

YTL HOSPITALITY REIT

Established in Malaysia

**Interim Financial Report
31 December 2015**

YTL HOSPITALITY REIT

Interim Financial Report 31 December 2015

	Page No.
Condensed Income Statements for the Quarter	1 - 2
Condensed Statements of Comprehensive Income for the Quarter	3
Condensed Income Statements for the Period	4 - 5
Condensed Statements of Comprehensive Income for the Period	6
Condensed Statements of Financial Position	7 - 8
Condensed Statements of Changes in Net Asset Value	9 - 12
Condensed Consolidated Statement of Cash Flows	13 - 14
Notes to the Interim Financial Report	15 - 30

YTL HOSPITALITY REIT**INTERIM FINANCIAL REPORT**

Interim financial report on consolidated results for the financial period ended 31 December 2015.

The figures have not been audited.

CONDENSED INCOME STATEMENTS FOR THE QUARTER

	GROUP		TRUST	
	CURRENT	PRECEDING	CURRENT	PRECEDING
	YEAR	YEAR	YEAR	YEAR
	QUARTER	CORRESPONDING	QUARTER	CORRESPONDING
	31.12.2015	QUARTER	31.12.2015	QUARTER
	RM'000	31.12.2014	RM'000	31.12.2014
		RM'000		RM'000
NET REVENUE	117,114	113,235	24,509	24,509
PROPERTY OPERATING EXPENSES	(61,570)	(55,892)	(1,469)	(1,384)
NET PROPERTY INCOME	55,544	57,343	23,040	23,125
OTHER INCOME	882	1,150	26,837	24,763
MANAGER'S FEES	(2,003)	(1,958)	(2,003)	(1,958)
TRUSTEE'S FEES	(267)	(243)	(267)	(243)
ADMINISTRATION EXPENSES	(22,387)	(18,724)	(247)	(1,169)
FINANCE COSTS	(21,564)	(19,583)	(21,564)	(19,583)
INCOME BEFORE UNREALISED ITEM	10,205	17,985	25,796	24,935
UNREALISED ITEM:				
- Unrealised loss on foreign exchange	(4,450)	(1)	(4,962)	(1,145)
- Fair value of derivative instruments	(6,387)	-	(6,387)	-
(LOSS)/PROFIT BEFORE TAX	(632)	17,984	14,447	23,790
INCOME TAX EXPENSE	(658)	(512)	(213)	(171)
(LOSS)/PROFIT FOR THE QUARTER	(1,290)	17,472	14,234	23,619

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

CONDENSED INCOME STATEMENTS FOR THE QUARTER - continued

	GROUP		TRUST	
	CURRENT YEAR QUARTER 31.12.2015 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.12.2014 RM'000	CURRENT YEAR QUARTER 31.12.2015 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.12.2014 RM'000
(LOSS)/PROFIT FOR THE QUARTER	(1,290)	17,472	14,234	23,619
DISTRIBUTION ADJUSTMENTS:				
- Depreciation	19,259	16,509	-	-
- Unrealised foreign translation differences	4,450	1	4,962	1,145
- Fair value of derivative instruments	6,387	-	6,387	-
- Net income not distributed from foreign operations	(3,223)	(9,218)	-	-
	-----	-----	-----	-----
INCOME AVAILABLE FOR DISTRIBUTION / TOTAL DISTRIBUTABLE INCOME	25,583	24,764	25,583	24,764
UNDISTRIBUTED DISTRIBUTABLE INCOME BROUGHT FORWARD	1,817	974	1,817	974
	-----	-----	-----	-----
UNDISTRIBUTED DISTRIBUTABLE INCOME AVAILABLE FOR DISTRIBUTION	27,400	25,738	27,400	25,738
PROVISION FOR INCOME DISTRIBUTION	(25,395)	(24,762)	(25,395)	(24,762)
	-----	-----	-----	-----
UNDISTRIBUTED DISTRIBUTABLE INCOME	2,005	976	2,005	976
	=====	=====	=====	=====
DISTRIBUTABLE INCOME PER UNIT (Sen)	1.9317	1.8698	1.9317	1.8698
	=====	=====	=====	=====
GROSS DISTRIBUTION PER UNIT (Sen)	1.9175	1.8697	1.9175	1.8697
	=====	=====	=====	=====

The Condensed Income Statements should be read in conjunction with the audited annual financial statements for the year ended 30 June 2015 and the accompanying explanatory notes attached to the interim financial statements.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME FOR THE QUARTER

	GROUP		TRUST	
	CURRENT	PRECEDING	CURRENT	PRECEDING
	YEAR	YEAR	YEAR	YEAR
	QUARTER	CORRESPONDING	QUARTER	CORRESPONDING
	31.12.2015	QUARTER	31.12.2015	QUARTER
	RM'000	31.12.2014	RM'000	31.12.2014
		RM'000		RM'000
(LOSS)/PROFIT FOR THE QUARTER	(1,290)	17,472	14,234	23,619
OTHER COMPREHENSIVE EXPENSE:				
ITEM THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO INCOME STATEMENT				
CURRENCY TRANSLATION DIFFERENCES	(2,518)	(2,660)	-	-
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE QUARTER	(3,808)	14,812	14,234	23,619
(LOSS)/PROFIT FOR THE QUARTER IS MADE UP AS FOLLOWS :-				
REALISED PROFIT	28,806	33,982	25,583	24,764
UNREALISED (LOSS)/PROFIT	(30,096)	(16,510)	(11,349)	(1,145)
	(1,290)	17,472	14,234	23,619
(LOSS)/EARNINGS PER UNIT (Sen)	(0.10)	1.32	1.07	1.78

The Condensed Statements of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended 30 June 2015 and the accompanying explanatory notes attached to the interim financial statements.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

CONDENSED INCOME STATEMENTS FOR THE PERIOD

	GROUP		TRUST	
	6 MONTHS ENDED		6 MONTHS ENDED	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	RM'000	RM'000	RM'000	RM'000
NET REVENUE	214,530	215,538	49,017	49,017
PROPERTY OPERATING EXPENSES	(114,817)	(110,723)	(2,842)	(2,767)
NET PROPERTY INCOME	99,713	104,815	46,175	46,250
OTHER INCOME	2,524	2,387	53,435	50,086
MANAGER'S FEES	(3,759)	(3,728)	(3,759)	(3,728)
TRUSTEE'S FEES	(529)	(489)	(529)	(489)
ADMINISTRATION EXPENSES	(42,029)	(37,187)	(378)	(1,609)
FINANCE COSTS	(41,722)	(39,025)	(41,722)	(39,025)
INCOME BEFORE UNREALISED ITEM	14,198	26,773	53,222	51,485
UNREALISED ITEM:				
- Unrealised (loss)/gain on foreign exchange	(59,700)	(226)	49,786	(71,202)
- Fair value of derivative instruments	(6,387)	-	(6,387)	-
(LOSS)/PROFIT BEFORE TAX	(51,889)	26,547	96,621	(19,717)
INCOME TAX EXPENSE	(1,068)	(1,351)	(427)	(352)
(LOSS)/PROFIT FOR THE PERIOD	(52,957)	25,196	96,194	(20,069)

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

CONDENSED INCOME STATEMENTS FOR THE PERIOD - continued

	GROUP		TRUST	
	6 MONTHS ENDED		6 MONTHS ENDED	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	RM'000	RM'000	RM'000	RM'000
(LOSS)/PROFIT FOR THE PERIOD	(52,957)	25,196	96,194	(20,069)
DISTRIBUTION ADJUSTMENTS:				
- Depreciation	37,482	33,404	-	-
- Unrealised foreign translation differences	59,700	226	(49,786)	71,202
- Fair value of derivative instruments	6,387	-	6,387	-
- Net income not distributed from foreign operations	2,183	(7,693)	-	-
	-----	-----	-----	-----
INCOME AVAILABLE FOR DISTRIBUTION / TOTAL DISTRIBUTABLE INCOME	52,795	51,133	52,795	51,133
DISTRIBUTION PAID	(25,395)	(25,395)	(25,395)	(25,395)
PROVISION FOR INCOME DISTRIBUTION	(25,395)	(24,762)	(25,395)	(24,762)
	-----	-----	-----	-----
UNDISTRIBUTED DISTRIBUTABLE INCOME	2,005	976	2,005	976
	=====	=====	=====	=====
DISTRIBUTABLE INCOME PER UNIT (Sen)	3.9864	3.8609	3.9864	3.8609
	=====	=====	=====	=====
GROSS DISTRIBUTION PER UNIT (Sen)	3.8350	3.7872	3.8350	3.7872
	=====	=====	=====	=====

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The Condensed Income Statements should be read in conjunction with the audited annual financial statements for the year ended 30 June 2015 and the accompanying explanatory notes attached to the interim financial statements.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIOD

	GROUP		TRUST	
	6 MONTHS ENDED		6 MONTHS ENDED	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	RM'000	RM'000	RM'000	RM'000
(LOSS)/PROFIT FOR THE PERIOD	(52,957)	25,196	96,194	(20,069)
OTHER COMPREHENSIVE INCOME/(EXPENSE):				
ITEM THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO INCOME STATEMENT				
CURRENCY TRANSLATION DIFFERENCES	159,345	(95,061)	-	-
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD	106,388	(69,865)	96,194	(20,069)
(LOSS)/PROFIT FOR THE PERIOD IS MADE UP AS FOLLOWS :-				
REALISED PROFIT	50,612	58,826	52,795	51,133
UNREALISED (LOSS)/PROFIT	(103,569)	(33,630)	43,399	(71,202)
	(52,957)	25,196	96,194	(20,069)
(LOSS)/EARNINGS PER UNIT (Sen)	(4.00)	1.90	7.26	(1.52)

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The Condensed Statements of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended 30 June 2015 and the accompanying explanatory notes attached to the interim financial statements.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

CONDENSED STATEMENTS OF FINANCIAL POSITION

	GROUP		TRUST	
	UNAUDITED AS AT 31.12.2015 RM'000	AUDITED AS AT 30.06.2015 RM'000	UNAUDITED AS AT 31.12.2015 RM'000	AUDITED AS AT 30.06.2015 RM'000
ASSETS				
Non-current Assets				
Investment properties	1,800,050	1,764,714	1,532,000	1,532,000
Property, plant and equipment	1,595,982	1,506,976	-	-
Investment in subsidiaries	-	-	351,892	344,792
Amount due from subsidiaries	-	-	1,283,061	1,179,671
Deferred tax assets	3,869	3,355	-	-
	-----	-----	-----	-----
	3,399,901	3,275,045	3,166,953	3,056,463
	-----	-----	-----	-----
Current Assets				
Inventories	932	850	-	-
Trade and other receivables	31,312	28,008	5,953	2,872
Amount due from subsidiaries	-	-	104,912	99,384
Deposits with licensed financial institutions	38,918	56,391	8,070	14,025
Bank balances	90,519	70,378	805	2,070
	-----	-----	-----	-----
	161,681	155,627	119,740	118,351
	-----	-----	-----	-----
TOTAL ASSETS	3,561,582	3,430,672	3,286,693	3,174,814
	=====	=====	=====	=====
UNITHOLDERS' FUNDS				
Unitholders' capital	1,291,395	1,291,395	1,291,395	1,291,395
Undistributed income	142,462	246,209	323,237	277,833
Currency translation reserves	(41,463)	(168,388)	-	-
Revaluation reserve	445,799	413,379	-	-
	-----	-----	-----	-----
Net Asset Value	1,838,193	1,782,595	1,614,632	1,569,228
	-----	-----	-----	-----
LIABILITIES				
Non-current Liabilities				
Borrowing	1,635,286	1,564,898	1,635,286	1,564,898
Other payables	-	1,967	-	-
Derivative financial instruments	6,387	-	6,387	-
	-----	-----	-----	-----
	1,641,673	1,566,865	1,641,673	1,564,898
	-----	-----	-----	-----
Current Liabilities				
Trade and other payables	55,498	49,333	4,993	9,885
Income tax liabilities	823	1,076	-	-
Provision for income distribution	25,395	30,803	25,395	30,803
	-----	-----	-----	-----
	81,716	81,212	30,388	40,688
	-----	-----	-----	-----
TOTAL LIABILITIES	1,723,389	1,648,077	1,672,061	1,605,586
TOTAL UNITHOLDERS' FUNDS & LIABILITIES	3,561,582	3,430,672	3,286,693	3,174,814
	=====	=====	=====	=====

YTL HOSPITALITY REIT**INTERIM FINANCIAL REPORT****CONDENSED STATEMENTS OF FINANCIAL POSITION – continued**

	GROUP		TRUST	
	UNAUDITED AS AT 31.12.2015 RM'000	AUDITED AS AT 30.06.2015 RM'000	UNAUDITED AS AT 31.12.2015 RM'000	AUDITED AS AT 30.06.2015 RM'000
Net asset value (RM'000)	1,838,193 =====	1,782,595 =====	1,614,632 =====	1,569,228 =====
Number of units in circulations (‘000)	1,324,389 =====	1,324,389 =====	1,324,389 =====	1,324,389 =====
Net asset value per unit (RM)				
- before income distribution	1.426	1.426	1.258	1.265
- after income distribution	1.388 =====	1.346 =====	1.219 =====	1.185 =====

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The Condensed Statements of Financial Position should be read in conjunction with the audited annual financial statements for the year ended 30 June 2015 and the accompanying explanatory notes attached to the interim financial statements.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

**CONDENSED STATEMENTS OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2015**

GROUP	Unitholders' Capital RM'000	Distributable Undistributed Realised Income RM'000	<-----Non distributable----->			Total Unitholders' Funds RM'000
			Unrealised Income/(Loss) RM'000	Currency Translation Reserves RM'000	Revaluation Reserve RM'000	
At 1 July 2015	1,291,395	186,525	59,684	(168,388)	413,379	1,782,595
Operations for the period						
Profit/(Loss) for the period	-	50,612	(103,569)	-	-	(52,957)
Other comprehensive income						
Currency translation differences	-	-	-	126,925	32,420	159,345
Increase/(Decrease) in net assets resulting from operations	-	50,612	(103,569)	126,925	32,420	106,388
Unitholders' transactions						
Distribution paid	-	(25,395)	-	-	-	(25,395)
Provision for income distribution	-	(25,395)	-	-	-	(25,395)
Decrease in net assets resulting from Unitholders' transaction	-	(50,790)	-	-	-	(50,790)
At 31 December 2015	1,291,395	186,347	(43,885)	(41,463)	445,799	1,838,193

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

**CONDENSED STATEMENTS OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2015 - continued**

	Unitholders' Capital RM'000	Distributable Undistributed Realised Income RM'000	Non distributable Unrealised Income RM'000	Unitholders' Funds RM'000
TRUST				
At 1 July 2015	1,291,395	184,696	93,137	1,569,228
Operations for the period				
Profit for the period	-	52,795	43,399	96,194
Other comprehensive income	-	-	-	-
	-----	-----	-----	-----
Increase in net assets resulting from operations	-	52,795	43,399	96,194
Unitholders' transactions				
Distribution paid	-	(25,395)	-	(25,395)
Provision for income distribution	-	(25,395)	-	(25,395)
	-----	-----	-----	-----
Decrease in net assets resulting from Unitholders' transaction	-	(50,790)	-	(50,790)
	-----	-----	-----	-----
At 31 December 2015	1,291,395	186,701	136,536	1,614,632
	=====	=====	=====	=====

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

**CONDENSED STATEMENTS OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2014**

GROUP	Unitholders' Capital RM'000	Distributable Undistributed Realised Income RM'000	<-----Non distributable----->			Total Unitholders' Funds RM'000
			Unrealised Income RM'000	Currency Translation Reserves RM'000	Revaluation Reserve RM'000	
At 1 July 2014	1,291,395	184,342	72,490	(116,137)	237,576	1,669,666
Operations for the period						
Profit/(Loss) for the period	-	58,826	(33,630)	-	-	25,196
Other comprehensive expenses						
Currency translation differences	-	-	-	(82,716)	(12,345)	(95,061)

Increase/(Decrease) in net assets resulting from operations	-	58,826	(33,630)	(82,716)	(12,345)	(69,865)
Unitholders' transactions						
Distribution paid	-	(25,395)	-	-	-	(25,395)
Provision for income distribution	-	(24,762)	-	-	-	(24,762)

Decrease in net assets resulting from Unitholders' transaction	-	(50,157)	-	-	-	(50,157)

At 31 December 2014	1,291,395	193,011	38,860	(198,853)	225,231	1,549,644
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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

**CONDENSED STATEMENTS OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2014 - continued**

	Unitholders' Capital RM'000	Distributable Undistributed Realised Income RM'000	Non distributable Unrealised Income RM'000	Unitholders' Funds RM'000
TRUST				
At 1 July 2014	1,291,395	184,695	110,026	1,586,116
Operations for the period				
Profit/(Loss) for the period	-	51,133	(71,202)	(20,069)
Other comprehensive income	-	-	-	-
	-----	-----	-----	-----
Increase/(Decrease) in net assets resulting from operations	-	51,133	(71,202)	(20,069)
Unitholders' transactions				
Distribution paid	-	(25,395)	-	(25,395)
Provision for income distribution	-	(24,762)	-	(24,762)
	-----	-----	-----	-----
Decrease in net assets resulting from Unitholders' transaction	-	(50,157)	-	(50,157)
	-----	-----	-----	-----
At 31 December 2014	1,291,395	185,671	38,824	1,515,890
	=====	=====	=====	=====

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The Condensed Statements of Changes in Net Asset Value should be read in conjunction with the audited annual financial statements for the year ended 30 June 2015 and the accompanying explanatory notes attached to the interim financial statements.

YTL HOSPITALITY REIT**INTERIM FINANCIAL REPORT****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2015**

	6 MONTHS ENDED	
	31.12.2015	31.12.2014
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before tax	(51,889)	26,547
Adjustments for:-		
Amortisation of transaction costs	3,250	740
Depreciation of property, plant and equipment	37,482	33,404
Fair value of derivative instruments	6,387	-
Interest income	(954)	(1,581)
Interest expense	38,258	37,929
Loss on disposal of equipment	1,752	70
Unrealised loss on foreign currency exchange	59,700	226
	-----	-----
Operating profit before changes in working capital	93,986	97,335
Net changes in current assets	(1,349)	(4,571)
Net changes in current liabilities	859	1,575
	-----	-----
Cash generated from operations	93,496	94,339
Income tax paid	(1,229)	(505)
	-----	-----
Net cash from operating activities	92,267	93,834
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	527	1,581
Proceed from disposal of equipment	19	-
Acquisition of property, plant and equipment	(11,198)	(2,634)
	-----	-----
Net cash used in investing activities	(10,652)	(1,053)
	-----	-----

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2015 - continued**

	6 MONTHS ENDED	
	31.12.2015	31.12.2014
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(38,258)	(37,929)
Distribution paid	(56,198)	(58,304)
Proceed from borrowing	7,100	-
	-----	-----
Net cash used in financing activities	(87,356)	(96,233)
	-----	-----
Net decrease in cash and cash equivalents	(5,741)	(3,452)
Effect on exchange rate changes	8,409	(5,224)
Cash and cash equivalents at beginning of financial period	126,769	149,908
	-----	-----
Cash and cash equivalents at end of financial period (note a)	129,437	141,232
	=====	=====

Note (a)

Cash and cash equivalents

	As At	As At
	31.12.2015	31.12.2014
	RM'000	RM'000
Deposits with licensed financial institutions	38,918	56,340
Cash at banks	90,519	84,892
	-----	-----
	129,437	141,232
	=====	=====

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The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited annual financial statements for the year ended 30 June 2015 and the accompanying explanatory notes attached to the interim financial statements.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes :

Disclosure requirement pursuant to MFRS 134

The condensed consolidated interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 30 June 2015.

A1. Accounting Policies and Methods of Computation

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134: “Interim Financial Reporting”, and Chapter 9, Part M3 paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The accounting policies and methods of computation adopted by the Group and the Trust in the interim financial report are consistent with those adopted in the latest audited annual financial statements.

The adoption of MFRS and amendments to MFRSs, which were effective for the financial period beginning 1 July 2015, do not have significant financial impacts on the interim financial report of the Group and of the Trust.

A2. Seasonality or Cyclicity of Operations

Save for Sydney Harbour Marriott, Brisbane Marriott and Melbourne Marriott (“Australian Properties”), the business operations of the Group and of the Trust are not materially affected by any seasonal or cyclical factors.

A3. Unusual Items

During the current financial quarter, there was no item of an unusual nature that affects the assets, liabilities, equity, net income or cash flows of the Group and of the Trust.

A4. Changes in estimates of amounts reported

This is not applicable as there were no estimates previously reported.

A5. Changes in Debt and Equity Securities

There was no issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the current financial quarter. The outstanding debts are disclosed in Note B15.

A6. Income Distribution

An interim distribution of 1.9175 sen per unit (which is tax exempt at the Trust level under the amended Section 61A, Income Tax Act, 1967), totalling RM25,395,157, in respect of the three months ended 30 September 2015 was paid during the financial quarter.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

A7. Segment Information

The Group's segmental result for the financial period ended 31 December 2015 is as follows:-

	< ---Property rental--->		< --Hotel-- >	Total RM'000
	Malaysia RM'000	Japan RM'000	Australia RM'000	
External revenue	49,017	7,939	157,574	214,530
Operating expenses	(2,842)	(1,345)	(110,630)	(114,817)
Net property income	46,175	6,594	46,944	99,713
Other income				2,524
Total income				102,237
Trust and administration expenses				(112,404)
Finance costs				(41,722)
Loss before tax				(51,889)
Total assets	1,547,327	286,064	1,728,191	3,561,582

The Group's segmental result for the financial period ended 31 December 2014 is as follows:-

	< ---Property rental--->		< --Hotel-- >	Total RM'000
	Malaysia RM'000	Japan RM'000	Australia RM'000	
External revenue	49,017	7,706	158,815	215,538
Operating expenses	(2,767)	(1,294)	(106,662)	(110,723)
Net property income	46,250	6,412	52,153	104,815
Other income				2,387
Total income				107,202
Trust and administration expenses				(41,630)
Finance costs				(39,025)
Profit before tax				26,547
Total assets	1,523,589	218,465	1,455,653	3,197,707

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

A8. Events after the interim period

There was no material event after the end of the current financial quarter.

A9. Changes in the Composition of the Group

There was no change in the composition of the Group and of the Trust for the current quarter ended 31 December 2015 and the fund size stood at 1,324,388,889.

A10. Changes in Contingent Liabilities

There were no contingent liabilities to be disclosed.

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes :

Disclosure requirements pursuant to Part M3 paragraph 9.44 of Chapter 9 of the Main Market Listing Requirements of Bursa Securities

B1. Review of Performance

Comparison with Preceding Year Corresponding Quarter

The income available for distribution in current financial quarter increased to RM25.583 million from RM24.764 million recorded in preceding year corresponding quarter, representing an increase of 3.31%, after adjustment for non-cash items.

For the current financial quarter ended 31 December 2015, the Group recorded a revenue of RM117.114 million, representing an increase of 3.43% as compared to RM113.235 million recorded in the preceding year corresponding quarter ended 31 December 2014 while the Group recorded a net property income of RM55.544 million, representing a decrease of 3.14% as compared to RM57.343 million recorded in the preceding year corresponding quarter ended 31 December 2014.

Australian Properties contributed 75.75% of total revenue, or RM88.711 million in the current financial quarter, 4.52% higher than in the preceding year corresponding quarter. Higher revenue was mainly generated by Sydney Harbour Marriott, with the increased number of guest rooms in the current financial quarter following an asset enhancement exercise. Net property income for Australian Properties was RM29.305 million, a decrease of 5.46% from the preceding year corresponding quarter. The decrease in net property income in the current financial period was due to the reduced contribution by Brisbane Marriott which was partially cushioned by the appreciation of the Australian Dollar in the current financial quarter ended 31 December 2015.

Malaysian Properties contributed 20.93% of total revenue, or RM24.509 million in the current financial quarter, similar to the revenue in the preceding year corresponding quarter. Net property income for Malaysian Properties was RM23.040 million, a decrease of 0.37% from the preceding year corresponding quarter, mainly due to additional property insurance expense on political violence cover taken in the current financial year.

Hilton Niseko Village contributed 3.32% of total revenue, or RM3.894 million in the current financial quarter, 1.09% higher than in the preceding year corresponding quarter. Net property income for the current quarter was RM3.199 million, a decrease of 0.65% from the preceding year corresponding quarter.

The Group recorded a loss before tax of RM0.632 million for the current financial quarter ended 31 December 2015, a decrease of 103.51%, as compared to a profit before tax of RM17.984 million recorded in the preceding year corresponding quarter ended 31 December 2014. The decrease was mainly due to the following factors arising during the current quarter:

- unrealised foreign currency translation loss of RM4.458 million on the Australian Dollar denominated term loan; and
- initial recognition of fair value loss of RM6.387 million on interest rate swaps

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

Adjusting for both factors totaling RM10.845 million above, the Group recorded a profit before tax of RM10.213 million. This adjusted profit before tax represents a decrease of 43.21% as compared to the profit before tax recorded in the preceding year corresponding quarter of RM17.984 million. Other contributors to the decrease in profit before tax were the increase in depreciation charges, loss on disposal of equipment and finance costs during the current financial quarter.

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

Comparison with Preceding Year Corresponding Period

The income available for distribution in current financial period increased to RM52.795 million from RM51.133 million recorded in preceding year corresponding period, representing an increase of 3.25%, after adjustment for non-cash items.

For the current financial period ended 31 December 2015, the revenue of RM214.530 million approximated that of the preceding year corresponding period's revenue of RM215.538 million while the net property income of RM99.713 million decreased by 4.87% as compared to the preceding year corresponding period's net property income of RM104.815 million due to reduced contribution by Brisbane Marriott during the current financial period ended 31 December 2015.

Australian Properties contributed RM157.574 million in revenue representing 73.45% of total revenue in the current financial period, 0.78% lower than that recorded in the preceding year corresponding period while net property income for Australian Properties was RM46.944 million representing a decrease of 9.99% as compared to the preceding year corresponding period. The decrease in net property income in the current financial period was due to the same reason as set out above.

Malaysian Properties contributed RM49.017 million in revenue representing 22.85% of total revenue in the current financial period, similar to the revenue recorded in the preceding year corresponding period. Net property income for Malaysian Properties was RM46.175 million representing a decrease of 0.16% compared to the preceding year corresponding period, due to same reason set out above.

Hilton Niseko Village contributed RM7.939 million in revenue representing 3.70% of total revenue in the current financial period, 3.02% higher than that recorded in the preceding year corresponding period. Net property income for the current period was RM6.594 million representing an increase of 2.84% compared to the preceding year corresponding period due to the appreciation of Japanese Yen.

The Group recorded a loss before tax of RM51.889 million for the current financial period ended 31 December 2015, a decrease of 295.46%, as compared to a profit before tax of RM26.547 million recorded in the preceding year corresponding period ended 31 December 2014. The decrease was mainly due to the following factors:

- unrealised foreign currency translation loss of RM60.037 million of Australian Dollar denominated term loan; and
- initial recognition of fair value loss of RM6.387 million on interest rate swaps

Adjusting for both factors totaling RM66.424 million above, the Group recorded a profit before tax of RM14.535 million. This adjusted profit before tax represents a decrease of 45.25% as compared to that recorded in the preceding year corresponding period of RM26.547 million. Other contributors to the decrease in profit before tax were the increase in depreciation charges, loss on disposal of equipment and finance costs during the current financial period.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

Comparison with Preceding Quarter

	Current Quarter 31.12.2015 RM'000	Preceding Quarter 30.09.2015 RM'000
Revenue	117,114	97,416
Net Property Income	55,544	44,169
Loss Before Tax	(632)	(51,257)
Income Available For Distribution	25,583	27,212

The Group's revenue and net property income for the current financial quarter ended 31 December 2015 improved by 20.22% and 25.75%, respectively as compared to the preceding quarter ended 30 September 2015. The increase in guest rooms at Sydney Harbour Marriott following an asset enhancement exercise in the current financial quarter generated higher revenue and net property income for the Group.

Revenue and net property income from Australian Properties at RM88.711 million and RM29.305 million, respectively in the current financial quarter increased 28.82% and 66.14%, respectively as compared to RM68.863 million and RM17.639 million, respectively recorded in the preceding quarter due to the increase in guest rooms at Sydney Harbour Marriott and the appreciation of Australian Dollar in the current financial quarter.

Revenue from Malaysian Properties at RM24.509 million was similar to the revenue in the preceding quarter. Net property income for Malaysian Properties was RM23.040 million, a decrease of 0.41% from RM23.135 million recorded in the preceding quarter, mainly due to the reason set out above.

Revenue from Hilton Niseko Village at RM3.894 million in the current financial quarter was 3.73% lower than RM4.045 million recorded in the preceding quarter. Net property income for the current quarter was RM3.199 million, a decrease of 5.77% from RM3.395 million recorded in the preceding quarter due to appreciation of Japanese Yen.

The Group's loss before tax for the current financial quarter ended 31 December 2015 improved 98.77% as compared to its loss before tax for the preceding quarter ended 30 September 2015 due to the unrealised foreign currency translation loss of RM4.458 million recorded in current period as compared to the unrealised foreign currency translation loss of RM55.579 million recorded in the preceding quarter. After adjusting for the unrealised foreign currency translation loss and fair value of derivative instruments of RM6.387 million, the adjusted profit after tax for the current quarter of RM10.213 million increased by 136.30% as compared to the adjusted profit after tax for the preceding quarter of RM4.322 million.

The income available for distribution decreased to RM25.583 million recorded in current financial quarter from RM27.212 million recorded in preceding financial quarter ended 30 September 2015, representing a decrease of 5.99% due to an increase in interest expense during the current quarter.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B2. Audit Report of the preceding financial year ended 30 June 2015

The Auditor's Report on the financial statements of the financial year ended 30 June 2015 did not contain any qualification.

B3. Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Group and the Trust for the quarter under review.

B4. Portfolio Composition

As at 31 December 2015, YTL Hospitality REIT's composition of investment portfolio is as follows:

	Fair Value As At 31.12.2015 RM'000	% Of Fair Value To NAV As At 31.12.2015 %
<u>Real Estate - Commercial</u>		
<u>Malaysian Properties</u>		
(i) JW Marriott Hotel Kuala Lumpur	389,000	21.2
(ii) The Residences at The Ritz-Carlton, Kuala Lumpur	240,000	13.1
(iii) The Ritz-Carlton, Kuala Lumpur	313,000	17.0
(iv) Pangkor Laut Resort	113,000	6.2
(v) Tanjung Jara Resort	100,000	5.4
(vi) Vistana Kuala Lumpur Titiwangsa	120,000	6.5
(vii) Vistana Penang Bukit Jambul	114,000	6.2
(viii) Vistana Kuantan City Centre	85,000	4.6
(ix) Cameron Highlands Resort	58,000	3.2
<u>Japanese Property</u>		
(x) Hilton Niseko Village*	268,050	14.6
<u>Australian Properties</u>		
(xi) Sydney Harbour Marriott^	1,066,121	58.0
(xii) Brisbane Marriott^	301,476	16.4
(xiii) Melbourne Marriott^	228,385	12.4
	-----	-----
	3,396,032	184.8
Deposits with licensed financial institutions	38,918	2.1
	-----	-----
	3,434,950	186.9
	=====	=====

Note :

* Translated on 31 December 2015 at the exchange rate of JPY100 : RM3.5645

^ Translated on 31 December 2015 at the exchange rate of AUD1 : RM3.1338

There was no change to the portfolio composition of the Group and the Trust for the quarter under review.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B5. Change in Net Asset Value (“NAV”)

The total NAV and NAV per unit of the Group as at 31 December 2015 were RM1,838,192,960 and RM1.3880, respectively. The decrease in total NAV and NAV per unit was mainly due to the unrealised losses for the quarter, comprising depreciation, unrealised foreign exchange loss on the Australian Dollar denominated term loan and initial recognition of fair value loss on derivative financial instruments.

	Current Quarter 31.12.2015 RM	Preceding Quarter 30.09.2015 RM
NAV	1,838,192,960	1,867,396,450
NAV per unit	1.3880	1.4100

B6. Change in Market Value

On 31 December 2015, YTL Hospitality REIT’s market value closed at RM1.04 per unit, an increase of 0.97% as compared to the closing market value of RM1.03 per unit on 30 September 2015.

B7. Prospects

The Manager, after considering the strength of the real estate portfolio invested, expects the Group to achieve satisfactory performance for the financial year ending 30 June 2016.

B8. Utilisation of Proceeds Raised from Issuance of New Units

There was no issuance of new units during the financial quarter.

B9. Circumstances Affecting Interest of Unitholders

There were no unusual circumstances which materially affected any interest of the unitholders.

B10. Material Litigation

There was no material litigation pending as at the date of this report.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B11. Maintenance Costs and Major Capital Expenditure

A total of RM11,198,000 was incurred for refurbishment works carried out at Sydney Harbour Marriott during the financial period ended 31 December 2015.

B12. Soft Commission

During the financial period, the Manager did not receive any soft commission (i.e. goods and services) from its broker, by virtue of transactions conducted by the Group or by the Trust.

B13. Taxation

Taxation comprises the following:-

	Current Quarter 31.12.2015 RM'000	Year To Date 31.12.2015 RM'000
Malaysian income tax	44	122
Foreign income tax	720	1,187
Deferred tax	(106)	(241)
	-----	-----
	658	1,068
	=====	=====

Trust level

It is the policy of the Trust to distribute at least 90% of the total income to unitholders for each financial year. Income of the Trust shall be exempted from tax if it distributes 90% or more of its taxable income for that year of assessment, in accordance with the amended Section 61A, Income Tax Act, 1967, thus no Malaysian income tax is payable by the Trust during the financial quarter.

Unitholders' level

Pursuant to the amended Section 109D(2) of the Income Tax Act, 1967 under the Finance Act 2009 which was gazetted on 8 January 2009, the following withholding tax rates would be applicable on distribution of income which is tax exempt at YTL Hospitality REIT's level:-

Category of unitholders	Withholding tax rate
Resident and non-resident individuals	10%
Resident and non-resident institutions	10%
Resident companies	No withholding tax. Subject to tax at the prevailing corporate tax rate.
Non-resident companies	25%

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B14. Corporate Development

As at the date of this report, there is no corporate proposal announced and pending completion, save for the following:-

On 14 June 2013, the Manager of YTL Hospitality REIT proposed to undertake the following proposals:-

- (i) Proposed placement of new units in YTL Hospitality REIT (“Placement Units”), at a price to be determined later, to raise gross proceeds of up to RM800 million to partially repay YTL Hospitality REIT’s borrowings and reduce its gearing level (“Proposed Placement”);
- (ii) Proposed increase in the existing approved fund size of YTL Hospitality REIT from 1,324,388,889 units up to a maximum of 2,125,000,000 units (“Proposed Increase in Fund Size”) to facilitate the issuance of the Placement Units pursuant to the Proposed Placement; and
- (iii) Proposed increase in borrowing limit to 60% of total asset value (“Proposed Increase in Borrowing Limit”) to provide YTL Hospitality REIT with the flexibility of funding larger acquisition opportunities through borrowings in the future.

On 28 June 2013, the existing major unitholder of YTL Hospitality REIT, namely YTL Corporation Berhad, accepted YTL Hospitality REIT’s conditional invitation for Placement Units of up to RM310 million in value (“Proposed Subscription”).

On 30 December 2013, Securities Commission Malaysia (“SC”) granted its approval for the Proposed Increase in Fund Size, the listing of and quotation for the Placement Units on the Main Market of Bursa Securities and the exemption from complying with Paragraphs 14.04(a)(i), (ii) and (iii) of the REIT Guidelines in relation to the Proposed Placement.

On 10 January 2014, Bursa Securities approved the listing of and quotation for up to 800,611,111 Placement Units to be issued pursuant to the Proposed Placement.

Unitholders approved the Proposed Placement, Proposed Increase in Fund Size, Proposed Increase in Borrowing Limit and Proposed Subscription at the meeting of unitholders held on 11 February 2014.

An application was submitted to the SC on 14 May 2014 to seek an extension of time of six (6) months from 30 June 2014 until 29 December 2014 to complete the Proposed Placement and Proposed Increase in Fund Size (“Proposed Extension of Time”). On 23 May 2014, SC approved the Proposed Extension of Time.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

An application was submitted to Bursa Securities on 28 May 2014 to seek an extension of time of approximately six (6) months from 10 July 2014 until 29 December 2014 to complete the Proposed Placement and Proposed Increase in Fund Size. Bursa Securities had vide its letter dated 12 June 2014 approved an extension of time until 29 December 2014 for the implementation of the Proposed Placement.

Applications were submitted to the SC and Bursa Securities on 21 November 2014 and 26 November 2014, respectively to seek a further extension of time of six (6) months from 30 December 2014 until 29 June 2015 to complete the Proposed Placement and Proposed Increase in Fund Size (“Proposed Extension of Time II”). Both SC and Bursa Securities had vide their letters dated 2 December 2014 approved the Proposed Extension of Time II.

Further applications were submitted to the SC and Bursa Securities on 14 May 2015 to seek an extension of time of six (6) months from 30 June 2015 to 29 December 2015 to complete the Proposed Placement and Proposed Increase in Fund Size (“Proposed Extension of Time III”). Both SC and Bursa Securities had vide their letters dated 21 May 2015 and 27 May 2015, respectively approved the Proposed Extension of Time III.

Further applications were submitted to the SC and Bursa Securities on 20 November 2015 to seek an extension of time of six (6) months from 30 December 2015 to 29 June 2016 to complete the Proposed Placement and Proposed Increase in Fund Size (“Proposed Extension of Time IV”). Both SC and Bursa Securities had vide their letters dated 9 December 2015 and 11 December 2015, respectively approved the Proposed Extension of Time IV.

B15. Borrowings and Debt Securities

The Group’s borrowings from financial institutions as at 31 December 2015 are set below:

Long term	RM’000
Term Loan – secured	1,651,849
Capitalised transaction costs	(16,563)

	1,635,286
	=====

The above includes a term loan denominated in Australian Dollar of AUD264,869,843 (RM830,049,114[^]).

Note :

[^] Translated on 31 December 2015 at the exchange rate of AUD1 : RM3.1338

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B16. Derivative Financial Instruments

The Group's outstanding derivatives as at 31 December 2015 were as follows:-

Type of Derivative	Contract/ Notional Value RM'000	Fair Value RM'000
Interest rate swap contracts		
- 1 to 5 years	760,000	6,387
	=====	=====

The Group entered into interest rate swap contracts to manage its interest rate risk arising primarily from interest-bearing borrowings. Borrowings at floating rate expose the Group to fair value interest rates and the derivative financial instruments minimise the fluctuation of cash flow due to changes in the market interest rates. The derivative financial instruments are executed with credit-worthy financial institutions which are governed by appropriate policies and procedures with a view to limit the credit risk exposure of the Group.

The derivative financial instruments stated at fair value based on banks' quotes. Any changes in fair value during the period are taken directly to the income statement.

The Group's derivative financial instruments are classified in Level 2 of the fair value hierarchy.

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B17. Income Distribution

The Board of Pintar Projek Sdn. Bhd. has declared an interim distribution of 1.9175 sen per unit of which 1.8674 sen is taxable and 0.0501 sen is not taxable in the hands of unitholders, totaling RM25,395,157 (which is tax exempt at the Trust level under the amended Section 61A of the Income Tax Act 1967), representing approximately 99% of the total distributable income for the financial quarter ended 31 December 2015. The total income distribution paid and declared for the financial period ended 31 December 2015 is 3.8350 sen per unit, totaling RM50,790,314 and representing approximately 96% of the total distributable income. The book closure and payment dates in respect of the interim distribution will be fixed on 11 and 31 March 2016, respectively.

The interim income distribution is from the following sources:-

	Current Quarter 31.12.2015 RM'000	Year To Date 31.12.2015 RM'000
Loss after taxation	(1,290)	(52,957)
Distribution adjustments:-		
Depreciation	19,259	37,482
Unrealised foreign translation differences	4,450	59,700
Net income not distributed from foreign operations	(3,223)	2,183
Fair value of derivative instruments	6,387	6,387
	-----	-----
Income available for distribution/Total distributable income	25,583	52,795
Total distributable income brought forward	1,817	-
	-----	-----
Total distributable income available for distribution	27,400	52,795
Less: Income distribution	(25,395)	(50,790)
	-----	-----
Undistributed distributable income	2,005	2,005
	=====	=====

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B18. Unitholding by the Manager and Parties Related to the Manager

As at 31 December 2015, the Manager did not hold any units in YTL Hospitality REIT. The units held by the parties related to the Manager are as follows:-

	Number Of Units '000	Market Value RM'000
YTL Corporation Berhad	747,464	777,363
YTL Power International Berhad	43,090	44,813
Business & Budget Hotels (Kuantan) Sdn Bhd	18,750	19,500
Megahub Development Sdn Bhd	18,250	18,980
East-West Ventures Sdn Bhd	62,500	65,000
Syarikat Pelanchongan Pangkor Laut Sendirian Berhad	24,250	25,220
Tanjong Jara Beach Hotel Sdn Bhd	21,750	22,620
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping	870	905
Dato' Yeoh Seok Kah	2,000	2,080
Dato' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir	100	104

The market value of the units held by the parties related to the Manager is based on the closing market price of YTL Hospitality REIT at RM1.04 per unit as at 31 December 2015.

B19. Realised and Unrealised Retained Profits/Undistributed Income

The breakdown of the undistributed income of the Group as at 31 December 2015, into realised and unrealised profits, pursuant to the directive issued by Bursa Malaysia Securities Berhad ("Bursa Securities") on 25 March 2010 and 20 December 2010 is as follows:-

	As At 31.12.2015 RM'000	As At 30.06.2015 RM'000
Total undistributed income of the Trust and its subsidiaries		
- Realised	(63,689)	(19,737)
- Unrealised	180,115	130,088
	-----	-----
	116,426	110,351
Add: Consolidation adjustments	26,036	135,858
	-----	-----
Total group undistributed income	142,462	246,209
	=====	=====

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B20. Statement by the Directors of the Manager

In the opinion of the Directors of the Manager, this quarterly report has been prepared in accordance with MFRS 134: “Interim Financial Reporting”, and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of YTL Hospitality REIT as at 31 December 2015 and of its financial performance and cash flows for the financial period ended on that date.

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By Order of the Board
HO SAY KENG
Secretary
Pintar Projek Sdn Bhd
Company No : 314009-W
(As the Manager of YTL Hospitality REIT)

Kuala Lumpur
Dated: 25 February 2016