NIL cash inflow as the purchase consideration was paid by ARA H-BT Group to the third-party on behalf of ARA H-REIT Group. Following the completion of the above, ARA H-BT Group managed and operated the hotel properties. ARA H-REIT Group and ARA H-BT Group were dormant prior to the acquisition of the initial portfolio and the above-mentioned acquisitions accounted for the net profit after tax for ARA H-REIT Group and ARA H-BT Group during the financial period.

23 NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED

A number of new standards, interpretations and amendments to standards are effective for annual period beginning after 1 January 2019 and earlier application is permitted. However, the ARA H-REIT Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are applicable to the 2020 financial statements.

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23: *Uncertainty over Income Tax Treatments*
- Amendments to SFRS(I) 3: *Definition of a Business*
- Amendments to SFRS(I) 1-1 and 1-8: *Definition of Material*
- Amendments to References to the Conceptual Framework in SFRS(I) Standards

The ARA H-REIT Group is in the process of assessing the impact of the new SFRS(I)s, amendments to and interpretations of SFRS(I)s on the financial statements. The ARA H-REIT Group's assessment of SFRS(I) 16 *Leases*, which is applicable to the Company's 2020 financial statements and expected to have a more significant impact, is described below.

ARA US HOSPITALITY PROPERTY TRUST**Notes to the Financial Statements****23 NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED (CONT'D)****SFRS(I) 16**

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use (“**ROU**”) asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. SFRS(I) 16 replaces existing lease accounting guidance, including FRS 17 *Leases*, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives* and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The ARA H-REIT Group plans to apply SFRS(I) 16 initially on 1 January 2020, using the modified retrospective approach. Therefore, the cumulative effect of adopting SFRS(I) 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2020, with no restatement of comparative information. The ARA H-REIT Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply SFRS(I) 16 to all contracts entered into before 1 January 2020 and identified as leases in accordance with FRS 17 and INT FRS 104.

The Entity as lessee

The ARA H-REIT Group expects to measure lease liabilities by applying a single discount rate to its properties on lease with reasonably similar characteristics. Furthermore, the ARA H-REIT Group is likely to apply the practical expedient to recognise amounts of ROU assets equal to its lease liabilities at 1 January 2020. For lease contracts that contain the option to renew, the ARA H-REIT Group is expected to use hindsight in determining the lease term.

The ARA H-REIT Group expects its existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under SFRS(I) 16. Lease payments that are increased every year to reflect market rentals, and those that are based on changes in local price index, are included in the measurement of lease liabilities as at date of initial application.

The ARA H-REIT Group has performed preliminary assessment of the new standard on its existing operating lease agreements as a lessee. The ARA H-REIT Group's existing operating lease commitments on an undiscounted basis amount to approximately US\$14,011,000 as at 31 December 2019 (Note 19).

The Entity as lessor

SFRS(I) 16 substantially carries forward the current existing lessor accounting requirements. Accordingly, the ARA H-REIT Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively.

No significant impact is expected for other leases in which the ARA H-REIT Group is a lessor.

ARA US HOSPITALITY PROPERTY TRUST**Notes to the Financial Statements****24 COMPARATIVE INFORMATION**

No comparative figures have been presented as this is the first set of financial statements prepared by the ARA H-REIT Group since the date of constitution.

25 SUBSEQUENT EVENTS

On 17 January 2020, the Stapled Group completed the acquisition of a portfolio of three Marriott-Branded upscale select-service hotels in United States for a purchase consideration of US\$84 million.

On 24 January 2020, the Stapled Group established a S\$800 million Multicurrency Stapled Debt Issuance programme.

On 11 March 2020, the World Health Organisation (“**WHO**”) declared the outbreak of COVID-19, which is sweeping across the world as a pandemic. On 13 March 2020, the U.S. government declared a national emergency, with more than 30 states also declaring state of emergencies in response to the COVID-19 outbreak. The hospitality sector will be impacted due to travel restrictions for non-essential travel imposed and travel-related concerns of transient business and leisure travellers in the U.S.. There is uncertainty on the extent of impact of the COVID-19 outbreak to the ARA H-REIT Group’s revenue and profitability. In addition, there may be other risks that are not reasonably foreseeable at date of this report. Any impact on its profitability may in turn affect the valuation of property, plant and equipment. In response, the Manager has initiated a series of cost mitigation and capital preservation measures to deal with the potential challenges posed by COVID-19. The Manager has also taken further measures to proactively protect and conserve cash flow by postponing non-essential capital expenditures and actively managing working capital.



ARA Business Trust Management (USH) Pte. Ltd.

Registration Number: 201829682G

Financial Statements

Period from 29 August 2018 (date of incorporation)
to 31 December 2019

ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.**Directors' Statement**

We are pleased to submit this annual report to the member of the Company together with the audited financial statements for the financial period from 29 August 2018 (date of incorporation) to 31 December 2019.

In our opinion:

- (a) the financial statements set out on pages 174 to 194 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Company for the period from 29 August 2018 (date of incorporation) to 31 December 2019 in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

DIRECTORS

The directors in office at the date of this statement are as follows:

Stephen Ray Finch	(Appointed on 12 April 2019)
Randy Allan Daniels	(Appointed on 12 April 2019)
Stefanie Yuen Thio	(Appointed on 12 April 2019)
Wong Choong Mann	(Appointed on 15 January 2020)
Lin Daqi	(Appointed on 15 January 2020)
Seow Bee Lian	(Appointed on 29 August 2018)
Moses K Song	(Appointed on 29 August 2018)

DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), none of the directors who held office at the end of the financial period (including those held by their spouses and infant children) had any interest in shares, debentures, warrants and share options in the Company and in related corporations, either at the date of incorporation, at the date of appointment, if later, or at the end of the financial period.

Neither at the end of, nor at any time during the financial period, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTIONS

During the financial period, there were:

- (i) no options granted by the Company to any person to take up unissued shares in the Company; and
- (ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial period, there were no unissued shares of the Company under option.

ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.

Directors' Statement

AUDITORS

Pursuant to a directors' resolution dated 5 September 2018, KPMG LLP were appointed as auditors of the Company. The auditors, KPMG LLP, have indicated their willingness to accept appointment.

On behalf of the Board of Directors

Stephen Ray Finch

Director

Seow Bee Lian

Director

18 March 2020

ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.**Independent Auditors' Report**

Member of the Company - ARA Business Trust Management (USH) Pte. Ltd.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS*Opinion*

We have audited the financial statements of ARA Business Trust Management (USH) Pte. Ltd. (the "**Company**"), which comprise the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period from 29 August 2018 (date of incorporation) to 31 December 2019, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 174 to 194.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "**Act**") and Financial Reporting Standards in Singapore ("**FRSs**") so as to give a true and fair view of the financial position of the Company as at 31 December 2019 and of the financial performance, changes in equity and cash flows of the Company for the period from 29 August 2018 (date of incorporation) to 31 December 2019.

Basis for opinion

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

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

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

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

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

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.**Independent Auditors' Report**

Member of the Company - ARA Business Trust Management (USH) Pte. Ltd.

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

18 March 2020

ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.

Statement of Financial Position

As at 31 December 2019

	Note	2019 US\$
Assets		
Investment in subsidiary	4	1
Total non-current assets		<u>1</u>
Financial assets	5	27
Trade receivables	6	202,025
Cash and cash equivalents		<u>790,443</u>
Total current assets		<u>992,495</u>
Total assets		<u>992,496</u>
Equity		
Share capital	7	50,000
Retained earnings		<u>764,767</u>
Total equity		<u>814,767</u>
Liabilities		
Trade and other payables	8	55,568
Current tax payable		<u>122,161</u>
Total current liabilities		<u>177,729</u>
Total liabilities		<u>177,729</u>
Total equity and liabilities		<u>992,496</u>

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

ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.**Statement of Comprehensive Income**

Period from 29 August 2018 (date of incorporation) to 31 December 2019

	Note	Period from 29/8/2018 (date of incorporation) to 31/12/2019 US\$
Revenue	10	1,126,000
Other expenses		(233,506)
Net finance costs	11	(5,566)
Profit before tax	12	886,928
Tax expense	13	(122,161)
Profit and total comprehensive income for the period		<u>764,767</u>

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

ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.

Statement of Changes in Equity

Period from 29 August 2018 (date of incorporation) to 31 December 2019

	Share capital US\$	Retained earnings US\$	Total US\$
At 29 August 2018 (date of incorporation)	1	–	1
Transaction with owner, recorded directly in equity			
Contribution by owner			
Issue of ordinary shares (note 7)	49,999	–	49,999
Total transaction with owner	49,999	–	49,999
Total comprehensive income for the period			
Profit for the period	–	764,767	764,767
Total comprehensive income for the period	–	764,767	764,767
At 31 December 2019	50,000	764,767	814,767

ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.**Statement of Cash Flows**

Period from 29 August 2018 (date of incorporation) to 31 December 2019

	Period from 29/8/2018 (date of incorporation) to 31/12/2019 US\$
Cash flows from operating activities	
Profit for the period	764,767
<i>Adjustments for:</i>	
Management fees received/receivable in stapled securities in ARA US Hospitality Trust (“ ARA H-Trust ”)	(627,975)
Loss on fair value of financial assets	6,251
Interest income	(78)
Net foreign exchange gain	(607)
Tax expense	122,161
	<hr/> 264,519
Change in trade receivables	(41,274)
Change in trade and other payables	56,175
	<hr/> 279,420
Cash generated from operations	460,946
Proceeds from sale of stapled securities in ARA H-Trust	460,946
	<hr/> 740,366
Net cash from operating activities	<hr/> 740,366
Cash flows from investing activities	
Investment in subsidiary	(1)
Interest received	78
	<hr/> 77
Net cash from investing activities	<hr/> 77
Cash flows from financing activity	
Issue of ordinary shares	50,000
	<hr/> 50,000
Net cash from financing activity	<hr/> 50,000
Net increase in cash and cash equivalents	790,443
Cash and cash equivalents at date of incorporation	–
	<hr/> 790,443
Cash and cash equivalents at 31 December	<hr/> <hr/> 790,443

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

ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.**Notes to the Financial Statements**

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 18 March 2020.

1. DOMICILE AND ACTIVITIES

ARA Business Trust Management (USH) Pte. Ltd. (the “**Company**”) is incorporated in Singapore and has its registered office at 5 Temasek Boulevard, #12-01 Suntec Tower Five, Singapore 038985.

The principal activities of the Company are to provide property fund management services and to act as the trustee-manager of ARA US Hospitality Management Trust (“**ARA H-BT**”). ARA H-BT is a business trust (“**BT**”) which is part of ARA H-Trust, a stapled group comprising ARA US Hospitality Property Trust (“**ARA H-REIT**”) and its subsidiaries and ARA H-BT and its subsidiaries. ARA H-Trust listed on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 9 May 2019.

The immediate and ultimate holding company are ARA Asset Management Limited, a company incorporated in Bermuda and ARA Asset Management Holdings Pte. Ltd., a company incorporated in Singapore respectively.

2. BASIS OF PREPARATION**2.1 Statement of compliance**

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (“**FRS**”).

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These financial statements are presented in United States dollars (“**US\$**”), which is the Company’s functional currency.

2.4 Use of estimates and judgements

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

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

Management is of the opinion that there is no significant judgement made in applying accounting policies and no estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.**Notes to the Financial Statements****3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Subsidiary

A subsidiary is an entity controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The accounting policies of subsidiary has been changed when necessary to align them with the policies adopted by the Company.

Investment in a subsidiary is stated in the Company's statement of financial position at cost less accumulated impairment losses.

3.2 Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss.

3.3 Financial instruments**(i) Recognition and initial measurement***Non-derivative financial assets and financial liabilities*

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

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

ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.**Notes to the Financial Statements****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.3 Financial instruments (cont'd)****(ii) Classification and subsequent measurement***Non-derivative financial assets*

On initial recognition, a financial asset is classified as measured at amortised cost; fair value through other comprehensive income ("**FVOCI**"); or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

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

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

Equity investments at FVOCI

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect on initial recognition to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Financial assets at FVTPL

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Financial instruments (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

A prepayment feature is consistent with solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

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

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

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

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

ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.

Notes to the Financial Statements**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.3 Financial instruments (cont'd)****(iii) Derecognition***Financial assets*

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when 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 Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

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

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

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the assets and settle the liabilities simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits with original maturities of three months or less.

(vi) Share capital*Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with FRS 12.

ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.**Notes to the Financial Statements****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.4 Impairment****(i) Non-derivative financial assets and contract assets**

The Company recognises loss allowances for expected credit losses (“**ECLs**”) on financial assets measured at amortised cost and contract assets.

Loss allowances of the Company are measured on either of the following bases:

- 12-month ECLs: these are ECLs that results from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Company applies the simplified approach to provide for ECLs for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Company applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Company considers a financial asset to be in default when the customer is unlikely to pay its contractual obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.

Notes to the Financial Statements**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.4 Impairment (cont'd)*****Credit-impaired financial assets***

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is "credit impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- The restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for a security because of financial difficulties.

Presentation of allowance of ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than contract assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

Impairment losses are recognised in profit or loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.**Notes to the Financial Statements****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.5 Revenue recognition**

Revenue is measured based on the consideration specified in a contract with a customer. The Company recognises revenue when it transfers control over a product or service to a customer. Invoices issued to customers are due within 45 days.

No adjustment is made to transaction prices for time value of money as the contracts do not include significant financing consideration.

Nature of goods and services

The following is a description of the principal activities from which the Company generates its revenue.

(i) Management fees

Management fees are derived from the management of a BT and are determined based on total appraised value prior to listing date of ARA H-Trust. With effect from the listing date, management fees are determined based on distributable income of ARA H-Trust. For as long as ARA H-REIT is stapled to the BT, the total management fees for their managers shall be apportioned between the Company and the REIT manager of ARA H-REIT in such proportion as may be agreed between the Company and the REIT manager from time to time. The fees are recognised when service is rendered.

(ii) Acquisition and divestment fees

Acquisition and divestment fees relate to fees earned in relation to the acquisition and divestment of properties by ARA H-Trust and are determined based on the value of the asset or investment acquired or disposed. The fees are recognised when the service has been rendered.

(iii) Trustee fees

Trustee fees are determined based on the value of the trust property of the BT and is recognised when the service is rendered.

3.6 Finance income and finance costs

Finance income and finance costs comprise interest income, the foreign currency gains or losses on financial assets and financial liabilities, net gains or losses on financial assets at FVTPL. Interest income is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

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

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance costs depending on whether foreign currency movements are in a net gain or net loss position.

ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.**Notes to the Financial Statements****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.7 Income tax**

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

The Company has determined that interest and penalties related to income taxes do not meet the definition of income taxes, and therefore accounted for them under FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiary to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

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.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.**Notes to the Financial Statements****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.8 New standards and interpretations not yet adopted**

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 29 August 2018 (date of incorporation) and earlier application is permitted; however, the Company has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new FRSs, interpretations and amendments to FRSs are not expected to have a significant impact on the Company's financial statements.

- INT FRS 123 *Uncertainty over Income Tax Treatments*
- *Amendments to References to Conceptual Framework in FRS Standards*
- *Definition of a Business* (Amendments to FRS 103)
- *Definition of Material* (Amendments to FRS 1 and FRS 8)
- FRS 117 *Insurance Contracts*

4. INVESTMENT IN SUBSIDIARY

	2019 US\$
Equity investment, at cost	1

Details of the subsidiary are as follows:

Name of subsidiary	Country of incorporation	Principal activity	Ownership interest
			2019 %
ARA US Hospitality Management, Inc.	United States	Property fund management	100

Consolidated financial statements have not been prepared as the Company is itself an indirect wholly-owned subsidiary of ARA Asset Management Holdings Pte. Ltd., a company incorporated in Singapore with its registered office at 5 Temasek Boulevard, #12-01 Suntec Tower Five, Singapore 038985, which prepares consolidated financial statements available for public use.

ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.

Notes to the Financial Statements

5. FINANCIAL ASSETS

	2019 US\$
Quoted financial assets – mandatorily measured at FVTPL	<u>27</u>

This relates to stapled securities held in ARA H-Trust which are received as settlement for management fee earned. During the period from 29 August 2018 (date of incorporation) to 31 December 2019, the Company received 530,758 stapled securities and sold 530,727 stapled securities.

The Company's exposure to credit, currency and equity price risks related to financial assets are disclosed in note 9.

6. TRADE RECEIVABLES

	2019 US\$
Accrued fees receivables	<u>202,025</u>

Accrued fees receivables constitute contract assets primarily related to the Company's rights to consideration for management services provided but not billed at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Company invoices ARA H-BT. Significant changes in the contract assets balance during the period relate to management services rendered but not billed and subsequent reclassification of contract assets to trade receivables. There is no impairment allowance arising from the outstanding balances.

As at the reporting date, the Company expects to receive 185,926 stapled securities of ARA H-Trust amounting to US\$160,752 as satisfaction of base fee in stapled securities in respect of the financial quarter ended 31 December 2019. The Company's exposure to credit risk related to trade receivables is disclosed in note 9.

7. SHARE CAPITAL

	2019 Number of shares
At 29 August 2018 (date of incorporation)	1
Issue of ordinary shares for cash	<u>49,999</u>
At 31 December 2019	<u>50,000</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

All issued shares are fully paid, with no par value.

During the financial period from 29 August 2018 (date of incorporation) to 31 December 2019, the Company issued 49,999 ordinary shares at US\$1 per share.

ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.**Notes to the Financial Statements****8. TRADE AND OTHER PAYABLES**

	2019 US\$
Trade payables	15,420
Accrued expenses	6,567
Amount due to related corporation, trade	33,581
	<u>55,568</u>

The Company's exposure to liquidity risk related to trade and other payables is disclosed in note 9.

9. FINANCIAL INSTRUMENTS**Financial risk management****Overview**

The Company has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The management continually monitors the Company's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.**Notes to the Financial Statements****9. FINANCIAL INSTRUMENTS (CONT'D)*****Credit risk***

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from counterparties and investment securities.

The carrying amount of financial assets represents the Company's maximum exposure to credit risk, before taking into account any collateral held. The Company does not hold any collateral in respect of its financial assets.

Trade receivables***Risk management policy***

The Company's exposure to credit risk arises mainly through its trade and accrued fees receivables from ARA H-Trust, which has a good record with the Company. Exposure to credit risk is monitored on an ongoing basis.

Investments and other financial assets***Risk management policy***

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner consist principally of cash and cash equivalents and investment in financial assets. Credit risk on cash and cash equivalents is limited because these are placed with regulated financial institutions which are rated A to AA-, based on established rating agency ratings. Credit risk on investment in financial assets is limited because the counterparties are entities with high credit quality and/or acceptable credit ratings. These financial assets are monitored on an ongoing basis by management.

Accrued fees receivables

The Company establishes an allowance for impairment that represents its estimate of ECLs in respect of accrued fees receivables. The key inputs into the measurement of ECL are the probability of default (PD), loss given default (LGD) and exposure at default (EAD). ECL is calculated by multiplying the PD by LGD and EAD.

PD is estimated based on the Global Corporate Default Rate for the real estate industry. LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD taking into consideration the collateral, history of recovery rates of claims against defaulted counterparties and counterparty industry. EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty.

Impairment on accrued fees receivables have been measured on the lifetime expected loss basis. The amount of the allowance on these balances is insignificant.

Cash and cash equivalents

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents is negligible.

ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.

Notes to the Financial Statements

9. FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk*Risk management policy*

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically, the Company monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

Exposure to liquidity risk

The following are the contractual maturities of financial liabilities which are measured at amortised cost including estimated interest payments but excluding the impact of netting agreements:

	Carrying amount US\$	Cash flows		
		Contractual cash flows US\$	Within 1 year US\$	Between 1 to 5 years US\$
2019				
Non-derivative financial liabilities				
Trade and other payables	55,568	(55,568)	(55,568)	–

It is not expected that the cash flows included in the maturity analysis of the Company could occur significantly earlier, or at significantly different amounts.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Market risk is managed through established investment policies and guidelines. These policies and guidelines are reviewed regularly taking into consideration changes in the overall market environment.

Equity price risk

The Company's quoted equity financial assets are listed on the SGX-ST. For such investments classified as held for trading, a 10% increase in the stock price at the reporting date would have increased/(decreased) profit or loss by the following amount shown below. The analysis assumes that all other variables remain constant.

	Profit or loss 2019 US\$
SGX-ST	3

A 10% decrease in their stock price would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.

Notes to the Financial Statements**9. FINANCIAL INSTRUMENTS (CONT'D)*****Currency risk***

The Company is not exposed to significant currency risk.

Capital management

The Company is not subject to any externally imposed capital requirements. The primary objective of the Company in respect of its capital management is to ensure its ability to continue as a going concern. In this regard, the Board of Directors regularly reviews the Company's capital structure with a view for the Company to pay its debts as and when they fall due. As the Company is part of a larger group, the Company's sources of additional capital and policies for distribution of excess capital may also be affected by the group's capital management objectives. The Company defines "capital" as including all components of equity. There were no changes in the Company's approach to capital management during the period.

Accounting classifications and fair values

The carrying amounts and fair values of certain financial assets including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Level 1 2019 US\$
--	----------------------------------

Quoted financial assets – mandatorily measured at FVTPL

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Investments in financial assets

The fair value of quoted investments that are classified as mandatorily measured at FVTPL is determined by reference to their quoted closing bid price at the reporting date.

Financial instruments not measured at fair values

The Company has not disclosed the fair values of financial instruments such as trade receivables, trade and other payables and cash and cash equivalents as the carrying amounts of these financial instruments are a reasonable approximation of fair values as at 31 December 2019.

Transfers between Level 1 and 2

During the financial period ended 31 December 2019, there were no transfers between Level 1 and Level 2 of the fair value hierarchy.

ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.

Notes to the Financial Statements

10. REVENUE

	Period from 29/8/2018 (date of incorporation) to 31/12/2019 US\$
Base fees	1,048,580
Trustee fees	77,420
	<u>1,126,000</u>
Timing of revenue recognition	
Performance obligations satisfied over time	<u>1,126,000</u>

There were no contract liabilities at the end of the financial period.

11. NET FINANCE COSTS

	Period from 29/8/2018 (date of incorporation) to 31/12/2019 US\$
Finance income	
Foreign exchange gain, net	607
Interest income under the effective interest method on cash and cash equivalents	78
	<u>685</u>
Finance costs	
Net change in fair value of financial assets:	
– Mandatorily measured at fair value through profit or loss	
– held for trading	6,251
	<u>(5,566)</u>
Net finance costs	<u>(5,566)</u>

12. PROFIT BEFORE TAX

The following items have been included in arriving at the profit before tax for the period:

	Period from 29/8/2018 (date of incorporation) to 31/12/2019 US\$
Other expenses:	
Service fee expense to related corporation	<u>224,256</u>

ARA BUSINESS TRUST MANAGEMENT (USH) PTE. LTD.

Notes to the Financial Statements**13. TAX EXPENSE**

	Period from 29/8/2018 (date of incorporation) to 31/12/2019 US\$
Current tax expense	
Current period	122,161
Reconciliation of effective tax rate:	
Profit before tax	886,928
Tax using the Singapore tax rate at 17%	150,778
Non-deductible expenses	81
Tax exempt income	(28,698)
	122,161

14. RELATED PARTIES

Except as disclosed elsewhere in these financial statements, there were no other significant related party transactions during the financial period.

Transactions with key management personnel

The non-independent and non-executive directors of the Company are employees of a related corporation and no consideration is paid to the related corporation for the services rendered by the directors.

15. COMPARATIVE INFORMATION

No comparative figures are presented as this is the first set of financial statements prepared by the Company since the date of its incorporation.

Statistics of Stapled Securityholdings

As at 10 March 2020

There were 567,342,368 Stapled Securities (one vote per Stapled Security) in issue as at 10 March 2020. 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	564	16.47	553,534	0.10
1,001 - 10,000	1,839	53.71	13,049,450	2.30
10,001 - 1,000,000	1,008	29.44	54,147,014	9.54
1,000,001 AND ABOVE	13	0.38	499,592,370	88.06
TOTAL	3,424	100.00	567,342,368	100.00

TWENTY LARGEST STAPLED SECURITYHOLDERS

No.	Name	No. of Stapled Securities	%
1	DBS NOMINEES (PRIVATE) LIMITED	140,477,600	24.76
2	RAFFLES NOMINEES (PTE.) LIMITED	137,065,360	24.16
3	CITIBANK NOMINEES SINGAPORE PTE LTD	78,051,150	13.76
4	PHILLIP SECURITIES PTE LTD	42,772,360	7.54
5	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	38,134,500	6.72
6	ARA REAL ESTATE INVESTORS 23 PTE LTD	26,875,000	4.74
7	SUN LAP FONG	9,039,000	1.59
8	DB NOMINEES (SINGAPORE) PTE LTD	6,160,900	1.09
9	OCBC SECURITIES PRIVATE LIMITED	5,832,300	1.03
10	UOB KAY HIAN PRIVATE LIMITED	5,171,200	0.91
11	HSBC (SINGAPORE) NOMINEES PTE LTD	5,103,400	0.90
12	DBSN SERVICES PTE. LTD.	3,773,300	0.67
13	GOH AH TEE @ GOH HUI CHUA	1,136,300	0.20
14	LIEW CHEE KONG	1,000,000	0.18
15	CHONG YEAN FONG	800,000	0.14
16	KIM HIN INTERNATIONAL PTE LTD	800,000	0.14
17	KIM HIN JOO PRIVATE LTD	800,000	0.14
18	WEE HIAN PENG	800,000	0.14
19	ANG SOON NAM	616,500	0.11
20	GUY DANIEL HARVEY SAMUEL	570,500	0.10
TOTAL		504,979,370	89.02

Statistics of Stapled Securityholdings

As at 10 March 2020

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 10 March 2020), 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. ¹	26,875,000	26,875,000	9.47
ARA RE Investment Group (Singapore) Pte. Ltd. ²		53,750,000	9.47
ARA Asset Management Limited ³		54,121,914	9.54
ARA Investment (Cayman) Limited ⁴		54,121,914	9.54
ARA Asset Management Holdings Pte. Ltd. ⁵		54,121,914	9.54
Straits Equities Holdings (One) Pte. Ltd. ⁶		54,121,914	9.54
The Straits Trading Company Limited ⁶		54,121,914	9.54
The Cairns Pte. Ltd. ⁷		54,121,914	9.54
Raffles Investments Private Limited ⁷		54,121,914	9.54
Aequitas Pte. Ltd. ⁷		54,121,914	9.54
Tecity Pte. Ltd. ⁸		58,521,414	10.32
Tan Chin Tuan Pte. Ltd. ⁸		58,521,414	10.32
Dr Tan Kheng Lian ⁸		58,521,414	10.32
AVICT Dragon Holdings Limited ⁹		54,121,914	9.54
AVICT Phoenix Holdings Limited ⁹		54,121,914	9.54
AVIC Trust Co., Ltd. ⁹		54,121,914	9.54
China Aviation Investment Holdings Co., Ltd. ⁹		54,121,914	9.54
AVIC Capital Co., Ltd. ⁹		54,121,914	9.54
Aviation Industry Corporation of China ⁹		54,121,914	9.54
Alexandrite Gem Holdings Limited ¹⁰		54,121,914	9.54
WP Global LLC ¹⁰		54,121,914	9.54
Warburg Pincus Partners II, L.P. ¹⁰		54,121,914	9.54
Warburg Pincus Partners GP LLC ¹⁰		54,121,914	9.54
Warburg Pincus & Co. ¹⁰		54,121,914	9.54
Tang Gordon @ Tang Yigang and Celine Tang @ Chen Huaidan ¹¹		53,750,000	9.47
EasternGate SPC for and on behalf of EasternGate Opportunities Fund 17 SP ¹²		53,977,000	9.51
Fairshore Asset Management Company Pte. Ltd. ¹²		53,977,000	9.51
Yang Shi Ying ¹³		45,454,600	8.01
Yu Duan ¹⁴		48,292,400	8.51
Lim Hwee Chiang ¹⁵		42,000,000	7.40

Statistics of Stapled Securityholdings

As at 10 March 2020

Notes:

1. ARA Real Estate Investors 23 Pte. Ltd. holds 26,875,000 Stapled Securities directly and is deemed to be interested in 26,875,000 Stapled Securities held by United Overseas Bank Nominees Pte Limited.
2. ARA RE Investment Group (Singapore) Pte. Ltd. holds 100% of the shares of ARA Real Estate Investors 23 Pte. Ltd, hence it is deemed to be interested in the Stapled Securities held by ARA Real Estate Investors 23 Pte. Ltd. and Stapled Securities which ARA Real Estate Investors 23 Pte. Ltd. is deemed interested in.
3. ARA Asset Management Limited holds 100% of the shares of ARA RE Investment Group (Singapore) Pte. Ltd., hence it is deemed to be interested in the Stapled Securities which ARA RE Investment Group (Singapore) Pte. Ltd. is deemed interested in. ARA Asset Management Limited also holds 100% of the shares of the Managers and is therefore deemed to be interested in 371,914 Stapled Securities held by the Managers.
4. ARA Investment (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. ARA Asset Management Holdings Pte. Ltd. holds 100% of the shares of ARA Investment (Cayman) Limited, hence it is deemed to be interested in the Stapled Securities which ARA Investment (Cayman) Limited is deemed interested in.
6. The Straits Trading Company Limited ("**STC**"), through its wholly-owned subsidiary, Straits Equities Holdings (One) Pte. Ltd., holds more than 20% of the voting rights in ARA Asset Management Holdings Pte. Ltd. Accordingly, STC and Straits Equities Holdings (One) Pte. Ltd. are deemed to be interested in all the Stapled Securities which ARA Asset Management Holdings Pte. Ltd. is deemed interested in.
7. The Cairns Pte. Ltd. ("**Cairns**") holds more than 50% of the voting rights of STC. Raffles Investments Private Limited ("**Raffles**") holds not less than 20% of the voting rights of Cairns. Aequitas Pte. Ltd. ("**Aequitas**") holds more than 50% of the voting rights of Raffles. Accordingly, each of Cairns, Raffles and Aequitas has a deemed interest in all the Stapled Securities which ARA Asset Management Holdings Pte. Ltd. is deemed interested in.
8. Each of Tecity Pte. Ltd. ("**Tecity**") and Tan Chin Tuan Pte. Ltd. ("**TCT**") holds not less than 20% of the voting rights of Cairns. Dr Tan Kheng Lian holds more than 50% of the voting rights of Tecity. By virtue of this, each of Tecity, TCT and Dr Tan Kheng Lian has a deemed interest in all the Stapled Securities which ARA Asset Management Holdings Pte. Ltd. is deemed interested in. In addition, each of Tecity and TCT holds not less than 20% of the voting rights of Mellford Pte. Ltd. and Dr Tan Kheng Lian holds more than 50% of the voting rights of TCT. By virtue of this, each of Tecity, TCT and Dr Tan Kheng Lian has a deemed interest in 4,399,500 Stapled Securities held by Mellford Pte. Ltd.
9. AVICT Dragon Holdings Limited ("**AVICT Dragon**") holds more than 20% of the voting rights of ARA Asset Management Holdings Pte Ltd. AVICT Phoenix Holdings Limited ("**AVICT Phoenix**") holds more than 50% of the voting rights of AVICT Dragon. AVIC Trust Co., Ltd. ("**AVICT Trust**") holds more than 50% of the voting rights of AVICT Phoenix. China Aviation Investment Holdings Co., Ltd ("**China Aviation**") holds more than 50% of the voting rights of AVIC Trust. AVIC Capital Co., Ltd ("**AVIC Capital**") holds more than 50% of the voting rights of China Aviation. Aviation Industry Corporation of China ("**AVIC**") holds more than 20% of the voting rights of AVIC Capital. AVIC is wholly-owned by the Central State-Owned Assets Supervision and Administration Commission of the People's Republic of China. By virtue of this, each of AVICT Dragon, AVICT Phoenix, AVIC Trust, China Aviation, AVIC Capital and AVIC has a deemed interest in all the Stapled Securities which ARA Asset Management Holdings Pte. Ltd. is deemed interested in.
10. Alexandrite Gem Holdings Limited ("**AGHL**") holds more than 20% of the voting rights of ARA Asset Management Holdings Pte. Ltd. AGHL, through ARA Asset Management Holdings Pte. Ltd., is deemed interested in all the Stapled Securities which ARA Asset Management Holdings Pte. Ltd. is deemed interested in. AGHL is wholly-owned by certain private equity funds which are limited partnerships (the "Funds") managed by Warburg Pincus LLC ("**WP LLC**"). Warburg Pincus XII, L.P. ("**WP XII GP**") and Warburg Pincus China GP, L.P. ("**WPC GP**") are the general partners of the Funds. WP Global LLC ("**WP Global**") is the general partner of each of WP XII GP and WPC GP. Warburg Pincus Partners II, L.P. ("**WPP II**") is the managing member of WP Global. Warburg Pincus Partners GP LLC ("**WPP GP LLC**") is the general partner of WPP II. Warburg Pincus & Co., a New York general partnership ("**WP**"), is the managing member of WPP GP LLC. By virtue of this, each of WP Global, WPP II, WPP GP LLC and WP has a deemed interest in all the Stapled Securities which ARA Asset Management Holdings Pte. Ltd. is deemed interested in.
11. Gordon Tang is the spouse of Celine Tang. The 53,750,000 Stapled Securities are held jointly by Gordon Tang and Celine Tang through Raffles Nominees Pte Limited.
12. Fairshore Asset Management Company Pte Ltd is the fund manager of EasternGate SPC for and on behalf of EasternGate Opportunities Fund 17 SP and is deemed to be interested in the Stapled Securities held by EasternGate SPC for and on behalf of EasternGate Opportunities Fund 17 SP through DBS Nominees Pte Limited.
13. Yang Shi Ying is deemed to have an interest in 45,454,600 Stapled Securities held through Raffles Nominees Pte Limited.
14. Yu Duan is deemed to have an interest in 48,292,400 Stapled Securities held through Phillip Securities Pte Ltd and HSBC (Singapore) Nominees Pte Limited.
15. Lim Hwee Chiang is deemed to have an interest in 41,500,000 Stapled Securities held by Citibank Nominees Singapore Pte Limited and 500,000 Stapled Securities held by JL Philanthropy Ltd through Citibank Nominees Singapore Pte Limited. The beneficiary of JL Philanthropy Ltd is JL Charitable Settlement and Lim Hwee Chiang is the settlor of JL Charitable Settlement.

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 10 March 2020, approximately 46.7% 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 period from 9 May 2019 (listing date) to 31 December 2019 (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 period under review (excluding transactions of less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) US\$'000	Aggregate value of all Interested Person Transactions during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) US\$'000
ARA Trust Management (USH) Pte Ltd - Management fees	ARA H-REIT Manager	628	-
ARA USH Management, Inc - Management fees	Subsidiary of the ARA H-REIT Manager	1,256	-
ARA Business Trust Management (USH) Pte Ltd - Management fees - Trustee fees	ARA H-BT Trustee Manager	628 77	- -
ARA US Hospitality Management Inc - Hotel management fees	Subsidiary of the ARA H-REIT Trustee Manager	3,448	-
DBS Trustee Limited - Trustee fees	ARA H-REIT Trustee	71	-
Total		6,108	-

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 overhead incurred in the management of the portfolio.

Additional Information

ADDITIONAL DISCLOSURE ON FEES PAYABLE TO THE MANAGERS (CONT'D)

Management Fee (cont'd)

(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 Total Base Fee payable to the Managers out of the total deposited property of ARA H-Trust in each financial period or year) multiplied by the weighted average number of Stapled Securities in issue for such financial period or year. The Total Performance Fee aligns the interests of the Managers with Stapled Securityholders. By implementing and executing on the key strategies identified, the Managers will be compensated for delivering sustainable and growing DPS. If there is no growth in DPS from the immediately preceding financial year, no performance fee is payable.

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

Acquisition Fee and Divestment Fee

In addition, the ARA H-REIT Manager or the ARA H-BT Trustee Manager (as the case may be) is entitled to receive:

- (i) an Acquisition Fee (as defined in Clause 15.2 of the ARA H-REIT Trust Deed and Clause 14.2 of the ARA H-BT Trust Deed) at the rate of 1.0% (or such lower percentage as may be determined by the ARA H-REIT Manager or the ARA H-BT Trustee Manager (as the case may be) in their absolute discretion); and
- (ii) a Divestment Fee (as defined in Clause 15.2 of the ARA H-REIT Trust Deed and Clause 14.2 of the ARA H-BT Trust Deed) at the rate of 0.5%.

The Acquisition Fee and Divestment Fee serve to compensate the ARA H-REIT Manager or the ARA H-BT Trustee Manager (as the case may be) for the time, effort and cost spent by the management team in (for the case of an acquisition) sourcing, evaluating and executing new investments to grow ARA H-REIT or ARA H-BT (as applicable) and (for the case of a divestment) facilitating to unlock the underlying value of existing properties where they have reached a stage which offers limited scope for further growth. The ARA H-REIT Manager or the ARA H-BT Trustee Manager (as the case may be) provides these services over and above the provision of ongoing management services with the aim of enhancing long-term returns and achieving the investment objectives of ARA H-REIT Manager or the ARA H-BT Trustee Manager (as applicable).

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 and sale 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.

Additional Information

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 Fees (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 the interests of Stapled Securityholders.

Hotel Management Fee

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

The fee payable to the ARA Hotel Manager seeks to compensate the ARA Hotel Manager for having the overall responsibility of the management and operation of the hotels. In turn, the ARA Hotel Manager outsources the day-to-day management of the hotels to third party professional hotel managers, and the ARA Hotel Manager will be responsible for monitoring the performance of such third party hotel managers. The hotel management fee payable to the ARA Hotel Manager is pegged to the total operating revenues of the respective hotels and ensure that the ARA Hotel Manager's interests are aligned with those of ARA H-Trust.

PERCENTAGE OF TOTAL OPERATING EXPENSES TO NET ASSETS

	US\$'000
Total operating expenses ¹	100,049
Net assets	493,216
Percentage of total operating expenses to net assets	20.3%

Note:

¹ 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-BT Trustee Manager and related parties. Excludes finance cost.

The total operating expenses incurred by ARA H-Trust amounted to approximately US\$100.0 million, equivalent to 20.3% of ARA H-Trust's net assets as at 31 December 2019.

SUBSCRIPTION OF STAPLED SECURITIES IN ARA H-TRUST

As at 31 December 2019, an aggregate of 566,970,516 Stapled Securities were in issue. On 25 February 2020, ARA H-Trust issued an aggregate of 371,852 Stapled Securities to the Managers in satisfaction of the base management fees for the period of 1 October 2019 to 31 December 2019.



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