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 2021

YTL HOSPITALITY REIT

BUILDING THE RIGHT THING

ANNUAL REPORT 2021

The Journey Continues...

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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

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 RM1.53 billion (as at 30 June 2021) 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 retail estate 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.

Property 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 chain of 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.

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 2021 is as follows:-

	RM'000	%
Real Estate – Commercial		
JW Marriott Hotel Kuala Lumpur	523,500	11
The Majestic Hotel Kuala Lumpur	396,500	8
The Ritz-Carlton, Kuala Lumpur – Hotel Wing	360,000	8
The Ritz-Carlton, Kuala Lumpur – Suite Wing	316,500	7
AC Hotel Kuala Lumpur Titiwangsa	142,000	3
AC Hotel Penang Bukit Jambul	122,900	3
Pangkor Laut Resort	122,000	3
Tanjong Jara Resort	104,700	2
AC Hotel Kuantan City Centre	92,400	2
Cameron Highlands Resort	61,000	1
Hilton Niseko Village	303,056	6
The Green Leaf Niseko Village	228,232	5
Sydney Harbour Marriott	1,434,008	30
Brisbane Marriott	264,737	6
Melbourne Marriott	229,301	5
	4,700,834	100
Deposits with licensed financial institutions	18,130	–
Total	4,718,964	100

ABOUT THE MANAGER

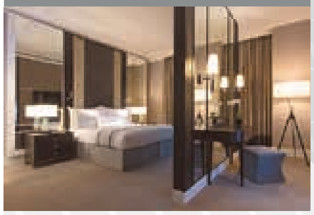
Pintar Projek was incorporated in 1994 and is a 70%-owned subsidiary of YTL Land Sdn Bhd, which is a wholly-owned subsidiary of YTL Corporation Berhad. Pintar Projek's Board of Directors and key personnel comprise competent and capable individuals that have extensive experience in their respective fields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

Property Portfolio

1.
JW Marriott Hotel
Kuala Lumpur

2.
The Majestic Hotel
Kuala Lumpur

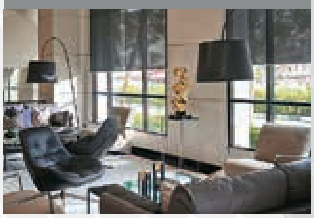
3.
The Ritz-Carlton,
Kuala Lumpur – Suite Wing



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

5.
AC Hotel Kuala Lumpur
Titiwangsa

6.
AC Hotel Penang
Bukit Jambul

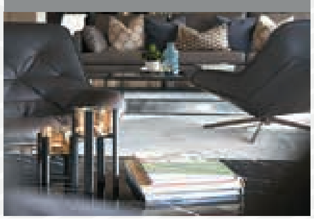


7.
Pangkor Laut
Resort

8.
Cameron
Highlands Resort

9.
Tanjong
Jara Resort

10.
AC Hotel Kuantan
City Centre

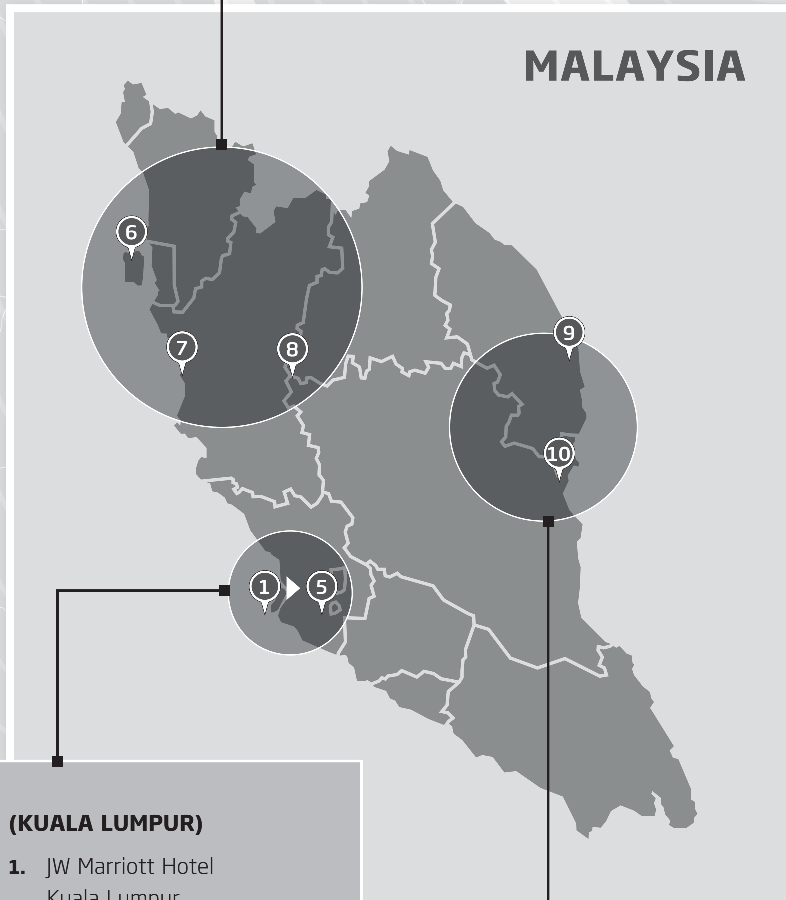


(NORTHERN)

6. AC Hotel Penang Bukit Jambul

7. Pangkor Laut Resort

8. Cameron Highlands Resort



(KUALA LUMPUR)

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

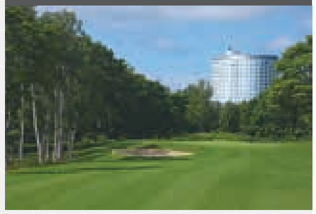
(EASTERN)

9. Tanjong Jara Resort

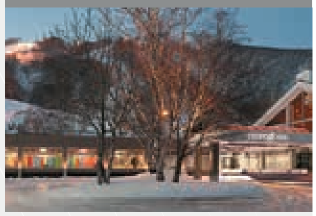
10. AC Hotel Kuantan City Centre

Property Portfolio

11.
Hilton Niseko Village

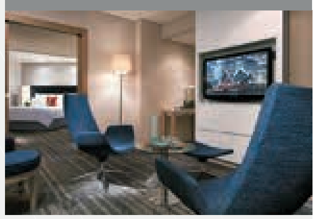


12.
The Green Leaf Niseko Village

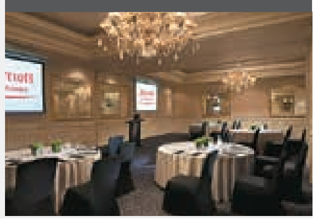


13.
Brisbane Marriott

14.
Sydney Harbour Marriott



15.
Melbourne Marriott



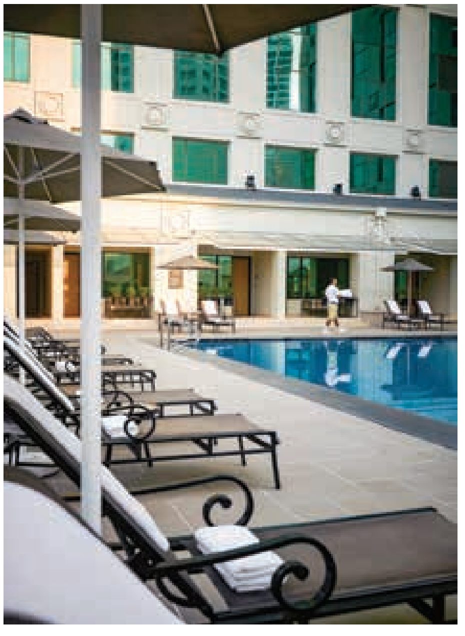
Property Portfolio

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 24 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	RM500,000
Market value	RM523,500,000
Date of latest valuation	31 May 2021
Independent valuer	Savills (Malaysia) Sdn. Bhd.
Net book value	RM523,500,000



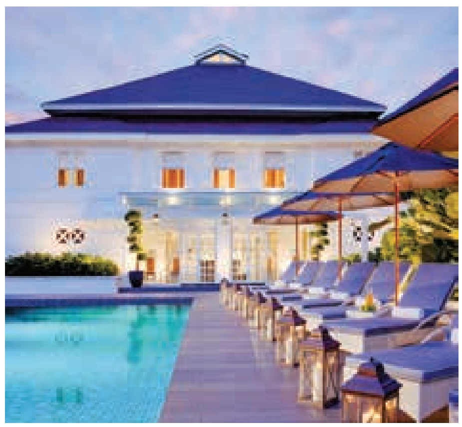
Property Portfolio

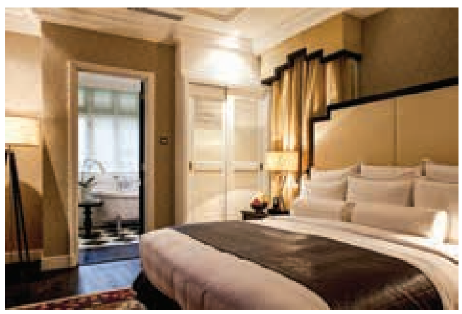
THE MAJESTIC HOTEL KUALA LUMPUR

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.

Property type	Hotel
Age	Majestic Wing – Approximately 89 years (refurbished in Year 2012) Tower Wing – Approximately 8 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 registererd lease expiring on 11 May 2091 obtained from Pesuruhjaya Tanah Persekutuan. The unexpired lease period is approximately 70 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	RM6,500,000
Market value	RM396,500,000
Date of latest valuation	31 May 2021
Independent valuer	Savills (Malaysia) Sdn. Bhd.
Net book value	RM396,500,000





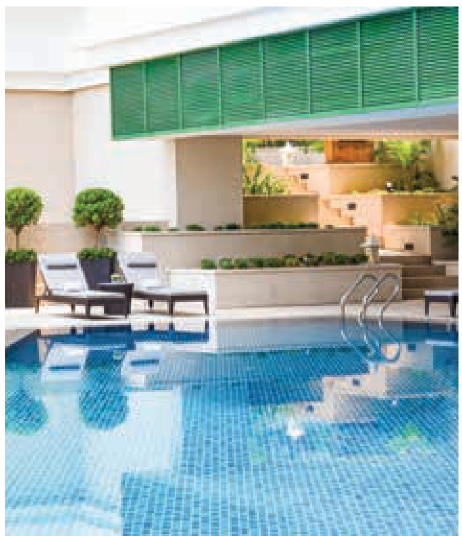
Property Portfolio

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 basement car parks.

Property type	Hotel
Age	Approximately 24 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	-
Market value	RM360,000,000
Date of latest valuation	31 May 2021
Independent valuer	Savills (Malaysia) Sdn. Bhd.
Net book value	RM360,000,000



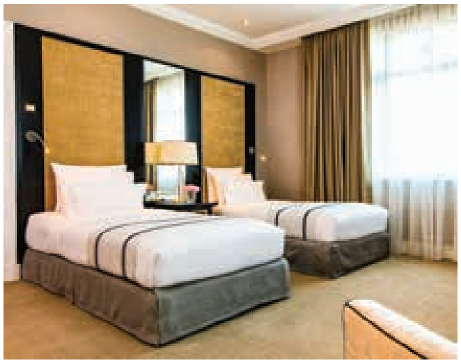
Property Portfolio

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

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.

Property type	Serviced apartment
Age	Approximately 16 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	RM2,400,000
Market value	RM213,400,000
Date of latest valuation	31 May 2021
Independent valuer	Savills (Malaysia) Sdn. Bhd.
Net book value	RM213,400,000



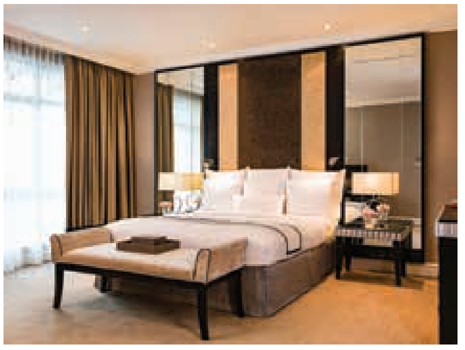
Property Portfolio

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 16 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	RM1,100,000
Market value	RM103,100,000
Date of latest valuation	31 May 2021
Independent valuer	Savills (Malaysia) Sdn. Bhd.
Net book value	RM103,100,000



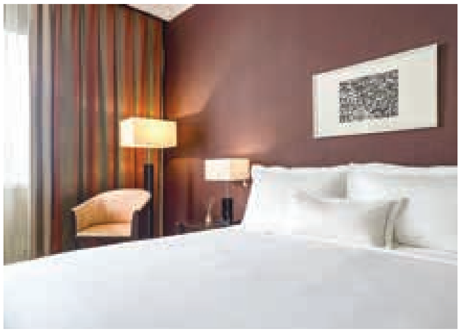
Property Portfolio

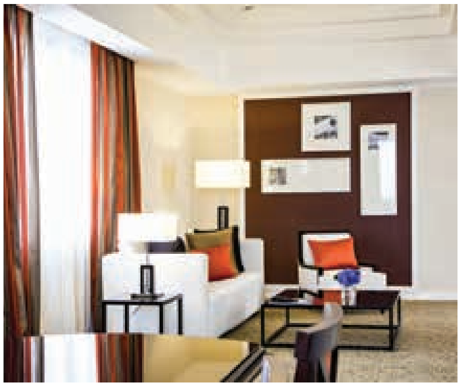
AC HOTEL KUALA LUMPUR TITIWANGSA

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.

Property type	Hotel
Age	Approximately 26 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	RM3,000,000
Market value	RM142,000,000
Date of latest valuation	31 May 2021
Independent valuer	Savills (Malaysia) Sdn. Bhd.
Net book value	RM142,000,000





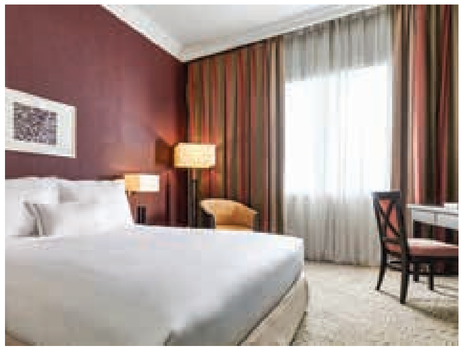
Property Portfolio

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 22 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 73 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	RM1,900,000
Market value	RM122,900,000
Date of latest valuation	31 May 2021
Independent valuer	Savills (Malaysia) Sdn. Bhd.
Net book value	RM122,900,000



Property Portfolio

PANGKOR LAUT RESORT

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.

Property type	Resort
Age	Approximately 28 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 74 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	RM3,000,000
Market value	RM122,000,000
Date of latest valuation	31 May 2021
Independent valuer	Savills (Malaysia) Sdn. Bhd.
Net book value	RM122,000,000

Property Portfolio

TANJONG JARA RESORT

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

Description
Small luxury boutique resort with 100 rooms.

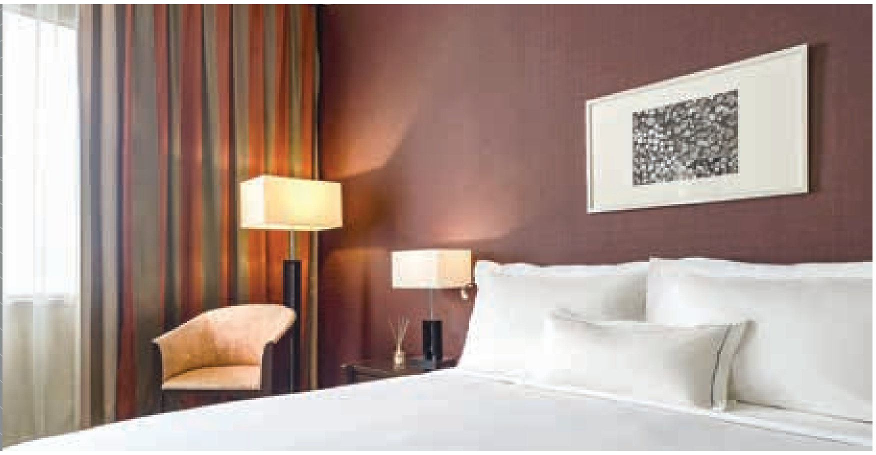
Property type	Resort
Age	Approximately 26 years
Title details	HSD 1473, Lot No. PT 18624, Mukim of Kuala Dungun, District of Dungun, State of Terengganu Darul Iman.
Encumbrances/Limitation in title/interest	The property is free from encumbrances and there is restriction attached to the title.
Status of holdings	60-year leasehold expiring on 4 December 2067. The unexpired lease period is approximately 46 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	RM1,700,000
Market value	RM104,700,000
Date of latest valuation	31 May 2021
Independent valuer	Savills (Malaysia) Sdn. Bhd.
Net book value	RM104,700,000

Property Portfolio

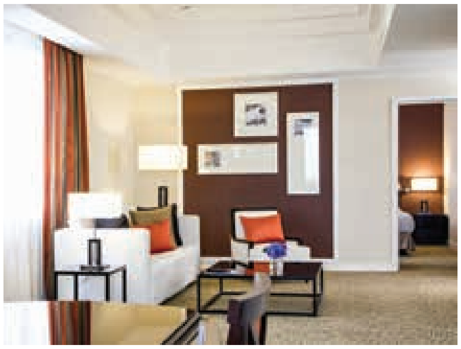
AC HOTEL KUANTAN CITY CENTRE

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

Description
8-storey hotel building with 215 rooms.



Property type	Hotel
Age	Approximately 22 years
Title details	Lot No. 714, Section 37 held under PN No. 13491, Town and District of Kuantan, Pahang.
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 71 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	RM2,400,000
Market value	RM92,400,000
Date of latest valuation	31 May 2021
Independent valuer	Savills (Malaysia) Sdn. Bhd.
Net book value	RM92,400,000



Property Portfolio

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 47 years
Title details	HSD 3881 for Lot No. PT 1812, Mukim of Tanah Rata, District of Cameron Highlands, State of Pahang.
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 87 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	RM1,000,000
Market value	RM61,000,000
Date of latest valuation	31 May 2021
Independent valuer	Savills (Malaysia) Sdn. Bhd.
Net book value	RM61,000,000

Property Portfolio

HILTON NISEKO VILLAGE

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

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

Property type	Hotel
Age	Approximately 27 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	JPY810,000,000 or RM30,558,000
Market value	JPY8,060,000,000
Date of latest valuation	31 May 2021
Independent valuer	Savills Japan Co., Ltd
Net book value	RM303,056,000

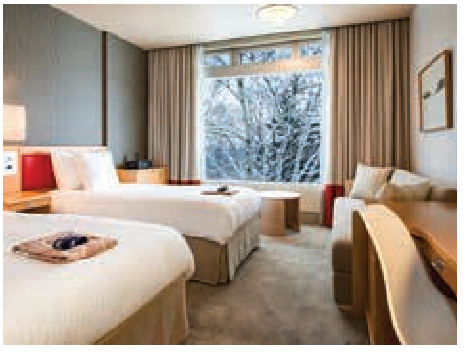
Property Portfolio

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 38 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	-
Market value	JPY6,070,000,000
Date of latest valuation	31 May 2021
Independent valuer	JLL Morii Valuation & Advisory K.K.
Net book value	RM228,232,000



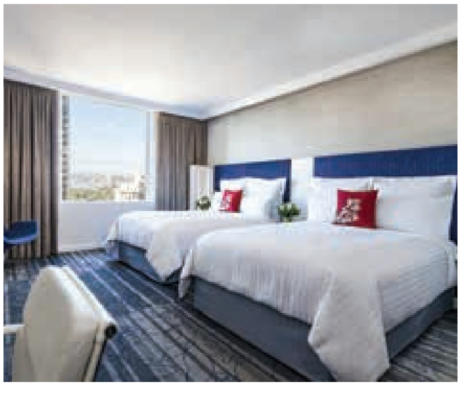
Property Portfolio

SYDNEY HARBOUR MARRIOTT

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.

Property type	Hotel
Age	Approximately 32 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	58.49%
Date of acquisition	29 November 2012
Cost of acquisition (including incidentals)	AUD264,618,000
Fair value adjustments for the financial year	AUD29,116,000 or RM93,061,000
Market value	AUD460,000,000
Date of latest valuation	31 May 2021
Independent valuer	Savills Valuations Pty. Ltd.
Net book value	RM1,434,008,000



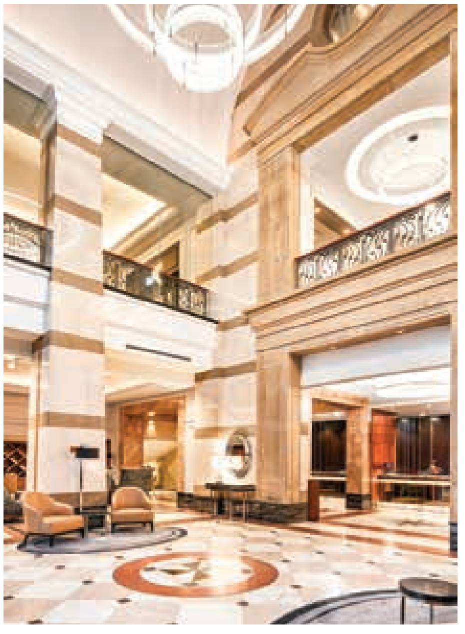
Property Portfolio

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 23 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	68.96%
Date of acquisition	29 November 2012
Cost of acquisition (including incidentals)	AUD120,311,000
Fair value adjustments for the financial year	AUD8,409,000 or RM26,877,000
Market value	AUD85,000,000
Date of latest valuation	31 May 2021
Independent valuer	Savills Valuations Pty. Ltd.
Net book value	RM264,737,000



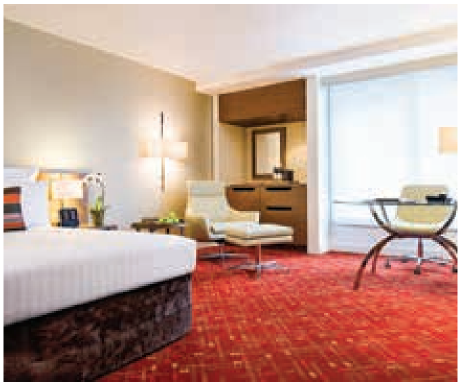
Property Portfolio

MELBOURNE MARRIOTT

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

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

Property type	Hotel
Age	Approximately 39 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	14.25%
Date of acquisition	29 November 2012
Cost of acquisition (including incidentals)	AUD56,404,000
Fair value adjustments for the financial year	AUD3,852,000 or RM12,311,000
Market value	AUD73,500,000
Date of latest valuation	31 May 2021
Independent valuer	Savills Valuations Pty. Ltd.
Net book value	RM229,301,000



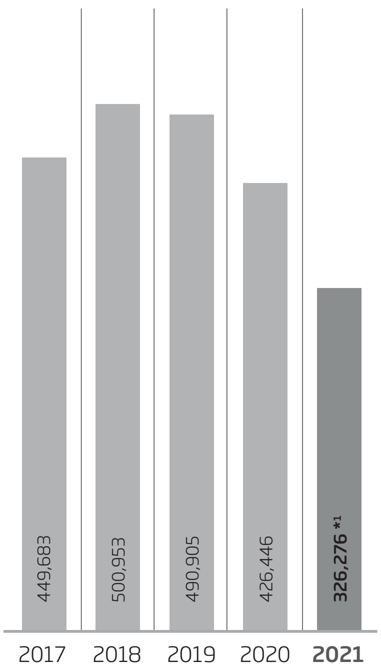
Financial Highlights

	2021	2020	2019	2018	2017
Revenue (RM'000)	**326,276** *1	426,446	490,905	500,953	449,683
Net property income (RM'000)	**205,269** *1	235,219	253,279	248,827	209,616
Total income distribution (RM'000)	**70,964**	114,390 *2	134,154	134,107	122,690
Total assets (RM'000)	**4,871,874**	4,693,536	4,864,777	4,511,655	4,039,206
Net asset value (RM'000)	**2,705,319**	2,555,899	2,737,100	2,718,511	2,530,991
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)	**1.587**	1.500	1.606	1.595	1.485
Distribution per Unit (sen)	**4.1636**	6.7115 *2	7.8711	7.8683	8.0838
Earnings/(Loss) per Unit (sen)	**4.86**	0.56	6.14	13.88	(0.79)

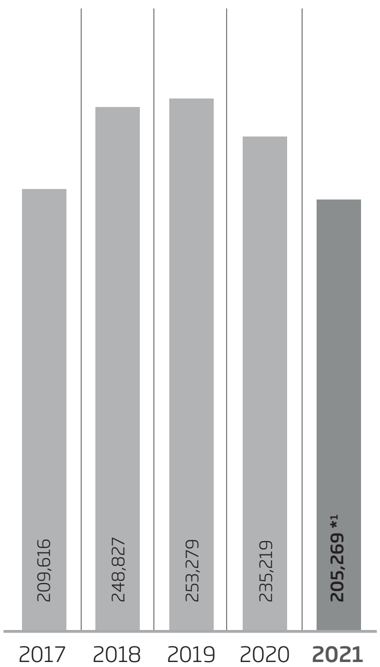
*1 *Includes accrued lease income-unbilled pursuant to the requirements of MFRS 16, Leases.*

*2 *Representing approximately 90% of the total distributable income.*

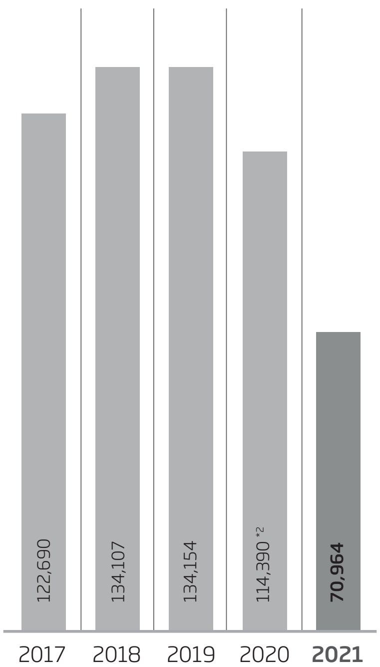
Revenue
(RM'000)



Net Property Income
(RM'000)

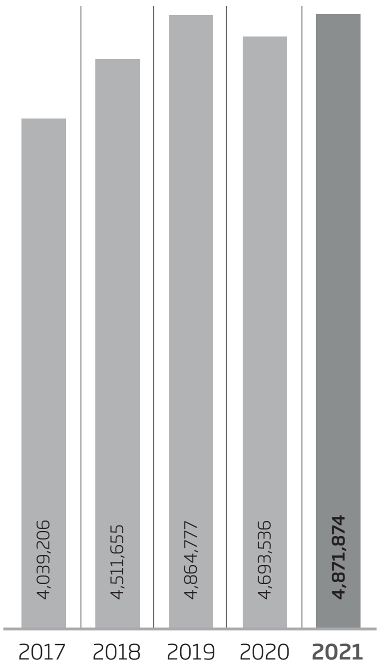


Total Income Distribution
(RM'000)

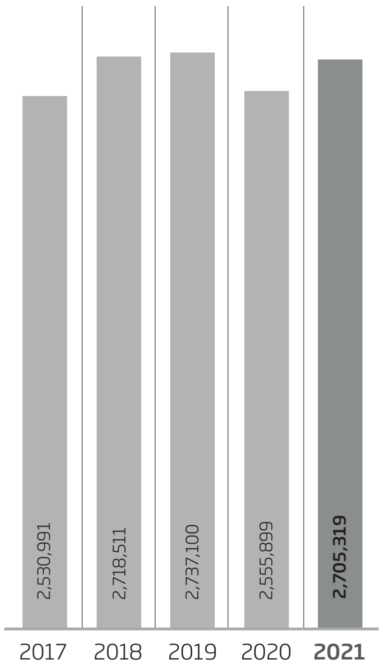


Financial Highlights

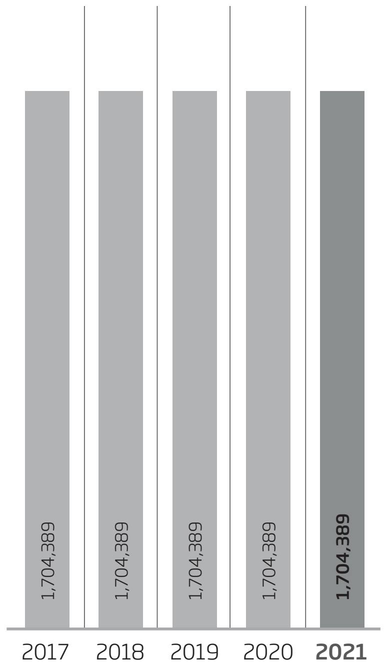
Total Assets
(RM'000)



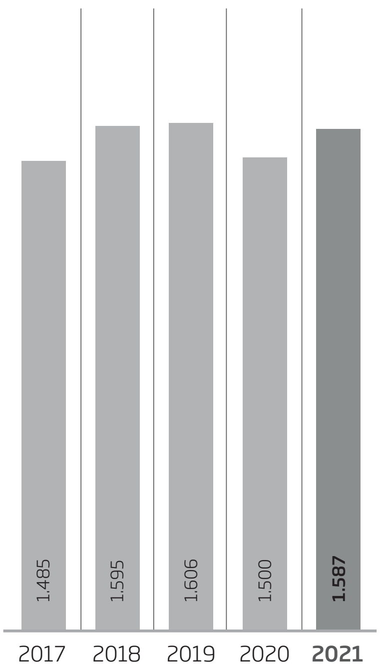
Net Asset Value
(RM'000)



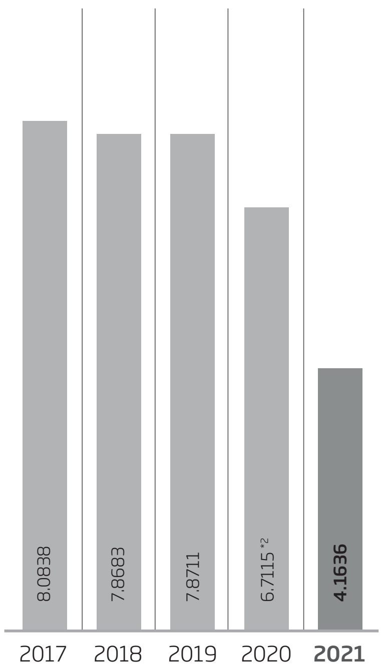
Units In Circulation
('000)



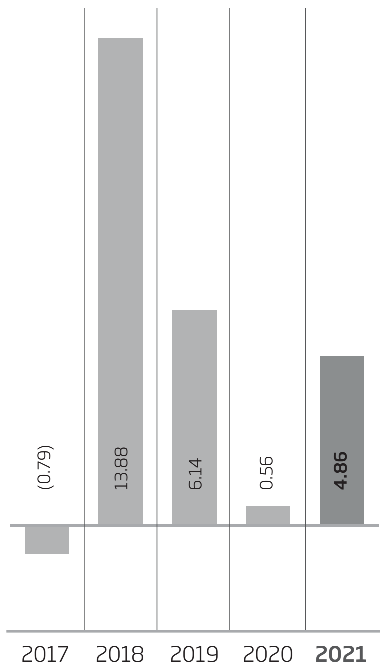
Net Asset Value Per Unit
(RM)



Distribution Per Unit
(sen)



Earnings/(Loss) Per Unit
(sen)



Fund Performance

(I) PORTFOLIO COMPOSITION OF THE GROUP

At 30 June	2021 %	2020 %	2019 %	2018 %	2017 %
Real estate	**100**	99	99	99	99
Non-real estate-related assets	**-**	–	–	–	–
Deposits	**-**	1	1	1	1
	100	100	100	100	100

(II) NET ASSET VALUE & UNIT INFORMATION

	2021	2020	2019	2018	2017
Total assets (RM'000)	**4,871,874**	4,693,536	4,864,777	4,511,655	4,039,206
Total net asset value ("NAV") (RM'000)					
- as at 30 June (before income distribution)	**2,776,283**	2,670,289	2,871,254	2,852,618	2,653,681
- as at 30 June (after income distribution)	**2,705,319**	2,555,899	2,737,100	2,718,511	2,530,991
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)	**1.629**	1.567	1.685	1.674	1.557
- as at 30 June (after income distribution)	**1.587**	1.500	1.606	1.595	1.485
- Highest NAV during the year	**1.587**	1.584	1.606	1.595	1.485
- Lowest NAV during the year	**1.512**	1.500	1.551	1.398	1.386
Market value per Unit (RM)					
- as at 30 June	**0.90**	1.05	1.34	1.17	1.18
- Weighted average price for the year	**0.85**	1.23	1.25	1.17	1.16
- Highest traded price for the year	**1.08**	1.38	1.37	1.28	1.24
- Lowest traded price for the year	**0.70**	0.75	1.15	1.08	1.06

Fund Performance

(III) PERFORMANCE DETAILS OF THE GROUP

	2021	2020	2019	2018	2017
Distribution per Unit (sen)					
- First interim	**1.8105**	1.9584	1.9219	1.9737	2.0528
- Advance	**-**	-	-	-	1.9181
- Second interim	**-**	1.9158	1.9387	1.9917	0.3459
- Third interim	**-**	- [(4)]	1.9116	1.9378	1.8364
- Final	**2.3531**	2.8373	2.0989	1.9651	1.9306
	4.1636 [(5)]	6.7115	7.8711	7.8683	8.0838
Distribution date					
- First interim	**31 March 2021**	27 December 2019	28 December 2018	29 December 2017	23 December 2016
- Advance	**-**	-	-	-	12 January 2017
- Second interim	**-**	25 March 2020	29 March 2019	30 March 2018	31 March 2017
- Third interim	**-**	- [(4)]	28 June 2019	29 June 2018	30 June 2017
- Final	**30 August 2021**	28 August 2020	30 August 2019	30 August 2018	30 August 2017
Distribution yield (%) [(1)]	**4.90**	5.46	6.30	6.73	6.97
Management expense ratio (%)	**0.47**	0.61	0.84	0.55	0.54
Total return (%) [(2)]	**(26.00)** [(5)]	3.86	13.13	7.59	17.44
Average total return [(3)]					
- One year	**(26.00)** [(5)]				
- Three years	**(3.00)**				
- Five years	**3.21**				

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. *Change of income distribution frequency from quarterly to semi-annually effective from the financial quarter ended 31 March 2020.*
5. *Distribution per Unit was lower for financial year ended 30 June 2021 due to impact of COVID-19 pandemic on hospitality sector.*

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

Management Discussion & Analysis

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATION

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.

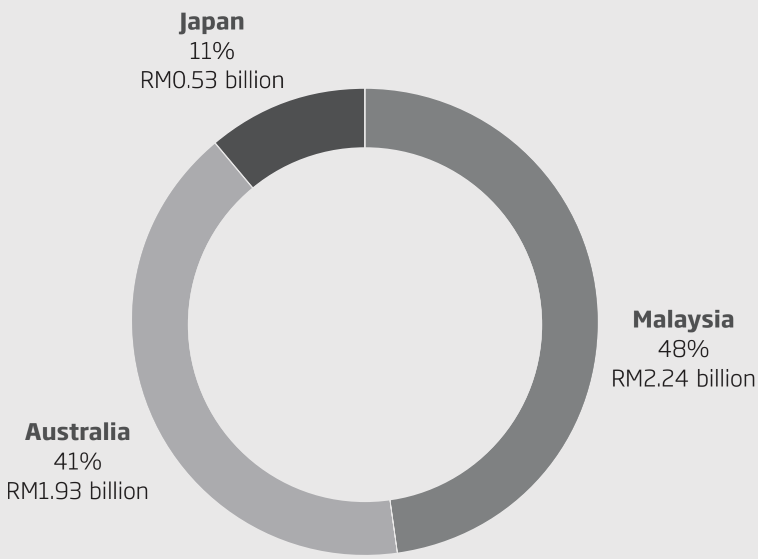
YTL REIT was listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 16 December 2005 and is an income and growth type fund. The investment objective of YTL REIT is to own and invest in real estate and real estate-related assets, whether directly or indirectly through the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

The investment portfolio of YTL REIT in Malaysia as at 30 June 2021 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.

Management Discussion & Analysis
OVERVIEW OF THE GROUP'S BUSINESS AND OPERATION

Asset Breakdown by Country as at 30 June 2021



Management Discussion & Analysis

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATION

COMPOSITION OF INVESTMENT PORTFOLIO

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

	Fair value as at 30.6.2021 RM'000	% of total investment	Fair value as at 30.6.2020 RM'000	% of total investment
Real Estate - Commercial				
Properties in Malaysia				
1. JW Marriott Hotel Kuala Lumpur	**523,500**	**11**	523,000	11
2. The Majestic Hotel Kuala Lumpur	**396,500**	**8**	390,000	9
3. The Ritz-Carlton Hotel Wing	**360,000**	**8**	360,000	8
4. The Ritz-Carlton Suite Wing	**316,500**	**7**	313,000	7
5. AC Hotel Kuala Lumpur	**142,000**	**3**	139,000	3
6. AC Hotel Penang	**122,900**	**3**	121,000	3
7. Pangkor Laut Resort	**122,000**	**3**	119,000	3
8. Tanjong Jara Resort	**104,700**	**2**	103,000	2
9. AC Hotel Kuantan	**92,400**	**2**	90,000	2
10. Cameron Highlands Resort	**61,000**	**1**	60,000	1
Properties in Japan				
11. Hilton Niseko Village	**303,056**	**6**	288,035	6
12. The Green Leaf Niseko Village	**228,232**	**5**	241,155	5
Properties in Australia				
13. Sydney Harbour Marriott	**1,434,008**	**30**	1,305,129	29
14. Brisbane Marriott	**264,737**	**6**	234,118	5
15. Melbourne Marriott	**229,301**	**5**	210,929	5
Sub-total	**4,700,834**	**100**	**4,497,366**	**99**
Deposits with licensed financial institutions	**18,130**	**-**	40,124	1
Total	**4,718,964**	**100**	**4,537,490**	**100**

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

Management Discussion & Analysis
OVERVIEW OF THE GROUP'S BUSINESS AND OPERATION

MANAGER'S INVESTMENT STRATEGIES AND POLICIES

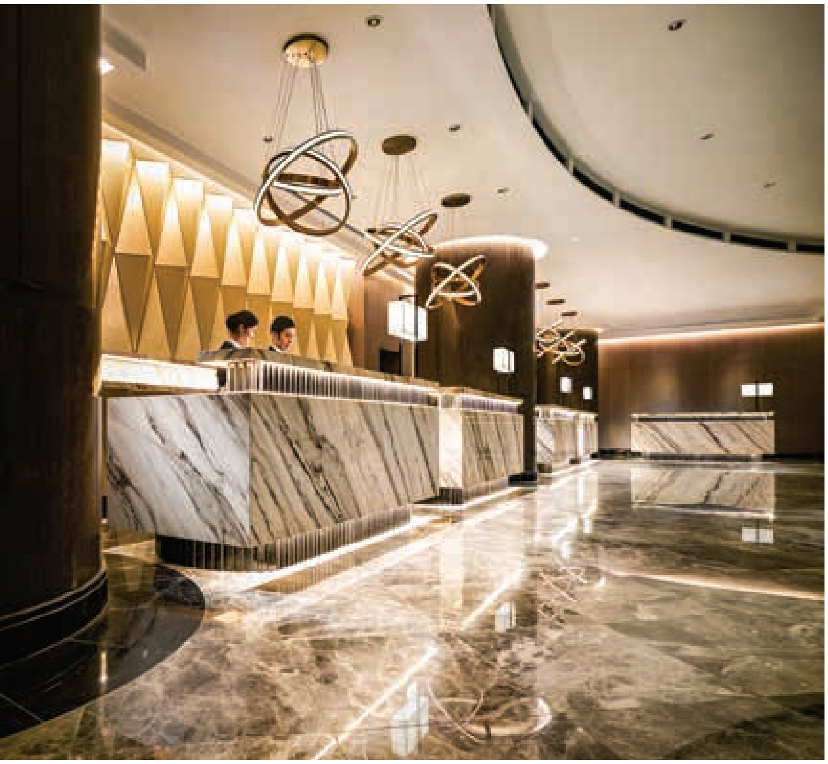
Investment Strategies

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

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATION

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 instruments

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

The Manager believes that the switch of its distribution frequency from quarterly to semi-annually for each six-month period ending 30 June and 31 December will enable 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.

Management Discussion & Analysis

DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS AND FINANCIAL CONDITION

PERFORMANCE OF THE GROUP

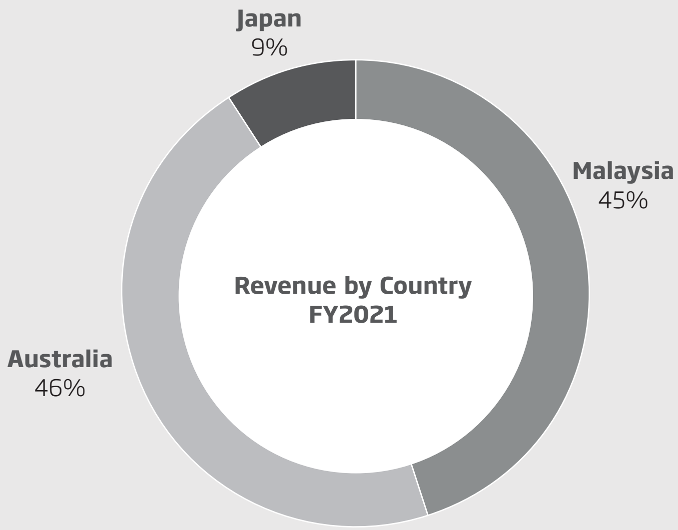
	FY2021 RM'000	FY2020 RM'000	Change
Revenue			
- Hotel revenue (Management contracts)	**151,063**	257,553	(41.3%)
- Property revenue (Master leases)	**175,213**	168,893	+3.7%
Total revenue	**326,276**	426,446	(23.5%)
Net property income ("NPI")			
- Management contracts	**41,073**	78,290	(47.5%)
- Master leases	**164,196**	156,929	+4.6%
NPI	**205,269**	235,219	(12.7%)
Profit before tax	**86,418**	13,141	+557.6%
Income available for distribution	**70,965**	127,100	(44.2%)
Total income distribution	**70,964**	114,390	(38.0%)

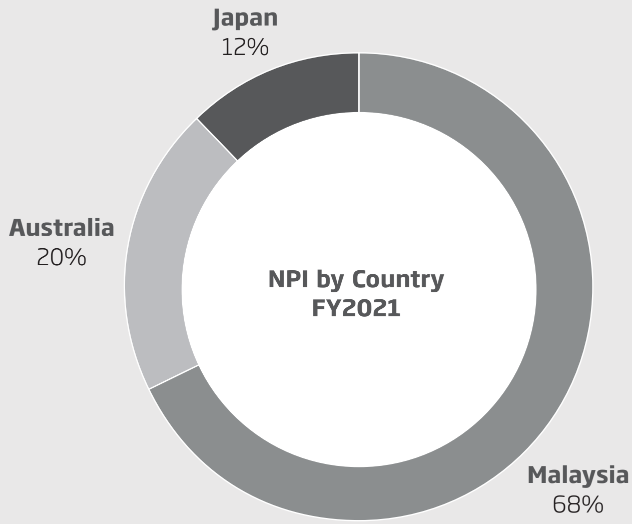
Management Discussion & Analysis

DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS AND FINANCIAL CONDITION

Segmental Results of the Group

	Property rental		Hotel	
	Malaysia RM'000	Japan RM'000	Australia RM'000	Total RM'000
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**
FY2020				
External revenue	140,234	28,659	257,553	426,446
Operating expenses	(7,355)	(4,609)	(179,263)	(191,227)
NPI	132,879	24,050	78,290	235,219





Review of Financial Performance

For the current financial year under review, the Group recorded revenue and net property income of RM326.276 million and RM205.269 million, respectively, as compared to RM426.446 million and RM235.219 million, respectively, recorded in the preceding year ended 30 June 2020. This represented a decrease of 23.5% and 12.7%, respectively, as compared to the preceding year.

Management Discussion & Analysis

DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS AND FINANCIAL CONDITION

The Group recorded a profit before tax of RM86.418 million for the current financial year ended 30 June 2021, an increase of 557.6% as compared to a profit before tax of RM13.141 million recorded in the preceding financial year due to the following factors:-

(i) net fair value gain on properties of RM16.711 million comprising RM80.674 million fair value gain from the annual valuation carried out in May 2021 which was offset by the unbilled lease income of RM63.963 million recognised during the current financial year as compared to the fair value loss of RM28.120 million recorded in the preceding year;

(ii) an unrealised foreign currency translation loss of RM22.160 million on borrowings denominated in foreign currencies recognised during the preceding year; and

(iii) reduction in finance costs as a result of lower interest rates.

The income available for distribution in the current financial year of RM70.965 million represented a decrease of 44.2% as compared to RM127.100 million recorded in the preceding year mainly due to lower performance from the Australian portfolio following the COVID-19 pandemic and the rental variations approved for the Malaysian and Japanese properties (except The Green Leaf Niseko Village) where 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 7 years after 30 June 2022 or over remaining tenures of the existing leases, whichever is earlier ("Rental Variations").

Performance of the respective operating business segments for the financial year ended 30 June 2021 as compared to the preceding year are analysed as follows:

Hotel

Revenue and net property income from the Australian portfolio have been impacted by the COVID-19 pandemic since February 2020 and the implementation of stricter social distancing measures by the Australian government to contain the spread in late March 2020. Since then, the hotel portfolio performance has been continuously impacted by various restrictions imposed by the Australian government. Various measures were introduced by the government to mitigate the financial challenges faced by the hospitality sector during the pandemic which includes the government isolation group business and JobKeeper programme.

The Australian portfolio generated consistent revenue from the participation in the government isolation group business and managed to reduce the costs from the JobKeeper programme as well as its internal cost saving efforts.

Property rental

Revenue and net property income from the Malaysian and Japanese properties approximated that of the preceding financial year. Lease rentals are recognised on a straight line basis over the tenure of the lease in accordance with accounting standards notwithstanding the Rental Variations as mentioned above.

DISTRIBUTION OF INCOME

An interim distribution of income for the six months from 1 July 2020 to 31 December 2020 (which is tax exempt at the Trust level under the amended Section 61A of the Income Tax Act 1967) of 1.8105 sen per unit (all of which is taxable in the hands of unitholders) amounting to RM30,857,961 was paid on 31 March 2021.

For the six months from 1 January 2021 to 30 June 2021, 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 2.3531 sen per unit (of which 1.0265 sen is taxable and 1.3266 sen is non-taxable in the hands of unitholders), totalling RM40,105,975.

Total distribution paid and declared for the financial year ended 30 June 2021 is 4.1636 sen per unit, totalling RM70,963,936, which translates to a yield of 4.90% based on the twelve months weighted average market price of RM0.85 per unit.

The total income distribution of RM70,963,936 represents approximately 100% of the realised and distributable income for the financial year ended 30 June 2021.

The effect of the income distribution in terms of the net asset value per unit of the Group as at 30 June 2021 is as follows:-

	Before distribution RM	**After distribution RM**
Net asset value ("NAV") per unit	1.629	1.587

Management Discussion & Analysis

DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS AND FINANCIAL CONDITION

FINANCIAL POSITION

As at 30 June	2021 RM'000	2020 RM'000	Change
Investment properties	**2,772,788**	2,747,190	+0.9%
Property, plant and equipment	**1,928,046**	1,750,176	+10.2%
Cash & cash equivalents	**106,702**	145,908	(26.9%)
Other assets	**64,338**	50,262	+28.0%
Total assets	**4,871,874**	4,693,536	+3.8%
Borrowings	**2,085,260**	2,036,559	+2.4%
Other liabilities	**81,295**	101,078	(19.6%)
Total liabilities	**2,166,555**	2,137,637	+1.4%
NAV	**2,705,319**	2,555,899	+5.8%
No. of units in circulation ('000)	**1,704,389**	1,704,389	-
NAV per unit (RM)	**1.587**	1.500	+5.8%

Analysis of NAV of the Group since the last financial year ended 30 June 2020:-

As at 30 June	2021	2020
Total NAV (RM'000)	**2,705,319**	2,555,899
NAV per unit (RM)	**1.587**	1.500

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.

Management Discussion & Analysis

DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS AND FINANCIAL CONDITION

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 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. During the current 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.

- Gearing

As at 30 June	2021 RM'000	2020 RM'000	Change
Borrowings	**1,281,883**	1,231,351	+4.1%
MTNs	**810,000**	810,000	-
Total borrowings	**2,091,883**	2,041,351	+2.5%
Total assets	**4,871,874**	4,693,536	+3.8%
Gearing ratio (%)	**42.94**	43.49	(0.55 pp)

- Debt profile

The Group diversifies its risks from borrowings via a combination of fixed and floating rates and spread out the maturities of debt profile to avoid concentrated repayment in each financial year. Borrowings are also arranged in the functional currency of the country where the real estate portfolio is located, this is to serve as natural hedging and to minimise foreign currency translation exposure.

Management Discussion & Analysis

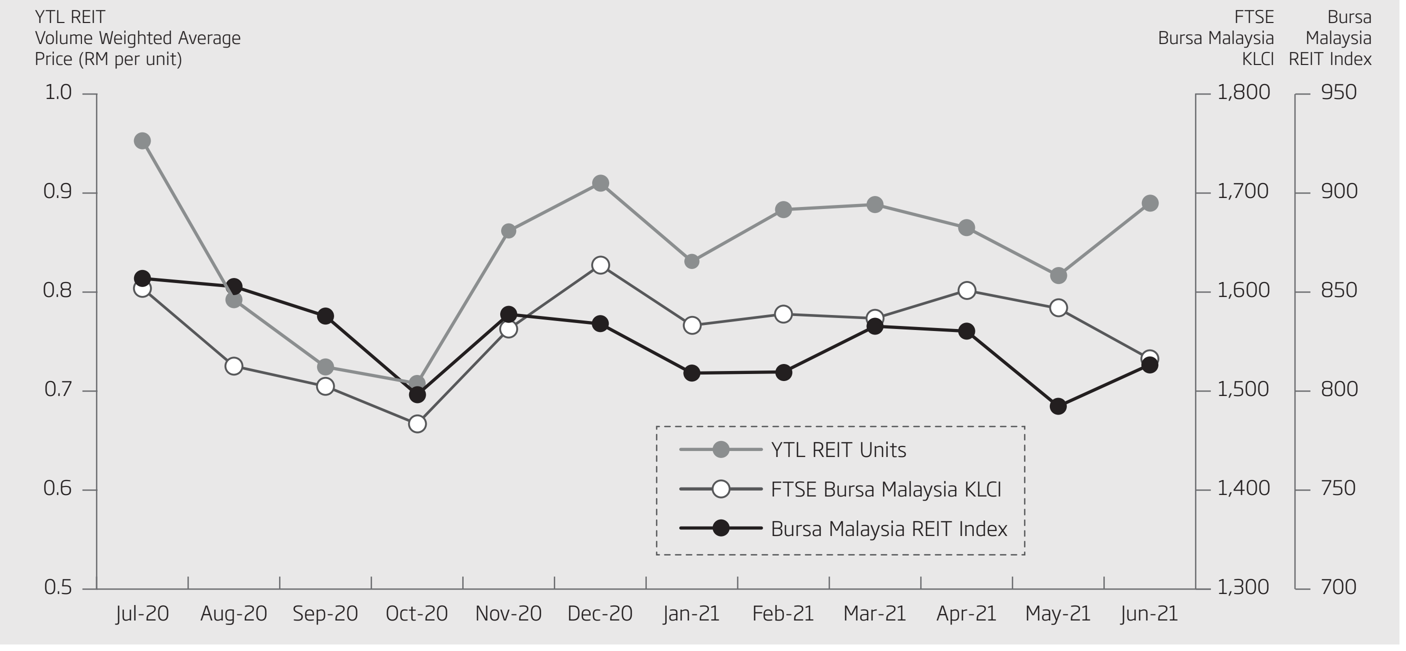
DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS AND FINANCIAL CONDITION

UNIT PERFORMANCE

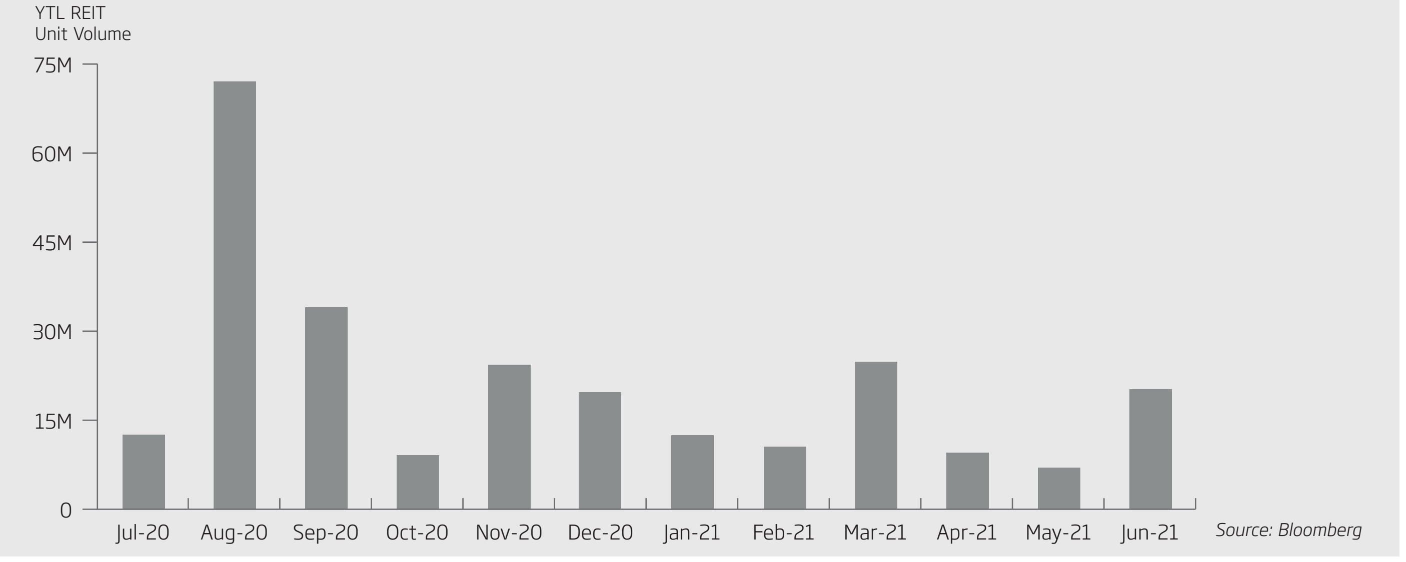
The Trust's units traded at RM1.05 per unit at the beginning of the financial year and ended the year lower at RM0.895 per unit, with a volume weighted average price for the financial year of RM0.85 per unit. During the financial year under review, the Trust's unit price recorded a high of RM1.08 per unit and a low of RM0.70 per unit.

Analysis of changes in prices during the financial year ended 30 June 2021:-

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



Volume of YTL REIT Units Traded on Bursa Securities



Source: Bloomberg

Management Discussion & Analysis

DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS AND FINANCIAL CONDITION

BENCHMARK RELEVANT TO THE GROUP

Management Expense Ratio ("MER")

	2021	2020
MER for the financial year	**0.47%**	0.61%

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, auditor's 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.

Management Discussion & Analysis

SIGNIFICANT CORPORATE DEVELOPMENTS

On 30 July 2020, the Manager and the Trustee agreed to rental variations in respect of YTL REIT's properties in Malaysia, namely the JW Marriott Hotel Kuala Lumpur, The Ritz-Carlton Hotel Wing, The Ritz-Carlton Suite Wing, AC Hotels in Kuala Lumpur, Penang and Kuantan, the Pangkor Laut, Tanjong Jara and Cameron Highlands resorts and The Majestic Hotel Kuala Lumpur, as well as Hilton Niseko Village in Japan (collectively, the "Properties").

The rental variations involve the reduction of lease rentals in respect of the Properties by 50% for 24 months commencing 1 July 2020 until 30 June 2022 ("Rental Adjustment Period") and the payment of the difference between the original rentals and reduced rentals on a staggered basis within 7 years after the Rental Adjustment Period or over the remaining tenures of the existing leases whichever is earlier.

The Manager and the Trustee agreed to the rental variations after considering, among others, the unprecedented impact of the ongoing COVID-19 pandemic on the hospitality sector and the estimated time frame of 2 years for the respective lessees of the Properties to recover their market position plus market share and return to profitability.

Management Discussion & Analysis

REVIEW OF OPERATING ACTIVITIES

YTL REIT's investment portfolio was valued at RM4,719.0 million as at 30 June 2021, an increase of RM181.5 million or 4.0% compared to the previous valuation of RM4,537.5 million as at 30 June 2020, mainly due to the increase in valuations of the Sydney Harbour Marriott and Brisbane Marriott in Australia and Hilton Niseko Village in Japan.

YTL REIT's net asset value per unit increased to RM1.587 as at 30 June 2021 compared to RM1.500 as at 30 June 2020.

MALAYSIAN PORTFOLIO

YTL REIT's Malaysian portfolio is made up 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.

YTL REIT's domestic portfolio consists of 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.

During the financial year ended 30 June 2021, the hospitality and tourism industries remained amongst the worst hit economic sectors due to the COVID-19 pandemic, with ongoing travel restrictions, movement controls and lockdown orders being imposed by governments worldwide. Border controls remained in place throughout the financial year under review, severely impacting the hospitality sector in Malaysia which is highly dependent on international tourism.

The unprecedented global impact on the pandemic on the hospitality sector worldwide is akin to a *force majeure* event. Internationally, governments have introduced legislation to provide relief to tenants and, in recognition of the devastating impact, property owners (including certain listed real estate investment trusts in Malaysia) have also granted rental waivers to sustain their tenants' business operations, with the intention of preserving the lease and keeping the property occupied such that the property can continue to generate rental cash flows during this challenging period.

Following several months of operational losses by the lessees due to minimal revenue and taking into consideration the ongoing impact on the hospitality sector, a rental deferral programme was approved for the Trust's Malaysian properties, ie. 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 the rental adjustment period 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.

Management Discussion & Analysis

REVIEW OF OPERATING ACTIVITIES

During the period when interstate travel was permitted, domestic tourism rebounded, leading to strong occupancies at the resorts. Presently, maintenance and upgrading works are being planned or carried out at several properties to ensure that the Trust's portfolio maintains and improves on its competitive positioning as business and leisure travel recovers when the pandemic is contained with the global vaccination rollout.

INTERNATIONAL PORTFOLIO - JAPAN

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

During the financial year under review, inbound tourism into Japan continued to be negatively affected by the outbreak of COVID-19. Entry bans imposed on most countries remained in place, and the Niseko area was similarly impacted by the restrictions.

Therefore, the rental deferral programme (on the same terms as the Malaysian properties) was also approved for Hilton Niseko Village.

Management Discussion & Analysis
REVIEW OF OPERATING ACTIVITIES

The negative impacts on the Niseko resort district are expected to be alleviated in the future as increasing vaccination levels and other measures to bring the virus under control start to take effect, considering the strong demand conventionally seen during the winter season. The government's economic policies such as the "Go To Travel" campaign, are also expected to become key drivers in improving the hospitality market in the Niseko resort district.

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 affected by measures to contain the pandemic during the financial year under review as Australia has seen some of the strictest travel restrictions being implemented internationally and domestically.

The Sydney Harbour Marriott secured several quarantine contracts with the New South Wales government, which enabled the hotel to continue to operate profitably. 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 Melbourne Marriott was selected as a quarantine hotel by the Victorian government for international repatriation and, therefore, continued to operate periodically during 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.

Meanwhile, the Brisbane Marriott was also allowed to remain open during the pandemic as it was selected as a quarantine hotel by the Queensland government for international repatriation which allowed the business to remain profitable. 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.

Management Discussion & Analysis

RISK MANAGEMENT

CREDIT RISK

Credit risk arises principally from credit exposure to receivables from lessees or other financial assets (including cash & bank balances). The YTL REIT Group minimises credit risk by dealing with high credit rating counterparties.

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.

Cash and cash equivalents include bank deposits are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

The YTL REIT Group uses 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.

LIQUIDITY RISK

The YTL REIT Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

It maintains 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 finance the operations, to distribute income to unitholders, and to mitigate the effects of fluctuations in cash flows.

During the last financial year ended 30 June 2020, the Trust changed the frequency of distribution from quarterly to semi-annually, to preserve and better manage its cash flows during the pandemic period.

Management Discussion & Analysis
RISK MANAGEMENT

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of the YTL REIT Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its floating rate securities and borrowings, which is partially offset by the deposits held at variable rates.

The Group manages its cash flow interest rate risk by using a mix of fixed and variable rate debts. Derivative financial instruments are considered, where appropriate, to generate the desired interest rate profile.

FOREIGN CURRENCY EXCHANGE RISK

The Group is exposed to foreign currency risk arising from Australian Dollars and Japanese Yen. The Group has investments in foreign operations whose net assets are exposed to foreign currency translation risk when translating and consolidating the overseas operations into Ringgit Malaysia which is the Group's reporting currency. Such exposures are mitigated through borrowings denominated in the respective functional currencies.

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

Global growth is expected to continue on a gradual and uneven recovery path in 2021, dependent on major developments surrounding the COVID-19 pandemic, especially the implementation of vaccine rollout programmes, ongoing global structural shifts and the extent of economic scarring. The Malaysian economy is projected to rebound to between 6.0% and 7.5% growth for the full 2021 calendar year, with the continuation of recovery in the domestic economy. However, recovery is expected to be uneven and subject to several factors, including the course of pandemic and vaccination levels, the extent of spillover effects, sector-specific developments and the degree of improvement in labour market conditions. Private consumption is also expected to recover, supported by improvement in overall income and employment growth, along with the relatively less stringent mobility restrictions compared to 2020 *(source: Bank Negara Malaysia updates).*

In the Trust's international jurisdictions, Japan's economy is expected to improve, premised on the impact of the pandemic decreasing gradually, supported by the increase in external demand, accommodative financial conditions, as well as the government's economic measures. However, the outlook is still highly unclear. Australia is expected to see a higher growth trajectory, supported by the increase in per capita household income and a strong contribution from public demand, but similarly subject to the rate of vaccine rollouts and success of other measures to bring the pandemic under control *(sources: Bank of Japan, Reserve Bank of Australia updates).*

The prolonged COVID-19 pandemic has impacted the outlook of tourism, travel and hospitality industries worldwide, with the expectation that a longer period will be required for businesses to recover in view of the uncertainties and challenges that lie ahead. Even though the rollout of vaccination programmes has boosted hopes for recovery, there are still challenges that remain and it is likely that the sector will continue to operate in survival mode in 2021. 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

In Q1, 2021, the Malaysian economy successfully registered a small decline of 0.5% (Q4 2020: -3.4%). This growth performance was supported by improvements in domestic demand and robust exports performance, especially from Electrical and Electronics (E&E) products and continued policy measures.

The imposition of the 2nd Movement Control Order (MCO 2.0), the continued closure of international borders and restrictions on inter-state travel has weighed heavily on economic activities. Nevertheless, as lockdown restrictions were eased in Q1, these activities gradually picked up again. All economic sectors registered some improvement, particularly the manufacturing sector.

On the expenditure side, growth was driven by private sector spending and strong growth in trade activities. On a quarter-on-quarter seasonally-adjusted basis, the economy registered a growth of 2.7% (Q4 2020: -1.5%).

In terms of sectoral performance, all economic sectors also registered improvements. The manufacturing sector expanded at a higher pace of 6.6% (Q4 2020: 3.0%), driven by the robust E&E production and continued recovery in the consumer, primary and construction related sectors.

The strong performance of the E&E subsectors reflected the higher global demand for semiconductors components, as reflected in the World Semiconductor Trade Statistics.

Despite the MCO 2.0, the consumer- and primary-related manufacturing sector have experienced higher growth as most manufacturing sectors were allowed to operate whilst adhering to stringent Standard Operating Procedures (SOPs).

The services sector recorded a smaller decline of 2.3% in Q1 2021 (Q4 2020: -4.8%). This was due to the improvement in the consumer-related activities, supported by the relaxation of containment measures such as dine-ins and inter-district travel beginning from February 2021.

Nevertheless, tourism activity continues to struggle, affecting key subsectors such as accommodation as well as air travel subsector.

Meanwhile, growth in the finance and insurance subsectors improved, attributed from higher fee income, stable loan and deposit growth, and higher net insurance premiums.

The information and communication subsectors also benefited from demand for data communication services with the adoption of remote working and learning arrangements.

The construction sector contracted by 10.4% (Q4 2020: 13.9%). Activities were supported by the ramp up of construction works in commercial projects that are nearing completion and the continued implementation of small-scale projects.

Review of the Property Market

However, activity in the residential, non-residential and civil engineering subsectors remained relatively weak due to labour shortages and site shutdowns during COVID-19 outbreaks. The implementation of MCO 2.0 also weighed on growth when construction site activities were halted for those that did not adhere to SOPs.

Headline inflation, as measured by the annual percentage change in the Consumer Price Index (CPI), turned positive to 0.5% during Q1 (Q4 2020: -1.5%). This was due to positive albeit low fuel inflation, as well as a lapse in the effect from the tiered electricity tariff rebate.

Rental inflation remained low amid soft demand for rental properties, in addition to reduced numbers of prospective tenants amid continued domestic movement restrictions and international border closures. Following the lower inflation for rental, core inflation moderated to 0.7% during the quarter (Q4 2020: 0.8%).

In 2021, amid continued uncertainty surrounding the pandemic globally and domestically, Bank Negara will continue to deploy policies that will facilitate the pace and sustainability of the economic recovery.

Sources: Savills Malaysia Sdn Bhd (July 2021),
Bank Negara Malaysia Annual Report 2020 &
Bank Negara Malaysia Quarterly Bulletin Q1 2021

2. Hotel Sector

Malaysia

Malaysia registered a total of 4,332,722 international tourist arrivals in 2020, down 83.4% as compared to 26,100,784 recorded in 2019.

Malaysia is not alone in registering negative growth in the number of tourist arrivals. According to the World Tourism Organisation (UNWTO), Asia and the Pacific recorded an 84% decrease in arrivals. Malaysia's neighbouring ASEAN countries also saw a significant decline in the number of tourists, including Thailand (-83.2%), Singapore (-85.7%), Vietnam (-78.7%) and Indonesia (-75%), according to the data from the Pacific Asia Travel Association (PATA) and National Tourism Organisation (NTO).

Malaysia's tourist receipts plunged by 85.3% from RM86.14 billion in 2019 to RM12.69 billion in 2020, with the average per capita expenditure recorded a total of RM2,928, a decline of 11.3% from RM3,300 in 2019.

In terms of overall tourist expenditure, the top five contributors came from Singapore, Indonesia, China, India and Thailand. The large drop in international tourist arrivals is attributed to the closure of Malaysian borders since 18 March 2020 triggered by the pandemic.

As at the date of valuation, Malaysia is still under MCO 3.0 and the daily cases is still at a record high of above 10,000 new cases a day. Another full lockdown (FMCO) began on 1 June 2021 and extended thereafter.

It was earlier reported that as of November 2020, a total of 204 tourism and hotel operators closed their businesses for good since March 2020 (1st FMCO) due to the impact of the COVID-19 pandemic.

Nevertheless, the hotels industry saw good recovery in the surge in domestic travels during the earlier RMCO and CMCO periods where the lockdown was lifted in 2020.

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

a) Recovery depends on global measures in containing the pandemic

   The recovery now depends largely on the severity and duration of resurgences of the COVID-19 virus and effective actions by authorities worldwide to contain the pandemic.

b) Domestic travel is key

   Domestic tourism is expected to drive this recovery and will continue to play a vital role in facilitating growth into the hotel sector (especially when the FMCO ends & with state borders opening up again).

c) Restoring confidence

   The recovery depends on the success of restoring confidence in domestic and international tourism whilst adhering stringently to the SOPs.

d) Pent-up demand for travel

   This is likely to be seen once the vaccines are effectively administered across the population.

Review of the Property Market

Kuala Lumpur

According to Tourism Malaysia, the overall tourist arrivals in Kuala Lumpur saw a decrease from 18.33 million in 2019 to 6.10 million in 2020, whereas the overall occupancy rate saw a drastic decline from 59.9% in 2019 to 25.1% in 2020.

In 2020, KL upmarket hospitality market (excluding serviced apartments) supply decreased by 15.5% year-on-year from 34,507 rooms in 2019 to 29,248 rooms.

With the COVID-19 pandemic soaring and recent lockdowns from 2020 and 2021 plus the current recessionary market, we are seeing more closure of hotels such as GTower Hotel, Berjaya Tioman Resort, Holiday Inn Resort Penang, Hotel Equatorial Penang, Jazz Hotel Penang, Mercure Beach Hotel Penang, Emperor Hotel Malacca, Tower Regency Hotel Ipoh, Kinta Riverfront Hotel & Suites, etc. We expect more closures in the next wave.

High occupancy rates were still observed in some of the hotels in popular locations such as Langkawi after the travel restrictions were lifted during the Christmas weekend. Many local travellers were longing for a break due to pent-up demand whilst international travellers are still barred from entering the country for tourism purposes.

The overall Average Room Rate (ARR) dropped by 2.1% in 2019. This was contributed largely by the declining ARR in the serviced apartment segment (5.9%). Growth of ARR has been slow since 2015 when Airbnb was introduced in the market. Generally, most hotels will likely experience an expected slowdown in new reservations in 2021. In view of improving occupancy levels again, many hoteliers have cut their room rates to lure travellers back during this pandemic for staycations and local weekend travels. The major holiday breaks will continue to be popular during peak periods if there are no FMCO restrictions imposed.

RevPAR (all segments) deflated by 4.0% p.a. from 2013 to 2015, dipped the lowest in 2015 primarily led by the unfortunate events in the aviation industry. In 2015 to 2017, the overall RevPAR grew by 1.0% however further declined by 3.0% in 2017 to 2019. Nevertheless, tourism performance was stronger in 2016 and improved in 2017 due to improved flight accessibility and travel facilitation, as well as the foreign exchange rate, according to Tourism Malaysia.

Now in 2020 and 2021, the severe impact of the COVID-19 pandemic is expected to put further pressure on the RevPAR due to potentially slower growth in occupancy recovery levels and lowered ARR accordingly.

Kuala Lumpur is still under Phase 1 of the National Recovery Plan and the daily cases is still high. The hospitality sector is among the worst affected and there is still no sign of a full recovery. Domestic tourism is expected to drive this recovery and will continue to play a vital role in facilitating growth into the hotel sector when the state borders reopen.

Perak

According to Tourism Malaysia, the overall tourist arrivals in Perak saw a decrease from 2.92 million in 2019 to 1.18 million in 2020, whereas the overall occupancy rate saw a major decline from 43.9% in 2019 to 25.8% in 2020.

As at Q4 2020, the total supply of 3- to 5-star hotel rooms in Perak registered 4,688 rooms, consisting of 2 (5-star) hotels, 9 (4-star) hotels and 19 (3-star) hotels. A significant portion of the hotel room supply is from the 3-star hotel category which contributed a total of 2,526 rooms (53.9%), followed by 1,975 4-star rooms (42.1%) and 187 5-star rooms (4.0%).

Hotel rooms located at city/town locations report the highest numbers. 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.

Perak is currently under Phase 2 of the National Recovery Plan. The hospitality sector was rocked by the onset of the pandemic and hit especially hard by the border restrictions with no sign of full recovery in the near term. Domestic tourism is expected to drive this recovery and will continue to play a vital role in facilitating growth into the hotel sector when the state borders reopen.

Pahang

According to Tourism Malaysia, the overall tourist arrivals in Pahang saw a decrease from 11.63 million in 2019 to 7.30 million in 2020, whereas the overall occupancy rate saw a decline from 79.4% in 2019 to 40.7% in 2020.

Review of the Property Market

As at Q4 2020, 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 located at hilled locations report the highest numbers. 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 the economic development of the state and ecotourism attractions found all around the state.

Zenith Cameron situated in Tanah Rata has recently held a soft opening comprising 175 guestrooms in April 2021.

Pahang is currently under Phase 2 of the National Recovery Plan. The hospitality sector is among the worst affected as the national border and state borders remain closed with no signs of full recovery in the near term. Domestic tourism is expected to drive this recovery and will continue to play a vital role in facilitating growth into the hotel sector when the state borders reopen.

Penang

According to Tourism Malaysia, the overall tourist arrivals in Penang saw a decrease from 6.39 million in 2019 to 2.86 million in 2020, whereas the overall occupancy rate saw a major decline from 56.5% in 2019 to 23.7% in 2020.

As at Q4 2020, 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 4-star hotel category, which contributes 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 has the highest numbers among all locations. This is due to the historical charm of Penang with its tourist attractions found all around Georgetown city centre.

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

Penang is currently under Phase 2 of the National Recovery Plan. The hospitality sector is badly impacted by the pandemic as the national border and interstate borders remain closed and there is still no sign of a full recovery. Domestic tourism is expected to drive this recovery and will continue to play a vital role in facilitating growth into the hotel sector when the state borders reopen.

Terengganu

According to Tourism Malaysia, the overall tourist arrivals in Terengganu saw a decrease from 1.92 million in 2019 to 1.34 million in 2020, whereas the overall occupancy rate saw a slight decline from 41.3% in 2019 to 32.4% in 2020.

As at Q4 2020, 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 report the highest numbers. 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.

Terengganu is currently under Phase 2 of the National Recovery Plan. While the pandemic has affected most sector across the globe, the hospitality sector is among the hardest hit and yet to show signs of full recovery in the near term. Domestic tourism is expected to drive this recovery and will continue to play a vital role in facilitating growth into the hotel sector when the state borders reopen.

Sources: Savills (Malaysia) Sdn Bhd (July 2021) & Tourism Malaysia

Review of the Property Market

AUSTRALIA

1. Economy

1.1 *Australian Economy*

The Australian economic recovery is now well underway with strong Gross Domestic Product (GDP) growth, reaching pre-pandemic levels in the March 2021 quarter after falling into a recession in June 2020. The rebound has been supported by better-than-expected health outcomes and expansion of monetary and fiscal policy. The Australian economy has exceeded the pre-pandemic levels, up 1.1% year-on-year. This is a result of quicker than anticipated removal of restrictions and social distancing measures throughout the states and territories.

The rapid economic turnaround has translated into improvements in business confidence and consumer sentiment with increased consumer spending evident. Household consumption increased by just over 1% in the March quarter, with the savings ratio falling to 11.6% (from 22% in the peak of the pandemic) which is largely a result of government stimulus payments as well as the inability to travel overseas.

The easing of restrictions can also be threatening to the Australian economy. The ability for a second wave to spread due to the easing of restrictions is a primary threat, with a smooth roll-out of the vaccine being a crucial piece to a recovering economy.

1.2 *Retail Trade*

Retail trade in Australia grew by 1.3% in March from February 2021 (on seasonally adjusted terms), equating to an annual growth of 2.2%. With restrictions on travel, households are left spending their money locally rather than abroad. With the government wage subsidies, such as JobKeeper, now concluded, we anticipate that retail sales will soften in the coming months. Some businesses will have to undergo retrenchment without the government's assistance and this will impact retail spending over the short term. The annual growth also includes the panic buying that was seen throughout March to May last year and as we move past this 12-month period this will also soften annual growth. Retail sales across states were mixed over the quarter, with Victoria recording the highest growth of 1.6%, and Western Australia and Queensland recording a fall of 0.8%. Cafes, restaurants and takeaway food led the growth, recording 6.4% from the preceding quarter.

Monthly online retail sales growth dropped by 0.5% in March 2021, (NAB Online Retail Sales Index), with the year-on-year growth falling to 26.6%. Whilst the annual growth has slowed it is still above historical averages. As it is coming off a high base, over the next few months it is likely that we will see online sales growth taper off. The index estimates that over the 12-month period Australian have spent $47.3 billion online, which equates to approximately 13.3% of total retail trade. This figure is 46.7% higher than the previous 12-month period.

1.3 *Employment*

The unemployment rate (seasonally adjusted) in Australia was recorded at 5.5% in April 2021, decreasing by 0.1% over the month. The unemployment rate peaked at 7.5% in July 2020, and has since been on a downward trajectory, apart from a small increase in October 2020 which came as a result of Melbourne's second lockdown. Employment decreased by 30,600, however, this comes at the time of the JobKeeper wage subsidy ending, and so is to be expected. The unemployment rate is now sitting 0.2% above the pre-COVID-19 level. Deloitte Access Economics had previously projected for Australia's unemployment rate will peak at 8.6% in Q1 2021 before falling to 8.0% in 2022. However, these projections have been revised downwards with unemployment forecast to trend downward over 2021 before levelling out at around 5.3% in 2022.

The Federal Government's JobKeeper stimulus package has now come to an end and it is likely that we will see the unemployment rate plateau over the coming months as a direct result. Treasury forecasts that without the $130 billion JobKeeper payment, the unemployment rate would have peaked at around 15%, double the actual figure.

1.4 *Inflation and Interest Rates*

The Reserve Bank of Australia (RBA) held the cash rate at 0.10% at the June 2021 board meeting, citing that they do not expect to see an increase in rates until 2024. The RBA stated that it has completed the first $100 billion of Australian government bonds program, with the second to be completed by September 2021. The function of this is to lift inflation and encourage lending and investment in order to reach full employment.

Review of the Property Market

Throughout 2020, movements in the Consumer Price Index (CPI) were primarily driven by responses to the pandemic, with government support such as the introduction of free childcare. With many employers facing economic challenges as a result of the pandemic, wage growth has slowed further over the last 12 months, with many employers imposing pay freezes and applying temporary wage cuts.

The weighted average eight capitals CPI increased by 0.6% in the March 2021 quarter, equating to an annual growth of 1.1%. This followed a rise of -0.9% in the December 2020 quarter which was largely a result of a period of free childcare and a fall in the price of petrol. The movements in this quarter were driven by transport as well as changes and the conclusion of several government schemes. Inflation is expected to remain subdued until at least 2023 with annual figures in the 1.5% to 2% range as the economy recovers from COVID-19. Following this, with interest rates at all-time lows and the RBA's quantitative easing program now well underway, we may see inflation notch into the 2-3% target range, providing GDP growth is strong and the unemployment rate continues to decrease.

1.5 *Outlook*

With the largest vaccination campaign in history now underway, we will begin to see a much faster economic recovery with the outlook that the number of COVID-19 cases worldwide has now peaked. In January 2021 we were experiencing approximately 850,000 new cases worldwide each day, however this figure has now dropped to circa 500,000 per day (as at early June 2021). More than 1.94 billion doses of the vaccine have now been administered, with 661 million doses of this being concentrated in China. Although this is a step in the right direction, with several effective vaccines now approved, it will take some time for these to be rolled out on a large enough scale to contain the virus.

Looking to Australia, over 4 million doses have been administered to Australians. Australia's recovery is well underway, despite small clusters of the virus appearing throughout the nation, effective containment measures have helped to keep sentiment strong.

Sources: Savills Valuations Pty Ltd (July 2021)

2. Hotel Sector

2.1 *Australia*

2019 saw an increase of hotel sales volumes totalling approximately $2 billion, but COVID-19 resulted in many investors delaying any acquisition decisions until the outbreak had ended and travel restrictions eased. In addition, many active transactions were either put on hold or abandoned. As a clearer economic pathway for recovery came to light during the second half of 2020 there was an increase in activity.

Sales volumes for 2020 totalled $834 million. This was the lowest volume of sales since 2009. We expect a significant increase in sales in 2021 back up to 2019 levels as confidence in the post COVID-19 recovery gathers pace. The NRMA/Mirvac Travelodge portfolio sale at $600 million is due to complete in August 2021, the $131.5 million Primus Hotel Sydney sold earlier in the year, along with a portfolio of 3 Accor hotels owned by the Action Group for c$200 million and Four Points by Sheraton Sydney Central Park for c$150 million.

Hotel yields have been tightening since 2011, in part due to lower interest rates and low value of the Australian Dollar, but also due to an increase in demand for hotel assets off the back of strong trading performance.

With hotel revenues down significantly in 2020 and some hotels either trading at a loss or minimal profit levels, the passing yields of transacted hotels became negative or meaningless. As such there is insufficient data to provide a comparison on passing yield expectations and hence, we provide initial yield data.

In 2020 initial yields compressed to below 3%, below the long-term average of 6.69%. There is an expectation from buyers that there will be a gradual recovery in trade performance and recovery to initial yields experienced in 2018 and 2019.

Hotel capitalisation rates softened by 100 basis points during the Global Financial Crisis (GFC) but have firmed significantly since, partly due to lower interest rates.

The small selection of hotel sales over the last few months do not indicate a softening of capitalisation rates and point towards cap rate compression. It is general market consensus, which is also supported by the transactions that have occurred, that capitalisation rates have remained relatively steady and, in some cases, tightened, however, values have been impacted by loss of revenues.

Review of the Property Market

There is some risk that as various relief measures such as loan payment holidays, landlord rental relief, and government support packages come to an end, we may see some distressed sales in late 2021.

There is still capital available looking for stable investment returns. It is anticipated that investment opportunities with secure cashflow that are somewhat protected from the impact of the COVID-19 downturn will be in demand. Buyers are looking at longer term fundamentals.

2.2 *National Hotel Trade*

A review of the calendar year 2020 STR Global data indicates a dramatic decline in occupancy and RevPAR, off the back of an already slight softening of the Australian tourism market in late 2019.

COVID-19 and associated travel restrictions have had a significant negative impact on most hotels across Australia, with the exception of some regional tourism locations.

Perth was the best performing major capital city, with RevPAR down 35.8% in 2020, while international gateway cities like Sydney and Melbourne experiencing the largest RevPAR decline of 58.6% and 57.9% respectively.

December 2020 saw a slight improvement in ADR in Adelaide, Cairns, Perth, The Gold Coast and Darwin in comparison to December 2019. However, occupancy levels have remained low.

It is anticipated that room demand across Australia should start to gradually increase throughout 2021, with international travel not returning to any great extent until 2023.

Calendar year to date (YTD) May 2021 figures indicate that apart from Sydney and Melbourne there is strong RevPAR growth. For example, during May 2020 RevPAR in Brisbane was only $26.22, compared to $113.17 in May 2021 (331.7% increase). Most locations are now experiencing high demand at weekends and during school holiday periods, but Sydney and Melbourne still lag due to a combination of COVID-19 restrictions and prior reliance on international tourism.

RevPAR has been gradually improving across the country with April and May 2021 significantly better months than the prior year.

The short notice lockdowns in Brisbane at the beginning of January 2021 and just prior to Easter 2021, the two-week lockdown in Melbourne in late May/early June and late June/early July as well as various lockdowns across Australia have resulted in a number of cancellations, slowing down the recovery. This trend may continue throughout 2021 in order to control COVID-19 outbreaks.

2.3 *Australia Tourism*

The latest data available from Tourism Research Australia (TRA) indicated that total visitor nights in Australia fell 23.0% for the financial year (FY) to June 2020. In FY2019 there was total visitor nights growth of 6.3% compared to the previous year.

The TRA forecasts from FY2021 onwards are not yet available. The last forecasts showed an average increase in total visitor nights of 3.0% per annum over the next 10 years. There is likely to be a downgrade of future forecasts.

According to a December 2020 report by IBISWorld Research, hotel and resort industry revenue is expected to decline at an annualised 13.5% over the five years through 2020-21, to $6.0 billion. This includes an anticipated revenue fall of 36.5% in the current year, due to the COVID-19 pandemic.

The industry is projected to recover from the COVID-19 pandemic and expand over the next five years. Domestic tourists are anticipated to drive the industry's initial recovery. However, international travel to Australia will likely rise significantly once the government eases international border controls, driving demand for hotels and resorts. In addition, the Australian Dollar is forecast to remain relatively weak over the next five years, encouraging inbound travel and constraining outbound travel, boosting the potential pool of guests for industry operators. Overall, industry revenue is forecast to grow at an annualised 17.0% over the five years through 2025-26, to $13.2 billion.

Whilst the latest data available from TRA indicated that total international visitor nights in Australia fell 25.0% for the financial year to June 2020, domestic visitors accounted for 65% of the total visitor nights in Australia, up from a share of 56% the prior year.

The domestic share of total visitor nights has increased significantly due to international travel restrictions, but it is not yet known whether the growth will fully replace the decline of international tourism.

Review of the Property Market

2.4 *Sydney*

STR Global data for Sydney shows the city saw a decline in occupancy and room rates in 2019 on the back of new supply and slowdown in the number of large events in the city.

Due to the bushfires and reduced travel from international tourists in January to February 2020, Sydney experienced a decline in hotel performance. However, it was only since March 2020 that international border closures and travel restrictions imposed due to COVID-19 that occupancy and room rates fell sharply.

RevPAR for 2020 was down 58.6% to $74.93 compared to $181.18 the prior year, the largest decline of all major cities in Australia. Sydney is a gateway city and benefitted from significant international tourism pre-COVID-19 and CBD hotels are continuing to suffer.

There was a slight recovery at the end of 2020, but subsequent COVID-19 waves and state border closures have stalled any recovery, which is now reliant on domestic travel until international borders reopen.

Calendar YTD May 2021 figures from STR Global indicate Sydney hotel occupancy stands at 46.0%, ADR $190.19 and RevPAR at $87.49, down 15.0% on the same period 2020.

2.5 *Melbourne*

Melbourne was the third highest performing market in 2019, recording a marginal increase in ADR to $186.11 (up 0.1%). Conversely, occupancy declined 2.0% resulting in a RevPAR decline of 1.9% after no growth in RevPAR for the previous two consecutive years.

Latest STR Global data for Melbourne shows the devastating impact of COVID-19 and second lockdown in July to October 2020. The fourth lockdown in late May/early June 2021 is also likely to have a negative impact on performance when June 2021 figures are released.

Occupancy and ADR increased in Q1 2021, largely driven by weekend leisure demand. However, Melbourne's recovery still lags behind other key cities. YTD May 2021 figures from STR Global indicate Melbourne hotel occupancy stands at 44.6%, ADR $156.16 and RevPAR at $69.72, down 24.8% on the same period 2020.

There are a number of new hotels nearing completion (or completed with delayed opening dates), which will put further pressure on both occupancy and ADR slowing down any post COVID-19 recovery.

2.6 *Brisbane*

STR Global data for Brisbane shows Brisbane suffered from a fall in demand against a backdrop of significant new supply resulting in a decline in occupancy and room rates over the last few years.

New supply has slowed and demand growth showed signs of improvement in the last quarter of 2019 producing positive results. The positive trend continued in January 2020 with RevPAR up 9.4% compared to January 2019 and February RevPAR up 2.1% on the prior year.

It is only since March 2020 that the lower levels of international visitation started to result in reduced occupancy. RevPAR for 2020 was down 44.6% to $62.58 compared to $112.99 the prior year. For Brisbane, the occupancy decline has been less severe than other key cities due to benefits from their resource-led businesses and fewer COVID-19 cases in comparison to NSW and Victoria.

ADR and occupancy levels have been increasing gradually, partly due to the quarantine business. Weekend leisure business has picked up and school holidays have been busy. YTD May 2021 figures from STR Global indicate Brisbane hotel occupancy stands at 51.4%, ADR $157.17 and RevPAR at $80.74, up 26.3% on the same period 2020.

Domestic visitation numbers issued by TRA for the 12 months to December 2020 show visitor numbers to Brisbane declined by 42.85% compared to the prior year. This decline is less severe than Sydney (-55.57%) and Melbourne (-69.02%) and also likely to be less severe than the fall in international visitation when up to date figures are finally available.

With Australian citizens unable to travel overseas, we expect to see an increase in visitation to regional family friendly areas across Australia. Should Queensland borders remain open for a consistent period we expect an increase in interstate visitor numbers.

Source: Savills Valuations Pty Ltd (July 2021)

Review of the Property Market

JAPAN

1. Economy

Japan's economy has picked up as a trend, although it has remained in a severe situation due to the impact of COVID-19 at home and abroad. Overseas economies have recovered on the whole, albeit with varied rates across countries and regions. In this situation, exports and industrial production have continued to increase. In addition, corporate profits and business sentiment have improved on the whole. Business capital investment has picked up, although weakness has been seen in some sectors. The employment and income situation has remained weak due to the impact of COVID-19. A pick-up in private consumption has paused due to increased downward pressure on consumption of services, such as food and beverage as well as accommodations.

The year-on-year rate of change in the consumer price index (CPI, all items less fresh food) is likely to be slightly negative for the time being, mainly affected by COVID-19 and a reduction in mobile phone charges. Thereafter, it is expected to turn positive and then increase gradually, mainly on the back of economic activity continuing to improve and the effects of the reduction in mobile phone charges dissipating.

Financial conditions have been accommodative on the whole, although weakness in firms' financial positions has been seen. Under Quantitative and Qualitative Monetary Easing (QQE) with Yield Curve Control, the yield curve for JGBs has been in line with the current guideline for market operations, in which the short-term policy interest rate is set at minus 0.1 percent and the target level of 10-year JGB yields is around zero percent. That is, the yields for relatively short maturities have been in slightly negative territory and the 10-year JGB yields have been at around 0 percent as the Bank of Japan has purchased a necessary amount of both JGBs and treasury discount bills (T-Bills) without setting upper limits. Meanwhile, the 20-year JGB yields have been at around 0.5 percent.

The outlook for economic activity and prices is highly unclear, as it could change depending on the consequences of COVID-19 and their impact on domestic and overseas economies. The outlook is based on the assumption that impact of COVID-19 will wane gradually and then almost subside in the middle of the projection period. It is also based on the premises that, while the impact of COVID-19 remains, firms' and households' medium- to long-term growth expectations will not decline substantially and the smooth functioning of financial intermediation will be ensured with financial system stability being maintained. However, the assumption and premises entail high uncertainties. With regard to the risk balance, risks to economic activity are skewed to the downside for the time being, mainly due to the impact of COVID-19, but are generally balanced for the middle of the projection period onwards.

Source: Outlook for Economic Activity and Prices, Bank of Japan (April 2021) & Savills Japan Co., Ltd. (July 2021)

2. Hotel Sector

Japan

The Japan National Tourism Organization ("JNTO") announced that the total number of international arrivals to Japan was 4.12 million in 2020, an 87.1% decrease from the previous year. Inbound tourism had been growing steadily since 2012 until 2019, but the recent outbreak of COVID-19 had negatively affected the international arrivals to Japan in 2020, and the impact of COVID-19 is still continuing into 2021; the number of foreign visitors to Japan since January 2021 compared to the same month in 2019 is -98.3% in January, -99.7% in February, -99.6% in March, -99.6% in May, and -99.6% in June. To combat the pandemic, Japan launched its COVID-19 inoculation drive in February, as of 5 July 2021, 25.6% of the total population had received at least one dose and 14.4% are fully vaccinated. In the case of the elderly over 65 years old, 67.6% have received at least one dose and 35.9% are fully vaccinated. It is expected that the percentage of vaccinated citizens will continue to increase in the near future. Meanwhile, Japan has also budget for their "Go To Travel Campaign", providing discounts and subsidies on domestic travel for Japanese citizens and foreign residents, which may boost domestic demand for travel in Japan.

Source: Japan Tourism Statistics, Japan National Tourism Organization (JNTO), Visitor Arrivals for May 2021 (JNTO), COVID-19 Vaccination Status in Japan (The Nikkei) & Savills Japan Co., Ltd. (July 2021)

Niseko

From 1 April 2020 to 31 March 2021 (FY 2020), the number of visitor arrivals was approximately 1.4 million, decreasing by 56.8% from the previous year. In FY 2020, day visitors accounted for approximately 76% of total visitors during this time period. The total number of over-night stays decreased by 56.8% in FY 2020 as compared to the previous year. In the first half of the year (April 2020 – September 2020), the number of visitors decreased significantly due to the impact of the spread of COVID-19. Although there was a recovery trend from July 2020 onward due to the launch of "Go To Travel Campaign" and other measures, the following period (October 2020 – March 2021) saw a significant negative impact, especially in winter, which is the peak season with a high percentage of foreign visitors. Due to the restrictions on the entry of foreign tourists, the number of foreign visitors in FY 2020 was only 1.7% of the previous year's total. Although the negative impacts of COVID-19 on the hotel sector in Japan will continue until the pandemic is under control, we expect that the negative impact on Niseko resort district will be relieved in the future considering the strong unconstrained demand in the winter season. The government's economic policies including the "Go To Travel Campaign", which has a supplementary budget, will become a key driver to improve the hospitality market in Niseko's resort district.

Source: Niseko Town, Kutchan Town & Savills Japan Co., Ltd. (July 2021)

Managing Sustainability

STRUCTURE AND MANAGEMENT

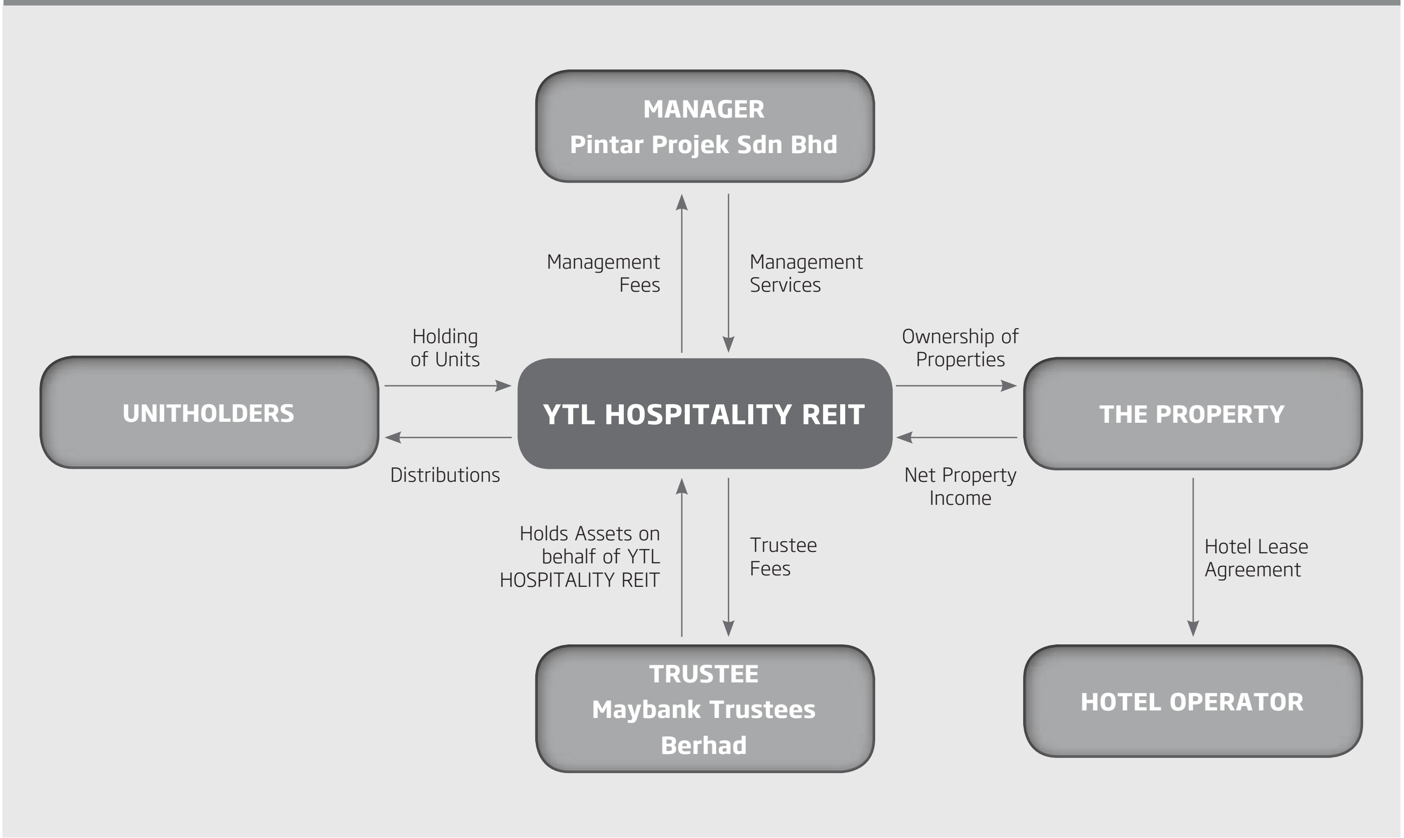
YTL Hospitality REIT ("YTL REIT" or the "Trust") was listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 16 December 2005 and is an income and growth type fund. The principal investment objective of YTL REIT is to own and invest in real estate and real estate-related assets, 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 RM1.53 billion (as at 30 June 2021) 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 to and operated by subsidiaries of YTL Corp, an integrated infrastructure developer with extensive operations in countries including Malaysia, the United Kingdom, Singapore, Indonesia, Australia, Japan, Jordan and the Netherlands. The core businesses of YTL Group comprise utilities, construction contracting, cement manufacturing, property development and investment, hotel development and management, e-commerce initiatives and internet-based education solutions and services. 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 fifth year running. 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

SUSTAINABILITY COMMITMENT

As YTL REIT is part of YTL Group, the Manager of YTL REIT has aligned and adopted YTL Group's established sustainability structure and framework, policies and guidelines, where relevant and appropriate.

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.

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 and balancing business opportunities and risks in the ESG realms.

REPORTING PERIOD AND SCOPE

This sustainability statement covers YTL REIT's portfolio from 1 July 2020 to 30 June 2021, aligned with YTL REIT's financial year. It 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. 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 2021*** which will be published in October 2021 in conjunction with YTL Corp's Annual Report for the financial year ended 30 June 2021. The report will be available for download at http://www.ytl.com/sustainability.

OUR APPROACH TO SUSTAINABILITY

To effect meaningful change, we have aligned our sustainability commitments to YTL Group's four pillars – Environment, People, Communities and Marketplace. The following value-added Sustainability Framework is intrinsically linked with our sustainable business practices.

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

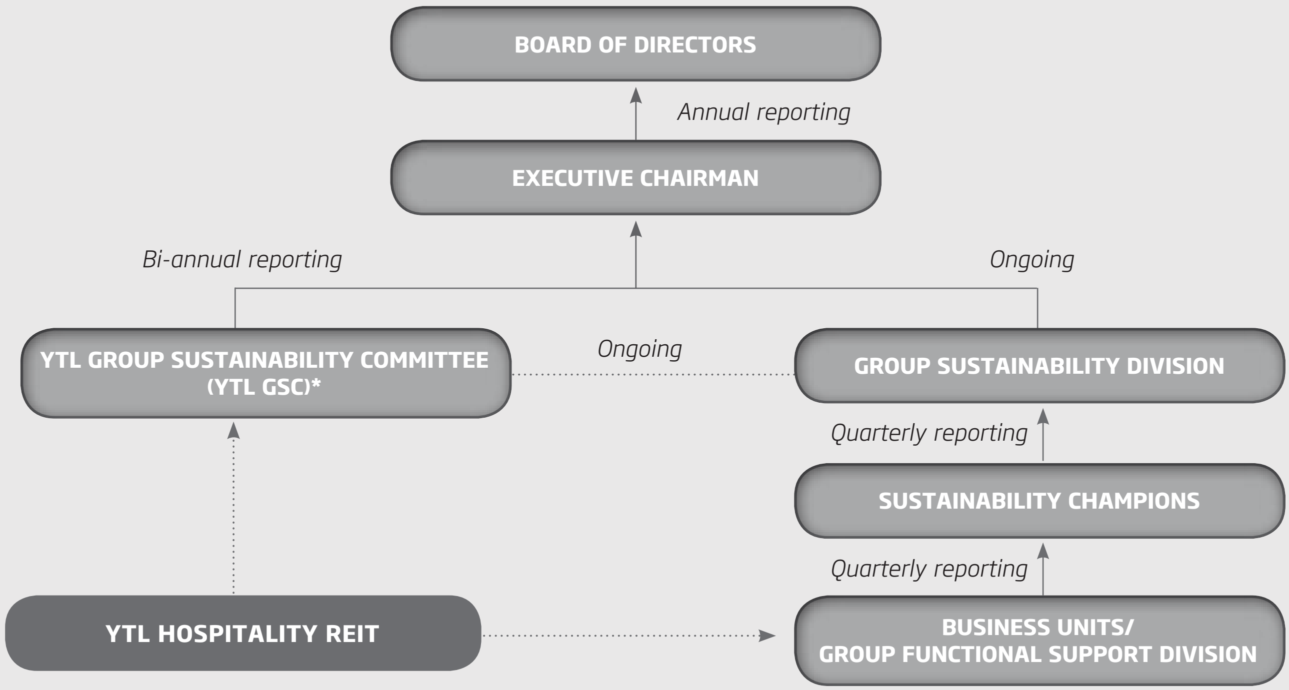
Managing Sustainability

SUSTAINABILITY GOVERNANCE

YTL Group operates with a clear and effective governance structure together with a strong governance framework, 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"). YTL REIT is constituted by a trust deed where it is administered by the trustee and manager. Hence there is no direct personnel employed by YTL REIT.

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: Chairman of YTL GSC is the Executive Chairman

Managing Sustainability

Roles and Responsibilities

Board of Directors

- Oversees the progress of sustainability strategy and performance across material governance and ESG issues. YTL Group's sustainability strategy has been approved by the Board of YTL Corp, who have also outlined the conduct of responsible business operations across our value chain.
- Reviews and approves materiality results and the sustainability report.

YTL Group Sustainability Committee

- Comprises representatives from YTL Group's Sustainability Division and Senior Management from YTL Group's Business Units.
- 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.

Group Sustainability Division

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

Business Units/Group Functional Support Division

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

Managing Sustainability

MATERIALITY

We conduct materiality assessments in order to achieve a better understanding of the various interests of stakeholders that affect our businesses. YTL REIT's key stakeholders are our unitholders, investors, regulators, supply chain partners and the communities where the Trust owns and operates assets. To ensure the continued relevance of our material matters, we carefully review and refine, where necessary, our materiality matters annually. The Manager identifies, reviews and prioritises material matters that are relevant and significant to our broader stakeholders. The identified list of material matters is then analysed from different angles and approved by the Board. In 2021, we reassessed our ESG matters and adjusted the position of a few material matters compared to previous years to better reflect the current importance of the nine material matters. They were still deemed to be relevant to our businesses and stakeholders.

Materiality Assessment Process

STEP 1
Identification of ESG matters

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

STEP 2
Analysis & prioritisation of findings

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

STEP 3
Validation & review

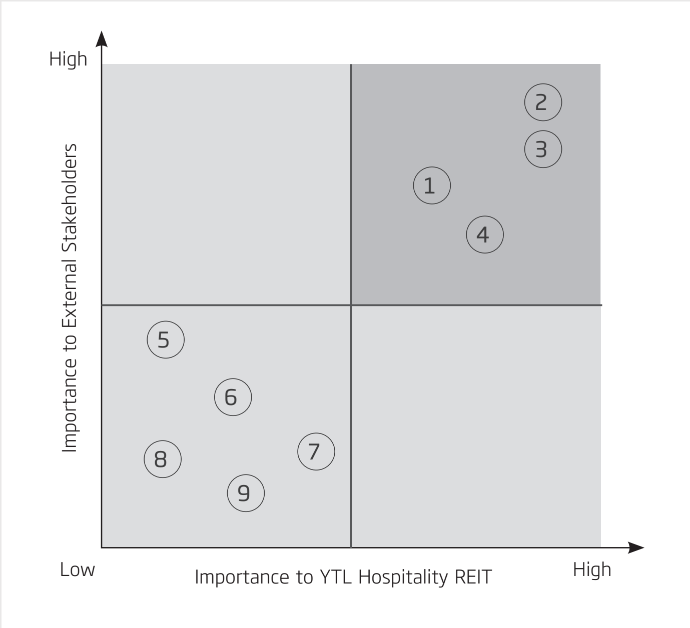
Validation of the prioritised key ESG material matters, and reporting of results to the Board for their consideration and approval.

STEP 4
Board sign-off

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

Managing Sustainability

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

- **Financial Sustainability** and **Quality of Asset Portfolio**
  For further information, please refer to the following sections in this Annual Report:-
  - 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***;
  - The full financial results can be found in the ***Financial Statements***; and
  - A complete overview of the Trust's assets can be found in the ***Property Portfolio***.

- **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 success of YTL REIT. Importantly, it is in the best interests of our unitholders. 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.

MOVING FORWARD

We will continue to explore and evaluate ways to strengthen and broaden our commitment to all aspects of sustainability. In this process we regularly review the progress we have made, continue to improve our policies, systems and performance, and work to enrich the lives of communities where we operate.

Profile of the Board of Directors

TAN SRI (SIR) FRANCIS YEOH SOCK PING

Malaysian, male, aged 67, was appointed to the Board of Pintar Projek Sdn Bhd on 10 March 2005 as an Executive Director and has been 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 from University of Nottingham. He became 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 ie. 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. 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 is also an Independent Non-Executive Director of The Hong Kong and Shanghai Banking Corporation Limited, and is a director of YTL Industries Berhad. He also 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 Founder Member of the Malaysian Business Council and The Capital Markets Advisory Council, member of The Nature Conservancy Asia Pacific Council, and the Asia Business Council, Trustee of the Asia Society and Chairman for South East Asia of the International Friends of the Louvre. He is also a member of the Advisory Council of London Business School, Wharton School and INSEAD. 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 56, 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 63, 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 77, 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 20 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 71, 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.

Profile of the Board of Directors

DATO' HJ MOHAMED ZAINAL ABIDIN BIN HJ ABDUL KADIR

Malaysian, male, aged 81, 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 64, 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 35, 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	3
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 2021

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") and the Malaysian Code on Corporate Governance ("Code") issued by the Securities Commission Malaysia ("SC"), and the Main Market Listing Requirements of Bursa Securities ("Listing Requirements").

This statement details YTL REIT's implementation of and compliance with the Code issued by the SC in April 2017 during the financial year ended 30 June 2021. On 28 April 2021, the SC issued the revised version of the Code which sees the introduction of new and/or enhanced best practices and further guidance to strengthen the corporate governance culture of listed companies. Companies are expected to report their application of the revised Code from the financial year ending 31 December 2021, and as such, the Board is in the process of determining the necessary changes and/or enhancements to its practices and procedures, and will report on application of the revised Code in YTL REIT's next annual report for the financial year ending 30 June 2022.

PRINCIPLE A: 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, to fulfil its duties and obligations and to 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 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:

- Reviewing and adopting strategic plans for the YTL REIT Group to ensure long term, sustainable value creation for the benefit of its stakeholders;
- Overseeing the conduct of the YTL REIT Group's business operations and financial performance, including the economic, environmental and social impacts of its asset portfolio;

Corporate Governance Overview Statement

for the financial year ended 30 June 2021

- Identifying and understanding the principal risks affecting the YTL REIT Group's businesses in order to determine the appropriate risk appetite within which management is expected to operate;
- Maintaining sound risk management and internal control frameworks, supported by appropriate mitigation measures;
- Succession planning; and
- Overseeing the development and implementation of Unitholder communication policies.

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 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, with a clear division of responsibility 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, the orderly and effective conduct of the meetings of the Board and Unitholders, maintaining a relationship of trust with and between the Executive and Non-Executive Directors, ensuring the provision of accurate, timely and clear information to Directors, facilitating the effective contribution of Non-Executive Directors and ensuring that constructive relations are maintained between Executive and Non-Executive Directors.

The Chief Executive Officer is responsible for, amongst others, overseeing the day-to-day running of the business, implementation of Board policies and strategies in making of operational decisions, serving as the conduit between the Board and the Management in ensuring the success of the Group's governance and management functions, ensuring effective communication with Unitholders and relevant stakeholders, providing strong leadership, ie, 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 YTL REIT.

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 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 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.

The Board believes sustainability is integral to the long-term success of the YTL REIT Group. Further information on the Group's sustainability activities can be found in the *Managing Sustainability* section 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. The Board met four times during the financial year ended 30 June 2021.

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.

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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 Board meetings.

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 Chartered Association of 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 briefed the Board on the new changes and enhancements introduced in the new Code issued on 28 April 2021 and kept the Board apprised of any salient changes in the REIT Guidelines and amendments to the Listing Requirements which affect the Manager and the Trust. The Company Secretary also carried out an ongoing review of existing practices in comparison with any new or amended measures introduced or made in the Code.

Board Charter

The Board's Charter clearly sets out the role and responsibilities of the Board, Board Committees, Directors and Management and the issues and decisions reserved for the Board. The Board Charter is reviewed and updated periodically when necessary. A copy of the charter can be found under the "*Governance*" section on the Trust's website at www.ytlhospitalityreit.com.

Business Conduct and Ethics

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. The 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 and the Anti-Bribery and Corruption Policy can be found on the Trust's website at www.ytlhospitalityreit.com.

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

The ABC Policy was formalised for the YTL Group during the last financial year ended 30 June 2020. 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 new 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 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.

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A comprehensive implementation plan has been established to communicate and disseminate the ABC Policy throughout the YTL Group through online training modules and other communication methods. Previously planned town hall sessions have been substituted with more electronic communications in compliance with the physical distancing guidelines implemented in response to the COVID-19 pandemic.

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.

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 currently 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 is required to take into account the integrity, professionalism, skill, knowledge, diversity, expertise and experience of the proposed candidate. 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 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 or set gender diversity targets 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. 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.

Evaluation of the Board

The Board intends to carry out a formal evaluation as and when prudent during the forthcoming years, involving an assessment of the effectiveness of each individual Director and the Board as a whole, with the objectives of assessing whether the Board and the Directors continue to effectively perform its/their roles and fulfil its/their responsibilities, and devote sufficient time commitment to the Group's affairs, in addition to recommending areas for improvement.

The assessment exercise will be facilitated by the Company Secretary and take the form of completion of questionnaires/evaluation forms comprising a Board Effectiveness Evaluation Form, Individual Director Performance Evaluation Form and Independent Directors' Evaluation Form. As recommended in the Code, the Board will endeavour to utilise independent experts to facilitate the evaluation process, as and when appropriate.

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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 2021:-

Remuneration of Executive and Non-Executive Directors for the financial year ended 30 June 2021

	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	2,750	-	-	2	2,752
Non-Executive Directors	-	630	30	-	660

Range of remuneration per annum	Executive Directors	Non-Executive Directors
RM50,000 and below	1	-
RM50,000 – RM200,000	1	-
RM200,001 – RM400,000	-	3
RM400,001 – RM600,000	1	-
RM600,001 – RM800,000	1	-
RM1,000,000 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.

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All the Directors have undergone training programmes during the financial year ended 30 June 2021. The conferences, seminars and training programmes attended by one or more of the Directors covered the following areas:-

Seminars/Conferences/Training	Attended by
▸ **Corporate Governance/Risk Management and Internal Controls/ Anti-Bribery & Corruption/Financial**	
YTL Anti-Bribery & Corruption Online Training – Module II: Gifts, Hospitality and Entertainment (August 2020)	Tan Sri (Sir) Francis Yeoh Sock Ping 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
YTL Anti-Bribery & Corruption Online Training - Module III: Whistleblowing and Code of Conduct & Business Ethics (December 2020)	Tan Sri (Sir) Francis Yeoh Sock Ping 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
Progressive Board Review & Directors Global Masterclass (26 & 27 January 2021)	Dato' Tan Guan Cheong
Succeeding in the New Normal; Preparing for the Next Normal (3 & 4 May 2021)	Tan Sri (Sir) Francis Yeoh Sock Ping 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
MIA International Accountants Conference 2021 (8 – 10 June 2021)	Dato' Tan Guan Cheong
Top 10 Issues for Boards in 2021: A Brave New World (14 & 22 June 2021)	Tan Sri (Sir) Francis Yeoh Sock Ping 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
▸ **Leadership and Business Management/Corporate Responsibility/ Sustainability**	
YTL LEAD Conference 2020 (24 – 27 November 2020)	Tan Sri (Sir) Francis Yeoh Sock Ping 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

Corporate Governance Overview Statement

for the financial year ended 30 June 2021

Seminars/Conferences/Training	Attended by
▸ **Investment/Technology**	
Qualcomm Smart Cities Accelerate 2020 (9 December 2020)	Dato' Yeoh Seok Kian

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. The Directors also strive to ensure that financial reporting presents a fair and understandable assessment of the position and prospects of YTL REIT. Interim financial statements are reviewed by 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 comprise of 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 2021. 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 AGM in order to address clarifications sought pertaining to the audited financial statements by Unitholders. The Audit Committee has established formal policies to assess the suitability, objectivity and independence of external auditors. These policies also include a requirement that a former key audit partner must observe a cooling-off period of two 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 2021 are as follows:-

	Trust RM'000	Group RM'000
Statutory audit fees paid/ payable to HLB	89	116
Non-audit fees paid/payable to HLB	5	5
Total	94	121

Corporate Governance Overview Statement

for the financial year ended 30 June 2021

Risk Management & 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.

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 moneys 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 member 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 38 years of internal and external audit experience.

During the financial year ended 30 June 2021, YTLIA comprised 9 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 Board;
- Conducting scheduled internal audit engagements, focusing primarily on the 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;
- Conducting reviews of recurrent related party transactions; and
- Presenting audit findings to the Board for consideration.

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.

Corporate Governance Overview Statement

for the financial year ended 30 June 2021

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 the annual report, 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 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 progress and performance of YTL REIT and 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.

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.

In view of the ongoing COVID-19 pandemic, the forthcoming ninth 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 30 July 2021.

Statement on Risk Management & Internal Control

for the financial year ended 30 June 2021

During the financial year under review, the Board of Directors ("Board") of Pintar Projek Sdn Bhd ("PPSB" or "Manager") continued to enhance 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 comply with the applicable provisions of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the principles and practices of the Malaysian Code on Corporate Governance ("Code") and the Guidelines on Listed Real Estate Investment Trusts ("REIT Guidelines") issued by the Securities Commission Malaysia.

This statement details YTL REIT's implementation of and compliance during the financial year ended 30 June 2021 with the Code issued by the SC in April 2017. On 28 April 2021, the SC issued the revised version of the Code. Companies are expected to report their application of the revised Code from the financial year ending 31 December 2021, which will commence accordingly in YTL REIT's next annual report for the financial year ending 30 June 2022.

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.

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.

Statement on Risk Management & Internal Control

for the financial year ended 30 June 2021

- **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 major 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 the senior management at each level of operations and by the Audit Committee, which assesses and analyses these findings and reports to the Board.

Statement on Risk Management & Internal Control
for the financial year ended 30 June 2021

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.

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 regularly 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 the 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 2021, 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 of Directors on 30 July 2021.

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 2021 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 2020, and the annual audited financial statements for the financial year ended 30 June 2020 at the Audit Committee meeting held on 30 July 2020;
   - Quarterly results of the first, second and third quarters of the financial year ended 30 June 2021 at the Audit Committee meetings held on 25 November 2020, 24 February 2021 and 27 May 2021, 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;

Audit Committee Report

- Significant judgements made by management in respect of matters such as valuation of investment properties, revaluation of freehold land and buildings, fraud risk including management override of controls, valuation of derivative financial instruments, revenue recognition, account receivables, 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 ("Main LR");
- 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"):-

- the final report on the audit of the financial statements for financial year ended 30 June 2020 setting out their comments and conclusions on the significant auditing and accounting issues 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 2021 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 and management, 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 2020 and 27 May 2021, without the presence of management, to apprise on matters in regard to the audit and financial statements. No major concerns were highlighted 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.

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 2022 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.

Audit Committee Report

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 Main LR 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 2020 Annual Report.

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 Malaysian Code on Corporate Governance, 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 Main LR.

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 RM34,514 were incurred in relation to the internal audit function for the financial year ended 30 June 2021.

Statement of Directors' Responsibilities

The Directors of Pintar Projek Sdn Bhd ("Directors"), the manager of YTL Hospitality REIT ("YTL REIT" or "Trust") are required, pursuant to the Securities Commission Malaysia's Guidelines on Listed Real Estate Investment Trusts ("REIT Guidelines"), to prepare the 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 of the Group and of the Trust for the financial year ended 30 June 2021, the Directors have:

- considered the applicable approved accounting standards;
- used appropriate accounting policies and applied them consistently; and
- made judgements and estimates that are reasonable and prudent.

The Directors confirm that the financial statements of the Group and of the Trust have been prepared 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 REIT Guidelines, the deed dated 18 November 2005 (as restated and amended), Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Analysis of Unitholdings

as at 22 July 2021

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	518	3.32	5,289	0.00
100 – 1,000	3,586	22.97	2,844,530	0.17
1,001 – 10,000	7,066	45.25	35,002,973	2.05
10,001 - 100,000	3,714	23.78	125,615,295	7.37
100,001 – to less than 5% of issued units	730	4.67	680,639,913	39.94
5% and above of issued units	1	0.01	860,280,889	50.47
Total	**15,615**	**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 – 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 – HSBC (M) Trustee Bhd for Zurich Life Insurance Malaysia Berhad (LIFE PAR)	16,834,000	0.99
9	Citigroup Nominees (Tempatan) Sdn Bhd – 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 – HSBC (M) Trustee Bhd for Zurich Life Insurance Malaysia Berhad (NP-OTHER-REITS)	11,774,600	0.69
13	HSBC Nominees (Asing) Sdn Bhd – SIX SIS for Bank Sarasin CIE	8,400,000	0.49

Analysis of Unitholdings
as at 22 July 2021

	Name	No. of Units	%
14	Hong Leong Assurance Berhad - As Beneficial Owner (LIFE PAR)	8,350,000	0.49
15	YTL Power International Berhad	7,964,600	0.47
16	Citigroup Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Persaraan (Diperbadankan) (AHAM EQUITY FUND)	7,939,800	0.47
17	Steeloak International Limited	7,900,000	0.46
18	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Zurich General Insurance Malaysia Berhad (GI-REITS)	7,594,500	0.45
19	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Allianz Life Insurance Malaysia Berhad (P)	7,315,500	0.43
20	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (AM INV)	6,833,000	0.40
21	Citigroup Nominees (Tempatan) Sdn Bhd - Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	6,343,600	0.37
22	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Zurich Life Insurance Malaysia Berhad (AP-REITS)	6,206,300	0.36
23	Amanah Raya Berhad - Kumpulan Wang Bersama	6,200,000	0.36
24	Citigroup Nominees (Asing) Sdn Bhd - CBNY for DFA International Real Estate Securities Portfolio of DFA Investment Dimensions Group INC	5,785,600	0.34
25	Maybank Nominees (Tempatan) Sdn Bhd - Affin Hwang Asset Management Berhad for Hong Leong Assurance Berhad (PAR-220082)	5,224,000	0.31
26	Cartaban Nominees (Tempatan) Sdn Bhd - TMF Trustees Malaysia Berhad for Affin Hwang Wholesale Equity Fund	5,124,900	0.30
27	Dato' Mark Yeoh Seok Kah	5,000,000	0.29
28	Hong Leong Assurance Berhad - As Beneficial Owner (UNITLINKED OP)	4,918,000	0.29
29	Citigroup Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Persaraan (Diperbadankan) (AFFIN ABSR EQ)	4,812,600	0.28
30	Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Kong Lih Ching	4,734,000	0.28
	Total	**1,282,625,389**	**75.25**

Analysis of Unitholdings
as at 22 July 2021

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 2021

	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 2021.

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, KBE, CBE, FICE
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

Manager's Report

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 2021, 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 1.7.2020	No. of units acquired	No. of units disposed	Balance at 30.6.2021
Direct interest				
Tan Sri (Sir) Francis Yeoh Sock Ping, KBE, CBE, FICE	2,975,900	-	-	2,975,900
Dato' Mark Yeoh Seok Kah	2,475,400	2,524,600	-	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, KBE, CBE, FICE	816,000 [(1)]	-	-	816,000 [(1)]
Dato' Mark Yeoh Seok Kah	1,000,000 [(1)]	-	-	1,000,000 [(1)]
Dato' Tan Guan Cheong	350,000	-	(350,000)	-
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.

Manager's Report

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	518	3.32	5,322	0.00
100 to 1,000	3,596	23.08	2,849,830	0.17
1,001 to 10,000	7,038	45.16	34,904,940	2.05
10,001 to 100,000	3,699	23.74	125,094,595	7.34
100,001 to less than 5% of issued units	731	4.69	681,253,313	39.97
5% and above of issued units	1	0.01	860,280,889	50.47
	15,583	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 RM23,040,434
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 RM2,100,000
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	Wholly-owned subsidiary company

Manager's Report

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 RM4,305,000
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 RM4,305,000
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 RM3,150,000
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 RM20,376,377
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 RM10,813,050
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 RM4,410,000
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 RM3,675,000
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 RM2,037,469
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 Report

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.

Manager's Report

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 40 to the financial statements; and

(b) except as disclosed in Note 40 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 (201906002362 & AF 0276) (formerly known as HLB Ler Lum 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,

TAN SRI (SIR) FRANCIS YEOH SOCK PING,
KBE, CBE, FICE

DATO' MARK YEOH SEOK KAH

Dated: 30 July 2021

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 2021 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,

TAN SRI (SIR) FRANCIS YEOH SOCK PING,
KBE, CBE, FICE

DATO' MARK YEOH SEOK KAH

Dated: 30 July 2021

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
above named Dato' Mark Yeoh Seok Kah
at Kuala Lumpur on 30 July 2021

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 2021. 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 2021.

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 2021 are in line with and are reflective of the objectives of the Trust.

For Maybank Trustees Berhad,

BERNICE LAU KAM MUN
Head, Operations

Dated: 30 July 2021
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 2021 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 100 to 175.

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 2021, 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 RM2,773 million, represent 57% of total assets are the most quantitatively material account balance in the financial statements.

Independent Auditors' Report

to the Unitholders of YTL Hospitality REIT

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 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.
- performed site visits to major properties.
- 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 37% of value 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.

Independent Auditors' Report
to the Unitholders of YTL Hospitality REIT

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 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.

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 (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: 30 July 2021
Kuala Lumpur

Income Statements

for the financial year ended 30 June 2021

		Group		Trust	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue					
- Hotel revenue	4	**151,063**	257,553	**-**	-
- Property revenue	4	**175,213**	168,893	**146,044**	140,234
Total revenue		**326,276**	426,446	**146,044**	140,234
Operating expenses					
- Hotel operating expenses	5	**(109,990)**	(179,263)	**-**	-
- Property operating expenses	5	**(11,017)**	(11,964)	**(7,388)**	(7,355)
Total operating expenses		**(121,007)**	(191,227)	**(7,388)**	(7,355)
Net property income		**205,269**	235,219	**138,656**	132,879
Finance income	6	**230**	1,010	**80,335**	97,770
Other income - others	6	**2,477**	1,520	**789**	-
Expenses					
- Manager's fees	7	**(8,866)**	(9,469)	**(8,866)**	(9,469)
- Trustee's fees	8	**(1,428)**	(1,430)	**(1,428)**	(1,430)
- Depreciation		**(58,786)**	(67,196)	**(3)**	(3)
- Finance costs	9	**(61,168)**	(87,934)	**(61,078)**	(87,844)
- Administration expenses		**(3,343)**	(6,927)	**(400)**	(2,614)
- Auditors' remuneration		**(736)**	(702)	**(94)**	(114)
- Tax agent's fees		**(123)**	(223)	**(12)**	(12)
- Valuation fees		**(498)**	(447)	**(433)**	(440)
- Unrealised (loss)/gain on foreign exchange		**(3,321)**	(22,160)	**2,577**	8,074
Changes in fair value:					
- Fair value on investment properties:					
- As per valuation reports		**54,907**	(2,115)	**23,500**	15,000
- Unbilled lease income		**(63,963)**	-	**(57,537)**	-
- Revaluation gain/(loss) on properties		**25,767**	(26,005)	**-**	-
Profit before tax		**86,418**	13,141	**116,006**	151,797
Income tax expense	10	**(3,588)**	(3,547)	**(1,596)**	(1,626)
Profit after tax		**82,830**	9,594	**114,410**	150,171

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

Income Statements

for the financial year ended 30 June 2021

		Group		Trust	
	Note	**2021 RM'000**	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Profit after tax		**82,830**	9,594	**114,410**	150,171
Distribution adjustments					
- Accrued lease income - unbilled		**(83,701)**	-	**(74,908)**	-
- Depreciation		**58,786**	67,196	**3**	3
- Fair value changes on properties		**(16,711)**	28,120	**34,037**	(15,000)
- Net income from foreign operations		**26,440**	30	**-**	-
- Unrealised foreign translation differences		**3,321**	22,160	**(2,577)**	(8,074)
Income available for distribution		**70,965**	127,100	**70,965**	127,100
Net income distribution					
- First interim income distribution paid on 31 March 2021 (2020: paid on 27 December 2019)		**30,858**	33,379	**30,858**	33,379
- Second interim income distribution: nil (2020: paid on 25 March 2020)		**-**	32,653	**-**	32,653
- Final income distribution (2020: paid on 28 August 2020)		**40,106**	48,358	**40,106**	48,358
Total income distribution		**70,964**	114,390	**70,964**	114,390

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

Income Statements

for the financial year ended 30 June 2021

		Group		Trust	
	Note	**2021 RM'000**	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Income distribution per unit					
First interim income distribution					
- Gross (sen)		**1.8105**	1.9584	**1.8105**	1.9584
Second interim income distribution					
- Gross (sen)		**-**	1.9158	**-**	1.9158
Final income distribution					
- Gross (sen)		**2.3531**	2.8373	**2.3531**	2.8373
Total income distribution per unit (sen)		**4.1636**	6.7115	**4.1636**	6.7115
Earnings per unit					
- after manager's fees (sen)	11	**4.86**	0.56	**6.71**	8.81
- before manager's fees (sen)	11	**5.38**	1.12	**7.23**	9.37

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 2021

		Group		Trust	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit after tax		**82,830**	9,594	**114,410**	150,171
Other comprehensive income/(loss)					
Items that may be reclassified subsequently to income statement					
- currency translation differences		**36,065**	40,821	**-**	-
- cash flow hedge		**-**	14,548	**-**	14,548
Item that will not be reclassified subsequently to income statement					
- surplus/(deficit) on revaluation of properties		**101,489**	(131,774)	**-**	-
Total comprehensive income/(loss)		**220,384**	(66,811)	**114,410**	164,719
Profit after tax is made up as follows:-					
Realised and distributable		**44,525**	127,070	**70,965**	127,100
Unrealised items		**38,305**	(117,476)	**43,445**	23,071
		82,830	9,594	**114,410**	150,171
Total comprehensive income/(loss) is made up as follows:-					
Profit after tax		**82,830**	9,594	**114,410**	150,171
Cash flow hedge		**-**	14,548	**-**	14,548
Surplus/(Deficit) on revaluation of properties		**101,489**	(131,774)	**-**	-
Unrealised currency translation differences		**36,065**	40,821	**-**	-
		220,384	(66,811)	**114,410**	164,719

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

Statements of Financial Position

as at 30 June 2021

		Group		Trust	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
ASSETS					
Non-current assets					
Investment properties	12	**2,772,788**	2,747,190	**2,241,500**	2,218,000
Property, plant and equipment	13	**1,928,046**	1,750,176	**-**	-
Unbilled lease income	14	**19,666**	-	**17,371**	-
Right-of-use asset	15	**203**	206	**203**	206
Investment in subsidiaries	16	**-**	-	**527,536**	527,536
Amount due from subsidiaries	16	**-**	-	**1,420,962**	1,374,807
Deferred tax assets	17	**1,796**	1,671	**-**	-
		4,722,499	4,499,243	**4,207,572**	4,120,549
Current assets					
Inventories	18	**337**	400	**-**	-
Trade receivables	19	**25,576**	17,973	**14,063**	12,365
Other receivables & prepayments	20	**16,348**	28,548	**1,680**	584
Amount due from subsidiaries	16	**-**	-	**139,393**	135,150
Income tax assets		**412**	1,464	**-**	-
Deposits with licensed financial institutions	21	**18,130**	40,124	**-**	9,794
Cash at banks		**88,572**	105,784	**2,956**	2,507
		149,375	194,293	**158,092**	160,400
Total assets		**4,871,874**	4,693,536	**4,365,664**	4,280,949
UNITHOLDERS' FUNDS AND LIABILITIES					
Unitholders' funds					
Unitholders' capital	22	**1,690,806**	1,690,806	**1,690,806**	1,690,806
Undistributed realised income		**197,144**	223,583	**197,410**	197,409
Reserves	23	**817,369**	641,510	**341,451**	298,006
Total unitholders' funds/Net asset value ("NAV")		**2,705,319**	2,555,899	**2,229,667**	2,186,221
Non-current liabilities					
Borrowings	24	**1,275,260**	1,226,559	**1,275,260**	1,226,559
Medium Term Notes	25	**735,000**	810,000	**-**	-
Lease liability	15	**203**	203	**203**	203
Other payables	26	**998**	702	**-**	-
Amount due to a subsidiary	16	**-**	-	**735,000**	810,000
		2,011,461	2,037,464	**2,010,463**	2,036,762

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

Statements of Financial Position

as at 30 June 2021

		Group		Trust	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current liabilities					
Medium Term Notes	25	**75,000**	-	**-**	-
Trade payables	27	**4,106**	3,582	**-**	-
Other payables	26	**34,168**	48,233	**10,458**	9,608
Amount due to a subsidiary	16	**-**	-	**74,970**	-
Income tax liabilities		**1,714**	-	**-**	-
Provision for income distribution	28	**40,106**	48,358	**40,106**	48,358
		155,094	100,173	**125,534**	57,966
Total liabilities		**2,166,555**	2,137,637	**2,135,997**	2,094,728
Total unitholders' funds and liabilities		**4,871,874**	4,693,536	**4,365,664**	4,280,949
NAV before distribution		**2,776,283**	2,670,289	**2,300,631**	2,300,611
NAV after distribution		**2,705,319**	2,555,899	**2,229,667**	2,186,221
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		**1.629**	1.567	**1.350**	1.350
– after income distribution		**1.587**	1.500	**1.308**	1.283

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 2021

		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	Cash Flow Hedge Reserve RM'000	Total Unitholders' Funds RM'000
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**
Group - 2020							
At 1 July 2019	1,690,806	210,903	(136,853)	(95,066)	1,081,858	(14,548)	2,737,100
Operations for the financial year ended 30 June 2020							
Profit/(Loss) for the year	-	127,070	(117,476)	-	-	-	9,594
Cash flow hedge expired	-	-	-	-	-	14,548	14,548
Revaluation loss	-	-	-	-	(131,774)	-	(131,774)
Currency translation differences	-	-	-	30,537	10,284	-	40,821
Total other comprehensive income/(loss)	-	-	-	30,537	(121,490)	14,548	(76,405)
Total comprehensive income/(loss) for the year	-	127,070	(117,476)	30,537	(121,490)	14,548	(66,811)
Unitholders transactions							
Distributions paid	-	(66,032)	-	-	-	-	(66,032)
Provision for income distribution (Note 28)	-	(48,358)	-	-	-	-	(48,358)
Decrease in net assets resulting from unitholders transactions	-	(114,390)	-	-	-	-	(114,390)
At 30 June 2020	1,690,806	223,583	(254,329)	(64,529)	960,368	-	2,555,899

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 2021

		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	Cash Flow Hedge Reserve RM'000	Total Unitholders' Funds RM'000
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**
Trust - 2020							
At 1 July 2019	1,690,806	184,699	274,935	-	-	(14,548)	2,135,892
Operations for the financial year ended 30 June 2020							
Profit for the year	-	127,100	23,071	-	-	-	150,171
Cash flow hedge expired	-	-	-	-	-	14,548	14,548
Total comprehensive income for the year	-	127,100	23,071	-	-	14,548	164,719
Unitholders transactions							
Distributions paid	-	(66,032)	-	-	-	-	(66,032)
Provision for income distribution (Note 28)	-	(48,358)	-	-	-	-	(48,358)
Decrease in net assets resulting from unitholders transactions	-	(114,390)	-	-	-	-	(114,390)
At 30 June 2020	1,690,806	197,409	298,006	-	-	-	2,186,221

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 2021

	Group		Trust	
	2021 RM'000	2020 RM'000	**2021 RM'000**	2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	**86,418**	13,141	**116,006**	151,797
Adjustments for:-				
Amortisation of transaction costs	**2,093**	2,421	**2,093**	2,421
Depreciation	**58,786**	67,196	**3**	3
Fair value changes	**(16,711)**	28,120	**34,037**	(15,000)
Interest income	**(230)**	(1,010)	**(80,335)**	(97,770)
Interest expense	**58,868**	85,308	**58,868**	85,308
Loss on disposal of property, plant and equipment	**214**	129	**-**	-
Unrealised loss/(gain) on foreign exchange	**3,321**	22,160	**(2,577)**	(8,074)
Operating profit before changes in working capital	**192,759**	217,465	**128,095**	118,685
Decrease in inventories	**87**	274	**-**	-
Increase in receivables	**(78,382)**	(12,535)	**(77,702)**	(7,144)
(Decrease)/Increase in payables	**(15,270)**	(16,307)	**850**	(7,835)
Inter-company balances	**-**	-	**1,070**	(8,825)
Cash generated from operations	**99,194**	188,897	**52,313**	94,881
Income tax paid	**(2,341)**	(3,516)	**-**	-
Income tax refunded	**1,496**	-	**-**	-
Net cash from operating activities	**98,349**	185,381	**52,313**	94,881
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	**230**	1,010	**80,335**	97,770
Acquisition of property, plant and equipment	**(1,773)**	(9,657)	**-**	-
Proceeds from disposal of equipment	**2**	23	**-**	-
Net cash (used in)/from investing activities	**(1,541)**	(8,624)	**80,335**	97,770

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 2021

	Group		Trust	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES				
Distribution paid	**(79,216)**	(101,805)	**(79,216)**	(101,805)
Interest paid	**(58,857)**	(85,298)	**(58,857)**	(85,298)
Proceeds from borrowings	**-**	6,480	**-**	-
Transaction costs paid	**(3,923)**	(3,671)	**(3,923)**	(3,671)
Payment of lease liability	**(11)**	(11)	**(11)**	(11)
Net cash used in financing activities	**(142,007)**	(184,305)	**(142,007)**	(190,785)
Net changes in cash and cash equivalents	**(45,199)**	(7,548)	**(9,359)**	1,866
Effect on exchange rate changes	**5,993**	4,484	**14**	(12)
Cash and cash equivalents at beginning of the financial year	**145,908**	148,972	**12,301**	10,447
Cash and cash equivalents at end of the financial year	**106,702**	145,908	**2,956**	12,301
NOTES TO THE STATEMENTS OF CASH FLOWS				
Cash and cash equivalents comprise:-				
Deposits with licensed financial institutions	**18,130**	40,124	**-**	9,794
Cash at banks	**88,572**	105,784	**2,956**	2,507
	106,702	145,908	**2,956**	12,301

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 2021

Reconciliation of liabilities arising from financing activities

	Group		Trust	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Borrowings				
At beginning of the financial year	**2,036,762**	2,024,176	**1,226,762**	1,214,176
Cash inflow/(outflow)				
Interest paid	**(58,857)**	(85,298)	**(58,857)**	(85,298)
Drawdown	**-**	6,480	**-**	-
Transaction costs paid	**(3,923)**	(3,671)	**(3,923)**	(3,671)
Repayment of lease liability	**(11)**	(11)	**(11)**	(11)
Non-cash changes				
Additional investment in subsidiary (Note 16)*	**-**	-	**-**	6,480
Finance costs	**60,960**	87,729	**60,960**	87,729
Currency translation differences	**50,532**	21,905	**50,532**	21,905
Cash flow hedge	**-**	(14,548)	**-**	(14,548)
At end of the financial year	**2,085,463**	2,036,762	**1,275,463**	1,226,762

* 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	**2021 RM'000**	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Non-current liabilities					
Borrowings	24	**1,275,260**	1,226,559	**1,275,260**	1,226,559
Medium Term Notes	25	**735,000**	810,000	**-**	-
Lease liability	15	**203**	203	**203**	203
Current liabilities					
Medium Term Notes	25	**75,000**	-	**-**	-
		2,085,463	2,036,762	**1,275,463**	1,226,762

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 2021 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.

Notes to the Financial Statements

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 ("MFRSs"), 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 2020.

MFRSs and IC Interpretations (Including The Consequential Amendments)
Amendments to MFRS 3, Business Combinations – Definition of a Business
Amendments to MFRS 9, Financial Instruments, MFRS 139, Financial Instruments: Recognition and Measurement and MFRS 7, Financial Instruments: Disclosures – Interest Rate Benchmark Reform
Amendments to MFRS 101, Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material
Amendments to MFRS 16, Leases – COVID-19-Related Rent Concessions

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.

MFRSs and IC Interpretations (Including The Consequential Amendments)	Effective date
Amendments to MFRS 9, Financial Instruments, MFRS 139, Financial Instruments: Recognition and Measurement and MFRS 7, Financial Instruments: Disclosures, MFRS 4, Insurance Contracts and MFRS 16, Leases – Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to MFRS 16, Leases - COVID-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
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 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.

(e) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs 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.

Notes to the Financial Statements

2. BASIS OF PREPARATION (CONT'D.)

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

The prolonged impact from the COVID-19 outbreak since March 2020 and related global responses have caused material disruptions to businesses including the travel and tourism industries. This uncertainty affects management's ability to reliably determine the key judgements and assumptions used in the valuation of hotel assets.

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 forecast to be unstable with the unpredictability to snap lockdowns until the vaccine rate in Australia significantly increase. Anticipating that the vaccine rates increase over the short term and international borders start to reopen, the Group expects the market recovery to start to stabilise in year 2023.
- The capitalisation rates and discount rates derived from recent comparable market transactions, adjusted for COVID-19 and which reflects the uncertainty in the amount and timing of cash flows.
- The impact of government action on hotels' operations. The hotels secured isolation business from the respective Australian district governments for return travellers, which is expected to decline as repatriation flights reduce.

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 prior to 30 June 2021. 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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

(b) Leases

(i) As lessee

Leases are recognised as 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.

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(b) Leases (cont'd.)

(i) As lessee (cont'd.)

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.

ROU assets

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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 rewords 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.

Notes to the Financial Statements

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 the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Notes to the Financial Statements

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 and borrowings.

Trade and other payables 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) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedge of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- hedge of a net investment in a foreign operation.

The Group and the Trust document 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 and the Trust also document its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(l) Derivative financial instruments and hedging activities (cont'd.)

Cash flow hedge

The fair value changes on the effective portion of the derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in income statement within 'other gains/(losses) - net'.

Amounts accumulated in equity are reclassified to income statement in the periods when the hedged item affects income statement. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in within 'revenue'.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to income statement within 'other gains/(losses) - net'.

Movements of the cash flow hedge in other comprehensive income are shown in Note 23(c).

Hedge of a net investment in foreign operation

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 Statements. When the hedged net investment is disposed of, the relevant amount in the foreign currency translation reserve is transferred to the Income Statements return as part of the gain or loss on disposal.

The Group uses a loan as a hedge of its exposure to foreign exchange risk on its investments in foreign subsidiaries.

Movements of the hedge in other comprehensive income are shown in Note 23(a).

(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.

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(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 measure 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.

(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.

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(p) Revenue recognition (cont'd.)

(i) Revenue from contracts with customers (cont'd.)

Hotel revenue (cont'd.)

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.

(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.

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(q) Employee benefits (cont'd.)

(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.

(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.

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(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 interest rate swaps are calculated as the present value of the estimated future cash flows discounted at actively quoted interest rates.

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.

Notes to the Financial Statements

4. REVENUE

	Group		Trust	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Revenue from contracts with customers				
Hotel revenue				
- Rental of rooms	**87,793**	193,786	**-**	-
- Food and beverage income	**49,126**	52,703	**-**	-
- Other hotel operating income	**14,144**	11,064	**-**	-
	151,063	257,553	**-**	-
Rental income from operating leases				
Property revenue (Note 12)				
- Rental income billing	**89,475**	166,856	**69,099**	138,197
- Accrued lease income - unbilled	**83,701**	-	**74,908**	-
- Car park income	**2,037**	2,037	**2,037**	2,037
	175,213	168,893	**146,044**	140,234
Total revenue	**326,276**	426,446	**146,044**	140,234

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 financial year.

Notes to the Financial Statements

5. OPERATING EXPENSES

	Group		Trust	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Hotel operating expenses				
– Operating expenses	**55,089**	104,687	**-**	–
– Repair and maintenance expenses	**8,802**	9,498	**-**	–
– Utilities	**5,789**	6,861	**-**	–
– Property taxes	**9,598**	8,676	**-**	–
– Insurance	**631**	509	**-**	–
– General and administration expenses	**23,795**	38,924	**-**	–
– Other direct expenses	**6,286**	10,108	**-**	–
	109,990	179,263	**-**	–
Property operating expenses (Note 12)				
– Property taxes	**8,188**	8,255	**5,477**	5,481
– Insurance	**2,829**	2,869	**1,911**	1,874
– Property maintenance	**-**	840	**-**	–
	11,017	11,964	**7,388**	7,355
Total operating expenses	**121,007**	191,227	**7,388**	7,355

The staff benefit expense recognised in hotel operating expenses is in respect of the following:-

	Group		Trust	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Salaries, wages and bonus	**25,252**	45,699	**-**	–
Defined contribution plan	**13,776**	20,863	**-**	–
	39,028	66,562	**-**	–

Notes to the Financial Statements

6. FINANCE INCOME & CURRENCY EXCHANGE GAIN

	Group		Trust	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Finance income from financial assets measured at amortised cost:-				
Financial institution deposits interests	**230**	1,010	**123**	240
Subsidiary loan interests	**-**	-	**80,212**	97,530
Finance income	**230**	1,010	**80,335**	97,770
Currency exchange gains - realised	**775**	-	**775**	-

7. MANAGER'S FEES

		Group/Trust	
	Note	**2021 RM'000**	**2020 RM'000**
Base fee	7(a)	**4,761**	4,765
Performance fee	7(b)	**4,105**	4,704
		8,866	9,469

(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	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Interest expense:-					
- Term loans	24	**24,046**	45,699	**24,046**	45,699
- Medium Term Notes	25	**34,811**	39,599	**-**	-
- Subsidiary	16	**-**	-	**34,811**	39,599
- Lease liability	15	**11**	10	**11**	10
Incidental cost incurred to administer the borrowing facilities:					
- Amortisation of transaction costs		**2,093**	2,421	**2,093**	2,421
- Facility fee		**207**	205	**117**	115
		61,168	87,934	**61,078**	87,844

10. INCOME TAX EXPENSE

		Group		Trust	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current income tax					
- Malaysian income tax					
- current year		**8**	125	**-**	-
- under provision in prior year		**-**	2	**-**	-
- Foreign income tax*		**3,603**	2,416	**1,596**	1,626
Deferred tax					
- Origination and reversal of temporary differences	17	**(23)**	1,004	**-**	-
		3,588	3,547	**1,596**	1,626

The Trust has provided approximately 100% (2020: 90%) 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.

Notes to the Financial Statements

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 follow:-

	Group		Trust	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Profit before tax	**86,418**	13,141	**116,006**	151,797
Income tax using Malaysian statutory tax rate of 24% (2020: 24%)	**20,740**	3,154	**27,841**	36,431
Expenses not deductible for tax purposes	**29,810**	47,302	**5,090**	4,252
Utilisation of capital allowances	**(6,833)**	(7,857)	**(6,833)**	(7,857)
Income exempted from tax	**(9,152)**	(2,318)	**(2,280)**	(2,314)
Income not subject to tax	**(29,630)**	(31,428)	**(22,222)**	(28,886)
Different tax rates in other countries	**(1,347)**	(5,306)	**-**	-
Income tax expense	**3,588**	3,547	**1,596**	1,626

11. EARNINGS PER UNIT

	Group		Trust	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Profit for the year after manager's fees	**82,830**	9,594	**114,410**	150,171
Profit for the year before manager's fees	**91,696**	19,063	**123,276**	159,640
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)	**4.86**	0.56	**6.71**	8.81
Earnings per unit before manager's fees (sen)	**5.38**	1.12	**7.23**	9.37

Notes to the Financial Statements

12. INVESTMENT PROPERTIES

	Group		Trust	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
At beginning of the financial year	**2,747,190**	2,732,554	**2,218,000**	2,203,000
Changes in fair value:				
- Per valuation reports	**54,907**	(2,115)	**23,500**	15,000
- Unbilled lease income	**(63,963)**	-	**(57,537)**	-
Unbilled lease income (Note 14)	**63,963**	-	**57,537**	-
Currency translation differences	**(29,309)**	16,751	**-**	-
At end of the financial year	**2,772,788**	2,747,190	**2,241,500**	2,218,000
Analysis of investment properties:-				
Freehold land & building	**1,873,288**	1,864,190	**1,342,000**	1,335,000
Leasehold land & building	**381,000**	374,000	**381,000**	374,000
Registered lease & building	**518,500**	509,000	**518,500**	509,000
	2,772,788	2,747,190	**2,241,500**	2,218,000

Notes to the Financial Statements

12. INVESTMENT PROPERTIES (CONT'D.)

The fair value of the investment properties as at 30 June 2021 are as follows:-

Description of property	Tenure	Remaining lease period (years)	Initial acquisition cost RM'000	Fair value as at 30.6.2021 RM'000	% of fair value to Net Asset Value as at 30.6.2021 %	Fair value as at 30.6.2020 RM'000	% of fair value to Net Asset Value as at 30.6.2020 %
Real Estate - Commercial							
JW Marriott Hotel Kuala Lumpur	Freehold		331,024	**523,500**	**19.35**	523,000	20.46
The Ritz-Carlton, Kuala Lumpur - Suite Wing (Parcel 1)	Freehold		125,000	**213,400**	**7.89**	211,000	8.25
The Ritz-Carlton, Kuala Lumpur - Suite Wing (Parcel 2)	Freehold		73,881	**103,100**	**3.81**	102,000	3.99
The Ritz-Carlton, Kuala Lumpur - Hotel Wing	Freehold		253,017	**360,000**	**13.31**	360,000	14.09
Pangkor Laut Resort	Registered lease	74	98,365	**122,000**	**4.51**	119,000	4.66
Tanjong Jara Resort	Leasehold	46	88,050	**104,700**	**3.87**	103,000	4.03
AC Hotel Kuala Lumpur Titiwangsa	Freehold		101,207	**142,000**	**5.25**	139,000	5.44
AC Hotel Penang Bukit Jambul	Leasehold	73	101,778	**122,900**	**4.54**	121,000	4.73
AC Hotel Kuantan City Centre	Leasehold	71	75,980	**92,400**	**3.41**	90,000	3.52
Cameron Highlands Resort	Leasehold	87	50,649	**61,000**	**2.25**	60,000	2.35
The Majestic Hotel Kuala Lumpur	Registered lease	70	384,221	**396,500**	**14.66**	390,000	15.26
Hilton Niseko Village	Freehold		240,743*	**303,056**	**11.20**	288,035	11.27
The Green Leaf Niseko Village	Freehold		225,805*	**228,232**	**8.44**	241,155	9.43
			2,149,720	**2,772,788**	**102.49**	2,747,190	107.48
Net Asset Value				**2,705,319**		2,555,899	

* Initial acquisition cost translated at the exchange rate as at 30 June 2021.

Notes to the Financial Statements

12. INVESTMENT PROPERTIES (CONT'D.)

The following are recognised in income statement in respect of investment properties:-

		Group		Trust	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Rental income	4	**175,213**	168,893	**146,044**	140,234
Direct operating expenses:-					
- income generating investment properties	5	**(11,017)**	(11,964)	**(7,388)**	(7,355)
Changes in fair value of investment properties		**(9,056)**	(2,115)	**(34,037)**	15,000

The change in fair value of investment properties of the Group and of the Trust of RM9.056 million and RM34.037 million respectively in the current financial year is after offsetting the unbilled lease income amounting to RM63.963 million and RM57.537 million respectively.

Investment properties of the Group and of the Trust with carrying amounts of RM2,423 million (2020: RM2,404 million) and RM1,892 million (2020: RM1,875 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. 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 2021 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. A valuation is carried out on each property at least once during each financial year.

During the current financial year, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

Notes to the Financial Statements

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.	Malaysia: Discount rate of 6.00% to 7.00% (2020: 6.00% to 7.50%) Japan: Discount rate of 4.60% to 4.70% (2020: 4.60% to 5.45%)	The higher the discount rate, the lower the fair value.
	Malaysia: Capitalisation rate of 6.00% to 7.00% (2020: 6.00% to 7.50%) Japan: Capitalisation rate of 4.80% to 5.00% (2020: 4.70% to 6.35%)	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.

Notes to the Financial Statements

13. PROPERTY, PLANT AND EQUIPMENT

Group	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

Notes to the Financial Statements

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

Group	Freehold land RM'000	Buildings RM'000	Equipment RM'000	Other assets RM'000	Total RM'000
Cost/Valuation					
At 1.7.2019	392,008	1,433,075	226,074	53,859	2,105,016
Additions	–	869	2,096	6,692	9,657
Transfers	–	1,900	2,243	(4,143)	–
Disposals	–	–	(5,290)	(12,179)	(17,469)
Impairment losses	–	(26,005)	–	–	(26,005)
Revaluation surplus	171,683	–	–	–	171,683
Revaluation losses	(8,477)	(294,980)	–	–	(303,457)
Revaluation adjustments	–	(51,208)	–	–	(51,208)
Currency translation differences	12,678	5,354	3,277	382	21,691
At 30.6.2020	567,892	1,069,005	228,400	44,611	1,909,908
Representing:-					
At cost	–	–	228,400	44,611	273,011
At valuation	567,892	1,069,005	–	–	1,636,897
At 30.6.2020	567,892	1,069,005	228,400	44,611	1,909,908
Accumulated depreciation					
At 1.7.2019	–	4,806	102,189	51,795	158,790
Depreciation charge	–	53,384	13,634	175	67,193
Disposals	–	–	(5,140)	(12,177)	(17,317)
Revaluation adjustments	–	(51,208)	–	–	(51,208)
Currency translation differences	–	163	1,860	251	2,274
At 30.6.2020	–	7,145	112,543	40,044	159,732
Net book value					
At cost	–	–	115,857	4,567	120,424
At valuation	567,892	1,061,860	–	–	1,629,752
At 30.6.2020	567,892	1,061,860	115,857	4,567	1,750,176

Notes to the Financial Statements

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 30.6.2021 RM'000	% of fair value to Net Asset Value as at 30.6.2021 %	Fair value as at 30.6.2020 RM'000	% of fair value to Net Asset Value as at 30.6.2020 %
Real Estate - Commercial						
Sydney Harbour Marriott	Freehold	826,985	**1,434,008**	**53.01**	1,305,129	51.06
Brisbane Marriott	Freehold	375,996	**264,737**	**9.79**	234,118	9.16
Melbourne Marriott	Freehold	176,273	**229,301**	**8.47**	210,929	8.25
		1,379,254	**1,928,046**	**71.27**	1,750,176	68.47
Net Asset Value			**2,705,319**		2,555,899	

* Translated at the exchange rate as at 30 June 2021.

Property, plant and equipment at net book value amounting to RM1,928 million (2020: RM1,750 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 valuer, Savills Valuations Pty Ltd on 31 May 2021, 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	
	2021 RM'000	**2020 RM'000**
Freehold land	**162,662**	153,309
Buildings	**692,578**	686,708
	855,240	840,017

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.

Notes to the Financial Statements

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 7.25% (2020: 7.50% to 8.00%)	The higher the discount rate, the lower the fair value.
	Capitalisation rate of 5.00% to 5.50% (2020: 5.25% to 6.00%)	The higher the capitalisation rate, the lower the fair value.

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 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	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Unbilled lease income	**19,666**	-	**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 RM63.963 million and RM57.537 million respectively.

The unbilled lease income are expected to be billed from financial years 2023 to 2027.

Notes to the Financial Statements

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 74 (2020: 75) 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	
	2021 RM'000	**2020 RM'000**
At beginning of the financial year	**206**	209
Depreciation of right-of-use asset	**(3)**	(3)
At end of the financial year	**203**	206

Set out below are the carrying amount of lease liability and the movement during the current financial year:-

	Group/Trust	
	2021 RM'000	**2020 RM'000**
At beginning of the financial year	**203**	204
Accretion of interest	**11**	10
Lease rental payments	**(11)**	(11)
At end of the financial year	**203**	203

The following are the amounts recognised in profit or loss:-

	Group		Trust	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Depreciation of right-of-use asset	**3**	3	**3**	3
Interest expense on lease liability	**11**	10	**11**	10
Lease expense – short-term and low value leases	**103**	472	**-**	-

Total cash outflow for leases in the current financial year was RM0.114 million (2020: RM0.483 million).

Notes to the Financial Statements

16. INVESTMENT IN SUBSIDIARIES

	Trust	
	2021 RM'000	**2020 RM'000**
Unquoted shares, at cost		
At beginning of the financial year	**527,536**	521,056
Additional investment via capitalisation of debt	**-**	6,480
At end of the financial year	**527,536**	527,536

Details of the subsidiaries are as follows:-

Name of subsidiary	Place of incorporation	Principal activities	Effective equity interest 2021 %	Effective equity interest 2020 %
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

Notes to the Financial Statements

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 RM1,109 million (2020: RM1,046 million) with tenure of ten years bears interest payable quarterly at the rate of 5.86% per annum (2020: 5.86% per annum, which was revised from 8.86% per annum). The loan shall be repaid by way of a bullet repayment on 30 October 2022. Upon maturity, the Trust allows the loan to be renewed for another ten years, where the interest rate is to be mutually agreed upon at a later stage.

(b) Two loans in Japanese Yen totalling RM312 million (2020: RM329 million) with tenure of fifteen and thirty years bear interest payable monthly at the rates of 5% (2020: 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 RM810 million (2020: RM810 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 (2020: 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
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**
2020		
Within 1 year	135,150	-
Later than 1 year and not later than 5 years	1,045,652	810,000
Later than 5 years	329,155	-
	1,509,957	810,000

Notes to the Financial Statements

17. DEFERRED TAX ASSETS

		Group	
	Note	2021 RM'000	2020 RM'000
At beginning of the financial year		**1,671**	2,679
Charged to income statement	10	**23**	(1,004)
Currency translation differences		**102**	(4)
At end of the financial year		**1,796**	1,671

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	
	2021 RM'000	2020 RM'000
Deferred tax provided are in respect of:-		
Deferred tax assets		
Accruals	**1,794**	1,672
Others	**2**	2
	1,796	1,674
Deferred tax liabilities		
Others	**-**	(3)
	-	(3)
Net (after offsetting)	**1,796**	1,671

Deferred tax assets have not been recognised in respect of the following items:-

	Group	
	2021 RM'000	2020 RM'000
Unutilised tax losses	**7,032**	4,212
Potential tax benefits calculated at 30% (2020: 30%) tax rate	**2,110**	1,264

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.

Notes to the Financial Statements

18. INVENTORIES

	Group	
	2021 RM'000	**2020 RM'000**
Beverage inventories	**337**	400

The Group's cost of inventories recognised as expenses and included in "hotel operating expenses" amounted to approximately RM10.270 million (2020: RM8.799 million).

19. TRADE RECEIVABLES

	Group		Trust	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Trade receivables	**25,576**	18,536	**14,063**	12,928
Less: Accumulated impairment losses on trade receivables	**-**	(563)	**-**	(563)
	25,576	17,973	**14,063**	12,365

The movements in the allowance for impairment during the financial year were:-

	Group		Trust	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
At beginning of the financial year	**563**	563	**563**	563
Bad debts written off	**(563)**	-	**(563)**	-
At end of the financial year	**-**	563	**-**	563

The Group's and the Trust's amounts due from companies related to the Manager of approximately RM14.063 million (2020: RM12.617 million) and RM14.063 million (2020: RM12.365 million) respectively, relate to rental due in respect of agreements and are generally subject to normal trade terms.

The normal trade credit terms of trade receivables range from 30 to 90 (2020: 30 to 90) days.

Credit risks relating to trade receivables are disclosed in Note 34(a) to the financial statements.

Notes to the Financial Statements

20. OTHER RECEIVABLES & PREPAYMENTS

	Group		Trust	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Other receivables	**922**	14,175	**7**	8
Prepayments	**15,426**	14,373	**1,673**	576
	16,348	28,548	**1,680**	584

Included in the other receivables of the Group is RM0.909 million (2020: RM11.580 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 1.6% and 1.9% (2020: 1.7% and 2.9%) per annum, respectively.

The average maturities of deposits of the Group and of the Trust ranged from 1 to 34 days (2020: 1 to 35 days).

22. UNITHOLDERS' CAPITAL

	Number of units	
	2021 '000	**2020 '000**
Issued and fully paid		
At beginning and end of the financial year	**1,704,389**	1,704,389

	2021 RM'000	**2020 RM'000**
Issued and fully paid		
At beginning and end of the financial year	**1,690,806**	1,690,806

Notes to the Financial Statements

23. RESERVES

		Group		Trust	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Currency translation reserves	23(a)	**(88,598)**	(64,529)	**-**	-
Revaluation reserve	23(b)	**1,121,991**	960,368	**-**	-
Cash flow hedge reserve	23(c)	**-**	-	**-**	-
Non-distributable unrealised (loss)/income	23(d)	**(216,024)**	(254,329)	**341,451**	298,006
		817,369	641,510	**341,451**	298,006

(a) Currency translation reserves

	Group	
	2021 RM'000	2020 RM'000
At beginning of the financial year	**(64,529)**	(95,066)
Net currency translation differences from financial statement of foreign subsidiaries, net of investment hedge of foreign operation	**(24,069)**	30,537
At end of the financial year	**(88,598)**	(64,529)

(b) Revaluation reserve

	Group	
	2021 RM'000	2020 RM'000
At beginning of the financial year	**960,368**	1,081,858
Revaluation gain/(loss) of properties	**101,489**	(131,774)
Currency translation differences	**60,134**	10,284
At end of the financial year	**1,121,991**	960,368

The revaluation reserve represents increases in the fair value of freehold land and buildings.

Notes to the Financial Statements

23. RESERVES (CONT'D.)

(c) Cash flow hedge reserve

	Group/Trust	
	2021 RM'000	**2020 RM'000**
At beginning of the financial year	**-**	(14,548)
On expiry	**-**	14,548
At end of the financial year	**-**	-

The cash flow hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred.

The Group's derivative financial instruments expired during the previous financial year.

(d) Non-distributable unrealised (loss)/income

	Group		Trust	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
At beginning of the financial year	**(254,329)**	(136,853)	**298,006**	274,935
Unrealised income/(loss) for the year	**38,305**	(117,476)	**43,445**	23,071
At end of the financial year	**(216,024)**	(254,329)	**341,451**	298,006

Notes to the Financial Statements

24. BORROWINGS - SECURED

	Group/Trust	
	2021 RM'000	**2020 RM'000**
Non-current		
– Term loans	**1,281,883**	1,231,351
– Capitalised transaction costs	**(6,623)**	(4,792)
Total borrowings	**1,275,260**	1,226,559

(i) During the previous financial year, the Group refinanced the term loan denominated in Australian Dollar of AUD345.193 million (2020: AUD345.193 million) which is equivalent to RM1,078.796 million (2020: RM1,026.746 million). The term loan is repayable by bullet payments of AUD90.000 million and AUD255.193 million on 28 June 2023 and 28 June 2025, respectively, bears a weighted average interest rate of 2.08% (2020: 2.16%) 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 (2020: JPY5,401.250 million), which is equivalent to RM203.087 million (2020: RM214.586 million), is repayable by bullet payment on 26 September 2023, bears a weighted average interest rate of 0.81% (2020: 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	
	2021 RM'000	**2020 RM'000**
Non-current		
Medium Term Notes	**735,000**	810,000
Current		
Medium Term Notes	**75,000**	-
Total MTNs (net)	**810,000**	810,000

Notes to the Financial Statements

25. MEDIUM TERM NOTES ("MTNS") (CONT'D.)

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, RM810 million (2020: 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 are redeemable 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 are redeemable 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.

The MTNs bear coupon rates ranging from 3.31% to 5.05% (2020: 4.21% 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 RM832.449 million (2020: RM846.654 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 3.13% to 3.69% (2020: 3.50% to 3.72%).

Notes to the Financial Statements

26. OTHER PAYABLES

	Group		Trust	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Non-current				
Other payables	**998**	702	**–**	–

Included in the other payables is the long service leave of approximately RM0.998 million (2020: RM0.702 million).

	Group		Trust	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Current				
Other payables	**12,951**	29,698	**2,567**	2,448
Accruals	**16,426**	11,654	**7,891**	7,160
Contract liabilities	**4,791**	6,881	**–**	–
	34,168	48,233	**10,458**	9,608

The Group's amounts due to the Manager and the companies related to the Manager, which amounted to RM2.553 million (2020: RM1.904 million) 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	
	2021 RM'000	**2020 RM'000**
Contract liabilities as at the beginning of the year recognised as revenue during the year	**(5,063)**	(7,862)
Advance deposits received during the year	**2,548**	49,976

Notes to the Financial Statements

27. TRADE PAYABLES

The credit terms of trade payables granted to the Group is 30 days (2020: 30 days).

28. PROVISION FOR INCOME DISTRIBUTION

	Group/Trust	
	2021 RM'000	**2020 RM'000**
At beginning of the financial year	**48,358**	35,773
Provision made during the financial year	**70,964**	114,390
Distribution paid during the financial year	**(79,216)**	(101,805)
At end of the financial year	**40,106**	48,358

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.

During the previous financial year, YTL Hospitality REIT changed its income distribution frequency from quarterly to semi-annually, where distribution is paid in each of six-month for financial period ending 30 June and 31 December.

The Manager believes that the switch of its distribution frequency will enable the Trust to preserve and better manage its cashflows and achieve savings in terms of cost and administrative resources particularly during the COVID-19 pandemic period.

For the 6 months from 1 January 2021 to 30 June 2021, the Manager has declared a final income distribution of 2.3531 sen per unit (2020: 2.8373 sen per unit), totalling RM40,105,975 (2020: RM48,358,626) which will be paid on 30 August 2021. Total distribution paid and declared for the financial year ended 30 June 2021 is 4.1636 sen per unit, totalling RM70,963,936, representing approximately 100% of the total distributable income for the financial year ended 30 June 2021 (2020: 6.7115 sen per unit, totalling RM114,390,060, representing approximately 90% of the total distributable income).

Notes to the Financial Statements

28. PROVISION FOR INCOME DISTRIBUTION (CONT'D.)

Distribution to unitholders is from the following sources:-

	Group	
	2021 **RM'000**	**2020** **RM'000**
Net property income	**205,269**	235,219
Finance income	**230**	1,010
Other income	**2,477**	1,520
	207,976	237,749
Less: Expenses	**(121,558)**	(224,608)
Less: Income tax expense	**(3,588)**	(3,547)
Profit after tax	**82,830**	9,594
Distribution adjustments:-		
Depreciation	**58,786**	67,196
Fair value changes	**(16,711)**	28,120
Accrued lease income - unbilled	**(83,701)**	-
Net income from foreign operations	**26,440**	30
Unrealised foreign translation differences	**3,321**	22,160
Income available for distribution / Total distributable income	**70,965**	127,100
Less: Income distribution	**(70,964)**	(114,390)
Undistributed distributable income	**1**	12,710
Distributable income per unit (sen)	**4.1637**	7.4572
Gross distribution per unit (sen)	**4.1636**	6.7115
Net distribution per unit (sen)	**4.1636**	6.7115

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 2021, the Manager did not hold any unit in the Trust.

Notes to the Financial Statements

31. UNITHOLDERS RELATED TO THE MANAGER

	<---- 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**

	<---- 2020 ----		-->
	No. of units held '000	Percentage of total units %	Market value RM'000
YTL Corporation Berhad	937,464	55.00	984,337
YTL Power International Berhad	43,090	2.53	45,244
Business & Budget Hotels (Kuantan) Sdn. Bhd.	18,750	1.10	19,688
Megahub Development Sdn. Bhd.	13,250	0.78	13,913
East-West Ventures Sdn. Bhd.	62,500	3.67	65,625
Syarikat Pelanchongan Pangkor Laut Sendirian Berhad	24,250	1.42	25,463
Tanjong Jara Beach Hotel Sdn. Bhd.	1,750	0.10	1,837
	1,101,054	64.60	1,156,107

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 2021 of RM0.895 per unit (2020: RM1.050 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.

Notes to the Financial Statements

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	2021 RM'000	2020 RM'000
Business & Budget Hotels (Penang) Sdn. Bhd.	Subsidiary company of the major unitholder	Lease rental of investment property	**8,948**	8,610
Business & Budget Hotels (Kuantan) Sdn. Bhd.	Associated company of the major unitholder	Lease rental of investment property	**6,547**	6,300
Cameron Highlands Resort Sdn. Bhd.	Subsidiary company of the major unitholder	Lease rental of investment property	**4,365**	4,200
YTL Majestic Hotel Sdn. Bhd.	Subsidiary company of the major unitholder	Lease rental of investment property	**28,244**	26,600
Prisma Tulin Sdn. Bhd.	Subsidiary company of the major unitholder	Lease rental of investment property	**8,948**	8,610
Star Hill Hotel Sdn. Bhd.	Subsidiary company of the major unitholder	Lease rental of investment properties	**47,676**	46,081
YTL Land Sdn. Bhd.	Subsidiary company of the major unitholder	Rental of car park space	**2,037**	2,037
Tanjong Jara Beach Hotel Sdn. Bhd.	Company related to a director of the manager	Lease rental of investment property	**7,638**	7,350
East-West Ventures Sdn. Bhd.	Subsidiary company of the holding company of major unitholder	Lease rental of investment property	**22,475**	21,626
Syarikat Pelanchongan Pangkor Laut Sendirian Berhad	Subsidiary company of the holding company of major unitholder	Lease rental of investment property	**9,166**	8,820

Notes to the Financial Statements

32. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D.)

			Group	
Entity	**Relationship**	**Nature of transaction**	**2021 RM'000**	**2020 RM'000**
Niseko Village K.K.	Subsidiary company of the major unitholder	Lease rental of investment properties	**29,169**	28,659

			Trust	
Entity	**Relationship**	**Nature of transaction**	**2021 RM'000**	**2020 RM'000**
Starhill Hospitality REIT (Australia) Sdn. Bhd.	Subsidiary company	Shareholder loan interests	**64,184**	81,352
Starhill REIT Niseko G.K.	Subsidiary company	Shareholder loan interests	**16,028**	16,178
YTL REIT MTN Sdn. Bhd.	Subsidiary company	Interest expenses	**34,811**	39,599
		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.

Notes to the Financial Statements

33. CAPITAL COMMITMENTS AND OPERATING LEASE ARRANGEMENT

(a) Capital commitments

	Group		Trust	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Authorised but not contracted for	**15,827**	8,837	**6,451**	-
Contracted but not provided for	**1,073**	-	**1,073**	-

The commitments 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, the lessees of all the Malaysian and Japanese properties (except The Green Leaf Niseko Village) appealed 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 ("Rental Variations"). The Manager announced the approval to the Rental Variations on 30 July 2020.

Undiscounted lease payments from the operating leases to be received after the reporting date are as follows:-

	Group		Trust	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Not later than 1 year	**90,754**	167,029	**70,536**	138,197
Between 1 to 2 years	**188,631**	170,303	**158,001**	141,063
Between 2 to 3 years	**204,636**	173,692	**172,735**	144,045
Between 3 to 4 years	**162,455**	159,629	**130,407**	129,512
Between 4 to 5 years	**162,455**	144,190	**130,407**	113,917
Later than 5 years	**674,312**	779,609	**349,377**	413,861
	1,483,243	1,594,452	**1,011,463**	1,080,595

Notes to the Financial Statements

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.

Notes to the Financial Statements

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	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Domestic	**31,434**	12,365	**31,434**	12,365
Australia	**11,513**	5,357	**-**	-
Japan	**2,295**	251	**-**	-
	45,242	17,973	**31,434**	12,365

Notes to the Financial Statements

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. Consistent with the debt recovery process, invoices which are past due 180 days will be considered as credit impaired.

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 - 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**
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**

Notes to the Financial Statements

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
Group - 2020				
Current assets				
- Current (not past due)		16,233	-	16,233
- Past due 1 - 90 days		1,570	-	1,570
- Past due 91 - 180 days		170	-	170
		17,973	-	17,973
Credit impaired				
- Past due more than 180 days		563	(563)	-
	19	18,536	(563)	17,973
Trust - 2020				
Current assets				
- Current (not past due)		11,686	-	11,686
- Past due 1 - 90 days		509	-	509
- Past due 91 - 180 days		170	-	170
		12,365	-	12,365
Credit impaired				
- Past due more than 180 days		563	(563)	-
	19	12,928	(563)	12,365

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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
2021					
Group					
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					
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**
2020					
Group					
Financial liabilities					
Borrowings	1,336,034	23,678	23,678	1,288,678	-
MTNs	930,915	37,081	111,690	782,144	-
Lease liability	798	11	11	32	744
Trade payables	3,582	3,582	-	-	-
Other payables	42,054	41,352	702	-	-
	2,313,383	105,704	136,081	2,070,854	744
Trust					
Financial liabilities					
Borrowings	1,336,034	23,678	23,678	1,288,678	-
Lease liability	798	11	11	32	744
Other payables	9,608	9,608	-	-	-
Subsidiary	930,915	37,081	111,690	782,144	-
	2,277,355	70,378	135,379	2,070,854	744

Notes to the Financial Statements

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	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Fixed rate instruments				
Financial assets				
Shareholders loan	**-**	-	**1,420,962**	1,374,807
Financial liabilities				
MTNs	**425,000**	425,000	**-**	-
Subsidiary	**-**	-	**425,000**	425,000
Floating rate instruments				
Financial assets				
Deposits with licensed financial institutions	**18,130**	40,124	**-**	9,794
Financial liabilities				
Borrowings	**1,281,883**	1,231,351	**1,281,883**	1,231,351
MTNs	**385,000**	385,000	**-**	-
Subsidiary	**-**	-	**385,000**	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 RM8.3 million (2020: RM8.1 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 RM0.1 million (2020: RM0.2 million) and nil (2020: RM0.05 million), respectively.

Notes to the Financial Statements

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
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**
2020				
5% change on AUD exchange rate	67,423	(72,504)	-	(5,098)
5% change on JPY exchange rate	40,153	(17,448)	-	9,316

Hedge of net investment in Australia

As at the reporting date, the Group's investment in its Australian portfolio are hedged by part of the AUD term loan with a total carrying amount of RM868 million (AUD278 million) with the purpose to mitigate the currency risk arising from the subsidiary's net assets. The loan is designated as a net investment hedge.

The Group determines the existence of an economic relationship between the above hedging instrument and hedged item based on the currency and amount. The Group has established a hedge ratio of 1 : 1.2 as the underlying risk of the hedging instrument is identical to the hedged risk component. The Group has assessed the effectiveness of the above hedging relationship at the reporting date by comparing changes in the part of the carrying amount of the loan that is attributable to changes in the exchange rate with the changes in the net investment in the foreign operations due to movements in the exchange rate.

The hedge ineffectiveness recognised to profit or loss is RM2.869 million (2020: Nil) in relation to the net investment hedge.

Notes to the Financial Statements

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as amortised cost ("AC"):

Carrying amount	Note	2021 RM'000	2020 RM'000
Group			
Financial assets			
Non-current			
Unbilled lease income	14	**19,666**	–
Current			
Trade receivables	19	**25,576**	17,973
Other receivables & deposits	20	**922**	14,175
Cash and cash equivalents	21	**106,702**	145,908
		152,866	178,056
Financial liabilities			
Non-current			
Borrowings	24	**1,275,260**	1,226,559
MTNs	25	**735,000**	810,000
Lease liability	15	**203**	203
Other payables	26	**998**	702
Current			
MTNs	25	**75,000**	-
Trade payables	27	**4,106**	3,582
Other payables	26	**29,377**	41,352
		2,119,944	2,082,398

Notes to the Financial Statements

35. FINANCIAL INSTRUMENTS (CONT'D.)

(a) Categories of financial instruments (cont'd.)

Carrying amount	Note	2021 RM'000	2020 RM'000
Trust			
Financial assets			
Non-current			
Unbilled lease income	14	**17,371**	-
Amount due from subsidiaries	16	**1,420,962**	1,374,807
Current			
Trade receivables	19	**14,063**	12,365
Other receivables & deposits	20	**7**	8
Amount due from subsidiaries	16	**139,393**	135,150
Cash and cash equivalents	21	**2,956**	12,301
		1,594,752	1,534,631
Financial liabilities			
Non-current			
Borrowings	24	**1,275,260**	1,226,559
Lease liability	15	**203**	203
Amount due to a subsidiary	16	**735,000**	810,000
Current			
Other payables	26	**10,458**	9,608
Amount due to a subsidiary	16	**74,970**	-
		2,095,891	2,046,370

(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.

Notes to the Financial Statements

35. FINANCIAL INSTRUMENTS (CONT'D.)

(b) Fair value of financial instruments (cont'd.)

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	
	2021 **%**	**2020** **%**	**2021** **%**	**2020** **%**
MER	**0.47**	0.61	**0.50**	0.65

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, auditor's 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.

Notes to the Financial Statements

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 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**

Notes to the Financial Statements

37. SEGMENTAL REPORTING (CONT'D.)

The Group's segmental result for the financial year ended 30 June 2020 is as follows:-

	<--------- Property rental --------->		<---- Hotel ---->	
	Malaysia RM'000	**Japan RM'000**	**Australia RM'000**	**Total RM'000**
External revenue	140,234	28,659	257,553	426,446
Operating expenses	(7,355)	(4,609)	(179,263)	(191,227)
Net property income	132,879	24,050	78,290	235,219
Finance income				1,010
Other income				1,520
Total income				237,749
Trust and administration expenses				(19,198)
Depreciation				(67,196)
Finance costs				(87,934)
Unrealised loss on foreign exchange				(22,160)
Changes in fair value				(28,120)
Profit before tax				13,141
Non-current assets	2,218,206	529,190	1,751,847	4,499,243
Current assets	25,327	15,306	153,660	194,293
Total assets	2,243,533	544,496	1,905,507	4,693,536
Non-current liabilities	2,036,762	-	702	2,037,464
Current liabilities	57,973	1,517	40,683	100,173
Total liabilities	2,094,735	1,517	41,385	2,137,637
Additions to non-current assets	-	-	9,657	9,657

The following are major customers with revenues equal or more than 10 percent of the Group's total revenue:-

	Group Revenue	
	2021 RM'000	**2020 RM'000**
Common control companies:-		
under major unitholder	**135,934**	131,097
under the holding company of major unitholder	**31,641**	30,446
	167,575	161,543

Notes to the Financial Statements

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. This supersedes the borrowing limit which had been approved and increased to 60% during the last unitholders' meeting. During the current 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	**2021 RM'000**	**2020 RM'000**
Borrowings	24	**1,281,883**	1,231,351
MTNs	25	**810,000**	810,000
Total borrowings		**2,091,883**	2,041,351
Total assets		**4,871,874**	4,693,536
Gearing ratio (%)		**42.94**	43.49

The Trust is not subject to externally imposed capital requirements for the financial years ended 30 June 2021 and 30 June 2020.

Notes to the Financial Statements

39. COMPARATIVE FIGURES

Certain comparative figures have been restated where necessary to conform with current year presentation.

Statements of Financial Position

	As previously reported RM'000	Effect of reclassification RM'000	As restated RM'000
Group			
Unitholders' funds			
Undistributed realised income	(30,746)	254,329	223,583
Reserves	895,839	(254,329)	641,510
Trust			
Unitholders' funds			
Undistributed realised income	495,415	(298,006)	197,409
Reserves	-	298,006	298,006

40. SIGNIFICANT EVENT DURING AND AFTER THE REPORTING DATE

During the financial year under review, the prolonged COVID-19 pandemic continuously impact the economic sectors globally. On-going travel restrictions on both international and domestic, movement controls, lockdown orders and compulsory quarantine measures have been imposed by the governments worldwide that have significantly contain the spread of COVID-19 pandemic. Among all industries, the hospitality and tourism industries are one of the worst hit economic sectors due to the COVID-19 pandemic.

In response to COVID-19, various measures and policies were introduced by the governments worldwide which include governments of the countries where the Group's real estate properties are located. The measures are aimed to mitigate the financial challenges faced during the pandemic, among others, which includes economic stimulus package, employment related measures and tax measures. The authorisation for emergency use of vaccines is being rolled-out which boosted hopes for economic recovery. However, the concerns remained with the low response in inoculations and the effectiveness of the vaccines against the new virus variants which may delay the recovery plan in countries where the Group and the Trust operate.

For the financial year ended 30 June 2021, the impact of COVID-19 has been reflected in this set of financial statements. As the situation is still evolving and will be affected by the degree to which governments are able to contain the spread of the virus and move forward to recovery plans in countries where the Group and the Trust operate, the full impact of the COVID-19 pandemic on the Group's and the Trust's performance for the financial year ending 30 June 2022 could not be reasonably ascertained when this set of financial statements was authorised for issuance.

41. 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 30 July 2021.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Ninth Annual General Meeting of YTL Hospitality REIT ("**REIT**") will be held on Thursday, 14 October 2021 at 3.00 p.m. 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 2021 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 2021

Notes:-

REMOTE PARTICIPATION ("RP")

1. *The Ninth Annual General Meeting ("9th 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 9th AGM which is available on the REIT's website at www.ytlhospitalityreit.com/meetings.asp 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 9th 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 16 July 2021).*

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 9th 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 9th AGM i.e. no later than* ***12 October 2021 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.

8. *For the purpose of determining a unitholder who shall be entitled to attend the 9th 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 7 October 2021. Only a depositor whose name appears on the General Meeting Record of Depositors as at 7 October 2021 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 9th 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 2021 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 of the Guidelines on Listed Real Estate Investment Trusts issued by the Securities Commission Malaysia.

Notes

YTL HOSPITALITY REIT

(established in Malaysia pursuant to a deed dated 18 November 2005 (as amended and restated))

Form of Proxy

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	*%*
Address of proxy			

* 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	*%*
Address of proxy			

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 Ninth 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**, **14 October 2021** at **3.00 p.m**. and at any adjournment thereof.

ORDINARY BUSINESS

To lay before the meeting the Audited Financial Statements for the financial year ended 30 June 2021 together with the Reports attached thereon.

Dated this ______________ day of ______________________ 2021.

____

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 16 July 2021). 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 https://tiih.com.my.

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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 Ninth Annual General Meeting ("9th 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 9th AGM i.e. no later than* ***12 October 2021 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.
6. *Only unitholders whose names appear on the General Meeting Record of Depositors as at 7 October 2021 shall be entitled to attend the 9th 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 9th AGM or adjourned meeting.*

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AFFIX
STAMP

Tricor Investor & Issuing House Services Sdn Bhd
Share Registrar for YTL Hospitality REIT's 9th AGM
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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