## YTL HOSPITALITY REIT

managed by
**PINTAR PROJEK SDN BHD**
199401028328 (314009-W)


33rd Floor, Menara YTL
205 Jalan Bukit Bintang
55100 Kuala Lumpur
Malaysia

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**www.ytlhospitalityreit.com**
**www.ytlcommunity.com**


YTL HOSPITALITY REIT
ANNUAL REPORT **2022**

BUILDING THE RIGHT THING
The Journey Continues...

# YTL HOSPITALITY REIT

# 2022 ANNUAL REPORT

# CONTENTS

## Overview



## Strategic & Performance Review

## Governance



## Additional Information



## Financial Statements



## Information on Annual General Meeting

# Corporate Information

## MANAGER

**Pintar Projek Sdn Bhd**

## MANAGER'S REGISTERED OFFICE

33rd Floor, Menara YTL
205 Jalan Bukit Bintang
55100 Kuala Lumpur
Tel: 603-2038 0888
Fax: 603-2038 0388

## MANAGER'S PRINCIPAL PLACE OF BUSINESS

25th Floor, Menara YTL
205 Jalan Bukit Bintang
55100 Kuala Lumpur
Tel: 603-2038 0888
Fax: 603-2038 0301

## BOARD OF DIRECTORS OF THE MANAGER

*Executive Chairman*
**Tan Sri (Sir) Francis Yeoh Sock Ping**
PSM, KBE, CBE, FICE, SIMP, DPMS, DPMP, JMN, JP
Hon LLD (Nottingham), Hon DEng (Kingston),
BSc (Hons) Civil Engineering, FFB, F Inst D, MBIM, RIM

*Chief Executive Officer*
**Dato' Mark Yeoh Seok Kah**
DSSA
LLB (Hons)

*Executive Directors*
**Dato' Yeoh Seok Kian**
DSSA
BSc (Hons) Bldg, MCIOB, FFB, (Hon) D.Univ

**Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir**
DPMP, PMP, AMN, PPN, PJK, OStJ, JP

**Yeoh Keong Shyan**
LLB (Hons)

*Independent Non-Executive Directors*
**Dato' Tan Guan Cheong**
DSSA

**Dato' Ahmad Fuaad Bin Mohd Dahalan**
ABS, DIMP, SIMP
BA (Hons)

**Dato' Zainal Abidin Bin Ahmad**
DIMP, JSM, Medal of Friendship (Lao PDR), AMN
MA (Int. Affairs), BSc (Hons) Mathematics

## MANAGEMENT TEAM

**Datin Kathleen Chew Wai Lin**
Legal Advisor

**Ho Say Keng**
Accountant/Company Secretary

**Eoon Whai San**
General Manager

## COMPANY SECRETARY OF THE MANAGER

**Ho Say Keng**

## TRUSTEE

**Maybank Trustees Berhad**
8th Floor, Menara Maybank
100 Jalan Tun Perak
50050 Kuala Lumpur
Tel: 603-2078 8363
Fax: 603-2070 9387
Email: mtb@maybank.com.my

## REGISTRAR

**Pintar Projek Sdn Bhd**
33rd Floor, Menara YTL
205 Jalan Bukit Bintang
55100 Kuala Lumpur
Tel: 603-2038 0888
Fax: 603-2038 0388

## AUDIT COMMITTEE

**Dato' Tan Guan Cheong**
(Chairman and Independent Non-Executive Director)

**Dato' Ahmad Fuaad Bin Mohd Dahalan**
(Independent Non-Executive Director)

**Dato' Zainal Abidin Bin Ahmad**
(Independent Non-Executive Director)

## AUDITORS

**HLB Ler Lum Chew PLT (201906002362 & AF 0276)**
Chartered Accountants
(A member of HLB International)

## STOCK EXCHANGE LISTING

**Bursa Malaysia Securities Berhad**
Main Market (16.12.2005)

# Property Portfolio


## ABOUT YTL HOSPITALITY REIT

YTL Hospitality REIT has a market capitalisation of approximately RM1.59 billion (as at 30 June 2022) with a wide portfolio of prime hotel properties. The hospitality assets range from business to luxury hotels and are spread across a range of unique locations worldwide. In Malaysia, these include the JW Marriott Hotel Kuala Lumpur, The Majestic Hotel Kuala Lumpur, The Ritz-Carlton, Kuala Lumpur (Hotel and Suite wings), the Pangkor Laut, Tanjong Jara and Cameron Highlands resorts and the AC hotels in Kuala Lumpur, Penang and Kuantan. YTL Hospitality REIT's international portfolio comprises Hilton Niseko Village and The Green Leaf Niseko Village in Japan and the Sydney Harbour, Brisbane and Melbourne Marriott hotels in Australia.

YTL Hospitality REIT's principal objective is to provide unitholders with stable cash distributions through owning and investing in yield accretive real estate assets. This provides potential for sustainable growth in its long term unit value, rewarding unitholders with noticeable returns.

YTL Hospitality REIT was listed on 16 December 2005 on the Main Market of Bursa Malaysia Securities Berhad under the name Starhill Real Estate Investment Trust, and consisted of prime properties within the Golden Triangle of Kuala Lumpur – the JW Marriott Hotel Kuala Lumpur, Starhill Gallery and parcels in Lot 10 Shopping Centre. Its principal investment strategy was investing in a diversified portfolio of retail, office and hospitality real estate assets, with an added focus on retail and hotel properties. In 2007, the REIT added part of The Ritz-Carlton, Kuala Lumpur – Suite Wing to its portfolio.

In 2009, the Trust embarked on a rationalisation exercise to reposition itself as a pure play hospitality REIT, focused on building a class of hotel and hospitality-related assets. The first stage of the exercise was completed in June 2010 and involved disposing the REIT's retail properties (Starhill Gallery and parcels in Lot 10 Shopping Centre) to Starhill Global Real Estate Investment Trust in Singapore.

YTL Hospitality REIT subsequently acquired 9 additional hotel properties in November and December 2011, namely, the Pangkor Laut, Tanjong Jara and Cameron Highlands resorts, The Ritz-Carlton, Kuala Lumpur – Hotel Wing, the remainder of The Ritz-Carlton, Kuala Lumpur – Suite Wing, the AC hotels in Kuala Lumpur, Penang and Kuantan, and Hilton Niseko Village in Japan.

The REIT's international portfolio was further strengthened with the acquisitions of the Sydney Harbour, Brisbane and Melbourne Marriott hotels in Australia in November 2012. This extended the geographical scope of the REIT and significantly enhanced brand outreach, ultimately raising its appeal to existing and new investors.

# Property Portfolio

In November 2017, YTL Hospitality REIT enhanced its asset portfolio with the acquisition of The Majestic Hotel Kuala Lumpur, the Trust's tenth property in Malaysia, and, in September 2018, acquired its second hotel in Japan, The Green Leaf Niseko Village.

YTL Hospitality REIT was established by a trust deed entered into on 18 November 2005 (as amended and restated) between Pintar Projek Sdn Bhd ("Pintar Projek") and Maybank Trustees Berhad, as manager and trustee, respectively, of YTL Hospitality REIT.

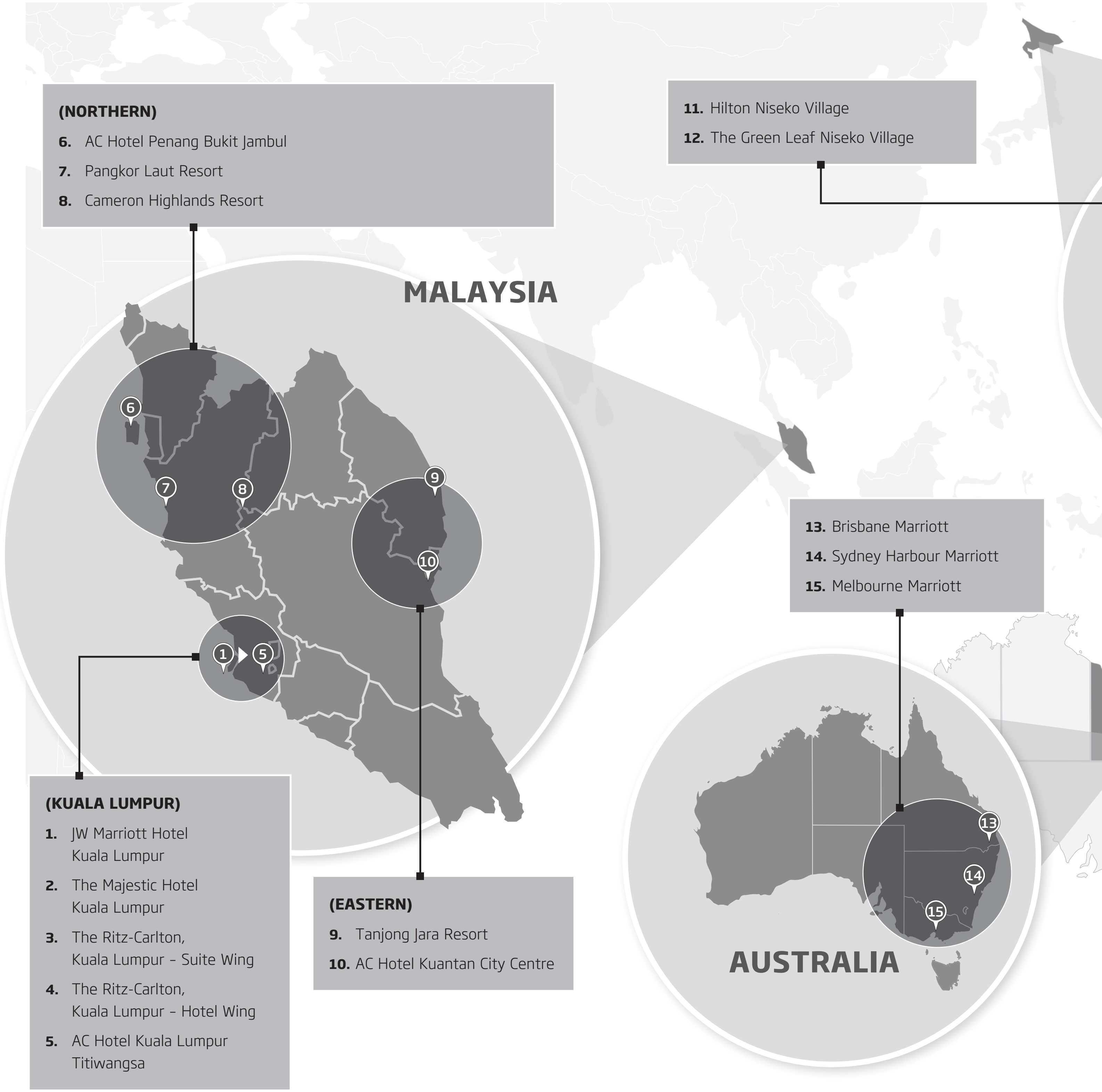
The composition of YTL Hospitality REIT's investment portfolio as at 30 June 2022 is as follows:-

| | RM '000 | % |
|---|---|---|
| **Real Estate – Commercial** | | |
| • JW Marriott Hotel Kuala Lumpur | 526,500 | 11 |
| • The Majestic Hotel Kuala Lumpur | 397,500 | 8 |
| • The Ritz-Carlton, Kuala Lumpur – Hotel Wing | 361,000 | 8 |
| • The Ritz-Carlton, Kuala Lumpur – Suite Wing | 321,000 | 7 |
| • AC Hotel Kuala Lumpur Titiwangsa | 144,500 | 3 |
| • AC Hotel Penang Bukit Jambul | 125,000 | 3 |
| • Pangkor Laut Resort | 122,000 | 3 |
| • Tanjong Jara Resort | 105,000 | 2 |
| • AC Hotel Kuantan City Centre | 94,500 | 2 |
| • Cameron Highlands Resort | 61,000 | 1 |
| • Hilton Niseko Village | 299,925 | 6 |
| • The Green Leaf Niseko Village | 196,403 | 4 |
| • Sydney Harbour Marriott | 1,481,233 | 31 |
| • Brisbane Marriott | 257,310 | 6 |
| • Melbourne Marriott | 233,401 | 5 |
| | 4,726,272 | 100 |
| Deposits with licensed financial institutions | 11,151 | - |
| **Total** | 4,737,423 | 100 |

## ABOUT THE MANAGER

Pintar Projek was incorporated in 1994 and is a 70%-owned subsidiary of YTL Land Sdn Bhd, which is a wholly-owned subsidiary of YTL Corporation Berhad. Pintar Projek's Board of Directors and key personnel comprise competent and capable individuals that have extensive experience in their respective fields of expertise.

## Property Portfolio

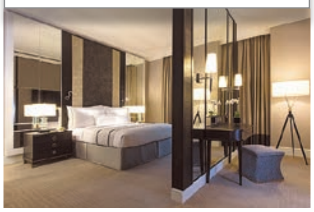


# Property Portfolio


**1.**
JW Marriott Hotel
Kuala Lumpur

**2.**
The Majestic Hotel
Kuala Lumpur

**3.**
The Ritz-Carlton,
Kuala Lumpur - Suite Wing



**4.**
The Ritz-Carlton,
Kuala Lumpur - Hotel Wing

**5.**
AC Hotel Kuala Lumpur
Titiwangsa

**6.**
AC Hotel Penang
Bukit Jambul

**7.**
Pangkor Laut
Resort

**8.**
Cameron
Highlands Resort

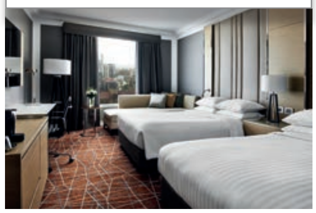
**9.**
Tanjong
Jara Resort

**10.**
AC Hotel Kuantan
City Centre

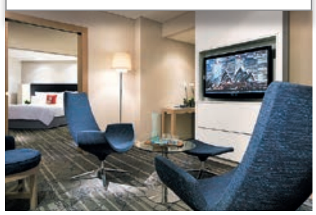
**11.**
Hilton Niseko Village

**12.**
The Green Leaf
Niseko Village

**13.**
Brisbane
Marriott



**14.**
Sydney Harbour
Marriott



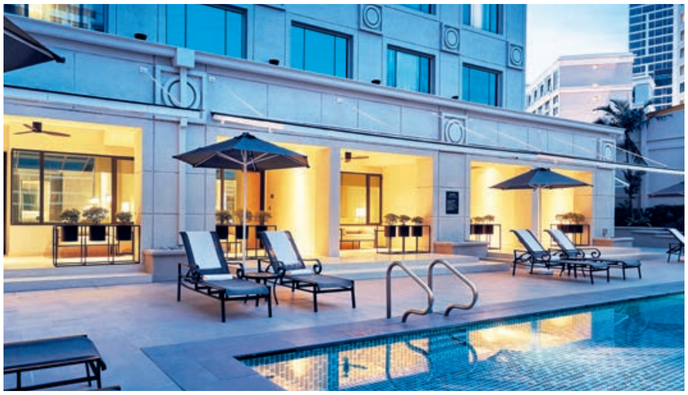
**15.**
Melbourne
Marriott

# JW MARRIOTT HOTEL KUALA LUMPUR

**Address/Location**
No. 183, Jalan Bukit Bintang,
55100 Kuala Lumpur.

**Description**
A 5-star hotel with 578 rooms located on part of an 8-level podium block and entire 24-level tower block of Starhill Gallery together with car park bays located partially at basement 1 and 4 and the entire basement 2, 3 and 5 of JW Marriott Hotel Kuala Lumpur.

| | |
|---|---|
| Property type | Hotel |
| Age | Approximately 25 years |
| Title details | Grant No. 28678/M1/B5/1, within Parcel No. 1, Storey No. B5 of Building No. M1 and 8 accessory parcels for Lot No. 1267 Section 67, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur. |
| Encumbrances/Limitation in title/interest | The property is charged to secure financing and there is no restriction attached to the title. |
| Status of holdings | Freehold |
| Existing use | Commercial building |
| Parking spaces | 490 bays |
| Lessee | Star Hill Hotel Sdn. Bhd. |
| Car park operator | YTL Land Sdn. Bhd. |
| Lease term | The property is leased for a term expiring on 31 December 2023. |
| Date of acquisition | 16 December 2005 |
| Cost of acquisition (including incidentals) | RM331,024,000 |
| Fair value adjustments for the financial year | RM2,416,000 |
| Market value | RM526,500,000 |
| Date of latest valuation | 31 May 2022 |
| Independent valuer | Savills (Malaysia) Sdn Bhd |
| Net book value | RM526,500,000 |



# THE MAJESTIC HOTEL KUALA LUMPUR

| | |
|---|---|
| Property type | Hotel |
| Age | Majestic Wing – Approximately 90 years (refurbished in Year 2012)<br>Tower Wing – Approximately 9 years |
| Title details | Geran 23849 Lot No. 74 Section 59, City and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur. |
| Encumbrances/Limitation in title/interest | The property is charged to secure financing and there is no restriction attached to the title. |
| Status of holdings | 90-year registered lease expiring on 11 May 2091 obtained from Pesuruhjaya Tanah Persekutuan. The unexpired lease period is approximately 69 years. |
| Existing use | Commercial building |
| Parking spaces | 430 bays |
| Lessee | YTL Majestic Hotel Sdn. Bhd. |
| Lease term | The property is leased for a term expiring on 2 November 2032. |
| Date of acquisition | 3 November 2017 |
| Cost of acquisition (including incidentals) | RM384,221,000 |
| Fair value adjustments for the financial year | RM513,000 |
| Market value | RM397,500,000 |
| Date of latest valuation | 31 May 2022 |
| Independent valuer | Savills (Malaysia) Sdn Bhd |
| Net book value | RM397,500,000 |

**Address/Location**

No. 5, Jalan Sultan Hishamuddin, 50000 Kuala Lumpur.

**Description**

A 5-star hotel comprising Majestic Wing (original historic hotel building) comprising 2-storey, 4-storey and 5-storey buildings with 47 rooms and 15-storey Tower Wing with 253 rooms and 3 levels of basement car park.

# THE RITZ-CARLTON, KUALA LUMPUR – HOTEL WING

**Address/Location**
No. 168, Jalan Imbi,
55100 Kuala Lumpur.

**Description**
22-storey 5-star hotel building comprising 251 rooms with 4 levels of basement car parks.

| | |
|---|---|
| Property type | Hotel |
| Age | Approximately 25 years |
| Title details | Grant No. 26579 for Lot No. 225, Section 67, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur. |
| Encumbrances/Limitation in title/interest | The property is charged to secure financing and there is no restriction attached to the title. |
| Status of holdings | Freehold |
| Existing use | Commercial building |
| Parking spaces | 153 bays |
| Lessee | East-West Ventures Sdn. Bhd. |
| Lease term | The property is leased for a term expiring on 14 November 2026. |
| Date of acquisition | 15 November 2011 |
| Cost of acquisition (including incidentals) | RM253,017,000 |
| Fair value adjustments for the financial year | RM885,000 |
| Market value | RM361,000,000 |
| Date of latest valuation | 31 May 2022 |
| Independent valuer | Savills (Malaysia) Sdn Bhd |
| Net book value | RM361,000,000 |

# THE RITZ-CARLTON, KUALA LUMPUR – SUITE WING (PARCEL 1)

| | |
|---|---|
| Property type | Serviced apartment |
| Age | Approximately 17 years |
| Title details | Grant No. 47693 for Lot No. 1308 Section 67, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur. |
| Encumbrances/Limitation in title/interest | The property is charged to secure financing and there is no restriction attached to the title. |
| Status of holdings | Freehold |
| Existing use | Commercial building |
| Parking spaces | Total combined 189 bays from Parcel 1 and Parcel 2. |
| Lessee | Star Hill Hotel Sdn. Bhd. |
| Lease term | The property is leased for a term expiring on 30 June 2031. |
| Date of acquisition | 16 May 2007 |
| Cost of acquisition (including incidentals) | RM125,000,000 |
| Fair value adjustments for the financial year | RM1,986,000 |
| Market value | RM216,000,000 |
| Date of latest valuation | 31 May 2022 |
| Independent valuer | Savills (Malaysia) Sdn Bhd |
| Net book value | RM216,000,000 |

**Address/Location**
No. 168, Jalan Imbi,
55100 Kuala Lumpur.

**Description**
60 units of hotel suites, 4 levels of commercial podium, 1 level of facilities deck and 2 levels of basement car parks, all located on part of a 38-storey block.

# THE RITZ-CARLTON, KUALA LUMPUR - SUITE WING (PARCEL 2)

**Address/Location**
No. 168, Jalan Imbi,
55100 Kuala Lumpur.

**Description**
50 units of hotel suites, 4 units of penthouses and 1 level of basement car park, all located on part of a 38-storey block.

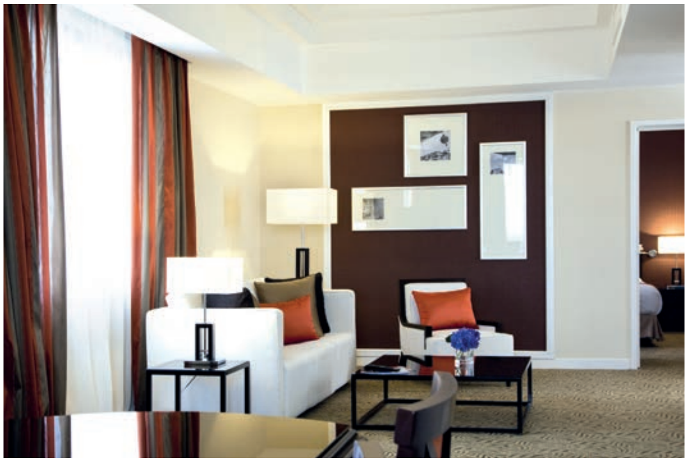
| | |
|---|---|
| Property type | Serviced apartment |
| Age | Approximately 17 years |
| Title details | Grant No. 47693 for Lot No. 1308 Section 67, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur. |
| Encumbrances/Limitation in title/interest | The property is charged to secure financing and there is no restriction attached to the title. |
| Status of holdings | Freehold |
| Existing use | Commercial building |
| Parking spaces | Total combined 189 bays from Parcel 1 and Parcel 2. |
| Lessee | Star Hill Hotel Sdn. Bhd. |
| Lease term | The property is leased for a term expiring on 30 June 2031. |
| Date of acquisition | 15 November 2011 |
| Cost of acquisition (including incidentals) | RM73,881,000 |
| Fair value adjustments for the financial year | RM1,900,000 |
| Market value | RM105,000,000 |
| Date of latest valuation | 31 May 2022 |
| Independent valuer | Savills (Malaysia) Sdn Bhd |
| Net book value | RM105,000,000 |

# AC HOTEL KUALA LUMPUR TITIWANGSA

| | |
|---|---|
| Property type | Hotel |
| Age | Approximately 27 years |
| Title details | Geran 33550, Lot No. 669 in Section 47, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur. |
| Encumbrances/Limitation in title/interest | The property is charged to secure financing and there is no restriction attached to the title. |
| Status of holdings | Freehold |
| Existing use | Commercial building |
| Parking spaces | 125 bays |
| Lessee | Prisma Tulin Sdn. Bhd. |
| Lease term | The property is leased for a term expiring on 14 November 2026. |
| Date of acquisition | 15 November 2011 |
| Cost of acquisition (including incidentals) | RM101,207,000 |
| Fair value adjustments for the financial year | RM469,000 |
| Market value | RM144,500,000 |
| Date of latest valuation | 31 May 2022 |
| Independent valuer | Savills (Malaysia) Sdn Bhd |
| Net book value | RM144,500,000 |

**Address/Location**
No. 9, Jalan Lumut, Off Jalan Ipoh, 50400 Kuala Lumpur.

**Description**
17-storey hotel building with 364 rooms and 2-storey basement car parks.



# AC HOTEL PENANG BUKIT JAMBUL

**Address/Location**
No. 213, Jalan Bukit Gambir, Bukit Jambul, 11950 Pulau Pinang.

**Description**
17-storey Hotel Wing with 238 hotel rooms and 26-storey Suite Wing with 189 hotel suites with an annexed 3-storey podium.

| | |
|---|---|
| Property type | Hotel |
| Age | Approximately 23 years |
| Title details | HSD 9632, Lot No. P.T. 1678, Mukim 13, District of Timor Laut, State of Pulau Pinang. |
| Encumbrances/Limitation in title/interest | The property is free from encumbrances and there is restriction attached to the title. |
| Status of holdings | 99-year leasehold expiring on 27 October 2094. The unexpired lease period is approximately 72 years. |
| Existing use | Commercial building |
| Parking spaces | 367 bays |
| Lessee | Business & Budget Hotels (Penang) Sdn. Bhd. |
| Lease term | The property is leased for a term expiring on 14 November 2026. |
| Date of acquisition | 15 November 2011 |
| Cost of acquisition (including incidentals) | RM101,778,000 |
| Fair value adjustments for the financial year | RM397,000 |
| Market value | RM125,000,000 |
| Date of latest valuation | 31 May 2022 |
| Independent valuer | Savills (Malaysia) Sdn Bhd |
| Net book value | RM125,000,000 |

# PANGKOR LAUT RESORT

| | |
|---|---|
| Property type | Resort |
| Age | Approximately 29 years |
| Title details | PN 313713, Lot 12362 and PN 313715, Lot 12364, both in Mukim of Lumut, District of Manjung, State of Perak Darul Ridzuan. |
| Encumbrances/Limitation in title/interest | The property is free from encumbrances and there is restriction attached to the title. |
| Status of holdings | 99-year registered lease expiring on 21 May 2095 obtained from Perbadanan Kemajuan Negeri Perak. The unexpired lease period is approximately 73 years. |
| Existing use | Commercial building |
| Parking spaces | Not applicable |
| Lessee | Syarikat Pelanchongan Pangkor Laut Sendirian Berhad. |
| Lease term | The property is leased for a term expiring on 14 November 2026. |
| Date of acquisition | 15 November 2011 |
| Cost of acquisition (including incidentals) | RM98,365,000 |
| Fair value adjustments for the financial year | - |
| Market value | RM122,000,000 |
| Date of latest valuation | 31 May 2022 |
| Independent valuer | Savills (Malaysia) Sdn Bhd |
| Net book value | RM122,000,000 |

**Address/Location**
Pangkor Laut Island, 32200 Lumut, Perak Darul Ridzuan.

**Description**
36 units of Garden Villas, 52 units of Hill Villas, 8 units of Beach Villas and 1 unit of Pavarotti Suite.

# TANJONG JARA RESORT

**Address/Location**
Batu 8, Off Jalan Dungun, 23000 Dungun, Terengganu Darul Iman.

**Description**
Small luxury boutique resort with 100 rooms.

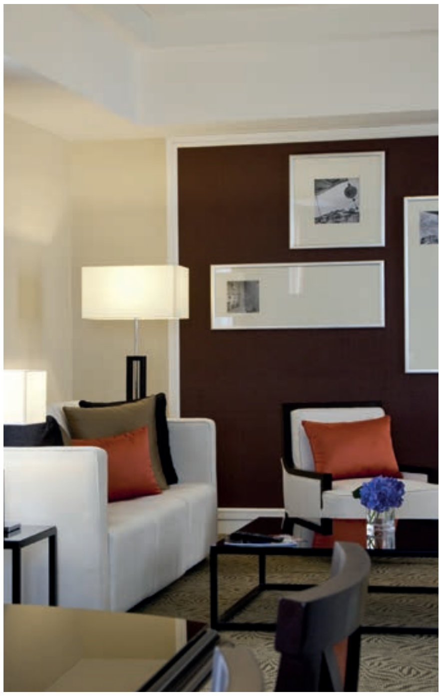
| | |
|---|---|
| Property type | Resort |
| Age | Approximately 27 years |
| Title details | HSD 1473, Lot No. PT 18624, Mukim of Kuala Dungun, District of Dungun, State of Terengganu Darul Iman. |
| Encumbrances/Limitation in title/interest | The property is free from encumbrances and there is restriction attached to the title. |
| Status of holdings | 60-year leasehold expiring on 4 December 2067. The unexpired lease period is approximately 45 years. |
| Existing use | Commercial building |
| Parking spaces | 50 bays |
| Lessee | Tanjong Jara Beach Hotel Sdn. Bhd. |
| Lease term | The property is leased for a term expiring on 14 November 2026. |
| Date of acquisition | 15 November 2011 |
| Cost of acquisition (including incidentals) | RM88,050,000 |
| Fair value adjustments for the financial year | RM300,000 |
| Market value | RM105,000,000 |
| Date of latest valuation | 31 May 2022 |
| Independent valuer | Savills (Malaysia) Sdn Bhd |
| Net book value | RM105,000,000 |

# AC HOTEL KUANTAN CITY CENTRE

| | |
|---|---|
| Property type | Hotel |
| Age | Approximately 23 years |
| Title details | Lot No. 714, Section 37 held under PN No. 13491, Town and District of Kuantan, State of Pahang Darul Makmur. |
| Encumbrances/Limitation in title/interest | The property is charged to secure financing and there is restriction attached to the title. |
| Status of holdings | 99-year leasehold expiring on 11 July 2092. The unexpired lease period is approximately 70 years. |
| Existing use | Commercial building |
| Parking spaces | 149 bays |
| Lessee | Business & Budget Hotels (Kuantan) Sdn. Bhd. |
| Lease term | The property is leased for a term expiring on 14 November 2026. |
| Date of acquisition | 15 November 2011 |
| Cost of acquisition (including incidentals) | RM75,980,000 |
| Fair value adjustments for the financial year | RM502,000 |
| Market value | RM94,500,000 |
| Date of latest valuation | 31 May 2022 |
| Independent valuer | Savills (Malaysia) Sdn Bhd |
| Net book value | RM94,500,000 |

**Address/Location**
Jalan Teluk Sisek, 25000 Kuantan, Pahang Darul Makmur.

**Description**
8-storey hotel building with 215 rooms.



# CAMERON HIGHLANDS RESORT

**Address/Location**
By the Golf Course, 39000 Tanah Rata, Cameron Highlands, Pahang Darul Makmur.

**Description**
3-storey luxury resort with a 2-storey spa village block with 56 rooms and suites and a single storey building.

| | |
|---|---|
| Property type | Resort |
| Age | Approximately 48 years |
| Title details | HSD 3881 for Lot No. PT 1812, Mukim of Tanah Rata, District of Cameron Highlands, State of Pahang Darul Makmur. |
| Encumbrances/Limitation in title/interest | The property is charged to secure financing and there is no restriction attached to the title. |
| Status of holdings | 99-year leasehold expiring on 9 December 2108. The unexpired lease period is approximately 86 years. |
| Existing use | Commercial building |
| Parking spaces | 19 bays |
| Lessee | Cameron Highlands Resort Sdn. Bhd. |
| Lease term | The property is leased for a term expiring on 14 November 2026. |
| Date of acquisition | 15 November 2011 |
| Cost of acquisition (including incidentals) | RM50,649,000 |
| Fair value adjustments for the financial year | - |
| Market value | RM61,000,000 |
| Date of latest valuation | 31 May 2022 |
| Independent valuer | Savills (Malaysia) Sdn Bhd |
| Net book value | RM61,000,000 |

# HILTON NISEKO VILLAGE

| | |
|---|---|
| Property type | Hotel |
| Age | Approximately 28 years |
| Title details | Lot No. 919-15, 919-18, 919-19, 920-4, 920-5 and 920-7, Aza-Soga, Niseko-cho, Abuta-gun and Lot No. 214-6, 252-2 and 264-4, Aza-Kabayama, Kutchan-cho, Abuta-gun, Hokkaido, Japan. |
| Encumbrances/Limitation in title/interest | The property is charged to secure financing and there is no restriction attached to the title. |
| Status of holdings | Freehold |
| Existing use | Commercial building |
| Parking spaces | 290 bays |
| Lessee | Niseko Village K.K. |
| Lease term | The property is leased for a term expiring on 21 December 2026. |
| Date of acquisition | 22 December 2011 |
| Cost of acquisition (including incidentals) | JPY6,402,726,000 |
| Fair value adjustments for the financial year | JPY1,240,000,000 or RM44,786,000 |
| Market value | JPY9,300,000,000 |
| Date of latest valuation | 31 May 2022 |
| Independent valuer | Savills Japan Co., Ltd. |
| Net book value | RM299,925,000 |

**Address/Location**
Aza-Soga, Niseko-cho, Abuta-gun, Hokkaido.

**Description**
16-storey hotel building with 1-storey of basement comprising 506 rooms.

# THE GREEN LEAF NISEKO VILLAGE

**Address/Location**
Aza-Higashiyama, Niseko-cho, Abuta-gun, Hokkaido.

**Description**
5-storey hotel building with 1-storey of basement comprising 200 rooms.

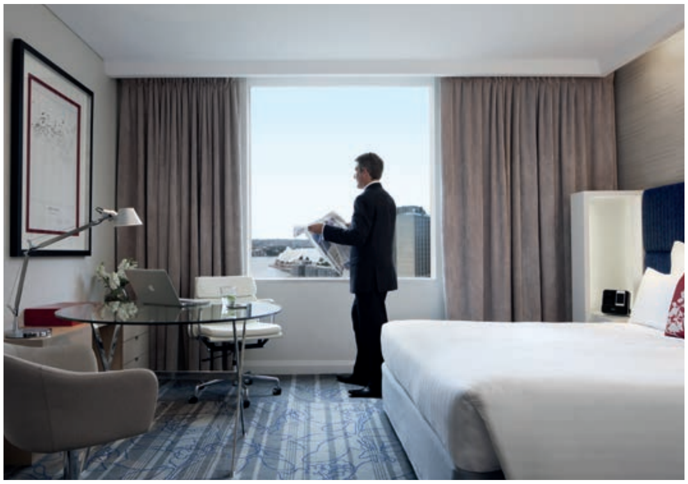
| | |
|---|---|
| Property type | Hotel |
| Age | Approximately 39 years |
| Title details | Lot No. 1-2, 5-4, 6-2 and 7-3, Aza-Higashiyama, Niseko-cho, Abuta-gun, Hokkaido, Japan. |
| Encumbrances/Limitation in title/interest | The property is charged to secure financing and there is no restriction attached to the title. |
| Status of holdings | Freehold |
| Existing use | Commercial building |
| Parking spaces | Nil |
| Lessee | Niseko Village K.K. |
| Lease term | The property is leased for a term expiring on 25 September 2048. |
| Date of acquisition | 26 September 2018 |
| Cost of acquisition (including incidentals) | JPY6,005,452,000 |
| Fair value adjustments for the financial year | JPY20,000,000 or RM723,000 |
| Market value | JPY6,090,000,000 |
| Date of latest valuation | 31 May 2022 |
| Independent valuer | JLL Morii Valuation & Advisory K.K. |
| Net book value | RM196,403,000 |

# SYDNEY HARBOUR MARRIOTT

| | |
|---|---|
| Property type | Hotel |
| Age | Approximately 33 years |
| Title details | Lot 1 in Deposited Plan 804285 in the Local Government Area of Sydney, Parish of St James and County of Cumberland. |
| Encumbrances/Limitation in title/interest | The property is charged to secure financing and there is no restriction attached to the title. |
| Status of holdings | Freehold |
| Existing use | Commercial building |
| Parking spaces | Approximately 45 bays |
| Average occupancy rate | 39.05% |
| Date of acquisition | 29 November 2012 |
| Cost of acquisition (including incidentals) | AUD264,618,000 |
| Fair value adjustments for the financial year | AUD43,133,000 or RM132,245,000 |
| Market value | AUD489,000,000 |
| Date of latest valuation | 31 May 2022 |
| Independent valuer | CIVAS (NSW) Pty Limited |
| Net book value | RM1,481,233,000 |

**Address/Location**
30 Pitt Street, Sydney,
New South Wales.

**Description**
33-storey hotel building with central atrium comprising 595 rooms including 3 levels of basement with car parking bays.



# BRISBANE MARRIOTT

**Address/Location**
515 Queen Street, Brisbane, Queensland.

**Description**
28-storey hotel building comprising 267 rooms with 3 levels of basement car park.

| | |
|---|---|
| Property type | Hotel |
| Age | Approximately 24 years |
| Title details | Lot 5 on Survey Plan 100339 comprised in Certificate of Title Reference No. 50218402 in the Parish of North Brisbane and County of Stanley. |
| Encumbrances/Limitation in title/interest | The property is charged to secure financing and there is no restriction attached to the title. |
| Status of holdings | Freehold |
| Existing use | Commercial building |
| Parking spaces | 78 bays |
| Average occupancy rate | 59.09% |
| Date of acquisition | 29 November 2012 |
| Cost of acquisition (including incidentals) | AUD120,311,000 |
| Fair value adjustments for the financial year | AUD3,360,000 or RM10,300,000 |
| Market value | AUD85,000,000 |
| Date of latest valuation | 31 May 2022 |
| Independent valuer | CIVAS (QLD) Pty Limited |
| Net book value | RM257,310,000 |

# MELBOURNE MARRIOTT

| | |
|---|---|
| Property type | Hotel |
| Age | Approximately 40 years |
| Title details | Lot 1 on Plan of Subdivision 349277H (Volume 10323 Folio 372) and Lot 1 on Plan of Subdivision 349276K (Volume 10323 Folio 375) in the Local Government Area of City of Melbourne Council and Parish of North Melbourne. |
| Encumbrances/Limitation in title/interest | The property is charged to secure financing and there is no restriction attached to the title. |
| Status of holdings | Freehold |
| Existing use | Commercial building |
| Parking spaces | Approximately 80 bays |
| Average occupancy rate | 37.14% |
| Date of acquisition | 29 November 2012 |
| Cost of acquisition (including incidentals) | AUD56,404,000 |
| Fair value adjustments for the financial year | AUD4,267,000 or RM13,082,000 |
| Market value | AUD76,500,000 |
| Date of latest valuation | 31 May 2022 |
| Independent valuer | CIVAS (NSW) Pty Limited |
| Net book value | RM233,401,000 |

**Address/Location**
Corner Exhibition and Lonsdale Streets, Melbourne, Victoria.

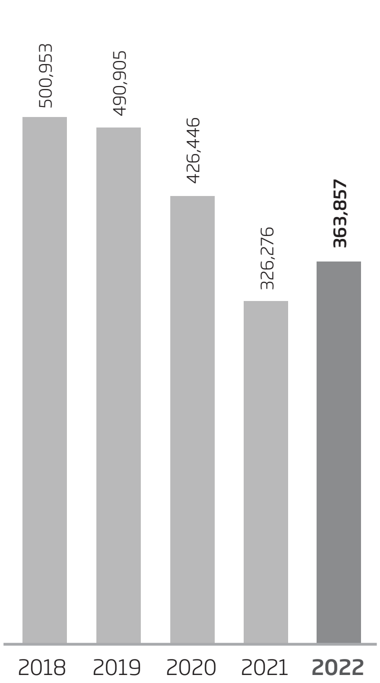
**Description**
16-storey hotel building comprising 186 rooms with 5 split levels of car park.


# Financial Highlights

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Revenue (RM'000)*1 | **363,857** | 326,276 | 426,446 | 490,905 | 500,953 |
| Net property income (RM'000)*1 | **214,818** | 205,269 | 235,219 | 253,279 | 248,827 |
| Total income distribution (RM'000) | **67,409** *2 | 70,964 | 114,390 *3 | 134,154 | 134,107 |
| Total assets (RM'000) | **4,902,250** | 4,871,874 | 4,693,536 | 4,864,777 | 4,511,655 |
| Net asset value (RM'000) | **2,772,748** | 2,705,319 | 2,555,899 | 2,737,100 | 2,718,511 |
| Units in circulation ('000) | **1,704,389** | 1,704,389 | 1,704,389 | 1,704,389 | 1,704,389 |
| Net asset value per Unit (RM) | **1.627** | 1.587 | 1.500 | 1.606 | 1.595 |
| Distribution per Unit (sen) | **3.9550** *2 | 4.1636 | 6.7115 *3 | 7.8711 | 7.8683 |
| Earnings per Unit (sen) | **4.92** | 4.86 | 0.56 | 6.14 | 13.88 |

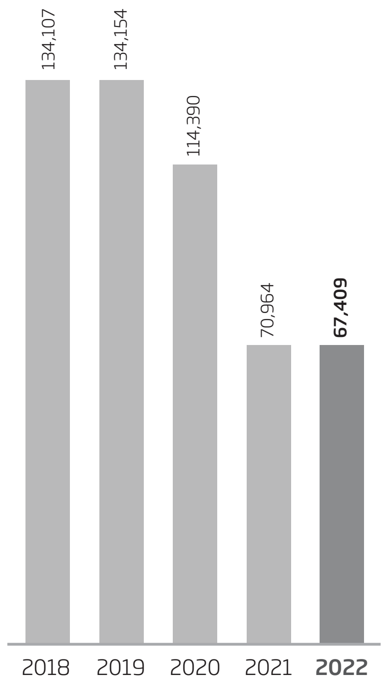
*1 *Included accrued lease income-unbilled pursuant to the requirements of MFRS 16, Leases (from FY2021 onwards).*
*2 *Representing approximately 95% of the total distributable income.*
*3 *Representing approximately 90% of the total distributable income.*

**Revenue**
(RM'000)



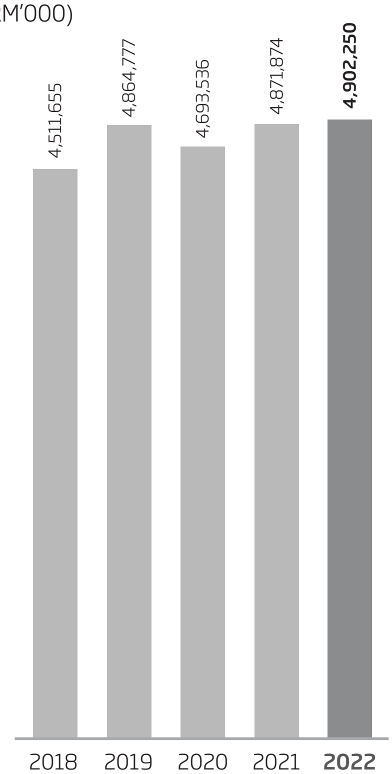

**Net Property Income**
(RM'000)


**Total Income Distribution**
(RM'000)

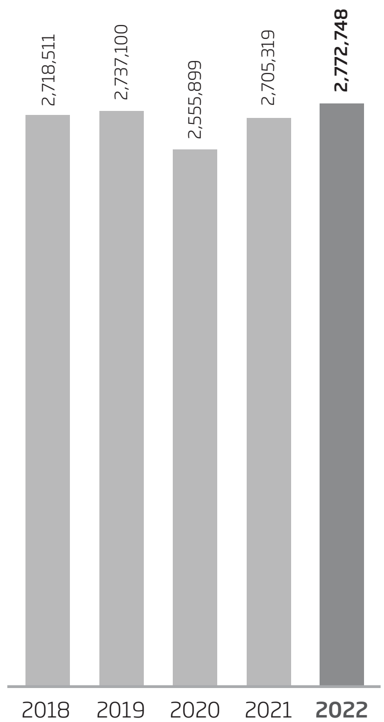


# Financial Highlights

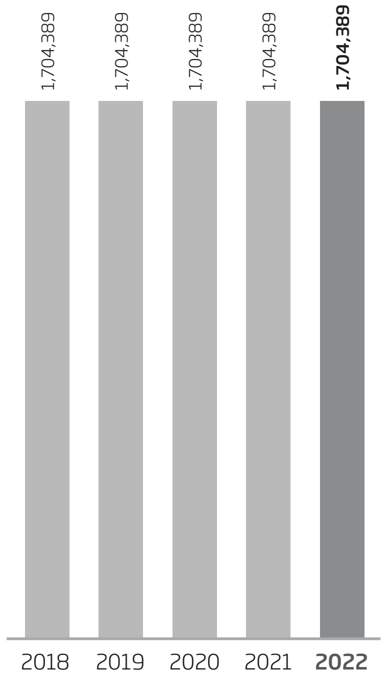
**Total Assets**
(RM'000)



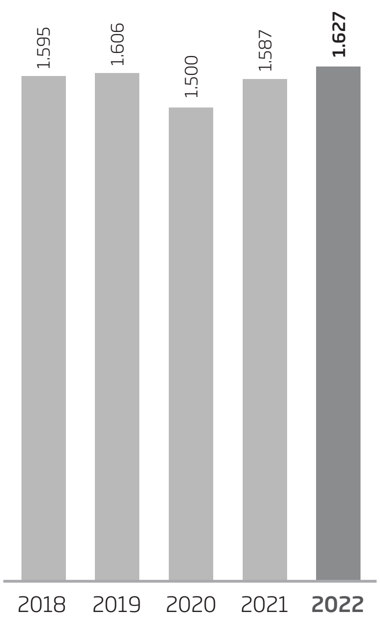

**Net Asset Value**
(RM'000)



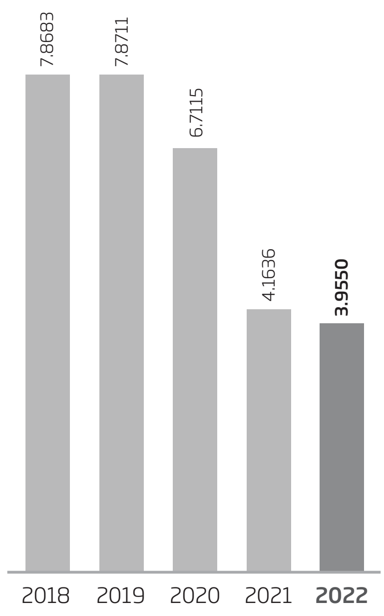

**Units In Circulation**
('000)



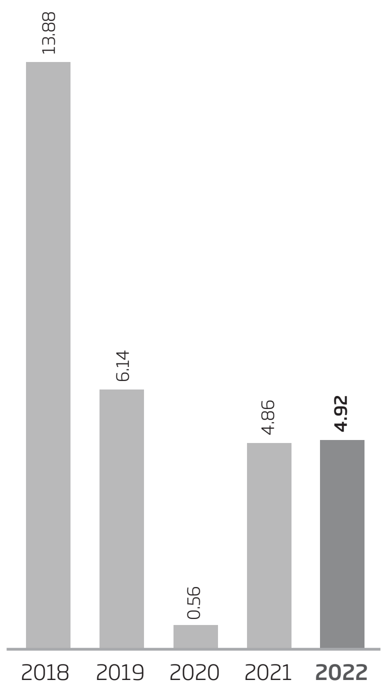

**Net Asset Value Per Unit**
(RM)




**Distribution Per Unit**
(sen)




**Earnings Per Unit**
(sen)



# Fund Performance

## (I) PORTFOLIO COMPOSITION OF THE GROUP

| At 30 June | 2022 % | 2021 % | 2020 % | 2019 % | 2018 % |
|---|---|---|---|---|---|
| Real estate | **100** | 100 | 99 | 99 | 99 |
| Non-real estate-related assets | **-** | - | - | - | - |
| Deposits | **-** | - | 1 | 1 | 1 |
| | **100** | 100 | 100 | 100 | 100 |

## (II) NET ASSET VALUE & UNIT INFORMATION

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Total assets (RM'000) | **4,902,250** | 4,871,874 | 4,693,536 | 4,864,777 | 4,511,655 |
| Total net asset value ("NAV") (RM'000) | | | | | |
| - as at 30 June (before income distribution) | **2,840,157** | 2,776,283 | 2,670,289 | 2,871,254 | 2,852,618 |
| - as at 30 June (after income distribution) | **2,772,748** | 2,705,319 | 2,555,899 | 2,737,100 | 2,718,511 |
| Units in circulation ('000) | **1,704,389** | 1,704,389 | 1,704,389 | 1,704,389 | 1,704,389 |
| NAV per Unit (RM) | | | | | |
| - as at 30 June (before income distribution) | **1.666** | 1.629 | 1.567 | 1.685 | 1.674 |
| - as at 30 June (after income distribution) | **1.627** | 1.587 | 1.500 | 1.606 | 1.595 |
| - Highest NAV during the year | **1.627** | 1.587 | 1.584 | 1.606 | 1.595 |
| - Lowest NAV during the year | **1.551** | 1.512 | 1.500 | 1.551 | 1.398 |
| Market value per Unit (RM) | | | | | |
| - as at 30 June | **0.95** | 0.90 | 1.05 | 1.34 | 1.17 |
| - Weighted average price for the year | **0.93** | 0.85 | 1.23 | 1.25 | 1.17 |
| - Highest traded price for the year | **1.01** | 1.08 | 1.38 | 1.37 | 1.28 |
| - Lowest traded price for the year | **0.87** | 0.70 | 0.75 | 1.15 | 1.08 |

## (III) PERFORMANCE DETAILS OF THE GROUP

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| Distribution per Unit (sen) | | | | | |
| – First interim | **1.8880** | 1.8105 | 1.9584 | 1.9219 | 1.9737 |
| – Second interim | **-** | – | 1.9158 | 1.9387 | 1.9917 |
| – Third interim | **-** | – | – (6) | 1.9116 | 1.9378 |
| – Final | **2.0670** | 2.3531 | 2.8373 | 2.0989 | 1.9651 |
| | **3.9550** (4) | 4.1636 (5) | 6.7115 | 7.8711 | 7.8683 |
| Distribution date | | | | | |
| – First interim | **31 March 2022** | 31 March 2021 | 27 December 2019 | 28 December 2018 | 29 December 2017 |
| – Second interim | **-** | – | 25 March 2020 | 29 March 2019 | 30 March 2018 |
| – Third interim | **-** | – | – (6) | 28 June 2019 | 29 June 2018 |
| – Final | **30 August 2022** | 30 August 2021 | 28 August 2020 | 30 August 2019 | 30 August 2018 |
| Distribution yield (%) (1) | **4.25** | 4.90 | 5.46 | 6.30 | 6.73 |
| Management expense ratio (%) | **0.47** | 0.47 | 0.61 | 0.84 | 0.55 |
| Total return (%) (2) | **13.66** | (26.00) (5) | 3.86 | 13.13 | 7.59 |

| | 2022 |
|---|---|
| Average total return (3) | |
| – One year | **13.66** |
| – Three years | **(2.82)** |
| – Five years | **2.45** |

**Notes:**

1. *Distribution yield is computed based on weighted average market price of the respective financial year.*
2. *Total return is computed based on the distribution yield per unit and the change in the weighted average market price of the respective financial year.*
3. *Average total return is computed based on total return per unit averaged over number of years.*
4. *Representing approximately 95% of the total distributable income.*
5. *Distribution per Unit was lower for financial year ended 30 June 2021 due to impact of COVID-19 pandemic on hospitality sector.*
6. *Change of income distribution frequency from quarterly to semi-annually effective from the financial quarter ended 31 March 2020.*

Past performance is not necessarily indicative of future performance and unit prices and investment returns may fluctuate.

# GROUP OVERVIEW

## OVERVIEW OF YTL HOSPITALITY REIT

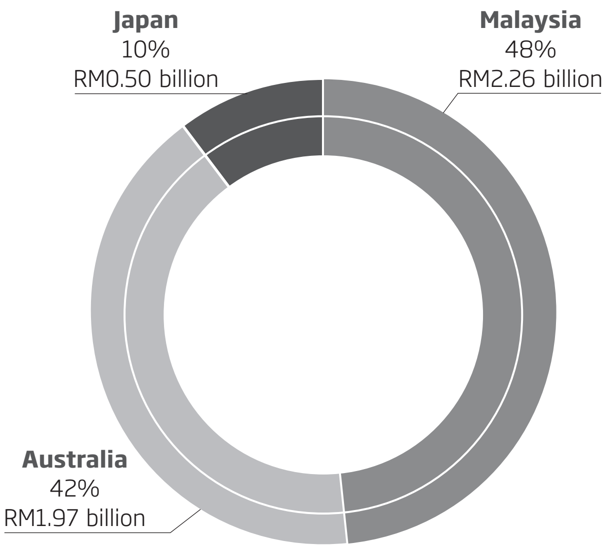
YTL Hospitality REIT ("YTL REIT" or "Trust") was established on 18 November 2005 pursuant to a trust deed (as amended and restated) ("Trust Deed") entered into between Pintar Projek Sdn Bhd, the Manager, and Maybank Trustees Berhad, the Trustee of YTL REIT, and is categorised as a real estate investment trust fund.

YTL REIT was listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 16 December 2005 and is an income and growth type fund. The investment objective of YTL REIT is to own and invest in real estate and real estate-related assets, whether directly or indirectly through the ownership of single-purpose companies whose principal assets comprise real estate.

The investment portfolio of YTL REIT in Malaysia as at 30 June 2022 comprises The Majestic Hotel Kuala Lumpur, JW Marriott Hotel Kuala Lumpur, The Ritz-Carlton, Kuala Lumpur – Suite Wing ("The Ritz Carlton Suite Wing"), Cameron Highlands Resort, AC Hotel Penang Bukit Jambul ("AC Hotel Penang"), AC Hotel Kuala Lumpur Titiwangsa ("AC Hotel Kuala Lumpur"), AC Hotel Kuantan City Centre ("AC Hotel Kuantan"), The Ritz-Carlton, Kuala Lumpur – Hotel Wing ("The Ritz Carlton Hotel Wing"), Tanjong Jara Resort and part of Pangkor Laut Resort.

The Trust's international portfolio comprises Hilton Niseko Village and The Green Leaf in Hokkaido, Japan, and the Sydney Harbour Marriott, Brisbane Marriott and Melbourne Marriott in Australia.

**Asset Breakdown by Country as at 30 June 2022**



## COMPOSITION OF INVESTMENT PORTFOLIO

As at the reporting date, the composition of the YTL REIT Group's investment portfolio is as follows:-

| | Fair value as at 30.6.2022 RM'000 | % of total investment | Fair value as at 30.6.2021 RM'000 | % of total investment |
|---|---|---|---|---|
| **Real Estate - Commercial** | | | | |
| **Properties in Malaysia** | | | | |
| 1. JW Marriott Hotel Kuala Lumpur | **526,500** | **11** | 523,500 | 11 |
| 2. The Majestic Hotel Kuala Lumpur | **397,500** | **8** | 396,500 | 8 |
| 3. The Ritz-Carlton Hotel Wing | **361,000** | **8** | 360,000 | 8 |
| 4. The Ritz-Carlton Suite Wing | **321,000** | **7** | 316,500 | 7 |
| 5. AC Hotel Kuala Lumpur | **144,500** | **3** | 142,000 | 3 |
| 6. AC Hotel Penang | **125,000** | **3** | 122,900 | 3 |
| 7. Pangkor Laut Resort | **122,000** | **3** | 122,000 | 3 |
| 8. Tanjong Jara Resort | **105,000** | **2** | 104,700 | 2 |
| 9. AC Hotel Kuantan | **94,500** | **2** | 92,400 | 2 |
| 10. Cameron Highlands Resort | **61,000** | **1** | 61,000 | 1 |
| **Properties in Japan** | | | | |
| 11. Hilton Niseko Village | **299,925** | **6** | 303,056 | 6 |
| 12. The Green Leaf Niseko Village | **196,403** | **4** | 228,232 | 5 |
| **Properties in Australia** | | | | |
| 13. Sydney Harbour Marriott | **1,481,233** | **31** | 1,434,008 | 30 |
| 14. Brisbane Marriott | **257,310** | **6** | 264,737 | 6 |
| 15. Melbourne Marriott | **233,401** | **5** | 229,301 | 5 |
| **Sub-total** | **4,726,272** | **100** | **4,700,834** | **100** |
| Deposits with licensed financial institutions | **11,151** | **-** | 18,130 | - |
| **Total** | **4,737,423** | **100** | **4,718,964** | **100** |

Further details about the Trust's properties can be found in the *Property Portfolio* in this Annual Report.

## MANAGER'S INVESTMENT STRATEGIES AND POLICIES

### Investment Strategies

During the financial year, despite the prolonged COVID-19 pandemic, the Manager continued to carry out the following investment strategies, assessing all business and investment opportunities that arose, in order to achieve YTL REIT's business objectives:-

**(i) Operating Strategy**

The Trust continued to focus on the acquisition of hotel properties located both in Malaysia and internationally, subject to attractive valuations that will provide yield accretive returns to the unitholders and maintained the quality of the properties under its current portfolio.

The Trust was also able to leverage on focused co-branding and cross marketing strategies to enhance the performance of its hospitality assets that include integrated conference facilities to draw international business interest and internationally acclaimed food and beverage outlets.

**(ii) Acquisition Strategy**

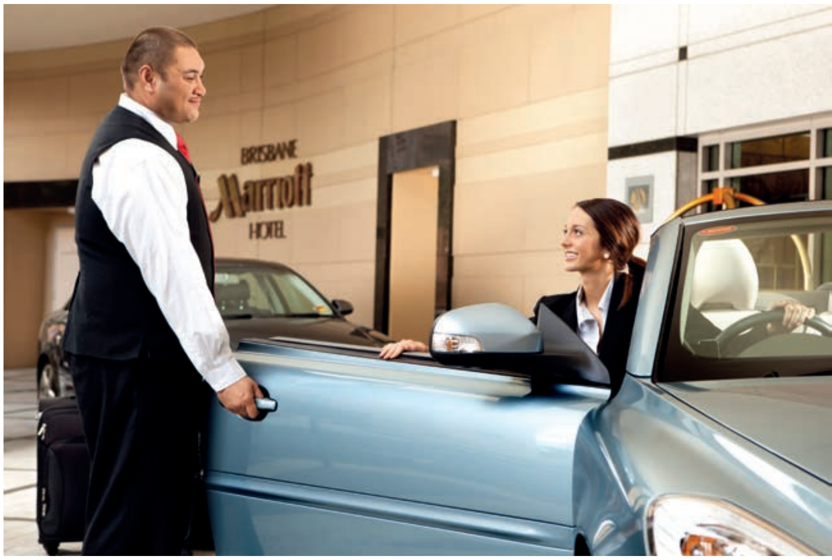
The Manager seeks to increase cash flow and enhance unit value through selective acquisitions. This acquisition strategy takes into consideration:-

(a) location;

(b) opportunities; and

(c) yield thresholds.

The Manager also has access to networks and relationships with leading participants in the real estate and hotel industry which may assist YTL REIT in identifying (a) acquisition opportunities to achieve favourable returns on invested capital and growth in cash flow; and (b) underperforming assets.




The Manager intends to hold properties on a long-term basis with the objective to consume substantially all of the economic benefits through generation of rental income, rather than through sale. However, in the future where the Manager considers that any property has reached a stage that offers only limited scope for growth and in the best interest of the unitholders, the Manager may consider selling the property and using the proceeds for alternative investments in properties that meet its investment criteria.

**(iii) Capital Management Strategy**

The Manager optimises YTL REIT's capital structure and cost of capital within the borrowing limits prescribed by the Guidelines on Listed Real Estate Investment Trusts issued by the Securities Commission Malaysia ("SC") ("Listed REIT Guidelines") via a combination of debt and equity funding for future acquisitions and improvement works of its properties. This capital management strategy involves:-

(a) adopting and maintaining an optimal gearing level; and

(b) adopting an active interest rate management strategy to manage risks associated with changes in interest rates while maintaining flexibility in YTL REIT's capital structure to meet future investment and/or capital expenditure requirements.

# Management Discussion & Analysis
## GROUP OVERVIEW

### Investment Policies

The Manager will continue to comply with the Listed REIT Guidelines and other requirements as imposed by the SC from time to time and the Trust Deed, including (i) to invest in investment permitted by the SC; and (ii) to ensure the investment portfolio requirements and limits imposed by the Listed REIT Guidelines and/or the Trust Deed are adhered to.

Permissible investments of a REIT, requirements and restrictions on investments and activities include the following:-

**(a) Real estate assets**

At least 75% of a REIT's total asset value must be invested in real estate that generates recurrent rental income at all times. The aggregate investments in property development activities and real estate under construction, must not exceed 15% of the REIT's total asset value and cannot be accounted towards meeting the 75% requirement.

**(b) Non-real estate assets**

The value of a REIT's investments in securities (which must be traded, except for unlisted debt securities) issued by any single issuer and group of companies must not exceed 5% and 10%, respectively.

**(c) Cash, deposits and money market instrument**

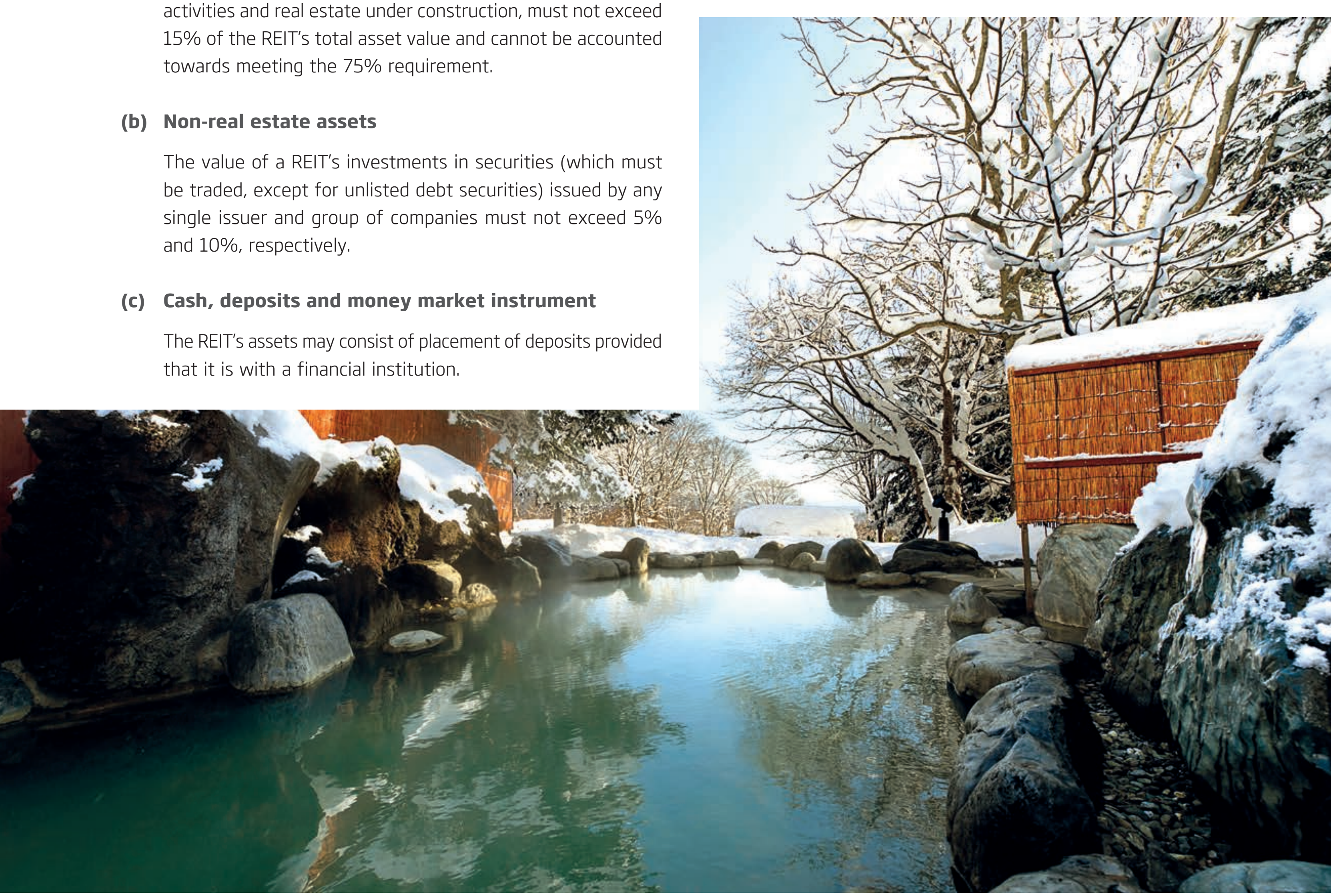
The REIT's assets may consist of placement of deposits provided that it is with a financial institution.

## DISTRIBUTION POLICY

Pursuant to the Trust Deed, it is the policy of the Manager to distribute at least 90% of the distributable income for each financial year.

Commencing from the financial quarter ended 31 March 2020 of the financial year ended 30 June 2020, the frequency of distribution was changed from quarterly to semi-annually.

The switch of distribution frequency from quarterly to semi-annually for each six-month period ending 30 June and 31 December has enabled the Trust to preserve and better manage its cashflows and achieve savings in terms of cost and administrative resources in view of the unprecedented COVID-19 pandemic.



# FINANCIAL REVIEW

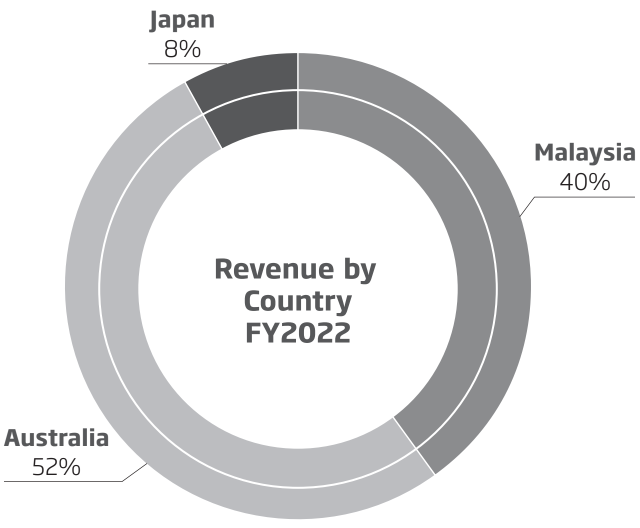
## PERFORMANCE OF THE GROUP

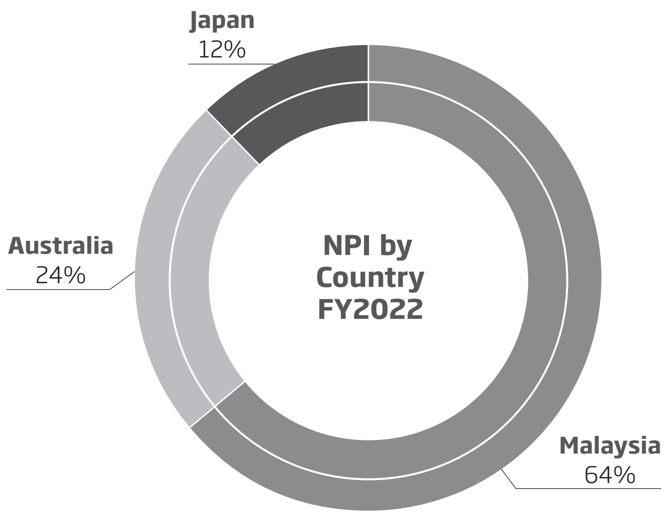
| | FY2022 RM'000 | FY2021 RM'000 | Change % |
|---|---|---|---|
| Revenue | | | |
| - Hotel revenue (Management contracts) | **189,334** | 151,063 | +25.3 |
| - Property revenue (Master leases) | **174,523** | 175,213 | (0.4) |
| Total revenue | **363,857** | 326,276 | +11.5 |
| Net property income ("NPI") | | | |
| - Management contracts | **51,024** | 41,073 | +24.2 |
| - Master leases | **163,794** | 164,196 | (0.2) |
| NPI | **214,818** | 205,269 | +4.7 |
| Profit before tax | **87,020** | 86,418 | +0.7 |
| Income available for distribution | **70,956** | 70,965 | - |
| Total income distribution | **67,409** | 70,964 | (5.0) |

# Management Discussion & Analysis
## FINANCIAL REVIEW

**Segmental Results of the Group**

| | Property rental | | Hotel | |
|---|---|---|---|---|
| | Malaysia RM'000 | Japan RM'000 | Australia RM'000 | Total RM'000 |
| **FY2022** | | | | |
| External revenue | **146,044** | **28,479** | **189,334** | **363,857** |
| Operating expenses | **(7,388)** | **(3,341)** | **(138,310)** | **(149,039)** |
| NPI | **138,656** | **25,138** | **51,024** | **214,818** |
| **FY2021** | | | | |
| External revenue | 146,044 | 29,169 | 151,063 | 326,276 |
| Operating expenses | (7,388) | (3,629) | (109,990) | (121,007) |
| NPI | 138,656 | 25,540 | 41,073 | 205,269 |



# FINANCIAL REVIEW

**Review of Financial Performance**

The Group recorded revenue and net property income of RM363.857 million and RM214.818 million, respectively, for the financial year ended 30 June 2022 as compared to RM326.276 million and RM205.269 million, respectively, for the previous financial year ended 30 June 2021. This represented an increase of 11.5% and 4.7%, respectively.

The Group recorded profit before tax of RM87.020 million for the current financial year ended 30 June 2022, an increase of 0.7% as compared to profit before tax of RM86.418 million recorded in the preceding financial year due to the following factors:-

(i) improved performance from the hotel segment during the current financial year as explained in the *Review of Operating Business Segments* below; and

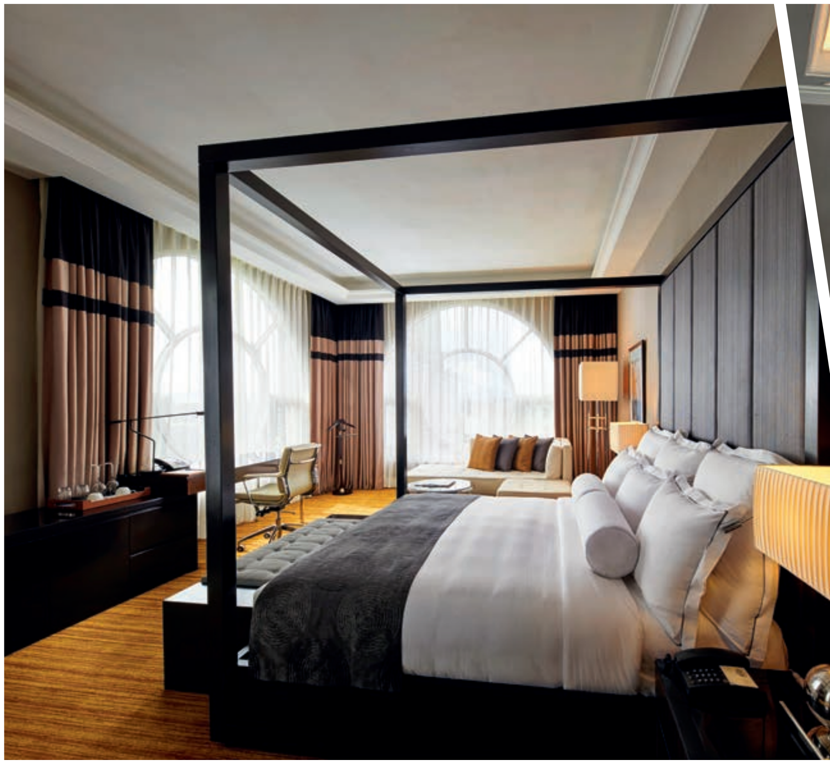
(ii) unrealised foreign currency translation gain of RM12.829 million on borrowings denominated in foreign currencies as compared to an unrealised foreign currency translation loss of RM3.321 million recognised during the preceding financial year;

which was offset by:-

(a) a lower revaluation gain of RM10.300 million from the reversal of impairment loss previously recognised on a property in Australia as compared to a gain of RM25.767 million recorded in the preceding financial year; and

(b) a higher fair value loss on unbilled lease income in the current financial year of RM71.517 million as compared to a loss of RM63.693 million recorded in the preceding financial year.

Income available for distribution in the current financial year of RM70.956 million, approximated that of RM70.965 million recorded in the preceding financial year. Income available for distribution for the current and preceding financial years reflected the impact of the rental variations for the Malaysian and Japanese properties (except The Green Leaf Niseko Village) whereby the lease rentals were deferred by 50% for twenty-four months commencing 1 July 2020 until 30 June 2022. Repayment of the rental differences will be on a staggered basis within seven years after 30 June 2022 or over remaining tenures of the existing leases, whichever is earlier.



***Review of Operating Business Segments***

The performance of the respective operating business segments for the financial year ended 30 June 2022 as compared to the preceding financial year is analysed as follows:-

- ***Hotel***

  For the current financial year, revenue and net property income from the Australian portfolio improved following the reopening of the country's international borders. With the relaxation of restrictions, corporate and leisure travellers have returned, resulting in better performance. Higher income was also received under the government isolation group business programme as compared to the preceding financial year.

- ***Property rental***

  Revenue and net property income from the Malaysian and Japanese properties approximated that of the preceding financial year.

# Management Discussion & Analysis
## FINANCIAL REVIEW

### DISTRIBUTION OF INCOME

An interim distribution of income for the six months from 1 July 2021 to 31 December 2021 (which is tax exempt at the Trust level under the amended Section 61A of the Income Tax Act 1967) of 1.8880 sen per unit (of which 1.8461 sen is taxable and 0.0419 sen is non-taxable in the hands of unitholders) amounting to RM32,178,862 was paid on 31 March 2022.

For the six months from 1 January 2022 to 30 June 2022, the Manager has declared a final income distribution (which is tax exempt at the Trust level under the amended Section 61A of the Income Tax Act 1967) of 2.0670 sen per unit (of which 1.7576 sen is taxable and 0.3094 sen is non-taxable in the hands of unitholders), totalling RM35,229,718.

Total distribution paid and declared for the financial year ended 30 June 2022 is 3.9550 sen per unit, totalling RM67,408,580, which translates to a yield of 4.25% based on the twelve months weighted average market price of RM0.93 per unit.

The total income distribution of RM67,408,580 represents approximately 95% of the realised and distributable income for the financial year ended 30 June 2022.

The effect of the income distribution in terms of the net asset value per unit of the Group as at 30 June 2022 is as follows:-

| | Before distribution RM | After distribution RM |
|---|---|---|
| Net asset value ("NAV") per unit | 1.666 | 1.627 |

## FINANCIAL POSITION

| As at 30 June | 2022 RM'000 | 2021 RM'000 | Change % |
|---|---|---|---|
| Investment properties | **2,754,328** | 2,772,788 | (0.7) |
| Property, plant and equipment | **1,971,944** | 1,928,046 | +2.3 |
| Cash & cash equivalents | **83,633** | 106,702 | (21.6) |
| Other assets | **92,345** | 64,338 | +43.5 |
| Total assets | **4,902,250** | 4,871,874 | +0.6 |
| Borrowings | **2,038,550** | 2,085,260 | (2.2) |
| Other liabilities | **90,952** | 81,295 | +11.9 |
| Total liabilities | **2,129,502** | 2,166,555 | (1.7) |
| NAV | **2,772,748** | 2,705,319 | +2.5 |
| No. of units in circulation ('000) | **1,704,389** | 1,704,389 | - |
| NAV per unit (RM) | **1.627** | 1.587 | +2.5 |

Analysis of NAV of the Group since the last financial year ended 30 June 2021:-

| As at 30 June | 2022 | 2021 |
|---|---|---|
| Total NAV (RM'000) | **2,772,748** | 2,705,319 |
| NAV per unit (RM) | **1.627** | 1.587 |

The increase in total NAV and NAV per unit was mainly due to the recognition of revaluation surplus on the real estate properties during the current financial year.

**Capital Management**

The Manager optimises YTL REIT's capital structure and cost of capital within the borrowing limits prescribed by the Listed REIT Guidelines via a combination of debt and equity funding for future acquisitions and improvement works at the real estate properties.

The capital management strategy for the Group and the Trust involves:-

(a) adopting and maintaining an optimal gearing level; and

(b) adopting an active interest rate management strategy to manage risks associated with changes in interest rates while maintaining flexibility in YTL REIT's capital structure to meet future investment and/or capital expenditure requirements.

Clause 8.32 of the Listed REIT Guidelines provides that the total borrowings of a real estate investment trust (including borrowings through issuance of debt securities) should not exceed 50% of its total asset value at the time the borrowings are incurred. In the last financial year, the SC had announced a temporary increase in the gearing limit for Malaysian real estate investment trusts, raising the limit from 50% to 60% until 31 December 2022.

The Manager reviews the capital structure of the Group on a regular basis and monitors capital using a gearing ratio guided by the Listed REIT Guidelines, which is total borrowings divided by total assets.

# Management Discussion & Analysis
## FINANCIAL REVIEW

- **Gearing**

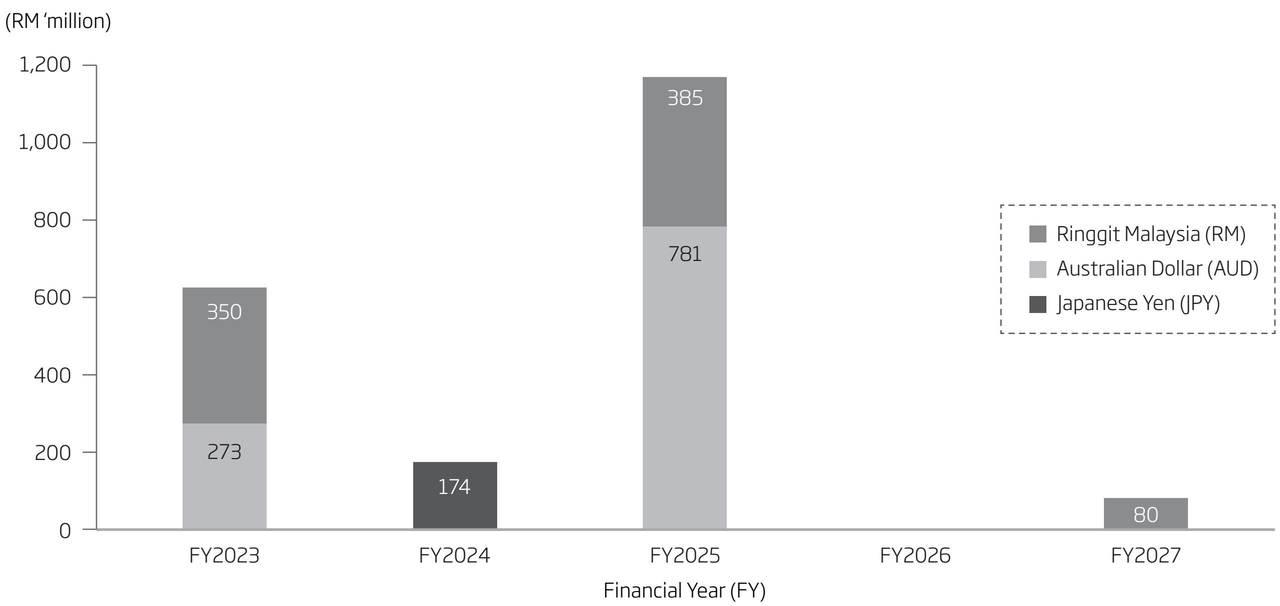
| As at 30 June | 2022 RM'000 | 2021 RM'000 | Change % |
|---|---|---|---|
| Borrowings | **1,228,095** | 1,281,883 | (4.2) |
| Medium term notes | **815,000** | 810,000 | +0.6 |
| Total borrowings | **2,043,095** | 2,091,883 | (2.3) |
| Total assets | **4,902,250** | 4,871,874 | +0.6 |
| Gearing ratio (%) | **41.68** | 42.94 | (1.26pp) |

- **Debt profile**

The Group diversifies its risks from borrowings via a combination of fixed and floating rates and spreads out the debt maturity profile to avoid concentrated repayment in any one financial year. Borrowings are also undertaken in the functional currency of the country where the real estate portfolio is located, thereby serving as a natural hedge and minimising foreign currency translation exposure.

The maturity of the Group's borrowings denominated in the respective functional currency is as set out below:-

**Debt Maturity Profile**




**Capital Expenditure/Asset Enhancement**

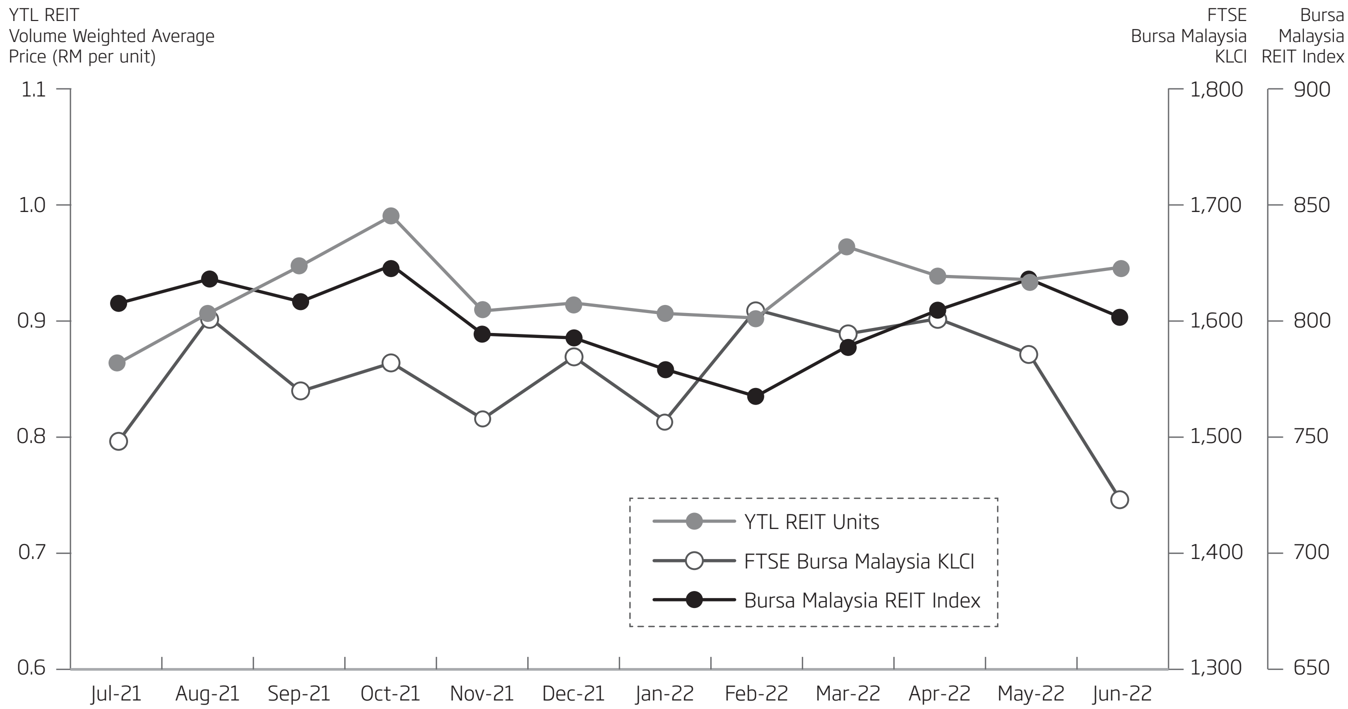
During the current financial year, Melbourne Marriott hotel and certain Malaysian hotel properties initiated and completed asset enhancement works amounting to RM4.709 million and RM7.132 million, respectively.

## UNIT PERFORMANCE

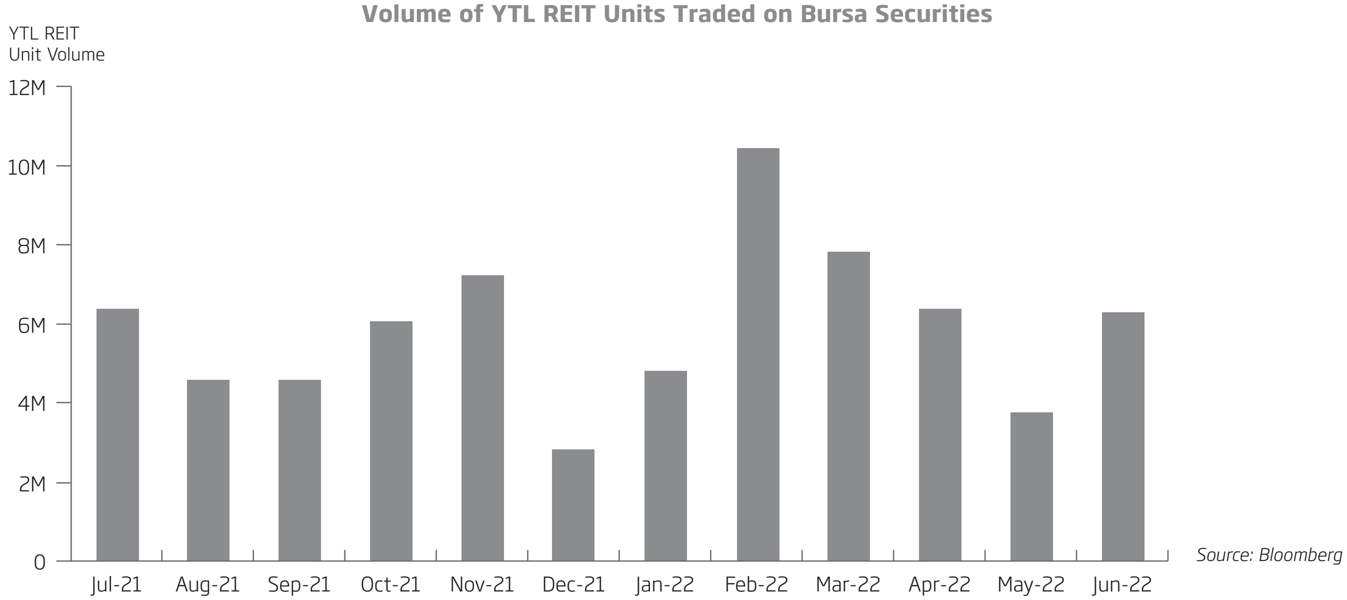
The Trust's units traded at RM0.895 per unit at the beginning of the financial year and ended the year higher at RM0.945 per unit, with a volume weighted average price for the financial year of RM0.9258 per unit. During the financial year under review, the closing prices of the Trust's units recorded a high of RM1.01 per unit and a low of RM0.87 per unit.

Analysis of changes in prices during the financial year ended 30 June 2022:-

**Performance of YTL REIT Units vs FTSE Bursa Malaysia KLCI and Bursa Malaysia REIT Index**




**Volume of YTL REIT Units Traded on Bursa Securities**



# Management Discussion & Analysis
## FINANCIAL REVIEW

### BENCHMARK RELEVANT TO THE GROUP

Management Expense Ratio ("MER")

| | 2022 | 2021 |
|---|---|---|
| MER for the financial year | **0.47%** | 0.47% |

MER is calculated based on the ratio of the sum of fees (all ongoing fees deducted or deductible directly during the financial year, including manager's fees, trustee's fee, auditors' remuneration and other professional fees and any other fees deducted or deductible directly from the Group) and the recovered expenses (all expenses recovered from or charged to the Group as a result of the expenses incurred by the operation of the Group) to the average value of the Group calculated on a quarterly basis.

Since the basis of calculating MER can vary among real estate investment trusts, there is no sound basis for providing an accurate comparison of YTL REIT Group's MER against other real estate investment trusts.

# SEGMENTAL REVIEW


YTL REIT's investment portfolio was valued at RM4,737.4 million as at 30 June 2022, an increase of RM18.4 million or 0.4% compared to the previous valuation of RM4,719.0 million as at 30 June 2021, mainly due to the increase in valuation of the Sydney Harbour Marriott in Australia.

YTL REIT's net asset value per unit increased to RM1.627 as at 30 June 2022 compared to RM1.587 as at 30 June 2021.

## MALAYSIAN PORTFOLIO

YTL REIT's Malaysian portfolio consists of a diverse range of ten assets, from five-star properties and luxury resorts to business hotels in key city centres across the Peninsula. YTL REIT maintains fixed lease arrangements for the properties and benefits from the stable income produced by this revenue structure.

The Trust's domestic portfolio comprises luxury assets situated in the Golden Triangle commercial precinct of Kuala Lumpur, namely the JW Marriott Hotel Kuala Lumpur, The Ritz-Carlton Hotel Wing and The Ritz-Carlton Suite Wing, as well as The Majestic Hotel Kuala Lumpur, Pangkor Laut Resort, Tanjong Jara Resort, Cameron Highlands Resort and the AC Hotels operating in Kuala Lumpur, Kuantan and Penang.

The hospitality and tourism sectors remained amongst the worst hit during the year under review resulting from measures imposed to control the COVID-19 pandemic. International borders, which closed in early 2020 did not begin reopening until April 2022. Domestic tourism was also severely impacted by movement control orders imposed to curb the spread of the virus.

Following the successful implementation of the national vaccination programme, the Malaysian Government lifted interstate travel restrictions in October 2021. The resumption of interstate travel in turn boosted domestic leisure travel, leading to good occupancy levels recorded at the resorts. In April 2022, Malaysia reopened its international borders to allow fully vaccinated travellers to enter the country without quarantine and there has been a phased relaxation of restrictions as the country transitions into the endemic phase.

During the financial year, the rental deferral programme which was approved for the Trust's Malaysian properties was still in effect, i.e. reducing the lease rentals by 50% for twenty-four months commencing 1 July 2020 until 30 June 2022, with the difference between the original and reduced rental amounts to be paid on a staggered basis within seven years after 30 June 2022 or over the remaining tenures of the existing leases, whichever is earlier. The programme does not involve any waiver of the rentals as the difference will be paid to YTL REIT over time, and the payments (unlike rental waivers) will increase the distributable income for the benefit of YTL REIT's unitholders in the relevant financial years ahead.

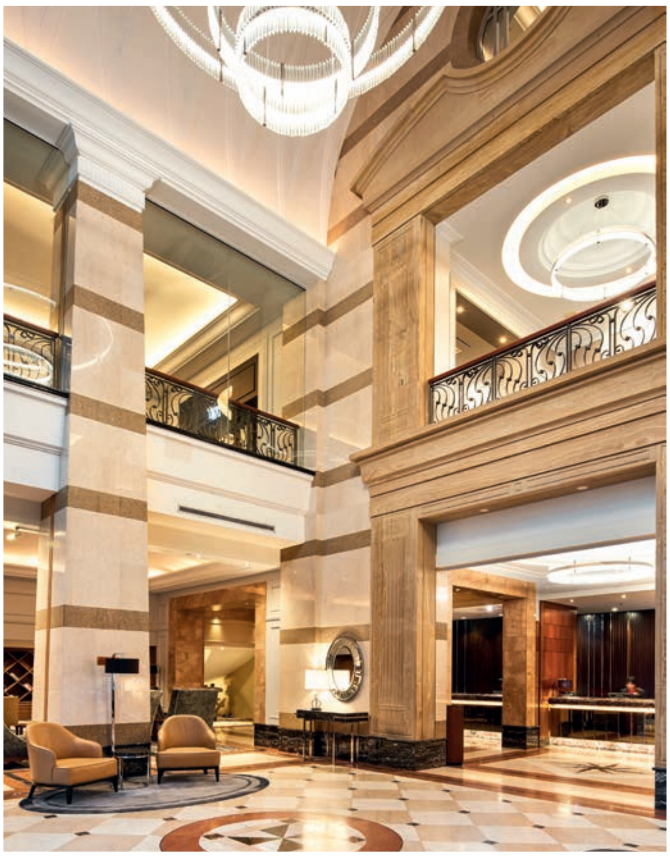
## INTERNATIONAL PORTFOLIO - JAPAN

YTL REIT's portfolio in Japan is made up of the Hilton Niseko Village and The Green Leaf, both of which are situated in Hokkaido, Japan, and operate under fixed lease arrangements, ensuring a steady level of income for the Trust.

In 2021, inbound tourism into Japan continued to be negatively impacted by the COVID-19 pandemic as entry bans remained in place on most countries. The Niseko area, continued to be similarly affected by the restrictions imposed. The rental deferral programme (on the same terms as the Malaysian properties) which was approved for the Hilton Niseko Village remained in effect up till 30 June 2022.

It is expected that the hospitality market in the Niseko resort area will gradually improve owing to the successful vaccination rollout, the Japanese government's economic policies and the relaxation of entry bans against travellers from overseas.

# Management Discussion & Analysis
## SEGMENTAL REVIEW



### INTERNATIONAL PORTFOLIO - AUSTRALIA

YTL REIT's Australian portfolio is made up of the Sydney Harbour Marriott, Brisbane Marriott and Melbourne Marriott. The Trust is afforded the benefit of a variable source of income from the operation of these hotel assets.

The Australian properties continued to be impacted by international and domestic travel restrictions and lockdowns during the first half of the financial year under review, although some improvements were seen in the second half of the financial year following the relaxation of COVID-19 restrictions beginning in November 2021, reopening of Australia's borders to international visitors in February 2022 and a strong domestic leisure market.

The Sydney Harbour Marriott recorded lower occupancy of 39.05% for the year under review compared to 58.49% last year. Occupancy levels were impacted by the restrictions in place for parts of the financial year to curb the spread of COVID-19. Sustained recovery is expected with the relaxation of travel restrictions. The Sydney Harbour Marriott is a 5-star, 595-room hotel set in the heart of Circular Quay, overlooking iconic landmarks including Harbour Bridge and the Sydney Opera House.

The 186-room Melbourne Marriott recorded a higher occupancy of 37.14% in the current financial year as compared to 14.25% recorded last year, as a result of the removal of COVID-19 restrictions and strong domestic leisure demand in the second half of the financial year under review. The Melbourne Marriott is located close to the city's theatre precinct and is within minutes of the Bourke and Collins street shopping districts, Chinatown, the Melbourne Museum and the Royal Exhibition Building.

The Brisbane Marriott, which consists of 263 rooms and 4 suites, registered lower occupancy of 59.09% during the 2022 financial year as compared to 68.96% recorded in the previous year. Occupancy levels were impacted mainly by pandemic restrictions as well as the winding down of the state government's quarantine program in early 2022 in which the hotel had participated, whereby the hotel was contracted exclusively to the state government for longer staying quarantine guests. The Brisbane Marriott is located between Brisbane's central business district and the Fortitude Valley hub, close to shopping, riverside dining along the Brisbane River and the city's corporate and cultural locales.

Please refer to the *Review of the Property Market* in this Annual Report for further information on the markets and property sectors in which YTL REIT invests.

# RISK MANAGEMENT

## FINANCIAL RISK MANAGEMENT

The Group's operations are subject to market, foreign currency exchange, interest rate, price, credit and liquidity risks. The Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Further details on the Group's financial risk management can be found in *Note 34* of the *Notes to the Financial Statements* in this Annual Report.

## OPERATING RISK MANAGEMENT

**Business/Market Risk**

The YTL REIT Group is exposed to the economic, financial and hospitality/tourism markets in Malaysia, Japan and Australia. Any negative developments in these areas or globally may impact the Group's financial performance and the valuation of its asset portfolio.

The YTL REIT Group works to manage these factors through the revenue structure of its portfolio whereby the Trust receives stable, medium to long term fixed lease income from its Malaysian and Japanese portfolios and variable income from its Australian assets. This structure is intended to insulate part of the portfolio from the cyclical nature of the hospitality industry, balanced with any potential upside generated from better performance in other parts of the portfolio.

**Regulatory/Compliance Risk**

YTL REIT is required to comply with applicable legislation, regulations and guidelines including the Capital Markets and Services Act 2007, the Main Market Listing Requirements of Bursa Securities, the Listed REIT Guidelines, exchange control rules issued by Bank Negara Malaysia and tax legislation and regulations, where failure to do so may result in fines, penalties or other remedies available to the regulatory authorities.

Any such compliance failures may impact the Trust's financial performance or reputation, whilst amendments to existing requirements or introduction of new requirements may also increase compliance costs.

The Manager addresses these risks via its governance and internal control frameworks to monitor and ensure compliance, further details of which can be found in the *Corporate Governance Overview Statement* in this Annual Report.

# Management Discussion & Analysis
# OUTLOOK

The global economy is expected to continue on its path towards recovery as economies progressively reopen and transition towards normalcy. Whilst a resurgence of the COVID-19 pandemic and the emergence of new variants continue to be key risks, the impact is expected to be smaller than in previous years, owing to vaccine rollout programmes. The military conflict in Ukraine, disruptions in commodity supply, slowing economic recovery worldwide and elevated global inflation weigh on global growth prospects. Meanwhile, domestic downside risks include persistent labour shortages. Despite these challenges, the Malaysian economy is on track to grow by 5.3% to 6.3% over 2022 supported by continued expansion in external demand, full upliftment of containment measures, reopening of international borders and further improvement in labour market conditions. Private consumption is projected to have a strong recovery in 2022 anchored by the continued improvement of labour market conditions and the increase in household spending *(source: Bank Negara Malaysia updates)*.

In Japan, the economy is likely to recover, premised on the impact of the pandemic and supply-side constraints waning and supported by an increase in external demand, accommodative financial conditions and the government's economic measures. However, downward pressure may be exerted by high commodity prices resulting from factors such as the conflict in Ukraine *(source: Bank of Japan updates)*.

Meanwhile, the Australian economy remains resilient and is projected to expand by 4.25% over 2022 underpinned by robust consumption growth. However, recovery is subject to the future evolution of COVID-19, changes in price- and wage-setting behaviour at historically low levels of unemployment and the response of households, firms and asset prices to higher inflation and interest rates *(source: Reserve Bank of Australia updates)*.

Countries where the Group operates are in various stages of relaxing quarantine measures, coupled with domestic measures in those countries to bolster economic recovery and revive tourism. The prospects for the hospitality sector and recovery of the global tourism industry remain cautiously optimistic amidst the reopening of international borders and the gradual transition towards managing the endemic phase of COVID-19, although rising inflationary pressures and geopolitical concerns may give rise to further challenges.

Nevertheless, the Manager will continue to proactively manage the business and take necessary actions to ensure that the Group's long term business prospects remain stable.

# Review of the Property Market

YTL Hospitality REIT and its subsidiaries ("Group") own fifteen (15) hospitality properties, ten (10) in Malaysia, three (3) in Australia and two (2) in Japan. The Malaysian properties are located in Kuala Lumpur, Pahang, Perak, Terengganu and Penang. The Australian properties are located in the capital cities of Australia's three most populous states, i.e. Sydney in New South Wales, Brisbane in Queensland and Melbourne in Victoria. The Japanese properties are located in the Niseko area of the island of Hokkaido.

## MALAYSIAN

### 1. Economy

The Malaysian economy was on the path of recovery in 2021. However, as local COVID-19 cases began to surge in May 2021, the Government re-introduced strict nationwide containment measures under the first phase of the National Recovery Plan (NRP) in June 2021. This affected the recovery momentum. Nonetheless, the swift progress of the National COVID-19 Immunisation Programme enabled economic sectors to gradually reopen in the third quarter of the year. Strong exports and continued policy aid for households and businesses also lent support to domestic growth. Overall, the Malaysian economy saw a moderate recovery, with GDP growing by 3.1% in 2021 (2020: -5.6%).

Growth was supported mainly by higher domestic demand as economic activity continued to normalise with the easing of containment measures. The improvement also reflects the recovery in the labour market and continued policy support. In addition, strong external demand, amid the continued upcycle in global technology, provided a further lift to growth. In terms of economic activity, the services and manufacturing sectors continued to drive growth.

Key economic sectors expanded in the first quarter of 2022. The services sector grew by 6.5% (4Q 2021: 3.2%). Consumer-related activities continued to recover amid the reopening of the economy. This was reflected in stronger growth in the retail and leisure-related subsectors. The strong expansion was also seen in business-related activities, including transport and storage, real estate, business services and private healthcare.

The manufacturing sector grew by 6.6% (4Q 2021: 9.1%). Export-oriented industries increased more moderately as the strong growth in the electrical and electronics (E&E) cluster was partially weighed by lower growth in the primary-related cluster. The double-digit growth recorded in the E&E cluster was driven by robust demand for semiconductors amid technological developments such as 5G, cloud computing, and the Internet of Things.

The construction sector contracted at a smaller pace of 6.2% (4Q 2021: -12.2%). Progress in new and existing commercial and industrial projects continued to support activities in the non-residential subsector. Meanwhile, the implementation of small-scale projects under the Malaysia Government's Budget 2022 sustained growth in special trade activities.

# Review of the Property Market

Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), moderated to 2.2% during the quarter (4Q 2021: 3.2%). Lower headline inflation during the quarter mainly reflected the smaller contribution from the dissipating base effect of lower domestic retail fuel prices last year (RON 95 for 1Q 2022: RM2.05/litre; 1Q 2021: RM1.96/litre) as well as the absence of the base effect from electricity tariff rebates implemented in 2020. The moderating effect from these factors was partly offset by higher core inflation and price volatile inflation.

During the quarter, domestic demand expanded by 4.4% (4Q 2021: 1.9%). Growth was supported by higher consumption and improvement in investment activities amid the normalisation of economic activity. On the external front, demand for Malaysia's exports, particularly for E&E products, remained strong.

Private consumption grew at a faster pace of 5.5% (4Q 2021: 3.7%), supported by higher spending on necessities and selected discretionary items such as restaurants and hotels, recreational services and household furnishings. The continued strength in consumer expenditure was primarily driven by the recovery in the labour market with higher wage and employment growth. Policy measures, such as Bantuan Keluarga Malaysia, also provided additional support to consumer spending.

Public consumption grew by 6.7% (4Q 2021: 1.6%). The expansion was driven mainly by higher growth in supplies and services amid continued support from COVID-19 related expenditure, including vaccine procurement and logistics spending.

For the Malaysian economy, latest indicators available show that growth had found firmer footing, driven by strengthening domestic demand amid sustained export growth. The labour market is further lifted by a lower unemployment rate, higher labour participation and better income prospects. The transition to endemicity on 1 April 2022 would strengthen economic activity, in line with further easing of restrictions and the reopening of international borders. Investment activity and prospects have also improved, underpinned by the realisation of multi-year projects and positive growth outlook. However, risks to growth remain, which include a weaker than expected global growth, further escalation of geopolitical conflicts, worsening supply chain disruptions, and adverse developments surrounding COVID-19.

For 2022, in an environment of high input costs and improving demand, headline inflation is projected to average between 2.2% and 3.2%. Underlying inflation, as measured by core inflation, is also expected to trend higher during the year, averaging between 2.0% to 3.0%. Several key factors are expected to partly contain upward pressure on prices, namely the existing price control measures and the continued spare capacity in the economy. Nonetheless, the inflation outlook remains subject to commodity price developments, arising mainly from the military conflict in Ukraine and prolonged supply-related disruptions. The outlook is also contingent on domestic policy measures on administered prices.

*Sources: Savills Malaysia Sdn Bhd (July 2022), Bank Negara Malaysia Annual Report 2021 & Bank Negara Malaysia Quarterly Bulletin Q1 2022*

## 2. Hotel Sector

### *Malaysia*

Malaysia registered 134,728 international tourist arrivals in 2021, reporting a decrease of 96.9% compared to 4,332,722 tourist arrivals recorded in 2020.

The hospitality sector has felt one of the most substantial impact of the COVID-19 pandemic in the past two years. As international borders remained closed since early 2020, only a handful of international tourists visited Malaysia. In addition, domestic tourism was significantly impacted by the implementation of several movement control orders (MCOs), which imposed restrictions on interstate travels and hesitation to travel amidst fear of infection.

Malaysia's tourist receipts plunged by 98.1%, from RM12.69 billion in 2020 to RM0.24 billion in 2021, with the average per capita expenditure recorded as a total of RM1,772, a decline of 39.5% from RM2,928 in 2020.

In terms of overall tourist expenditure, the top five contributors came from Thailand, Singapore, Indonesia, China, and India.

The bulk of tourists coming to Malaysia are from neighbouring countries; these visitors frequently come to visit friends and relatives for holiday and shopping, and for health treatment purposes. First-time visitors only accounted for an insignificant ratio of this group of tourists.

To promote international travel, the Vaccinated Travel Lane (VTL) programme was introduced by the government to allow fully vaccinated travellers from one country to enter another country without quarantine, subject to COVID-19 testing and further requirements determined by the country of destination.

The high vaccination rate coupled with the opening of the Malaysia border on 1 April 2022 to international travellers will help rebuild the tourism sector in Malaysia.

The summary of the market outlook for hospitality sector are dependent on 4 main key points as below:-

a) Hotel performance is expected to pick up in 2022

With the resumption of international travel as well as the reopening of international border, it will contribute to an increase in passenger traffic which will expectedly result in a healthy rebound of tourism activities and hotel occupancy.

b) Domestic tourism will continue to support the hotel sector

Domestic tourism remains as the key element in boosting recovery in the hotel sector, supported by interstate travel mainly in the short-term recovery of the tourism sector.

c) High vaccination rate boost confidence in tourism recovery

Ramping up vaccination rates for COVID-19 helps support the recovery of the tourism industry. It also helps to restore confidence in domestic and international travellers in terms of border reopening and the relaxation of interstate travel.

d) The return of international travellers is expected to drive tourism market recovery

As of April 2022, Malaysia has reopened its border to fully vaccinated travellers, which is expected to positively impact Malaysia's tourism market recovery in 2022.

As of April 2022, Malaysia has reopened its border to international travellers, and loosened its travel restrictions for fully vaccinated travellers, which is expected to positively impact Malaysia's tourism market recovery in 2022. With the full resumption of international travel as well as the reopening of international borders, it will contribute to an increase in passenger traffic which will result in a healthy rebound of tourism activities and hotel occupancy.

***Kuala Lumpur***

According to Tourism Malaysia, the overall tourist arrivals in Kuala Lumpur saw a drastic decrease from 6.10 million in 2020 to 2.31 million in 2021, whereas the overall occupancy rate saw a decline from 25.1% in 2020 to 23.6% in 2021.

In 2021, KL's upmarket hospitality market (excluding serviced apartments) supply saw a slight improvement by 2.9% year-on-year from 29,422 rooms in 2020 to 30,262 rooms.

Unprecedented challenges brought by COVID-19 directly impacted the hotel supply as well. As the COVID-19 pandemic brought unprecedented challenges, the Malaysian tourism industry gasped for air. Malaysian Association of Hotels (MAH) revealed that 100 hotels were forced to close in 2020 nationwide because of financial losses, while 20 more have shut down operations in 2021.

Rebound in the supply in 2021 mainly reflects the re-opening of a few hotels that were temporarily closed last year and a change in the number of rooms post-renovation in a few cases.

The higher occupancy rate in 2020 results from normalcy in operations at the beginning of year before the effects of the COVID-19 pandemic were felt in Malaysia. The average hotel occupancy rate was recorded at 60.1% in Jan-Feb 2020, pushing the yearly average slightly higher.

After a drastic drop of over 15% of the Average Room Rates (ARR) of the 5-star hotel in KL City in 2020 to RM399, a further decline to RM378 was recorded in 2021. Similarly, the RevPAR and average occupancy declined by 37% and 34% respectively in 2021 (2020: RevPAR – RM102; or – 25.6%).

The overall hotel performance has been affected by the COVID-19 pandemic underpinned by the travel restrictions and border closure. The re-implementation of total lockdown (MCO 3.0) in June 2021 further deteriorated the hotel's performance in the third quarter of 2021. Prolonged travel restrictions and closure of international borders to curb the COVID-19 outbreak have put many hotels under pressure, especially on the RevPAR, due to the fall in ARR and slow growth in the occupancy recovery. In the second half of 2021, the emergence of the Omicron variant caused an adverse impact and threat to domestic tourism in Malaysia, which further pressured the performance of the hospitality sector, causing a drop in both ARR and occupancy rates.

# Review of the Property Market

### *Perak*

According to Tourism Malaysia, the overall tourist arrivals in Perak saw an increase from 1.18 million in 2020 to 1.27 million in 2021, whereas the overall occupancy rate slightly improved from 25.8% in 2020 to 27.6% in 2021.

As at 2021, the total supply of 3- to 5-star hotel rooms in Perak registered 4,788 rooms, consisting of 2 (5-star) hotels, 9 (4-star) hotels and 20 (3-star) hotels. A significant portion of the hotel room supply is from the 3-star hotel category which contributed a total of 2,626 rooms (54.9%), followed by 1,975 4-star rooms (41.2%) and 187 5-star rooms (3.9%).

Hotel rooms located at city/town locations represented the highest number of rooms. Ipoh Town is the main tourist attraction in Perak and contributes to the majority of rooms in Perak.

The rapid growth of Ipoh Town and also in the numbers of beach resorts in Perak are largely due to the economic development of the state and the ecotourism attractions found all around the state.

Domestic tourism remains a key element in boosting recovery within the hotel sector, supported by interstate travel.

### *Pahang*

According to Tourism Malaysia, the overall tourist arrivals in Pahang saw a drastic decrease from 7.30 million in 2020 to 1.91 million in 2021, whereas the overall occupancy rate saw a major decline from 40.7% in 2020 to 19.6% in 2021.

As at 2021, the total supply of 3- to 5-star hotel rooms in Pahang registered 15,695 rooms, consisting of 6 (5-star) hotels, 14 (4-star) hotels and 23 (3-star) hotels. A significant portion of the hotel room supply is from the 3-star hotel category which contributed a total of 9,624 rooms (61.3%), followed by 3,232 4-star rooms (20.6%) and 2,839 5-star rooms (18.1%).

Hotel rooms at hilled locations represented the highest number of rooms. Genting Highlands and Cameron Highlands are the main tourist attractions in Pahang and contribute to the majority of rooms in Pahang.

The rapid growth of Kuantan Town and also in the numbers of beach resorts in Pahang are largely due to growth in economic development of the state and ecotourism attractions found all around the state.

Domestic tourism remains a key element in boosting recovery in the hotel sector, supported by interstate travel.

### *Penang*

According to Tourism Malaysia, the overall tourist arrivals in Penang saw a decrease from 2.86 million in 2020 to 1.31 million in 2021, whereas the overall occupancy rate saw a minor decline from 23.7% in 2020 to 22.5% in 2021.

As at 2021, the total supply of 3- to 5-star hotel rooms in Penang registered 13,324 rooms. A significant portion of the hotel room supply is from the 4-star hotel category, which contributes to a total of 6,392 rooms, followed by the 5-star category at 3,717 rooms and the 3-star category at 3,215 rooms.

Hotel rooms located at city/town area represented the highest number of rooms. This is due to the historical charm of Penang with its tourist attractions found all around Georgetown city centre. There were 318 new hotels opened in 2021 as compared to 2020. These hotels are located within the city/town area.

A number of hotels in Penang ceased operations or announced temporary closures due to the impact of COVID-19 pandemic, namely Hotel Equatorial Penang, Rainbow Paradise Beach Resort, Jazz Hotel, Hotel Penaga, Jerejak Island Resort, Mercure Penang Beach and etc.

Domestic tourism remains a key element in boosting recovery in the hotel sector, supported by interstate travel.

### *Terengganu*

According to Tourism Malaysia, the overall tourist arrivals in Terengganu saw a decrease from 1.34 million in 2020 to 1.22 million in 2021, whereas the overall occupancy rate saw a slight improvement from 32.4% in 2020 to 44.3% in 2021.

As at 2021, the total supply of 3- to 5-star hotel rooms in Terengganu registered 3,855 rooms, consisting of 4 (5-star) hotels, 7 (4-star) hotels and 22 (3-star) hotels. A significant portion of the hotel room supply is from the 3-star hotel category which contributed a total of 2,140 rooms (55.5%), followed by 988 4-star rooms (25.6%) and 727 5-star rooms (18.9%).

Hotel rooms located at beach locations represented the highest number of rooms. The main reason is that Terengganu is located along the pristine East Coast of Peninsular Malaysia which faces the South China Sea.

The rapid growth of Kuala Terengganu Town, the famous Redang Island and also in the number of beach resorts in Terengganu are largely due to the economic development of the state and the ecotourism attractions found all around the state.

Domestic tourism remains a key element in boosting recovery in the hotel sector, supported by interstate travel.

*Sources: Savills (Malaysia) Sdn Bhd (July 2022) & Tourism Malaysia*

## AUSTRALIA

### 1. Economy – Australian Economic Indicators – June 2022

The Reserve Bank of Australia (RBA) lifted the cash rate by 50 bps (basis points) to 0.85% in June 2022, surpassing the market expectation of a 40-bps rise. The Australian economy experienced continuous quarterly growth of 0.75%, reflecting an annual increase of 3.35%, despite the disruption of Omicron variants and severe east coast flooding. Household consumption (1.5% Quarter on Quarter) led the growth, which was backed by a decrease in the saving rate from 13.4% to 11.4%. All states except Tasmania saw quarterly Gross State Product growth. The most robust quarterly growth was in Victoria (2.4%), Western Australia (2.2%), and ACT (1.7%).

The unemployment rate decreased to a new historical record of 3.85% in April 2022 from 5.43% in April 2021, demonstrating the strength of Australia's labour market. However, the participation rate decreased by 9 bps over the same period mainly due to the participation rate drop in Tasmania, which also recorded a 1,233 fall in employed people.

The Australian Consumer Price Index (CPI) increased to 5.1% Year on Year. All states have seen prices grow over the March quarter 2022.

The Australian dollar (AUD) has improved slightly compared to May 2022 (71c) and was trading at 72c to the USD at the beginning of June 2022. However, expectations of aggressive US interest rate hikes will put the AUD under pressure.

National Business conditions recovery gained momentum in April with 5.1 monthly index growth. Business owners have been encouraged by rising demand and have been reported as more likely to invest and hire. Yet, increasing material and labour costs will put the growth momentum at risk.

National retail sales recorded a solid gain for April 9.6% YoY (year on year) with monthly growth across all states except for NSW (New South Wales) -0.35% MoM (month on month). The negative growth in NSW was led by decreased discretionary spending across different segments such as Department Stores (-8.1% MoM), Furniture/Homewares (-6.3% MoM) and Footwear/Personal (-5.9% MoM).

National Non-Residential construction costs surged 8.08% YoY in March 2022, the highest growth since 2006.

*Sources: Colliers Research (June 2022)*

### 2. Hotel Sector

**Australia**

***Transaction activity***

Australia's hotel investment market recorded more than $2.8 billion worth of assets transacting in 2021, across 60 deals, including over 7,000 rooms. Volumes finished the year well above the long-term annual average of $1.6 billion. Whilst closed borders and extended lockdowns dictated the landscape in the second half of the year once again, the rapid rollout of vaccines brought greater certainty to investors and deal flow surpassed the levels seen in the first half of the year with $1.8 billion of hotels traded in the second half of 2021.

# Review of the Property Market

Deal flow was diverse in 2021, with eight deals above $100 million, together totalling $1.77 billion, and with a depth of smaller transactions. Regional Australia and development deals both played a prominent roll each accounting for more than half a billion dollars of trades. This resulted in the average transaction size remaining approximately in line with 2020 at $47 million, however the average price per key increased 60% to over $400,000.

In a noticeable shift to the prior decade, investment capital was biased towards domestic accounting for 55.8 per cent of total transaction volume. Offshore capital, where prevalent, has mostly being channelled through domestic funds management groups as they look to satisfy the heightened appetite of global capital partners.

Two of the largest acquisitions in 2021 were the purchase of 10 Travelodge hotels for a reported $583 million, and the Sofitel Sydney Wentworth for a reported $315 million. Both deals brought new capital into the Australian hotel market. The Travelodge deal was led by Salter Brothers and backed by Singaporean sovereign wealth fund GIC and Swiss-based global private equity firm Partners Group. For the Sofitel deal, Futuro Capital led the transaction with global private equity partner KKR and local funds management group Marprop providing the equity.

Conversions and renewed investor interest in regional Australia were two of the biggest factors driving investment activity in 2021, as well as the rebalancing of portfolios by global hotel owners and the redeployment of Chinese capital. Conversions or planned changes of use accounted for more than $0.5 billion of transactions in 2021. In Regional Australia 28 assets transacted during 2021, accounting for $0.5 billion of sales, with deals occurring in all states except the ACT.

NSW was the most active state for hotel deals with 28 sales and $1.3 billion of trades (excluding the Travelodge portfolio). Notable deals included the Sofitel Sydney Wentworth ($315 million), InterContinental Double Bay ($175 million), Four Points by Sheraton ($150 million), Primus Sydney ($132 million) and Vibe Rushcutters ($123 million). The redeployment of Chinese capital has also started to play out with the sale of the Primus Hotel by Greenland in February 2021, and the InterContinental Double Bay by Shanghai United in May 2021.

This trend has continued in the first half of 2022, with Bright Ruby's divestment of Hilton Sydney for a reported $530 million in May 2022 or $902,896 per room. This sale is the largest year to date and a significant contributor to the approximately $1 billion of sales so far in 2022. Other notable sales this year include the Rydges North Sydney which sold for $449,102 per room and the boutique Hotel Lindrum in Melbourne which sold for $847,458 per room, although we understand this transaction is essentially a development play with the opportunity to expand the existing building envelope.

*Source: Colliers Research (June 2022)*

### *National Hotel Trade*

According to data from STR, full year 2021 occupancy levels for major cities in Australia ranged from 33.9% in Melbourne to 63.9% in Hobart. Strongest occupancy growth was experienced in Hobart (39.6% increase) and Darwin (35.8% increase), whilst declines were experienced in Sydney (-15.2%) and Melbourne (-17.8%) due to State border closures.

The Average Daily Rate (ADR) trend across major cities in Australia for 2021 all highlighted positive improvements, with Sydney ADR improving by 10.4%, Melbourne up 4.8%, and Brisbane 21.9% increase. This was due to a strong domestic leisure market wanting to vacate but typically over constrained periods such as weekends and public holidays.

In 2022 we have seen strong room rate and occupancy growth across most markets due to re-opening of State and International borders. Recovery has been at a faster pace than was being predicted in 2021.

*Sources: Colliers Research (June 2022) & STR (June 2022)*

### Sydney

Occupancies for the beginning of 2021 pointed to some positive signs of recovery. However, in July 2021, the impact of COVID-19 lockdowns took hold once more, with occupancy levels declining to 21.9%. In August 2021, occupancy levels dipped further to 21.4%, and stayed at this level in both September and October. Improvement was seen in November 2021 to 31.7% with the re-opening of the State border and in December (44.2% occupancy) resulting in a year-round occupancy of 36.5% for the 2021 calendar year.

Average Daily Rates improved by 10.4% over 2021 compared to 2020 but were still down from the rates achieved prior to COVID-19 in 2019. This resulted in RevPAR declines of 6.4% over the year, with RevPAR of $80.01 for the full 2021 year. On a year-to-date May 2022 basis, occupancy has increased by 11% to 50.7%, ADR has increased by 23.2% to $266.67, resulting in RevPAR increasing significantly by 37.4% to $135.30 (when compared to year-to-date May 2021 figures).

**Melbourne**

Occupancy for the first half of 2021 pointed to some positive signs of recovery and reflected 55% in the month of May 2021 – substantially higher than May 2020 when occupancy levels were just 28%. However, hotels were affected once more with the impact of the Delta strain of COVID-19, with border closures across Australia between June and October 2022. This resulted in occupancy for hotels in Melbourne CBD for 2021 being just 33.9%.

Average Daily Rates improved by 4.8% over the year, but still well down from the rates achieved prior to COVID-19 in 2019. This resulted in RevPAR declines of 13% over the year, with RevPAR of $58.27.

On a year-to-date May 2022 basis occupancy has increased by 22.2% to 52.3%, ADR increased by 32.1% to $228.26, resulting in RevPAR increasing significantly by 61.4% to $119.43 (when compared to year-to-date May 2021 figures).

**Brisbane**

Over 2021 the Brisbane market recovered slightly with occupancy levels increasing by 4.5 ppts to 48.5%. ADR improved significantly by 21.9% to $173.28, which resulted in RevPAR growth of 33.8% to $84.06 over the year.

The improvement in the performance of the Brisbane accommodation, was achieved in the first half of the year and was reversed in the second half due to the re-introduction of border closures with NSW and Victoria as a result of the COVID-19 Omicron variant outbreak.

On a year-to-date May 2022 basis occupancy increased by 19.3% to 59%, ADR increased by 27.2% to $207.80, resulting in RevPAR increasing by 51.7% to $122.60 (when compared to year-to-date May 2021 figures).

*Sources: Colliers Research (June 2022) & STR (June 2022)*

## JAPAN

### 1. Economy

Japan's economy has picked up as a trend, although some weaknesses have been seen in part, mainly due to the impact of COVID-19 and the rise in commodity prices. Overseas economies have recovered on the whole, albeit with variation across countries and regions. In light of this, exports and industrial production have continued to increase as a trend, despite the remaining effects of supply-side constraints. Corporate profits have improved overall, but business confidence has seen a pause in its improvement. Business capital investment has picked up, although weakness has been seen in some industries. The employment and income situation has remained relatively weak on the whole, although improvement has been seen in some parts. Private consumption has started picking up again, with downward pressure caused by COVID-19, particularly on services consumption.

On the price side, the year-on-year rate of change in the consumer price index (CPI, all items less fresh food), despite being affected by the reduction in mobile phone charges, has been in the range of 0.5-1.0 percent, reflecting price rises in energy and other items. Meanwhile, inflation expectations, particularly in the short-term, have risen. Prices of commodities and grains have risen significantly recently, mainly reflecting heightened supply concerns as a result of the Ukraine war. Since Japan relies on imports for most of these commodities, higher import prices have led to Japan's fund outflow, putting downward pressure on households' real income and corporate profits through rises in energy and food prices. That said, the government's measures against oil price hikes and the accumulation of household savings that has resulted from pandemic-related restrictions are expected to mitigate downward pressure on income and the consequent negative impact on spending. In addition, a self-sustaining increase in demand, including pent-up demand, is projected to continue in both the household and corporate sectors with the impact of COVID-19 and supply-side constraints waning.

# Review of the Property Market

With regards to financial conditions, it is expected that they will remain accommodative as the Bank of Japan ("Bank") pursues Quantitative and Qualitative Monetary Easing (QQE) with Yield Curve Control, and this will support an increase in private demand. The environment for external funding, such as bank loan and the issuance of commercial papers ("CP") and corporate bonds, is projected to remain accommodative. In addition, backed by the Bank's measures to support financing, the government's measures, and efforts made by private financial institutions, firms' financial positions are likely to continue on an improving trend along with an economic recovery. Meanwhile, the potential growth rate is expected to rise moderately. This is because productivity is likely to increase due to advances in digitalisation and investment in human capital, and capital stock growth is projected to accelerate due to the rise in business investment. These developments are likely to be encouraged by the government's measures to transform the economic structure toward the post-pandemic and accommodative financial conditions.

*Source: Outlook for Economic Activity and Prices, Bank of Japan (April 2022) & Savills Japan Valuation G.K. (July 2022)*

## 2. Hotel Sector

### Japan

Two full years have passed since the onset of the COVID-19 pandemic in early 2020, with Japan's international borders remaining closed in general throughout 2021. Despite that, the Japanese government trialed the entry of small tourist groups in December 2021 but the emergence of the Omicron variant threw a spanner in the works, and the government continued imposing strict international border measures. Nonetheless, there is still some positive news for the hospitality industry as a whole.

Over 80% of residents in Japan have completed two doses of COVID-19 vaccines by July 2022. The distribution of the booster shot (third shot) has already been administered to 62% of the population. Although the daily number of infected cases of COVID-19 in Japan surged in December 2021 due to the Omicron variant, there was a downward trend in cases following the acceleration in the booster shot administration. Thus, for the first time in three years, Japanese residents were able to enjoy their "Golden Week" which consists of special holidays from the end of April to early May.

On 1 June 2022, the Japanese government loosened its strict border control by raising the upper limit of the number of people entering Japan per day from 10,000 to 20,000. Japan also started to accept foreign tourists for sightseeing purposes on 10 June 2022.

Additionally, the Japanese government is going to launch a national travel support program while also monitoring the number of infected cases of COVID-19. This support program will become a driver in the improvement of the overall hospitality market throughout Japan.

*Source: Prime Minister's Office of Japan & Savills Japan Valuation G.K. (July 2022)*

### Niseko

The Japanese government applied strict border measures in 2020 and 2021 due to the COVID-19 pandemic, resulting in a drastic decrease in the numbers of over-night stays by international visitors. However, we expect that the negative impact of COVID-19 on the Niseko resort district will subside in the future, supported by the strong unconstrained demand in the winter season. In fact, as stated in the earlier section, the Japanese government has started to loosen the strict border control by raising the upper limit of the number of people allowed to enter Japan per day. In addition, the government's economic policies including the national travel support and the "Go To" campaign, which has a supplementary budget, will also become one of the key drivers in improving the hospitality market in the Niseko resort district.

*Source: Savills Japan Valuation G.K. (July 2022)*

# Managing Sustainability

## STRUCTURE AND MANAGEMENT

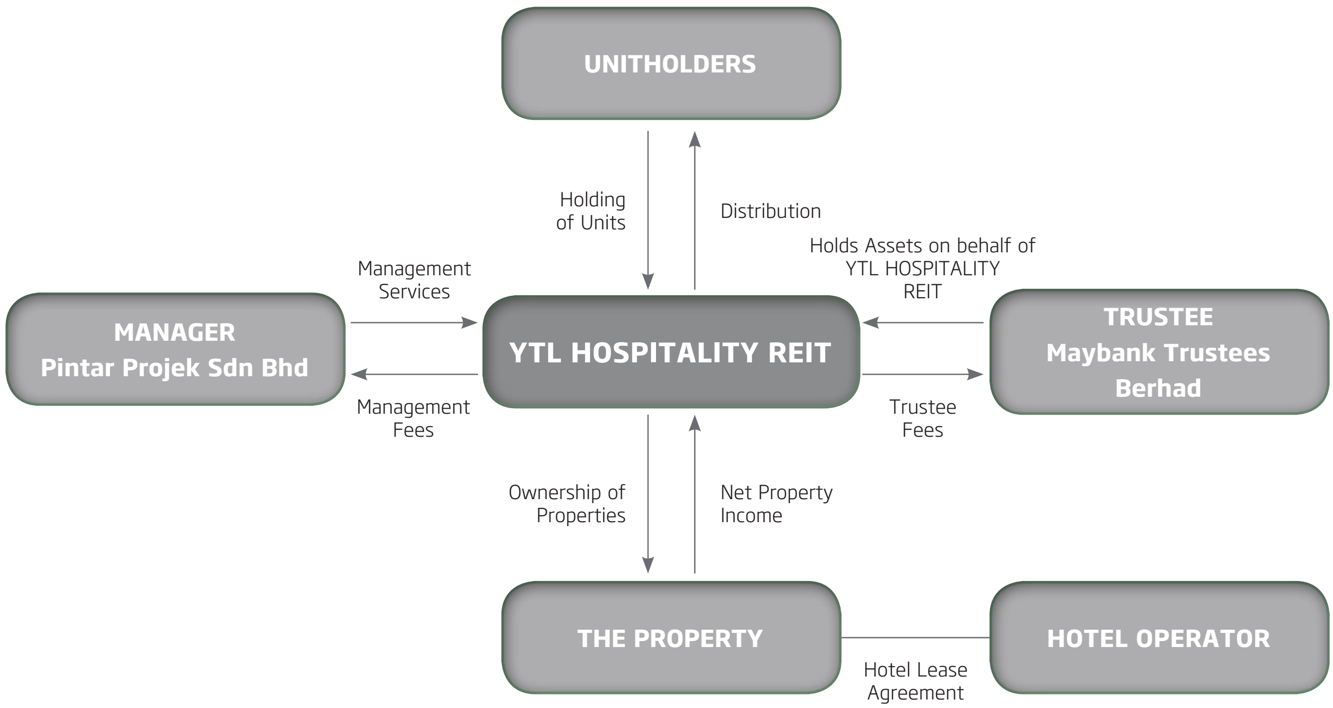
YTL Hospitality REIT ("YTL REIT" or the "Trust") was listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 16 December 2005 and is an income and growth type fund. The principal investment objective of YTL REIT is to own and invest in real estate and real estate-related assets, whether directly or indirectly through the ownership of single-purpose companies whose principal assets comprise real estate.

YTL REIT has a market capitalisation of approximately RM1.59 billion (as at 30 June 2022) and owns a broad portfolio of 15 hospitality properties ranging from business hotels to luxury resorts, spread across various prime locations in Malaysia, Australia and Japan.

A REIT is constituted by a trust deed entered into between the manager and the trustee which sets out, amongst other matters, the manner in which the trust is to be administered, the rights of unitholders, the duties and responsibilities of the manager and the trustee with regards to the operation of the trust and the protection of unitholders' interests. The trustee of YTL REIT is Maybank Trustees Berhad and YTL REIT is managed by Pintar Projek Sdn Bhd ("Pintar Projek" or the "Manager").

YTL REIT's Manager, Pintar Projek, is a 70%-owned subsidiary of YTL Corporation Berhad ("YTL Corp") and most of the Trust's properties are leased out to and operated by subsidiaries of YTL Corp ("YTL Group"). YTL Corp is an integrated infrastructure developer with international operations in countries including Malaysia, Singapore, the United Kingdom, Australia, France, Indonesia, Japan, Jordan, Myanmar, the Netherlands, Thailand and Vietnam. The core businesses of YTL Group comprise utilities, construction contracting, cement manufacturing, property investment and development and hotel development and management. YTL Corp is amongst the largest companies listed on Bursa Malaysia and is a component of the FTSE Bursa Malaysia Mid 70 Index. YTL Corp has also been included in the FTSE4Good Bursa Malaysia Index for the sixth consecutive year. The Index has been designed to measure the performance of companies demonstrating good Environmental, Social and Governance ("ESG") practices.

**YTL Hospitality REIT Structure**



# Managing Sustainability

## REPORTING PERIOD AND SCOPE

This sustainability statement provides an overview of how we operate sustainably and how we manage our strategy and day-to-day business to address our sustainability commitments and performance. This covers YTL REIT's portfolio, where the Manager has operational control, from 1 July 2021 to 30 June 2022, aligned with YTL REIT's financial year.

In addition, the sustainability initiatives, performance and achievements of the lessees and operators of the Trust's properties will be outlined in greater detail in the consolidated *YTL Group Sustainability Report 2022* which will be published in October 2022 in conjunction with YTL Corp's Annual Report for the financial year ended 30 June 2022. The report will be available for download at www.ytl.com/sustainability.

This report has been prepared in accordance with the Malaysian Code on Corporate Governance ("MCCG") and applicable provisions of the Main Market Listing Requirements of Bursa Malaysia. We have not sought external assurance for this Statement and will consider it for future reports.

## OUR APPROACH TO SUSTAINABILITY

Sustainability has always been central to how we conduct our business. As YTL REIT is part of YTL Group, YTL REIT's sustainability focus is aligned with YTL Group's credo, ***'Making A Good Future Happen'***, and this approach is embodied in our value chain and business practices to create long-term positive impacts for our stakeholders. There is regular assessment, review, and feedback of ESG issues in line with YTL Group's practices and policies.

The Manager's sustainability commitment is rooted in creating lasting value for all stakeholders by placing a strong emphasis on managing the Trust's assets responsibly and with integrity. Our commitment to sustainable practices enables us to walk the talk towards achieving our growth objectives, balancing business opportunities and risks in the ESG realms.

To effect meaningful change, we have aligned and adopted YTL Group's established sustainability structure and framework, policies and guidelines, where relevant and appropriate. The following value-added Sustainability Framework is intrinsically linked to our sustainable business practices, ensuring our business remains relevant and creating value over the long-term.

**YTL Group Sustainability Framework**

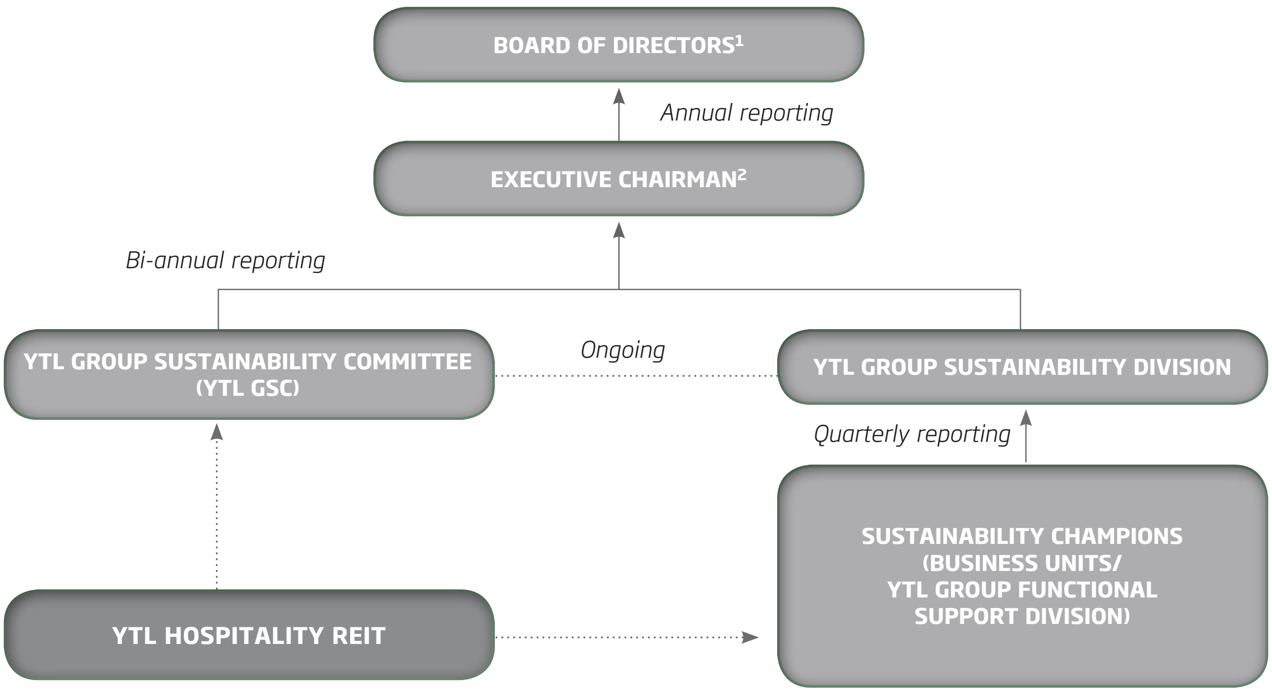

Where applicable to the Trust, we incorporate sustainability into the day-to-day management of YTL REIT which is aligned with United Nations Sustainable Development Goals ("SDGs") and YTL Group's Corporate Statements (Human Rights and Ethics, Environment, Health and Safety, and Commitment to Ethical Purchasing), Code of Conduct and Business Ethics ("the Code"), Anti-Bribery and Corruption Policy ("ABC"), Global Privacy Policy and Remuneration Policy and Procedures for Directors and Senior Management.

## SUSTAINABILITY GOVERNANCE

YTL Group operates with a clear and effective governance structure together with a strong governance system, which has similarly been adopted by YTL REIT. Responsibility for implementing and ensuring good governance lies with the Board of Directors of the Manager (the "Board"). In April 2021, the MCCG was updated to include additional best practices aimed at improving board policies and processes, strengthening board oversight and integrating sustainability considerations into business strategy. Accordingly, YTL REIT has applied appropriate actions in embedding the principles and recommendations of the MCCG throughout the reporting period.

More information on the Trust's governance and internal control systems can be found in the *Corporate Governance Overview Statement* and the *Statement on Risk Management and Internal Control* set out separately in this Annual Report.

**YTL Group Sustainability Governance Structure**




**Note:**

[1] *Refers to YTL Corp's Board of Directors*

[2] *Executive Chairman of Pintar Projek is also the Executive Chairman of YTL Corp and Chairman of YTL GSC*

# Managing Sustainability

**Roles and Responsibilities**

**Board**

- Responsible for the governance of ESG, including setting YTL REIT's ESG strategy, priorities and targets, as well as reviewing material ESG risks and opportunities.
- Oversees the progress of sustainability strategy and performance across material ESG matters, including approving materiality results and the sustainability statement.

**YTL Group Sustainability Committee**

- Comprises representatives from YTL Group's Sustainability Division and Senior Management from the entire YTL Group's Business Units that supports the Board to set high-level sustainability direction and strategic focus.
- Oversees the implementation of sustainability strategy and ESG related matters.
- Reviews, monitors and provides YTL Group's sustainability strategic plans and initiatives across our value chain.

**YTL Group Sustainability Division**

- Headed by the Head of Group Sustainability.
- Formulates sustainability framework.
- Leads and oversees YTL Group sustainability strategy implementation.
- Coordinates and implements YTL Group sustainability activities.
- Monitors and tracks YTL Group's sustainability performance.

**Sustainability Champions (Business Units/ YTL Group Functional Support Division)**

- Play a significant role in aligning the sustainability agenda with business practices on the ground.
- Support YTL Group Sustainability Division in executing and monitoring sustainability activities and performance.

# Managing Sustainability

## STAKEHOLDER ENGAGEMENT

| | Engagement Methods | Stakeholder Concerns and Expectations | How We Respond |
|---|---|---|---|
| LESSEES | • Dialogue and engagement sessions | • Create a conducive hotel environment<br>• Design and implement COVID-19 safety measures | • Identify potential areas of improvement and implement appropriate follow-up actions<br>• Enhance high standards of hygiene awareness at hotel |
| INVESTORS | • Dedicated investor relations section on the company's website<br>• Annual General Meeting<br>• Annual Report<br>• Results briefings with analysts, investors, and the media | • Access to high quality real estate investments<br>• Business performance and strategy<br>• Risk management<br>• Sustainable returns | • Provide accurate information to the investing public through timely communication channels |
| GUESTS | • Loyalty programmes for hotel guests<br>• Social media<br>• Websites | • Condition of amenities provided in properties<br>• Promotions and rewards | • Provide a safe and convenient environment<br>• Improve guest experience via digitalisation initiatives |
| EMPLOYEES | • Weekly department meetings<br>• Annual performance appraisals<br>• Recreational and team building activities<br>• Training courses and workshops<br>• Employment incentives and benefits | • Communicate business strategy and developments<br>• Reward and recognition<br>• Training and career development<br>• Employee wellness activities | • Create an inclusive work environment<br>• Provide opportunities for employees to develop skills and gain knowledge |
| GOVERNMENTS AND REGULATORS | • Meetings, feedback and other correspondence | • Compliance with rules and regulations<br>• Sustainability<br>• Environmental risk management<br>• Adopt best practices | • Implement policies and procedures to ensure regulatory compliance<br>• Regularly monitor and review regulatory issues and performance<br>• Annual Reports |
| SUPPLIERS AND CONTRACTORS | • Requests for Proposals<br>• Meetings and visits | • Fair procurement policy and practices<br>• Workplace safety<br>• Timely payment<br>• Local procurement or nearshoring | • Ensure compliance with government policies, rules and regulations |
| COMMUNITY | • Corporate social responsibility ("CSR") programme | • Support for environmental and social causes | • Ongoing CSR activities |

## MATERIALITY

We review our material ESG matters annually to ensure their continued relevance to our business operations and stakeholder interests. Our materiality matrix is generated using guidelines presented in the GRI standards as recommended in the Bursa Malaysia Sustainability Reporting Guide (2nd edition). We have re-assessed our ESG matters and the identified material matters were still deemed relevant to our business and stakeholders.

### Materiality Assessment Process

**1 Identification of ESG issues**

Analysis and review of key ESG matters relevant to the business context were identified. The identified material ESG matters were then benchmarked against standards, policies and regulations, and best practices in the industry.

**2 Analysis and prioritisation of findings**

Materiality assessments were conducted in a focus group with the participation of senior management and respective heads of business units.

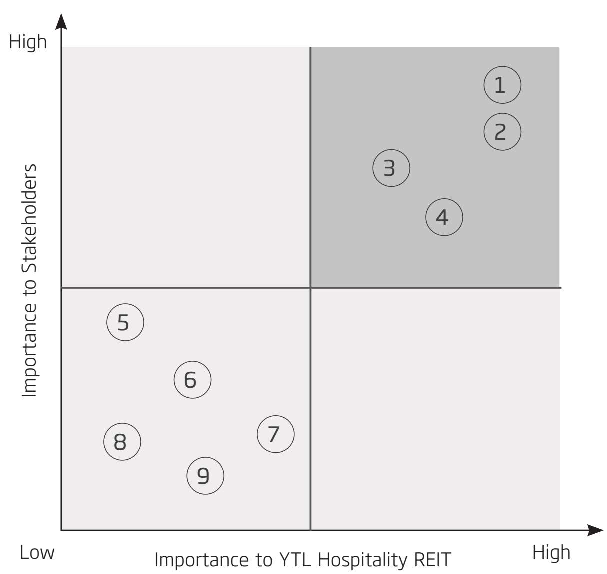
**3 Validation and review**

Validation of the prioritised key material ESG matters, and reporting of results to the Board for their consideration and approval.

**4 Board sign-off**

The final list of material matters reviewed and approved by the Board.

### YTL Hospitality REIT Materiality Matrix




**Legends:**

1 Financial Sustainability
2 Corporate Governance
3 Quality of Asset Portfolio
4 Business Transparency
5 Supply Chain
6 Local Community Impacts
7 Resource Management
8 Human Resources
9 Climate Change

# Managing Sustainability

A summary of material ESG matters, management approach, risks and opportunities are provided in the following table.

| | Material ESG Matters | Management Approach | Risks | Opportunities |
|---|---|---|---|---|
| GOVERNANCE | • Corporate Governance<br>• Business Transparency | • Implement policies and procedures to ensure sound corporate governance and compliance with applicable laws and regulations<br>• Maintain zero tolerance on corruption, bribery, fraud and money laundering | • Heightened legal, regulatory and reputational risks<br>• Inconsistency and lack of strategic alignment leading to corruption, negligence, fraud, and lack of accountability | • Promote good governance practices that contribute to growth and management stability<br>• Improve organisational efficiency and effectiveness in managing risks stemming from bribery and corruption to foster trust and integrity |
| ECONOMIC | • Financial Sustainability<br>• Supply Chain<br>• Quality of Asset Portfolio | • Deliver sustainable growth and long-term value<br>• Provide job opportunities for a local multiplier to uplift the nation's economy by prioritising local suppliers or nearshoring | • Unexpected increase in costs resulting from the pandemic<br>• Potential conflict of interest, corruption and unethical practices | • Unlocking value through optimisation of portfolio of assets<br>• Leveraging core competencies to promote economic and industry growth<br>• Better collaboration with suppliers in managing procurement processes |
| ENVIRONMENT | • Resource Management<br>• Climate Change | • Promote initiatives to mitigate pollution/impacts and achieve reduction in carbon emissions, energy consumption, water usage and waste generation<br>• Reduce portfolio carbon emissions, assess and mitigate climate-related risks | • Negative impacts on the environment resulting from our operations<br>• Threats to human health – physical and psychological wellbeing<br>• Rising utility bills from higher energy consumption for heating and cooling due to extreme heat during the summer and extreme cold during the winter | • Ability to operate and grow in an environmentally responsible manner and promote sustainable development<br>• Reduction of insurance premiums<br>• Reduction in energy usage by adopting responsible practices |
| SOCIAL | • Local Community Impacts<br>• Human Resources | • Promote an inclusive and safe workplace to nurture a high-performing workforce and maintain zero incidents and accidents<br>• Share wealth and prosperity of YTL Group with local communities in regions where we operate | • Negative image and/or brand reputation for the company<br>• High employee turnover cost | • Enhance brand image to a wider community<br>• Increase employee awareness and involvement in sustainable programmes and initiatives<br>• Create a safe environment for all<br>• Contribute to local communities and the environment whilst creating positive and lasting impacts for communities |

## GOVERNANCE

### Corporate Governance and Business Transparency

The Manager is committed to the highest level of corporate governance and transparency in its policies and processes. We see governance as an essential component in creating sustainable value and ensuring the continued financial and non-financial success of YTL REIT. Importantly, it is in the best interest of our unitholders. The Board sets the tone for the company and has ultimate responsibility for ensuring an appropriate culture in the company to act as a backdrop to the way in which the company interacts with and treats all stakeholders. For details on YTL REIT's corporate governance, risk management and internal control processes and procedures, please refer to the *Corporate Governance Overview Statement* and the *Statement on Risk Management and Internal Control* in this Annual Report.

We are committed to the highest legal and ethical standards of conduct throughout every aspect of our business. We have a zero tolerance for bribery and corruption and adopted the Code to ensure our employees and others who work with us, including suppliers understand their responsibilities.

## ECONOMIC

### Financial Sustainability and Quality of Asset Portfolio

YTL REIT is committed to deliver sustainable growth and long-term value to our stakeholders through various strategic recovery efforts within our portfolio during the year. Detailed analysis of the Trust's financial results and performance for the financial year under review can be found in the *Management Discussion and Analysis* and the full financial results can be found in the *Financial Statements*. A complete overview of the Trust's assets can be found in the *Property Portfolio* in this Annual Report.

### Supply Chain

Sustainable supply chains play a significant role in our sustainability practices. Our supply chain includes our property managers, and suppliers for various goods and services. We require our suppliers to comply with local government and legal requirements as a condition for being appointed as contractors and service providers. It is further reflected through guidelines on supply chain management provisions in our policies. We are committed to doing business with other companies that share our values and beliefs.

## ENVIRONMENT

### Resource Management

YTL REIT practises responsible environmental management through monitoring our environmental performance and thereby reducing greenhouse gas emissions, energy consumption, water use and waste generation. Our ultimate aim is to provide the highest quality performing assets within our portfolio. As the performance of our assets improves through enhanced operations and capital investments, so too does our baseline, towards improving the sustainability performance of our assets.

# Managing Sustainability

### Climate Change

In line with United Nations SDG 9 – Industry, Innovation and Infrastructure and SDG 13 – Climate Action, YTL Group has set an aim to achieve carbon neutrality in our operations by 2050. YTL REIT will ensure constant improvements to contribute to realising the YTL Group's climate vision with a view to minimising the environmental footprint of our portfolio properties. We closely manage our environmental performance through industry best practices, benchmarks, and internal reviews. Our climate change and business strategy remains focused on reducing emissions, enhancing energy efficiency and adopting renewable energy technologies towards a low carbon future.

During the transition period to cope with rising demands on shifting to a more climate-friendly and responsible practices and realisation of YTL Group's 2050 carbon neutral vision, several transitional risks were identified which may potentially have short to medium term financial impacts as listed in the table below:

| Climate related risks | Potential Financial Impacts |
|---|---|
| • Policy and Legal: Enhanced emissions-reporting obligations<br>• Technology: Substitution of existing services and processes with lower emissions options<br>• Market: Changing customer behaviour<br>• Reputation: Increased stakeholder concerns or negative stakeholder feedback<br>• Physical (Acute): Increased severity of extreme weather events (e.g., floods)<br>• Physical (Chronic): Changes in precipitation patterns and extreme variability in weather patterns<br>• Energy source: Use of new technologies<br>• Product and services: Shift in consumer preferences<br>• Resilience: Resource substitutes/diversification | • Increased operating costs (e.g., higher compliance costs, increased insurance premiums)<br>• Reduced demand for services due to shifts in consumer preferences<br>• Increased value of fixed assets (e.g., highly rated energy-efficient buildings)<br>• Financial savings from energy saving measures<br>• Better competitive position to reflect shifting consumer preferences, resulting in increased revenues<br>• Increased reliability of supply chains and ability to operate under challenging and variable conditions |

We take our responsibilities towards the planet seriously and as a group, we are committed to further enhance our businesses in a climate-friendly way. The risks and potential impacts findings are done qualitatively based on our practical and unique hospitality experience and we will continue to do so and be transparent about how our businesses are rising to the generational challenge of climate change.

## SOCIAL

### Local Community Impacts

YTL REIT embraces social responsibility and maintains a strong commitment to uplift the well-being of communities who have direct or indirect impacts on our business. As part of the YTL Group, we continue to take a proactive stance in enriching local communities, from providing financial assistance to improving the quality of education, supporting livelihoods and economic development.

### Human Resources

YTL REIT is managed by the Manager and the team is responsible for YTL REIT's property and portfolio operations. Aligned with YTL Group by adopting the UNGC principles on human rights and labour practices, we remain committed to embracing diversity and equal opportunity as well as promoting a fair, inclusive and safe working environment to help employees grow and thrive. Everyone has access to opportunities that support their development and in which everyone can reach their full potential without barriers.

# Profile of the Board of Directors

## TAN SRI (SIR) FRANCIS YEOH SOCK PING

Malaysian, male, aged 68, was appointed to the Board of Pintar Projek Sdn Bhd on 10 March 2005 as an Executive Director and was the Chief Executive Officer till 14 February 2019 when he was redesignated as Executive Chairman. Tan Sri Francis studied at Kingston University in the United Kingdom, where he obtained a Bachelor of Science (Hons) Degree in Civil Engineering and was conferred an Honorary Doctorate of Engineering in 2004. In July 2014, Tan Sri Francis was conferred an Honorary Degree of Doctor of Laws by University of Nottingham. He was appointed the Managing Director of YTL Corporation Berhad Group in 1988 which, under his stewardship, has grown from a single listed company into a global integrated infrastructure developer, encompassing multiple listed entities i.e. YTL Corporation Berhad, YTL Power International Berhad, YTL Hospitality REIT, Malayan Cement Berhad and Starhill Global Real Estate Investment Trust.

He was the Managing Director of YTL Corporation Berhad, YTL Power International Berhad and YTL Land & Development Berhad until 29 June 2018 when he was redesignated as Executive Chairman of these companies. He is also the Executive Chairman of Malayan Cement Berhad, which is listed on the Main Market of Bursa Malaysia Securities Berhad. He is the Executive Chairman and Managing Director of YTL e-Solutions Berhad and also a director of YTL Industries Berhad. He is also the Chairman of YTL Starhill Global REIT Management Limited, the manager of Starhill Global Real Estate Investment Trust, a vehicle listed on the Main Board of the Singapore Exchange Securities Trading Limited (SGX-ST). Tan Sri Francis is the Executive Chairman of YTL Cement Berhad. He is the Chairman of private utilities corporations, Wessex Water Services Limited in England and Wales, and YTL PowerSeraya Pte Limited in Singapore. Tan Sri Francis served as an Independent Non-Executive Director of The Hong Kong and Shanghai Banking Corporation Limited for a period of 10 years from July 2012 to June 2022. He sits on the board of trustees of YTL Foundation. He also serves on the board of directors of Suu Foundation, a humanitarian organisation committed to improving healthcare and education in Myanmar.

He is a Founding Member of the Malaysian Business Council and The Capital Markets Advisory Council, member of The Nature Conservancy Asia Pacific Council and Global Council member of the Asia Society. He is the first non-Italian board member of the historic Rome Opera House and helped fund its restoration to keep it from closing. He served as a member of the Barclays Asia-Pacific Advisory Committee from 2005 to 2012. Tan Sri Francis was made a board member of Global Child Forum by His Majesty King Carl XVI Gustaf in May 2016.

He was ranked by both Fortune and Businessweek magazines as Asia's 25 Most Powerful and Influential Business Personalities and one of Asia's Top Executives by Asiamoney. He won the inaugural Ernst & Young's Master Entrepreneur in Malaysia in 2002 and was named as Malaysia's CEO of the Year by CNBC Asia Pacific in 2005.

In 2006, he was awarded the Commander of the Most Excellent Order of the British Empire (CBE) by Her Majesty Queen Elizabeth II, and in 2019, received the Knight Commander of the Order of the British Empire (KBE). Tan Sri Francis received a prestigious professional accolade when made a Fellow of the Institute of Civil Engineers in London in 2008. He was the Primus Inter Pares Honouree of the 2010 Oslo Business for Peace Award, for his advocacy of socially responsible business ethics and practices. The Award was conferred by a panel of Nobel Laureates in Oslo, home of the Nobel Peace Prize. He also received the Corporate Social Responsibility Award at CNBC's 9th Asia Business Leaders Awards 2010. He received the Lifetime Achievement Award for Leadership in Regulated Industries at the 7th World Chinese Economic Summit held in London in 2015. He was also awarded the prestigious Muhammad Ali Celebrity Fight Night Award at the 2016 Celebrity Fight Night in Arizona. In 2017, he was honoured with the Kuala Lumpur Mayor's Award for Outstanding Contribution at the Kuala Lumpur Mayor Tourism Awards. This was in recognition of his efforts in the transformation of Kuala Lumpur into one of the top shopping and tourist destinations in the world. He was named CEO of the Year at the Asian Power Awards in 2017. The Japanese Government bestowed upon him the Order of the Rising Sun, Gold Rays with Rosette in 2018 and in the same year the Italian government conferred upon him the honour of Grande Officiale of the Order of the Star of Italy.

# Profile of the Board of Directors

## DATO' MARK YEOH SEOK KAH

Malaysian, male, aged 57, has been an Executive Director of Pintar Projek Sdn Bhd since 17 January 2012. He was redesignated to the position of Chief Executive Officer on 14 February 2019. He graduated from King's College, University of London, with an LLB (Hons) and was subsequently called to the Bar at Gray's Inn, London, in 1988. He was awarded Fellowship of King's College London in July 2014.

Dato' Mark Yeoh joined YTL Group in 1989 and is presently the Executive Director responsible for the YTL Hotels and Resorts Division. In addition, he is also part of YTL Power's Mergers & Acquisitions Team and was involved in the acquisition of ElectraNet SA (Australia), Wessex Water Limited (UK), P.T. Jawa Power (Indonesia) and PowerSeraya Limited (Singapore). He serves as an Executive Director of YTL Corporation Berhad and YTL Power International Berhad, all listed on the Main Market of Bursa Malaysia Securities Berhad. He is also a board member of YTL Cement Berhad, YTL Land & Development Berhad and private utilities corporations, Wessex Water Limited and Wessex Water Services Limited in England and Wales, and YTL PowerSeraya Pte Limited in Singapore.

## DATO' YEOH SEOK KIAN

Malaysian, male, aged 64, has been an Executive Director of Pintar Projek Sdn Bhd since 10 March 2005. He graduated from Heriot-Watt University, Edinburgh, United Kingdom in 1981 with a Bachelor of Science (Hons) Degree in Building and was conferred an Honorary Degree of Doctor of the University in 2017. He attended the Advance Management Programme conducted by Wharton Business School, University of Pennsylvania in 1984. Dato' Yeoh is a Fellow of the Faculty of Building, United Kingdom as well as a Member of the Chartered Institute of Building (UK). He served as Deputy Managing Director of YTL Corporation Berhad and YTL Power International Berhad, all listed on the Main Market of Bursa Malaysia Securities Berhad, and the Executive Director of YTL Land & Development Berhad, until 29 June 2018 when he was redesignated as Managing Director of YTL Corporation Berhad and YTL Land & Development Berhad, and Executive Director of YTL Power International Berhad. He is also an Executive Director of Malayan Cement Berhad, which is listed on the Main Market of Bursa Malaysia Securities Berhad. Dato' Yeoh also serves on the boards of other public companies such as YTL Cement Berhad, YTL Industries Berhad, Sentul Raya Golf Club Berhad and The Kuala Lumpur Performing Arts Centre, and private utilities corporations, Wessex Water Limited in England and Wales, YTL PowerSeraya Pte Limited in Singapore, as well as YTL Starhill Global REIT Management Limited, the manager of Starhill Global Real Estate Investment Trust, a vehicle listed on the Main Board of the Singapore Exchange Securities Trading Limited (SGX-ST).

## DATO' TAN GUAN CHEONG

Malaysian, male, aged 78, was appointed to the Board on 12 July 2018 as an Independent Non-Executive Director. He is also the Chairman of the Audit Committee. Dato' Tan graduated with a Bachelor of Commerce Degree from Otago University, New Zealand. He is a Member of the Malaysian Institute of Accountants since 1983. He worked in international audit firms overseas and also in Malaysia. He has more than 30 years' experience in the field of financial services. He is a director of Malayan Cement Berhad and Hartalega Holdings Berhad.

## DATO' AHMAD FUAAD BIN MOHD DAHALAN

Malaysian, male, aged 72, was appointed to the Board on 17 January 2012 as an Independent Non-Executive Director. He is also a member of the Audit Committee. Dato' Ahmad Fuaad holds a Bachelor of Arts (Hons) degree from the University of Malaya. He was attached with Wisma Putra, Ministry of Foreign Affairs as Malaysian Civil Service ("MCS") Officer in April 1973 before joining Malaysia Airlines in July 1973. While in Malaysia Airlines, Dato' Ahmad Fuaad served various posts and his last position was as the Managing Director. He was formerly a director of Lembaga Penggalakan Pelanchongan Malaysia, Malaysia Industry-Government Group for High Technology and Malaysia Airports Holdings Berhad, Tokio Marine Insurans (Malaysia) Berhad, Hong Leong Capital Berhad and YTL e-Solutions Berhad. Currently, Dato' Ahmad Fuaad is a director of YTL Corporation Berhad. He also sits on the board of trustees of YTL Foundation.

## DATO' HJ MOHAMED ZAINAL ABIDIN BIN HJ ABDUL KADIR

Malaysian, male, aged 82, has been an Executive Director of Pintar Projek Sdn Bhd since 10 March 2005. He qualified as a teacher in 1963 from the Day Training Centre for Teaching in Ipoh, Perak, and was in the teaching profession from 1964 to 1981 prior to entering the business arena as a property developer in May 1981.

Dato' Hj Mohamed Zainal Abidin also sits on the boards of several reputable private limited companies involved in construction, property development and resort operations such as Pakatan Perakbina Sdn Bhd, Seri Yakin Sdn Bhd and Syarikat Pelanchongan Pangkor Laut Sendirian Berhad.

## DATO' ZAINAL ABDIN BIN AHMAD

Malaysian, male, aged 65, was appointed to the Board on 23 February 2018 as an Independent Non-Executive Director. He is also a member of the Audit Committee. Dato' Zainal holds a Master of International Affairs from Columbia University, U.S.A; a Bachelor of Science (Hons) Degree in Mathematics from University of Manchester, United Kingdom; and a Diploma in Public Administration from Institut Tadbiran Awam Negara (INTAN), Kuala Lumpur. He also attended the Oxford Foreign Services Programme conducted by University of Oxford, United Kingdom. He was attached with Ministry of Foreign Affairs since 1983. Dato' Zainal served various posts and his last position was as the High Commissioner of Malaysia to Australia.

## YEOH KEONG SHYAN

Malaysian, male, aged 36, has been an Executive Director of Pintar Projek Sdn Bhd since 18 January 2011. He graduated from the University of Nottingham with an LLB (Hons) in 2008. He obtained the Capital Markets and Financial Advisory Services (CMFAS) Certification in 2010. He joined YTL Group in 2009 and is presently engaged in the YTL Hotels and Resorts as well as the Property Development Divisions.

## DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

During the financial year, a total of 4 Board meetings were held and the details of attendance are as follows:-

| | Attendance |
|---|---|
| Tan Sri (Sir) Francis Yeoh Sock Ping | 4 |
| Dato' Mark Yeoh Seok Kah | 4 |
| Dato' Yeoh Seok Kian | 4 |
| Dato' Tan Guan Cheong | 4 |
| Dato' Ahmad Fuaad Bin Mohd Dahalan | 4 |
| Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir | 4 |
| Dato' Zainal Abidin Bin Ahmad | 4 |
| Yeoh Keong Shyan | 4 |

**Notes:**

1. **Family Relationship with Director and/or Major Unitholder**
   Tan Sri (Sir) Francis Yeoh Sock Ping, Dato' Yeoh Seok Kian and Dato' Mark Yeoh Seok Kah are siblings. Puan Sri Datin Seri Tan Kai Yong @ Tan Kay Neong, the mother of Tan Sri (Sir) Francis Yeoh Sock Ping, Dato' Yeoh Seok Kian and Dato' Mark Yeoh Seok Kah, is a major unitholder of YTL Hospitality REIT. Mr Yeoh Keong Shyan is a son of Tan Sri (Sir) Francis Yeoh Sock Ping. Save as disclosed herein, none of the Directors of the Manager has any family relationship with any director of the Manager and/or major unitholder of YTL Hospitality REIT.

2. **Conflict of Interest**
   None of the Directors of the Manager has any conflict of interest with YTL Hospitality REIT.

3. **Conviction of Offences (other than traffic offences)**
   None of the Directors of the Manager has been convicted of any offences within the past five (5) years.

4. **Public Sanction or Penalty imposed**
   None of the Directors of the Manager has been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

# Corporate Governance Overview Statement

for the financial year ended 30 June 2022

YTL Hospitality REIT ("YTL REIT" or "Trust") was established on 18 November 2005 pursuant to a trust deed (as amended and restated) ("Deed") entered into between Pintar Projek Sdn Bhd ("PPSB" or "Manager") and Maybank Trustees Berhad ("Trustee"), as the manager and trustee, respectively, of the Trust. YTL REIT has been listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") since 16 December 2005.

The Board of Directors of PPSB ("Board") is firmly committed to ensuring that the Manager implements and operates good corporate governance practices in its overall management of the Trust and its subsidiaries ("YTL REIT Group" or "Group").

In implementing its system of corporate governance, the Directors have been guided by the measures set out in the Guidelines on Listed Real Estate Investment Trusts ("REIT Guidelines"), the Malaysian Code on Corporate Governance ("Code") and the Guidelines on Corporate Governance for Capital Market Intermediaries ("Corporate Governance Guidelines") issued by the Securities Commission Malaysia ("SC"), and the Main Market Listing Requirements of Bursa Securities ("Listing Requirements"). The Corporate Governance Guidelines took effect upon issuance by the SC on 31 December 2021, save for the guidelines pertaining to board composition which took effect from 1 July 2022, after the end of YTL REIT's financial year.

This statement details YTL REIT's compliance with the Code and the applicable requirements under the Corporate Governance Guidelines during the financial year ended 30 June 2022.

## PRINCIPLE A:<br>BOARD LEADERSHIP AND EFFECTIVENESS

### The Role of the Manager

YTL REIT is managed and administered by PPSB, with the primary objectives of:

(a) providing unitholders of the Trust ("Unitholders") with stable cash distributions with the potential for sustainable growth, principally from the ownership of properties; and

(b) enhancing the long-term value of YTL REIT's units ("Units").

The Manager is required to ensure that the business and operations of YTL REIT are carried on and conducted in a proper, diligent and efficient manner, and in accordance with acceptable and efficacious business practices in the real estate investment trust industry in the countries in which the Trust owns assets, namely Malaysia, Japan and Australia. Subject to the provisions of the Deed, the Manager has full and complete powers of management and must manage YTL REIT (including all assets and liabilities of the Trust) for the benefit of its Unitholders.

The Board recognises that an effective corporate governance framework is critical in order to achieve these objectives, fulfil its duties and obligations and ensure that YTL REIT continues to perform strongly.

The general functions, duties and responsibilities of the Manager include the following:

(a) to manage the YTL REIT Group's assets and liabilities for the benefit of Unitholders;

(b) to be responsible for the day-to-day management of the YTL REIT Group;

(c) to carry out activities in relation to the assets of the YTL REIT Group in accordance with the provisions of the Deed;

(d) to set the strategic direction of the YTL REIT Group and submit proposals to the Trustee on the acquisition, divestment or enhancement of assets of the Group;

(e) to issue an annual report and quarterly reports of YTL REIT to Unitholders within 2 months of YTL REIT's financial year end and the end of the periods covered, respectively; and

(f) to ensure that the YTL REIT Group is managed within the ambit of the Deed, the Capital Markets and Services Act 2007 (as amended) and other applicable securities laws, the Listing Requirements, the REIT Guidelines, the Corporate Governance Guidelines and other applicable laws.

### Responsibilities of the Board

The Manager is led and managed by an experienced Board with a wide and varied range of expertise. This broad spectrum of skills and experience gives added strength to the leadership, thus ensuring the Manager is under the oversight and guidance of an accountable and competent Board. The Directors recognise the key role they play in charting the strategic direction, development and control of the Manager.

Key elements of the Board's stewardship responsibilities include:

- Ensuring that the strategic plans for the YTL REIT Group support long-term value creation for the benefit of its stakeholders and include strategies on economic, environmental and social considerations underpinning sustainability;
- Promoting good corporate governance culture within the YTL REIT Group which reinforces ethical, prudent and professional behaviour;

- Overseeing the conduct of the YTL REIT Group's businesses to evaluate and assess management performance to determine whether businesses are being properly managed;
- Ensuring there is a framework of prudent and effective internal control and risk management systems which enable risks to be identified, assessed and managed;
- Succession planning for the Board and senior management;
- Overseeing the development and implementation of a Unitholder/ stakeholder communication policy;
- Reviewing the adequacy and integrity of the YTL REIT Group's management information and internal control systems; and
- Ensuring the integrity of the YTL REIT Group's financial and non-financial reporting.

The Board is led by the Executive Chairman who is responsible for instilling good corporate governance practices, leadership and effectiveness of the Board.

There is a clear balance of power, authority and accountability between the Executive Chairman, Tan Sri (Sir) Francis Yeoh Sock Ping, and the Chief Executive Officer, Dato' Mark Yeoh Seok Kah, between the running of the Board and the Group's business, respectively. The positions of the Executive Chairman and the Chief Executive Officer are separate and clearly defined, and are held by different members of the Board.

The Executive Chairman is responsible for leadership of the Board in ensuring the effectiveness of all aspects of its role, and is primarily responsible for leading the Board in setting the values and standards of the Group, including good corporate governance practices, the orderly and effective conduct of the meetings of the Board and Unitholders, leading discussions, encouraging active and open participation, managing the interface and encouraging constructive relations between the Board and management, ensuring the provision of accurate, timely and clear information to Directors and effective communications with stakeholders and facilitating the effective contribution of Non-Executive Directors.

The Chief Executive Officer is responsible for, amongst others, overseeing the day-to-day running of the business, developing and implementing Board policies and strategies, making operational decisions, serving as the conduit between the Board and management in ensuring the success of the Group's governance and management functions, ensuring effective communication with Unitholders and relevant stakeholders, providing strong leadership, i.e. effectively communicating the Board's vision, management philosophy and business strategy to employees and keeping the Board informed of salient aspects and issues concerning the Group's operations.

The Chief Executive Officer and Executive Directors are accountable to the Board for the profitability and development of the YTL REIT Group, consistent with the primary aim of enhancing long-term Unitholder value. The Independent Non-Executive Directors have the experience and business acumen necessary to carry sufficient weight in the Board's decisions and the presence of these Independent Non-Executive Directors brings an additional element of balance to the Board as they do not participate in the day-to-day running of the YTL REIT Group.

The differing roles of Executive and Non-Executive Directors are delineated, both having fiduciary duties to Unitholders. Executive Directors have a direct responsibility for business operations whereas Non-Executive Directors have the necessary skill and experience to bring an independent and objective judgment to bear on issues of strategy, performance and resources brought before the Board. The Executive Directors are responsible for the Manager's operations and for ensuring that the strategies proposed by the executive management are fully discussed and examined, and take account of the long term interests of the Unitholders.

In accordance with the Code, the Executive Chairman is not a member of the Audit Committee, which is chaired by and comprises Independent Non-Executive Directors. This promotes objectivity in the Board's deliberations and ensures there are effective checks and balances, as well as objective review by the Board of recommendations put forth by the Audit Committee.

In the discharge of their responsibilities, the Directors have established functions which are reserved for the Board and those which are delegated to management. Key matters reserved for the Board's approval include overall strategic direction, business expansion and restructuring plans, material acquisitions and disposals, expenditure over certain limits, issuance of new securities, change in income distribution policy and capital alteration plans. Further information on authorisation procedures, authority levels and other key processes can also be found in the *Statement on Risk Management & Internal Control* set out in this Annual Report.

**Board Meetings and Procedures**

Board meetings are scheduled with due notice in advance at least four times a year in order to review and approve the interim and annual financial statements. Additional meetings may also be convened on an ad-hoc basis when significant issues arise relating to the Trust. Meetings of the Audit Committee are conducted separately from those of the main Board to enable objective and independent discussions. The Board met four times during the financial year ended 30 June 2022.

# Corporate Governance Overview Statement
for the financial year ended 30 June 2022

The Directors are fully apprised of the need to determine and disclose potential or actual conflicts of interest which may arise in relation to transactions or matters which come before the Board. In accordance with applicable laws and regulations, the Directors formally disclose any direct or indirect interests or conflicts of interests in such transactions or matters as and when they arise and abstain from deliberations and voting at Board meetings as required.

The Directors have full and unrestricted access to all information pertaining to the business and affairs of the YTL REIT Group to enable them to discharge their duties. At least one week prior to Board meetings, all Directors receive the agenda together with a comprehensive set of Board papers containing information relevant to the business of the meeting. This allows the Directors to obtain further explanations or clarifications, where necessary, in order to be properly briefed before each meeting.

Board papers are presented in a consistent, concise and comprehensive format, and include, where relevant to the proposal put forward for the Board's deliberation, approval or knowledge, progress reports on the YTL REIT Group's operations and detailed information on corporate proposals, major fund-raising exercises and significant acquisitions and disposals. Where necessary or prudent, professional advisers may be on hand to provide further information and respond directly to Directors' queries. In order to maintain confidentiality, Board papers on issues that are deemed to be price-sensitive may be handed out to Directors during the Board meeting.

The minutes of the Board and/or Board Committee meetings are circulated and confirmed at the next meeting. Once confirmed, the minutes of the Board Committee meetings are subsequently presented to the Board for notation.

**Company Secretary**

The Board is supported by a professionally-qualified and competent Company Secretary. The Company Secretary, Ms Ho Say Keng, is a Fellow of the Association of Chartered Certified Accountants, a registered member of the Malaysian Institute of Accountants and an affiliate member of the Malaysian Institute of Chartered Secretaries and Administrators, and is qualified to act as Company Secretary under Section 235(2)(a) of the Companies Act 2016.

The Company Secretary ensures that Board procedures are adhered to at all times during meetings and advises the Board on matters including corporate governance issues and the Directors' responsibilities in complying with relevant legislation and regulations. The Company Secretary works very closely with management for timely and appropriate information, which will then be passed on to the Directors.

In accordance with the Board's procedures, deliberations and conclusions in Board meetings are recorded by the Company Secretary, who ensures that accurate and proper records of the proceedings of Board meetings and resolutions passed are recorded and kept in the statutory register at the registered office of the Manager.

During the financial year under review, the Company Secretary attended training, seminars and regulatory briefings and updates relevant for the effective discharge of her duties. The Company Secretary carries out ongoing reviews of existing practices in comparison with any new or amended measures introduced in the Listing Requirements, REIT Guidelines and/or legislation, regulations and codes applicable to the governance of YTL REIT.

**Board Charter**

The Board's functions are governed and regulated by the Constitution of the Manager and the laws, rules and regulations governing companies in Malaysia, including the Companies Act 2016, Listing Requirements and REIT Guidelines. The Board's Charter was updated and adopted on 27 June 2022, and a copy can be found under the *"Governance"* section on the Trust's website at www.ytlhospitalityreit.com.

The Board's Charter serves several important functions, including as a primary reference to the Board of its role, fiduciary duties and responsibilities, its governance processes and legal framework within which it operates and is an induction tool for new Directors. The Board Charter clearly identifies the respective roles and responsibilities of the Board, Board committees, Directors and management and the issues and decisions reserved for the Board.

Policies contained in the Board Charter cover areas including anti-bribery and corruption, conflicts of interests, dealings in securities and fit and proper criteria for Directors.

The Board Charter is reviewed as and when changes arise and updated in accordance with the needs of the Manager and any new regulations that impact the discharge of the Board's responsibilities.

**Business Conduct, Ethics and Whistleblowing**

The Directors observe and adhere to the Code of Ethics for Company Directors established by the Companies Commission of Malaysia, which encompasses the formulation of corporate accountability standards in order to establish an ethical corporate environment.

The Manager is also guided by the corporate culture of its parent company, YTL Corporation Berhad ("YTL Corp"), which has an established track record for good governance and ethical conduct. Key guidance is contained in the Code of Conduct and Business Ethics of the YTL Group of Companies ("YTL Group"), which also sets out the whistleblowing policy and procedures, and the YTL Group's Anti-Bribery and Corruption Policy, as detailed in the following section. A copy of the Code of Conduct and Business Ethics can be found on the Trust's website at www.ytlhospitalityreit.com.

The Code of Conduct and Business Ethics sets out the acceptable general practices and ethics for the YTL REIT Group and includes policies and measures to address conflicts of interest, abuse of power, corruption, insider trading, money laundering and data protection.

Training modules and other methods of communication are employed on an ongoing basis to familiarise employees of the Manager with their duties and obligations in this area. Training carried out during the financial year under review focused on areas including data security and protection and cybersecurity awareness.

**Anti-Bribery and Corruption Policy ("ABC Policy")**

The objective of the ABC Policy is to further enforce the YTL Group's Code of Conduct and Business Ethics in order to ensure that all Directors and employees understand their responsibilities in compliance with the YTL Group's zero tolerance for bribery and corruption within the organisation. This is in line with the corporate liability provision in Section 17A of the Malaysian Anti-Corruption Commission Act 2009 ("MACC Act") which came into force on 1 June 2020.

The ABC Policy outlines the YTL Group's strategies in identifying, preventing and managing bribery and corruption issues. The policies and procedures put in place are guided by the Guidelines on Adequate Procedures issued pursuant to Section 17A(5) of the MACC Act. The ABC Policy applies to all Directors, managers and employees of the Manager in dealing with external parties in the commercial context. The policy will be reviewed at least once every three years to ensure that it continues to remain relevant, appropriate and effective to enforce the principles highlighted therein and to ensure continued compliance with the prevailing law. A copy of the Code of Conduct and Business Ethics can be found on the Trust's website at www.ytlhospitalityreit.com.

A comprehensive implementation plan has been established to communicate and disseminate the ABC Policy on an ongoing basis throughout the YTL Group through online training modules and other communication methods. Electronic communications put in place over the past two years to comply with physical distancing guidelines implemented in response to the COVID-19 pandemic have proven highly effective and the YTL Group has continued to employ these methods as part of the overall dissemination and training process.

All directors and employees of the YTL Group are required to read and understand the ABC Policy and the Code of Conduct and Business Ethics, successfully complete the online training modules to reinforce their understanding of the policy and sign the YTL Group's Integrity Pledge in acknowledgement of their obligations and responsibilities.

Compliance with the ABC Policy continues to be monitored closely, both on an ongoing basis and in conjunction with the annual assessment of the Group's corruption risks. The annual risk assessment is carried out to identify the corruption risks to which the Group is exposed and the appropriateness of the mitigation measures established to minimise the exposure to these risks.

**Sustainability Governance**

The Board oversees governance of the YTL REIT Group's sustainability matters which includes setting its environmental, social and governance ("ESG") strategies, priorities and targets, overseeing the progress of ESG strategy and performance and reviewing and addressing the YTL REIT Group's material ESG risks and opportunities. Further information can be found in the *Managing Sustainability* section in this Annual Report and the *YTL Group Sustainability Report 2022* which will be published later this year and will be available for download at www.ytl.com/sustainability.

The Manager's key methods for communicating its sustainability strategies, priorities and targets as well as performance against these targets to internal and external stakeholders include the Annual Report of the Trust, the YTL Group Sustainability Report, which is issued annually, and the YTL Group's Sustainability website at www.ytl.com/sustainability.

The Directors are kept apprised of the key ESG issues relevant and specific to the YTL REIT Group through briefings from management on performance, targets and operational updates, and also stay abreast with more general developments in the ESG arena through training programmes, further details of which are set out in the section below on *Board Commitment*.

# Corporate Governance Overview Statement

for the financial year ended 30 June 2022

ESG risks are incorporated into the Board's process for addressing and managing significant risks that may have a considerable impact on YTL REIT as they form part of the overall risk management framework, further details of which can be found in the *Statement on Risk Management & Internal Control* set out in this Annual Report.

**Composition of the Board**

The Board currently comprises 8 Directors consisting of 5 executive members and 3 non-executive members, all of whom are independent.

The Independent Directors comprise 37.5% of the Board. This is in compliance with the provisions of the Listing Requirements and the REIT Guidelines for at least one-third of the Board to be independent. The Directors are cognisant of the recommendation in the Code for the board to comprise a majority of independent directors, and will assess the composition and size of the Board on an ongoing basis to ensure the needs of the Trust are met. The Board is of the view that the current Independent Non-Executive Directors have the experience and business acumen necessary to carry sufficient weight in the Board's decisions, and act in the best interests of the Unitholders.

**Board and Senior Management Appointments**

The appointment of Directors is undertaken by the Board as a whole whereby the Executive Chairman and/or the Chief Executive Officer make recommendations on the suitability of candidates nominated for appointment to the Board and, thereafter, the final decision lies with the entire Board to ensure that the resulting mix of experience and expertise of members of the Board is sufficient to address the issues affecting the Manager. The Board is of the view that its current practice and procedures are suitable and appropriate to fulfil the needs of the Trust and to comply with the applicable Listing Requirements. As previously reported, the Board will continue to assess the necessity of delegating this function to a separate nominating committee and will do so if it is deemed appropriate at the relevant time.

In its deliberations, the Board assesses suitable candidates with due regard for diversity, taking into account the required mix of skills, experience, age, gender, ethnicity, time commitment, background and perspective. Nevertheless, in identifying future candidates, the Board will also endeavour to utilise independent sources including external human resources consultants and specialised databases, as appropriate.

Meanwhile, members of senior management are appointed by the Executive Chairman and/or the Chief Executive Officer based on relevant industry experience and with due regard for diversity in skills, experience, age, background and gender.

The Board has not yet established a formal policy on diversity and, as there are currently no female directors on the Board, the Manager has not met the target of 30% women directors set out in the Code and the Corporate Governance Guidelines. However, the Directors understand the importance of having a diverse Board to leverage on varying perspectives, experience and expertise required to achieve effective stewardship and management, and will, therefore, include a review of initiatives towards achieving a more diverse Board as part of the periodic assessment of the Board's composition. The Board aims to achieve at least 30% female representation in the composition of the Board in accordance with the applicable guidelines and requirements.

**Board Remuneration**

Directors' remuneration is decided in line with the objective recommended by the Code to determine the remuneration for Directors so as to attract and retain Directors of the calibre needed to successfully carry on the Manager's operations. The Executive Directors' remuneration consists of basic salary, other emoluments and other customary benefits as appropriate to a senior management member. In general, the component parts of remuneration are structured so as to link rewards to the overall performance of YTL REIT. In the case of Non-Executive Directors, the level of remuneration reflects the contribution, experience and responsibilities undertaken by the particular non-executive concerned.

As previously reported, the Board has continued to assess the need to delegate this function to a separate committee and concluded that its current practice and procedures remain suitable and appropriate to fulfil the needs of the Trust and are in compliance with the Listing Requirements. In this context, it is pertinent to note that the Directors and senior management are remunerated by the Manager and not by YTL Hospitality REIT.

The following tables provide an overview of the remuneration of the Directors for the financial year ended 30 June 2022:-

**Remuneration of Executive and Non-Executive Directors for the financial year ended 30 June 2022**

| | Salaries and other emoluments RM'000 | Directors' fees RM'000 | Meeting attendance allowances RM'000 | Benefits-in-kind RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| Executive Directors | 5,315 | - | - | 2 | 5,317 |
| Non-Executive Directors | - | 630 | 27 | - | 657 |

| Range of remuneration per annum | Executive Directors | Non-Executive Directors |
|---|---|---|
| RM50,000 and below | 1 | - |
| RM50,001 – RM200,000 | 1 | - |
| RM200,001 – RM400,000 | - | 3 |
| RM1,000,001 – RM2,000,000 | 2 | - |
| RM2,000,001 and above | 1 | - |

*Note:- Details of the remuneration of individual directors and members of senior management are not disclosed as the Directors and senior management are remunerated by the Manager and not by YTL Hospitality REIT.*

**Board Commitment**

The Directors are fully cognisant of the importance and value of attending seminars, training programmes and conferences in order to update themselves on developments and changes in the REIT industry, as well as wider economic, financial and governance issues to enhance their skills, knowledge and expertise in their respective fields. The Board will continue to evaluate and determine the training needs of its Directors on an ongoing basis.

All the Directors have undergone training programmes during the financial year ended 30 June 2022. The conferences, seminars and training programmes attended by one or more of the Directors covered the following areas:-

| Seminars/Conferences/Training | Attended by |
|---|---|
| ▸ **Risk Management/Compliance/ESG/Sustainability** | |
| Sustainable Reset: The Role of NRC in a Post-Pandemic World (21 & 22 September 2021) | Dato' Tan Guan Cheong |
| The Securities Commission Malaysia's Audit Oversight Board – Conversation with Audit Committees (29 November 2021) | Dato' Tan Guan Cheong |
| An Effective Holistic Approach to establishing Effective ESG Culture and Successful Implementation (6 April 2022) | Tan Sri (Sir) Francis Yeoh Sock Ping<br>Dato' Mark Yeoh Seok Kah<br>Dato' Tan Guan Cheong<br>Dato' Ahmad Fuaad Bin Mohd Dahalan<br>Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir<br>Dato' Zainal Abidin Bin Ahmad<br>Yeoh Keong Shyan |
| The Securities Commission Malaysia's Audit Oversight Board – Conversation with Audit Committees (7 April 2022) | Dato' Ahmad Fuaad Bin Mohd Dahalan |

# Corporate Governance Overview Statement
for the financial year ended 30 June 2022

| Seminars/Conferences/Training | Attended by |
|---|---|
| Successful Implementation of the 4 ESG Pillars, Metrics and Disclosures<br>(11 April 2022) | Tan Sri (Sir) Francis Yeoh Sock Ping<br>Dato' Mark Yeoh Seok Kah<br>Dato' Tan Guan Cheong<br>Dato' Ahmad Fuaad Bin Mohd Dahalan<br>Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir<br>Dato' Zainal Abidin Bin Ahmad<br>Yeoh Keong Shyan |
| ▸ **Leadership and Business Management** | |
| YTL LEAD Conference 2021<br>(6 – 10 December 2021) | Tan Sri (Sir) Francis Yeoh Sock Ping<br>Dato' Mark Yeoh Seok Kah<br>Dato' Yeoh Seok Kian<br>Dato' Tan Guan Cheong<br>Dato' Ahmad Fuaad Bin Mohd Dahalan<br>Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir<br>Dato' Zainal Abidin Bin Ahmad |
| Powertalk Global Series 2021: Rethink, Reimagine & Redesign:<br>Business Model of the Future<br>(16 December 2021) | Dato' Zainal Abidin Bin Ahmad |
| ▸ **Cybersecurity/Technology** | |
| YTL Group Data Security & Protection Course<br>(December 2021) | Tan Sri (Sir) Francis Yeoh Sock Ping<br>Dato' Mark Yeoh Seok Kah<br>Dato' Tan Guan Cheong<br>Dato' Ahmad Fuaad Bin Mohd Dahalan<br>Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir<br>Dato' Zainal Abidin Bin Ahmad |
| Cybersecurity Training: Phishing Attack (Part 1)<br>(May 2022) | Tan Sri (Sir) Francis Yeoh Sock Ping<br>Dato' Mark Yeoh Seok Kah<br>Dato' Tan Guan Cheong<br>Dato' Ahmad Fuaad Bin Mohd Dahalan<br>Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir<br>Dato' Zainal Abidin Bin Ahmad |
| Cybersecurity Training: Phishing Attack (Part 2)<br>(June 2022) | Tan Sri (Sir) Francis Yeoh Sock Ping<br>Dato' Mark Yeoh Seok Kah<br>Dato' Tan Guan Cheong<br>Dato' Ahmad Fuaad Bin Mohd Dahalan<br>Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir<br>Dato' Zainal Abidin Bin Ahmad |

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

### Integrity in Financial Reporting

The Directors are responsible for ensuring that financial statements of the Trust are drawn up in accordance with applicable approved accounting standards in Malaysia, the REIT Guidelines and the Deed. The *Statement of Directors' Responsibilities* made pursuant to paragraph 15.26(a) of the Listing Requirements is set out in this Annual Report.

In presenting the financial statements, the Manager has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates to present a true and fair assessment of the Company's position and prospects. Interim financial statements are reviewed by the Trustee and the Audit Committee and approved by the Directors prior to release to the relevant regulatory authorities.

### Audit Committee

The Manager has in place an Audit Committee which comprises three Independent Non-Executive Directors, in compliance with the Code, namely Dato' Tan Guan Cheong, Dato' Ahmad Fuaad Bin Mohd Dahalan and Dato' Zainal Abidin Bin Ahmad. The Chairman of the Audit Committee is Dato' Tan Guan Cheong, in accordance with the recommendations of the Code that the chairman of the Audit Committee should not be the chairman of the Board.

The members of the Audit Committee possess a wide range of necessary skills to discharge their duties, and are financially literate and able to understand matters under the purview of the Audit Committee including the financial reporting process. The members of the Audit Committee also intend to continue to undertake professional development by attending training to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

The Audit Committee holds quarterly meetings to review matters including the YTL REIT Group's financial reporting, the audit plans for the financial year and recurrent related party transactions, as well as to deliberate the findings of the internal and external auditors.

The Audit Committee met four times during the financial year ended 30 June 2022. Full details of the composition and summary of the work carried out by the Audit Committee during the financial year can be found in the *Audit Committee Report* set out in this Annual Report. This information and the terms of reference of the Audit Committee are available under the *"Governance"* section on the Trust's website at www.ytlhospitalityreit.com.

The Audit Committee has established formal and professional arrangements for maintaining an appropriate relationship with the Trust's external auditors, HLB Ler Lum Chew PLT ("HLB"). The external auditors also attend each Annual General Meeting ("AGM") in order to address clarifications sought pertaining to the audited financial statements by Unitholders.

The Audit Committee has formal policies to assess the suitability, objectivity and independence of external auditors. These policies include a requirement that a former partner of the audit firm of the Trust and/or its affiliate firm (including those providing advisory services, tax consulting, etc.) must observe a cooling-off period of at least three years before being appointed as a member of the Audit Committee.

Details of the audit and non-audit fees paid/payable to HLB for the financial year ended 30 June 2022 are as follows:-

| | **Trust RM'000** | **Group RM'000** |
|---|---|---|
| Statutory audit fees paid/ payable to HLB | 93 | 121 |
| Non-audit fees paid/payable to HLB | 5 | 5 |
| **Total** | 98 | 126 |

### Risk Management and Internal Control

The Board acknowledges its overall responsibility for maintaining a sound system of risk management and internal control to safeguard the investment of the Unitholders and the assets of the YTL REIT Group, and that these controls are designed to provide reasonable, but not absolute, assurance against the risk of occurrence of material errors, fraud or losses.

Details of the YTL REIT Group's system of risk management and internal control are contained in the *Statement on Risk Management & Internal Control* and the *Audit Committee Report* as set out in this Annual Report.

# Corporate Governance Overview Statement

for the financial year ended 30 June 2022

### Conflicts of Interest and Related Party Transactions

The Deed provides that the Manager, the Trustee and any delegate of either of them shall avoid conflicts of interest arising or, if conflicts arise, shall ensure that the YTL REIT Group is not disadvantaged by the transaction concerned. The Manager must not make improper use of its position in managing the YTL REIT Group to gain, directly or indirectly, an advantage for itself or for any other person or to cause detriment to the interests of Unitholders.

In order to deal with any conflict-of-interest situations that may arise, any related party transaction, dealing, investment or appointment carried out for or on behalf of the YTL REIT Group involving parties related to the Trust must be executed on terms that are the best available to the Trust and which are no less favourable than an arm's length transaction between independent parties.

The Manager may not act as principal in the sale and purchase of real estate, securities and any other assets to and from the YTL REIT Group. "Acting as principal" includes a reference to:

(a) dealing in or entering into a transaction on behalf of a person associated with the Manager;

(b) acting on behalf of a corporation in which the Manager has a controlling interest; or

(c) the Manager acting on behalf of a corporation in which the Manager's interest and the interests of its Directors together constitute a controlling interest.

In addition, the Manager must not, without the prior approval of the Trustee, invest any monies available for investment under the Deed in any securities, real estate or other assets in which the Manager or any officer of the Manager has a financial interest or from which the Manager or any officer of the Manager derives a benefit.

In dealing with any related party transactions that may arise, the Manager ensures that the provisions in the REIT Guidelines and the Listing Requirements pertaining to related party transactions are fully complied with in any applicable transactions.

### Internal Audit

The Manager's internal audit function is undertaken by the Internal Audit department of YTL Corp ("YTLIA"). YTLIA reports directly to the Audit Committee of YTL Corp and to the Board on matters pertaining to the Manager and the Trust.

The Head of Internal Audit, Mr Choong Hon Chow, is a member of the Malaysian Institute of Accountants and a Fellow of the Association of Chartered Certified Accountants (ACCA) UK. He started his career with the external audit division of a large public accounting firm before moving on to the internal audit profession in public listed companies and gained valuable and extensive internal audit experiences covering many areas of diversified commercial businesses and activities. He has a total of 39 years of internal and external audit experience.

During the financial year ended 30 June 2022, YTLIA comprised 8 full-time personnel. The personnel of YTLIA are free from any relationships or conflicts of interest which could impair their objectivity and independence.

The internal audit function adopts the framework based on the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

The activities of the internal audit function during the year under review included:-

- Developing the annual internal audit plan and proposing this plan to the Audit Committee;
- Conducting scheduled internal audit engagements, focusing primarily on the adequacy and effectiveness of internal controls and recommending improvements where necessary;
- Conducting follow-up reviews to assess if appropriate action has been taken to address issues highlighted in audit reports;
- Presenting significant audit findings to the Audit Committee for consideration;
- Conducting reviews of recurrent related party transactions;
- Conducting discussions with management in identifying significant concerns and risk areas perceived by management for inclusion in the internal audit plan; and
- Conducting discussions with management to identify, analyse, assess and prioritise the internal and external corruption risks, for the purpose of establishing appropriate processes, systems and controls to mitigate the specific corruption risks exposure.

Further details of the YTL REIT Group's internal audit function are contained in the *Statement on Risk Management & Internal Control* and the *Audit Committee Report* as set out in this Annual Report.

## PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### Communication with Unitholders

The Manager values dialogue with Unitholders and investors as a means of effective communication that enables the Board to convey information about the YTL REIT Group's performance, corporate strategy and other matters affecting Unitholders' interests. The Board recognises the importance of timely dissemination of information to Unitholders and, accordingly, ensures that they are well informed of any major developments of YTL REIT. Such information is communicated through annual reports, the Trust's various disclosures and announcements to Bursa Securities, including quarterly and annual results, and the corporate website.

Corporate information, annual financial results, governance information, business reviews and future plans are disseminated through the Annual Report, whilst current corporate developments are communicated via the Trust's website, www.ytlhospitalityreit.com, in addition to prescribed information, including financial results, announcements, circulars, prospectuses and notices, which is released through the official website of Bursa Securities.

The Executive Chairman, Chief Executive Officer and/or the Executive Directors meet with analysts, institutional Unitholders and investors throughout the year to provide updates on strategies and new developments. However, price-sensitive information and information that may be regarded as undisclosed material information about YTL REIT is not disclosed in these sessions until after the requisite announcements to Bursa Securities have been made.

Whilst efforts are made to provide as much information as possible to its Unitholders and stakeholders, the Directors are cognisant of the legal and regulatory framework governing the release of material and sensitive information so as to not mislead its Unitholders. Therefore, the information that is price-sensitive or that may be regarded as undisclosed material information about the YTL REIT Group is not disclosed to any party until after the prescribed announcement to Bursa Securities has been made.

### Conduct of General Meetings

The AGM is the principal forum for dialogue with Unitholders. The Board provides opportunities for Unitholders to raise questions pertaining to issues in the Annual Report and operational performance of YTL REIT for the financial year. The Notice of AGM is sent to Unitholders at least 28 days prior to the AGM in accordance with the Code, which also meets the criteria of the Listing Requirements and Companies Act 2016 which require the Notice of AGM to be sent 21 days prior to the AGM, thus allowing Unitholders to make adequate preparation.

The Executive Chairman, Chief Executive Officer and Executive Directors take the opportunity to present a comprehensive review of the financial and non-financial performance of YTL REIT as well as progress and long-term strategies. The Directors provide appropriate answers in response to Unitholders' questions during the meeting thereby ensuring a high level of accountability, transparency and identification with YTL REIT's strategy and goals.

The Directors are mindful of the recommendation under the Code that all directors must attend general meetings and fully appreciate the need for their attendance at all such meetings. All Directors attended the Company's ninth AGM held on 14 October 2021.

Extraordinary general meetings are held as and when required to seek Unitholders' approval. The Chief Executive Officer and Executive Directors take the opportunity to fully explain the rationale for proposals put forth for approval and the implications of such proposals for the Trust and to reply to Unitholders' questions.

Where applicable, each item of special business included notice of the meeting is accompanied by an explanatory statement for the proposed resolution to facilitate full understanding and evaluation of the issues involved. All resolutions are put to the vote by electronic poll voting and an independent scrutineer is appointed to verify poll results. The results of the electronic poll voting are announced in a timely matter, usually within half an hour of the voting process to enable sufficient time for the results to be tabulated and verified by the independent scrutineer.

Where general meetings are held on a virtual basis, the Board utilises available platforms and technologies that support meaningful engagement with Unitholders by ensuring smooth broadcast of the general meeting and enabling interactive participation by Unitholders via facilities to submit questions before and during the general meeting. Questions posed by Unitholders are made visible to all meeting participants during the meeting.

The Manager engages professional service providers to manage and administer the Trust's general meetings who have in place the necessary data privacy and protection and cybersecurity policies and procedures to safeguard the information of the Trust and its unitholders.

Minutes of general meetings are posted on the Trust's website under the *"Meetings"* page at www.ytlhospitalityreit.com/meetings no later than 30 business days after the general meeting.

In view of the rules/restrictions applicable during the ongoing transition to the endemic phase of COVID-19, the forthcoming tenth AGM will be held on a fully virtual basis, the details of which can be found in the *Notice of Annual General Meeting* in this Annual Report.

This statement was approved by the Board on 1 August 2022.

# Statement on Risk Management & Internal Control

for the financial year ended 30 June 2022

During the financial year under review, the Board of Directors ("Board") of Pintar Projek Sdn Bhd ("PPSB" or "Manager") reviewed the system of internal control and risk management of YTL Hospitality REIT ("YTL REIT" or "Trust") and its subsidiaries ("YTL REIT Group" or "Group"), to ensure compliance with the applicable provisions of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the principles and practices of the Malaysian Code on Corporate Governance ("Code"), the Guidelines on Listed Real Estate Investment Trusts ("REIT Guidelines") and the Guidelines on Corporate Governance for Capital Market Intermediaries ("Corporate Governance Guidelines") issued by the Securities Commission Malaysia.

YTL REIT was established on 18 November 2005 pursuant to a trust deed (as amended and restated) ("Trust Deed") entered into between PPSB and Maybank Trustees Berhad ("Trustee"), as the manager and trustee, respectively, of the Trust. The Manager and the Trustee administer the Trust in accordance with the provisions of the Trust Deed, which governs matters including the management of the Trust, issuance of units, investments in assets, distributions, related party transactions and conflicts of interest, powers of the Trustee and responsibilities and remuneration of the Manager and the Trustee.

The Board acknowledges its overall responsibility for maintaining a sound system of risk management and internal control to safeguard the investment of its unitholders and the assets of the YTL REIT Group, and that these controls are designed to provide reasonable, but not absolute, assurance against the risk of occurrence of material errors, fraud or losses.

This statement sets out an overview of YTL REIT's compliance with the applicable provisions of the Code and the Corporate Governance Guidelines during the financial year ended 30 June 2022.

## RESPONSIBILITIES OF THE BOARD

The Board is ultimately responsible for maintaining a sound system of risk management and internal control which includes the establishment of an appropriate control environment framework to address the need to safeguard unitholders' investments and the assets of the YTL REIT Group, and for reviewing the adequacy and integrity of the system. The system of internal control covers not only financial controls but operational and compliance controls and risk management. However, the Board recognises that reviewing the YTL REIT Group's system of risk management and internal control is a concerted and continuing process, designed to minimise the likelihood of fraud and error, and to manage rather than eliminate the risk of failure to achieve business objectives. Accordingly, the system of risk management and internal control can only provide reasonable but not absolute assurance against material misstatement, fraud and loss.

The Board believes that the YTL REIT Group's system of risk management and internal control, financial or otherwise in place for the financial year under review, should provide reasonable assurance regarding the achievement of the objectives of ensuring effectiveness and efficiency of operations, reliability and transparency of financial information and compliance with laws and regulations.

## PRINCIPAL FEATURES & PROCESSES OF THE YTL REIT GROUP'S SYSTEM OF INTERNAL CONTROL

The Board is committed to maintaining a sound internal control structure to fulfil the Manager's duties and obligations under the Trust Deed, which includes processes for continuous monitoring and review of effectiveness of control activities and to govern the manner in which the YTL REIT Group and its staff conduct themselves.

The principal features which form part of the YTL REIT Group's system of internal control can be summarised as follows:-

- **Authorisation Procedures:** The YTL REIT Group has a clear definition of authorisation procedures and a clear line of accountability, with strict authorisation, approval and control procedures within the Board and the senior management. Responsibility levels are communicated throughout the YTL REIT Group which set out, among others, authorisation levels, segregation of duties and other control procedures to promote effective and independent stewardship in the best interests of unitholders.

- **Auditors' appointment:** The appointment of the external auditors, who are nominated by the Manager, is approved by the Trustee. The remuneration of the external auditors is also approved by the Trustee based on the Manager's recommendation.

- **Authority Levels:** The YTL REIT Group has delegated authority levels for tenders, capital expenditure projects, acquisitions and disposals of businesses and other significant transactions to the Executive Directors. The approval of capital and revenue proposals above certain limits is reserved for decision by the Board and the Trustee. Other investment decisions are delegated for approval in accordance with authority limits. Comprehensive appraisal and monitoring procedures are applied to all major investment decisions. The authority of the Directors is required for decisions on key treasury matters, including financing of corporate and investment funding requirements, foreign currency and interest rate risk management, investments, insurance and designation of authorised signatories.

- **Financial Performance:** Interim financial results are reviewed by the Audit Committee and approved by the Board upon recommendation of the Audit Committee before release to Bursa Securities. The full year financial results and analyses of the YTL REIT Group's state of affairs are disclosed to unitholders after review and audit by the external auditors.

- **Internal Compliance:** The YTL REIT Group monitors compliance with its internal financial controls through management reviews and reports which are internally reviewed by key personnel to enable it to gauge achievement of annual targets. Updates of internal policies and procedures are undertaken to reflect changing risks or resolve operational deficiencies, as well as changes to legal and regulatory compliance requirements relevant to the YTL REIT Group. Internal audit visits are systematically arranged over specific periods to monitor and scrutinise compliance with procedures and assess the integrity of financial information provided.

- **Internal Audit Function:** The Manager's internal audit function is undertaken by the Internal Audit department of its parent company, YTL Corporation Berhad, ("YTLIA") which provides assurance on the efficiency and effectiveness of the internal control systems implemented by Management, and reports directly to the Audit Committee on matters pertaining to the Manager and the Trust.

  A description of the work of the internal audit function can be found in the *Audit Committee Report*, whilst additional details about the personnel and resources of YTLIA are contained in the *Corporate Governance Overview Statement* set out in this Annual Report. This information is also available under the *"Governance"* section on the Trust's website at www.ytlhospitalityreit.com.

  YTLIA operates independently of the work it audits and provides periodic reports to the Audit Committee, reporting on the outcome of the audits conducted which highlight the effectiveness of the system of internal control and significant risks. The Audit Committee reviews and evaluates the key concerns and issues raised by YTLIA and ensures that appropriate and prompt remedial action is taken by management.

The Manager's system of internal control will continue to be reviewed, enhanced and updated in line with changes in the operating environment. The Board will seek regular assurance on the continuity and effectiveness of the internal control system through appraisals by YTLIA. The Board is of the view that the current system of internal control in place is effective to safeguard its interests of the YTL REIT Group.

## KEY FEATURES & PROCESSES OF THE YTL REIT GROUP'S RISK MANAGEMENT FRAMEWORK

The Group's strong financial profile is the result of a system of internal control and risk management designed to mitigate risks which arise in the course of business.

The Board acknowledges that all areas of the YTL REIT Group's business activities involve some degree of risk and is committed to ensuring that there is an effective risk management framework which allows management to manage risks within defined parameters and standards, and promotes profitability of the YTL REIT Group's operations in order to enhance unitholder value.

The Board assumes overall responsibility for the YTL REIT Group's risk management framework. Identifying, evaluating and managing any significant risks faced by the Group is an ongoing process which is undertaken by senior management at each level of operations and by the Audit Committee, which assesses and analyses these findings and reports to the Board.

At the same time, YTLIA, in the performance of its internal audit function, will identify and evaluate any significant risks faced by the YTL REIT Group and report these findings to the Audit Committee. During the financial year under review, the Board's functions in the risk management framework were exercised primarily by the Executive Directors through their participation in management meetings to ensure the adequacy and integrity of the system of internal control. Emphasis is placed on reviewing and updating the process for identifying and evaluating the significant risks affecting the business, and policies and procedures by which these risks are managed.

# Statement on Risk Management & Internal Control

for the financial year ended 30 June 2022

The YTL REIT Group's activities expose it to a variety of financial risks, including foreign currency exchange risk, interest rate risk, credit risk, liquidity risk, business/market risk, corruption risk and regulatory/compliance risk. The YTL REIT Group's overall financial risk management objective is to ensure that the YTL REIT Group creates value for its unitholders. The YTL REIT Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. Financial risk management is carried out through regular risk review analysis, internal control systems and adherence to the YTL REIT Group's financial risk management policies. The Board reviews these risks and approves the appropriate control environment framework. Further discussion and details on the YTL REIT Group's risk management is contained in the *Management Discussion & Analysis* in this Annual Report.

Management is responsible for creating a risk-aware culture within the YTL REIT Group and for the identification and evaluation of significant risks applicable to their areas of business, together with the design and operation of suitable internal controls. These risks are assessed on a continual basis and may be associated with a variety of internal and external sources including control breakdowns, disruption in information systems, competition, natural catastrophe and regulatory requirements. Significant changes in the business and the external environment which affect significant risks will be reported by management to the Board in developing a risk mitigation action plan. Where areas for improvement in the system are identified, the Board considers the recommendations made by the Audit Committee and the internal auditors.

The Board will pursue its ongoing process of identifying, assessing and managing key business, operational and financial risks faced by its business units as well as regularly reviewing planned strategies to determine whether risks are mitigated and well-managed, and to ensure compliance with the guidelines issued by the relevant authorities. This is to ensure the YTL REIT Group is able to respond effectively to the constantly changing business environment in order to protect and enhance stakeholders' interests and unitholder value.

## REVIEW BY EXTERNAL AUDITORS

The external auditors, HLB Ler Lum Chew PLT, have reviewed this Statement on Risk Management & Internal Control for inclusion in the Annual Report for the financial year ended 30 June 2022, in compliance with Paragraph 15.23 of the Listing Requirements, and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

## CONCLUSION

The Board is of the view that the system of risk management and internal control being instituted throughout the YTL REIT Group is sound and effective. The monitoring, review and reporting arrangements in place give reasonable assurance that the structure and operation of controls are appropriate for the YTL REIT Group's operations and that risks are at an acceptable level throughout its businesses.

The Chief Executive Officer is primarily responsible for the financial management of YTL REIT and has provided assurance to the Board that the YTL REIT Group's risk management and internal control system is operating adequately and effectively. Reviews of all the control procedures will be continuously carried out to ensure the ongoing effectiveness and adequacy of the system of risk management and internal control, so as to safeguard unitholders' investments and the YTL REIT Group's assets.

This statement was approved by the Board on 1 August 2022.

# Audit Committee Report

## COMPOSITION

**Dato' Tan Guan Cheong**
*(Chairman/Independent Non-Executive Director)*

**Dato' Ahmad Fuaad Bin Mohd Dahalan**
*(Member/Independent Non-Executive Director)*

**Dato' Zainal Abidin Bin Ahmad**
*(Member/Independent Non-Executive Director)*

## TERMS OF REFERENCE

The terms of reference of the Audit Committee can be found under the "Governance" section on YTL Hospitality REIT ("YTL REIT")'s website at www.ytlhospitalityreit.com.

## NUMBER OF MEETINGS HELD AND DETAILS OF ATTENDANCE

The Audit Committee shall meet at quarterly intervals or such other intervals as the Audit Committee shall decide. During the financial year, a total of 4 Audit Committee meetings were held and the details of attendance are as follows:-

| | Attendance |
|---|---|
| Dato' Tan Guan Cheong | 4 |
| Dato' Ahmad Fuaad Bin Mohd Dahalan | 4 |
| Dato' Zainal Abidin Bin Ahmad | 4 |

## SUMMARY OF WORK CARRIED OUT DURING FINANCIAL YEAR

The Audit Committee carried out the following work during the financial year ended 30 June 2022 in the discharge of its functions and duties:-

**1. Overseeing Financial Reporting**

(a) Reviewed the following quarterly financial results and annual financial statements of YTL REIT ("Financial Reports") prior to their recommendation to the Board of Directors for approval:-

- Quarterly financial results for the fourth quarter of financial year ended 30 June 2021, and the annual audited financial statements for the financial year ended 30 June 2021 at the Audit Committee meeting held on 30 July 2021;
- The quarterly results of the first, second and third quarters of the financial year ended 30 June 2022 at the Audit Committee meetings held on 24 November 2021, 23 February 2022 and 25 May 2022, respectively.

(b) At the Audit Committee meetings, the Finance Manager presented the Financial Reports wherein the following matters were reviewed and confirmed, with clarification and/or additional information provided wherever required by the Chief Executive Officer primarily in charge of the financial management of YTL REIT:-

- Appropriate accounting policies had been adopted and applied consistently, and other statutory and regulatory requirements had been complied with;
- YTL REIT has adequate resources to continue in operation for the foreseeable future and that there are no material uncertainties that could lead to significant doubt as to the Group's ability to continue as a going concern;

- Significant judgements made by management in respect of matters such as valuation of investment properties, revaluation of freehold land and buildings, valuation uncertainty, fraud risk including management override of controls, revenue recognition, trade receivables and accrued lease receivables, hedge of a net investment in Australia, critical accounting policies and financial statement disclosures and the underlying assumptions and/or estimates used were reasonable in accordance with the requirements of the Malaysian Financial Reporting Standards ("MFRS");
- Adequate processes and controls were in place for effective and efficient financial reporting and disclosures under the MFRS and Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Listing Requirements");
- The Financial Reports were fairly presented in conformity with the relevant accounting standards in all material aspects.

**2. External Audit**

(a) Reviewed with the external auditors, HLB Ler Lum Chew PLT ("HLB"):-

- their final report on the audit of the financial statements for financial year ended 30 June 2021 setting out their comments and conclusions on the significant audit and accounting matters highlighted, including management's judgements, estimates and/or assessments made, and adequateness of disclosures in the financial statements;
- the audit plan for the financial year ended 30 June 2022 outlining, amongst others, their scope of work, areas of audit emphasis, multi-location audit, and development in laws and regulations affecting financial reporting and the responsibilities of directors/audit committee members and auditors.

(b) Reviewed the audit fees proposed by HLB together with management and recommended the negotiated fees agreed by HLB to the Board of Directors for approval.

(c) Had discussions with HLB twice during the financial year, namely on 30 July 2021 and 25 May 2022, without the presence of management, to apprise on matters in regard to the audit and financial statements. No issues were raised by HLB.

(d) Reviewed the profiles of the audit engagement team which enabled the Audit Committee to assess their qualification, expertise, resources, and independence, as well as the effectiveness of the audit process. HLB also provided written confirmation of their independence in all of the reports presented to the Audit Committee. The Audit Committee also reviewed on a regular basis, the nature and extent of the non-audit services provided by HLB and was satisfied with the suitability, performance, independence and objectivity of HLB.

(e) Assessed the performance of HLB for the financial year ended 30 June 2021 and recommended to the Board of Directors for HLB to continue as the external auditors of YTL REIT.

**3. Internal Audit**

(a) Reviewed with the internal auditors the internal audit reports (including follow-up review reports), the audit findings and recommendations, management's responses and/or actions taken thereto, and ensured that material findings were satisfactorily addressed by management.

(b) Reviewed and adopted the risk-based internal audit plan for financial year ending 30 June 2023 to ensure sufficient scope and coverage of activities of YTL REIT and the Group.

(c) Reviewed internal audit resourcing, with focus on ensuring that the function has sufficient resources together with the right calibre of personnel to perform effectively, and that the head of internal audit has adequate authority to discharge his functions objectively and independently.

4. **Related Party Transactions ("RPT") and Recurrent RPT of a Revenue or Trading Nature ("RRPT")**

   (a) Reviewed, on a quarterly basis, the RRPT entered into by YTL REIT and/or its subsidiaries with related parties to ensure that the Group's internal policies and procedures governing RRPT are adhered to, and disclosure requirements of the Listing Requirements are observed.

   (b) Received updates on the directorships and shareholdings held by the Directors of the Company and persons connected with them via the general notices given under and in accordance with Section 221 of the Companies Act, 2016 tabled at board meetings. These disclosures enabled an assessment of the potential or actual conflicts of interest which may arise in relation to RPT or RRPT.

5. **Annual Report**

   (a) Reviewed the Audit Committee Report, and Statement on Risk Management and Internal Control before recommending these to the Board of Directors for approval for inclusion in 2021 Annual Report.

6. **Amendments to Terms of Reference of the Audit Committee**

   (a) Reviewed the proposed amendments to its terms of reference to reflect the recommended practices of the Malaysian Code on Corporate Governance ("MCCG"), where applicable, and provisions of the Listing Requirements not previously incorporated, prior to approval of the Board of Directors.

7. **Amendments to Policy on Auditor Independence**

   (a) Reviewed the proposed amendments to the Policy on Auditor Independence including the 'External Auditor Evaluation Form' to reflect the revised/enhanced practices recommended in the MCCG, prior to approval of the Board of Directors.

## INTERNAL AUDIT FUNCTION

The objective of the Internal Audit ("IA") is to help management evaluate the effectiveness and efficiency of the internal control systems. The IA is part of YTL REIT and the Group's governance system, and according to the MCCG, the IA is in charge of supervising internal control activities. IA's goal is to focus mainly on risk-based audits related to operations and compliance that are aligned with the risks of YTL REIT and the Group to ensure that the relevant controls addressing those risks are reviewed.

During the financial year, the IA Department evaluated the adequacy and effectiveness of key controls in responding to risks within YTL REIT's governance, operations and information systems regarding:-

- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations;
- Safeguarding of assets; and
- Compliance with relevant laws, regulations and contractual obligations.

The work of the internal audit function during the year under review include:-

1. Developed the annual internal audit plan and proposed the plan to the Audit Committee.
2. Conducted scheduled internal audit engagements, focusing primarily on the effectiveness of internal controls and recommended improvements where necessary.
3. Conducted follow-up reviews to assess if appropriate action has been taken to address issues highlighted in previous audit reports.
4. Conducted recurrent related party transactions reviews to assess accuracy and completeness of reporting for presentation to the Audit Committee, and ensure compliance with the Listing Requirements.
5. Conducted discussions with management in identifying significant concerns and risk areas perceived by management for inclusion in the internal audit plan.

Costs amounting to RM23,087 were incurred in relation to the internal audit function for the financial year ended 30 June 2022.

# Statement of Directors' Responsibilities

The Directors of Pintar Projek Sdn Bhd ("Directors"), the manager of YTL Hospitality REIT ("YTL REIT" or "Trust") are required to prepare financial statements for each financial year which give a true and fair view of the financial position of YTL REIT and its subsidiaries ("Group") as at the end of the financial year and of the financial performance and cash flows of the Group and of the Trust for the financial year then ended.

In preparing the financial statements for the financial year ended 30 June 2022, the Directors have:

- considered the applicable approved accounting standards in Malaysia;
- used appropriate accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent; and
- prepared the financial statements on a going concern basis.

The Directors are responsible for ensuring that the Group and the Trust keep accounting records which disclose with reasonable accuracy the financial position of the Group and of the Trust which enable them to ensure that the financial statements comply with the Securities Commission Malaysia's Guidelines on Listed Real Estate Investment Trusts, the deed dated 18 November 2005 (as amended and restated), Malaysian Financial Reporting Standards, International Financial Reporting Standards and other applicable laws.

The Directors are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Trust, and to detect and prevent fraud and other irregularities.

# Analysis of Unitholdings

as at 22 July 2022

Issued and fully paid units: 1,704,388,889 Units (voting right : 1 vote per unit)

## DISTRIBUTION OF UNITHOLDINGS

| Size of holding | No. of Unitholders | % | No. of Units | % |
|---|---|---|---|---|
| 1 - 99 | 520 | 3.38 | 5,218 | 0.00 |
| 100 - 1,000 | 3,547 | 23.05 | 2,777,014 | 0.16 |
| 1,001 - 10,000 | 6,939 | 45.10 | 34,346,354 | 2.02 |
| 10,001 - 100,000 | 3,659 | 23.78 | 124,409,801 | 7.30 |
| 100,001 - to less than 5% of issued units | 721 | 4.68 | 682,569,613 | 40.05 |
| 5% and above of issued units | 1 | 0.01 | 860,280,889 | 50.47 |
| **Total** | **15,387** | **100.00** | **1,704,388,889** | **100.00** |

## THIRTY LARGEST UNITHOLDERS

(as per Record of Depositors)

| | Name | No. of Units | % |
|---|---|---|---|
| 1 | YTL Corporation Berhad | 860,280,889 | 50.47 |
| 2 | YTL Corporation Berhad | 74,115,600 | 4.35 |
| 3 | East-West Ventures Sdn Bhd | 62,500,000 | 3.67 |
| 4 | Citigroup Nominees (Tempatan) Sdn Bhd<br>- Employees Provident Fund Board (AFFIN- HWG) | 34,409,800 | 2.02 |
| 5 | Syarikat Pelanchongan Pangkor Laut Sendirian Berhad | 24,250,000 | 1.42 |
| 6 | YTL Power International Berhad | 20,496,900 | 1.20 |
| 7 | Business & Budget Hotels (Kuantan) Sdn Bhd | 18,750,000 | 1.10 |
| 8 | HSBC Nominees (Tempatan) Sdn Bhd<br>- HSBC (M) Trustee Bhd for Zurich Life Insurance Malaysia Berhad (LIFE PAR) | 16,124,000 | 0.95 |
| 9 | Citigroup Nominees (Tempatan) Sdn Bhd<br>- Employees Provident Fund Board (AMUNDI) | 14,689,200 | 0.86 |
| 10 | YTL Power International Berhad | 14,628,000 | 0.86 |
| 11 | Megahub Development Sdn Bhd | 13,250,000 | 0.78 |
| 12 | HSBC Nominees (Tempatan) Sdn Bhd<br>- HSBC (M) Trustee Bhd for Zurich Life Insurance Malaysia Berhad (NP-OTHER-REITS) | 12,074,600 | 0.71 |
| 13 | HSBC Nominees (Asing) Sdn Bhd<br>- SIX SIS for Bank Sarasin CIE | 8,400,000 | 0.49 |

# Analysis of Unitholdings
as at 22 July 2022

| | Name | No. of Units | % |
|---|---|---|---|
| 14 | Hong Leong Assurance Berhad<br>- As Beneficial Owner (LIFE PAR) | 8,350,000 | 0.49 |
| 15 | YTL Power International Berhad | 7,964,600 | 0.47 |
| 16 | Steeloak International Limited | 7,900,000 | 0.46 |
| 17 | Citigroup Nominees (Tempatan) Sdn Bhd<br>- Employees Provident Fund Board (AM INV) | 7,643,000 | 0.45 |
| 18 | Citigroup Nominees (Tempatan) Sdn Bhd<br>- Kumpulan Wang Persaraan (Diperbadankan) (AHAM EQUITY FUND) | 7,433,000 | 0.44 |
| 19 | HSBC Nominees (Tempatan) Sdn Bhd<br>- HSBC (M) Trustee Bhd for Zurich General Insurance Malaysia Berhad (GI-REITS) | 7,394,500 | 0.43 |
| 20 | HSBC Nominees (Tempatan) Sdn Bhd<br>- HSBC (M) Trustee Bhd for Allianz Life Insurance Malaysia Berhad (P) | 7,315,500 | 0.43 |
| 21 | Amanah Raya Berhad<br>- Kumpulan Wang Bersama | 6,200,000 | 0.36 |
| 22 | HSBC Nominees (Tempatan) Sdn Bhd<br>- HSBC (M) Trustee Bhd for Zurich Life Insurance Malaysia Berhad (AP-REITS) | 6,106,300 | 0.36 |
| 23 | Citigroup Nominees (Asing) Sdn Bhd<br>- CBNY for DFA International Real Estate Securities Portfolio of DFA Investment Dimensions Group INC | 6,085,800 | 0.36 |
| 24 | Citigroup Nominees (Asing) Sdn Bhd<br>- Exempt An for Citibank New York (NORGES BANK 19) | 5,884,000 | 0.35 |
| 25 | Citigroup Nominees (Tempatan) Sdn Bhd<br>- Great Eastern Life Assurance (Malaysia) Berhad (PAR 1) | 5,510,700 | 0.32 |
| 26 | Maybank Nominees (Tempatan) Sdn Bhd<br>- Pledged Securities Account for Kong Lih Ching | 5,467,000 | 0.32 |
| 27 | Khoo Chai Ee | 5,100,000 | 0.30 |
| 28 | Dato' Mark Yeoh Seok Kah | 5,000,000 | 0.29 |
| 29 | Hong Leong Assurance Berhad<br>- As Beneficial Owner (UNITLINKED OP) | 4,918,000 | 0.29 |
| 30 | Citigroup Nominees (Tempatan) Sdn Bhd<br>- Employees Provident Fund Board (ARIM) | 4,706,100 | 0.28 |
| | **Total** | **1,282,947,489** | **75.28** |

# Analysis of Unitholdings

as at 22 July 2022

## SUBSTANTIAL UNITHOLDERS

| | No. of Units Held | | | |
|---|---|---|---|---|
| **Name** | **Direct** | **%** | **Indirect** | **%** |
| YTL Corporation Berhad | 937,464,189 | 55.00 | 61,839,500 (1) | 3.63 |
| Yeoh Tiong Lay & Sons Holdings Sdn Bhd | – | – | 1,099,303,689 (2) | 64.50 |
| Yeoh Tiong Lay & Sons Family Holdings Limited | – | – | 1,099,303,689 (3) | 64.50 |
| Yeoh Tiong Lay & Sons Trust Company Limited | – | – | 1,099,303,689 (4) | 64.50 |
| Puan Sri Datin Seri Tan Kai Yong @ Tan Kay Neong | – | – | 1,099,303,689 (5) | 64.50 |

(1) *Deemed interests by virtue of interests held by YTL Power International Berhad ("**YTL Power**") and Business & Budget Hotels (Kuantan) Sdn Bhd ("**BBHK**") pursuant to Section 8 of the Companies Act, 2016 ("**Act**").*

(2) *Deemed interests by virtue of interests held by YTL Corporation Berhad, YTL Power, BBHK, Megahub Development Sdn Bhd, East-West Ventures Sdn Bhd and Syarikat Pelanchongan Pangkor Laut Sendirian Berhad pursuant to Section 8 of the Act.*

(3) *Deemed interests pursuant to Section 8 of the Act arising from the ownership of 100% of Yeoh Tiong Lay & Sons Holdings Sdn Bhd.*

(4) *Deemed interests pursuant to Section 8 of the Act arising from the ownership of 100% of Yeoh Tiong Lay & Sons Family Holdings Limited ("**YTLSF**") in its capacity as trustee.*

(5) *Deemed interests by virtue of her beneficial interest (held through Yeoh Tiong Lay & Sons Trust Company Limited in its capacity as trustee) in YTLSF pursuant to Section 8 of the Act.*

# Statement of Interests of Directors of the Manager

Pintar Projek Sdn Bhd in YTL Hospitality REIT as at 22 July 2022

| | No. of Units Held | | | |
|---|---|---|---|---|
| Name | Direct | % | Indirect | % |
| Tan Sri (Sir) Francis Yeoh Sock Ping, PSM, KBE | 2,975,900 | 0.18 | 916,000← | 0.05 |
| Dato' Mark Yeoh Seok Kah | 5,000,000 | 0.29 | 1,000,000← | 0.06 |
| Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir | 100,000 | 0.01 | 64,250,000→ | 3.77 |
| Yeoh Keong Shyan | 100,000 | 0.01 | - | - |

→ *Deemed interests by virtue of interests held by East-West Ventures Sdn Bhd and Tanjong Jara Beach Hotel Sdn Bhd pursuant to Section 8 of the Act.*

← *Deemed interests by virtue of interests held by spouse and/or children pursuant to Section 59(11)(c) of the Act.*

# FINANCIAL STATEMENTS

# Manager's Report

The Directors of Pintar Projek Sdn. Bhd. ("Manager"), the manager of YTL Hospitality REIT ("YTL REIT" or "Trust"), is pleased to present the report to unitholders of YTL REIT together with the audited financial statements of YTL REIT and its subsidiaries ("Group") for the financial year ended 30 June 2022.

## PRINCIPAL ACTIVITY OF THE MANAGER

The principal activity of the Manager is the management of real estate investment trusts. There has been no significant change in the nature of this activity during the financial year under review.

## THE TRUST AND ITS INVESTMENT OBJECTIVE

YTL REIT was established on 18 November 2005 pursuant to a trust deed ("Principal Deed") entered into between the Manager and Maybank Trustees Berhad, the trustee of YTL REIT and is classified under the real estate investment trusts sector. The Principal Deed was registered with the Securities Commission Malaysia and had been amended and restated by a second restated deed dated 25 November 2019 ("Second Restated Deed").

YTL REIT was listed on the Main Market of Bursa Malaysia Securities Berhad on 16 December 2005 and is an income and growth type fund. The investment objective of YTL REIT is to own and invest in real estate and real estate-related assets, whether directly or indirectly through the ownership of single-purpose companies whose principal assets comprise real estate.

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

## DIRECTORS

The Directors who served on the Board of the Manager during the financial year until the date of this report of the Trust are:-

Tan Sri (Sir) Francis Yeoh Sock Ping, PSM, KBE
Dato' Mark Yeoh Seok Kah
Dato' Yeoh Seok Kian
Dato' Tan Guan Cheong
Dato' Ahmad Fuaad Bin Mohd Dahalan
Dato' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir
Dato' Zainal Abidin Bin Ahmad
Yeoh Keong Shyan

## DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangement subsisted to which the Manager is a party, with the object or objects of enabling the Directors of the Manager to acquire benefits by means of the acquisition of units in or debentures of YTL REIT or any other body corporate.

For the financial year ended 30 June 2022, no Director has received or become entitled to receive any benefit by reason of a contract made by the Manager for YTL REIT or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in the notes to the financial statements.

## DIRECTORS' INTERESTS

The following Directors of the Manager who held office at the end of the financial year had, according to the register of unitholdings in YTL REIT, interests in the units of YTL REIT as follows:-

| | Balance at 1.7.2021 | No. of units acquired | No. of units disposed | Balance at 30.6.2022 |
|---|---|---|---|---|
| **Direct interest** | | | | |
| Tan Sri (Sir) Francis Yeoh Sock Ping, PSM, KBE | 2,975,900 | – | – | 2,975,900 |
| Dato' Mark Yeoh Seok Kah | 5,000,000 | – | – | 5,000,000 |
| Dato' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir | 100,000 | – | – | 100,000 |
| Yeoh Keong Shyan | 100,000 | – | – | 100,000 |
| **Indirect interest** | | | | |
| Tan Sri (Sir) Francis Yeoh Sock Ping, PSM, KBE | 816,000 (1) | 100,000 | – | 916,000 (1) |
| Dato' Mark Yeoh Seok Kah | 1,000,000 (1) | – | – | 1,000,000 (1) |
| Dato' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir | 64,250,000 (2) | – | – | 64,250,000 (2) |

(1) Deemed interests by virtue of interests held by spouse and/or children pursuant to Section 59(11)(c) of the Companies Act 2016.

(2) Deemed interests by virtue of interests held by East-West Ventures Sdn. Bhd. and Tanjong Jara Beach Hotel Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

Other than as disclosed above, Directors who held office at the end of the financial year did not have any interests in the units of YTL REIT.

## BREAKDOWN OF UNITHOLDINGS

Set out below is the analysis of unitholdings of YTL REIT as at the reporting date:-

| Unit class | No. of Unitholders | % | No. of Units held | % |
|---|---|---|---|---|
| Less than 100 | 520 | 3.36 | 5,218 | 0.00 |
| 100 to 1,000 | 3,551 | 22.99 | 2,779,014 | 0.16 |
| 1,001 to 10,000 | 6,977 | 45.16 | 34,568,754 | 2.03 |
| 10,001 to 100,000 | 3,670 | 23.76 | 124,733,501 | 7.32 |
| 100,001 to less than 5% of issued units | 729 | 4.72 | 682,021,513 | 40.02 |
| 5% and above of issued units | 1 | 0.01 | 860,280,889 | 50.47 |
| | 15,448 | 100.00 | 1,704,388,889 | 100.00 |

## MATERIAL CONTRACTS

Set out below are the details of the material contracts involving the Manager and the major unitholders' interests, still subsisting at the reporting date:-

| | |
|---|---|
| Name | Pintar Projek Sdn. Bhd. |
| Date of agreement | 25 November 2019 |
| General nature | Second Restated Deed |
| Consideration passing from the Trust | As disclosed in Note 7 to the financial statements |
| Mode of satisfaction of the consideration | By cash |
| Relationship with the major unitholder | 70%-owned subsidiary company |

| | |
|---|---|
| Name | Star Hill Hotel Sdn. Bhd. |
| Date of agreement | 8 March 2005, 18 October 2006, 18 October 2006, 5 May 2017, 20 June 2019 and 30 July 2020 |
| Deed of novation | 16 December 2005, 16 May 2007 and 15 November 2011 |
| General nature | Agreement for lease, Supplemental Agreement and Second Supplemental Agreement for lease of two properties |
| Consideration passing to the Trust | Annual lease rental of RM23,449,844 |
| Mode of satisfaction of the consideration | By cash |
| Relationship with the major unitholder | Wholly-owned subsidiary company |

| | |
|---|---|
| Name | Cameron Highlands Resort Sdn. Bhd. |
| Date of agreement | 15 November 2011 and 30 July 2020 |
| General nature | Agreement for lease and Supplemental Agreement |
| Consideration passing to the Trust | Annual lease rental of RM2,165,917 |
| Mode of satisfaction of the consideration | By cash |
| Relationship with the major unitholder | Wholly-owned subsidiary company |

## MATERIAL CONTRACTS (CONT'D.)

| | |
|---|---|
| Name | Business & Budget Hotels (Penang) Sdn. Bhd. |
| Date of agreement | 15 November 2011 and 30 July 2020 |
| General nature | Agreement for lease and Supplemental Agreement |
| Consideration passing to the Trust | Annual lease rental of RM4,440,129 |
| Mode of satisfaction of the consideration | By cash |
| Relationship with the major unitholder | 51%-owned subsidiary company |

| | |
|---|---|
| Name | Prisma Tulin Sdn. Bhd. |
| Date of agreement | 15 November 2011 and 30 July 2020 |
| General nature | Agreement for lease and Supplemental Agreement |
| Consideration passing to the Trust | Annual lease rental of RM4,440,129 |
| Mode of satisfaction of the consideration | By cash |
| Relationship with the major unitholder | Wholly-owned subsidiary company |

| | |
|---|---|
| Name | Business & Budget Hotels (Kuantan) Sdn. Bhd. |
| Date of agreement | 15 November 2011 and 30 July 2020 |
| General nature | Agreement for lease and Supplemental Agreement |
| Consideration passing to the Trust | Annual lease rental of RM3,248,875 |
| Mode of satisfaction of the consideration | By cash |
| Relationship with the major unitholder | 50%-owned associated company |

| | |
|---|---|
| Name | Niseko Village K.K. |
| Date of agreement | 22 December 2011, 26 September 2018 and 30 July 2020 |
| General nature | Agreement for lease of two properties and Supplemental Agreement for lease of a property |
| Consideration passing to the Group | Annual lease rental of RM19,834,417 |
| Mode of satisfaction of the consideration | By cash |
| Relationship with the major unitholder | Wholly-owned subsidiary company |

| | |
|---|---|
| Name | East-West Ventures Sdn. Bhd. |
| Date of agreement | 15 November 2011, 5 May 2017 and 30 July 2020 |
| General nature | Agreement for lease, Supplemental Agreement and Second Supplemental Agreement |
| Consideration passing to the Trust | Annual lease rental of RM11,152,460 |
| Mode of satisfaction of the consideration | By cash |
| Relationship with the major unitholder | 70%-owned subsidiary company of holding company of the major unitholder |

# Manager's Report

## MATERIAL CONTRACTS (CONT'D.)

| | |
|---|---|
| Name | Syarikat Pelanchongan Pangkor Laut Sendirian Berhad |
| Date of agreement | 15 November 2011 and 30 July 2020 |
| General nature | Agreement for sub-lease and Supplemental Agreement |
| Consideration passing to the Trust | Annual lease rental of RM4,548,425 |
| Mode of satisfaction of the consideration | By cash |
| Relationship with the major unitholder | 57%-owned subsidiary company of holding company of the major unitholder |

| | |
|---|---|
| Name | Tanjong Jara Beach Hotel Sdn. Bhd. |
| Date of agreement | 15 November 2011 and 30 July 2020 |
| General nature | Agreement for lease and Supplemental Agreement |
| Consideration passing to the Trust | Annual lease rental of RM3,790,354 |
| Mode of satisfaction of the consideration | By cash |
| Relationship with the major unitholder | Company related to a director |

| | |
|---|---|
| Name | YTL Land Sdn. Bhd. |
| Date of agreement | 27 August 2020 |
| General nature | Car park agreement |
| Consideration passing to the Trust | Annual fee of RM2,038,317 |
| Mode of satisfaction of the consideration | By cash |
| Relationship with the major unitholder | Wholly-owned subsidiary company |

| | |
|---|---|
| Name | YTL Majestic Hotel Sdn. Bhd. |
| Date of agreement | 8 May 2018 and 30 July 2020 |
| General nature | Agreement for sub-lease and Supplemental Agreement |
| Consideration passing to the Trust | Annual lease rental of RM13,300,000 |
| Mode of satisfaction of the consideration | By cash |
| Relationship with the major unitholder | Wholly-owned subsidiary company |

## MATERIAL LITIGATION

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

## SOFT COMMISSION

During the financial year, the Manager did not receive any soft commission (ie. goods and services) from its broker, by virtue of transactions conducted by the Trust.

## MANAGER’S REMUNERATION

Pursuant to the Second Restated Deed, the Manager is entitled to receive from the Trust:-

(a) a base fee of up to 1.0% per annum of the gross asset value of the Group;

(b) a performance fee of up to 5.0% of the Group’s net property income, but before deduction of property management fees payable to any property manager appointed to manage any real estate;

(c) an acquisition fee of 1.0% of the acquisition price of any real estate or single-purpose company purchased for the Group (pro rated if applicable to the proportion of the interest of the Group in the asset acquired); and

(d) a divestment fee of 0.5% of the sale price of any asset being real estate or a single-purpose company sold or divested by the Group (pro rated if applicable to the proportion of the interest of the Group in the asset sold).

The remuneration received by the Manager during the financial year is disclosed in Note 7 to the financial statements.

## STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and of the Trust were made out, the Manager took reasonable steps:-

(a) to ascertain that proper action has been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts have been written off and that adequate allowance has been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records of the Group and of the Trust in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Manager is not aware of any circumstances:-

(a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Trust inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and of the Trust misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Trust misleading or inappropriate.

At the date of this report, there does not exist:-

(a) any charge on the assets of the Group and of the Trust which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and of the Trust which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors of the Manager, will or may affect the ability of the Group and of the Trust to meet its obligations as and when they fall due.

## OTHER STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

The Directors of the Manager state that:-

At the date of this report, they are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Trust which would render any amount stated in the financial statements misleading.

In their opinion,

(a) the results of the operations of the Group and of the Trust during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except as disclosed in Note 39 to the financial statements; and

(b) except as disclosed in Note 39 to the financial statements, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Trust for the financial year in which this report is made.

## AUDITORS

The auditors, HLB Ler Lum Chew PLT, have expressed their willingness to continue in office.

Signed on behalf of the Board of Pintar Projek Sdn. Bhd. in accordance with a resolution of the Directors,

**DATO' MARK YEOH SEOK KAH**

**DATO' HJ. MOHAMED ZAINAL ABIDIN BIN HJ. ABDUL KADIR**

Dated: 4 August 2022

# Statement By Manager

In the opinion of the Directors of Pintar Projek Sdn. Bhd. ("Manager"), the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the Securities Commission Malaysia's Guidelines on Listed Real Estate Investment Trusts and the deed dated 18 November 2005 (as amended and restated) so as to give a true and fair view of the financial position of YTL Hospitality REIT ("Trust") and its subsidiaries ("Group") as at 30 June 2022 and financial performance and cash flows of the Group and of the Trust for the financial year then ended.

Signed on behalf of the Board of Pintar Projek Sdn. Bhd. in accordance with a resolution of the Directors,

**DATO' MARK YEOH SEOK KAH**

**DATO' HJ. MOHAMED ZAINAL ABIDIN BIN HJ. ABDUL KADIR**

Dated: 4 August 2022

# Statutory Declaration

I, Dato' Mark Yeoh Seok Kah, being the Director of Pintar Projek Sdn. Bhd. primarily responsible for the financial management of YTL Hospitality REIT, do solemnly and sincerely declare that to the best of my knowledge and belief the accompanying financial statements are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

**DATO' MARK YEOH SEOK KAH**

Subscribed and solemnly declared by the
abovenamed Dato' Mark Yeoh Seok Kah
at Kuala Lumpur on 4 August 2022

Before me:

Commissioner for Oaths

# Trustee's Report

to the Unitholders of YTL Hospitality REIT

We have acted as trustee of YTL Hospitality REIT ("Trust") for the financial year ended 30 June 2022. To the best of our knowledge, Pintar Projek Sdn. Bhd., the manager of the Trust has managed the Trust in accordance with the roles and responsibilities and limitation imposed on the investment powers of the management company under the deed dated 18 November 2005 (as amended and restated) ("Deed"), the Securities Commission Malaysia's Guidelines on Listed Real Estate Investment Trusts, the Capital Markets and Services Act 2007 and other applicable laws during the financial year ended 30 June 2022.

We are of the opinion that:

(i) the valuation/pricing of the Trust's units are adequate and such valuation/pricing is carried out in accordance with the Deed and other regulatory requirements; and

(ii) the income distributions declared and paid during the financial year ended 30 June 2022 are in line with and are reflective of the objectives of the Trust.

For **Maybank Trustees Berhad**
[Company No.: 196301000109 (5004-P)]

**NORHAZLIANA BINTI MOHAMMED HASHIM**
Head, Unit Trust & Corporate Operations

Dated: 4 August 2022
Kuala Lumpur

# Independent Auditors' Report

to the Unitholders of YTL Hospitality REIT

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of YTL Hospitality REIT ("Trust") and its subsidiaries ("Group"), which comprise the Statements of Financial Position as at 30 June 2022 of the Group and of the Trust, and the Income Statements, Statements of Other Comprehensive Income, Statements of Changes in Net Asset Value and Statements of Cash Flows of the Group and of the Trust for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 101 to 173.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Trust as at 30 June 2022, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the Securities Commission Malaysia's Guidelines on Listed Real Estate Investment Trusts and the deed dated 18 November 2005 (as amended and restated).

### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Independence and Other Ethical Responsibilities

We are independent of the Group and of the Trust in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Emphasis of Matter – Revaluation of Properties

We draw attention to Note 2(e) in the financial statements which describes the impact of the COVID-19 pandemic on the determination of revaluation of property, plant and equipment and how this has been considered by the Directors of the Manager in the preparation of the financial statements. Due to the heightened degree of valuation uncertainty, property values may change significantly and unexpectedly over a relatively short period of time. Our opinion is not modified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Trust for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Trust as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**1. Valuation of investment properties**

The risk

Investment properties of the Group amounting to RM2,754 million, represent 56% of total assets are the most quantitatively material account balance in the financial statements.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

### Key Audit Matters (cont'd.)

### 1. Valuation of investment properties (cont'd.)

The risk (cont'd.)

The investment properties are stated at their fair values based on independent professional valuations using the income capitalisation approach, which capitalise the estimate rental income stream, net projected operating costs, using a capitalisation and/or discount rate derived from market yield which includes the consideration on the impact of COVID-19 pandemic and effects were reflected accordingly in the key assumptions used in determining the fair value of the investment properties.

We focused on this area due to the magnitude of the balance and the complexities in determining the fair value of the investment properties, which involves significant judgement and estimation that could result in material misstatement.

Our response:-

Our and component auditors' audit procedures included the following:

- evaluated the qualifications and competence of the external valuers based on their membership of recognised professional body.
- discussed the methodology and assumptions used in the valuation, taking into account the current market outlook due to the impact of COVID-19 pandemic with valuer.
- evaluated the Group's disclosures on those assumptions to which the outcome of the valuation is most sensitive, that is, those that have the most significant effect on the determination of the fair value of the investment properties, by comparing them to the information disclosed in the valuation reports.

### 2. Revaluation of freehold land and buildings

The risk

The valuation of freehold land and buildings comprises 38% of total assets and is measured at fair value.

Freehold land carried at the revalued amount less accumulated impairment losses and buildings carried at the revalued amounts less accumulated depreciation and accumulated impairment losses. Valuation is carried out on the freehold land and buildings by the independent valuer once a year.

The valuation of freehold land and buildings is significant to our audit due to their magnitude, complex valuation method and high dependency on a range of estimates (amongst others, forecast income, discount rate and capitalisation rate) which are based on current and future market or economic conditions.

The independent valuation reports have highlighted that with the heightened uncertainty of the COVID-19 pandemic, a higher degree of caution should be exercised when relying upon the valuation. The valuations are based on the information available as at the date of valuation. Values and incomes may change more rapidly and significantly than during normal market conditions.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

**Key Audit Matters (cont'd.)**

**2. Revaluation of freehold land and buildings (cont'd.)**

Our response:-

Our and component auditors' audit procedures included the following:

- evaluated the competence, capabilities and objectivity of the professional valuers' specialist.
- checked the accuracy and relevance of the input data used in the valuations.
- used component auditors' internal valuation specialist in assessing appropriateness of methodologies used and the reasonableness of the key assumptions applied in the valuations.
- evaluated the Group's disclosures on those assumptions to which the outcome of the valuation is most sensitive, that is, those that have the most significant effect on the determination of the valuation of the land and buildings, by comparing them to the information disclosed in the valuation reports.
- discussed the COVID-19 pandemic implications on the critical assumptions used by the external valuers.

**Information Other than the Financial Statements and Auditors' Report Thereon**

The Directors of the Manager are responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements of the Group and of the Trust and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Trust does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Trust, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Trust or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors of the Manager for the Financial Statements**

The Directors of the Manager of the Trust are responsible for the preparation of financial statements of the Group and of the Trust that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the Securities Commission Malaysia's Guidelines on Listed Real Estate Investment Trusts and the deed dated 18 November 2005 (as amended and restated). The Directors of the Manager are also responsible for such internal control as the Directors of the Manager determine is necessary to enable the preparation of financial statements of the Group and of the Trust that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Trust, the Directors of the Manager are responsible for assessing the Group's and the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors of the Manager either intend to liquidate the Group or the Trust or to cease operations, or have no realistic alternative but to do so.

# Independent Auditors' Report
to the Unitholders of YTL Hospitality REIT

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

**Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Trust as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Trust, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of the Manager.
- Conclude on the appropriateness of the Directors of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Trust or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Trust, including the disclosures, and whether the financial statements of the Group and of the Trust represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors of the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors of the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

### Auditors' Responsibilities for the Audit of the Financial Statements (cont'd.)

From the matters communicated with the Directors of the Manager, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Trust for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Other Matters

This report is made solely to the unitholders of the Trust, and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**HLB LER LUM CHEW PLT**
201906002362 & AF 0276
Chartered Accountants

**WONG CHEE HONG**
03160/09/2022 J
Chartered Accountant

Dated: 4 August 2022
Kuala Lumpur

# Income Statements

for the financial year ended 30 June 2022

| | | Group | | Trust | |
|---|---|---|---|---|---|
| | Note | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Revenue | | | | | |
| – Hotel revenue | 4 | **189,334** | 151,063 | **-** | - |
| – Property revenue | 4 | **174,523** | 175,213 | **146,044** | 146,044 |
| Total revenue | | **363,857** | 326,276 | **146,044** | 146,044 |
| Operating expenses | | | | | |
| – Hotel operating expenses | 5 | **(138,310)** | (109,990) | **-** | - |
| – Property operating expenses | 5 | **(10,729)** | (11,017) | **(7,388)** | (7,388) |
| Total operating expenses | | **(149,039)** | (121,007) | **(7,388)** | (7,388) |
| Net property income | | **214,818** | 205,269 | **138,656** | 138,656 |
| Finance income | 6 | **151** | 230 | **78,653** | 80,335 |
| Other income – others | 6 | **2,101** | 2,477 | **315** | 789 |
| Expenses | | | | | |
| – Manager's fees | 7 | **(9,121)** | (8,866) | **(9,121)** | (8,866) |
| – Trustee's fees | 8 | **(1,447)** | (1,428) | **(1,447)** | (1,428) |
| – Depreciation | | **(60,967)** | (58,786) | **(2)** | (3) |
| – Finance costs | 9 | **(60,361)** | (61,168) | **(60,271)** | (61,078) |
| – Administration expenses | | **(3,246)** | (3,343) | **(369)** | (400) |
| – Auditors' remuneration | | **(736)** | (736) | **(120)** | (94) |
| – Tax agent's fees | | **(228)** | (123) | **(12)** | (12) |
| – Valuation fees | | **(433)** | (498) | **(382)** | (433) |
| – Unrealised gain/(loss) on foreign exchange | | **12,829** | (3,321) | **(20,851)** | 2,577 |
| Changes in fair value | | | | | |
| – Fair value on investment properties: | | | | | |
| – As per valuation reports | | **54,877** | 54,907 | **9,368** | 23,500 |
| – Unbilled lease income | | **(71,517)** | (63,963) | **(60,668)** | (57,537) |
| – Revaluation gain on properties | | **10,300** | 25,767 | **-** | - |
| Profit before tax | | **87,020** | 86,418 | **73,749** | 116,006 |
| Income tax expense | 10 | **(3,148)** | (3,588) | **(1,476)** | (1,596) |
| Profit after tax | | **83,872** | 82,830 | **72,273** | 114,410 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Income Statements

for the financial year ended 30 June 2022

| | | Group | | Trust | |
|---|---|---|---|---|---|
| | Note | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Profit after tax | | **83,872** | 82,830 | **72,273** | 114,410 |
| Distribution adjustments | | | | | |
| – Accrued lease income - unbilled | | **(82,114)** | (83,701) | **(73,470)** | (74,908) |
| – Depreciation | | **60,967** | 58,786 | **2** | 3 |
| – Fair value changes on properties | | **6,340** | (16,711) | **51,300** | 34,037 |
| – Net income from foreign operations | | **14,720** | 26,440 | **-** | - |
| – Unrealised foreign translation differences | | **(12,829)** | 3,321 | **20,851** | (2,577) |
| Income available for distribution | | **70,956** | 70,965 | **70,956** | 70,965 |
| Net income distribution | | | | | |
| – Interim income distribution paid on 31 March 2022 (2021: paid on 31 March 2021) | | **32,179** | 30,858 | **32,179** | 30,858 |
| – Final income distribution (2021: paid on 30 August 2021) | | **35,230** | 40,106 | **35,230** | 40,106 |
| Total income distribution | | **67,409** | 70,964 | **67,409** | 70,964 |
| Income distribution per unit | | | | | |
| Interim income distribution | | | | | |
| – Gross (sen) | | **1.8880** | 1.8105 | **1.8880** | 1.8105 |
| Final income distribution | | | | | |
| – Gross (sen) | | **2.0670** | 2.3531 | **2.0670** | 2.3531 |
| Total income distribution per unit (sen) | | **3.9550** | 4.1636 | **3.9550** | 4.1636 |
| Earnings per unit | | | | | |
| – after manager's fees (sen) | 11 | **4.92** | 4.86 | **4.24** | 6.71 |
| – before manager's fees (sen) | 11 | **5.46** | 5.38 | **4.78** | 7.23 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of Other Comprehensive Income

for the financial year ended 30 June 2022

| | | Group | | Trust | |
|---|---|---|---|---|---|
| | Note | 2022<br>RM'000 | 2021<br>RM'000 | 2022<br>RM'000 | 2021<br>RM'000 |
| Profit after tax | | **83,872** | 82,830 | **72,273** | 114,410 |
| Other comprehensive (loss)/income | | | | | |
| Item that may be reclassified subsequently to income statement | | | | | |
| – currency translation differences | | **(94,361)** | 36,065 | **–** | – |
| Item that will not be reclassified subsequently to income statement | | | | | |
| – surplus on revaluation of properties | | **145,327** | 101,489 | **–** | – |
| Total comprehensive income | | **134,838** | 220,384 | **72,273** | 114,410 |
| Profit after tax is made up as follows:- | | | | | |
| Realised and distributable | | **56,236** | 44,525 | **70,956** | 70,965 |
| Unrealised items | | **27,636** | 38,305 | **1,317** | 43,445 |
| | | **83,872** | 82,830 | **72,273** | 114,410 |
| Total comprehensive income is made up as follows:- | | | | | |
| Profit after tax | | **83,872** | 82,830 | **72,273** | 114,410 |
| Surplus on revaluation of properties | | **145,327** | 101,489 | **–** | – |
| Unrealised currency translation differences | | **(94,361)** | 36,065 | **–** | – |
| | | **134,838** | 220,384 | **72,273** | 114,410 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of Financial Position

as at 30 June 2022

| | | Group | | Trust | |
|---|---|---|---|---|---|
| | Note | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Investment properties | 12 | **2,754,328** | 2,772,788 | **2,258,000** | 2,241,500 |
| Property, plant and equipment | 13 | **1,971,944** | 1,928,046 | **-** | - |
| Unbilled lease income | 14 | **30,172** | 19,666 | **30,172** | 17,371 |
| Right-of-use asset | 15 | **201** | 203 | **201** | 203 |
| Investment in subsidiaries | 16 | **-** | - | **533,522** | 527,536 |
| Amount due from subsidiaries | 16 | **-** | - | **1,345,006** | 1,420,962 |
| Deferred tax assets | 17 | **2,137** | 1,796 | **-** | - |
| | | **4,758,782** | 4,722,499 | **4,166,901** | 4,207,572 |
| **Current assets** | | | | | |
| Inventories | 18 | **524** | 337 | **-** | - |
| Trade receivables | 19 | **36,079** | 25,576 | **28,838** | 14,063 |
| Other receivables & prepayments | 20 | **23,215** | 16,348 | **660** | 1,680 |
| Amount due from subsidiaries | 16 | **-** | - | **121,905** | 139,393 |
| Income tax assets | | **17** | 412 | **-** | - |
| Deposits with licensed financial institutions | 21 | **11,151** | 18,130 | **1,118** | - |
| Cash at banks | | **72,482** | 88,572 | **5,419** | 2,956 |
| | | **143,468** | 149,375 | **157,940** | 158,092 |
| Total assets | | **4,902,250** | 4,871,874 | **4,324,841** | 4,365,664 |
| **UNITHOLDERS' FUNDS AND LIABILITIES** | | | | | |
| **Unitholders' funds** | | | | | |
| Unitholders' capital | 22 | **1,690,806** | 1,690,806 | **1,690,806** | 1,690,806 |
| Undistributed realised income | | **185,408** | 197,144 | **200,394** | 197,410 |
| Reserves | 23 | **896,534** | 817,369 | **343,331** | 341,451 |
| Total unitholders' funds/Net asset value ("NAV") | | **2,772,748** | 2,705,319 | **2,234,531** | 2,229,667 |
| **Non-current liabilities** | | | | | |
| Borrowings | 24 | **950,852** | 1,275,260 | **950,852** | 1,275,260 |
| Medium Term Notes | 25 | **465,000** | 735,000 | **-** | - |
| Lease liability | 15 | **203** | 203 | **203** | 203 |
| Other payables | 26 | **1,127** | 998 | **-** | - |
| Amount due to a subsidiary | 16 | **-** | - | **465,000** | 735,000 |
| | | **1,417,182** | 2,011,461 | **1,416,055** | 2,010,463 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of Financial Position
as at 30 June 2022

| | | Group | | Trust | |
|---|---|---|---|---|---|
| | Note | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| **Current liabilities** | | | | | |
| Borrowings | 24 | **272,698** | – | **272,698** | – |
| Medium Term Notes | 25 | **350,000** | 75,000 | **-** | - |
| Trade payables | 27 | **2,475** | 4,106 | **-** | - |
| Other payables | 26 | **50,927** | 34,168 | **16,357** | 10,458 |
| Amount due to a subsidiary | 16 | **-** | – | **349,970** | 74,970 |
| Income tax liabilities | | **990** | 1,714 | **-** | - |
| Provision for income distribution | 28 | **35,230** | 40,106 | **35,230** | 40,106 |
| | | **712,320** | 155,094 | **674,255** | 125,534 |
| Total liabilities | | **2,129,502** | 2,166,555 | **2,090,310** | 2,135,997 |
| Total unitholders' funds and liabilities | | **4,902,250** | 4,871,874 | **4,324,841** | 4,365,664 |
| NAV before distribution | | **2,840,157** | 2,776,283 | **2,301,940** | 2,300,631 |
| NAV after distribution | | **2,772,748** | 2,705,319 | **2,234,531** | 2,229,667 |
| Number of units in circulation ('000) | 22 | **1,704,389** | 1,704,389 | **1,704,389** | 1,704,389 |
| NAV per unit (RM) | | | | | |
| – before income distribution | | **1.666** | 1.629 | **1.351** | 1.350 |
| – after income distribution | | **1.627** | 1.587 | **1.311** | 1.308 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of Changes in Net Asset Value

for the financial year ended 30 June 2022

| | | Distributable | <-------------------- Non-distributable --------------------> | | | |
|---|---|---|---|---|---|---|
| | Unitholders' Capital RM'000 | Undistributed Realised Income RM'000 | Unrealised Loss RM'000 | Currency Translation Reserves RM'000 | Revaluation Reserve RM'000 | Total Unitholders' Funds RM'000 |
| **Group - 2022** | | | | | | |
| **At 1 July 2021** | **1,690,806** | **197,144** | **(216,024)** | **(88,598)** | **1,121,991** | **2,705,319** |
| **Operations for the financial year ended 30 June 2022** | | | | | | |
| Profit for the year | **-** | **56,236** | **27,636** | **-** | **-** | **83,872** |
| Reclassification | **-** | **(563)** | **563** | **-** | **-** | **-** |
| Revaluation gain | **-** | **-** | **-** | **-** | **145,327** | **145,327** |
| Currency translation differences | **-** | **-** | **-** | **(60,956)** | **(33,405)** | **(94,361)** |
| Total other comprehensive (loss)/income | **-** | **-** | **-** | **(60,956)** | **111,922** | **50,966** |
| Total comprehensive income/(loss) for the year | **-** | **55,673** | **28,199** | **(60,956)** | **111,922** | **134,838** |
| **Unitholders transactions** | | | | | | |
| Distributions paid | **-** | **(32,179)** | **-** | **-** | **-** | **(32,179)** |
| Provision for income distribution (Note 28) | **-** | **(35,230)** | **-** | **-** | **-** | **(35,230)** |
| Decrease in net assets resulting from unitholders transactions | **-** | **(67,409)** | **-** | **-** | **-** | **(67,409)** |
| **At 30 June 2022** | **1,690,806** | **185,408** | **(187,825)** | **(149,554)** | **1,233,913** | **2,772,748** |
| **Group - 2021** | | | | | | |
| **At 1 July 2020** | 1,690,806 | 223,583 | (254,329) | (64,529) | 960,368 | 2,555,899 |
| **Operations for the financial year ended 30 June 2021** | | | | | | |
| Profit for the year | - | 44,525 | 38,305 | - | - | 82,830 |
| Revaluation gain | - | - | - | - | 101,489 | 101,489 |
| Currency translation differences | - | - | - | (24,069) | 60,134 | 36,065 |
| Total other comprehensive (loss)/income | - | - | - | (24,069) | 161,623 | 137,554 |
| Total comprehensive income/(loss) for the year | - | 44,525 | 38,305 | (24,069) | 161,623 | 220,384 |
| **Unitholders transactions** | | | | | | |
| Distributions paid | - | (30,858) | - | - | - | (30,858) |
| Provision for income distribution (Note 28) | - | (40,106) | - | - | - | (40,106) |
| Decrease in net assets resulting from unitholders transactions | - | (70,964) | - | - | - | (70,964) |
| **At 30 June 2021** | 1,690,806 | 197,144 | (216,024) | (88,598) | 1,121,991 | 2,705,319 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of Changes in Net Asset Value

for the financial year ended 30 June 2022

| | | Distributable | <-------------------- Non-distributable --------------------> | | | |
|---|---|---|---|---|---|---|
| | Unitholders' Capital RM'000 | Undistributed Realised Income RM'000 | Unrealised Income RM'000 | Currency Translation Reserves RM'000 | Revaluation Reserve RM'000 | Total Unitholders' Funds RM'000 |
| **Trust - 2022** | | | | | | |
| **At 1 July 2021** | **1,690,806** | **197,410** | **341,451** | **-** | **-** | **2,229,667** |
| **Operations for the financial year ended 30 June 2022** | | | | | | |
| Profit for the year | **-** | **70,956** | **1,317** | **-** | **-** | **72,273** |
| Reclassification | **-** | **(563)** | **563** | **-** | **-** | **-** |
| Total comprehensive income for the year | **-** | **70,393** | **1,880** | **-** | **-** | **72,273** |
| **Unitholders transactions** | | | | | | |
| Distributions paid | **-** | **(32,179)** | **-** | **-** | **-** | **(32,179)** |
| Provision for income distribution (Note 28) | **-** | **(35,230)** | **-** | **-** | **-** | **(35,230)** |
| Decrease in net assets resulting from unitholders transactions | **-** | **(67,409)** | **-** | **-** | **-** | **(67,409)** |
| **At 30 June 2022** | **1,690,806** | **200,394** | **343,331** | **-** | **-** | **2,234,531** |
| **Trust - 2021** | | | | | | |
| **At 1 July 2020** | 1,690,806 | 197,409 | 298,006 | - | - | 2,186,221 |
| **Operations for the financial year ended 30 June 2021** | | | | | | |
| Profit for the year | - | 70,965 | 43,445 | - | - | 114,410 |
| Total comprehensive income for the year | - | 70,965 | 43,445 | - | - | 114,410 |
| **Unitholders transactions** | | | | | | |
| Distributions paid | - | (30,858) | - | - | - | (30,858) |
| Provision for income distribution (Note 28) | - | (40,106) | - | - | - | (40,106) |
| Decrease in net assets resulting from unitholders transactions | - | (70,964) | - | - | - | (70,964) |
| **At 30 June 2021** | 1,690,806 | 197,410 | 341,451 | - | - | 2,229,667 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of Cash Flows

for the financial year ended 30 June 2022

| | Group | | Trust | |
|---|---|---|---|---|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | |
| Profit before tax | **87,020** | 86,418 | **73,749** | 116,006 |
| Adjustments for:- | | | | |
| Amortisation of transaction costs | **2,096** | 2,093 | **2,096** | 2,093 |
| Depreciation | **60,967** | 58,786 | **2** | 3 |
| Fair value changes | **6,340** | (16,711) | **51,300** | 34,037 |
| Interest income | **(151)** | (230) | **(78,653)** | (80,335) |
| Interest expense | **58,049** | 58,868 | **58,049** | 58,868 |
| Loss on disposal of property, plant and equipment | **4** | 214 | **-** | - |
| Unrealised (gain)/loss on foreign exchange | **(12,829)** | 3,321 | **20,851** | (2,577) |
| Operating profit before changes in working capital | **201,496** | 192,759 | **127,394** | 128,095 |
| (Increase)/Decrease in inventories | **(196)** | 87 | **-** | - |
| Increase in receivables | **(101,391)** | (78,382) | **(87,225)** | (77,702) |
| Increase/(Decrease) in payables | **16,287** | (15,270) | **5,900** | 850 |
| Inter-company balances | **-** | - | **16,637** | 1,070 |
| Cash generated from operations | **116,196** | 99,194 | **62,706** | 52,313 |
| Income tax paid | **(3,978)** | (2,341) | **-** | - |
| Income tax refunded | **342** | 1,496 | **-** | - |
| Net cash from operating activities | **112,560** | 98,349 | **62,706** | 52,313 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | |
| Interest received | **151** | 230 | **78,653** | 80,335 |
| Acquisition of property, plant and equipment | **(5,189)** | (1,773) | **-** | - |
| Enhancements of investment properties | **(7,132)** | - | **(7,132)** | - |
| Proceeds from disposal of equipment | **6** | 2 | **-** | - |
| Net cash (used in)/from investing activities | **(12,164)** | (1,541) | **71,521** | 80,335 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Statements of Cash Flows

for the financial year ended 30 June 2022

| | Group | | Trust | |
|---|---|---|---|---|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | |
| Distribution paid | **(72,285)** | (79,216) | **(72,285)** | (79,216) |
| Interest paid | **(58,038)** | (58,857) | **(58,038)** | (58,857) |
| Proceeds from borrowings | **10,986** | - | **-** | - |
| Transaction costs paid | **(17)** | (3,923) | **(17)** | (3,923) |
| Payment of lease liability | **(11)** | (11) | **(11)** | (11) |
| Net cash used in financing activities | **(119,365)** | (142,007) | **(130,351)** | (142,007) |
| Net changes in cash and cash equivalents | **(18,969)** | (45,199) | **3,876** | (9,359) |
| Effect on exchange rate changes | **(4,100)** | 5,993 | **(295)** | 14 |
| Cash and cash equivalents at beginning of the financial year | **106,702** | 145,908 | **2,956** | 12,301 |
| Cash and cash equivalents at end of the financial year | **83,633** | 106,702 | **6,537** | 2,956 |
| **NOTES TO THE STATEMENTS OF CASH FLOWS** | | | | |
| Cash and cash equivalents comprise:- | | | | |
| Deposits with licensed financial institutions | **11,151** | 18,130 | **1,118** | - |
| Cash at banks | **72,482** | 88,572 | **5,419** | 2,956 |
| | **83,633** | 106,702 | **6,537** | 2,956 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

**Reconciliation of liabilities arising from financing activities**

| | Group | | Trust | |
|---|---|---|---|---|
| | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| **Borrowings** | | | | |
| At beginning of the financial year | **2,085,463** | 2,036,762 | **1,275,463** | 1,226,762 |
| Cash (outflow)/inflow | | | | |
| Interest paid | **(58,038)** | (58,857) | **(58,038)** | (58,857) |
| Proceeds from borrowings | **10,986** | - | **-** | - |
| Transaction costs paid | **(17)** | (3,923) | **(17)** | (3,923) |
| Payment of lease liability | **(11)** | (11) | **(11)** | (11) |
| Non-cash changes | | | | |
| Additional investment in subsidiary (Note 16)* | **-** | - | **5,986** | - |
| Finance costs | **60,145** | 60,961 | **60,145** | 60,961 |
| Currency translation differences | **(59,775)** | 50,531 | **(59,775)** | 50,531 |
| At end of the financial year | **2,038,753** | 2,085,463 | **1,223,753** | 1,275,463 |

* The additional investment in subsidiary is settled via capitalisation of debt.

The reconciliation of borrowings are made up of the following balances:-

| | | Group | | Trust | |
|---|---|---|---|---|---|
| | **Note** | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| *Non-current liabilities* | | | | | |
| Borrowings | 24 | **950,852** | 1,275,260 | **950,852** | 1,275,260 |
| Medium Term Notes | 25 | **465,000** | 735,000 | **-** | - |
| Lease liability | 15 | **203** | 203 | **203** | 203 |
| *Current liabilities* | | | | | |
| Borrowings | 24 | **272,698** | - | **272,698** | - |
| Medium Term Notes | 25 | **350,000** | 75,000 | **-** | - |
| | | **2,038,753** | 2,085,463 | **1,223,753** | 1,275,463 |

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

# Notes to the Financial Statements

## 1. GENERAL INFORMATION

The principal activity of Pintar Projek Sdn. Bhd. ("Manager"), the manager of YTL Hospitality REIT ("YTL REIT" or "Trust"), is the management of real estate investment trusts.

YTL REIT was established on 18 November 2005 pursuant to a trust deed ("Principal Deed") entered into between the Manager and Maybank Trustees Berhad ("Trustee") and is classified under the real estate investment trusts sector. The Principal Deed was registered with the Securities Commission Malaysia ("SC") and had been amended and restated by a second restated deed dated 25 November 2019 ("Second Restated Deed").

The consolidated financial statements reported for the financial year ended 30 June 2022 relates to the Trust and its subsidiaries ("Group").

The address of the registered office of the Manager is as follows:-

33rd Floor, Menara YTL
205 Jalan Bukit Bintang
55100 Kuala Lumpur

The address of the principal place of business of the Manager is as follows:-

25th Floor, Menara YTL
205 Jalan Bukit Bintang
55100 Kuala Lumpur

YTL REIT was listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 16 December 2005 and is an income and growth type fund. The investment objective of YTL REIT is to own and invest in real estate and real estate-related assets, whether directly or indirectly through the ownership of single-purpose companies whose principal assets comprise real estate.

For financial reporting purpose, YTL REIT is regarded as a subsidiary of YTL Corporation Berhad, which is incorporated in Malaysia. Accordingly, the ultimate holding company is Yeoh Tiong Lay & Sons Family Holdings Limited, which is incorporated in Jersey.

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements of the Group and the Trust have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards, accounting principles generally acceptable in Malaysia, the SC's Guidelines on Listed Real Estate Investment Trusts ("Listed REIT Guidelines") and the Second Restated Deed.

These financial statements have been prepared on the historical cost convention (unless stated otherwise in the significant accounting policies).

### (b) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Trust's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand (RM'000), unless otherwise stated.

### (c) Changes in accounting policies and disclosures

The Group and the Trust adopted the following accounting standards, interpretations and amendments to the standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") for annual financial year beginning on or after 1 July 2021.

| **MFRS and IC Interpretations (Including The Consequential Amendments)** |
|---|
| Amendments to MFRS 9, Financial Instruments, MFRS 139, Financial Instruments: Recognition and Measurement, MFRS 7, Financial Instruments: Disclosures, MFRS 4, Insurance Contracts and MFRS 16, Leases – Interest Rate Benchmark Reform – Phase 2 |
| Amendments to MFRS 16, Leases - COVID-19-Related Rent Concessions beyond 30 June 2021 |

The adoption of the above accounting standards, interpretations and amendments did not have any significant financial impact to the Group and the Trust.

# Notes to the Financial Statements

## 2. BASIS OF PREPARATION (CONT'D.)

### (d) The new or revised financial reporting standards not yet effective

The following are accounting standards, amendments and interpretations of the MFRS Framework that have been issued by the MASB but have not been adopted by the Group and the Trust.

| MFRS and IC Interpretations (Including The Consequential Amendments) | Effective date |
|---|---|
| Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020) | 1 January 2022 |
| Amendments to MFRS 3, Business Combinations – Reference to the Conceptual Framework | 1 January 2022 |
| Amendments to MFRS 9, Financial Instruments (Annual Improvements to MFRS Standards 2018–2020) | 1 January 2022 |
| Amendments to Illustrative Examples accompanying MFRS 16, Leases (Annual Improvements to MFRS Standards 2018–2020) | 1 January 2022 |
| Amendments to MFRS 116, Property, Plant and Equipment – Proceeds before Intended Use | 1 January 2022 |
| Amendments to MFRS 137, Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract | 1 January 2022 |
| Amendments to MFRS 141, Agriculture (Annual Improvements to MFRS Standards 2018–2020) | 1 January 2022 |
| MFRS 17, Insurance Contracts | 1 January 2023 |
| Amendments to MFRS 17, Insurance Contracts | 1 January 2023 |
| Amendments to MFRS 17, Insurance Contracts – Initial Application of MFRS 17 and MFRS 9 – Comparative Information | 1 January 2023 |
| Amendments to MFRS 101, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current | 1 January 2023 |
| Amendments to MFRS 101, Presentation of Financial Statements – Disclosure of Accounting Policies | 1 January 2023 |
| Amendments to MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates | 1 January 2023 |
| Amendments to MFRS 112, Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction | 1 January 2023 |
| Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be announced by the MASB Board |

The Group and the Trust plan to apply the accounting standards, amendments and interpretations when they become effective except for MFRS 17, Insurance Contracts as it is not applicable to the Group and the Trust.

The initial applications of the accounting standards, amendments or interpretations are not expected to have any material financial impact to the current period and prior period financial statements of the Group and the Trust.

## 2. BASIS OF PREPARATION (CONT'D.)

### (e) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRS requires the Directors of the Manager to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed below:-

(i) Fair value estimates for investment properties

The Group and the Trust carry investment properties at fair value, which requires extensive use of accounting estimates and judgements. While significant components of fair value measurement were determined using verifiable objective evidence, the amount of changes in fair value would differ if the Group and the Trust use different valuation methodologies. Any changes in fair value of these investment properties would affect income statement.

(ii) Revaluation of properties

The Group's properties which are reported at valuation are based on valuation performed by independent professional valuers. The independent professional valuers have exercised judgement in determining the discount rates, estimates of future cash flows, capitalisation rate, terminal year value, market rental and other factors used in the valuation process. Also, judgement has been applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuation estimates.

The valuation takes into account management's assumptions regarding the hotels' operations, response and plans to continue operating throughout the COVID-19 pandemic. The key assumptions and estimates used in these valuation approaches which have been impacted by COVID-19 include:-

- Forecast future hotel income, based on the location, type and quality of the property, which are supported by forecast occupancy and average daily rate information or external evidence such as current industry averages and trading benchmarks for similar properties. The hotels' income are forecasted to be unstable with the surge in Omicron cases in Australia. The Group expects the market recovery to start to stabilise in year 2027.
- The capitalisation rates and discount rates derived from recent comparable market transactions, adjusted for prolonged economic uncertainty and which reflects the uncertainty in the amount and timing of cash flows.

Given the market uncertainties, independent valuers have concluded a material valuation uncertainty clause in their valuations since the onset of COVID-19. Due to the valuation uncertainty, the hotel values may change significantly and unexpectedly over a relatively short period of time. The valuations have been prepared based on the information that is available as at the date of valuation, and updated with reference to actual operating performance and circumstances in May 2022. The Group will likely see a correlating impact on valuation should the performance of the hotels market business not perform in line with these assumptions and expectations.

## 2. BASIS OF PREPARATION (CONT'D.)

### (e) Use of estimates and judgements (cont'd.)

(iii) Depreciation of property, plant and equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial and production factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount.

Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

### (f) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Trust and its subsidiaries as at the reporting date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Trust.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the entity. They are shown separately in the consolidated statement of comprehensive income, statement of changes in net asset value and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(i) Acquisitions

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in income statement.

Acquisition-related costs are expensed as incurred.

## 2. BASIS OF PREPARATION (CONT'D.)

### (f) Basis of consolidation (cont'd.)

(i) Acquisitions (cont'd.)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previously held equity interest in the acquiree over the (b) fair values of the identifiable assets acquired net of the fair values of the liabilities and any contingent liabilities assumed, is recorded as goodwill.

(ii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to income statement or transferred directly to undistributed income if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in income statement.

The accounting policy on investment in subsidiaries are disclosed in Note 3(f) to the financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### (a) Investment properties

(i) Investment properties carried at fair value

Investment properties consist of freehold and leasehold land & buildings which are held for long term rental yield or for capital appreciation or both.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in income statement for the period in which they arise.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in income statement in the period in which the item is derecognised.

A property interest held under operating lease is classified and accounted for as investment property as the Group holds it to earn rental income or for capital appreciation or both.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### (a) Investment properties (cont'd.)

(ii) Determination of fair value

An external, independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio at least once a financial year, in compliance with the SC's Listed REIT Guidelines. The frequency of revaluation of the Group's real estate assets is at least once during each financial year.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Valuation reflect, where appropriate:-

- the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness;
- the allocation of property taxes, maintenance and insurance responsibilities between the Group and the lessee; and
- the remaining economic life of the property.

When lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and where appropriate counter-notices have been served validly and within the appropriate time.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in income statement in the period in which the item is derecognised.

Any increase or decrease arising from changes in the fair value is credited or charged directly to income statement as a net appreciation or depreciation in the value of the investment properties.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### (b) Leases

(i) As lessee

A lease is recognised as a right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use (i.e. the commencement date).

Contracts may contain both lease and non-lease components. Consideration in the contract is allocated to the lease and non-lease components based on their relative standalone prices.

In determining the lease term, facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option are considered. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The lease term is reassessed upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Trust and affect whether the Group and the Trust are reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities.

<u>ROU assets</u>

ROU assets are initially measured at cost comprising the following:-

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

If the Group and the Trust are reasonably certain to exercise a purchase option, the ROU assets are depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### (b) Leases (cont'd.)

(i) As lessee (cont'd.)

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:-

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under residual value guarantees;
- The exercise price of a purchase and extension options if it is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group and the Trust exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group and the Trust, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in the statement of comprehensive income in the period in which the condition that triggers those payments occurs.

Lease liabilities are presented as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in the income statement.

Short-term leases and leases of low-value assets

The Group and the Trust have elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. Payments associated with short-term leases and low-value assets are recognised on a straight-line basis as an expense over the lease term.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### (b) Leases (cont'd.)

(ii) As lessor

As a lessor, the Group and the Trust determine at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group and the Trust make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

Finance leases

The Group and the Trust classify a lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

Operating leases

The Group and the Trust classify a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group and the Trust recognise lease payments received under operating lease as lease income on a straight-line basis over the lease term.

Where assets are leased out under an operating lease, the asset is included in the lessor's statement of financial position based on the nature of the asset.

Separating lease and non-lease components

If an arrangement contains lease and non-lease components, the Group and the Trust allocate the consideration in the contract to the lease and non-lease components based on the stand-alone selling prices in accordance with the principles in MFRS 15 Revenue from Contracts with Customers.

### (c) Property, plant & equipment and depreciation

Property, plant & equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Freehold land and buildings are initially recognised at cost. Freehold land is subsequently carried at the revalued amount less accumulated impairment losses. Buildings are subsequently carried at the revalued amounts less accumulated depreciation and accumulated impairment losses while equipment and other assets are carried at cost less accumulated depreciation and any accumulated impairment losses. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### (c) Property, plant & equipment and depreciation (cont'd.)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Depreciation on property, plant & equipment is calculated on the straight-line basis at rates required to write off the cost of the property, plant & equipment over their estimated useful lives.

The principal annual rates of depreciation used are as follows:-

| | |
|---|---|
| Buildings | 4% |
| Equipment | 4% - 25% |
| Other assets* | 12.5% - 19% |

* Other assets include assets under construction with no depreciation. Upon completion, assets under construction are transferred to categories of property, plant & equipment depending on nature of assets and depreciation commences when they are ready for their intended use.

After the revaluation of the hotel assets, management has reassessed the useful life of the building and determined it to be 25 years.

Residual values, useful life and depreciation method of assets are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant & equipment.

Gains and losses on disposals are determined by comparing net disposal proceeds with net carrying amount and are recognised in the income statement.

Increases in carrying amounts arising from revaluation, including currency translation differences, are recognised in other comprehensive income, unless they offset previous decreases in the carrying amounts of the same asset, in which case, they are recognised in income statement. Decreases in carrying amounts that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases in carrying amounts are recognised in income statement.

When an asset is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. The net amount is then restated to the revalued amount of the asset.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to undistributed income.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### (d) Impairment of non-financial assets

The carrying amounts of assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

An impairment loss is charged to the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of previously recognised revaluation surplus for the same asset.

Any subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately, unless the asset is carried at revalued amount. A reversal of an impairment loss on a revalued asset is credited directly to revaluation surplus. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense in the income statement, a reversal of that impairment loss is recognised as income in the income statement.

### (e) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is based on the first-in-first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

### (f) Investment in subsidiaries

In the Trust's separate financial statements, investments in subsidiaries are accounted for at cost less accumulated impairment losses. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the income statement.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### (g) Financial assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Trust become a party to the contractual provisions of the financial instrument.

When financial assets (unless they are trade receivables without significant financing component) are recognised initially, they are measured at fair value, plus or minus, in the case of a financial assets not at fair value through profit or loss, directly attributable transaction costs. Trade receivables without a financing component are initially measured at the transaction price.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely for payment of principal and interest ("SPPI").

The Group and the Trust determine the classification of their financial assets at initial recognition and are not reclassified subsequent to their initial recognition unless the Group and the Trust change their business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model. The categories of financial assets include amortised cost.

Amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Gains and losses are recognised in income statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in income statement.

All financials assets are subject to review for impairment as disclosed in Note 3(h) below.

### (h) Impairment of financial assets

The Group and the Trust assess on a forward looking basis the expected credit loss ("ECL") associated with its financial assets carried at amortised cost. ECL represents a probability-weighted estimate of the credit losses.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Trust consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on historical experience and informed credit assessment and including forward looking information, where available.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### (h) Impairment of financial assets (cont'd.)

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset. An impairment loss is recognised in income statement and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Trust assess whether financial assets are credit-impaired.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the procedures for recovery of amounts due.

The recognition and measurement of impairment loss on financial assets are as disclosed in Note 34(a) to the financial statements.

### (i) Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and deposits with licensed financial institutions.

Cash and cash equivalents are categorised and measured as amortised cost in accordance with policy in Note 3(g).

### (j) Interest-bearing borrowings

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in income statement using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### (k) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are recognised in the statements of financial position when, and only when, the Group and the Trust become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as amortised cost.

Amortised cost

The Group's and the Trust's other financial liabilities include trade and other payables, amount due to a subsidiary and borrowings.

Trade and other payables and amount due to a subsidiary are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in income statement when the liabilities are derecognised, and through amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished.

### (l) Hedges of a net investment in foreign operations

The Group applies hedge accounting by designating a non-derivative financial liability as a hedge of a net investment in the foreign operation, with the corresponding foreign currency differences arising on the translation being reclassified to the Group's foreign currency translation reserve. To the extent that the hedge is ineffective, such differences are recognised in the income statement. When the hedged net investment is disposed of, the relevant amount in the foreign currency translation reserve is transferred to the income statement as part of the gain or loss on disposal.

The Group uses loans as hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries. The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, whether the hedging relationships are highly effective in offsetting changes in fair values of the hedged items.

Movements of the hedge in other comprehensive income are shown in Note 23(a).

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### (m) Provisions

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation (legal or constructive) as a result of a past event and a reliable estimate can be made of the amount. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Provision for income distribution

Provision for income distribution is recognised when any distribution is declared, determined or publicly recommended by the Directors of the Manager but not distributed at the reporting date.

### (n) Contract liabilities

A contract liability is the obligation to transfer goods and services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

### (o) Income tax and deferred tax

Income tax on the profit or loss for the financial year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributable to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unabsorbed tax losses can be utilised.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 3(a), the amount of deferred tax recognised is measured using the tax rates that would apply on the sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. The Group intends to consume substantially all economic benefit through generation of rental income and these income will be subjected to income tax at prevailing rate. For freehold land, for the best interest of the unitholders, it would sold to other REITs and property trust fund approved by the SC, which the gain accruing from the sale will be exempted from real property gain tax.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### (p) Revenue recognition

(i) Revenue from contracts with customers

Revenue from contracts with customers introduces a single revenue recognition model applicable to all types of customer contracts, regardless of the entity's business. This model, which follows five key steps, is based on the principle that revenue is recognised when control of goods or services is transferred to a customer, which may be overtime or at a point in time.

Hotel revenue

The Group generates revenue mainly from providing the service of room rentals to tenants within the hotel and rental of spaces for functions and banquets. The Group also generates revenue from the sale of goods such as food and beverage, as well as minor services such as telecommunication, garage, commissions and services.

Revenue is recognised when the terms of a contract have been satisfied, which occurs when control has been transferred to customers and performance obligations are satisfied. For room revenue, this occurs evenly throughout the duration of the tenant's use on a straight line basis. For functions and banquets, revenue is recognised at a point in time when the performance obligation is satisfied, generally at the provision of the space. Revenue is measured as the amount of consideration the Group expects to receive, which is known at the commencement of the contract. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

Amounts collected in advance for future services are recorded as contract liability and are recognised as revenue when the services are provided.

(ii) Revenue from other sources

Specific revenue recognition criteria for other revenue and income earned by the Group are as follows:-

(a) Rental income from operating leases and other related charges

Rental income from operating leases is recognised in income statement on a straight-line basis over the term of the lease.

(b) Interest income

Interest income is recognised as it accrues using the effective interest method in income statement.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### (q) Employee benefits

(i) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are recognised as an expense in the financial year when employees have rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as expenses when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(ii) Post-employment benefits

The Group has various post-employment benefit schemes in accordance with local conditions and practices in the industries in which it operates. These benefit plans are either defined contribution or defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

Defined contribution plan

The Group's contributions to a defined contribution plan are charged to income statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

### (r) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency using exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in income statement.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

### (r) Foreign currency (cont'd.)

(ii) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in foreign currency translation reserve relating to that particular foreign operation is recognised in income statement.

### (s) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments.

### (t) Fair value measurement

(i) Financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the reporting date. The quoted market prices used for financial assets are the current bid prices, the appropriate quoted market prices used for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions that are existing at each reporting date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair values of the financial instruments.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

(ii) Non-financial assets

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

## 4. REVENUE

| | Group | | Trust | |
|---|---|---|---|---|
| | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| Revenue from contracts with customers | | | | |
| Hotel revenue | | | | |
| – Rental of rooms | **113,792** | 87,793 | **-** | - |
| – Food and beverage income | **36,511** | 49,126 | **-** | - |
| – Other hotel operating income | **39,031** | 14,144 | **-** | - |
| | **189,334** | 151,063 | **-** | - |
| Rental income from operating leases | | | | |
| Property revenue (Note 12) | | | | |
| – Rental income billing | **90,371** | 89,475 | **70,536** | 69,099 |
| – Accrued lease income – unbilled | **82,114** | 83,701 | **73,470** | 74,908 |
| – Car park income | **2,038** | 2,037 | **2,038** | 2,037 |
| | **174,523** | 175,213 | **146,044** | 146,044 |
| Total revenue | **363,857** | 326,276 | **146,044** | 146,044 |

The hotel revenue are recognised at a point of time and denominated in one segment and one country (refer Note 37 of the financial statements).

The accrued lease income are recognised pursuant to the requirements of MFRS 16, Leases to recognise revenue on a straight-line basis over the tenure of the lease in accordance to the supplemental agreements entered during the last financial year.

## 5. OPERATING EXPENSES

| | Group | | Trust | |
|---|---|---|---|---|
| | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| Hotel operating expenses | | | | |
| - Operating expenses | **68,793** | 55,089 | **-** | - |
| - Repair and maintenance expenses | **9,188** | 8,802 | **-** | - |
| - Utilities | **5,797** | 5,789 | **-** | - |
| - Property taxes | **11,868** | 9,598 | **-** | - |
| - Insurance | **707** | 631 | **-** | - |
| - General and administration expenses | **35,523** | 23,795 | **-** | - |
| - Other direct expenses | **6,434** | 6,286 | **-** | - |
| | **138,310** | 109,990 | **-** | - |
| Property operating expenses (Note 12) | | | | |
| - Property taxes | **7,839** | 8,188 | **5,362** | 5,477 |
| - Insurance | **2,890** | 2,829 | **2,026** | 1,911 |
| | **10,729** | 11,017 | **7,388** | 7,388 |
| Total operating expenses | **149,039** | 121,007 | **7,388** | 7,388 |

The staff benefit expense recognised in hotel operating expenses is in respect of the following:-

| | Group | | Trust | |
|---|---|---|---|---|
| | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| Salaries, wages and bonus | **38,876** | 25,252 | **-** | - |
| Defined contribution plan | **13,591** | 13,776 | **-** | - |
| | **52,467** | 39,028 | **-** | - |

## 6. FINANCE INCOME & CURRENCY EXCHANGE GAIN

| | Group | | Trust | |
|---|---|---|---|---|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Finance income from financial assets measured at amortised cost:- | | | | |
| Financial institution deposits interests | **151** | 230 | **63** | 123 |
| Subsidiary loan interests | **-** | - | **78,590** | 80,212 |
| Finance income | **151** | 230 | **78,653** | 80,335 |
| Other income – others includes the following item:- | | | | |
| Currency exchange gains – realised | **315** | 775 | **315** | 775 |

## 7. MANAGER'S FEES

| | | Group/Trust | |
|---|---|---|---|
| | Note | 2022 RM'000 | 2021 RM'000 |
| Base fee | 7(a) | **4,824** | 4,761 |
| Performance fee | 7(b) | **4,297** | 4,105 |
| | | **9,121** | 8,866 |

(a) Pursuant to the Second Restated Deed, the base fee, accrued and payable monthly, represents 0.1% per annum of the gross asset value of the Group.

(b) Pursuant to the Second Restated Deed, the performance fee, accrued and payable monthly, represents 2% of the net property income of the Group recorded during the financial year.

## 8. TRUSTEE'S FEES

Pursuant to the Second Restated Deed, the Trustee's fees, accrued monthly and payable every half year to the Trustee, represents 0.03% per annum of the gross asset value of the Group.

# Notes to the Financial Statements

## 9. FINANCE COSTS

| | | Group | | Trust | |
|---|---|---|---|---|---|
| | Note | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Interest expense: | | | | | |
| - Term loans | 24 | **24,471** | 24,046 | **24,471** | 24,046 |
| - Medium Term Notes | 25 | **33,567** | 34,811 | **-** | - |
| - Subsidiary | 16 | **-** | - | **33,567** | 34,811 |
| - Lease liability | 15 | **11** | 11 | **11** | 11 |
| Incidental cost incurred to administer the borrowing facilities: | | | | | |
| - Amortisation of transaction costs | | **2,096** | 2,093 | **2,096** | 2,093 |
| - Facility fee | | **216** | 207 | **126** | 117 |
| | | **60,361** | 61,168 | **60,271** | 61,078 |

## 10. INCOME TAX EXPENSE

| | | Group | | Trust | |
|---|---|---|---|---|---|
| | Note | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Current income tax | | | | | |
| - Malaysian income tax | | **6** | 8 | **-** | - |
| - Foreign income tax* | | **3,537** | 3,603 | **1,476** | 1,596 |
| Deferred tax | | | | | |
| - Origination and reversal of temporary differences | 17 | **(395)** | (23) | **-** | - |
| | | **3,148** | 3,588 | **1,476** | 1,596 |

The Trust has provided approximately 95% (2021: 100%) of the distributable income to unitholders, which is more than 90% of the taxable income, which income at the Trust level is exempted from tax in accordance with the amended Section 61A of Income Tax Act 1967.

* Included withholding taxes from the foreign interest income received from shareholder loan interest.

## 10. INCOME TAX EXPENSE (CONT'D.)

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and the Trust is as follows:-

| | Group | | Trust | |
|---|---|---|---|---|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Profit before tax | **87,020** | 86,418 | **73,749** | 116,006 |
| Income tax using Malaysian statutory tax rate of 24% (2021: 24%) | **20,885** | 20,740 | **17,700** | 27,841 |
| Expenses not deductible for tax purposes | **26,947** | 29,810 | **9,908** | 5,090 |
| Utilisation of capital allowances | **(7,455)** | (6,833) | **(7,455)** | (6,833) |
| Income exempted from tax | **(15)** | (9,152) | **(15)** | (2,280) |
| Income not subject to tax | **(34,209)** | (29,630) | **(18,662)** | (22,222) |
| Different tax rates in other countries | **(3,005)** | (1,347) | **-** | - |
| Income tax expense | **3,148** | 3,588 | **1,476** | 1,596 |

## 11. EARNINGS PER UNIT

| | Group | | Trust | |
|---|---|---|---|---|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Profit for the year after manager's fees | **83,872** | 82,830 | **72,273** | 114,410 |
| Profit for the year before manager's fees | **92,993** | 91,696 | **81,394** | 123,276 |
| Weighted average number of units ('000) | **1,704,389** | 1,704,389 | **1,704,389** | 1,704,389 |
| Earnings per unit after manager's fees (sen) | **4.92** | 4.86 | **4.24** | 6.71 |
| Earnings per unit before manager's fees (sen) | **5.46** | 5.38 | **4.78** | 7.23 |

## 12. INVESTMENT PROPERTIES

| | Group | | Trust | |
|---|---|---|---|---|
| | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| At beginning of the financial year | **2,772,788** | 2,747,190 | **2,241,500** | 2,218,000 |
| Enhancements | **7,132** | - | **7,132** | - |
| Changes in fair value: | | | | |
| - Per valuation reports | **54,877** | 54,907 | **9,368** | 23,500 |
| - Unbilled lease income | **(71,517)** | (63,963) | **(60,668)** | (57,537) |
| Unbilled lease income (Note 14) | **71,517** | 63,963 | **60,668** | 57,537 |
| Currency translation differences | **(80,469)** | (29,309) | **-** | - |
| At end of the financial year | **2,754,328** | 2,772,788 | **2,258,000** | 2,241,500 |
| Analysis of investment properties:- | | | | |
| Freehold land & building | **1,849,328** | 1,873,288 | **1,353,000** | 1,342,000 |
| Leasehold land & building | **385,500** | 381,000 | **385,500** | 381,000 |
| Registered lease & building | **519,500** | 518,500 | **519,500** | 518,500 |
| | **2,754,328** | 2,772,788 | **2,258,000** | 2,241,500 |

## 12. INVESTMENT PROPERTIES (CONT'D.)

The fair value of the investment properties as at 30 June 2022 are as follows:-

| Description of property | Tenure | Remaining lease period (years) | Initial acquisition cost RM'000 | Fair value as at 30.6.2022 RM'000 | % of fair value to Net Asset Value as at 30.6.2022 % | Fair value as at 30.6.2021 RM'000 | % of fair value to Net Asset Value as at 30.6.2021 % |
|---|---|---|---|---|---|---|---|
| **Real Estate - Commercial** | | | | | | | |
| JW Marriott Hotel Kuala Lumpur | Freehold | | 331,024 | **526,500** | **18.99** | 523,500 | 19.35 |
| The Ritz-Carlton, Kuala Lumpur - Suite Wing (Parcel 1) | Freehold | | 125,000 | **216,000** | **7.79** | 213,400 | 7.89 |
| The Ritz-Carlton, Kuala Lumpur - Suite Wing (Parcel 2) | Freehold | | 73,881 | **105,000** | **3.79** | 103,100 | 3.81 |
| The Ritz-Carlton, Kuala Lumpur - Hotel Wing | Freehold | | 253,017 | **361,000** | **13.02** | 360,000 | 13.31 |
| Pangkor Laut Resort | Registered lease | 73 | 98,365 | **122,000** | **4.40** | 122,000 | 4.51 |
| Tanjong Jara Resort | Leasehold | 45 | 88,050 | **105,000** | **3.79** | 104,700 | 3.87 |
| AC Hotel Kuala Lumpur Titiwangsa | Freehold | | 101,207 | **144,500** | **5.21** | 142,000 | 5.25 |
| AC Hotel Penang Bukit Jambul | Leasehold | 72 | 101,778 | **125,000** | **4.51** | 122,900 | 4.54 |
| AC Hotel Kuantan City Centre | Leasehold | 70 | 75,980 | **94,500** | **3.41** | 92,400 | 3.41 |
| Cameron Highlands Resort | Leasehold | 86 | 50,649 | **61,000** | **2.20** | 61,000 | 2.25 |
| The Majestic Hotel Kuala Lumpur | Registered lease | 69 | 384,221 | **397,500** | **14.33** | 396,500 | 14.66 |
| Hilton Niseko Village | Freehold | | 206,488* | **299,925** | **10.82** | 303,056 | 11.20 |
| The Green Leaf Niseko Village | Freehold | | 193,676* | **196,403** | **7.08** | 228,232 | 8.44 |
| | | | 2,083,336 | **2,754,328** | **99.34** | 2,772,788 | 102.49 |
| Net Asset Value | | | | **2,772,748** | | 2,705,319 | |

* Initial acquisition cost translated at the exchange rate as at 30 June 2022.

## 12. INVESTMENT PROPERTIES (CONT'D.)

The following are recognised in income statement in respect of investment properties:-

| | | Group | | Trust | |
|---|---|---|---|---|---|
| | Note | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Rental income | 4 | **174,523** | 175,213 | **146,044** | 146,044 |
| Direct operating expenses:- | | | | | |
| - income generating investment properties | 5 | **(10,729)** | (11,017) | **(7,388)** | (7,388) |
| Changes in fair value of investment properties* | | **(16,640)** | (9,056) | **(51,300)** | (34,037) |

* The changes in fair value of investment properties of the Group and of the Trust are after offsetting the unbilled lease income amounting to RM71.517 million and RM60.668 million (2021: RM63.963 million and RM57.537 million) respectively.

Investment properties of the Group and of the Trust with carrying amounts of RM2,402.328 million and RM1,906.000 million (2021: RM2,423.188 million and RM1,891.900 million) respectively, are charged as security for financings granted to the Group and the Trust as disclosed in Notes 24 and 25 to the financial statements.

### Fair value information

The fair value of investment properties of the Group and the Trust are categorised as Level 3. The different levels of the fair value hierarchy are defined in Note 35(b) to the financial statements. A valuation is carried out on each property at least once each financial year. The properties are valued by independent professional valuers, Savills (Malaysia) Sdn Bhd, JLL Morii Valuation & Advisory K.K. and Savills Japan Co., Ltd. on 31 May 2022 using the income capitalisation approach, also known as the investment approach. In the income capitalisation approach, capitalisation rates are applied to the income of the investment properties to determine the value of the investment properties. As Malaysia entered into the "Transition to Endemic" phase of COVID-19 in April 2022 with its international borders fully re-opened, the valuations are reported on a lesser material uncertainty basis with a degree of caution attached.

During the current financial year, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

## 12. INVESTMENT PROPERTIES (CONT'D.)

**Fair value information (cont'd.)**

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

| Valuation technique | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|---|---|
| Income approach which capitalise the estimate rental income stream, net projected operating costs, using a discount rate derived from market yield. | Malaysian Properties | |
| | - Capitalisation rate of 6.00% to 7.00% (2021: 6.00% to 7.00%)<br>- Reversion capitalisation rate of 6.00% to 7.00% (2021: 6.00% to 7.00%) | The higher the capitalisation rate, the lower the fair value. |
| | Japanese Properties | |
| | - Discount rate of 4.60% to 4.70% (2021: 4.60% to 4.70%) | The higher the discount rate, the lower the fair value. |
| | - Capitalisation rate of 4.80% to 5.00% (2021: 4.80% to 5.00%) | The higher the capitalisation rate, the lower the fair value. |

The investment properties are valued using the income capitalisation method, where a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation (discount) rate based on current market-derived yield rates which reflect the expected return on investments commensurate with the risk exposure associated to the asset.

The significant unobservable input is the adjustment for factors specific to the hotel properties. The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for valuation. Although this input is a subjective judgement, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions.

## 13. PROPERTY, PLANT AND EQUIPMENT

| Group - 2022 | Freehold land RM'000 | Buildings RM'000 | Equipment RM'000 | Other assets RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Cost/Valuation** | | | | | |
| At 1.7.2021 | 602,538 | 1,218,835 | 240,622 | 43,572 | 2,105,567 |
| Additions | - | 1,782 | 453 | 2,954 | 5,189 |
| Transfers | - | 1,544 | 11 | (1,555) | - |
| Disposals | - | - | (147) | - | (147) |
| Revaluation surplus | 91,060 | 55,595 | - | - | 146,655 |
| Revaluation loss | - | (1,262) | - | (66) | (1,328) |
| Revaluation adjustments | - | (47,870) | - | - | (47,870) |
| Reversal of impairment | - | 10,300 | - | - | 10,300 |
| Currency translation differences | (18,066) | (34,945) | (6,864) | (1,255) | (61,130) |
| At 30.6.2022 | 675,532 | 1,203,979 | 234,075 | 43,650 | 2,157,236 |
| Representing:- | | | | | |
| At cost | - | - | 234,075 | 43,650 | 277,725 |
| At valuation | 675,532 | 1,203,979 | - | - | 1,879,511 |
| At 30.6.2022 | 675,532 | 1,203,979 | 234,075 | 43,650 | 2,157,236 |
| **Accumulated depreciation** | | | | | |
| At 1.7.2021 | - | 4,061 | 130,801 | 42,659 | 177,521 |
| Depreciation charge | - | 47,933 | 12,805 | 227 | 60,965 |
| Transfers | - | - | (26) | 26 | - |
| Disposals | - | - | (137) | - | (137) |
| Revaluation adjustments | - | (47,870) | - | - | (47,870) |
| Currency translation differences | - | (116) | (3,853) | (1,218) | (5,187) |
| At 30.6.2022 | - | 4,008 | 139,590 | 41,694 | 185,292 |
| **Net book value** | | | | | |
| At cost | - | - | 94,485 | 1,956 | 96,441 |
| At valuation | 675,532 | 1,199,971 | - | - | 1,875,503 |
| At 30.6.2022 | 675,532 | 1,199,971 | 94,485 | 1,956 | 1,971,944 |

## 13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

| Group - 2021 | Freehold land RM'000 | Buildings RM'000 | Equipment RM'000 | Other assets RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Cost/Valuation** | | | | | |
| At 1.7.2020 | 567,892 | 1,069,005 | 228,400 | 44,611 | 1,909,908 |
| Additions | - | 218 | 797 | 758 | 1,773 |
| Transfers | - | 4,317 | 61 | (4,378) | - |
| Disposals | - | - | (2,545) | (84) | (2,629) |
| Revaluation surplus | - | 101,489 | - | - | 101,489 |
| Revaluation adjustments | - | (48,446) | - | - | (48,446) |
| Reversal of impairment | - | 25,767 | - | - | 25,767 |
| Currency translation differences | 34,646 | 66,485 | 13,909 | 2,665 | 117,705 |
| At 30.6.2021 | 602,538 | 1,218,835 | 240,622 | 43,572 | 2,105,567 |
| Representing:- | | | | | |
| At cost | - | - | 240,622 | 43,572 | 284,194 |
| At valuation | 602,538 | 1,218,835 | - | - | 1,821,373 |
| At 30.6.2021 | 602,538 | 1,218,835 | 240,622 | 43,572 | 2,105,567 |
| **Accumulated depreciation** | | | | | |
| At 1.7.2020 | - | 7,145 | 112,543 | 40,044 | 159,732 |
| Depreciation charge | - | 44,979 | 13,552 | 252 | 58,783 |
| Disposals | - | - | (2,330) | (83) | (2,413) |
| Revaluation adjustments | - | (48,446) | - | - | (48,446) |
| Currency translation differences | - | 383 | 7,036 | 2,446 | 9,865 |
| At 30.6.2021 | - | 4,061 | 130,801 | 42,659 | 177,521 |
| **Net book value** | | | | | |
| At cost | - | - | 109,821 | 913 | 110,734 |
| At valuation | 602,538 | 1,214,774 | - | - | 1,817,312 |
| At 30.6.2021 | 602,538 | 1,214,774 | 109,821 | 913 | 1,928,046 |

## 13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

The fair value of the property, plant and equipment are as follows:-

| Description of property | Tenure | Initial acquisition cost* RM'000 | Fair value as at 30.6.2022 RM'000 | % of fair value to Net Asset Value as at 30.6.2022 % | Fair value as at 30.6.2021 RM'000 | % of fair value to Net Asset Value as at 30.6.2021 % |
|---|---|---|---|---|---|---|
| **Real Estate - Commercial** | | | | | | |
| Sydney Harbour Marriott | Freehold | 803,407 | **1,481,233** | **53.42** | 1,434,008 | 53.01 |
| Brisbane Marriott | Freehold | 365,276 | **257,310** | **9.28** | 264,737 | 9.79 |
| Melbourne Marriott | Freehold | 171,248 | **233,401** | **8.42** | 229,301 | 8.47 |
| | | 1,339,931 | **1,971,944** | **71.12** | 1,928,046 | 71.27 |
| Net Asset Value | | | **2,772,748** | | 2,705,319 | |

* Translated at the exchange rate as at 30 June 2022.

Property, plant and equipment at net book value amounting to RM1,971.944 million (2021: RM1,928.046 million) are charged as security for a term loan facility granted to the Trust as disclosed in Note 24 to the financial statements.

A valuation is carried out on the freehold land and buildings at least once during each financial year. The latest annual valuation exercise was conducted by independent professional valuers, CIVAS (NSW) Pty Limited and CIVAS (QLD) Pty Limited on 31 May 2022, using the income capitalisation approach, also known as the investment approach.

Had the revalued properties been carried at cost less accumulated depreciation, the net book values of the properties that would have been included in the financial statements are as follows:-

| | Group | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| Freehold land | **158,025** | 162,662 |
| Buildings | **636,160** | 692,578 |
| | **794,185** | 855,240 |

### Fair value information

The Group's freehold land and buildings are valued based on unobservable inputs and classified in Level 3 of the fair value hierarchy. The different levels of the fair value hierarchy are defined in Note 35(b) to the financial statements.

During the current financial year, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

## 13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

**Fair value information (cont'd.)**

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

| Valuation technique | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|---|---|
| Discounted cash flow method is the total of discounted income stream and present value of the properties' anticipated sale value in arriving at the total present market value. | Discount rate of 6.50% to 7.00% (2021: 6.50% to 7.25%) | The higher the discount rate, the lower the fair value. |
| | Capitalisation rate of 4.50% to 5.25% (2021: 5.00% to 5.50%) | The higher the capitalisation rate, the lower the fair value. |

The independent valuation reports have highlighted that with the uncertainty of the COVID-19 pandemic, a higher degree of caution should be exercised when relying upon their valuation. The valuations are based on the information available as at the date of valuation. Values and incomes may change more rapidly and significantly than during normal market conditions.

A discounted cash flow analysis has been prepared taking into account the ability of the property to generate income over a 10-year period based on certain assumptions. Provision is made for room rate and occupancy growth throughout the time horizon and also capital expenditure through a furniture, fittings and equipment reserve. Each year's net operating income during the period is discounted to arrive at the present value of expected future cash flows. The property's anticipated sale value at the end of the period (i.e. its terminal or reversionary value) is also discounted to its present value and added to the discounted income stream to arrive at the total present market value of the property.

The significant unobservable input is the adjustment for factors specific to the hotel properties. The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for valuation. Although this input is a subjective judgement, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions.

## 14. UNBILLED LEASE INCOME

| | Group | | Trust | |
|---|---|---|---|---|
| | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| Unbilled lease income | **30,172** | 19,666 | **30,172** | 17,371 |

The above unbilled lease income of the Group and of the Trust are after offsetting the changes in fair value of investment properties amounting to RM71.517 million and RM60.668 million (2021: RM63.963 million and RM57.537 million), respectively.

The unbilled lease income are expected to be billed from financial years 2023 to 2029.

## 15. RIGHT-OF-USE ASSET AND LEASE LIABILITY

The Trust has lease contract for a piece of land under registered lease with remaining lease term of 73 (2021: 74) years as at the end of the financial year.

Set out below are the carrying amount of the right-of-use asset recognised and the movements during the current financial year:-

| | Group/Trust | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| At beginning of the financial year | **203** | 206 |
| Depreciation of right-of-use asset | **(2)** | (3) |
| At end of the financial year | **201** | 203 |

Set out below are the carrying amount of lease liability and the movements during the current financial year:-

| | Group/Trust | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| At beginning of the financial year | **203** | 203 |
| Accretion of interest | **11** | 11 |
| Lease rental payments | **(11)** | (11) |
| At end of the financial year | **203** | 203 |

The following are the amounts recognised in income statement:-

| | Group | | Trust | |
|---|---|---|---|---|
| | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| Depreciation of right-of-use asset | **2** | 3 | **2** | 3 |
| Interest expense on lease liability | **11** | 11 | **11** | 11 |
| Lease expense – short-term and low value leases | **243** | 103 | **-** | - |

Total cash outflow for leases in the current financial year was RM0.254 million (2021: RM0.114 million).

## 16. INVESTMENT IN SUBSIDIARIES

| | Trust | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| **Unquoted shares, at cost** | | |
| At beginning of the financial year | **527,536** | 527,536 |
| Additional investment via capitalisation of debt | **5,986** | - |
| At end of the financial year | **533,522** | 527,536 |

Details of the subsidiaries are as follows:-

| Name of subsidiary | Place of incorporation | Principal activities | Effective equity interest 2022 % | Effective equity interest 2021 % |
|---|---|---|---|---|
| **Held by the Trust** | | | | |
| * Starhill REIT Niseko G.K. | Japan | Purchase, possession, disposal, lease and management of real properties | **100** | 100 |
| Starhill Hospitality REIT (Australia) Sdn. Bhd. | Malaysia | Investment holding | **100** | 100 |
| YTL REIT MTN Sdn. Bhd. | Malaysia | To undertake the issuance of medium term notes | **100** | 100 |
| **Held through Starhill Hospitality REIT (Australia) Sdn. Bhd.** | | | | |
| Starhill Hotel (Australia) Sdn. Bhd. | Malaysia | Investment holding | **100** | 100 |
| * Starhill REIT (Australia) Pty. Ltd. | Australia | Trustee company | **100** | 100 |
| * Starhill Hospitality (Australia) Pty. Ltd. | Australia | Trustee company | **100** | 100 |
| * Starhill Hospitality REIT (Australia) Trust | Australia | Real estate investment | **100** | 100 |
| **Held through Starhill Hotel (Australia) Sdn. Bhd.** | | | | |
| * Starhill Hotel (Brisbane) Pty. Ltd. | Australia | Hotel operator | **100** | 100 |
| * Starhill Hotel (Sydney) Pty. Ltd. | Australia | Hotel operator | **100** | 100 |
| * Starhill Hotel (Melbourne) Pty. Ltd. | Australia | Hotel operator | **100** | 100 |
| **Held through Starhill Hospitality REIT (Australia) Trust** | | | | |
| * Starhill Hospitality REIT (Brisbane) Trust | Australia | Real estate investment | **100** | 100 |
| * Starhill Hospitality REIT (Sydney) Trust | Australia | Real estate investment | **100** | 100 |
| * Starhill Hospitality REIT (Melbourne) Trust | Australia | Real estate investment | **100** | 100 |

* Subsidiaries not audited by HLB Ler Lum Chew PLT

## 16. INVESTMENT IN SUBSIDIARIES (CONT'D.)

The amounts due from subsidiaries pertain mainly to loans, loan interest, advances and payments on behalf. The outstanding amounts are unsecured, interest free and payable on demand save for loans.

Details of the foreign currency loans are as follows:-

(a) The loan in Australian Dollar of RM1,077.815 million (2021: RM1,109.446 million) with tenure of ten years bears interest payable quarterly at the rate of 5.86% (2021: 5.86%) per annum. The loan shall be repaid by way of a bullet repayment on 30 October 2022. The Trust is extending the term of the loan for another ten years with effect from the maturity date, where the interest rate is to be mutually agreed upon at a later stage.

(b) Two loans in Japanese Yen totalling RM267.191 million (2021: RM311.516 million) with tenure of fifteen and thirty years bear interest payable monthly at the rates of 5% (2021: 5%) per annum. The loans shall be repaid by way of bullet repayments on 21 December 2026 and 25 September 2048, respectively. Upon maturity, the Trust allows the loans to be renewed for another fifteen years, where the interest rate is to be mutually agreed upon at a later stage.

The amount due to a subsidiary relates to advances totalling RM815.000 million (2021: RM810.000 million) from the proceeds of issuance of medium term notes as disclosed in Note 25 to the financial statements at the same repayment terms.

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly or indirectly by the parent company do not differ from the proportion of ordinary shares held.

There were no changes during the year (2021: Nil) in the Group's ownership interest in its significant subsidiaries.

The loans and advances are receivable/repayable by the Trust:-

| | Amount due from subsidiaries RM'000 | Amount due to a subsidiary RM'000 |
|---|---|---|
| **2022** | | |
| Within 1 year | **121,905** | **349,970** |
| Later than 1 year and not later than 5 years | **154,316** | **465,000** |
| Later than 5 years | **1,190,690** | **-** |
| | **1,466,911** | **814,970** |
| **2021** | | |
| Within 1 year | 139,393 | 74,970 |
| Later than 1 year and not later than 5 years | 1,109,446 | 735,000 |
| Later than 5 years | 311,516 | - |
| | 1,560,355 | 809,970 |

## 17. DEFERRED TAX ASSETS

| | | Group | |
| --- | --- | --- | --- |
| | Note | 2022 RM'000 | 2021 RM'000 |
| At beginning of the financial year | | **1,796** | 1,671 |
| Charged to income statement | 10 | **395** | 23 |
| Currency translation differences | | **(54)** | 102 |
| At end of the financial year | | **2,137** | 1,796 |

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off income tax assets against income tax liabilities and when deferred taxes relate to the same tax authority. The following amounts determined after appropriate offsetting are shown in the statement of financial position:-

| | Group | |
| --- | --- | --- |
| | 2022 RM'000 | 2021 RM'000 |
| Deferred tax provided are in respect of:- | | |
| **Deferred tax assets** | | |
| Provision for employees benefits | **2,118** | 1,619 |
| Others | **19** | 177 |
| | **2,137** | 1,796 |

Deferred tax assets have not been recognised in respect of the following items:-

| | Group | |
| --- | --- | --- |
| | 2022 RM'000 | 2021 RM'000 |
| Unutilised tax losses | **1,798** | 5,025 |
| Potential tax benefits calculated at 30% (2021: 30%) tax rate | **539** | 1,508 |

Deferred tax assets have not been recognised as it not probable that taxable profits will be available against which the deductible temporary differences can be utilised.

## 18. INVENTORIES

| | Group | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| Beverage inventories | **524** | 337 |

The Group's cost of inventories recognised as expenses and included in "hotel operating expenses" amounted to approximately RM5.940 million (2021: RM10.270 million).

## 19. TRADE RECEIVABLES

| | Group | | Trust | |
|---|---|---|---|---|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Trade receivables | **36,079** | 25,576 | **28,838** | 14,063 |
| Less: Accumulated impairment losses on trade receivables | **-** | - | **-** | - |
| | **36,079** | 25,576 | **28,838** | 14,063 |

The movements in the allowance for impairment during the financial year were:-

| | Group | | Trust | |
|---|---|---|---|---|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| At beginning of the financial year | **-** | 563 | **-** | 563 |
| Bad debts written off | **-** | (563) | **-** | (563) |
| At end of the financial year | **-** | - | **-** | - |

The Group's and the Trust's amounts due from companies related to the Manager of approximately RM28.838 million (2021: RM14.063 million) relate to rental due in respect of agreements and are generally subject to normal trade terms.

The trade credit terms of trade receivables range from 30 to 90 (2021: 30 to 90) days during the COVID-19 period.

Credit risks relating to trade receivables are disclosed in Note 34(a) to the financial statements.

## 20. OTHER RECEIVABLES & PREPAYMENTS

| | Group | | Trust | |
|---|---|---|---|---|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Other receivables | **6,360** | 922 | **7** | 7 |
| Prepayments | **16,855** | 15,426 | **653** | 1,673 |
| | **23,215** | 16,348 | **660** | 1,680 |

Included in the other receivables of the Group is RM5.891 million (2021: RM0.909 million) recoverable from Australian tax authorities for withholding tax on foreign source distribution received by a subsidiary.

## 21. DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS

The weighted average effective interest rate of deposits placed with licensed banks of the Group and of the Trust were 1.5% and 1.7% (2021: 1.6% and 1.9%) per annum, respectively.

The average maturities of deposits of the Group and of the Trust ranged from 1 to 35 days (2021: 1 to 34 days).

## 22. UNITHOLDERS' CAPITAL

| | Group/Trust Number of units | |
|---|---|---|
| | 2022 '000 | 2021 '000 |
| Issued and fully paid | | |
| At beginning and end of the financial year | **1,704,389** | 1,704,389 |

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Issued and fully paid | | |
| At beginning and end of the financial year | **1,690,806** | 1,690,806 |

## 23. RESERVES

| | | Group | | Trust | |
|---|---|---|---|---|---|
| | Note | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Currency translation reserves | 23(a) | **(149,554)** | (88,598) | **-** | - |
| Revaluation reserve | 23(b) | **1,233,913** | 1,121,991 | **-** | - |
| Non-distributable unrealised (loss)/income | 23(c) | **(187,825)** | (216,024) | **343,331** | 341,451 |
| | | **896,534** | 817,369 | **343,331** | 341,451 |

### (a) Currency translation reserves

| | Group | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| At beginning of the financial year | **(88,598)** | (64,529) |
| Net currency translation differences from financial statement of foreign subsidiaries, net of investment hedge of foreign operations | **(60,956)** | (24,069) |
| At end of the financial year | **(149,554)** | (88,598) |

### (b) Revaluation reserve

| | Group | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| At beginning of the financial year | **1,121,991** | 960,368 |
| Revaluation gain of properties | **145,327** | 101,489 |
| Currency translation differences | **(33,405)** | 60,134 |
| At end of the financial year | **1,233,913** | 1,121,991 |

The revaluation reserve represents increases in the fair value of freehold land and buildings.

## 23. RESERVES (CONT'D.)

### (c) Non-distributable unrealised (loss)/income

| | Group | | Trust | |
|---|---|---|---|---|
| | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| At beginning of the financial year | **(216,024)** | (254,329) | **341,451** | 298,006 |
| Unrealised income for the year | **27,636** | 38,305 | **1,317** | 43,445 |
| Reclassification | **563** | - | **563** | - |
| At end of the financial year | **(187,825)** | (216,024) | **343,331** | 341,451 |

## 24. BORROWINGS - SECURED

| | Group/Trust | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| Non-current | | |
| - Term loans | **954,846** | 1,281,883 |
| - Capitalised transaction costs | **(3,994)** | (6,623) |
| | **950,852** | 1,275,260 |
| Current | | |
| - Term loans | **273,249** | - |
| - Capitalised transaction costs | **(551)** | - |
| | **272,698** | - |
| Total borrowings | **1,223,550** | 1,275,260 |

(i) The term loan denominated in Australian Dollar of AUD347.124 million (2021: AUD345.193 million) is equivalent to RM1,053.905 million (2021: RM1,078.796 million). The term loan is repayable by bullet payments of AUD90.000 million and AUD257.124 million on 28 June 2023 and 28 June 2025, respectively, bears a weighted average interest rate of 2.13% (2021: 2.08%) per annum and is secured by:-

(a) a first legal charge over properties as disclosed in Note 13 to the financial statements; and

(b) an assignment of fire insurance policies in relation to the secured properties.

(ii) The term loan denominated in Japanese Yen of JPY5,401.250 million (2021: JPY5,401.250 million), which is equivalent to RM174.190 million (2021: RM203.087 million), is repayable by bullet payment on 26 September 2023, bears a weighted average interest rate of 0.81% (2021: 0.81%) per annum and is secured by:-

(a) a first legal charge over certain properties as disclosed in Note 12 to the financial statements; and

(b) an assignment of fire insurance policies in relation to the secured properties.

## 25. MEDIUM TERM NOTES ("MTNs")

| | Group | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| Non-current | | |
| Medium Term Notes | **465,000** | 735,000 |
| Current | | |
| Medium Term Notes | **350,000** | 75,000 |
| Total MTNs (net) | **815,000** | 810,000 |

The MTNs of the Group were issued pursuant to an MTNs issuance programme of up to RM1,650 million constituted by a Trust Deed and Programme Agreement, both dated 11 May 2016. As at end of the reporting period, RM815 million (2021: RM810 million) were issued as follows:-

(a) A nominal value of RM65 million of MTNs was issued on 23 May 2017 to finance the renovation costs carried out at The Ritz-Carlton, Kuala Lumpur - Suite Wing and Hotel Wing. The MTNs had been redeemed on 23 May 2022 at nominal value.

(b) A nominal value of RM385 million of MTNs was issued on 3 November 2017 to finance the acquisition of The Majestic Hotel Kuala Lumpur by the Trust. The MTNs are redeemable on 1 November 2024 at nominal value.

(c) A nominal value of RM265 million of MTNs was issued on 23 November 2017 to refinance the existing borrowings of the Trust. The MTNs are redeemable on 23 November 2022 at nominal value.

(d) A nominal value of RM10 million of MTNs was issued on 24 May 2019 to refinance the Group's existing RM10 million nominal value MTNs. The MTNs had been redeemed on 23 May 2022 at nominal value.

(e) A nominal value of RM85 million of MTNs was issued on 28 June 2019 to finance the renovation costs carried out at JW Marriott Hotel Kuala Lumpur. The MTNs are redeemable on 28 June 2023 at nominal value.

(f) A nominal value of RM80 million of MTNs was issued on 23 May 2022 to redeem matured MTNs totalling RM75 million and to finance the renovation costs carried out at certain properties for RM5 million. The MTNs are redeemable on 21 May 2027 at nominal value.

The MTNs bear coupon rates ranging from 3.27% to 5.05% (2021: 3.31% to 5.05%) per annum, payable semi-annually in arrears and are secured by certain properties as disclosed in Note 12 to the financial statements.

The fair value of the MTNs is RM816.417 million (2021: RM832.449 million) and is categorised as Level 2 of the fair value hierarchy. The different levels of the fair value hierarchy are defined in Note 35(b) to the financial statements.

The above fair value, which is determined for disclosure purpose, is calculated based on the present value of future cash flows discounted at the market rate of interest at the end of the financial year. The interest rates used to determine fair value range from 3.42% to 4.26% (2021: 3.13% to 3.69%).

## 26. OTHER PAYABLES

| | Group | | Trust | |
|---|---|---|---|---|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Non-current | | | | |
| Other payables | **1,127** | 998 | **-** | - |

Included in the other payables of the Group is the long service leave of approximately RM1.127 million (2021: RM0.998 million).

| | Group | | Trust | |
|---|---|---|---|---|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Current | | | | |
| Other payables | **26,794** | 12,951 | **9,483** | 2,567 |
| Accruals | **18,372** | 16,426 | **6,874** | 7,891 |
| Contract liabilities | **5,761** | 4,791 | **-** | - |
| | **50,927** | 34,168 | **16,357** | 10,458 |

The Group's and the Trust's amounts due to the Manager and the companies related to the Manager, which amounted to RM9.892 million (2021: RM2.553 million) and RM9.483 million (2021: RM2.553 million), respectively are unsecured, interest free and payable on demand.

Contract liabilities represent revenues collected but not earned as at the end of the financial year. This primarily compose of advance deposits from customers who prepay for hotel accommodation.

The significant changes to contract liabilities balances during the year are as follows:-

| | Group | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| Contract liabilities as at the beginning of the year recognised as revenue during the year | **(1,266)** | (5,063) |
| Advance deposits received during the year | **16,050** | 2,548 |

## 27. TRADE PAYABLES

The credit terms of trade payables granted to the Group is 30 days (2021: 30 days).

## 28. PROVISION FOR INCOME DISTRIBUTION

| | Group/Trust | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| At beginning of the financial year | **40,106** | 48,358 |
| Provision made during the financial year | **67,409** | 70,964 |
| Distribution paid during the financial year | **(72,285)** | (79,216) |
| At end of the financial year | **35,230** | 40,106 |

Pursuant to the Second Restated Deed, it is the policy of the Manager to distribute at least 90% of the distributable income for each financial year.

Since the last financial year ended 30 June 2021, the Manager continues its half yearly distribution frequency, which was switched from quarterly. The switch has enabled the Trust to preserve and better manage its cashflows during the prolonged COVID-19 pandemic period.

For the 6 months from 1 January 2022 to 30 June 2022, the Manager has declared a final income distribution of 2.0670 sen per unit (2021: 2.3531 sen per unit), totalling RM35,229,718 (2021: RM40,105,975) which will be paid on 30 August 2022. Total distribution paid and declared for the financial year ended 30 June 2022 is 3.9550 sen per unit, totalling RM67,408,580, representing approximately 95% of the total distributable income for the financial year ended 30 June 2022 (2021: 4.1636 sen per unit, totalling RM70,963,936, representing approximately 100% of the total distributable income).

## 28. PROVISION FOR INCOME DISTRIBUTION (CONT'D.)

Distribution to unitholders is from the following sources:-

| | Group | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| Net property income | **214,818** | 205,269 |
| Finance income | **151** | 230 |
| Other income | **2,101** | 2,477 |
| | **217,070** | 207,976 |
| Less: Expenses | **(130,050)** | (121,558) |
| Less: Income tax expense | **(3,148)** | (3,588) |
| Profit after tax | **83,872** | 82,830 |
| Distribution adjustments:- | | |
| Depreciation | **60,967** | 58,786 |
| Fair value changes | **6,340** | (16,711) |
| Accrued lease income - unbilled | **(82,114)** | (83,701) |
| Net income from foreign operations | **14,720** | 26,440 |
| Unrealised foreign translation differences | **(12,829)** | 3,321 |
| Income available for distribution / Total distributable income | **70,956** | 70,965 |
| Less: Income distribution | **(67,409)** | (70,964) |
| Undistributed distributable income | **3,547** | 1 |
| Distributable income per unit (sen) | **4.1631** | 4.1637 |
| Gross distribution per unit (sen) | **3.9550** | 4.1636 |
| Net distribution per unit (sen) | **3.9550** | 4.1636 |

## 29. TRANSACTIONS WITH STOCKBROKING COMPANIES

No transactions with stockbroking companies were made during the financial year.

## 30. UNITHOLDING BY THE MANAGER

As at 30 June 2022, the Manager did not hold any unit in the Trust.

## 31. UNITHOLDERS RELATED TO THE MANAGER

| | 2022 | | |
|---|---|---|---|
| | **No. of units held '000** | **Percentage of total units %** | **Market value RM'000** |
| YTL Corporation Berhad | **937,464** | **55.00** | **885,904** |
| YTL Power International Berhad | **43,090** | **2.53** | **40,720** |
| Business & Budget Hotels (Kuantan) Sdn. Bhd. | **18,750** | **1.10** | **17,719** |
| Megahub Development Sdn. Bhd. | **13,250** | **0.78** | **12,521** |
| East-West Ventures Sdn. Bhd. | **62,500** | **3.67** | **59,062** |
| Syarikat Pelanchongan Pangkor Laut Sendirian Berhad | **24,250** | **1.42** | **22,916** |
| Tanjong Jara Beach Hotel Sdn. Bhd. | **1,750** | **0.10** | **1,654** |
| | **1,101,054** | **64.60** | **1,040,496** |

| | 2021 | | |
|---|---|---|---|
| | **No. of units held '000** | **Percentage of total units %** | **Market value RM'000** |
| YTL Corporation Berhad | 937,464 | 55.00 | 839,030 |
| YTL Power International Berhad | 43,090 | 2.53 | 38,565 |
| Business & Budget Hotels (Kuantan) Sdn. Bhd. | 18,750 | 1.10 | 16,781 |
| Megahub Development Sdn. Bhd. | 13,250 | 0.78 | 11,859 |
| East-West Ventures Sdn. Bhd. | 62,500 | 3.67 | 55,938 |
| Syarikat Pelanchongan Pangkor Laut Sendirian Berhad | 24,250 | 1.42 | 21,704 |
| Tanjong Jara Beach Hotel Sdn. Bhd. | 1,750 | 0.10 | 1,566 |
| | 1,101,054 | 64.60 | 985,443 |

The market value of the units held by the companies related to the Manager is determined by using the closing market value of the Trust as at 30 June 2022 of RM0.945 per unit (2021: RM0.895 per unit).

Pintar Projek Sdn. Bhd., the manager of the Trust is also a subsidiary of YTL Corporation Berhad, a public listed company. YTL Corporation Berhad is therefore deemed to have control over the Trust as Pintar Projek Sdn. Bhd. governs the financial and operating policies of the Trust.

## 32. SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The following significant transactions which have been transacted with companies related to the Manager and the major unitholder are as follows:-

| | | | Group/Trust | |
|---|---|---|---|---|
| Entity | Relationship | Nature of transaction | 2022 RM'000 | 2021 RM'000 |
| Business & Budget Hotels (Penang) Sdn. Bhd. | Subsidiary company of the major unitholder | Lease rental of investment property | **8,948** | 8,948 |
| Business & Budget Hotels (Kuantan) Sdn. Bhd. | Associated company of the major unitholder | Lease rental of investment property | **6,547** | 6,547 |
| Cameron Highlands Resort Sdn. Bhd. | Subsidiary company of the major unitholder | Lease rental of investment property | **4,365** | 4,365 |
| YTL Majestic Hotel Sdn. Bhd. | Subsidiary company of the major unitholder | Lease rental of investment property | **28,244** | 28,244 |
| Prisma Tulin Sdn. Bhd. | Subsidiary company of the major unitholder | Lease rental of investment property | **8,948** | 8,948 |
| Star Hill Hotel Sdn. Bhd. | Subsidiary company of the major unitholder | Lease rental of investment properties | **47,676** | 47,676 |
| YTL Land Sdn. Bhd. | Subsidiary company of the major unitholder | Rental of car park space | **2,038** | 2,037 |
| Tanjong Jara Beach Hotel Sdn. Bhd. | Company related to a director of the manager | Lease rental of investment property | **7,638** | 7,638 |
| East-West Ventures Sdn. Bhd. | Subsidiary company of the holding company of major unitholder | Lease rental of investment property | **22,475** | 22,475 |
| Syarikat Pelanchongan Pangkor Laut Sendirian Berhad | Subsidiary company of the holding company of major unitholder | Lease rental of investment property | **9,166** | 9,166 |

## 32. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D.)

| | | | Group | |
|---|---|---|---|---|
| **Entity** | **Relationship** | **Nature of transaction** | **2022 RM'000** | **2021 RM'000** |
| Niseko Village K.K. | Subsidiary company of the major unitholder | Lease rental of investment properties | **28,479** | 29,169 |

| | | | Trust | |
|---|---|---|---|---|
| **Entity** | **Relationship** | **Nature of transaction** | **2022 RM'000** | **2021 RM'000** |
| Starhill Hospitality REIT (Australia) Sdn. Bhd. | Subsidiary company | Shareholder loan interests | **63,718** | 64,184 |
| Starhill REIT Niseko G.K. | Subsidiary company | Shareholder loan interests | **14,872** | 16,028 |
| YTL REIT MTN Sdn. Bhd. | Subsidiary company | Interest expenses | **33,567** | 34,811 |
| | | Administrative charges | **120** | 120 |

The above lease rental of investment properties included the unbilled accrued lease income.

The Manager is of the opinion that these transactions are conducted in the normal course of business and have been established on terms and conditions negotiated by the related parties.

## 33. CAPITAL COMMITMENTS AND OPERATING LEASE ARRANGEMENT

### (a) Capital commitments

| | Group | | Trust | |
|---|---|---|---|---|
| | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| Authorised but not contracted for | - | 15,827 | - | 6,451 |
| Contracted but not provided for | - | 1,073 | - | 1,073 |

The commitments in the previous financial year relate to refurbishment and major repair and replacement works of Melbourne Marriott hotel property and certain Malaysian hotel properties.

### (b) Operating lease arrangement

The Group leases out its investment properties for monthly lease payments. These lease arrangements are classified as an operating lease because the risk and rewards incidental to ownership of the assets are not substantially transferred.

As a result of the financial impact arising from COVID-19 pandemic at the beginning of the last financial year, the lessees of all the Malaysian and Japanese properties (except The Green Leaf Niseko Village) appealed to the Manager and the Manager approved to (i) reduce the lease rentals by fifty percent (50%) for twenty-four months commencing 1 July 2020 until 30 June 2022 ("Rental Adjustment Period") and (ii) pay the difference between the original rentals and reduced rentals ("Rental Differences") on a staggered basis within seven years after the Rental Adjustment Period or over the remaining tenures of the existing leases whichever is earlier.

Undiscounted lease payments including the Rental Differences from the operating leases to be received after the reporting date are as follows:-

| | Group | | Trust | |
|---|---|---|---|---|
| | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| Not later than 1 year | **186,945** | 90,754 | **158,001** | 70,536 |
| Between 1 to 2 years | **202,888** | 188,631 | **172,735** | 158,001 |
| Between 2 to 3 years | **160,686** | 204,636 | **130,407** | 172,735 |
| Between 3 to 4 years | **160,686** | 162,455 | **130,407** | 130,407 |
| Between 4 to 5 years | **134,256** | 162,455 | **108,044** | 130,407 |
| Later than 5 years | **496,034** | 674,312 | **241,333** | 349,377 |
| | **1,341,495** | 1,483,243 | **940,927** | 1,011,463 |

## 34. FINANCIAL RISK MANAGEMENT

The Group's and the Trust's operations are subject to the following risks:-

(a) Credit risk;
(b) Liquidity risk;
(c) Interest rate risk; and
(d) Foreign currency exchange risk

### (a) Credit risk

Credit risk is the risk of a financial loss to the Group and the Trust if a lessee or counterparty to a financial instrument fails to meet its contractual obligations. The Group's and the Trust's exposure to credit risk arise principally from its receivables from lessees, trade receivables or other financial assets (including cash & bank balances), the Group and the Trust minimise credit risk by dealing with high credit rating counterparties.

Unbilled lease income and trade receivables

*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally security deposits are obtained and credit evaluations are performed on customers requiring credit over a certain amount.

The gross carrying amounts of credit impaired trade receivables are written off when there is no realistic prospect of recovery. This is generally when there is indication that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There is no impairment of unbilled lease income and trade receivables balances as the rate of default and expected loss rate is low.

## 34. FINANCIAL RISK MANAGEMENT (CONT'D.)

### (a) Credit risk (cont'd.)

Unbilled lease income and trade receivables (cont'd.)

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. The Group and the Trust use ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 30 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for unbilled lease income and trade receivables as at the end of the reporting period by geographic region was:-

| | Group | | Trust | |
|---|---|---|---|---|
| | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| Domestic | **59,010** | 31,434 | **59,010** | 31,434 |
| Australia | **7,241** | 11,513 | **-** | - |
| Japan | **-** | 2,295 | **-** | - |
| | **66,251** | 45,242 | **59,010** | 31,434 |

## 34. FINANCIAL RISK MANAGEMENT (CONT'D.)

### (a) Credit risk (cont'd.)

Unbilled lease income and trade receivables (cont'd.)

*Recognition and measurement of impairment losses*

The Group and the Trust use individual assessment to measure expected credit losses ("ECLs") of unbilled lease income and trade receivables for all segments, taking into account of all relevant credit information and forward-looking macroeconomic information.

The following table provides information about the exposure to credit risk and ECLs for unbilled lease income and trade receivables as at the end of the reporting period:-

| | Note | Gross RM'000 | Loss allowance RM'000 | Net RM'000 |
|---|---|---|---|---|
| **Group - 2022** | | | | |
| Non-current assets | | | | |
| - Unbilled lease income | 14 | **30,172** | **-** | **30,172** |
| Current assets | | | | |
| - Current (not past due) | | **8,108** | **-** | **8,108** |
| - Past due 1 - 90 days | | **21,045** | **-** | **21,045** |
| - Past due 91 - 180 days | | **5,539** | **-** | **5,539** |
| - Past due more than 180 days | | **1,387** | **-** | **1,387** |
| | 19 | **36,079** | **-** | **36,079** |
| | | **66,251** | **-** | **66,251** |
| **Group - 2021** | | | | |
| Non-current assets | | | | |
| - Unbilled lease income | 14 | 19,666 | - | 19,666 |
| Current assets | | | | |
| - Current (not past due) | | 18,987 | - | 18,987 |
| - Past due 1 - 90 days | | 6,473 | - | 6,473 |
| - Past due 91 - 180 days | | 116 | - | 116 |
| | 19 | 25,576 | - | 25,576 |
| | | 45,242 | - | 45,242 |

## 34. FINANCIAL RISK MANAGEMENT (CONT'D.)

### (a) Credit risk (cont'd.)

Unbilled lease income and trade receivables (cont'd.)

*Recognition and measurement of impairment losses (cont'd.)*

| | Note | Gross RM'000 | Loss allowance RM'000 | Net RM'000 |
|---|---|---|---|---|
| **Trust - 2022** | | | | |
| Non-current assets | | | | |
| - Unbilled lease income | 14 | **30,172** | **-** | **30,172** |
| Current assets | | | | |
| - Current (not past due) | | **5,929** | **-** | **5,929** |
| - Past due 1 - 90 days | | **16,344** | **-** | **16,344** |
| - Past due 91 - 180 days | | **5,207** | **-** | **5,207** |
| - Past due more than 180 days | | **1,358** | | **1,358** |
| | 19 | **28,838** | **-** | **28,838** |
| | | **59,010** | **-** | **59,010** |
| **Trust - 2021** | | | | |
| Non-current assets | | | | |
| - Unbilled lease income | 14 | 17,371 | - | 17,371 |
| Current assets | | | | |
| - Current (not past due) | | 8,305 | - | 8,305 |
| - Past due 1 - 90 days | | 5,758 | - | 5,758 |
| | 19 | 14,063 | - | 14,063 |
| | | 31,434 | - | 31,434 |

The movements in the allowance for impairment during the financial year were disclosed in Note 19 to the financial statements.

Other receivables

Credit risk on other receivables are mainly arising from the withholding tax on foreign source distribution received by a subsidiary and recoverable from Australian tax authorities.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

There is no impairment of other receivables balances as the rate of default and expected loss rate is low.

## 34. FINANCIAL RISK MANAGEMENT (CONT'D.)

### (a) Credit risk (cont'd.)

Inter-company balances

The Trust provides unsecured advances to subsidiaries and where necessary makes payments for expenses on behalf of its subsidiaries. The Trust monitors the results of the subsidiaries regularly.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that inter-company receivables are stated at the realisable values. As at the end of the reporting period, there was no indication that the advances extended to the subsidiaries are not recoverable.

Cash and cash equivalents

Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

In view of the low credit risk of the financial institutions, the loss allowance is not material and hence, is not provided for.

### (b) Liquidity risk

Liquidity risk is the risk that the Group and the Trust will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Trust's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group and the Trust maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

## 34. FINANCIAL RISK MANAGEMENT (CONT'D.)

### (b) Liquidity risk (cont'd.)

The table below summarises the maturity profile of the Group's and the Trust's financial liabilities as at the end of the reporting period based on contractual undiscounted repayment obligations:-

| | Contractual cash flows RM'000 | Under 1 year RM'000 | 1 - 2 years RM'000 | 2 - 5 years RM'000 | Over 5 years RM'000 |
|---|---|---|---|---|---|
| **Group - 2022** | | | | | |
| **Financial liabilities** | | | | | |
| Borrowings | **1,323,553** | **312,047** | **202,576** | **808,930** | **-** |
| MTNs | **871,661** | **375,787** | **16,590** | **479,284** | **-** |
| Lease liability | **777** | **11** | **11** | **32** | **723** |
| Trade payables | **2,475** | **2,475** | **-** | **-** | **-** |
| Other payables | **46,293** | **45,166** | **1,127** | **-** | **-** |
| | **2,244,759** | **735,486** | **220,304** | **1,288,246** | **723** |
| **Group - 2021** | | | | | |
| **Financial liabilities** | | | | | |
| Borrowings | 1,363,989 | 23,895 | 305,208 | 1,034,886 | - |
| MTNs | 882,267 | 108,225 | 371,963 | 402,079 | - |
| Lease liability | 788 | 11 | 11 | 32 | 734 |
| Trade payables | 4,106 | 4,106 | - | - | - |
| Other payables | 30,375 | 29,377 | 998 | - | - |
| | 2,281,525 | 165,614 | 678,180 | 1,436,997 | 734 |
| **Trust - 2022** | | | | | |
| **Financial liabilities** | | | | | |
| Borrowings | **1,323,553** | **312,047** | **202,576** | **808,930** | **-** |
| Lease liability | **777** | **11** | **11** | **32** | **723** |
| Other payables | **16,357** | **16,357** | **-** | **-** | **-** |
| Subsidiary | **871,661** | **375,787** | **16,590** | **479,284** | **-** |
| | **2,212,348** | **704,202** | **219,177** | **1,288,246** | **723** |
| **Trust - 2021** | | | | | |
| **Financial liabilities** | | | | | |
| Borrowings | 1,363,989 | 23,895 | 305,208 | 1,034,886 | - |
| Lease liability | 788 | 11 | 11 | 32 | 734 |
| Other payables | 10,458 | 10,458 | - | - | - |
| Subsidiary | 882,267 | 108,225 | 371,963 | 402,079 | - |
| | 2,257,502 | 142,589 | 677,182 | 1,436,997 | 734 |

## 34. FINANCIAL RISK MANAGEMENT (CONT'D.)

### (c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and of the Trust's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Trust's exposure to interest rate risk arise primarily from their floating rate borrowings, which is partially offset by the deposits held at variable rates. The Group and the Trust manage their cash flow interest rate risk by using a mix of fixed and variable rate debts.

The Group's and the Trust's floating rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

The interest rate profile of the Group's and the Trust's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:-

| | Group | | Trust | |
|---|---|---|---|---|
| | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| **Fixed rate instruments** | | | | |
| *Financial assets* | | | | |
| Shareholders loan | **-** | - | **1,345,006** | 1,420,962 |
| *Financial liabilities* | | | | |
| MTNs | **350,000** | 425,000 | **-** | - |
| Subsidiary | **-** | - | **350,000** | 425,000 |
| **Floating rate instruments** | | | | |
| *Financial assets* | | | | |
| Deposits with licensed financial institutions | **11,151** | 18,130 | **1,118** | - |
| *Financial liabilities* | | | | |
| Borrowings | **1,228,095** | 1,281,883 | **1,228,095** | 1,281,883 |
| MTNs | **465,000** | 385,000 | | - |
| Subsidiary | **-** | - | **465,000** | 385,000 |

The Group and the Trust do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect income statement.

At the reporting date, if the interest rates had been 50 basis points lower/higher, with all other variables held constant, the Group's and the Trust's profit after tax would be higher/lower by approximately RM8.465 million (2021: RM8.334 million) as a result of lower/higher interest expense on borrowings.

The excess funds of the Group and of the Trust are invested in bank deposits and other short term instruments. The Group and the Trust manage their liquidity risks by placing such excess funds on short term maturities to match its cash flow needs. If interest deposit rates increased/decreased by 50 basis points, interest income of the Group and of the Trust for the financial year would increase/decrease by RM0.056 million (2021: RM0.091 million) and RM0.005 (2021: nil), respectively.

## 34. FINANCIAL RISK MANAGEMENT (CONT'D.)

### (c) Interest rate risk (cont'd.)

In order to protect the Group's earnings from the volatility in interest rates and provide stability to unitholders' returns, the Group may hedge a portion of its interest rate exposure within the short to medium term by using fixed rate debt and interest rate derivatives.

### (d) Foreign currency exchange risk

The Group is exposed to foreign currency risk arising from Australian Dollar ("AUD") and Japanese Yen ("JPY"). The Group has investment in foreign operations whose net assets are exposed to foreign currency translation risk.

The table illustrates the impact on the other comprehensive income and profit after tax resulting from currency sensitivities (on the basis all other variables remain constant).

| | Group | | Trust | |
|---|---|---|---|---|
| | Increase/ (Decrease) in other comprehensive income RM'000 | Increase/ (Decrease) in profit after tax RM'000 | Increase/ (Decrease) in other comprehensive income RM'000 | Increase/ (Decrease) in profit after tax RM'000 |
| **2022** | | | | |
| 5% change on AUD exchange rate | **63,768** | **(14,820)** | **-** | **7,241** |
| 5% change on JPY exchange rate | **17,927** | **(1,215)** | **-** | **4,833** |
| **2021** | | | | |
| 5% change on AUD exchange rate | 59,985 | (12,998) | - | 8,447 |
| 5% change on JPY exchange rate | 27,203 | (10,042) | - | 5,534 |

Hedges of net investment in Australia and Japan

As at the reporting date, the Group's investment in its Australian and Japanese subsidiaries are hedged by part of the AUD term loan with a total carrying amount of AUD278.000 million (RM844.036 million) (2021: AUD278.000 million (RM868.806 million)) and the JPY term loan with a carrying amount of JPY5,401.250 million (RM174.190 million) (2021: nil), respectively with the purpose to mitigate the currency risk arising from the subsidiaries' net assets. The foreign currency loans are designated as net investment hedges.

The Group determines the existence of an economic relationship between the above hedging instruments and hedged items based on the currencies and amounts. The Group has established a hedge ratios of 1 : 1.13 (2021: 1 : 1.20) for Australia and 1 : 0.87 (2021: nil) for Japan as the underlying risk of the hedging instruments are identical to the hedged risk components. The Group has assessed the effectiveness of the above hedging relationships at the reporting date by comparing changes in the part of the carrying amount of the loans that are attributable to changes in the exchange rates with the changes in the net investment in the foreign operations due to movements in the exchange rates.

The hedge ineffectiveness recognised in income statement is RM7.171 million (2021: RM2.869 million) in relation to the net investment hedges.

## 35. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as amortised cost ("AC"):

| | | Group | | Trust | |
|---|---|---|---|---|---|
| **Carrying amount** | **Note** | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| *Financial assets* | | | | | |
| Non-current | | | | | |
| Unbilled lease income | 14 | **30,172** | 19,666 | **30,172** | 17,371 |
| Amount due from subsidiaries | 16 | **-** | - | **1,345,006** | 1,420,962 |
| Current | | | | | |
| Trade receivables | 19 | **36,079** | 25,576 | **28,838** | 14,063 |
| Other receivables & deposits | 20 | **6,360** | 922 | **7** | 7 |
| Amount due from subsidiaries | 16 | **-** | - | **121,905** | 139,393 |
| Cash and cash equivalents | | **83,633** | 106,702 | **6,537** | 2,956 |
| | | **156,244** | 152,866 | **1,532,465** | 1,594,752 |
| Financial liabilities | | | | | |
| Non-current | | | | | |
| Borrowings | 24 | **950,852** | 1,275,260 | **950,852** | 1,275,260 |
| MTNs | 25 | **465,000** | 735,000 | **-** | - |
| Lease liability | 15 | **203** | 203 | **203** | 203 |
| Other payables | 26 | **1,127** | 998 | **-** | - |
| Amount due to a subsidiary | 16 | **-** | - | **465,000** | 735,000 |
| Current | | | | | |
| Borrowings | 24 | **272,698** | - | **272,698** | - |
| MTNs | 25 | **350,000** | 75,000 | **-** | - |
| Trade payables | 27 | **2,475** | 4,106 | **-** | - |
| Other payables | 26 | **45,166** | 29,377 | **16,357** | 10,458 |
| Amount due to a subsidiary | 16 | **-** | - | **349,970** | 74,970 |
| | | **2,087,521** | 2,119,944 | **2,055,080** | 2,095,891 |

## 35. FINANCIAL INSTRUMENTS (CONT'D.)

### (b) Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables approximate fair values due to the relatively short term nature of these financial instruments.

The carrying amounts of other financial liabilities approximate the fair value as there is no change in the market interest rate for similar financing facilities. The following summarises the methods used in determining the fair value of financial instruments reflected in the above table.

When measuring the fair value of an asset or a liability, the Group and the Trust use observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:-

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Trust can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

Refer Note 12 for disclosure of the investment properties that are measured at fair value. Refer Note 13 for disclosure of the property, plant and equipment that are measured at fair value. Refer Note 25 for disclosure of the MTNs that are measured at fair value.

There were no transfer between Level 1, Level 2 and Level 3 fair value measurements.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. These investments are classified as Level 2 and comprise debt investments.

## 36. MANAGEMENT EXPENSE RATIO ("MER")

| | Group | | Trust | |
|---|---|---|---|---|
| | 2022 % | 2021 % | 2022 % | 2021 % |
| MER | **0.47** | 0.47 | **0.51** | 0.50 |

MER is calculated based on the ratio of the sum of fees (all ongoing fees deducted or deductible directly during the financial year, including manager's fees, trustee's fee, auditors' remuneration and other professional fees and any other fees deducted or deductible directly from the Group) and the recovered expenses (all expenses recovered from or charged to the Group as a result of the expenses incurred by the operation of the Group) to the average value of the Group calculated on a quarterly basis.

Since the basis of calculating MER can vary among real estate investment trusts, there is no sound basis for providing an accurate comparison of the Group's and the Trust's MER against other real estate investment trusts.

## 37. SEGMENTAL REPORTING

The Group's two operating segments operate in three main geographical areas:-

(a) Malaysia
(b) Japan
(c) Australia

The Group comprises the following reportable segments:-

(a) Property rental – leasing of hotel properties
(b) Hotel – operating hotel business

The Manager monitors the operating results of its business units separately to make strategic decision.

The Group's segmental result for the financial year ended 30 June 2022 is as follows:-

| | <--------- Property rental ---------> | | <---- Hotel ----> | |
|---|---|---|---|---|
| | Malaysia RM'000 | Japan RM'000 | Australia RM'000 | Total RM'000 |
| External revenue | 146,044 | 28,479 | 189,334 | 363,857 |
| Operating expenses | (7,388) | (3,341) | (138,310) | (149,039) |
| Net property income | 138,656 | 25,138 | 51,024 | 214,818 |
| Finance income | | | | 151 |
| Other income | | | | 2,101 |
| Unrealised gain on foreign exchange | | | | 12,829 |
| Total income | | | | 229,899 |
| Trust and administration expenses | | | | (15,211) |
| Depreciation | | | | (60,967) |
| Finance costs | | | | (60,361) |
| Changes in fair value | | | | (6,340) |
| Profit before tax | | | | 87,020 |
| Non-current assets | 2,288,373 | 496,328 | 1,974,081 | 4,758,782 |
| Current assets | 36,114 | 14,450 | 92,904 | 143,468 |
| Total assets | 2,324,487 | 510,778 | 2,066,985 | 4,902,250 |
| Non-current liabilities | 1,416,055 | - | 1,127 | 1,417,182 |
| Current liabilities | 674,273 | 5,088 | 32,959 | 712,320 |
| Total liabilities | 2,090,328 | 5,088 | 34,086 | 2,129,502 |
| Additions to non-current assets | 7,132 | - | 5,189 | 12,321 |

## 37. SEGMENTAL REPORTING (CONT'D.)

The Group's segmental result for the financial year ended 30 June 2021 is as follows:-

| | <--------- Property rental ---------> | | <---- Hotel ----> | |
|---|---|---|---|---|
| | Malaysia RM'000 | Japan RM'000 | Australia RM'000 | Total RM'000 |
| External revenue | 146,044 | 29,169 | 151,063 | 326,276 |
| Operating expenses | (7,388) | (3,629) | (109,990) | (121,007) |
| Net property income | 138,656 | 25,540 | 41,073 | 205,269 |
| Finance income | | | | 230 |
| Other income | | | | 2,477 |
| Total income | | | | 207,976 |
| Trust and administration expenses | | | | (14,994) |
| Depreciation | | | | (58,786) |
| Finance costs | | | | (61,168) |
| Unrealised loss on foreign exchange | | | | (3,321) |
| Changes in fair value | | | | 16,711 |
| Profit before tax | | | | 86,418 |
| Non-current assets | 2,259,074 | 533,583 | 1,929,842 | 4,722,499 |
| Current assets | 18,880 | 15,192 | 115,303 | 149,375 |
| Total assets | 2,277,954 | 548,775 | 2,045,145 | 4,871,874 |
| Non-current liabilities | 2,010,463 | – | 998 | 2,011,461 |
| Current liabilities | 125,662 | 3,571 | 25,861 | 155,094 |
| Total liabilities | 2,136,125 | 3,571 | 26,859 | 2,166,555 |
| Additions to non-current assets | – | – | 1,773 | 1,773 |

The following are major customers with revenues equal or more than 10 percent of the Group's total revenue:-

| | Group Revenue | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| Common control companies:- | | |
| under major unitholder | **135,244** | 135,934 |
| under the holding company of major unitholder | **31,641** | 31,641 |
| | **166,885** | 167,575 |

## 38. CAPITAL MANAGEMENT

The Manager optimises YTL REIT's capital structure and cost of capital within the borrowing limits prescribed by the Listed REIT Guidelines via a combination of debt and equity funding for future acquisitions and improvement works at the real estate properties.

The capital management strategy for the Group and the Trust involves:-

(a) adopting and maintaining an optimal gearing level; and

(b) adopting an active interest rate management strategy to manage risks associated with changes in interest rates while maintaining flexibility in YTL Hospitality REIT's capital structure to meet future investment and/or capital expenditure requirements.

The Listed REIT Guidelines require that the total borrowings of a real estate investment trust (including borrowings through issuance of debt securities) should not exceed 50% of its total asset value at the time the borrowings are incurred, pursuant to Clause 8.32 of the Listed REIT Guidelines. In the previous financial year, the SC had announced a temporary increase in the gearing limit for Malaysian real estate investment trusts, raising the limit from 50% to 60% until 31 December 2022.

The Manager reviews the capital structure of the Group on a regular basis and monitors capital using a gearing ratio, which is total borrowings divided by total assets.

| | | Group | |
|---|---|---|---|
| | Note | 2022 RM'000 | 2021 RM'000 |
| Borrowings | 24 | **1,228,095** | 1,281,883 |
| MTNs | 25 | **815,000** | 810,000 |
| Total borrowings | | **2,043,095** | 2,091,883 |
| Total assets | | **4,902,250** | 4,871,874 |
| Gearing ratio (%) | | **41.68** | 42.94 |

The Trust is not subject to externally imposed capital requirements for the financial years ended 30 June 2022 and 30 June 2021.

## 39. SIGNIFICANT EVENT DURING AND AFTER THE REPORTING DATE

During the financial year under review, countries where the Group and the Trust operate are in various stages of relaxing quarantine measures, coupled with measures to bolster economic recovery and revive tourism. Whilst there are ongoing concerns of a resurgence of the virus and the emergence of new variants, the impact is expected to be mitigated by vaccination programmes and more targeted control measures.

The Manager remains cautiously optimistic and is continuously taking steps to proactively manage the business and take necessary actions to ensure that the long-term business prospects of the Group and the Trust remain stable.

## 40. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors of Pintar Projek Sdn. Bhd. in accordance with a resolution of the Directors on 4 August 2022.

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the Tenth Annual General Meeting of YTL Hospitality REIT ("**REIT**") will be held on Thursday, 13 October 2022 at 3.00 p.m. or at any adjournment thereof and will be conducted as a **fully virtual** meeting through live streaming and online remote participation via the online meeting platform hosted on the TIIH Online System ("**TIIH Online**") at https://tiih.com.my ("**Meeting Platform**") to transact the following business:-

## ORDINARY BUSINESS

| | |
|---|---|
| To lay before the meeting the Audited Financial Statements for the financial year ended 30 June 2022 together with the Reports attached thereon. | **Please refer Explanatory Note A** |

By Order of the Board
of Pintar Projek Sdn Bhd [199401028328 (314009-W)]
(Manager for YTL Hospitality REIT)

Ho Say Keng
Company Secretary

Kuala Lumpur
30 August 2022

***Notes:-***

***REMOTE PARTICIPATION ("RP")***

1. *The Tenth Annual General Meeting ("10th AGM") will be conducted on a fully virtual basis **without a physical meeting venue**. Please follow the procedures set out in the Administrative Guide for the 10th AGM which is available on the REIT's website at https://www.ytlhospitalityreit.com/meetings to register, participate and speak (in the form of real time submission of typed texts) via the RP facility provided by the share registrar for the 10th AGM, Tricor Investor & Issuing House Services Sdn Bhd ("Tricor") on its TIIH Online at https://tiih.com.my.*

***MEETING PLATFORM***

2. *The Meeting Platform meets the requirements for 'place' set out under Paragraph 13.21 of the Guidelines on Listed Real Estate Investment Trusts as clarified in the Guidance Note and FAQs on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission of Malaysia (as revised on 7 April 2022).*

***PROXY***

3. *A unitholder (including an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA")) entitled to attend a general meeting of the REIT may appoint not more than two (2) proxies to participate instead of the unitholder at the 10th AGM via the RP facility.*

4. *Where a unitholder is an Exempt Authorised Nominee as defined under the SICDA, which holds units in the REIT for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.*

# Notice of Annual General Meeting

5. *A proxy may but need not be a unitholder of the REIT. Where a unitholder appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his unitholdings to be represented by each proxy.*

6. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised in writing.*

7. *The appointment of a proxy may be made in hardcopy form or by electronic means as specified below and must be received by Tricor not less than 48 hours before the time appointed for holding the 10th AGM i.e. no later than **11 October 2022 at 3.00 p.m**.:-*

   *(i) In hardcopy form*

   *The original Form of Proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified or office copy of that power or authority shall be deposited at the office of Tricor at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia,*

   *or alternatively,*

   *at its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.*

   *(ii) Electronically via TIIH Online*

   *The Form of Proxy can be electronically lodged with Tricor via TIIH Online at https://tiih.com.my. Please follow the procedures set out in the Administrative Guide for the 10th AGM.*

8. *For the purpose of determining a unitholder who shall be entitled to attend the 10th AGM via the RP facility, the Manager shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Section 34(1) of the SICDA to issue a General Meeting Record of Depositors as at 6 October 2022. Only a depositor whose name appears on the General Meeting Record of Depositors as at 6 October 2022 shall be entitled to attend the said meeting or appoint proxy(ies) to attend in his stead.*

***APPOINTMENT OF REPRESENTATIVES BY CORPORATE MEMBERS***

9. *For a corporate member who has appointed an authorised representative to participate remotely via the RP facility, please deposit the original certificate of appointment of corporate representative with Tricor at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia,*

   *or alternatively,*

   *at its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia,*

   *before the time appointed for holding the 10th AGM or adjourned meeting.*

**Explanatory Note A**

There shall be no voting on the aforesaid Ordinary Business given that the laying of the Audited Financial Statements for the financial year ended 30 June 2022 of REIT together with the Reports attached thereon before the unitholders at the Annual General Meeting is meant for discussion only in accordance with Paragraph 13.18(b) of the Guidelines on Listed Real Estate Investment Trusts issued by the Securities Commission Malaysia.

# Notes

# Form of Proxy

**YTL** HOSPITALITY REIT

(established in Malaysia pursuant to a deed dated 18 November 2005 (as amended and restated))

| CDS Account No. *(only for nominee companies)* | |
|---|---|
| Number of units held | |

I/We *(full name in block letters)* ______________________________

______________________________ Telephone No. ______________

NRIC *(new & old)*/Passport/Company No. ______________________________

of *(full address)* ______________________________

______________________________

being a unitholder of **YTL Hospitality REIT** hereby appoint

| *Full name of proxy in block letters* | *NRIC (new & old)/Passport No. of proxy* | *Proportion of unitholdings to be represented* | |
|---|---|---|---|
| | | *No. of units* | *%* |
| | | | |

* and/or *(delete as appropriate)*

| *Full name of proxy in block letters* | *NRIC (new & old)/Passport No. of proxy* | *Proportion of unitholdings to be represented* | |
|---|---|---|---|
| | | *No. of units* | *%* |
| | | | |

or failing him/her, the Chairman of the Meeting as my/our proxy(ies) to vote for me/us on my/our behalf at the Tenth Annual General Meeting of YTL Hospitality REIT which will be conducted as a **fully virtual** meeting through live streaming and online remote participation via the online meeting platform hosted on the TIIH Online System ("**TIIH Online**") at https://tiih.com.my ("**Meeting Platform**") on **Thursday, 13 October 2022** at **3.00 p.m.** or at any adjournment thereof.

## ORDINARY BUSINESS

To lay before the meeting the Audited Financial Statements for the financial year ended 30 June 2022 together with the Reports attached thereon.

Dated this ______________ day of ______________________ 2022.

______________________________
Signature(s)/Common Seal of Unitholder

***IMPORTANT NOTICE***

*The Meeting Platform meets the requirements for 'place' set out under Paragraph 13.21 of the Guidelines on Listed Real Estate Investment Trusts as clarified in the Guidance Note and FAQs on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission of Malaysia (as revised on 7 April 2022). Unitholders are to participate and speak (in the form of real time submission of typed texts) via the Remote Participation ("RP") facility provided by Tricor Investor & Issuing House Services Sdn Bhd ("Tricor") on its TIIH Online at the Meeting Platform.*

*Fold this flap for sealing*

***Notes:-***

1. *A unitholder (including an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA")) entitled to attend at a general meeting of YTL Hospitality REIT may appoint not more than two (2) proxies to participate instead of the unitholder at the Tenth Annual General Meeting ("10th AGM") via the RP facility.*
2. *Where a unitholder is an Exempt Authorised Nominee as defined under the SICDA, which holds units in YTL Hospitality REIT for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.*
3. *A proxy may but need not be a unitholder of YTL Hospitality REIT. Where a unitholder appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his unitholdings to be represented by each proxy.*
4. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised in writing.*
5. *The appointment of proxy may be made in hardcopy form or by electronic means as specified below and must be received by Tricor not less than 48 hours before the time appointed for holding the 10th AGM i.e. no later than* ***11 October 2022 at 3.00 p.m.****:-*

   *(i) In hardcopy form*

   *The original Form of Proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified or office copy of that power or authority shall be deposited at the office of Tricor at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or alternatively, at its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.*

   *(ii) Electronically via TIIH Online*

   *The Form of Proxy can be electronically lodged with Tricor via TIIH Online at https://tiih.com.my. Please follow the procedures set out in the Administrative Guide for the 10th AGM.*
6. *Only unitholders whose names appear on the General Meeting Record of Depositors as at 6 October 2022 shall be entitled to attend the 10th AGM via the RP facility or appoint proxy(ies) to attend in his stead.*
7. *For a corporate member who has appointed an authorised representative to participate remotely via the RP facility, please deposit the original certificate of appointment of corporate representative with Tricor at either of the addresses stated in note 5(i) above, before the time appointed for holding the 10th AGM or adjourned meeting.*

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AFFIX
STAMP

**Tricor Investor & Issuing House Services Sdn Bhd**
Share Registrar for the 10th Annual General Meeting of
YTL Hospitality REIT
Unit 32-01, Level 32, Tower A, Vertical Business Suite
Avenue 3, Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur

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