

YTL HOSPITALITY REIT

Established in Malaysia

**Interim Financial Report
30 September 2016**

YTL HOSPITALITY REIT

Interim Financial Report 30 September 2016

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YTL HOSPITALITY REIT**INTERIM FINANCIAL REPORT**

Interim financial report on results for the financial period ended 30 September 2016.

The figures have not been audited.

CONDENSED INCOME STATEMENTS FOR THE PERIOD

	GROUP		TRUST	
	CURRENT	PRECEDING	CURRENT	PRECEDING
	YEAR	YEAR	YEAR	YEAR
	CORRESPONDING	CORRESPONDING	CORRESPONDING	CORRESPONDING
	QUARTER	QUARTER	QUARTER	QUARTER
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
NET REVENUE	101,106	97,416	24,688	24,508
PROPERTY OPERATING EXPENSES	(53,614)	(53,247)	(1,431)	(1,373)
NET PROPERTY INCOME	47,492	44,169	23,257	23,135
OTHER INCOME	1,308	1,642	27,642	26,598
MANAGER'S FEES	(1,877)	(1,756)	(1,877)	(1,756)
TRUSTEE'S FEES	(278)	(262)	(278)	(262)
ADMINISTRATION EXPENSES	(20,948)	(19,642)	(157)	(131)
FINANCE COSTS	(21,204)	(20,158)	(21,181)	(20,158)
INCOME BEFORE UNREALISED ITEM	4,493	3,993	27,406	27,426
UNREALISED ITEM: - Unrealised (loss)/gain on foreign exchange	(45,658)	(55,250)	28,618	54,748
(LOSS)/PROFIT BEFORE TAX	(41,165)	(51,257)	56,024	82,174
INCOME TAX EXPENSE	(615)	(410)	(242)	(214)
(LOSS)/PROFIT FOR THE PERIOD	(41,780)	(51,667)	55,782	81,960

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

CONDENSED INCOME STATEMENTS FOR THE PERIOD – continued

	GROUP		TRUST	
	CURRENT YEAR QUARTER 30.09.2016 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30.09.2015 RM'000	CURRENT YEAR QUARTER 30.09.2016 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30.09.2015 RM'000
(LOSS)/PROFIT FOR THE PERIOD	(41,780)	(51,667)	55,782	81,960
DISTRIBUTION				
ADJUSTMENTS:				
- Depreciation	19,537	18,223	-	-
- Unrealised foreign translation differences	45,658	55,250	(28,618)	(54,748)
- Net income from foreign operations	5,508	5,406	1,759	-
	-----	-----	-----	-----
INCOME AVAILABLE FOR DISTRIBUTION / TOTAL DISTRIBUTABLE INCOME	28,923	27,212	28,923	27,212
PROVISION FOR INCOME DISTRIBUTION	(27,187)	(25,395)	(27,187)	(25,395)
	-----	-----	-----	-----
UNDISTRIBUTED DISTRIBUTABLE INCOME	1,736	1,817	1,736	1,817
	=====	=====	=====	=====
DISTRIBUTABLE INCOME PER UNIT (Sen)	2.1839	2.0547	2.1839	2.0547
	=====	=====	=====	=====
GROSS DISTRIBUTION PER UNIT (Sen)	2.0528	1.9175	2.0528	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

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CONDENSED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIOD

	GROUP		TRUST	
	CURRENT	PRECEDING	CURRENT	PRECEDING
	YEAR	YEAR	YEAR	YEAR
	QUARTER	CORRESPONDING	QUARTER	CORRESPONDING
	30.09.2016	QUARTER	30.09.2016	QUARTER
	RM'000	30.09.2015	RM'000	30.09.2015
		RM'000		RM'000
(LOSS)/PROFIT FOR THE PERIOD	(41,780)	(51,667)	55,782	81,960
OTHER COMPREHENSIVE (EXPENSE)/INCOME:-				
<i>ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO INCOME STATEMENT:-</i>				
CASH FLOW HEDGE	(4,485)	-	(4,485)	-
CURRENCY TRANSLATION DIFFERENCES	108,918	161,863	-	-
	-----	-----	-----	-----
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	62,653	110,196	51,297	81,960
	=====	=====	=====	=====
(LOSS)/PROFIT FOR THE PERIOD IS MADE UP AS FOLLOWS:-				
REALISED PROFIT	23,415	21,806	27,164	27,212
UNREALISED (LOSS)/PROFIT	(65,195)	(73,473)	28,618	54,748
	-----	-----	-----	-----
	(41,780)	(51,667)	55,782	81,960
	=====	=====	=====	=====
(LOSS)/EARNINGS PER UNIT (Sen)	(3.15)	(3.90)	4.21	6.19
	=====	=====	=====	=====

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 30.09.2016 RM'000	AUDITED AS AT 30.06.2016 RM'000	UNAUDITED AS AT 30.09.2016 RM'000	AUDITED AS AT 30.06.2016 RM'000
ASSETS				
Non-current Assets				
Investment properties	1,854,588	1,843,183	1,586,000	1,586,000
Property, plant and equipment	1,703,012	1,623,328	-	-
Investment in subsidiaries	-	-	355,408	351,892
Amount due from subsidiaries	-	-	1,318,552	1,248,723
Deferred tax assets	2,776	2,663	-	-
	-----	-----	-----	-----
	3,560,376	3,469,174	3,259,960	3,186,615
	-----	-----	-----	-----
Current Assets				
Inventories	705	729	-	-
Trade and other receivables	32,523	32,360	9,186	6,206
Amount due from subsidiaries	-	-	97,975	95,390
Income tax assets	23	92	-	-
Deposits with licensed financial institutions	36,412	31,190	15,899	15,825
Cash at banks	83,970	88,373	156	529
	-----	-----	-----	-----
	153,633	152,744	123,216	117,950
	-----	-----	-----	-----
TOTAL ASSETS	3,714,009	3,621,918	3,383,176	3,304,565
	=====	=====	=====	=====
UNITHOLDERS' FUNDS				
Unitholders' capital	1,291,395	1,291,395	1,291,395	1,291,395
Undistributed income	66,923	135,890	407,826	379,231
Reserves	599,551	495,118	(28,209)	(23,724)
	-----	-----	-----	-----
Net Asset Value	1,957,869	1,922,403	1,671,012	1,646,902
	-----	-----	-----	-----

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

CONDENSED STATEMENTS OF FINANCIAL POSITION – continued

	GROUP		TRUST	
	UNAUDITED AS AT 30.09.2016 RM'000	AUDITED AS AT 30.06.2016 RM'000	UNAUDITED AS AT 30.09.2016 RM'000	AUDITED AS AT 30.06.2016 RM'000
LIABILITIES				
Non-current Liabilities				
Borrowings	1,650,089	1,598,976	1,641,461	1,590,422
Other payables	-	836	-	-
Derivative financial instruments	28,209	23,724	28,209	23,724
Amount due to a subsidiary	-	-	10,000	10,000
	-----	-----	-----	-----
	1,678,298	1,623,536	1,679,670	1,624,146
	-----	-----	-----	-----
Current Liabilities				
Trade and other payables	50,655	47,620	5,307	5,158
Provision for income distribution	27,187	28,359	27,187	28,359
	-----	-----	-----	-----
	77,842	75,979	32,494	33,517
	-----	-----	-----	-----
TOTAL LIABILITIES	1,756,140	1,699,515	1,712,164	1,657,663
	-----	-----	-----	-----
TOTAL UNITHOLDERS' FUNDS & LIABILITIES	3,714,009	3,621,918	3,383,176	3,304,565
	=====	=====	=====	=====
Net asset value (RM'000)	1,957,869	1,922,403	1,671,012	1,646,902
	=====	=====	=====	=====
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	1.499	1.530	1.282	1.322
- after income distribution	1.478	1.452	1.262	1.244
	=====	=====	=====	=====

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 30 SEPTEMBER 2016**

GROUP	Unitholders' Capital RM'000	Distributable Undistributed Realised Income RM'000	<-----Non distributable----->				Total Unitholders' Funds RM'000
			Unrealised Loss RM'000	Currency Translation Reserves RM'000	Revaluation Reserve RM'000	Cash Flow Hedge 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	-	23,415	(65,195)	-	-	-	(41,780)
Other comprehensive income/ (expense)	-	-	-	74,590	34,328	(4,485)	104,433
Increase/(Decrease) in net assets resulting from operations	-	23,415	(65,195)	74,590	34,328	(4,485)	62,653
Unitholders' transactions							
Provision for income distribution	-	(27,187)	-	-	-	-	(27,187)
Decrease in net assets resulting from Unitholders' transaction	-	(27,187)	-	-	-	-	(27,187)
At 30 September 2016	1,291,395	181,064	(114,141)	1,197	626,563	(28,209)	1,957,869

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

**CONDENSED STATEMENTS OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016 - 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	-	27,164	28,618	-	55,782
Other comprehensive expense	-	-	-	(4,485)	(4,485)
	-----	-----	-----	-----	-----
Increase/(Decrease) in net assets resulting from operations	-	27,164	28,618	(4,485)	51,297
Unitholders' transactions					
Provision for income distribution	-	(27,187)	-	-	(27,187)
	-----	-----	-----	-----	-----
Decrease in net assets resulting from Unitholders' transaction	-	(27,187)	-	-	(27,187)
	-----	-----	-----	-----	-----
At 30 September 2016	1,291,395	184,674	223,152	(28,209)	1,671,012
	=====	=====	=====	=====	=====

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

**CONDENSED STATEMENTS OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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	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	-	21,806	(73,473)	-	-	-	(51,667)
Other comprehensive income	-	-	-	131,747	30,116	-	161,863

Increase/(Decrease) in net assets resulting from operations	-	21,806	(73,473)	131,747	30,116	-	110,196
Unitholders' transactions							
Provision for income distribution	-	(25,395)	-	-	-	-	(25,395)

Decrease in net assets resulting from Unitholders' transaction	-	(25,395)	-	-	-	-	(25,395)

At 30 September 2015	1,291,395	182,936	(13,789)	(36,641)	443,495	-	1,867,396
=====							

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INTERIM FINANCIAL REPORT

**CONDENSED STATEMENTS OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 - 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	-	27,212	54,748	-	81,960
Other comprehensive income	-	-	-	-	-
	-----	-----	-----	-----	-----
Increase in net assets resulting from operations	-	27,212	54,748	-	81,960
Unitholders' transactions					
Provision for income distribution	-	(25,395)	-	-	(25,395)
	-----	-----	-----	-----	-----
Decrease in net assets resulting from Unitholders' transaction	-	(25,395)	-	-	(25,395)
	-----	-----	-----	-----	-----
At 30 September 2015	1,291,395	186,513	147,885	-	1,625,793
	=====	=====	=====	=====	=====

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 30 SEPTEMBER 2016**

	3 MONTHS ENDED	
	30.09.2016	30.09.2015
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(41,165)	(51,257)
Adjustments for:-		
Amortisation of transaction costs	1,762	1,625
Depreciation of property, plant and equipment	19,537	18,223
Interest income	(351)	(426)
Interest expense	19,371	18,484
(Gain)/Loss on disposal of equipment	(34)	184
Unrealised loss on foreign currency exchange	45,658	55,250
	-----	-----
Operating profit before changes in working capital	44,778	42,083
Net changes in current assets	1,497	(1,694)
Net changes in current liabilities	(296)	(4,441)
	-----	-----
Cash generated from operations	45,979	35,948
Income tax paid	(258)	(94)
	-----	-----
Net cash from operating activities	45,721	35,854
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	109	213
Proceed from disposal of equipment	76	18
Acquisition of property, plant and equipment	(5,614)	(5,351)
	-----	-----
Net cash used in investing activities	(5,429)	(5,120)
	-----	-----

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YTL HOSPITALITY REIT**INTERIM FINANCIAL REPORT****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016 - continued**

	3 MONTHS ENDED	
	30.09.2016	30.09.2015
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(19,371)	(18,484)
Distribution paid	(28,359)	(30,803)
Proceed from borrowing	3,516	-
Transaction costs paid	(62)	-
	-----	-----
Net cash used in financing activities	(44,276)	(49,287)
	-----	-----
Net decrease in cash and cash equivalents	(3,984)	(18,553)
Effect on exchange rate changes	4,803	8,113
Cash and cash equivalents at beginning of financial period	119,563	126,769
	-----	-----
Cash and cash equivalents at end of financial period (note a)	120,382	116,329
	=====	=====

Note (a)

Cash and cash equivalents

	As At	As At
	30.09.2016	30.09.2015
	RM'000	RM'000
Deposits with licensed financial institutions	36,412	46,786
Cash at banks	83,970	69,543
	-----	-----
	120,382	116,329
	=====	=====

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 during the current financial quarter and financial year to date. The outstanding debts are disclosed in Note B15.

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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 30 September 2016:-

	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 =====

A7. Segment Information

The Group's segmental result for the financial period ended 30 September 2016 is as follows:-

	< ---Property rental--->		< --Hotel-- >	
	Malaysia	Japan	Australia	Total
	RM'000	RM'000	RM'000	RM'000
External revenue	24,688	3,892	72,526	101,106
Operating expenses	(1,431)	(762)	(51,421)	(53,614)
	-----	-----	-----	-----
Net property income	23,257	3,130	21,105	47,492
	-----	-----	-----	-----
Other income				1,308

Total income				48,800
Trust and administration expenses				(68,761)
Finance costs				(21,204)

Loss before tax				(41,165)
				=====
Total assets	1,609,907	291,963	1,812,139	3,714,009
	=====	=====	=====	=====

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YTL HOSPITALITY REIT**INTERIM FINANCIAL REPORT****Notes : - continued**

The Group's segmental result for the financial period ended 30 September 2015 is as follows:-

	< ---Property rental--->		< --Hotel-- >	Total
	Malaysia	Japan	Australia	Total
	RM'000	RM'000	RM'000	RM'000
External revenue	24,508	4,045	68,863	97,416
Operating expenses	(1,373)	(650)	(51,224)	(53,247)
Net property income	23,135	3,395	17,639	44,169
Other income				1,642
Total income				45,811
Trust and administration expenses				(76,910)
Finance costs				(20,158)
Loss before tax				(51,257)
Total assets	1,559,387	296,463	1,710,478	3,566,328

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.

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 period ended 30 September 2016 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 the current financial quarter increased to RM28.923 million from RM27.212 million recorded in preceding year corresponding quarter, representing an increase of 6.29%, after adjustment for non-cash items.

For the current financial quarter ended 30 September 2016, the Group recorded a revenue of RM101.106 million, representing an increase of 3.79% as compared to RM97.416 million recorded in the preceding year corresponding quarter while the Group recorded a net property income of RM47.492 million, representing an increase of 7.52% as compared to RM44.169 million recorded in the preceding year corresponding quarter.

Australian Properties contributed 71.73% of total revenue, or RM72.526 million in the current financial quarter, 5.32% higher as compared to RM68.863 million recorded in the preceding year corresponding quarter. Net property income for Australian Properties was RM21.105 million, an increase of 19.65% as compared to RM17.639 million recorded in the preceding year corresponding quarter. The increase in net property income in the current financial quarter was due to 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 30 September 2016.

Malaysian Properties contributed 24.42% of total revenue, or RM24.688 million in the current financial quarter, 0.73% higher as compared to RM24.508 million recorded in the preceding year corresponding quarter. Net property income for Malaysian Properties was RM23.257 million, an increase of 0.53% from RM23.135 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 Residences at The Ritz-Carlton, Kuala Lumpur which took effect from July 2016.

Hilton Niseko Village contributed 3.85% of total revenue, or RM3.892 million in the current financial quarter, 3.78% lower than that recorded in the preceding year corresponding quarter. Net property income for the current quarter was RM3.130 million, a decrease of 7.81% from the preceding year corresponding quarter due to the depreciation of Ringgit Malaysia against Yen.

The Group recorded a loss before tax of RM41.165 million for the current financial quarter ended 30 September 2016, an improvement of 19.69%, as compared to a loss before tax of RM51.257 million recorded in the preceding year corresponding quarter. The improvement was mainly due to the reduced loss on unrealised foreign currency translation of RM9.681 million on the Australian Dollar denominated term loan.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

Comparison with Preceding Quarter

	Current Quarter 30.09.2016 RM'000	Preceding Quarter 30.06.2016 RM'000
Revenue	101,106	101,190
Net Property Income	47,492	47,332
Loss Before Tax	(41,165)	(3,422)
Income Available For Distribution	28,923	25,831

The income available for distribution increased to RM28.923 million recorded in current financial quarter from RM25.831 million recorded in preceding financial quarter ended 30 June 2016, representing an increase of 11.97%, after adjustment for non-cash items.

For the current financial quarter ended 30 September 2016, Group revenue decreased by 0.08% and net property income increased by 0.34% as compared to the preceding quarter ended 30 June 2016.

Revenue and net property income from Australian Properties at RM72.526 million and RM21.105 million, respectively in the current financial quarter decreased 0.20% and 0.45%, respectively as compared to RM72.674 million and RM21.010 million, respectively recorded in the preceding quarter.

Revenue from Malaysian Properties at RM24.688 million increased by 0.37% as compared to that in the preceding quarter of RM24.597 million. Net property income for Malaysian Properties was RM23.257 million, an increase of 0.64% from RM23.109 million recorded in the preceding quarter. The increase in revenue and net property income was mainly due to reason set out above.

Revenue and net property income from Hilton Niseko Village at RM3.892 million and RM3.130 million, respectively in the current financial quarter decreased 0.69% and 2.58% as compared to the revenue and net property income recorded in the preceding quarter.

The Group's loss before tax for the current financial quarter ended 30 September 2016 increased by RM37.743million as compared to the preceding quarter ended 30 June 2016. The following factors contributed to the increase:

- (i) unrealised foreign currency translation loss of RM45.898 million on the Australian Dollar denominated term loan in the current financial quarter as compared to translation gain of RM2.913 million in the preceding quarter; and
- (ii) partially offset by net loss on revaluation of properties of RM11.723 million in the preceding quarter.

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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 30 September 2016, YTL Hospitality REIT's composition of investment portfolio is as follows:

	Fair Value As At 30.09.2016 RM'000	% Of Fair Value To NAV As At 30.09.2016 %
<u>Real Estate - Commercial</u>		
<u>Malaysian Properties</u>		
(i) JW Marriott Hotel Kuala Lumpur	410,000	20.9
(ii) The Residences at The Ritz-Carlton, Kuala Lumpur	254,000	13.0
(iii) The Ritz-Carlton, Kuala Lumpur	320,000	16.3
(iv) Pangkor Laut Resort	114,000	5.8
(v) Tanjong Jara Resort	101,000	5.2
(vi) Vistana Kuala Lumpur Titiwangsa	125,000	6.4
(vii) Vistana Penang Bukit Jambul	117,000	6.0
(viii) Vistana Kuantan City Centre	86,000	4.4
(ix) Cameron Highlands Resort	59,000	3.0
<u>Japanese Property</u>		
(x) Hilton Niseko Village*	268,588	13.7
<u>Australian Properties</u>		
(xi) Sydney Harbour Marriott^	1,188,326	60.7
(xii) Brisbane Marriott^	271,831	13.9
(xiii) Melbourne Marriott^	242,855	12.4
	-----	-----
	3,557,600	181.7
Deposits with licensed financial institutions	36,412	1.9
	-----	-----
	3,594,012	183.6
	=====	=====

Note :

* Translated on 30 September 2016 at the exchange rate of JPY100 : RM4.0881

^ Translated on 30 September 2016 at the exchange rate of AUD1 : RM3.1632

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

YTL HOSPITALITY REIT

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Notes : - continued

B5. Change in Net Asset Value (“NAV”)

The total NAV and NAV per unit of the Group as at 30 September 2016 were RM1,957,868,707 and RM1.4783, respectively. The increase in total NAV and NAV per unit was mainly due to the unrealised foreign exchange gain on the investments in Japanese and Australian subsidiaries.

	Current Quarter 30.09.2016 RM	Preceding Quarter 30.06.2016 RM
NAV	1,957,868,707	1,922,404,376
NAV per unit	1.4783	1.4515

B6. Change in Market Value

On 30 September 2016, YTL Hospitality REIT’s market value closed at RM1.15 per unit, an increase of 7.48% as compared to the closing market value of RM1.07 per unit on 30 June 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

There was no issuance of new units during the current financial period ended 30 September 2016.

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

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Notes : - continued

B11. Maintenance Costs and Major Capital Expenditure

A total of RM5,614,000 was incurred for refurbishment works carried out at Sydney Harbour Marriott during the financial period ended 30 September 2016.

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 30.09.2016 RM'000
Malaysian income tax	20
Foreign income tax	555
Deferred tax	40

	615
	=====

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 30 September 2016.

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% (effective 1 January 2016)

YTL HOSPITALITY REIT

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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 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 Placement to YTL Corp”).

On 30 December 2013, the 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 (including the Proposed Placement to YTL Corp), Proposed Increase in Fund Size and Proposed Increase in Borrowing Limit at the meeting of unitholders held on 11 February 2014.

As there were time limits for the implementation of the Proposed Placement and Proposed Increase in Fund Size under the approvals granted by the SC and Bursa Securities, successive applications for extensions of time for implementation were submitted to and approved by the SC and Bursa Securities. The final extension of time for implementation until 29 December 2016 was approved by the SC on 5 July 2016 and Bursa Securities on 21 July 2016.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B15. Borrowings and Debt Securities

The Group's borrowings from financial institutions as at 30 September 2016 are set below:

Long term	RM'000
Term Loan – secured	1,653,148
Medium Term Notes - secured	10,000
Capitalised transaction costs	(13,059)

	1,650,089
	=====

The above includes a term loan denominated in Australian Dollar of AUD265,980,036 (RM841,348,050^).

Note :

^ Translated on 30 September 2016 at the exchange rate of AUD1 : RM3.1632

B16. Derivative Financial Instruments

The Group's outstanding derivatives as at 30 September 2016 were as follows:-

Type of Derivative	Contract/ Notional Value RM'000	Fair Value RM'000
Interest rate swap contracts		
- 1 to 5 years	830,463	(28,209)
	=====	=====

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 amounted to a loss of RM4.485 million.

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

YTL HOSPITALITY REIT

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Notes : - continued

B17. Income Distribution

The Board of Pintar Projek Sdn. Bhd. has declared an interim distribution of 2.0528 sen per unit of which 1.8796 sen is taxable and 0.1732 sen is not taxable in the hands of unitholders, totaling RM27,187,055 (which is tax exempt at the Trust level under the amended Section 61A of the Income Tax Act 1967), representing approximately 94% of the total distributable income for the financial quarter ended 30 September 2016. The book closure and payment dates in respect of the interim distribution will be fixed on 2 and 23 December 2016, respectively.

The interim income distribution is from the following sources:-

	Current Quarter 30.09.2016 RM'000
Loss after taxation	(41,780)
Distribution adjustments:-	
Depreciation	19,537
Unrealised foreign translation differences	45,658
Net income from foreign operations	5,508

Income available for distribution/Total distributable income	28,923
Less: Income distribution	(27,187)

Undistributed distributable income	1,736
	=====

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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 30 September 2016, 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	859,584
YTL Power International Berhad	43,090	49,553
Business & Budget Hotels (Kuantan) Sdn Bhd	18,750	21,563
Megahub Development Sdn Bhd	18,250	20,988
East-West Ventures Sdn Bhd	62,500	71,875
Syarikat Pelanchongan Pangkor Laut Sendirian Berhad	24,250	27,888
Tanjong Jara Beach Hotel Sdn Bhd	21,750	25,013
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping	870	1,000
Dato' Yeoh Seok Kah	2,000	2,300
Dato' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir	100	115

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 RM1.15 per unit as at 30 September 2016.

B19. Realised and Unrealised Retained Profits/Undistributed Income

The breakdown of the undistributed income of the Group as at 30 September 2016, 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 30.09.2016 RM'000	As At 30.06.2016 RM'000
Total undistributed income of the Trust and its subsidiaries		
- Realised	(151,232)	(128,119)
- Unrealised	227,433	198,771
	-----	-----
	76,201	70,652
Add: Consolidation adjustments	(9,278)	65,238
	-----	-----
Total group undistributed income	66,923	135,890
	=====	=====

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 30 September 2016 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: 17 November 2016