

YTL HOSPITALITY REIT

Established in Malaysia

**Interim Financial Report
31 March 2017**

YTL HOSPITALITY REIT

Interim Financial Report 31 March 2017

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YTL HOSPITALITY REIT**INTERIM FINANCIAL REPORT**

Interim financial report on results for the financial period ended 31 March 2017.

The figures have not been audited.

CONDENSED INCOME STATEMENTS FOR THE QUARTER

	GROUP		TRUST	
	CURRENT YEAR QUARTER 31.03.2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.03.2016 RM'000	CURRENT YEAR QUARTER 31.03.2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.03.2016 RM'000
NET REVENUE	118,289	110,572	25,451	24,508
PROPERTY OPERATING EXPENSES	(61,011)	(58,677)	(1,427)	(1,419)
NET PROPERTY INCOME	57,278	51,895	24,024	23,089
OTHER INCOME	2,864	1,305	30,879	26,145
MANAGER'S FEES	(2,086)	(1,902)	(2,086)	(1,902)
TRUSTEE'S FEES	(282)	(260)	(282)	(260)
ADMINISTRATION EXPENSES	(23,549)	(20,172)	(333)	(193)
FINANCE COSTS	(18,445)	(20,744)	(18,423)	(20,744)
INCOME BEFORE UNREALISED ITEM	15,780	10,122	33,779	26,135
UNREALISED ITEM:				
- Unrealised (loss)/gain on foreign exchange	(37,462)	35,014	19,406	(19,949)
- Fair value of derivative instruments	-	6,387	-	6,387
(LOSS)/PROFIT BEFORE TAX	(21,682)	51,523	53,185	12,573
INCOME TAX EXPENSE	(993)	(459)	(233)	(216)
(LOSS)/PROFIT FOR THE QUARTER	(22,675)	51,064	52,952	12,357

YTL HOSPITALITY REIT**INTERIM FINANCIAL REPORT****CONDENSED INCOME STATEMENTS FOR THE QUARTER – continued**

	GROUP		TRUST	
	CURRENT YEAR QUARTER 31.03.2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.03.2016 RM'000	CURRENT YEAR QUARTER 31.03.2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.03.2016 RM'000
(LOSS)/PROFIT FOR THE QUARTER	(22,675)	51,064	52,952	12,357
DISTRIBUTION ADJUSTMENTS:				
- Depreciation	21,780	18,851	-	-
- Unrealised foreign translation differences	37,462	(35,014)	(19,406)	19,949
- Fair value of derivative instruments	-	(6,387)	-	(6,387)
- Net income from foreign operations	(3,021)	(2,595)	-	-
	-----	-----	-----	-----
INCOME AVAILABLE FOR DISTRIBUTION / TOTAL DISTRIBUTABLE INCOME	33,546	25,919	33,546	25,919
UNDISTRIBUTED DISTRIBUTABLE INCOME BROUGHT FORWARD	1	2,005	1	2,005
	-----	-----	-----	-----
UNDISTRIBUTED DISTRIBUTABLE INCOME AVAILABLE FOR DISTRIBUTION	33,547	27,924	33,547	27,924
	-----	-----	-----	-----

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

CONDENSED INCOME STATEMENTS FOR THE QUARTER – continued

	GROUP		TRUST	
	CURRENT YEAR QUARTER 31.03.2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.03.2016 RM'000	CURRENT YEAR QUARTER 31.03.2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.03.2016 RM'000
UNDISTRIBUTED DISTRIBUTABLE INCOME AVAILABLE FOR DISTRIBUTION	33,547	27,924	33,547	27,924
PROVISION FOR INCOME DISTRIBUTION	(31,299)	(25,395)	(31,299)	(25,395)
	-----	-----	-----	-----
UNDISTRIBUTED DISTRIBUTABLE INCOME	2,248	2,529	2,248	2,529
	=====	=====	=====	=====
DISTRIBUTABLE INCOME PER UNIT (Sen)	1.9682	1.9571	1.9682	1.9571
	=====	=====	=====	=====
GROSS DISTRIBUTION PER UNIT (Sen)	1.8364	1.9175	1.8364	1.9175
	=====	=====	=====	=====

The Condensed Income Statements should be read in conjunction with the audited annual financial statements for the year ended 30 June 2016 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 YEAR QUARTER 31.03.2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.03.2016 RM'000	CURRENT YEAR QUARTER 31.03.2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.03.2016 RM'000
(LOSS)/PROFIT FOR THE QUARTER	(22,675)	51,064	52,952	12,357
OTHER COMPREHENSIVE INCOME/(EXPENSE):-				
<i>ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO INCOME STATEMENT:-</i>				
CASH FLOW HEDGE	(3,912)	(13,867)	(3,912)	(13,867)
CURRENCY TRANSLATION DIFFERENCES	83,383	(77,122)	-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE QUARTER	56,796	(39,925)	49,040	(1,510)
(LOSS)/PROFIT FOR THE QUARTER IS MADE UP AS FOLLOWS:-				
REALISED PROFIT	36,567	28,514	33,546	25,919
UNREALISED (LOSS) /PROFIT	(59,242)	22,550	19,406	(13,562)
	(22,675)	51,064	52,952	12,357
(LOSS)/EARNINGS PER UNIT (Sen)	(1.33)	3.86	3.11	0.93

The Condensed Statements of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended 30 June 2016 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	
	9 MONTHS ENDED		9 MONTHS ENDED	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	RM'000	RM'000	RM'000	RM'000
NET REVENUE	338,550	325,102	75,217	73,525
PROPERTY OPERATING EXPENSES	(176,739)	(173,494)	(4,290)	(4,261)
NET PROPERTY INCOME	161,811	151,608	70,927	69,264
OTHER INCOME	7,253	3,829	89,276	79,580
MANAGER'S FEES	(6,087)	(5,661)	(6,087)	(5,661)
TRUSTEE'S FEES	(855)	(789)	(855)	(789)
ADMINISTRATION EXPENSES	(66,723)	(62,201)	(808)	(571)
FINANCE COSTS	(61,539)	(62,466)	(61,471)	(62,466)
INCOME BEFORE UNREALISED ITEM	33,860	24,320	90,982	79,357
UNREALISED ITEM: - Unrealised (loss)/gain on foreign exchange	(104,309)	(24,686)	44,815	29,837
(LOSS)/PROFIT BEFORE TAX	(70,449)	(366)	135,797	109,194
INCOME TAX EXPENSE	(2,559)	(1,527)	(708)	(643)
(LOSS)/PROFIT FOR THE PERIOD	(73,008)	(1,893)	135,089	108,551

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

CONDENSED INCOME STATEMENTS FOR THE PERIOD – continued

	GROUP		TRUST	
	9 MONTHS ENDED		9 MONTHS ENDED	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	RM'000	RM'000	RM'000	RM'000
(LOSS)/PROFIT FOR THE PERIOD	(73,008)	(1,893)	135,089	108,551
DISTRIBUTION ADJUSTMENTS:				
- Depreciation	62,028	56,333	-	-
- Unrealised foreign translation differences	104,309	24,686	(44,815)	(29,837)
- Net income from foreign operations	(1,296)	(412)	1,759	-
	-----	-----	-----	-----
INCOME AVAILABLE FOR DISTRIBUTION / TOTAL DISTRIBUTABLE INCOME	92,033	78,714	92,033	78,714
DISTRIBUTION PAID	(58,486)	(50,790)	(58,486)	(50,790)
PROVISION FOR INCOME DISTRIBUTION	(31,299)	(25,395)	(31,299)	(25,395)
	-----	-----	-----	-----
UNDISTRIBUTED DISTRIBUTABLE INCOME	2,248	2,529	2,248	2,529
	=====	=====	=====	=====
DISTRIBUTABLE INCOME PER UNIT (Sen)	6.2851	5.9434	6.2851	5.9434
	=====	=====	=====	=====
GROSS DISTRIBUTION PER UNIT (Sen)	6.1532 [^]	5.7525	6.1532 [^]	5.7525
	=====	=====	=====	=====

[^] Distribution per unit for the financial period consists of interim and advance income distributions of 3.9709 sen per unit based on the number of units in issue of 1,324,388,889 units and 2.1823 sen per unit based on the enlarged number of units in issue of 1,704,388,889 units.

The Condensed Income Statements should be read in conjunction with the audited annual financial statements for the year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.

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INTERIM FINANCIAL REPORT

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIOD

	GROUP		TRUST	
	9 MONTHS ENDED		9 MONTHS ENDED	
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	RM'000	RM'000	RM'000	RM'000
(LOSS)/PROFIT FOR THE PERIOD	(73,008)	(1,893)	135,089	108,551
OTHER COMPREHENSIVE INCOME/(EXPENSE):-				
<i>ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO INCOME STATEMENT:-</i>				
CASH FLOW HEDGE	9,483	(13,867)	9,483	(13,867)
CURRENCY TRANSLATION DIFFERENCES	218,711	82,223	-	-
	-----	-----	-----	-----
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	155,186	66,463	144,572	94,684
	=====	=====	=====	=====
(LOSS)/PROFIT FOR THE PERIOD IS MADE UP AS FOLLOWS:-				
REALISED PROFIT	93,329	79,126	90,274	78,714
UNREALISED (LOSS)/PROFIT	(166,337)	(81,019)	44,815	29,837
	(73,008)	(1,893)	135,089	108,551
	=====	=====	=====	=====
(LOSS)/EARNINGS PER UNIT (Sen)	(4.96)*	(0.14)	9.18*	8.20
	=====	=====	=====	=====

* (Loss)/Earnings per unit of the Group and the Trust for the period ended 31 March 2017 was calculated on a weighted average of 1,471,396,188 units.

The Condensed Statements of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended 30 June 2016 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 31.03.2017 RM'000	AUDITED AS AT 30.06.2016 RM'000	UNAUDITED AS AT 31.03.2017 RM'000	AUDITED AS AT 30.06.2016 RM'000
ASSETS				
Non-current Assets				
Investment properties	1,845,489	1,843,183	1,586,000	1,586,000
Property, plant and equipment	1,809,433	1,623,328	-	-
Investment in subsidiaries	-	-	383,079	351,892
Amount due from subsidiaries	-	-	1,389,953	1,248,723
Deferred tax assets	2,951	2,663	-	-
	-----	-----	-----	-----
	3,657,873	3,469,174	3,359,032	3,186,615
	-----	-----	-----	-----
Current Assets				
Inventories	825	729	-	-
Trade and other receivables	44,386	32,360	5,595	6,206
Amount due from subsidiaries	-	-	103,110	95,390
Income tax assets	-	92	-	-
Deposits with licensed financial institutions	50,141	31,190	29,537	15,825
Cash at banks	66,411	88,373	126	529
	-----	-----	-----	-----
	161,763	152,744	138,368	117,950
	-----	-----	-----	-----
TOTAL ASSETS	3,819,636	3,621,918	3,497,400	3,304,565
	=====	=====	=====	=====
UNITHOLDERS' FUNDS				
Unitholders' capital	1,690,806	1,291,395	1,690,806	1,291,395
Undistributed (loss)/income	(26,903)	135,890	424,535	379,231
Reserves	723,312	495,118	(14,241)	(23,724)
	-----	-----	-----	-----
Net Asset Value	2,387,215	1,922,403	2,101,100	1,646,902
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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

CONDENSED STATEMENTS OF FINANCIAL POSITION – continued

	GROUP		TRUST	
	UNAUDITED AS AT 31.03.2017 RM'000	AUDITED AS AT 30.06.2016 RM'000	UNAUDITED AS AT 31.03.2017 RM'000	AUDITED AS AT 30.06.2016 RM'000
LIABILITIES				
Non-current Liabilities				
Borrowings	931,620	1,598,976	922,743	1,590,422
Other payables	-	836	-	-
Derivative financial instruments	14,241	23,724	14,241	23,724
Amount due to a subsidiary	-	-	10,000	10,000
	<u>945,861</u>	<u>1,623,536</u>	<u>946,984</u>	<u>1,624,146</u>
Current Liabilities				
Borrowings	413,525	-	413,525	-
Trade and other payables	40,645	47,620	4,492	5,158
Income tax liabilities	1,091	-	-	-
Provision for income distribution	31,299	28,359	31,299	28,359
	<u>486,560</u>	<u>75,979</u>	<u>449,316</u>	<u>33,517</u>
TOTAL LIABILITIES	<u>1,432,421</u>	<u>1,699,515</u>	<u>1,396,300</u>	<u>1,657,663</u>
TOTAL UNITHOLDERS' FUNDS & LIABILITIES	<u>3,819,636</u>	<u>3,621,918</u>	<u>3,497,400</u>	<u>3,304,565</u>
Net asset value (RM'000)	<u>2,387,215</u>	<u>1,922,403</u>	<u>2,101,100</u>	<u>1,646,902</u>
Number of units in circulations ('000)	<u>1,704,389</u>	<u>1,324,389</u>	<u>1,704,389</u>	<u>1,324,389</u>
Net asset value per unit (RM)				
- before income distribution	<u>1.453</u>	<u>1.530</u>	<u>1.285</u>	<u>1.322</u>
- after income distribution	<u>1.401</u>	<u>1.452</u>	<u>1.233</u>	<u>1.244</u>

The Condensed Statements of Financial Position should be read in conjunction with the audited annual financial statements for the year ended 30 June 2016 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 MARCH 2017**

GROUP	Unitholders' Capital RM'000	Distributable Undistributed Realised Income RM'000	<-----Non distributable----->				Cash Flow Hedge Reserve RM'000	Total Unitholders' Funds RM'000
			Unrealised Loss RM'000	Currency Translation Reserves RM'000	Revaluation Reserve RM'000			
At 1 July 2016	1,291,395	184,836	(48,946)	(73,393)	592,235	(23,724)	1,922,403	
Operations for the period								
Profit/(Loss) for the period	-	93,329	(166,337)	-	-	-	(73,008)	
Other comprehensive income	-	-	-	140,846	77,865	9,483	228,194	

Increase/(Decrease) in net assets resulting from operations	-	93,329	(166,337)	140,846	77,865	9,483	155,186	
Unitholders' transactions								
Issuance of units	402,800	-	-	-	-	-	402,800	
Issuing expenses	(3,389)	-	-	-	-	-	(3,389)	
Distribution paid	-	(58,486)	-	-	-	-	(58,486)	
Provision for income distribution	-	(31,299)	-	-	-	-	(31,299)	

Increase/(Decrease) in net assets resulting from Unitholders' transaction	399,411	(89,785)	-	-	-	-	309,626	

At 31 March 2017	1,690,806	188,380	(215,283)	67,453	670,100	(14,241)	2,387,215	
=====								

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

**CONDENSED STATEMENTS OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017 - continued**

	Unitholders' Capital RM'000	Distributable	<-----Non distributable---->	Cash Flow Hedge Reserve RM'000	Total Unitholders' Funds RM'000
		Undistributed Realised Income RM'000	Unrealised Income RM'000		
TRUST					
At 1 July 2016	1,291,395	184,697	194,534	(23,724)	1,646,902
Operations for the period					
Profit for the period	-	90,274	44,815	-	135,089
Other comprehensive income	-	-	-	9,483	9,483
Increase in net assets resulting from operations	-	90,274	44,815	9,483	144,572
Unitholders' transactions					
Issuance of units	402,800	-	-	-	402,800
Issuing expenses	(3,389)	-	-	-	(3,389)
Distribution paid	-	(58,486)	-	-	(58,486)
Provision for income distribution	-	(31,299)	-	-	(31,299)
Increase/(Decrease) in net assets resulting from Unitholders' transaction	399,411	(89,785)	-	-	309,626
At 31 March 2017	1,690,806	185,186	239,349	(14,241)	2,101,100

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

**CONDENSED STATEMENTS OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016**

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	Cash Flow Hedge 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	-	79,126	(81,019)	-	-	-	(1,893)
Other comprehensive income/(expense)	-	-	-	68,708	13,515	(13,867)	68,356

Increase/(Decrease) in net assets resulting from operations	-	79,126	(81,019)	68,708	13,515	(13,867)	66,463
Unitholders' transactions							
Distribution paid	-	(50,790)	-	-	-	-	(50,790)
Provision for income distribution	-	(25,395)	-	-	-	-	(25,395)

Decrease in net assets resulting from Unitholders' transaction	-	(76,185)	-	-	-	-	(76,185)

At 31 March 2016	1,291,395	189,466	(21,335)	(99,680)	426,894	(13,867)	1,772,873
=====							

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

**CONDENSED STATEMENTS OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2016 - continued**

	Unitholders' Capital RM'000	Distributable Undistributed Realised Income RM'000	<-----Non distributable----> Unrealised Income RM'000	Cash Flow Hedge Reserve RM'000	Total 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	-	78,714	29,837	-	108,551
Other comprehensive expense	-	-	-	(13,867)	(13,867)
	-----	-----	-----	-----	-----
Increase/(Decrease) in net assets resulting from operations	-	78,714	29,837	(13,867)	94,684
Unitholders' transactions					
Distribution paid	-	(50,790)	-	-	(50,790)
Provision for income distribution	-	(25,395)	-	-	(25,395)
	-----	-----	-----	-----	-----
Decrease in net assets resulting from Unitholders' transaction	-	(76,185)	-	-	(76,185)
	-----	-----	-----	-----	-----
At 31 March 2016	1,291,395	187,225	122,974	(13,867)	1,587,727
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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 2016 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 MARCH 2017**

	9 MONTHS ENDED	
	31.03.2017	31.03.2016
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(70,449)	(366)
Adjustments for:-		
Amortisation of transaction costs	5,286	4,876
Depreciation of property, plant and equipment	62,028	56,333
Interest income	(2,920)	(1,406)
Interest expense	56,038	57,328
(Gain)/Loss on disposal of equipment	(17)	1,800
Unrealised loss on foreign currency exchange	104,309	24,686
	-----	-----
Operating profit before changes in working capital	154,275	143,251
Net changes in current assets	(8,667)	(7,531)
Net changes in current liabilities	(13,381)	(8,804)
	-----	-----
Cash generated from operations	132,227	126,916
Income tax paid	(594)	(1,329)
	-----	-----
Net cash from operating activities	131,633	125,587
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	2,211	763
Proceed from disposal of equipment	80	24
Acquisition of property, plant and equipment	(36,052)	(12,179)
	-----	-----
Net cash used in investing activities	(33,761)	(11,392)
	-----	-----

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YTL HOSPITALITY REIT**INTERIM FINANCIAL REPORT****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017 - continued**

	9 MONTHS ENDED	
	31.03.2017	31.03.2016
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(55,856)	(57,328)
Distribution paid	(86,845)	(81,593)
Net (repayment)/proceed from borrowing	(363,813)	7,100
Proceed from issuance of units	402,800	-
Issuing expenses	(3,389)	-
Transaction costs paid	(72)	-
	-----	-----
Net cash used in financing activities	(107,175)	(131,821)
	-----	-----
Net decrease in cash and cash equivalents	(9,303)	(17,626)
Effect on exchange rate changes	6,292	3,798
Cash and cash equivalents at beginning of financial period	119,563	126,769
	-----	-----
Cash and cash equivalents at end of financial period (note a)	116,552	112,941
	=====	=====

Note (a)

Cash and cash equivalents

	As At	As At
	31.03.2017	31.03.2016
	RM'000	RM'000
Deposits with licensed financial institutions	50,141	30,532
Cash at banks	66,411	82,409
	-----	-----
	116,552	112,941
	=====	=====

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited annual financial statements for the year ended 30 June 2016 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 interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 30 June 2016.

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 2016, 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

For the current financial year to date, 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

There was no significant change in estimates of amounts reported in prior interim periods or prior financial years.

A5. Changes in Debt and Equity Securities

There was no issuance, cancellation, repurchase, resale and repayment of debts and equity securities except for the following:

During the current financial quarter and year to date, the gross proceeds of RM402.8 million raised from the 380,000,000 new units issued had been used to partially prepay the borrowing and reduce its gearing level.

The outstanding debts are disclosed in Note B15.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

A6. Income Distribution

The following distribution payment (which were tax exempt at the Trust level under the amended Section 61A, Income Tax Act, 1967) was made during the financial period ended 31 March 2017:-

	RM'000
In respect of the three months ended 30 June 2016:- A final distribution of 2.1413 sen per unit each paid on 30 August 2016	28,359
In respect of the three months ended 30 September 2016:- An interim distribution of 2.0528 sen per unit each paid on 23 December 2016	27,187
In respect of the financial period from 1 October 2016 to 14 December 2016:- An interim distribution of 1.9181 sen per unit each paid on 12 January 2017	25,403
In respect of the financial period from 15 December 2016 to 31 December 2016:- An interim distribution of 0.3459 sen per unit each paid on 30 March 2017	5,896

	86,845
	=====

A7. Segment Information

The Group's segmental result for the financial period ended 31 March 2017 is as follows:-

	< ---Property rental--- >		< --Hotel-- >	
	Malaysia	Japan	Australia	Total
	RM'000	RM'000	RM'000	RM'000
External revenue	75,217	11,666	251,667	338,550
Operating expenses	(4,290)	(2,914)	(169,535)	(176,739)
	-----	-----	-----	-----
Net property income	70,927	8,752	82,132	161,811
	-----	-----	-----	-----
Other income				7,253

Total income				169,064
Trust and administration expenses				(73,665)
Unrealised loss on foreign exchange				(104,309)
Finance costs				(61,539)

Loss before tax				(70,449)
				=====
Total assets	1,620,180	284,124	1,915,332	3,819,636
	=====	=====	=====	=====

YTL HOSPITALITY REIT

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Notes : - continued

The Group's segmental result for the financial period ended 31 March 2016 is as follows:-

	< ---Property rental--->		< --Hotel-- >	Total
	Malaysia RM'000	Japan RM'000	Australia RM'000	RM'000
External revenue	73,525	11,836	239,741	325,102
Operating expenses	(4,261)	(2,043)	(167,190)	(173,494)
Net property income	69,264	9,793	72,551	151,608
Other income				3,829
Total income				155,437
Trust and administration expenses				(68,651)
Unrealised loss on foreign exchange				(24,686)
Finance costs				(62,466)
Loss before tax				(366)
Total assets	1,546,899	281,539	1,629,483	3,457,921

A8. Events after the interim period

There was no material event during the period from the end of the quarter under review to the date of this report, save for the following:

On 5 May 2017, the Trustee of YTL Hospitality REIT ("Lessor") entered into supplemental lease agreements ("Supplemental Agreements") with the lessees of The Ritz-Carlton, Kuala Lumpur – Hotel Wing (previously known as The Ritz-Carlton, Kuala Lumpur) and The Ritz-Carlton, Kuala Lumpur – Suite Wing (previously known as The Residences at the Ritz-Carlton, Kuala Lumpur) ("Lessees") for the rental increase of RM4.56 million per annum ("Additional Rentals").

Pursuant to the Supplemental Agreements, the Lessees have agreed to pay the Additional Rentals as the Lessor has agreed to reimburse the Lessees for the renovation costs totaling RM65.14 million. The reimbursement date was completed on 23 May 2017 and the commencement dates of the Additional Rentals for the Suite Wing and Hotel Wing are 1 and 15 June 2017, respectively.

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 financial quarter ended 31 March 2017 and the fund size stood at 1,704,388,889.

A10. Changes in Contingent Liabilities

There were no contingent liabilities to be disclosed.

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 the current financial quarter increased to RM33.546 million from RM25.919 million recorded in preceding year corresponding quarter, representing an increase of 29.43%, after adjustment for non-cash items, mainly due to the increase in net property income in the current financial quarter of RM5.383 million.

For the current financial quarter ended 31 March 2017, the Group recorded a revenue of RM118.289 million, representing an increase of 6.98% as compared to RM110.572 million recorded in the preceding year corresponding quarter while the Group recorded a net property income of RM57.278 million, representing an increase of 10.37% as compared to RM51.895 million recorded in the preceding year corresponding quarter.

Australian Properties contributed 75.18% of total revenue, or RM88.928 million in the current financial quarter, 8.23% higher as compared to RM82.167 million recorded in the preceding year corresponding quarter. Net property income for Australian Properties was RM30.094 million, an increase of 17.52% as compared to RM25.607 million recorded in the preceding year corresponding quarter. The increase in net property income in the current financial quarter was due substantially to the cost saving initiatives carried out by the Australian Properties and the appreciation of the Australian Dollar in the current financial quarter ended 31 March 2017.

Malaysian Properties contributed 21.52% of total revenue, or RM25.451 million in the current financial quarter, 3.85% higher as compared to RM24.508 million recorded in the preceding year corresponding quarter. Net property income for Malaysian Properties was RM24.024 million, an increase of 4.05% from RM23.089 million recorded in the preceding year corresponding quarter. The increase in revenue and net property income were mainly due to the step-up lease rental income from The Ritz-Carlton, Kuala Lumpur – Suite Wing (previously known as The Residences at The Ritz-Carlton, Kuala Lumpur) and other Malaysian properties (except for JW Marriott Hotel Kuala Lumpur) which took effect from July 2016 and November 2016, respectively.

Hilton Niseko Village contributed 3.30% of total revenue, or RM3.910 million in the current financial quarter, 0.33% higher than that recorded in the preceding year corresponding quarter. Net property income for the current quarter was RM3.160 million, a decrease of 1.22% from the preceding year corresponding quarter.

The Group recorded a loss before tax of RM21.682 million for the current financial quarter ended 31 March 2017, a decrease of 142.08%, as compared to a profit before tax of RM51.523 million recorded in the preceding year corresponding quarter. For the current financial quarter, the unrealised foreign currency translation on the Australian Dollar denominated term loan was a loss of RM37.622 million as compared to a gain in unrealized foreign exchange recorded in the preceding year corresponding quarter.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

Comparison with Preceding Year Corresponding Period

The income available for distribution in the current financial period increased to RM92.033 million from RM78.714 million recorded in preceding year corresponding period, representing an increase of 16.92%, after adjustment for non-cash items, mainly due to the increase in net property income in the current financial period of RM10.203 million.

For the current financial period ended 31 March 2017, the Group recorded a revenue of RM338.550 million, representing an increase of 4.14% as compared to RM325.102 million recorded in the preceding year corresponding period while the Group recorded a net property income of RM161.811 million, representing an increase of 6.73% as compared to RM151.608 million recorded in the preceding year corresponding period.

Australian Properties contributed 74.34% of total revenue, or RM251.667 million in the current financial period, 4.97% higher as compared to RM239.741 million recorded in the preceding year corresponding period. Net property income for Australian Properties was RM82.132 million, an increase of 13.21% as compared to RM72.551 million recorded in the preceding year corresponding period. The increases in net property income were mainly due to same reason set out above.

Malaysian Properties contributed 22.22% of total revenue, or RM75.217 million in the current financial period, 2.30% higher as compared to RM73.525 million recorded in the preceding year corresponding period. Net property income for Malaysian Properties was RM70.927 million, an increase of 2.40% from RM69.264 million recorded in the preceding year corresponding period. The increase in revenue and net property income were mainly due to same reason set out above.

Hilton Niseko Village contributed 3.44% of total revenue, or RM11.666 million in the current financial period, 1.44% lower than that recorded in the preceding year corresponding period. Net property income for the current period was RM8.752 million, a decrease of 10.63% from the preceding year corresponding period due to the costs of maintenance works carried out at the property.

The Group recorded a loss before tax of RM70.449 million for the current financial period ended 31 March 2017, a decrease of 19,148.36%, as compared to a loss before tax of RM0.366 million recorded in the preceding year corresponding period. The decrease was mainly due to the loss in unrealised foreign currency translation of RM104.784 million on the Australian Dollar denominated term loan recorded in the current financial period as compared to loss in unrealised foreign currency translation of RM24.837 million recorded in the preceding financial period, partially offset by the increase in net property income in the current financial period of RM10.203 million.

YTL HOSPITALITY REIT

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Notes : - continued

Comparison with Preceding Quarter

	Current Quarter 31.03.2017 RM'000	Preceding Quarter 31.12.2016 RM'000
Revenue	118,289	119,155
Net Property Income	57,278	57,041
Loss Before Tax	(21,682)	(7,602)
Income Available For Distribution	33,546	29,564

The income available for distribution increased to RM33.546 million recorded in current financial quarter from RM29.564 million recorded in preceding financial quarter ended 31 December 2016, representing an increase of 13.47%, after adjustment for non-cash items, due to saving in finance costs of RM3.445 million following the prepayment of borrowing in the current financial quarter.

For the current financial quarter ended 31 March 2017, Group revenue decreased by 0.73% while net property income increased by 0.42% as compared to the preceding financial quarter ended 31 December 2016.

Revenue and net property income from Australian Properties at RM88.928 million and RM30.094 million, respectively in the current financial quarter decreased 1.42% and 2.71%, respectively as compared to RM90.213 million and RM30.933 million, respectively recorded in the preceding quarter. The Australian Properties, in preceding financial quarter ended 31 December 2016 generated higher revenue and net property income owing to the festive season.

Revenue from Malaysian Properties at RM25.451 million increased by 1.49% as compared to that in the preceding quarter of RM25.078 million. Net property income for Malaysian Properties was RM24.024 million, an increase of 1.60% from RM23.646 million recorded in the preceding quarter. The increase in revenue and net property income was mainly due to the step-up lease rental income from all Malaysian properties (except for JW Marriott Hotel Kuala Lumpur and The Ritz-Carlton, Kuala Lumpur – Suite Wing) which took effect from November 2016.

Revenue and net property income from Hilton Niseko Village at RM3.910 million and RM3.160 million, respectively in the current financial quarter increased 1.19% and 28.35% as compared to the revenue and net property income recorded in the preceding quarter of RM3.864 million and RM2.462 million, respectively. The increase in net property income was due to the costs of maintenance works carried out at the property during the preceding financial quarter.

The Group's loss before tax for the current financial quarter ended 31 March 2017 decreased by RM14.080 million as compared to the preceding quarter ended 31 December 2016. The following factors contributed to the decrease:

- (i) increase in unrealised foreign currency translation loss on the Australian Dollar denominated term loan by RM16.358 million from RM21.264 million in the preceding quarter to RM37.622 million in the current financial quarter; and
- (ii) offset by saving in finance costs of RM3.445 million following the prepayment of borrowing in the current financial quarter.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B2. Audit Report of the preceding financial year ended 30 June 2016

The Auditor's Report on the financial statements of the financial year ended 30 June 2016 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 financial period under review.

B4. Portfolio Composition

As at 31 March 2017, YTL Hospitality REIT's composition of investment portfolio is as follows:

	Fair Value As At 31.03.2017 RM'000	% Of Fair Value To NAV As At 31.03.2017 %
<u>Real Estate - Commercial</u>		
<u>Malaysian Properties</u>		
(i) JW Marriott Hotel Kuala Lumpur	410,000	17.2
(ii) The Ritz-Carlton, Kuala Lumpur - Suite Wing (previously known as The Residences at The Ritz-Carlton, Kuala Lumpur)	254,000	10.6
(iii) The Ritz-Carlton, Kuala Lumpur - Hotel Wing (previously known as The Ritz-Carlton, Kuala Lumpur)	320,000	13.4
(iv) Pangkor Laut Resort	114,000	4.8
(v) Tanjong Jara Resort	101,000	4.2
(vi) Vistana Kuala Lumpur Titiwangsa	125,000	5.2
(vii) Vistana Penang Bukit Jambul	117,000	4.9
(viii) Vistana Kuantan City Centre	86,000	3.6
(ix) Cameron Highlands Resort	59,000	2.5
<u>Japanese Property</u>		
(x) Hilton Niseko Village*	259,489	10.9
<u>Australian Properties</u>		
(xi) Sydney Harbour Marriott^	1,270,162	53.2
(xii) Brisbane Marriott^	284,810	11.9
(xiii) Melbourne Marriott^	254,461	10.7
	-----	-----
	3,654,922	153.1
Deposits with licensed financial institutions	50,141	2.1
	-----	-----
	3,705,063	155.2
	=====	=====

Note :

* Translated on 31 March 2017 at the exchange rate of JPY100 : RM3.9496

^ Translated on 31 March 2017 at the exchange rate of AUD1 : RM3.3830

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

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

B5. Change in Net Asset Value (“NAV”)

The total NAV and NAV per unit of the Group as at 31 March 2017 were RM2,387,215,215 and RM1.4006, respectively. The increase in total NAV was mainly due to the unrealised foreign exchange gain on the investments in Japanese and Australian subsidiaries.

	Current Quarter 31.03.2017 RM	Preceding Quarter 31.12.2016 RM
NAV	2,387,215,215	2,361,724,520
NAV per unit	1.4006	1.3857

B6. Change in Market Value

On 31 March 2017, YTL Hospitality REIT’s market value closed at RM1.18 per unit, an increase of 8.26% as compared to the closing market value of RM1.09 per unit on 30 December 2016.

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 2017.

B8. Utilisation of Proceeds Raised from Issuance of New Units

From the gross proceeds of RM402.8 million raised from the 380,000,000 new units issued, RM395 million had been used to prepay borrowing and the remaining balance was used as working capital.

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

During the financial period ended 31 March 2017, the Australian Properties and Hilton Niseko Village incurred RM36,052,000 and RM635,000 for the refurbishment works and property repair and maintenance , respectively.

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 31.03.2017 RM'000	Year To Date 31.03.2017 RM'000
Malaysian income tax	20	70
Foreign income tax	873	2,430
Deferred tax	100	59
	-----	-----
	993	2,559
	=====	=====

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 for the financial period ended 31 March 2017.

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	24%

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.

B15. Borrowings and Debt Securities

The Group's borrowings from financial institutions as at 31 March 2017 are set below:

	Short term RM'000	Long term RM'000	Total RM'000
Term Loan – secured	416,800	927,905	1,344,705
Medium Term Notes - secured	-	10,000	10,000
	-----	-----	-----
Total borrowings	416,800	937,905	1,354,705
Capitalised transaction costs	(3,275)	(6,285)	(9,560)
	-----	-----	-----
	413,525	931,620	1,345,145
	=====	=====	=====
Gearing ratio (%)			35.47%
			=====

The above includes a term loan denominated in Australian Dollar of AUD274,284,582 (RM927,904,741^).

Note :

^ Translated on 31 March 2017 at the exchange rate of AUD1 : RM3.3830

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B16. Derivative Financial Instruments

The Group's outstanding derivatives as at 31 March 2017 were as follows:-

Type of Derivative	Contract/ Notional Value RM'000	Fair Value RM'000
Interest rate swap contracts		
- 1 to 5 years	888,169 [^]	(14,241)
	=====	=====

Note :

[^] Translated on 31 March 2017 at the exchange rate of AUD1 : RM3.3830

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 are stated at fair value based on banks' quotes. The fair value changes on the effective portion of the derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

The fair value of interest rate swap recognised in other comprehensive income for the current financial quarter and financial period amounted to a loss of RM3.912 million and a gain of RM9.483 million, respectively.

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

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B17. Income Distribution

The Board of Pintar Projek Sdn. Bhd. has declared an interim distribution of 1.8364 sen per unit of which all is taxable in the hands of unitholders, totaling RM31,299,398 (which is tax exempt at the Trust level under the amended Section 61A of the Income Tax Act 1967), representing approximately 93% of the total distributable income for the financial quarter ended 31 March 2017.

The total income distribution paid and declared for the financial period ended 31 March 2017 is 6.1532 sen per unit, totaling RM89,785,037 and representing approximately 98% of the total distributable income. The book closure and payment dates in respect of the interim distribution will be fixed on 9 and 30 June 2017, respectively.

The interim income distributions are from the following sources:-

	Current Quarter 31.03.2017 RM'000	Year To Date 31.03.2017 RM'000
Loss after taxation	(22,675)	(73,008)
Distribution adjustments:-		
Depreciation	21,780	62,028
Unrealised foreign translation differences	37,462	104,309
Net income from foreign operations	(3,021)	(1,296)
	-----	-----
Income available for distribution/Total distributable income	33,546	92,033
Total distributable income brought forward	1	-
	-----	-----
	33,547	92,033
Less: Income distribution	(31,299)	(89,785)
	-----	-----
Undistributed distributable income	2,248	2,248
	=====	=====

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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 March 2017, 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	937,464	1,106,208
YTL Power International Berhad	43,090	50,846
Business & Budget Hotels (Kuantan) Sdn Bhd	18,750	22,125
Megahub Development Sdn Bhd	18,250	21,535
East-West Ventures Sdn Bhd	62,500	73,750
Syarikat Pelanchongan Pangkor Laut Sendirian Berhad	24,250	28,615
Tanjong Jara Beach Hotel Sdn Bhd	1,750	2,065
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping	870	1,027
Dato' Yeoh Seok Kah	2,000	2,360
Dato' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir	100	118

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 RM1.18 per unit as at 31 March 2017.

B19. Realised and Unrealised Retained Profits/Undistributed Income

The breakdown of the undistributed income of the Group as at 31 March 2017, into realised and unrealised profits, pursuant to the directive issued by Bursa Securities on 25 March 2010 and 20 December 2010 is as follows:-

	As At 31.03.2017 RM'000	As At 30.06.2016 RM'000
Total undistributed income of the Trust and its subsidiaries		
- Realised	(184,484)	(128,119)
- Unrealised	241,943	198,771
	-----	-----
	57,459	70,652
Add: Consolidation adjustments	(84,362)	65,238
	-----	-----
Total group undistributed income	(26,903)	135,890
	=====	=====

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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 Securities so as to give a true and fair view of the financial position of YTL Hospitality REIT as at 31 March 2017 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 May 2017