

YTL HOSPITALITY REIT

Established in Malaysia

**Interim Financial Report
31 December 2017**

YTL HOSPITALITY REIT

Interim Financial Report 31 December 2017

	Page No.
Condensed Income Statements for the Quarter	1 - 3
Condensed Statements of Comprehensive Income for the Quarter	4
Condensed Income Statements for the Period	5 - 6
Condensed Statements of Comprehensive Income for the Period	7
Condensed Statements of Financial Position	8 - 9
Condensed Statements of Changes in Net Asset Value	10 - 13
Condensed Consolidated Statement of Cash Flows	14 - 15
Notes to the Interim Financial Report	16 - 29

YTL HOSPITALITY REIT**INTERIM FINANCIAL REPORT**

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

The figures have not been audited.

CONDENSED INCOME STATEMENTS FOR THE QUARTER

	GROUP		TRUST	
	CURRENT YEAR QUARTER 31.12.2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.12.2016 RM'000	CURRENT YEAR QUARTER 31.12.2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.12.2016 RM'000
NET REVENUE	134,673	119,155	30,994	25,078
PROPERTY OPERATING EXPENSES	(66,956)	(62,114)	(1,667)	(1,432)
NET PROPERTY INCOME	67,717	57,041	29,327	23,646
OTHER INCOME	749	3,081	27,578	30,755
MANAGER'S FEES	(2,415)	(2,124)	(2,415)	(2,124)
TRUSTEE'S FEES	(318)	(295)	(318)	(295)
ADMINISTRATION EXPENSES	(21,773)	(22,226)	(165)	(318)
FINANCE COSTS	(19,870)	(21,890)	(19,848)	(21,867)
INCOME BEFORE UNREALISED ITEM	24,090	13,587	34,159	29,797
UNREALISED ITEM: - Unrealised gain/(loss) on foreign exchange	49,049	(21,189)	(16,809)	(3,209)
PROFIT/(LOSS) BEFORE TAX	73,139	(7,602)	17,350	26,588
INCOME TAX EXPENSE	(616)	(951)	(214)	(233)
PROFIT/(LOSS) FOR THE QUARTER	72,523	(8,553)	17,136	26,355

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

	GROUP		TRUST	
	CURRENT YEAR QUARTER 31.12.2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.12.2016 RM'000	CURRENT YEAR QUARTER 31.12.2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.12.2016 RM'000
PROFIT/(LOSS) FOR THE QUARTER	72,523	(8,553)	17,136	26,355
DISTRIBUTION				
ADJUSTMENTS:				
- Depreciation	20,691	20,711	-	-
- Unrealised foreign translation differences	(49,049)	21,189	16,809	3,209
- Net income from foreign operations	(10,220)	(3,783)	-	-
	-----	-----	-----	-----
INCOME AVAILABLE FOR DISTRIBUTION / TOTAL DISTRIBUTABLE INCOME	33,945	29,564	33,945	29,564
UNDISTRIBUTED DISTRIBUTABLE INCOME BROUGHT FORWARD	1	1,736	1	1,736
	-----	-----	-----	-----
UNDISTRIBUTED DISTRIBUTABLE INCOME AVAILABLE FOR DISTRIBUTION	33,946	31,300	33,946	31,300
	-----	-----	-----	-----

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

CONDENSED INCOME STATEMENTS FOR THE QUARTER – continued

	GROUP		TRUST	
	CURRENT YEAR QUARTER 31.12.2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.12.2016 RM'000	CURRENT YEAR QUARTER 31.12.2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.12.2016 RM'000
UNDISTRIBUTED DISTRIBUTABLE INCOME AVAILABLE FOR DISTRIBUTION	33,946	31,300	33,946	31,300
PROVISION FOR INCOME DISTRIBUTION	(33,946)	(31,299)	(33,946)	(31,299)
UNDISTRIBUTED DISTRIBUTABLE INCOME	-	1	-	1
DISTRIBUTABLE INCOME PER UNIT (Sen)	1.9916	2.1330	1.9916	2.1330
GROSS DISTRIBUTION PER UNIT (Sen)	1.9917	2.2640 [^]	1.9917	2.2640 [^]

[^] Distribution per unit for the previous financial quarter consists of an advance income distribution of 1.9181 sen per unit based on the number of units in issue of 1,324,388,889 units and 0.3459 sen per unit based on the number of units in issue of 1,704,388,889 units, subsequent to the issuance of 380,000,000 new placement units in December 2016.

The Condensed Income Statements should be read in conjunction with the audited annual financial statements for the year ended 30 June 2017 and the accompanying explanatory notes attached to the interim financial statements.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME FOR THE QUARTER

	GROUP		TRUST	
	CURRENT YEAR QUARTER 31.12.2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.12.2016 RM'000	CURRENT YEAR QUARTER 31.12.2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.12.2016 RM'000
PROFIT/(LOSS) FOR THE QUARTER	72,523	(8,553)	17,136	26,355
OTHER COMPREHENSIVE (LOSS)/INCOME:-				
<i>ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO INCOME STATEMENT:-</i>				
CASH FLOW HEDGE	(788)	17,880	(788)	17,880
CURRENCY TRANSLATION DIFFERENCES	(37,933)	26,411	-	-
TOTAL COMPREHENSIVE INCOME FOR THE QUARTER	33,802	35,738	16,348	44,235
PROFIT/(LOSS) FOR THE QUARTER IS MADE UP AS FOLLOWS:-				
REALISED PROFIT	44,165	33,347	33,945	29,564
UNREALISED PROFIT / (LOSS)	28,358	(41,900)	(16,809)	(3,209)
	72,523	(8,553)	17,136	26,355
EARNINGS/(LOSS) PER UNIT (Sen)	4.26	(0.62)*	1.01	1.90*

* Earnings/(Loss) per unit of the Group and the Trust for the quarter ended 31 December 2016 was calculated on a weighted average of 1,390,475,846 units.

The Condensed Statements of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended 30 June 2017 and the accompanying explanatory notes attached to the interim financial statements.

YTL HOSPITALITY REIT**INTERIM FINANCIAL REPORT****CONDENSED INCOME STATEMENTS FOR THE PERIOD**

	GROUP		TRUST	
	6 MONTHS ENDED		6 MONTHS ENDED	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
NET REVENUE	255,188	220,261	57,608	49,766
PROPERTY OPERATING EXPENSES	(132,353)	(115,728)	(3,113)	(2,863)
NET PROPERTY INCOME	122,835	104,533	54,495	46,903
OTHER INCOME	2,618	4,389	58,024	58,397
MANAGER'S FEES	(4,545)	(4,001)	(4,545)	(4,001)
TRUSTEE'S FEES	(627)	(573)	(627)	(573)
ADMINISTRATION EXPENSES	(45,496)	(43,174)	(564)	(475)
FINANCE COSTS	(38,795)	(43,094)	(38,750)	(43,048)
INCOME BEFORE UNREALISED ITEM	35,990	18,080	68,033	57,203
UNREALISED ITEM: - Unrealised gain/(loss) on foreign exchange	47,757	(66,847)	(18,743)	25,409
PROFIT/(LOSS) BEFORE TAX	83,747	(48,767)	49,290	82,612
INCOME TAX EXPENSE	(1,120)	(1,566)	(447)	(475)
PROFIT/(LOSS) FOR THE PERIOD	82,627	(50,333)	48,843	82,137

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

CONDENSED INCOME STATEMENTS FOR THE PERIOD – continued

	GROUP		TRUST	
	6 MONTHS ENDED		6 MONTHS ENDED	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
PROFIT/(LOSS) FOR THE PERIOD	82,627	(50,333)	48,843	82,137
DISTRIBUTION ADJUSTMENTS:				
- Depreciation	42,545	40,248	-	-
- Unrealised foreign translation differences	(47,757)	66,847	18,743	(25,409)
- Net income from foreign operations	(9,829)	1,725	-	1,759
	-----	-----	-----	-----
INCOME AVAILABLE FOR DISTRIBUTION / TOTAL DISTRIBUTABLE INCOME	67,586	58,487	67,586	58,487
DISTRIBUTION PAID	(33,640)	(27,187)	(33,640)	(27,187)
PROVISION FOR INCOME DISTRIBUTION	(33,946)	(31,299)	(33,946)	(31,299)
	-----	-----	-----	-----
UNDISTRIBUTED DISTRIBUTABLE INCOME	-	1	-	1
	=====	=====	=====	=====
DISTRIBUTABLE INCOME PER UNIT (Sen)	3.9654	4.3169	3.9654	4.3169
	=====	=====	=====	=====
GROSS DISTRIBUTION PER UNIT (Sen)	3.9654	4.3168^	3.9654	4.3168^
	=====	=====	=====	=====

^ Distribution per unit for the previous financial period consists of interim and advance income distribution of 3.9709 sen per unit based on the number of units in issue of 1,324,388,889 units and 0.3459 sen per unit based on the number of units in issue of 1,704,388,889 units, subsequent to the issuance of 380,000,000 new placement units in December 2016.

The Condensed Income Statements should be read in conjunction with the audited annual financial statements for the year ended 30 June 2017 and the accompanying explanatory notes attached to the interim financial statements.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIOD

	GROUP		TRUST	
	6 MONTHS ENDED		6 MONTHS ENDED	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
PROFIT/(LOSS) FOR THE PERIOD	82,627	(50,333)	48,843	82,137
OTHER COMPREHENSIVE INCOME/(EXPENSE):-				
<i>ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO INCOME STATEMENT:-</i>				
CASH FLOW HEDGE	1,782	13,395	1,782	13,395
CURRENCY TRANSLATION DIFFERENCES	(102,745)	135,328	-	-
	-----	-----	-----	-----
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	(18,336)	98,390	50,625	95,532
	=====	=====	=====	=====
PROFIT/(LOSS) FOR THE PERIOD IS MADE UP AS FOLLOWS:-				
REALISED PROFIT	77,415	56,762	67,586	56,728
UNREALISED PROFIT / (LOSS)	5,212	(107,095)	(18,743)	25,409
	-----	-----	-----	-----
	82,627	(50,333)	48,843	82,137
	=====	=====	=====	=====
EARNINGS/(LOSS) PER UNIT (Sen)	4.85	(3.71)*	2.87	6.05*
	=====	=====	=====	=====

* Earnings/(Loss) per unit of the Group and the Trust for the period ended 31 December 2016 was calculated on a weighted average of 1,357,432,367 units.

The Condensed Statements of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended 30 June 2017 and the accompanying explanatory notes attached to the interim financial statements.

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

	GROUP		TRUST	
	UNAUDITED	AUDITED	UNAUDITED	AUDITED
	AS AT	AS AT	AS AT	AS AT
	31.12.2017	30.06.2017	31.12.2017	30.06.2017
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Non-current Assets				
Investment properties	2,304,904	1,937,647	2,047,721	1,663,500
Property, plant and equipment	1,801,460	1,921,844	-	-
Investment in subsidiaries	-	-	396,657	396,657
Amount due from subsidiaries	-	-	1,296,250	1,357,497
Deferred tax assets	3,010	2,733	-	-
	-----	-----	-----	-----
	4,109,374	3,862,224	3,740,628	3,417,654
	-----	-----	-----	-----
Current Assets				
Inventories	845	860	-	-
Trade and other receivables	60,194	33,660	30,221	10,304
Amount due from subsidiaries	-	-	111,427	99,524
Deposits with licensed financial institutions	20,174	51,051	5,766	30,975
Cash at banks	116,393	91,411	1,245	888
	-----	-----	-----	-----
	197,606	176,982	148,659	141,691
	-----	-----	-----	-----
TOTAL ASSETS	4,306,980	4,039,206	3,889,287	3,559,345
	=====	=====	=====	=====
UNITHOLDERS' FUNDS				
Unitholders' capital	1,690,806	1,690,806	1,690,806	1,690,806
Undistributed income	16,120	1,079	402,955	421,698
Reserves	737,985	839,106	(12,091)	(13,873)
	-----	-----	-----	-----
Net Asset Value	2,444,911	2,530,991	2,081,670	2,098,631
	-----	-----	-----	-----

(THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK)

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

CONDENSED STATEMENTS OF FINANCIAL POSITION – continued

	GROUP		TRUST	
	UNAUDITED AS AT 31.12.2017 RM'000	AUDITED AS AT 30.06.2017 RM'000	UNAUDITED AS AT 31.12.2017 RM'000	AUDITED AS AT 30.06.2017 RM'000
LIABILITIES				
Non-current Liabilities				
Borrowings	1,741,738	989,837	1,017,469	915,830
Other payables	-	1,195	-	-
Derivative financial instruments	12,091	13,873	12,091	13,873
Amount due to a subsidiary	-	-	725,000	75,000
	<u>1,753,829</u>	<u>1,004,905</u>	<u>1,754,560</u>	<u>1,004,703</u>
Current Liabilities				
Borrowings	-	414,753	-	414,753
Trade and other payables	73,201	54,723	19,111	8,353
Income tax liabilities	1,093	929	-	-
Provision for income distribution	33,946	32,905	33,946	32,905
	<u>108,240</u>	<u>503,310</u>	<u>53,057</u>	<u>456,011</u>
TOTAL LIABILITIES	<u>1,862,069</u>	<u>1,508,215</u>	<u>1,807,617</u>	<u>1,460,714</u>
TOTAL UNITHOLDERS' FUNDS & LIABILITIES	<u>4,306,980</u>	<u>4,039,206</u>	<u>3,889,287</u>	<u>3,559,345</u>
Net asset value (RM'000)	<u>2,444,911</u>	<u>2,530,991</u>	<u>2,081,670</u>	<u>2,098,631</u>
Number of units in circulations ('000)	<u>1,704,389</u>	<u>1,704,389</u>	<u>1,704,389</u>	<u>1,704,389</u>
Net asset value per unit (RM)				
- before income distribution	<u>1.474</u>	<u>1.557</u>	<u>1.261</u>	<u>1.303</u>
- after income distribution	<u>1.434</u>	<u>1.485</u>	<u>1.221</u>	<u>1.231</u>

The Condensed Statements of Financial Position should be read in conjunction with the audited annual financial statements for the year ended 30 June 2017 and the accompanying explanatory notes attached to the interim financial statements.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

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

GROUP	Unitholders' Capital RM'000	Distributable Undistributed Realised Income RM'000	<-----Non distributable----->				Total Unitholders' Funds RM'000
			Unrealised Loss RM'000	Currency Translation Reserves RM'000	Revaluation Reserve RM'000	Cash Flow Hedge Reserve RM'000	
At 1 July 2017	1,690,806	182,215	(181,136)	30,535	822,444	(13,873)	2,530,991
Operations for the period							
Profit for the period	-	77,415	5,212	-	-	-	82,627
Other comprehensive (loss)/income	-	-	-	(67,955)	(34,948)	1,782	(101,121)

Increase/(Decrease) in net assets resulting from operations	-	77,415	5,212	(67,955)	(34,948)	1,782	(18,494)
Unitholders' transactions							
Distribution paid	-	(33,640)	-	-	-	-	(33,640)
Provision for income distribution	-	(33,946)	-	-	-	-	(33,946)

Decrease in net assets resulting from Unitholders' transaction	-	(67,586)	-	-	-	-	(67,586)

At 31 December 2017	1,690,806	192,044	(175,924)	(37,420)	787,496	(12,091)	2,444,911
=====							

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

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

	Unitholders' Capital RM'000	Distributable	<-----Non distributable---->	Cash Flow Hedge Reserve RM'000	Total Unitholders' Funds RM'000
		Undistributed Realised Income RM'000	Unrealised Income RM'000		
TRUST					
At 1 July 2017	1,690,806	184,699	236,999	(13,873)	2,098,631
Operations for the period					
Profit/(Loss) for the period	-	67,586	(18,743)	-	48,843
Other comprehensive income	-	-	-	1,782	1,782
	-----	-----	-----	-----	-----
Increase/(Decrease) in net assets resulting from operations	-	67,586	(18,743)	1,782	50,625
Unitholders' transactions					
Distribution paid	-	(33,640)	-	-	(33,640)
Provision for income distribution	-	(33,946)	-	-	(33,946)
	-----	-----	-----	-----	-----
Decrease in net assets resulting from Unitholders' transaction	-	(67,586)	-	-	(67,586)
	-----	-----	-----	-----	-----
At 31 December 2017	1,690,806	184,699	218,256	(12,091)	2,081,670
	=====	=====	=====	=====	=====

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

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

GROUP	Unitholders' Capital RM'000	Distributable Undistributed Realised Income RM'000	<-----Non distributable----->				Total Unitholders' Funds RM'000
			Unrealised Loss RM'000	Currency Translation Reserves RM'000	Revaluation Reserve RM'000	Cash Flow Hedge Reserve RM'000	
At 1 July 2016	1,291,395	184,836	(48,946)	(73,393)	592,235	(23,724)	1,922,403
Operations for the period							
Profit/(Loss) for the period	-	56,762	(107,095)	-	-	-	(50,333)
Other comprehensive income	-	-	-	85,075	50,253	13,395	148,723
Increase/(Decrease) in net assets resulting from operations	-	56,762	(107,095)	85,075	50,253	13,395	98,390
Unitholders' transactions							
Issuance of units	402,800	-	-	-	-	-	402,800
Issuing expenses	(3,383)	-	-	-	-	-	(3,383)
Distribution paid	-	(27,187)	-	-	-	-	(27,187)
Provision for income distribution [^]	-	(31,299)	-	-	-	-	(31,299)
Increase/(Decrease) in net assets resulting from Unitholders' transaction	399,417	(58,486)	-	-	-	-	340,931
At 31 December 2016	1,690,812	183,112	(156,041)	11,682	642,488	(10,329)	2,361,724

[^] includes an advance income distribution of RM25.403 million or 1.9181 sen per unit for the financial period from 1 October 2016 to 14 December 2016, which was paid on 12 January 2017.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

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

	Unitholders' Capital RM'000	Distributable Undistributed Realised Income RM'000	<-----Non distributable----> Unrealised Income RM'000	Cash Flow Hedge Reserve RM'000	Total Unitholders' Funds RM'000
TRUST					
At 1 July 2016	1,291,395	184,697	194,534	(23,724)	1,646,902
Operations for the period					
Profit for the period	-	56,728	25,409	-	82,137
Other comprehensive income	-	-	-	13,395	13,395
	-----	-----	-----	-----	-----
Increase in net assets resulting from operations	-	56,728	25,409	13,395	95,532
Unitholders' transactions					
Issuance of units	402,800	-	-	-	402,800
Issuing expenses	(3,383)	-	-	-	(3,383)
Distribution paid	-	(27,187)	-	-	(27,187)
Provision for income distribution^	-	(31,299)	-	-	(31,299)
	-----	-----	-----	-----	-----
Increase/(Decrease) in net assets resulting from Unitholders' transaction	399,417	(58,486)	-	-	340,931
	-----	-----	-----	-----	-----
At 31 December 2016	1,690,812	182,939	219,943	(10,329)	2,083,365
	=====	=====	=====	=====	=====

^ includes an advance income distribution of RM25.403 million or 1.9181 sen per unit for the financial period from 1 October 2016 to 14 December 2016, which was paid on 12 January 2017.

The Condensed Statements of Changes in Net Asset Value should be read in conjunction with the audited annual financial statements for the year ended 30 June 2017 and the accompanying explanatory notes attached to the interim financial statements.

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

	6 MONTHS ENDED	
	31.12.2017	31.12.2016
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax	83,747	(48,767)
Adjustments for:-		
Amortisation of transaction costs	3,001	3,521
Depreciation of property, plant and equipment	42,545	40,248
Interest income	(701)	(1,657)
Interest expense	35,386	39,428
Loss/(Gain) on disposal of equipment	104	(35)
Unrealised (gain)/loss on foreign currency exchange	(47,757)	66,847
	-----	-----
Operating profit before changes in working capital	116,325	99,585
Net changes in current assets	(31,564)	267
Net changes in current liabilities	19,324	(5,867)
	-----	-----
Cash generated from operations	104,085	93,985
Income tax paid	(864)	(562)
	-----	-----
Net cash from operating activities	103,221	93,423
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	255	1,182
Proceed from disposal of equipment	45	78
Acquisition of property, plant and equipment	(2,484)	(19,259)
Acquisition of investment property	(380,000)	-
	-----	-----
Net cash used in investing activities	(382,184)	(17,999)
	-----	-----

(THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK)

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

	6 MONTHS ENDED	
	31.12.2017	31.12.2016
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(35,386)	(39,375)
Distribution paid	(66,545)	(55,546)
Net proceed from borrowing	383,200	19,323
Proceed from issuance of units	-	402,800
Issuing expenses	-	(3,383)
Transaction costs paid	(1,360)	(57)
	-----	-----
Net cash from financing activities	279,909	323,762
	-----	-----
Net increase in cash and cash equivalents	946	399,186
Effect on exchange rate changes	(6,841)	4,097
Cash and cash equivalents at beginning of financial period	142,462	119,563
	-----	-----
Cash and cash equivalents at end of financial period (note a)	136,567	522,846
	=====	=====

Note (a)

Cash and cash equivalents

	As At	As At
	31.12.2017	31.12.2016
	RM'000	RM'000
Deposits with licensed financial institutions	20,174	434,601
Cash at banks	116,393	88,245
	-----	-----
	136,567	522,846
	=====	=====

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited annual financial statements for the year ended 30 June 2017 and the accompanying explanatory notes attached to the interim financial statements.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes :

Disclosure requirement pursuant to MFRS 134

The condensed interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 30 June 2017.

A1. Accounting Policies and Methods of Computation

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

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

The adoption of MFRS and amendments to MFRSs, which were effective for the financial period beginning 1 July 2017, do not have significant financial impacts on the interim financial report of the Group and of the Trust.

A2. Seasonality or Cyclicity of Operations

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

A3. Unusual Items

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

A4. Changes in estimates of amounts reported

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

A5. Changes in Debt and Equity Securities

There was no issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the current financial quarter and financial year to date save as disclosed in Note B15.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

A6. Income Distribution

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

	RM'000
In respect of the three months ended 30 June 2017:- A final distribution of 1.9306 sen per unit each paid on 30 August 2017	32,905
In respect of the three months ended 30 September 2017:- An interim distribution of 1.9737 sen per unit each paid on 29 December 2017	33,640

	66,545
	=====

A7. Segment Information

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

	< ---Property rental--- >		< --Hotel-- >	
	Malaysia	Japan	Australia	Total
	RM'000	RM'000	RM'000	RM'000
External revenue	57,608	8,160	189,420	255,188
Operating expenses	(3,113)	(2,220)	(127,020)	(132,353)
	-----	-----	-----	-----
Net property income	54,495	5,940	62,400	122,835
	-----	-----	-----	-----
Other income				2,618

Total income				125,453
Trust and administration expenses				(50,668)
Unrealised gain on foreign exchange				47,757
Finance costs				(38,795)

Profit before tax				83,747
				=====
				=====
Total assets	2,084,254	281,644	1,941,082	4,306,980
	=====	=====	=====	=====

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

A7. Segment Information - continued

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

	< ---Property rental--->		< --Hotel-- >	
	Malaysia	Japan	Australia	Total
	RM'000	RM'000	RM'000	RM'000
External revenue	49,766	7,756	162,739	220,261
Operating expenses	(2,863)	(2,164)	(110,701)	(115,728)
	-----	-----	-----	-----
Net property income	46,903	5,592	52,038	104,533
	-----	-----	-----	
Other income				4,389

Total income				108,922
Trust and administration expenses				(47,748)
Unrealised loss on foreign exchange				(66,847)
Finance costs				(43,094)

Loss before tax				(48,767)
				=====
Total assets	2,015,194	274,885	1,848,821	4,138,900
	=====	=====	=====	=====

A8. Events after the interim period

There was no material event during the period from the end of the quarter under review to the date of this report.

A9. Changes in the Composition of the Group

There was no change in the composition of the Group and of the Trust for the current financial period ended 31 December 2017 and the fund size stood at 1,704,388,889.

A10. Changes in Contingent Liabilities

There were no contingent liabilities to be disclosed.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes :

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

B1. Review of Performance

Comparison with Preceding Year Corresponding Quarter

	Current Quarter 31.12.2017 RM'000	Preceding Year Corresponding Quarter 31.12.2016 RM'000	Changes %
Revenue	134,673	119,155	13.02
Net Property Income	67,717	57,041	18.72
Profit/(Loss) Before Tax	73,139	(7,602)	1,062.10
Income Available For Distribution	33,945	29,564	14.82

The income available for distribution in the current financial quarter increased to RM33.945 million from RM29.564 million recorded in preceding year corresponding quarter, representing an increase of 14.82%, after adjustment for non-cash items, mainly due to the increase in net property income in the current financial quarter and reduction in finance costs as a result of the partial prepayment of borrowings in December 2016.

For the current financial quarter ended 31 December 2017, the Group recorded a revenue of RM134.673 million, representing an increase of 13.02% as compared to RM119.155 million recorded in the preceding year corresponding quarter while the Group recorded a net property income of RM67.717 million, representing an increase of 18.72% as compared to RM57.041 million recorded in the preceding year corresponding quarter.

Australian Properties contributed 73.96% of total revenue, or RM99.601 million in the current financial quarter, 10.41% higher as compared to RM90.213 million recorded in the preceding year corresponding quarter. Net property income for Australian Properties was RM35.706 million, an increase of 15.43% as compared to RM30.933 million recorded in the preceding year corresponding quarter. The increase in revenue and net property income in the current financial quarter were due substantially to the increase in room sales subsequent to the completion of a refurbishment exercise during the financial quarter ended 31 March 2017.

Malaysian Properties contributed 23.01% of total revenue, or RM30.994 million in the current financial quarter, 23.59% higher as compared to RM25.078 million recorded in the preceding year corresponding quarter. Net property income for Malaysian Properties was RM29.327 million, an increase of 24.03% from RM23.646 million recorded in the preceding year corresponding quarter. The increase in revenue and net property income were mainly due to the acquisition of The Majestic Hotel Kuala Lumpur in November 2017. Step-up lease rental income of 5% every five years from the commencement of lease agreement and additional rentals from The Ritz Carlton Suite and Hotel Wing following the completion of the refurbishment in May 2017 also contributed to the increase in revenue and net property income.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B1. Review of Performance - continued

Hilton Niseko Village contributed 3.03% of total revenue, or RM4.078 million in the current financial quarter, 5.54% higher than that recorded in the preceding year corresponding quarter. Net property income for the current quarter was RM2.684 million, an increase of 9.02% from the preceding year corresponding quarter.

The Group recorded a profit before tax of RM73.139 million for the current financial quarter ended 31 December 2017, an increase of 1,062.10%, as compared to a loss before tax of RM7.602 million recorded in the preceding year corresponding quarter. The preceding year corresponding quarter recorded a higher unrealised foreign currency translation loss of RM21.189 million on the Australian Dollar denominated term loan as compared to RM49.049 million gain recorded in the current financial quarter, arising from the strengthening of Ringgit Malaysia against Australian Dollar.

Comparison with Preceding Year Corresponding Period

	Current Year To Date 31.12.2017 RM'000	Preceding Year Corresponding Period 31.12.2016 RM'000	Changes %
Revenue	255,188	220,261	15.86
Net Property Income	122,835	104,533	17.51
Profit/(Loss) Before Tax	83,747	(48,767)	271.73
Income Available For Distribution	67,586	58,487	15.56

The income available for distribution in the current financial period increased to RM67.586 million from RM58.487 million recorded in preceding year corresponding period, representing an increase of 15.56%, after adjustment for non-cash items, mainly due to the reasons set out above.

For the current financial period ended 31 December 2017, the Group recorded a revenue of RM255.188 million, representing an increase of 15.86% as compared to RM220.261 million recorded in the preceding year corresponding period while the Group recorded a net property income of RM122.835 million, representing an increase of 17.51% as compared to RM104.533 million recorded in the preceding year corresponding period.

Australian Properties contributed 74.23% of total revenue, or RM189.420 million in the current financial period, 16.39% higher as compared to RM162.739 million recorded in the preceding year corresponding period. Net property income for Australian Properties was RM62.400 million, an increase of 19.91% as compared to RM52.038 million recorded in the preceding year corresponding period. The increase in revenue and net property income in the current financial period were due substantially to the reasons set out above.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B1. Review of Performance - continued

Malaysian Properties contributed 22.57% of total revenue, or RM57.608 million in the current financial period, 15.76% higher as compared to RM49.766 million recorded in the preceding year corresponding period. Net property income for Malaysian Properties was RM54.495 million, an increase of 16.19% from RM46.903 million recorded in the preceding year corresponding period. The increase in revenue and net property income were mainly due to the reasons set out above.

Hilton Niseko Village contributed 3.20% of total revenue, or RM8.160 million in the current financial period, 5.21% higher than that recorded in the preceding year corresponding period. Net property income for the current period was RM5.940 million, an increase of 6.22% from RM5.592 million recorded in the preceding year corresponding period.

The Group recorded a profit before tax of RM83.747 million for the current financial period ended 31 December 2017, an increase of 271.73%, as compared to a loss before tax of RM48.767 million recorded in the preceding year corresponding period. The preceding year corresponding period recorded a higher unrealised foreign currency translation loss of RM66.847 million on the Australian Dollar denominated term loan as compared to RM47.757 million gain recorded in the current financial period, arising from the strengthening of Ringgit Malaysia against Australian Dollar.

Comparison with Preceding Quarter

	Current Quarter 31.12.2017 RM'000	Preceding Quarter 30.09.2017 RM'000	Changes %
Revenue	134,673	120,515	11.75
Net Property Income	67,717	55,118	22.86
Profit Before Tax	73,139	10,608	589.47
Income Available For Distribution	33,945	33,641	0.90

The income available for distribution increased marginally to RM33.945 million in current financial quarter from RM33.641 million recorded in preceding financial quarter ended 30 September 2017, representing an increase of 0.90%, after adjustment for non-cash items.

For the current financial quarter, Group revenue increased by 11.75% while net property income increased by 22.86% as compared to the preceding financial quarter ended 30 September 2017.

Revenue and net property income from Australian Properties at RM99.601 million and RM35.706 million, respectively in the current financial quarter increased 10.89% and 33.76%, respectively as compared to RM89.819 million and RM26.694 million, respectively recorded in the preceding quarter. The increase in revenue and net property income were mainly due to the reasons set out above.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B1. Review of Performance - continued

Revenue from Malaysian Properties at RM30.994 million increased by 16.46% as compared to that in the preceding quarter of RM26.614 million. Net property income for Malaysian Properties was RM29.327 million, an increase of 16.52% from RM25.168 million recorded in the preceding quarter. The increase in revenue and net property income was mainly due to the acquisition of The Majestic Hotel Kuala Lumpur in November 2017 and step-up lease rental income from JW Marriott Hotel Kuala Lumpur in December 2017.

Revenue and net property income from Hilton Niseko Village at RM4.078 million and RM2.684 million, respectively in the current financial quarter decreased 0.10% and 17.57% as compared to the revenue and net property income recorded in the preceding quarter of RM4.082 million and RM3.256 million, respectively. The decrease in net property income was mainly due to costs of maintenance works carried out at the property in the current financial quarter.

The Group's profit before tax for the current financial quarter ended 31 December 2017 increased by RM62.531 million as compared to the preceding quarter ended 30 September 2017. The following factors contributed to the increase:

- (i) an unrealised foreign currency translation gain of RM49.049 million on the Australian Dollar denominated term loan was recognised in the current quarter; and
- (ii) additional net property income of RM12.599 million contributed by Malaysian and Australian properties in the current quarter.

B2. Audit Report of the preceding financial year ended 30 June 2017

The Auditor's Report on the financial statements of the financial year ended 30 June 2017 did not contain any qualification.

B3. Significant Changes in the State of Affairs

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

(THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK)

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B4. Portfolio Composition

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

	Fair Value As At 31.12.2017 RM'000	% Of Fair Value To NAV As At 31.12.2017 %	
<u>Real Estate - Commercial</u>			
<u>Malaysian Properties</u>			
(i)	JW Marriott Hotel Kuala Lumpur	411,000	16.8
(ii)	The Majestic Hotel Kuala Lumpur	384,221	15.7
(iii)	The Ritz-Carlton, Kuala Lumpur - Hotel Wing	341,000	14.0
(iv)	The Ritz-Carlton, Kuala Lumpur - Suite Wing	301,000	12.3
(v)	Vistana Kuala Lumpur Titiwangsa	128,300	5.3
(vi)	Vistana Penang Bukit Jambul	117,000	4.8
(vii)	Pangkor Laut Resort	116,100	4.8
(viii)	Tanjong Jara Resort	101,100	4.1
(ix)	Vistana Kuantan City Centre	88,000	3.6
(x)	Cameron Highlands Resort	60,000	2.5
<u>Japanese Property</u>			
(xi)	Hilton Niseko Village*	257,183	10.5
<u>Australian Properties</u>			
(xii)	Sydney Harbour Marriott^	1,296,384	53.0
(xiii)	Brisbane Marriott^	262,133	10.7
(xiv)	Melbourne Marriott^	242,943	9.9
	-----	-----	
	4,106,364	168.0	
Deposits with licensed financial institutions	20,174	0.8	
	-----	-----	
	4,126,538	168.8	
	=====	=====	

Note :

* Translated on 29 December 2017 at the exchange rate of JPY100 : RM3.6020

^ Translated on 29 December 2017 at the exchange rate of AUD1 : RM3.1659

During the current the financial period, the Group completed the acquisition of The Majestic Hotel Kuala Lumpur.

(THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK)

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B5. Change in Net Asset Value (“NAV”)

The total NAV and NAV per unit of the Group as at 31 December 2017 were RM2,444,911,623 and RM1.4345, respectively. The decrease in total NAV was mainly due to the unrealised loss items recorded in respect of the investments in the Japanese and Australian subsidiaries. The unrealised loss items, which are non-distributable, include depreciation and foreign translation differences.

	Current Quarter 31.12.2017 RM	Preceding Quarter 30.09.2017 RM
NAV	2,444,911,623	2,509,867,345
NAV per unit	1.4345	1.4726

B6. Change in Market Value

On 29 December 2017, YTL Hospitality REIT’s market value closed at RM1.28 per unit, an increase of 23.33% as compared to the closing market value of RM1.20 per unit on 29 September 2017.

B7. Prospects

The Manager, after considering the strength of the real estate portfolio invested, expects the Group to achieve satisfactory performance for the financial year ending 30 June 2018.

B8. Utilisation of Proceeds Raised from Issuance of New Units

There was no issuance of new units during the current financial period ended 31 December 2017.

B9. Circumstances Affecting Interest of Unitholders

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

B10. Material Litigation

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

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B11. Maintenance Costs and Major Capital Expenditure

During the financial period ended 31 December 2017, the Australian Properties and Hilton Niseko Village incurred RM2,484,000 and RM603,000 for the refurbishment works and property repair and maintenance, respectively. The Group had also completed the acquisition of The Majestic Hotel Kuala Lumpur during the current financial period.

B12. Soft Commission

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

B13. Taxation

Taxation comprises the following:-

	Current Quarter 31.12.2017 RM'000	Year To Date 31.12.2017 RM'000
Malaysian income tax	26	55
Foreign income tax	837	1,474
Deferred tax	(247)	(409)
	-----	-----
	616	1,120
	=====	=====

Trust level

It is the policy of the Trust to distribute at least 90% of the total income to unitholders for each financial year. Income of the Trust shall be exempted from tax if it distributes 90% or more of its taxable income for that year of assessment, in accordance with the amended Section 61A, Income Tax Act, 1967, thus no Malaysian income tax is payable by the Trust for the financial period ended 31 December 2017.

Unitholders' level

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

Category of unitholders	Withholding tax rate
Resident and non-resident individuals	10%
Resident and non-resident institutions	10%
Resident companies	No withholding tax. Subject to tax at the prevailing corporate tax rate.
Non-resident companies	24%

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B14. Corporate Development

As at the date of this report, there is no corporate proposal announced and pending completion.

B15. Borrowings and Debt Securities

The Group's borrowings as at 31 December 2017 are as follows:

Long term	RM'000
Term Loan – secured [^]	1,022,639
Medium Term Notes - secured	725,000

Total borrowings	1,747,639
Capitalised transaction costs	(5,901)

	1,741,738
	=====
Total Assets	4,306,980
	=====
Gearing ratio (%)	40.58
	=====

Note :

[^] Translated on 29 December 2017 at the exchange rate of AUD1 : RM3.1659

The term loan is denominated in Australian Dollar at AUD323,016,856. In order to protect the Group's distributable income from the volatility in interest rates and provide stability to unitholder's returns, the Group hedged its exposure to changes in the variable interest rates by entering into interest rate swaps and issued the medium term notes with fixed coupon rates.

During the current financial period, the Group raised borrowings totaling RM800 million to finance the acquisition of The Majestic Hotel Kuala Lumpur and to repay term loan denominated in Ringgit Malaysia.

(THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK)

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B16. Derivative Financial Instruments

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

Type of Derivative	Contract/ Notional Value RM'000	Fair Value RM'000
Interest rate swap contracts		
- 1 to 5 years	1,022,639^	(12,091)
	=====	=====

Note :

^ Translated on 29 December 2017 at the exchange rate of AUD1 : RM3.1659

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

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

The fair value of interest rate swap recognised in other comprehensive income for the current financial quarter and financial period amounted to a loss of RM0.788 million and a gain of RM1.782 million, respectively.

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

(THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK)

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B17. Income Distribution

The Board of Pintar Projek Sdn. Bhd. has declared an interim distribution of 1.9917 sen per unit of which all is taxable in the hands of unitholders, totaling RM33,946,314 (which is tax exempt at the Trust level under the amended Section 61A of the Income Tax Act 1967), representing approximately 100% of the total distributable income for the financial quarter ended 31 December 2017.

The total income distribution paid and declared for the financial period ended 31 December 2017 is 3.9654 sen per unit, totaling RM67,585,838 and representing approximately 100% of the total distributable income. The book closure and payment dates in respect of the interim distribution will be fixed on 12 and 30 March 2018, respectively.

The interim income distributions are from the following sources:-

	Current Quarter 31.12.2017 RM'000	Year To Date 31.12.2017 RM'000
Profit after taxation	72,523	82,627
Distribution adjustments:-		
Depreciation	20,691	42,545
Unrealised foreign translation differences	(49,049)	(47,757)
Net income from foreign operations	(10,220)	(9,829)
	-----	-----
Income available for distribution/Total distributable income	33,945	67,586
Total distributable income brought forward	1	-
	-----	-----
	33,946	67,586
Less: Income distribution	(33,946)	(67,586)
	-----	-----
Undistributed distributable income	-	-
	=====	=====

(THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK)

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

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

As at 31 December 2017, the Manager did not hold any units in YTL Hospitality REIT. The units held by the parties related to the Manager are as follows:-

	Number Of Units '000	Market Value RM'000
YTL Corporation Berhad	937,464	1,199,954
YTL Power International Berhad	43,090	55,155
Business & Budget Hotels (Kuantan) Sdn Bhd	18,750	24,000
Megahub Development Sdn Bhd	18,250	23,360
East-West Ventures Sdn Bhd	62,500	80,000
Syarikat Pelanchongan Pangkor Laut Sendirian Berhad	24,250	31,040
Tanjong Jara Beach Hotel Sdn Bhd	1,750	2,240
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping	870	1,114
Dato' Yeoh Seok Kah	2,000	2,560
Dato' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir	100	128

The market value of the units held by the parties related to the Manager is based on the closing market price of YTL Hospitality REIT at RM1.28 per unit as at 29 December 2017.

B19. Statement by the Directors of the Manager

In the opinion of the Directors of the Manager, this quarterly report has been prepared in accordance with MFRS 134: "Interim Financial Reporting", and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Securities so as to give a true and fair view of the financial position of YTL Hospitality REIT as at 31 December 2017 and of its financial performance and cash flows for the financial period ended on that date.

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

Kuala Lumpur
Dated: 23 February 2018