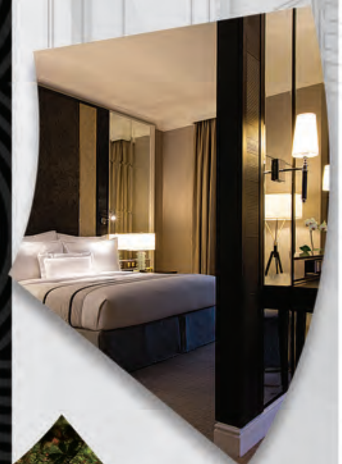
YTL HOSPITALITY REIT

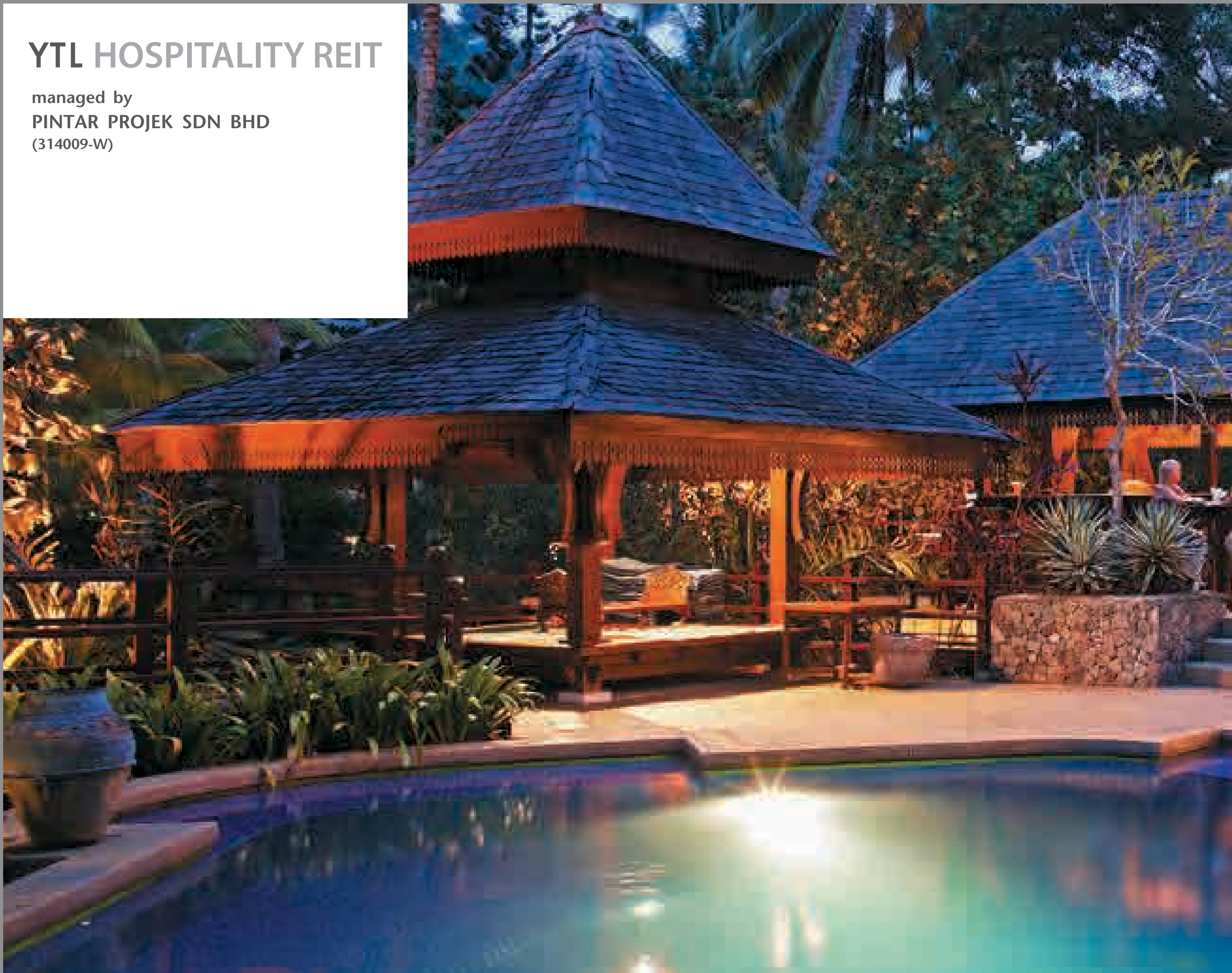
BUILDING THE RIGHT THING



Annual Report 2016

YTL HOSPITALITY REIT

managed by
PINTAR PROJEK SDN BHD
(314009-W)



Contents

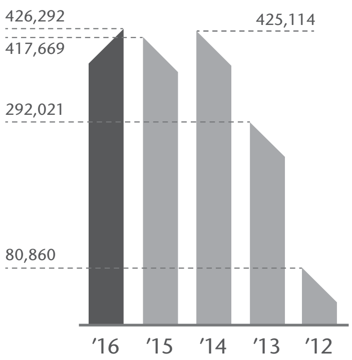
Financial Highlights

	2016	2015	2014[*2]	2013	2012
Revenue (RM'000)	**426,292**	417,669	425,114	292,021	80,860
(Loss)/Profit before tax (RM'000)	**(3,788)**	96,808	196,515	56,242	107,264
(Loss)/Profit after tax (RM'000)	**(5,775)**	94,992	195,093	55,747	106,161
Total assets (RM'000)	**3,621,918**	3,430,672	3,325,634	2,991,620[*1]	1,769,144
Net asset value (RM'000)	**1,922,403**	1,782,595	1,669,666	1,316,068	1,515,536
Units in circulation ('000)	**1,324,389**	1,324,389	1,324,389	1,324,389	1,324,389
Net asset value per Unit (RM)	**1.452**	1.346	1.261	0.994	1.144
(Loss)/Earnings per Unit (sen)	**(0.44)**	7.17	14.73	4.21	8.36
Distribution per Unit (sen)	**7.8938**	7.9746	8.4613	7.3803	7.6359

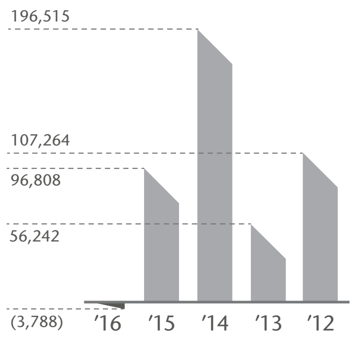
[*1] Includes 3 Marriott Properties in Australia of RM1,264 million acquired during the financial year ended 30 June 2013.
[*2] Valuation is carried out on the Group's real estate assets at least once in each financial year commencing the financial year ended 30 June 2014.

Financial Highlights

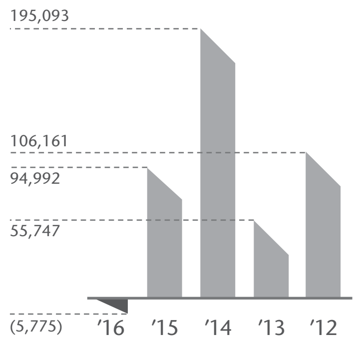
Revenue
(RM'000)



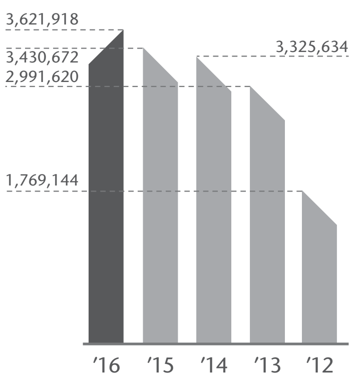
(Loss)/Profit before tax
(RM'000)



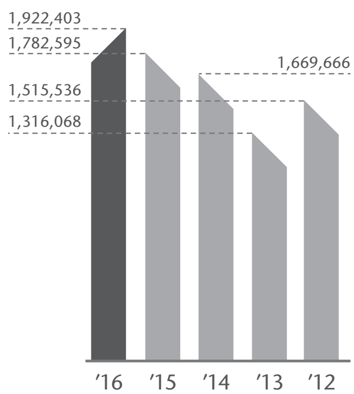
(Loss)/Profit after tax
(RM'000)



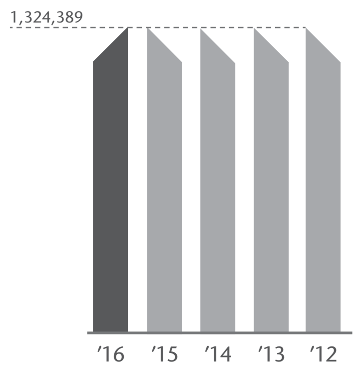
Total assets
(RM'000)



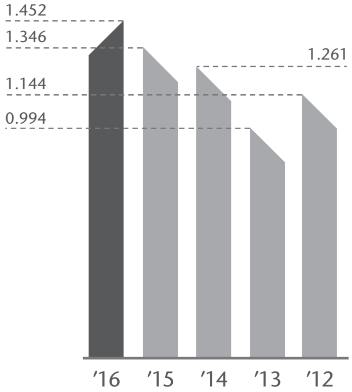
Net asset value
(RM'000)



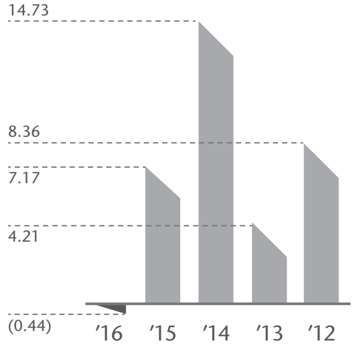
Units in circulation
('000)



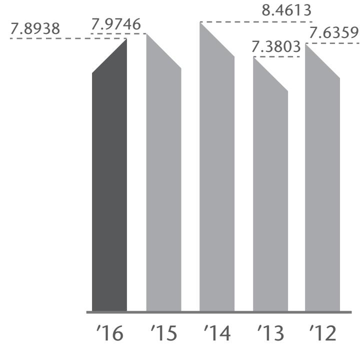
Net asset value per Unit
(RM)



(Loss)/Earnings per Unit
(sen)



Distribution per Unit
(sen)



Fund Performance

(I) PORTFOLIO COMPOSITION OF THE GROUP

At 30 June	2016 %	2015 %	2014 %	2013 %	2012 %
Real estate	**99**	98	97	96	95
Non-real estate-related assets	**–**	–	–	–	–
Deposits	**1**	2	3	4	5
	100	100	100	100	100

(II) NET ASSET VALUE & UNIT INFORMATION

	2016	2015	2014	2013	2012
Total assets (RM'000)	**3,621,918**	3,430,672	3,325,634	2,991,620	1,769,144
Total net asset value ("NAV") (RM'000)	**1,922,403**	1,782,595	1,669,666	1,316,068	1,515,536
Units in circulation ('000)	**1,324,389**	1,324,389	1,324,389	1,324,389	1,324,389
NAV per Unit (RM)					
– as at 30 June (before income distribution)	**1.530**	1.426	1.345	1.068	1.221
– as at 30 June (after income distribution)	**1.452**	1.346	1.261	0.994	1.144
– Highest NAV during the year	**1.452**	1.346	1.261	1.143	1.151
– Lowest NAV during the year	**1.339**	1.158	0.995	0.994	1.128
Market value per Unit (RM)					
– as at 30 June	**1.07**	1.03	0.92	1.06	1.02
– Weighted average price for the year	**1.05**	1.01	0.98	1.08	0.90
– Highest traded price for the year	**1.09**	1.05	1.07	1.15	1.04
– Lowest traded price for the year	**0.99**	0.92	0.89	1.02	0.83

Fund Performance

(III) PERFORMANCE DETAILS OF THE GROUP

	2016	2015	2014	2013	2012
Distribution per Unit (sen)					
– First interim	**1.9175**	1.9175	1.9175	3.5873	4.0112
– Second interim	**1.9175**	1.8697	1.9786	–	–
– Third interim	**1.9175**	1.8616	2.0804	–	–
– Final	**2.1413**	2.3258	2.4848	3.7930	3.6247
	7.8938	7.9746	8.4613	7.3803	7.6359
Distribution date					
– First interim	**30 December 2015**	24 December 2014	27 December 2013	28 February 2013	28 February 2012
– Second interim	**31 March 2016**	24 March 2015	27 March 2014	–	–
– Third interim	**30 June 2016**	26 June 2015	24 June 2014	–	–
– Final	**30 August 2016**	28 August 2015	29 August 2014	30 August 2013	28 August 2012
Distribution yield (%)[1]	**7.52**	7.90	8.61	6.83	8.47
Management expense ratio (%)	**0.68**	0.86	1.05	0.97	0.36
Portfolio turnover ratio (times)	**–**	–	–	0.48	0.20
Total return (%)[2]	**11.48**	10.96	(0.65)	26.83	11.92
Average total return[3]					
– One year	**11.48**				
– Three years	**7.26**				
– Five years	**12.11**				

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.*

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

Chief Executive Officer's Statement

ON BEHALF OF THE BOARD OF DIRECTORS OF PINTAR PROJEK SDN BHD ("PINTAR PROJEK" OR THE "MANAGER"), I HAVE THE PLEASURE OF PRESENTING TO YOU THE ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS OF YTL HOSPITALITY REIT ("YTL REIT" OR THE "TRUST") AND ITS SUBSIDIARIES (THE "GROUP") FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016.

FINANCIAL PERFORMANCE

The Group registered revenue of RM426.3 million for the financial year ended 30 June 2016, increasing marginally compared to RM417.7 million for the last financial year ended 30 June 2015. Net property income decreased to RM198.9 million for the financial year under review compared to RM201.5 million last year.

The Group's profit before tax decreased from a profit of RM96.8 million for the last financial year ended 30 June 2015 to a loss of RM3.8 million in the financial year ended 30 June 2016. The decrease was mainly due to a loss on fair value of properties of RM11.7 million recorded during the financial year under review compared to a gain on fair value of properties of RM56.7 million recognised last year. Other contributors to the decrease in profit before tax were the increase in unrealised foreign currency translation losses on an Australian Dollar denominated term loan and depreciation charges.

The Group's income available for distribution decreased by 1.0% to RM104.5 million for the financial year under review compared to RM105.6 million last year.

Chief Executive Officer's Statement

Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE, FICE
Chief Executive Officer

The Group's net asset value (after income distribution) increased by 7.9% to RM1.452 per unit as at 30 June 2016 compared to RM1.346 per unit as at 30 June 2015.

Distribution to Unitholders

On 28 July 2016, the Board of Directors of Pintar Projek declared a final distribution of 2.1413 sen per unit in respect of the fourth quarter of the financial year ended 30 June 2016, with book closure and payment dates of 12 August 2016 and 30 August 2016, respectively.

The combined quarterly distributions for the financial year under review amounted to a total distribution per unit ("DPU") of 7.8938 sen, translating into a yield of 7.52%, based on YTL REIT's volume weighted average unit price of RM1.05 per unit for the financial year ended 30 June 2016. The current year DPU is marginally lower than the DPU of 7.9746 sen for the 2015 financial year.

Chief Executive Officer's Statement

PORTFOLIO REVIEW

YTL REIT's investment portfolio was valued at RM3,497.7 million as at 30 June 2016, an increase of RM169.6 million compared to the previous valuation of RM3,328.1 million as at 30 June 2015.

Malaysian Portfolio

The Malaysian economy grew at a moderate pace, recording gross domestic product (GDP) growth of 5.0% for the 2015 calendar year, compared to 6.0% in 2014, supported by the continued expansion of domestic demand, primarily driven by the private sector. Modest improvements in external demand in the second half of the year also provided additional impetus to economic growth. Meanwhile, GDP growth for the first quarter of the 2016 calendar year was 4.2%. Tourist arrivals decreased by approximately 6.3% to 25.7 million for the 2015 calendar year, whilst tourist receipts declined by 4.0% to RM69.1 billion, due to the effects of the global economic downturn, recent aviation incidents and the regional haze phenomenon affecting parts of Malaysia during the second half of 2015 *(sources: Ministry of Finance, Bank Negara Malaysia, Tourism Malaysia updates)*.

YTL REIT continued to receive steady income from its portfolio of assets in Malaysia for the financial year under review. The Trust's Malaysian portfolio is made up of a distinctive range of nine assets, from luxury resorts and five-star properties to business hotels in key city centres across the Peninsula. YTL REIT maintains fixed lease arrangements for the properties and benefits from the stable income produced by this revenue structure.

The Trust's luxury assets in Kuala Lumpur consist of the JW Marriott Hotel Kuala Lumpur, The Ritz-Carlton, Kuala Lumpur, and The Residences at The Ritz-Carlton, Kuala Lumpur, luxury properties situated in the Golden Triangle commercial precinct. The three properties continue to operate in close proximity to high-end retail destinations, such as Starhill Gallery, and other luxury amenities, including the Feast Village fine dining pavilion, the Carlton Conference Centre and Spa Village Kuala Lumpur, and are expected to benefit once the ongoing MRT works in and around the Golden Triangle area are completed and services come on-stream in mid-2017.

YTL REIT's resort portfolio comprises Pangkor Laut Resort, Tanjong Jara Resort and Cameron Highlands Resort. Each resort offers a unique range of luxury services and experiences, including the award-winning Spa Village, distinctive to each resort. The resorts continued to see consistently good guest numbers for the year under review, drawing visitors from across the globe.

The Vistana chain of hotels, operating in Kuala Lumpur, Kuantan and Penang, makes up the business product of the Trust's domestic portfolio, catering to local and regional business travellers. The blend of practical, modern amenities in comfortable rooms, coupled with refined service standards, continues to set the Vistana hotels apart in this competitive segment of the hospitality industry and, accordingly, performance remained steady for the financial year under review.

International Portfolio – Japan

Japan's economy registered measured real GDP growth of about 0.8% for the 2015 calendar year and has continued to recover moderately as Japan delayed its implementation of its sales tax hike. However, the number of foreign tourists for the 2015 calendar year surged to a record high of 19.7 million visitors, an increase of 47.1% compared to the previous year, primarily on the back of the weaker Yen *(sources: Bank of Japan, Ministry of Finance Japan, Japan National Tourism Organization)*.

YTL REIT owns the Hilton Niseko Village situated in Hokkaido, which operates under a fixed lease arrangement, ensuring a stable level of income for the Trust. Niseko continues to benefit from its position as a prime holiday destination amongst both local Japanese and international visitors. The region's tourism industry has healthy local support, with Japanese visitors making up more than two-thirds of the total visitor population, whilst tourists from Australia, Hong Kong and Singapore make up the largest contingents of international visitors.

Chief Executive Officer's Statement

Whilst the Niseko area remains a traditionally winter destination, Hilton Niseko Village has continued to concentrate on developing high quality summer facilities, and the hotel registered strong lodging demand during the year under review. Hilton Niseko Village enjoys a reputation as one of the most well-known ski resorts in Japan due to its excellent powder snow, ski-in/ski-out location and onsite Onsen (hot springs) facilities, coupled with its summer draws, including abundant and varied outdoor activities and a world-class spa.

International Portfolio – Australia

Australia's economy recorded higher GDP growth of 3.0% for the 2015 calendar year compared to 2.5% in 2014, and looks to have continued at a similar pace in early 2016. Stronger output growth was accompanied by a large increase in employment and strengthening dwelling investment, supported by the low level of interest rates. Mining investment, however, continued to decline. The tourism industry registered an increase of approximately 7.9% in international tourist arrivals. This trend continues to be largely led by the emerging Asian economies, particularly from China with visitors increasing by 21% between 2014 and 2015 *(sources: Reserve Bank of Australia, Australian Bureau of Statistics, Tourism Research Australia updates; Colliers International, June 2016)*.

YTL REIT owns the Sydney Harbour Marriott, Brisbane Marriott and Melbourne Marriott, and the Trust is afforded the benefit of a variable source of income from the operation of its hotel assets in Australia.

Chief Executive Officer's Statement

The Sydney Harbour Marriott performed well during the year under review due to its well-established position and the quality of its service offerings. Occupancy at the Sydney Harbour Marriott decreased marginally to 86.8% compared to 87.2% last year. In 2015, the hotel completed the conversion of the former Executive Lounge and boardrooms into a further 32 guestrooms. Reconfigurations of the ground floor lobby and food and beverage areas are currently underway, and should be completed towards the end of the current calendar year. 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 recorded a slightly lower occupancy level of 88.65% for the financial year under review compared to 88.80% for the 2015 financial year. The 186-room hotel has continued to sustain sound occupancy levels, despite the increase in room supply in the Victoria area over recent years. The Melbourne Marriott is located close to the city's theatre precinct and within minutes of the Bourke and Collins street shopping districts, Chinatown, the Melbourne Museum and the Royal Exhibition Building.

The Brisbane Marriott, which consists of 263 rooms and 4 suites, saw occupancy increase to 84.10% for the 2016 financial year compared to 76.46% last year. The Brisbane market has continued to recover cautiously and the hotel's marketing strategies to attract a broader segment of guests continued to bear fruit. The Brisbane Marriott is located between Brisbane's central business district and the Fortitude Valley hub, close to shopping, riverside dining, and the city's corporate and cultural locales.

CORPORATE DEVELOPMENTS

As reported previously, on 14 June 2013, the Manager announced, amongst others, a proposed placement of new units in YTL REIT to raise gross proceeds of up to RM800 million and a proposed increase in YTL REIT's existing approved fund size from 1.324 billion units to a maximum of 2.125 billion units. On 30 December 2013, Securities Commission Malaysia ("SC") granted its approval for the listing of and quotation for the placement units on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") and the proposed increase in fund size.

Subsequently, on 10 January 2014, Bursa Securities approved the listing of and quotation for up to 800.61 million placement units to be issued pursuant to the proposed placement. The Trust received approval for the proposals and the proposed subscription of new units of up to RM310 million by YTL Corporation Berhad, an existing major unitholder of the Trust, at the meeting of unitholders held on 11 February 2014.

These corporate exercises are currently pending implementation as the Trust received approvals from the SC and Bursa Securities for a further 6-month extension of time until 29 June 2016 to implement the proposed placement and proposed increase in fund size, followed by a final extension of time until 29 December 2016, which was approved by the SC on 5 July 2016 and Bursa Securities on 21 July 2016.

CORPORATE SOCIAL RESPONSIBILITY

The Manager believes that effective corporate responsibility can deliver benefits to its businesses and, in turn, to its unitholders, by enhancing reputation and business trust, risk management performance, relationships with regulators, staff motivation and attraction of talent, customer preference and loyalty, the goodwill of local communities and long-term unitholder value.

Social responsibility is one of the Manager's key values and Pintar Projek places a high priority on acting responsibly in every aspect of its business. The Manager is part of the wider network of its parent company, YTL Corporation Berhad, which has a long-standing commitment to creating successful, profitable and sustainable businesses. This in turn benefits the surrounding community through the creation of sustained value for unitholders, secure and stable jobs for employees, support for the arts and culture in Malaysia and contributions to promote education for the benefit of future generations.

The Manager's Statement on Corporate Governance, which elaborates on Pintar Projek's governance, systems and controls, can be found as a separate section in this Annual Report.

Chief Executive Officer's Statement

OUTLOOK

The global growth outlook remains vulnerable to considerable downside risks arising from policy developments in the major economies, volatility in global commodity price trends and financial market adjustments. Overall, the Malaysian economy is expected to grow by 4.0% to 4.5% in 2016, driven by domestic demand and sustained primarily by private sector spending. Private consumption growth, however, is projected to trend below the long-term average, as households continue to make expenditure adjustments in response to the lingering effects of the goods and services tax (GST) implementation. In Japan, economic activity is expected to expand at a very modest pace, supported primarily by monetary and fiscal stimulus, whilst the Australian economy is expected to continue to grow at current levels as it adapts to falling mining investment *(sources: Malaysian Ministry of Finance, Bank Negara Malaysia, Tourism Research Australia, Bank of Japan updates).*

YTL REIT's well-established properties in key tourist and business destinations across Malaysia, Australia and Japan, and its range of distinctive product offerings, have positioned the Trust well to attract a diverse geographic clientele. The strategic revenue structure of its assets will also continue to serve as a prudent buffer against the more cyclical elements of the hospitality industry, whilst the Trust pursues yield-accretive additions and asset-enhancement opportunities to further bolster the portfolio.

As the Manager embarks on another year and remains focused on developing and improving the Trust's assets and earnings growth, the Board of Directors of Pintar Projek would like to thank YTL REIT's investors, customers, business associates and the regulatory authorities for their continued support.

TAN SRI DATO' (DR) FRANCIS YEOH SOCK PING
PSM, CBE, FICE, SIMP, DPMS, DPMP, JMN, JP

Property Portfolio

ABOUT YTL HOSPITALITY REIT

YTL Hospitality REIT has a market capitalisation of approximately RM1,417 million (as at 30 June 2016) 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 Ritz-Carlton, Kuala Lumpur, The Residences at The Ritz-Carlton, Kuala Lumpur, the Pangkor Laut, Tanjong Jara and Cameron Highlands resorts and the Vistana chain of hotels in Kuala Lumpur, Penang and Kuantan. YTL Hospitality REIT's international portfolio comprises Hilton Niseko Village in Japan and the Sydney Harbour, Brisbane and Melbourne Marriott hotels in Australia.

YTL Hospitality REIT's principal objectives are 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 – 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 Residences at The Ritz-Carlton, Kuala Lumpur, to its portfolio.

In 2009, the Trust embarked on a rationalisation exercise to reposition itself as a pure play hospitality REIT, focused on building a class of hotel and hospitality-related assets. The first stage of the exercise was completed in June 2010 and that 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, the remainder of The Residences at The Ritz-Carlton, Kuala Lumpur, the Vistana 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 2013. This extended the geographical scope of the REIT and significantly enhanced brand outreach, ultimately raising its appeal to existing and new investors.

YTL Hospitality REIT was established by a trust deed entered into on 18 November 2005 (as restated by the deed dated 3 December 2013) ("Restated Deed") between Pintar Projek Sdn Bhd ("Pintar Projek") and Maybank Trustees Berhad, as manager and trustee, respectively, of YTL Hospitality REIT. The Restated Deed was amended by a supplemental trust deed entered into between Pintar Projek and Maybank Trustees Berhad on 17 September 2014.

Property Portfolio

The composition of YTL Hospitality REIT's investment portfolio as at 30 June 2016 is as follows:-

	RM'000	%
Real Estate – Commercial		
• JW Marriott Hotel Kuala Lumpur	410,000	12
• The Residences at The Ritz-Carlton, Kuala Lumpur	254,000	7
• The Ritz-Carlton, Kuala Lumpur	320,000	9
• Vistana Penang Bukit Jambul	117,000	3
• Vistana Kuala Lumpur Titiwangsa	125,000	4
• Vistana Kuantan City Centre	86,000	3
• Pangkor Laut Resort	114,000	3
• Tanjong Jara Resort	101,000	3
• Cameron Highlands Resort	59,000	2
• Hilton Niseko Village	257,183	7
• Sydney Harbour Marriott	1,132,499	32
• Brisbane Marriott	259,578	7
• Melbourne Marriott	231,251	7
Sub-total	3,466,511	99
Deposits with licensed financial institutions	31,190	1
Total	3,497,701	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

The Ritz Carlton, Kuala Lumpur

Address/Location	No.168, Jalan Imbi, 55100 Kuala Lumpur.
Description	22-storey 5-star hotel building comprising 251 rooms with 4-storey basement car parks.
Property type	Hotel
Age	Approximately 22 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 a financial institution to secure a loan facility denominated in Ringgit Malaysia 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	RM250,000,000
Market value	RM320,000,000
Date of latest valuation	31 May 2016
Independent valuer	Savills (Malaysia) Sdn. Bhd.
Net book value	RM320,000,000

Property Portfolio



Property Portfolio

The Residences at The Ritz-Carlton, Kuala Lumpur (Parcel 1)

Address/Location	No. 2, Jalan Yap Tai Chi Off Jalan Imbi, 55100 Kuala Lumpur.
Description	60 units of serviced apartments, 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 11 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 a financial institution to secure a loan facility denominated in Ringgit Malaysia and there is no restriction attached to the title.
Status of holdings	Freehold
Existing use	Commercial building
Parking spaces	Total combined 187 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	RM125,000,000
Market value	RM163,000,000
Date of latest valuation	31 May 2016
Independent valuer	SMY Valuers & Consultants Sdn. Bhd.
Net book value	RM163,000,000

The Residences at The Ritz-Carlton, Kuala Lumpur (Parcel 2)

Address/Location	No. 2, Jalan Yap Tai Chi Off Jalan Imbi, 55100 Kuala Lumpur.
Description	50 units of serviced apartments, 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 11 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 a financial institution to secure a loan facility denominated in Ringgit Malaysia and there is no restriction attached to the title.
Status of holdings	Freehold
Existing use	Commercial building
Parking spaces	Total combined 187 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	RM73,000,000
Market value	RM91,000,000
Date of latest valuation	31 May 2016
Independent valuer	SMY Valuers & Consultants Sdn. Bhd.
Net book value	RM91,000,000

Property Portfolio

JW Marriott Hotel Kuala Lumpur

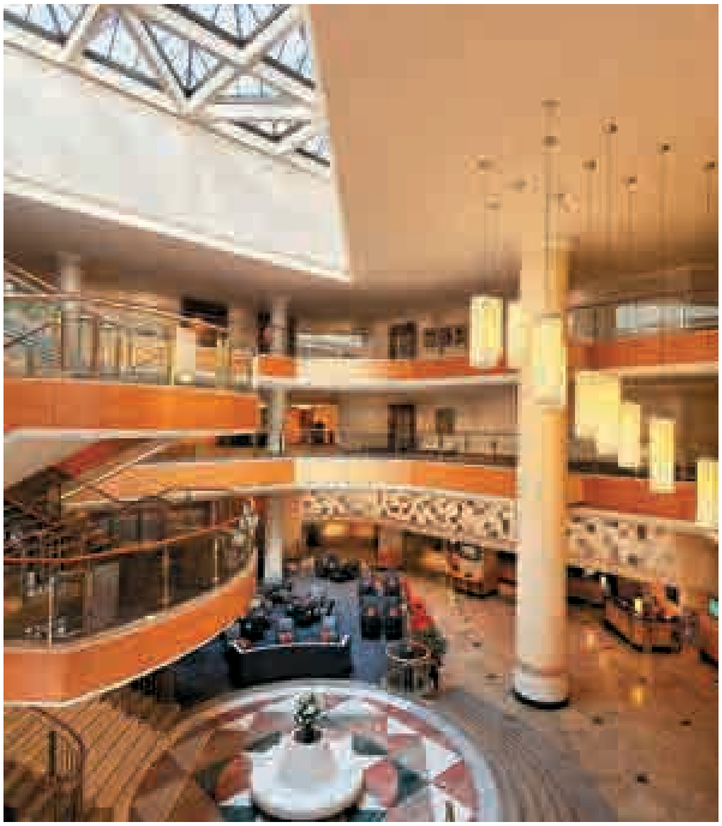
Address/Location	No. 183, Jalan Bukit Bintang, 55100 Kuala Lumpur.
Description	A 5-star hotel with 561 rooms located on part of an 8-level podium block and entire 24-level tower block of Starhill Gallery together with car park bays located partially at basement 1 and 4 and the entire basement 2, 3 and 5 of JW Marriott Hotel Kuala Lumpur.
Property type	Hotel
Age	Approximately 19 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 a financial institution to secure a loan facility denominated in Ringgit Malaysia 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	RM331,024,096
Market value	RM410,000,000
Date of latest valuation	31 May 2016
Independent valuer	Savills (Malaysia) Sdn. Bhd.
Net book value	RM410,000,000

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 27 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 a financial institution to secure a loan facility denominated in Australian Dollar 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	86.80%
Date of acquisition	29 November 2012
Cost of acquisition	AUD249,000,000
Market value	AUD380,000,000
Date of latest valuation	31 May 2016
Independent valuer	CIVAS (NSW) Pty Limited
Net book value	RM1,132,499,000

Property Portfolio



Property Portfolio

Brisbane Marriott

Address/Location	515 Queen Street, Brisbane, Queensland.
Description	28-storey hotel building comprising 267 rooms with 3 levels of basement with car parking bays.
Property type	Hotel
Age	Approximately 18 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 a financial institution to secure a loan facility denominated in Australian Dollar and there is no restriction attached to the title.
Status of holdings	Freehold
Existing use	Commercial building
Parking spaces	78 bays
Average occupancy rate	84.10%
Date of acquisition	29 November 2012
Cost of acquisition	AUD113,000,000
Market value	AUD87,000,000
Date of latest valuation	31 May 2016
Independent valuer	CIVAS (QLD) Pty Limited
Net book value	RM259,578,000

Property Portfolio

Melbourne Marriott

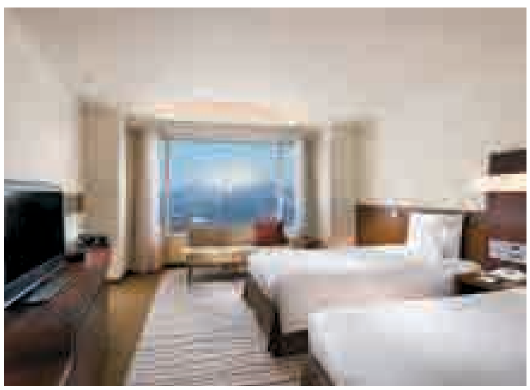
Address/Location	Corner Exhibition and Lonsdale Streets, Melbourne, Victoria.
Description	16-storey hotel building comprising 186 rooms with 5 split levels of car park.
Property type	Hotel
Age	Approximately 34 years
Title details	Lot 1 on Plan of Subdivision 349277H (Volume 10323 Folio 372) and Lot 1 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 a financial institution to secure a loan facility denominated in Australian Dollar 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	88.65%
Date of acquisition	29 November 2012
Cost of acquisition	AUD53,000,000
Market value	AUD77,400,000
Date of latest valuation	31 May 2016
Independent valuer	CIVAS (NSW) Pty Limited
Net book value	RM231,251,000

Property Portfolio

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 22 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 a financial institution to secure a loan facility denominated in Ringgit Malaysia 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	JPY6,000,000,000
Market value	JPY6,570,000,000
Date of latest valuation	31 May 2016
Independent valuer	Jones Lang LaSalle K.K.
Net book value	RM257,183,000



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 23 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 charged to a financial institution to secure a loan facility denominated in Ringgit Malaysia and there is restriction attached to the title.
Status of holdings	99-year registered lease expiring 21 May 2095 obtained from Perbadanan Kemajuan Negeri Perak.
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	RM97,000,000
Market value	RM114,000,000
Date of latest valuation	31 May 2016
Independent valuer	SMY Valuers & Consultants Sdn. Bhd.
Net book value	RM114,000,000

Property Portfolio

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 21 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 charged to a financial institution to secure a loan facility denominated in Ringgit Malaysia and there is restriction attached to the title.
Status of holdings	60-year leasehold expiring on 4 December 2067.
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	RM87,000,000
Market value	RM101,000,000
Date of latest valuation	31 May 2016
Independent valuer	SMY Valuers & Consultants Sdn. Bhd.
Net book value	RM101,000,000

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 42 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 a financial institution to secure a loan facility denominated in Ringgit Malaysia and there is no restriction attached to the title.
Status of holdings	99-year leasehold expiring on 9 December 2108.
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	RM50,000,000
Market value	RM59,000,000
Date of latest valuation	31 May 2016
Independent valuer	SMY Valuers & Consultants Sdn. Bhd.
Net book value	RM59,000,000

Property Portfolio

Property Portfolio

Vistana 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 21 years
Title details	GRN 33550, Lot No. 669, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Encumbrances/Limitation in title/interest	The property is charged to a financial institution to secure a loan facility denominated in Ringgit Malaysia 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	RM100,000,000
Market value	RM125,000,000
Date of latest valuation	31 May 2016
Independent valuer	SMY Valuers & Consultants Sdn. Bhd.
Net book value	RM125,000,000

Vistana Penang Bukit Jambul

Address/Location	No. 213, Jalan Bukit Gambier, Bukit Jambul, 11950 Pulau Pinang.
Description	17-storey Tower A with 238 hotel rooms and 26-storey Tower B with 189 hotel suites with an annexed 3-storey podium.
Property type	Hotel
Age	Approximately 17 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 charged to a financial institution to secure a loan facility denominated in Ringgit Malaysia and there is restriction attached to the title.
Status of holdings	99-year leasehold expiring on 27 October 2094.
Existing use	Commercial building
Parking spaces	336 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	RM100,000,000
Market value	RM117,000,000
Date of latest valuation	31 May 2016
Independent valuer	SMY Valuers & Consultants Sdn. Bhd.
Net book value	RM117,000,000

Vistana Kuantan City Centre

Address/Location	Jalan Teluk Sisek, 25000 Kuantan, Pahang.
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 a financial institution to secure a loan facility denominated in Ringgit Malaysia and there is restriction attached to the title.
Status of holdings	99-year leasehold expiring on 11 July 2092.
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	RM75,000,000
Market value	RM86,000,000
Date of latest valuation	31 May 2016
Independent valuer	SMY Valuers & Consultants Sdn. Bhd.
Net book value	RM86,000,000

Review of the Property Market

YTL Hospitality REIT and its subsidiaries ("Group") own thirteen (13) hospitality properties, nine (9) in Malaysia, three (3) in Australia and one (1) 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 of New South Wales, Brisbane of Queensland and Melbourne of Victoria. The Japanese property is located in the Niseko area of the island of Hokkaido.

MALAYSIA

1. Economy

The Malaysian economy grew by 4.2% in the 1st Quarter of 2016 as compared to the growth of 4.5% during the 4th Quarter of 2015. All sectors on the production side recorded positive growth except for agriculture. The continuous expansions in the services, manufacturing and construction sectors have led this growth and remained the main catalyst. The export sector benefited from a diversified manufactured goods component that remained resilient amid a contraction in petroleum-related exports.

There was a general slowdown in economic activity and the property sector was no exception. However, the services sector expanded 5.1% as compared to the 4th Quarter of 2015 growth of 5.0%, supported by growth in wholesale & retail trade and information & communication. The manufacturing sector, supported by electrical, electronic & optical products, computers, peripheral equipments, petroleum, chemical, rubber & plastic products, continued to grow. Construction sector rose at a faster rate, driven by accelerated rollout of domestic infrastructure projects such as the Klang Valley Mass Rapid Transit (KVMRT) Line 2, Light Rail Transit Line 3, Pengerang Integrated Petroleum Complex in Johor, High Speed Railway (HSR) and various highways & expressways (including Pan Borneo Highway, DUKE 2, EKVE, SKVE and Petaling Jaya Dispersal Link). The property sector in Penang, Johor and Klang Valley have remained relatively stable with house price indices holding. This trend is expected to continue.

The tourism sector has received a big boost from the government as it has the highest potential in generating economic activity. The extension of the 100% tax exemption on statutory income for tour operators from 2016 to 2018 is one of the measures to boost the tourism industry. Another growth driver is medical tourism flowing from the increasing demand for private healthcare.

According to the Department of Statistics Malaysia, the Consumer Price Index (CPI) for the April 2016 increased at a more moderate pace of 2.1% as compared to 2.6% in March 2016. This Index was influenced by increases in Alcoholic Beverages and Tobacco (+20.1%), Food & Non-Alcoholic Beverages (+4.2%), Restaurants & Hotels (+2.7%), Housing, Water, Electricity, Gas & Other Fuels (+2.6%), Miscellaneous Goods & Services (+2.6%) and Furnishing, Household Equipment & Routine Household Maintenance (+2.6%). Decreases were seen in Transport (-5.5%), Communication (-2.1%) and Clothing & Footwear (-0.7%). The Leading Index (LI) decreased marginally by 1.5% in February 2016 (116.4-point) as compared to 118.2-point in January 2016. The highest decrease was seen in Real Imports of Basic Precious & Other Non-Ferrous Metal (-0.8%). The annual LI recorded a slow momentum in February 2016. The Coincident Index (CI) grew slightly by 0.2% in February 2016. This CI was influenced by increases in total employment in the Manufacturing sector and real salaries & wages in the Manufacturing sector, both of which posted 0.2% growth.

(Source: SMY Valuers & Consultants Sdn Bhd, June 2016)

2. Hotel Sector

Malaysia

Year 2015 recorded a drop in tourist arrivals to 25.7 million and receipts of RM69.1 billion as compared to 27.44 million arrivals and RM72.0 billion of receipts in 2014. The targeted Malaysian tourist arrivals for 2016 is 30.6 million with an estimated receipts of RM103.0 billion. Average occupancy rates of hotels also saw a slight decline from 62.6% (2014) to 61.0% (2015).

Pahang led with the highest average occupancy rate of 77.1% followed by Labuan at 65.9%. 40 new hotel completions were recorded with a total of 4,716 rooms, a drop of 29.5% against 2014 in terms of rooms. "Starts supply" *(defined in the Property Market Report 2015 as "buildings where the foundation and footing works of low-rise buildings or works below ground level including piling and foundation of high rise buildings have started, not including site clearing, leveling and infrastructure laying)* recorded a 12.3% increase to 4,340 rooms but "new planned supply" *(defined as "units where building plans approval obtained within the review period)* decreased by 30.2% to 4,342 rooms. The newly completed hotels in 2015 include Dorset Putrajaya (218 rooms), Four Points by Sheraton Puchong (261 rooms), Sunway Pyramid Hotel West (401

Review of the Property Market

rooms), Weil Hotel Perak (313 rooms), Cititel Express Hotel (210 rooms), Plaza Merdeka Hotel Kuching (208 rooms) and Soluxe Hotel Sabah (320 rooms).

The Malaysian leisure sub-sector is expected to remain positive with an allocation of RM1.2 billion to the Ministry of Tourism and Culture to implement programmes and events to achieve the targeted tourist arrivals of 30.5 million in 2016 to support the hotel and tourism industry. For the 1st Quarter of 2016, the top 5 arrivals by nationality to Malaysia were Singaporean (1Q 2016: 3.26 million; Year 2015: 12.93 million), Indonesia (1Q 2016: 726,143; Year 2015: 2.79 million), China (1Q 2016: 512,943; Year 2015: 1.68 million), Thailand (1Q 2016: 409,742; Year 2015: 1.34 million) and Brunei (1Q 2016: 321,285; Year 2015: 1.13 million). Malaysian Institute of Economic Research's Tourism Market Index had an air of optimism in the third quarter of 2015 with its latest reading gaining 31.8 points to 116.5 points. Both hotel operators and travel agencies expect increases in reservations in 2016.

Kuala Lumpur

Foreign tourist arrivals to Kuala Lumpur in 2015 was 11.0 million as compared to 2014 of 11.63 million (2013: 11.2 million). Kuala Lumpur is targeting to achieve 12 million foreign tourists in 2016.

Domestic hotel guests to Kuala Lumpur in 2015 was 6,552,354, a decrease from 6,584,325 in 2014 (2013: 5,149,295) whilst foreign hotel guests in 2015 also decreased to 9,341,801 (2014: 9,867,899; 2013: 8,520,340), totaling 15,894,155 for 2015 (2014: 16,452,224; 2013: 13,669,635).

Pahang

Tourist arrivals to Pahang in 2015 increased to 10,533,711 as compared to 2014 of 9,417,529 (2013: 10,637,208).

Domestic hotel guests to Pahang in 2015 showed a slight decrease to 8,010,000 (2014: 8,053,176; 2013: 5,515,873) whilst there was an increase to 2,328,815 for foreign hotel guests in 2015 (2014: 2,317,011; 2013: 2,481,302), totaling 10,338,815 (2014: 10,370,187; 2013: 7,997,175).

Perak

Perak achieved its targeted 5.5 million tourists for 2015 via Pangkor – Lumut Sea Festival in 2015 (2014: 7.0 million; 2013: 6.0 million). Perak is targeting 7.0 million tourist arrivals in 2017 in conjunction with Visit Perak 2017.

Domestic hotel guests to Perak in 2015 increased to 2,308,445 (2014: 2,274,077; 2013: 2,081,122) whilst foreign hotel guests in 2015 also increased to 265,794 (2014: 252,693; 2013: 302,059), totaling 2,574,239 for 2015 (2014: 2,526,770; 2013: 2,383,181).

Terengganu

Terengganu is targeting 6.5 million tourist arrivals per annum in conjunction with Visit Terengganu Year 2017 and 6.5 million tourist arrivals per annum in the following 4 years. Close to 5.0 million tourists visited Terengganu in 2015.

Domestic hotel guests to Terengganu in 2015 increased to 1,525,116 from 1,461,756 in 2014 (2013: 1,425,421) whilst foreign hotel guests in 2015 also increased to 187,388 (2014: 165,649; 2013: 109,942), totaling 1,712,504 for 2015 (2014: 1,627,405; 2013: 1,535,363).

Penang

Penang received 6.25 million tourists in 2015 and is targeting for more in 2016.

Domestic hotel guests to Penang in 2015 decreased to 3,467,719 from the 2014 record of 3,617,170 (2013: 2,639,182) whilst foreign hotel guests in 2015 also decreased to 2,879,899 as compared to 2014 (2014: 3,230,399; 2013: 2,062,917), totaling 6,347,618 for 2015 (2014: 6,847,569; 2013: 4,702,099).

(Source: SMY Valuers & Consultants Sdn Bhd, June 2016)

Review of the Property Market

AUSTRALIA

1. Economy

Gross Domestic Product (GDP) growth for the fourth quarter of 2015 was stronger than expected, growing at 0.6% quarter on quarter. This raised the year-on-year GDP growth rate to 3%. Consumer spending was robust further underpinning the improvement in domestic conditions through the second half of 2015, evidenced by the labour market and improved business surveys. Annual growth in consumer spending was 2.9% year-on-year. That annual rate has only been exceeded once in the 4.5 year-long Reserve Bank of Australia (RBA) easing cycle.

Australia's employment growth came in on the higher side of expectations in the March 2016 release, up 26,000. The upside surprise in employment brought the jobless rate one tenth lower to 5.7%, representing a two and a half year low. However the underlying details of the most recent labour market survey were less upbeat with the composition of employment growth skewed to part time workers.

Within the household component of the fourth quarter 2015 national accounts data, labour income growth picked up 2.9% year on year. Taking into account low inflation, this is still below the nominal growth rate of household consumption and is consistent with the saving rate having fallen from 8.7% to 7.6%.

The first quarter CPI release came in much lower than expected, and ultimately proved to be the catalyst for the RBA Board decision in early May 2016 to reduce the Official Cash Rate by 25 basis points to 1.75%, with further forecast reductions in 2016. Annual inflation is now at 1.3% year-on-year. Inflation has dropped below the RBA's 2-3% target range for some time now, and there is a fairly clear indication from the data that this is a deflationary trend.

The RBA in its May 2016 *Statement on Monetary Policy* stated that there has been no material change to the forecast for GDP growth or the unemployment rate. GDP growth is expected to strengthen gradually to an above-trend rate, reflecting the effects of low interest rates and the depreciation of the exchange rate since early 2013. Both have been helping activity to rebalance towards the non-resource sectors of the economy. The unemployment rate is forecast to remain around current levels for the next few years and then gradually decline as growth in economic activity strengthens.

(Source: Colliers International, June 2016)

2. Hotel Sector

Australia

The latest data available from Tourism Research Australia indicates that the outlook for international visitor arrivals to Australia remains encouraging. International visitor arrivals for the full year to December 2015 grew 7.9% to 6.8 million. This follows on from growth of 7.8% in 2014. This trend continues to be largely led by the emerging Asian economies, particularly from China with visitors increasing by 21% between 2014 and 2015. This was followed by India (19%), Korea (12%), Hong Kong (9%) and Other Asia (18%). Other than Asian countries, the growth of visitors from the United States of America (10%) also contributed to the growth for the top 10 regions.

Business travel has been more subdued amid recent cutbacks by both the private sector (particularly mining companies) as well as the public sector. However domestic business travel visitor nights grew 9.9% between the year ended December 2014 and year ended December 2015 to 67 million.

According to data from STR Global, full year 2015 average Revenue Per Available Room (RevPAR) for Australia's key cities (including Sydney, Melbourne, Brisbane, Adelaide, Cairns, Gold Coast, Perth, Darwin, Canberra and Hobart) increased by 1.2% to $138.60 as compared to 2014. This was driven mainly by increases in RevPAR in Cairns (9.28%), Gold Coast (7.22%) and Sydney (7.9%). However, the increase was partially offset by a decrease in RevPAR in Darwin (-15.1%), Brisbane (-10.9%) and Perth (-2.7%) between 2014 and 2015.

Occupancy rates for major cities in Australia remain strong, with the full year 2015 figure of 78% being almost one percentage point higher than 2014. The strongest growth was in Cairns (6.8%) while Sydney (87.7%) and Melbourne (86.5%) have the highest occupancy levels.

The Average Daily Rate (ADR) trend across major cities in Australia for 2015 showed a range of outcomes with growth in Sydney at 6.6%, Melbourne at 4.3% and the Gold Coast 4.1%, while declines were experienced in Brisbane at 7.2%, Darwin at 7.9% and Perth at 1.6%, with falls in these locations largely a product of new supply and declining demand from the resources industries.

Review of the Property Market

The increase in demand for accommodation and limited new hotel room supply should result in stable RevPAR growth in 2016 and with occupancy above 80% in many cities across Australia, operators will need to concentrate on room rate growth to continue the upward RevPAR trend.

Sydney

Occupancy, RevPAR and ADR in Sydney hotels are the highest recorded nationally. RevPAR increased by 8.0% between 2014 and 2015 to $202.53 and ADR increased by 6.6% to $231.05 over the same period, whilst occupancy levels averaged 87.7% for the full year 2015.

On a year-to-date June 2016 basis RevPAR increased by 6.7% to $208.61 and ADR increased by 5.8% to $237.83 and occupancy increased by 0.8% to 87.7%.

Brisbane

Hotels in Brisbane continue to experience a challenging trading climate with new supply, as measured by room nights available increasing by 6.7% in the calendar year 2015 and softening corporate demand. Over the same period, occupancy levels declined by 4.0%, ARR by 7.2%. and RevPAR by 10.9% in comparison to 2014. On a year-to-date June 2016 basis, the trend has continued with supply increasing by 5.6% and occupancy falling by 2.8% to 69.1%, ARR by 6.2% to $161.55 and RevPAR by 8.8% to $111.93.

Melbourne

The Melbourne hotel market continues to perform well. RevPAR increased by 5.6% in 2015 to $178.10 and ADR increased by 4.3% to $205.99 over the same time frame. Occupancy levels averaged 86.5% for the full year 2015. Growth on a year-to-date basis to June 2016 in comparison to the same period to June 2015 has been more subdued largely due to the demand generated by extraordinary events in the first quarter of 2015. These included the Asian Soccer Cup and the World Cricket Cup. RevPAR increased by 1.1% year-to-date June 2016 to $176.3 and ADR decreased marginally by 0.3.% to $205.15 over the same period, however, occupancy levels remain high at 85.9%.

(Source: Colliers International, June 2016)

JAPAN

1. Economy

Real GDP growth for the 4Q15 announced in March was down 0.3% q-o-q, or 1.1% in annualised terms, turning negative for the first time in two quarters. Domestic demand including consumer spending and housing investment was weak. Breakdown of real GDP indicated 0.4% negative impact from domestic demand, and 0.1% contribution from external demand. Consumer spending turned negative for the first time in two quarters. Consumers are holding tight to their purses with the rise in food prices, and sluggish real wage growth also weighed in. Housing investment turned negative for the first time in four quarters due to rising prices, and public investment was also negative for the second consecutive quarter. On the other hand, cap ex was positive for the second consecutive quarter, as solid corporate earnings created some facility renewal demands. Export and import were down by 0.9% and 1.4%, respectively. Although export had fallen, import was also down due to the lower oil price, resulting in a positive contribution to GDP growth from external demand. Inbound demand (visiting tourists), which is reported as part of exports rather than consumer spending for GDP purposes, had supported exports.

According to the March BOJ Tankan, the diffusion index for large manufacturing business conditions was at 6 points, lower by 6 points from the previous quarter. The index deteriorated for the first time in two quarters, due to the uncertainties caused by slowing of the emerging economies, as well as pressure on export companies' earnings from stronger JPY. These were the first figures announced after the introduction of the negative interest rates by BOJ in February. Although the new policy was introduced for the purpose of boosting corporate activities, the result created strong concerns over the future.

February unemployment (seasonally adjusted) was up 0.1 point to 3.3%, deteriorating for the first time in two months. Job offers to applicant ratio in February remained flat from the previous month at 1.28. Higher unemployment rate was caused by increased voluntary resignations by workers trying to take advantage of the perceived labour shortage, and the employment conditions continued to improve.

Review of the Property Market

February CPI index (core CPI excluding fresh food) was at 102.5, remaining flat y-o-y. Electricity and city gas tariffs had fallen at a rate faster than in January due to the fall in oil prices, and energy related prices continued to fall. On the other hand, prices for food excluding fresh food, and group overseas travel were up. Rise in JPY and fall in USD continued in the foreign exchange market during February, but did not cause significant impact on the CPI.

2. Hotel Sector

Niseko

During 1 April 2014 to 31 March 2015 (FY March 2015), the number of visitor arrivals was stable with a year-on-year growth at 1.0 % to reach 3.1 million, which is the highest number in visitor arrivals during the past 11 years. Day visitors accounted for approximately 70% of the total visitors during the time period analysed.

In FY 31 March 2015, the total number of accommodation guests in Niseko area increased by 9.6% as compared to the previous year.

By visitor profile, domestic accommodation guests accounted for an overwhelming 72% of the total visitors in FY 31 March 2015 while international guests accounted for 28%. Although international accommodation visitors are relatively fewer in comparison to the number of domestic guests, the number of foreign guests had increased significantly. The number of international accommodation guests in FY 31 March 2005 was 69,000 and the figure grew more than 6 times to 440,321 in FY 31 March 2015.

Although the government statistics for FY 31 March 2016 are not available to the public as yet, local hotel managers and tourism industry have witnessed favourable business environment during FY 31 March 2016. The outlook for market conditions is generally positive, mainly supported by increasing demand from international visitors.

Japan

The number of inbound visitors declined in the period between 2010 and 2011 due to impact from the global recession arising from the financial crisis in 2008. However, as the financial market stabilized it turned around. More recently, various factors including the weakening yen, introduction of LCC (Low Cost Carrier: LCC) and the government's focus on promoting tourism have led to a total visitor count of almost 20 million in 2015. In 2015, the number of foreign visitors added up to 19.74 million already exceeding the highest annual record in 2014, which indicates a steady increase of tourists to Japan. It is expected that the government target of 20 million tourists will be achieved before 2020. Reflecting these trends, Prime Minister Shinzo Abe officially announced that the Japanese government will set a new target of 40 million inbound tourists. He has instructed the coordination of each governmental department concerned to usher in this new target.

The average occupancy rate of resort hotels is 56.0% in 2015, a 2.0 point increase from 2014. By area comparison with the previous year's results, all areas showed growth; Tokyo by 1.5 points, Hokkaido 1.8 points, Osaka 4.0 points and Okinawa 0.6 points. Growth rate of Osaka is especially notable. Hokkaido's occupancy rate is below 50%, in comparison to other areas, and growth is anticipated as the area gains higher recognition.

Occupancy rate of hotels located in the center of cities in 2015 is rising, and Hokkaido is seeing big growth (4.9 points). The average growth is 1.9 points against previous year while Osaka and Okinawa saw growth by 1.3 points and 3.1 points respectively.

With the underlying support of the recovery in the domestic economy and the demand for accommodation facilities due to the bump of foreign visitors, the environment for hotel industry is showing a significant improvement, and such trend is expected to further continue in the future.

(Source: Jones Lang LaSalle K.K., July 2016)

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Fourth Annual General Meeting of YTL Hospitality REIT ("REIT") will be held at Starhill 2, Level 4, JW Marriott Hotel Kuala Lumpur, 183 Jalan Bukit Bintang, 55100 Kuala Lumpur on Friday, the 21st day of October, 2016 at 3.00 p.m. to transact the following business:-

ORDINARY BUSINESS

To lay before the meeting the Audited Financial Statements for the financial year ended 30 June 2016 together with the Reports attached thereon.	**Please refer Explanatory Note A**

By Order of the Board
of Pintar Projek Sdn Bhd (314009-W)
(Manager for YTL Hospitality REIT)

Ho Say Keng
Company Secretary

Kuala Lumpur
30 August 2016

Notes:-

1. *A unitholder entitled to attend the meeting may appoint a proxy to attend instead of him. A proxy may, but need not, be a unitholder of the REIT. A unitholder other than an authorised nominee shall not be entitled to appoint more than one proxy to attend the same meeting and where such unitholder appoints more than one proxy to attend the same meeting, such appointment shall be invalid.*
2. *Where a unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy (but not more than two proxies) in respect of each securities account it holds in units standing to the credit of the said securities account. Where the unitholder appoints two proxies, the appointment will be invalid unless the unitholder specifies the proportions of his holdings to be represented by each proxy.*
3. *Where a unitholder is an exempt authorised nominee 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.*
4. *The form of proxy and the Power of Attorney or other authority (if any) under which it is signed or notarially certified copy thereof must be lodged at the office of Pintar Projek Sdn Bhd ("Manager") at 11th Floor, Yeoh Tiong Lay Plaza, 55 Jalan Bukit Bintang, 55100 Kuala Lumpur, not less than 48 hours before the time appointed for the meeting or any adjourned meeting thereof.*
5. *In the case of a corporation, the form of proxy should be executed under its common seal or under the hand of an officer or attorney who has been duly authorised by the corporation.*
6. *For the purpose of determining the unitholders who shall be entitled to attend the meeting, the Manager shall request Bursa Malaysia Depository Sdn Bhd, in accordance with Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, to issue a General Meeting Record of Depositors as at 14 October 2016. Only a depositor whose name appears on the General Meeting Record of Depositors as at 14 October 2016 shall be entitled to attend the said meeting or appoint proxy to attend on his behalf.*

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 2016 of REIT together with the Reports attached thereon before the unitholders at the Annual General Meeting is meant for discussion only in accordance with Clause 15.33A of the Guidelines on Real Estate Investment Trusts issued by the Securities Commission Malaysia.

Corporate Information

MANAGER

Pintar Projek Sdn Bhd

MANAGER'S REGISTERED OFFICE/ PRINCIPAL PLACE OF BUSINESS

11th Floor, Yeoh Tiong Lay Plaza
55 Jalan Bukit Bintang
55100 Kuala Lumpur
Tel : 603-2117 0088/603-2142 6633
Fax : 603-2141 2703

BOARD OF DIRECTORS OF THE MANAGER

Chief Executive Officer

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

Executive Directors

Dato' Yeoh Seok Kian
DSSA
BSc (Hons) Bldg, MCIOB, FFB

Dato' Mark Yeoh Seok Kah
DSSA
LLB (Hons)

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

Eu Peng Meng @ Leslie Eu
BCom, FCILT

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
11th Floor, Yeoh Tiong Lay Plaza
55 Jalan Bukit Bintang
55100 Kuala Lumpur
Tel : 603-2117 0088/603-2142 6633
Fax : 603-2141 2703

AUDITORS

HLB Ler Lum (AF 0276)
Chartered Accountants
(A member of HLB International)

PRINCIPAL BANKERS OF THE FUND

AmBank (M) Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
Sumitomo Mitsui Banking Corporation Malaysia Berhad

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Market (16.12.2005)

Profile of the Board of Directors

TAN SRI DATO' (DR) FRANCIS YEOH SOCK PING

Malaysian, aged 62, has been the Chief Executive Officer and Executive Director of Pintar Projek Sdn Bhd since 10 March 2005. 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 force comprising five listed entities ie. YTL Corporation Berhad, YTL Power International Berhad, YTL Land & Development Berhad, YTL e-Solutions Berhad and YTL Hospitality REIT.

He is presently the Managing Director of YTL Corporation Berhad, YTL Power International Berhad and YTL Land & Development Berhad, all listed on the Main Market of Bursa Malaysia Securities Berhad. He is the Executive Chairman and Managing Director of YTL e-Solutions Berhad which is listed on the ACE Market of Bursa Malaysia Securities Berhad. He is also the Executive Chairman of YTL Starhill Global REIT Management Limited, the manager of Starhill Global REIT, a vehicle listed on the Main Board of the Singapore Exchange Securities Trading Limited (SGX-ST). Tan Sri Francis sits on the boards of several public companies such as YTL Industries Berhad and YTL Cement Berhad. He is the Chairman of private utilities companies including 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. 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 served as a member of the Barclays Asia-Pacific Advisory Committee from 2005 to 2012. Tan Sri Francis was made 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 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.

DATO' YEOH SEOK KIAN

Malaysian, aged 58, 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. 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 is also the Deputy Managing Director of YTL Corporation Berhad and YTL Power International Berhad and the Executive Director of YTL Land & Development Berhad, all 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 and The Kuala Lumpur Performing Arts Centre, and private utilities companies, Wessex Water Limited in England and Wales and YTL PowerSeraya Pte Limited in Singapore, as well as YTL Starhill Global REIT Management Limited, the manager of Starhill Global REIT, a vehicle listed on the Main Board of the Singapore Exchange Securities Trading Limited (SGX-ST).

Profile of the Board of Directors

DATO' AHMAD FUAAD BIN MOHD DAHALAN

Malaysian, aged 66, was appointed to the Board on 17 January 2012 as an Independent Non-Executive Director. 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. Currently, Dato' Ahmad Fuaad is the Chairman of Tokio Marine Insurans (Malaysia) Berhad and a director of Hong Leong Capital Berhad, YTL Corporation Berhad and YTL e-Solutions Berhad, all listed on the Main Market of Bursa Malaysia Securities Berhad.

DATO' MARK YEOH SEOK KAH

Malaysian, aged 51, has been an Executive Director of Pintar Projek Sdn Bhd since 17 January 2012. 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, YTL Land & Development 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 and private utilities companies, Wessex Water Limited and Wessex Water Services Limited in England and Wales, and YTL PowerSeraya Pte Limited in Singapore.

DATO' HJ MOHAMED ZAINAL ABIDIN BIN HJ ABDUL KADIR

Malaysian, aged 76, 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.

EU PENG MENG @ LESLIE EU

Malaysian, aged 81, has been an Independent Non-Executive Director of Pintar Projek Sdn Bhd since 10 March 2005. Mr Leslie Eu graduated with the degree of Bachelor of Commerce from the University College Dublin, Ireland in 1959. He was nominated by Bank Negara Malaysia to be one of the founding directors of Global Maritime Ventures Berhad to undertake the expansion and direct investment in the maritime industry in 1994. He has been in the shipping business for over 50 years and was the first Chief Executive Officer of Malaysian International Shipping Corporation Berhad from the company's inception in 1969 until his early retirement in 1985. Mr Leslie Eu was a board member of Lembaga Pelabuhan Kelang from 1970 to 1999 and is a Member Emeritus of the American Bureau of Shipping. He was appointed by the United Nations Conference on Trade and Development as one of 13 experts to assist developing nations in establishing their maritime fleets. Mr Leslie Eu presently serves on the boards of YTL Corporation Berhad, YTL Land & Development Berhad and YTL Cement Berhad.

YEOH KEONG SHYAN

Malaysian, aged 30, 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.

Profile of the Board of Directors

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 Dato' (Dr) Francis Yeoh Sock Ping	4
Dato' Yeoh Seok Kian	3
Dato' Ahmad Fuaad Bin Mohd Dahalan	4
Dato' Mark Yeoh Seok Kah	4
Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir	4
Eu Peng Meng @ Leslie Eu	4
Yeoh Keong Shyan	4

Notes:

1. **Family Relationship with any Director and/or Major Unitholder**
   Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Dato' Yeoh Seok Kian and Dato' Mark Yeoh Seok Kah are siblings. Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay, the father of Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Dato' Yeoh Seok Kian and Dato' Mark Yeoh Seok Kah, is a deemed major shareholder of YTL Corporation Berhad, which is a major unitholder of YTL Hospitality REIT. Mr Yeoh Keong Shyan is a son of Tan Sri Dato' (Dr) Francis Yeoh Sock Ping. Save as disclosed herein, none of the Directors of the Manager has any family relationship with any other directors and/or major unitholders of YTL Hospitality REIT.

2. **Conflict of Interest**
   Save for the Director's interest in YTL Hospitality REIT (as disclosed under Directors' Interests in the Manager's Report) and the transactions with companies related to the Manager (as disclosed in the notes to the financial statements), no conflict of interest has arisen during the financial year under review.

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

Statement on Corporate Governance

for the financial year ended 30 June 2016

YTL Hospitality REIT ("YTL REIT" or "Trust") was established on 18 November 2005 pursuant to a trust deed ("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"). In implementing its system of corporate governance, the Directors have been guided by the measures set out in the Guidelines on Real Estate Investment Trusts ("REIT Guidelines") issued by the Securities Commission Malaysia ("SC"), the Main Market Listing Requirements of Bursa Securities ("Listing Requirements") and the Malaysian Code on Corporate Governance 2012 ("Code").

THE ROLE OF THE MANAGER

YTL REIT is managed and administered by PPSB, who has 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 Malaysia. 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 YTL REIT 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 securities laws, the Listing Requirements, the REIT Guidelines and other applicable laws.

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, no real estate may be acquired from, or disposed to, a related party of the Manager unless the following criteria are satisfied:

(a) A valuation must be undertaken of the real estate by an approved valuer, in accordance with the Deed, and a valuation report given to the Trustee where the date of valuation must not be more than 6 months before the date of the sale and purchase agreement provided that since the last valuation, no circumstances have arisen to materially affect the valuation and that, where applicable, the valuation has not been revised by the SC;

(b) All related party transactions involving real estate must be transacted at a price equivalent to the value assessed in the valuation report, consented to by the Trustee and consistent with the investment objectives and strategy of the Trust; and

(c) the real estate may be transacted at a price other than as specified in (b) above provided that:

    (i) for acquisitions, the price is not more than 110% of the value assessed in the valuation report referred to in (a) above;

    (ii) for disposals, the price is not less than 90% of the value assessed in the valuation report referred to in (a) above; and

(d) the Trustee provides a written confirmation that the transaction is based on normal commercial terms, at arm's length and not prejudicial to the Unitholders' interests.

The Manager must inform Unitholders through an announcement to Bursa Securities of the Trustee's written confirmation. Where the transaction is conditional upon the approval of Unitholders, such approval must be sought prior to completion of the transaction.

In this regard, the Manager adheres strictly to the provisions of the REIT Guidelines which prohibit the Manager and its related parties from voting their Units at any meeting of Unitholders convened unless an exemption is obtained from the SC.

ROLES & 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 those set out in the Code:

- Reviewing and adopting strategic plans for the YTL REIT Group;
- Overseeing the conduct of the YTL REIT Group's business operations and financial performance;
- Identifying the principal risks affecting the YTL REIT Group's businesses and maintaining a sound system of internal control and mitigation measures;
- Succession planning;
- Overseeing the development and implementation of Unitholder communication policies; and
- Reviewing the adequacy and integrity of the YTL REIT Group's management information and internal control system.

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.

Statement on Corporate Governance

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 2016.

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. 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.

All Directors have full access to the advice and services of the Company Secretary who 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.

COMPOSITION & INDEPENDENCE OF THE BOARD

The Board currently has 7 Directors comprising 5 executive members and 2 non-executive members, all of whom are independent. 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 appointment of Directors is undertaken by the Board as a whole. The Chief Executive Officer makes 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. In its deliberations, the Board is required to take into account the integrity, professionalism, skill, knowledge, expertise and experience of the proposed candidate.

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.

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.

Throughout the financial year under review, the Directors attended various conferences, programmes and speaking engagements covering areas that included corporate governance, information technology, leadership, legal, finance and business management which they collectively or individually considered useful in discharging their stewardship responsibilities. The conferences, seminars and training programmes attended by one or more of the Directors covered the following areas:-

- **Corporate Governance/Risk Management**
  - Harnessing the Power of Disruption and Disrupting Beliefs for Strategic Advantage;
  - Risk Oversight Practices, Corporate Culture and Enterprise Risk Management.
- **Leadership, Legal and Business Management**
  - Amendments to Bursa's Listing Requirements;
  - Trans-Pacific Partnership Agreement (TPPA): Enhancing Trade and Investment, Economic Growth and Development;
  - YTL Leadership Conference 2015.

Statement on Corporate Governance

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 provisions of the Companies Act 1965, the REIT Guidelines and the Deed. 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 and approved by the Directors prior to release to the relevant regulatory authorities.

RISK MANAGEMENT & INTERNAL CONTROL

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

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; and
- Presenting audit findings to the Board for consideration.

None of the weaknesses or issues identified during the review for the financial year has resulted in non-compliance with any relevant policies or procedures, listing requirements or recommended industry practices that would require disclosure in the Trust's Annual Report.

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 independent appraisals by YTLIA. The Board is of the view that the current system of internal control in place is effective to safeguard the interests of the YTL REIT Group.

The Board has established a formal and transparent arrangement for maintaining an appropriate relationship with the auditors of YTL REIT. YTL REIT's auditors report their findings to members of the Board as part of the audit process on the statutory financial statements each financial year. From time to time, the auditors highlight matters that require attention to the Board.

CORPORATE DISCLOSURE & COMMUNICATION WITH SHAREHOLDERS

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 company'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 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.

This statement was approved by the Board on 28 July 2016.

Analysis of Unitholdings

as at 21 July 2016

Size of holding	No. of Unitholders	%	No. of Units	%
1 – 99	554	5.31	6,059	0.00
100 – 1,000	2,365	22.66	1,966,646	0.15
1,001 – 10,000	4,603	44.10	24,451,044	1.84
10,001 – 100,000	2,426	23.24	85,537,409	6.46
100,001 – to less than 5% of issued units	487	4.67	468,031,242	35.34
5% and above of issued units	2	0.02	744,396,489	56.21
Total	**10,437**	**100.00**	**1,324,388,889**	**100.00**

THIRTY LARGEST UNITHOLDERS (as per Record of Depositors)

	Name	No. of Units	%
1	YTL Corporation Berhad	670,280,889	50.61
2	YTL Corporation Berhad	74,115,600	5.60
3	East-West Ventures Sdn Bhd	62,500,000	4.72
4	Citigroup Nominees (Tempatan) Sdn Bhd – Exempt An for AIA Bhd	26,074,200	1.97
5	Syarikat Pelanchongan Pangkor Laut Sendirian Berhad	24,250,000	1.83
6	Tanjong Jara Beach Hotel Sdn Bhd	21,750,000	1.64
7	YTL Power International Berhad	20,496,900	1.55
8	Business & Budget Hotels (Kuantan) Sdn Bhd	18,750,000	1.42
9	Megahub Development Sdn Bhd	18,250,000	1.38
10	YTL Power International Berhad	14,628,000	1.10
11	HSBC Nominees (Asing) Sdn Bhd – TNTC for Government of Kuwait	14,573,500	1.10
12	CIMSEC Nominees (Tempatan) Sdn Bhd – CIMB Bank for Khoo Chai Pek (MY1030)	11,162,600	0.84
13	DB (Malaysia) Nominee (Asing) Sdn Bhd – Exempt An for Deutsche Bank AG Singapore (PWM Asing)	11,100,000	0.84
14	HSBC Nominees (Asing) Sdn Bhd – SIX SIS for Bank Sarasin CIE	8,500,000	0.64
15	YTL Power International Berhad	7,964,600	0.60
16	CIMB Group Nominees (Tempatan) Sdn Bhd – Yayasan Hasanah (AUR-VCAM)	6,516,700	0.49
17	Valuecap Sdn Bhd	6,270,500	0.47
18	DB (Malaysia) Nominee (Asing) Sdn Bhd – Deutsche Bank AG Singapore for Navis Yield Fund	5,078,000	0.38
19	Affin Hwang Investment Bank Berhad – IVT (JBD)	4,829,800	0.36
20	CIMB Commerce Trustee Berhad – Public Focus Select Fund	4,657,900	0.35
21	Citigroup Nominees (Asing) Sdn Bhd – CBNY for DFA International Real Estate Securities Portfolio of DFA Investment Dimensions Group INC	4,316,800	0.33
22	Amanah Raya Berhad – Kumpulan Wang Bersama	3,500,000	0.26

Analysis of Unitholdings

as at 21 July 2016

	Name	No. of Units	%
23	Chin Kian Fong	3,319,600	0.25
24	Hong Leong Assurance Berhad – As Beneficial Owner (Life Par)	3,100,000	0.23
25	Citigroup Nominees (Tempatan) Sdn Bhd – Kumpulan Wang Persaraan (Diperbadankan) (VCAM Equity Fd)	3,040,200	0.23
26	YTL Corporation Berhad	2,687,700	0.20
27	CIMB Group Nominees (Tempatan) Sdn Bhd – CIMB Commerce Trustee Berhad for Khoo Chai Ee (CTS-SUNWAY-GTRS)	2,500,000	0.19
28	Maybank Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Wong Siew Hung	2,270,000	0.17
29	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad – Deutsche Trustees Malaysia Berhad for Hong Leong Penny Stockfund	2,221,000	0.17
30	Hong Leong Assurance Berhad – As Beneficial Owner (Life Non Par)	2,200,000	0.17
	Total	**1,060,904,489**	**80.09**

SUBSTANTIAL UNITHOLDERS

Name	No. of Units Held			
	Direct	%	Indirect	%
YTL Corporation Berhad	747,464,189	56.44	61,839,500(1)	4.67
Yeoh Tiong Lay & Sons Holdings Sdn Bhd	–	–	914,303,689(2)	69.04
Tan Sri Dato’ Seri (Dr) Yeoh Tiong Lay	–	–	914,303,689(3)	69.04
Dato’ Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir	100,000	0.01	108,500,000(4)	8.19

*(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 6A of the Companies Act, 1965 (“**Act**”).*
*(2) Deemed interests by virtue of interests held by YTL Corporation Berhad (“**YTL Corp**”), YTL Power, BBHK, Megahub Development Sdn Bhd (“**MDSB**”), East-West Ventures Sdn Bhd (“**EWV**”) and Syarikat Pelanchongan Pangkor Laut Sendirian Berhad (“**SPPL**”) pursuant to Section 6A of the Act.*
(3) Deemed interests by virtue of interests held by YTL Corp, YTL Power, BBHK, MDSB, EWV and SPPL pursuant to Section 6A of the Act.
*(4) Deemed interests by virtue of interests held by EWV, SPPL and Tanjong Jara Beach Hotel Sdn Bhd (“**TJBH**”) pursuant to Section 6A of the Act.*

Statement of Interests of Directors of the Manager

Pintar Projek Sdn Bhd in YTL Hospitality REIT as at 21 July 2016

Name	No. of Units Held			
	Direct	%	Indirect	%
Tan Sri Dato’ (Dr) Francis Yeoh Sock Ping, CBE, FICE	870,000	0.07	–	–
Dato’ Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir	100,000	0.01	108,500,000→	8.19
Dato’ Mark Yeoh Seok Kah	2,000,000	0.15	1,000,000←	0.08

→ *Deemed interests by virtue of interests held by EWV, SPPL and TJBH pursuant to Section 6A of the Act.*
← *Deemed interests by virtue of interests held by spouse and/or children pursuant to Section 134(12)(c) of the Companies Act, 1965.*

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 2016.

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 (as restated by the deed dated 3 December 2013) ("Restated Deed") entered into between the Manager and Maybank Trustees Berhad ("Trustee"), the trustee of YTL REIT and is categorised as a real property fund. The Restated Deed was amended by a supplemental deed ("Supplemental Deed") which has been registered with the Securities Commission Malaysia ("SC") on 29 October 2014.

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. The investment portfolio of YTL REIT in Malaysia as at 30 June 2016 comprise JW Marriott Hotel Kuala Lumpur, The Residences at The Ritz-Carlton, Kuala Lumpur, Cameron Highlands Resort, Vistana Penang Bukit Jambul, Vistana Kuala Lumpur Titiwangsa, Vistana Kuantan City Centre, The Ritz-Carlton, Kuala Lumpur, Tanjong Jara Resort and part of Pangkor Laut Resort. Hilton Niseko Village was acquired through the Trust's subsidiary, namely Starhill REIT Niseko G.K., a company incorporated in Japan while the Australian subsidiaries (as disclosed in Note 14 to the Financial Statements) acquired Sydney Harbour Marriott, Brisbane Marriott and Melbourne Marriott ("Australian Properties").

BENCHMARK RELEVANT TO THE GROUP

Management Expense Ratio ("MER")

	2016	2015
MER for the financial year	**0.68%**	0.86%

MER is calculated based on the total of all the fees and expenses incurred by YTL REIT Group in the financial year and deducted directly from the income (including the manager's fees, the trustee's fee, the auditors' remuneration and other professional fees and expenses) and all the expenses not recovered from and/or charged to the Group (including the costs of printing, stationery and postage), to the average net asset value of the Group during the financial year 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.

Manager's Report

DISTRIBUTION POLICY

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

Commencing the financial year ended 30 June 2014, the frequency of distribution was changed from half yearly to quarterly.

COMPOSITION OF INVESTMENT PORTFOLIO

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

Real Estate – Commercial	Fair value as at 30.6.2016 RM'000	% of total investment
1. JW Marriott Hotel Kuala Lumpur	410,000	12
2. The Residences at The Ritz-Carlton, Kuala Lumpur	254,000	7
3. The Ritz-Carlton, Kuala Lumpur	320,000	9
4. Vistana Penang Bukit Jambul	117,000	3
5. Vistana Kuala Lumpur Titiwangsa	125,000	4
6. Vistana Kuantan City Centre	86,000	3
7. Pangkor Laut Resort	114,000	3
8. Tanjong Jara Resort	101,000	3
9. Cameron Highlands Resort	59,000	2
10. Hilton Niseko Village	257,183	7
11. Sydney Harbour Marriott	1,132,499	32
12. Brisbane Marriott	259,578	7
13. Melbourne Marriott	231,251	7
Sub-total	3,466,511	99
Deposits with licensed financial institutions	31,190	1
Total	3,497,701	100

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	554	5.32	6,059	0.00
100 to 1,000	2,352	22.61	1,952,846	0.15
1,001 to 10,000	4,584	44.06	24,356,344	1.84
10,001 to 100,000	2,427	23.33	85,695,509	6.47
100,001 to less than 5% of issued units	485	4.66	467,981,642	35.34
5% and above of issued units	2	0.02	744,396,489	56.20
	10,404	100.00	1,324,388,889	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	3 December 2013 and 17 September 2014
General nature	Restated Deed and Supplemental 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 and 18 October 2006
Deed of novation	16 December 2005, 16 May 2007 and 15 November 2011
General nature	Agreement for lease for two properties
Consideration passing to the Trust	Annual lease rental of RM35,223,300
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	Wholly-owned subsidiary company

Manager's Report

BREAKDOWN OF UNITHOLDINGS (CONTINUED)

Name	Cameron Highlands Resort Sdn. Bhd.
Date of agreement	15 November 2011
General nature	Agreement for lease
Consideration passing to the Trust	Annual lease rental of RM4,000,000
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	Wholly-owned subsidiary company

Name	Business & Budget Hotels (Penang) Sdn. Bhd.
Date of agreement	15 November 2011
General nature	Agreement for lease
Consideration passing to the Trust	Annual lease rental of RM8,200,000
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
General nature	Agreement for lease
Consideration passing to the Trust	Annual lease rental of RM8,200,000
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
General nature	Agreement for lease
Consideration passing to the Trust	Annual lease rental of RM6,000,000
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
General nature	Agreement for lease
Consideration passing to the Group	Annual lease rental of RM15,540,000
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	Wholly-owned subsidiary company

BREAKDOWN OF UNITHOLDINGS (CONTINUED)

Name	East-West Ventures Sdn. Bhd.
Date of agreement	15 November 2011
General nature	Agreement for lease
Consideration passing to the Trust	Annual lease rental of RM19,250,000
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	70%-owned subsidiary company of holding company of the major unitholder

Name	Syarikat Pelanchongan Pangkor Laut Sendirian Berhad
Date of agreement	15 November 2011
General nature	Agreement for sub-lease
Consideration passing to the Trust	Annual lease rental of RM8,400,000
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
General nature	Agreement for lease
Consideration passing to the Trust	Annual lease rental of RM7,000,000
Mode of satisfaction of the consideration	By cash
Relationship with the manager	Company related to a director

Name	YTL Land Sdn. Bhd.
Date of agreement	28 June 2010 and 11 May 2016
General nature	Car park agreement
Consideration passing to the Trust	Annual fee of RM1,848,777
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	Wholly-owned subsidiary company

PERFORMANCE OF THE GROUP

	Group	
	2016 RM'000	**2015 RM'000**
Revenue	**426,292**	417,669
Net property income	**198,940**	201,548
(Loss)/Profit before tax	**(3,788)**	96,808
Income available for distribution	**104,545**	105,616

For the financial year ended 30 June 2016, the Group recorded a revenue of RM426.292 million, representing an increase of 2.06% as compared to RM417.669 million recorded in the preceding financial year ended 30 June 2015 while the Group recorded a net property income of RM198.940 million for the current financial year ended 30 June 2016, representing a decrease of 1.29% as compared to RM201.548 million recorded in the preceding financial year ended 30 June 2015.

Australian Properties contributed RM312.415 million in revenue, representing 73.29% of total revenue in the current financial year, 2.73% higher than that recorded in the preceding year. Net property income for Australian Properties was RM93.561 million, representing a decrease of 2.58% as compared to the preceding year. The decrease in net property income was due to lower contribution by Brisbane Marriott which was partially cushioned by the appreciation of the Australian Dollar in the current financial year.

Malaysian Properties contributed RM98.122 million in revenue, representing 23.02% of total revenue in the current financial year. Net property income for Malaysian Properties was RM92.373 million, representing a decrease of 0.12% compared to the preceding year, mainly due to additional property insurance cover taken in the current financial year.

Hilton Niseko Village contributed RM15.755 million in revenue, representing 3.69% of total revenue in the current financial year, 1.47% higher than that recorded in the preceding year. Net property income for the current financial year was RM13.006 million, representing a decrease of 0.15% compared to the preceding year.

The Group's profit before tax decreased by 103.91% from a profit of RM96.808 million recorded in the preceding financial year ended 30 June 2015 to a loss of RM3.788 million in the current financial year ended 30 June 2016. The decrease was mainly due to the loss on fair value of properties of RM11.723 million recorded during the current financial year ended 30 June 2016 as compared to the gain on fair value of properties of RM56.668 million recognised in the preceding financial year ended 30 June 2015. Other contributors to the decrease in profit before tax were the increase in the unrealised foreign currency translation loss on Australian Dollar denominated term loan and depreciation charges.

The Group's income available for distribution for the current financial year ended 30 June 2016 decreased by 1.01% from RM105.616 million to RM104.545 million.

DISTRIBUTION OF INCOME

Interim distributions of income (which are tax exempt at the Trust level under the amended Section 61A of the Income Tax Act 1967) totalling 5.7525 sen per unit (of which 5.6564 sen is taxable and 0.0961 sen is non-taxable in the hands of unitholders) amounted to RM76,185,471 were paid as follows:-

	Date of distribution	Distribution per unit Sen	Income distribution RM
First interim	30 December 2015	1.9175	25,395,157
Second interim	31 March 2016	1.9175	25,395,157
Third interim	30 June 2016	1.9175	25,395,157
Total		5.7525	76,185,471

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 2.1413 sen per unit (of which 1.8884 sen is taxable and 0.2529 sen is non-taxable in the hands of unitholders), totaling RM28,359,139.

Total distribution paid and declared for the financial year ended 30 June 2016 is 7.8938 sen per unit, totaling RM104,544,610, which translates to a yield of 7.52% based on the twelve months weighted average market price of RM1.05 per unit as at 30 June 2016.

The total income distribution of RM104,544,610 represents approximately 100% of the realised and distributable income for the financial year ended 30 June 2016.

The effect of the income distribution in terms of the net asset value per unit of the Group as at 30 June 2016 is as follows:-

	Before distribution RM	After distribution RM
Net asset value ("NAV") per unit	1.530	1.452

Analysis of net asset value of the Group since the last financial year ended 30 June 2015:-

At 30 June	2016	2015
Total net asset value (RM'000)	**1,922,403**	1,782,595
Net asset value per unit (RM)	**1.452**	1.346

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

Manager's Report

DISTRIBUTION OF INCOME (CONTINUED)

Analysis of changes in prices during the financial year ended 30 June 2016:-

The Trust's units traded at RM1.03 per unit at the beginning of the financial year and ended the year higher at RM1.07 per unit, with a volume weighted average price for the financial year of RM1.05 per unit. During the financial year under review, the Trust's unit price recorded a high of RM1.09 per unit and a low of RM0.99 per unit, and traded largely in line with the FTSE Bursa Malaysia KLCI.

MANAGER'S INVESTMENT STRATEGIES AND POLICIES

INVESTMENT STRATEGIES

During the financial year, the Manager continued to carry out the following investment strategies 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. However, in the future where the Manager considers that any property has reached a stage that offers only limited scope for growth, 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 Real Estate Investment Trusts issued by the SC ("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.

Manager's Report

INVESTMENT POLICIES

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

The Manager will also ensure that YTL REIT will not be involved in (i) extension of loans or any other credit facility; (ii) property development; and (iii) acquisition of a vacant land.

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.

DIRECTORS

The Directors who served on the Board of the Manager since the date of last Report of the Trust are:-

Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE, FICE
Dato' Yeoh Seok Kian
Dato' (Dr) Yahya Bin Ismail (resigned on 19.10.2015)
Dato' Ahmad Fuaad Bin Mohd Dahalan
Dato' Mark Yeoh Seok Kah
Dato' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir
Eu Peng Meng @ Leslie Eu
Yeoh Keong Shyan

DIRECTORS' BENEFITS

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

For the financial year ended 30 June 2016, 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.

Manager's Report

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 1.7.2015	No. of units acquired	No. of units disposed	Balance at 30.6.2016
Direct interest				
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE, FICE	870,000	–	–	870,000
Dato' Mark Yeoh Seok Kah	2,000,000	–	–	2,000,000
Dato' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir	100,000	–	–	100,000
Indirect Interest				
Dato' Mark Yeoh Seok Kah	1,000,000[(1)]	–	–	1,000,000[(1)]
Dato' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir	108,500,000[(2)]	–	–	108,500,000[(2)]

(1) Deemed interests by virtue of interests held by spouse pursuant to Section 134(12)(c) of the Companies Act 1965.

(2) Deemed interests by virtue of interests held by East-West Ventures Sdn. Bhd., Syarikat Pelanchongan Pangkor Laut Sendirian Berhad and Tanjong Jara Beach Hotel Sdn. Bhd. pursuant to Section 6A of the Companies Act 1965.

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

MANAGER'S REMUNERATION

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

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

(ii) 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;

(iii) 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 Trust in the asset acquired); and

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

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

Manager's Report

RESERVES AND PROVISIONS

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

(b) 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, Messrs. HLB Ler Lum, Chartered Accountants, have expressed their willingness to continue in office.

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

Dato' Yeoh Seok Kian

Dato' Mark Yeoh Seok Kah

Dated: 28 July 2016

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 Real Estate Investment Trusts and the deed dated 18 November 2005 (as restated and amended) so as to give a true and fair view of the state of affairs of YTL HOSPITALITY REIT ("Trust") and its subsidiaries ("Group") as at 30 June 2016 and of the results of operations and cash flows of the Group and of the Trust for the financial year ended on that date.

In the opinion of the Directors of the Manager, the supplementary information set out on page 138 have been compiled in accordance with the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Main Market Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

Dato' Yeoh Seok Kian

Dato' Mark Yeoh Seok Kah

Dated: 28 July 2016

Statutory Declaration

I, DATO' YEOH SEOK KIAN, 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' Yeoh Seok Kian

Subscribed and solemnly declared by the
abovenamed DATO' YEOH SEOK KIAN
at Kuala Lumpur on 28 July 2016

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 2016. 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 restated and amended) ("Deed"), the Securities Commission Malaysia's Guidelines on Real Estate Investment Trusts, the Capital Markets and Services Act 2007 and other applicable laws during the financial year ended 30 June 2016.

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 2016 are in line with and are reflective of the objectives of the Trust.

For Maybank Trustees Berhad,

Bernice Lau Kam Mun
Head, Operations

Dated: 28 July 2016
Kuala Lumpur

Independent Auditors' Report

to the Unitholders of YTL Hospitality REIT

REPORT ON THE FINANCIAL STATEMENTS

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 2016 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 a summary of significant accounting policies and other explanatory information, as set out on pages 71 to 137.

DIRECTORS OF PINTAR PROJEK SDN. BHD.'S ("MANAGER") RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors of the Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Trust as of 30 June 2016 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Securities Commission Malaysia's Guidelines on Real Estate Investment Trusts.

Independent Auditors' Report
to the Unitholders of YTL Hospitality REIT

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out on page 138 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors of the Manager are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Main Market Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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
AF 0276
Chartered Accountants

LUM TUCK CHEONG
1005/3/17 (J/PH)
Chartered Accountant

Dated: 28 July 2016
Kuala Lumpur

Income Statements

for the financial year ended 30 June 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Trust 2016 RM'000	Trust 2015 RM'000
Revenue					
– Hotel revenue	4	**312,415**	304,110	**–**	–
– Property revenue	4	**113,877**	113,559	**98,122**	98,033
Total revenue		**426,292**	417,669	**98,122**	98,033
Operating expenses					
– Hotel operating expenses	5	**(218,854)**	(208,072)	**–**	–
– Property operating expenses	5	**(8,498)**	(8,049)	**(5,749)**	(5,548)
Total operating expenses		**(227,352)**	(216,121)	**(5,749)**	(5,548)
Net property income		**198,940**	201,548	**92,373**	92,485
Finance income	6	**1,704**	2,733	**104,140**	98,207
Other income – others	6	**3,364**	1,579	**1,676**	–
– dividend income		**–**	–	**–**	6,950
Expenses					
– Manager's fees	7	**(7,497)**	(7,278)	**(7,497)**	(7,278)
– Trustee's fees	8	**(1,055)**	(974)	**(1,055)**	(974)
– Finance costs	9	**(83,163)**	(79,596)	**(83,154)**	(79,596)
– Auditors' remuneration		**(667)**	(587)	**(95)**	(74)
– Tax agent's fees		**(222)**	(221)	**(12)**	(10)
– Valuation fees		**(362)**	(378)	**(351)**	(378)
– Depreciation		**(75,123)**	(66,413)	**–**	–
– Administration expenses	6	**(6,200)**	(7,212)	**(609)**	(3,000)
Total income before unrealised items		**29,719**	43,201	**105,416**	106,332
Unrealised items					
– fair value on investment properties		**19,192**	44,061	**52,738**	32,000
– fair value on trade receivable		**(40)**	–	**(40)**	–
– Unrealised (loss)/gain on foreign exchange		**(21,744)**	(3,061)	**48,699**	(48,889)
– Revaluation (losses)/gain on property		**(30,915)**	12,607	**–**	–
(Loss)/Profit before tax		**(3,788)**	96,808	**206,813**	89,443

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

Income Statements
for the financial year ended 30 June 2016

	Note	Group		Trust	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(Loss)/Profit before tax		**(3,788)**	96,808	**206,813**	89,443
Income tax expense	10	**(1,987)**	(1,816)	**(871)**	(716)
(Loss)/Profit after tax		**(5,775)**	94,992	**205,942**	88,727
Distribution adjustments					
– Depreciation		**75,123**	66,413	**–**	–
– Net income from foreign operations		**1,690**	(2,182)	**–**	–
– Unrealised foreign translation differences		**21,744**	3,061	**(48,699)**	48,889
– Unrealised loss on fair value of trade receivable		**40**	–	**40**	–
– Unrealised gain on fair value of investment properties		**(19,192)**	(44,061)	**(52,738)**	(32,000)
– Revaluation losses/(gain) on property		**30,915**	(12,607)	**–**	–
Income available for distribution		**104,545**	105,616	**104,545**	105,616
Net income distribution					
– First interim income distribution paid on 30 December 2015 (2015: paid on 24 December 2014)		**25,395**	25,395	**25,395**	25,395
– Second interim income distribution paid on 31 March 2016 (2015: paid on 24 March 2015)		**25,395**	24,762	**25,395**	24,762
– Third interim income distribution paid on 30 June 2016 (2015: paid on 26 June 2015)		**25,395**	24,655	**25,395**	24,655
– Final income distribution (2015: paid on 28 August 2015)		**28,359**	30,803	**28,359**	30,803
Total income distribution		**104,544**	105,615	**104,544**	105,615

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

Income Statements

for the financial year ended 30 June 2016

	Note	Group		Trust	
		2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Income distribution per unit					
– First interim income distribution					
– Gross (sen)		**1.9175**	1.9175	**1.9175**	1.9175
– Second interim income distribution					
– Gross (sen)		**1.9175**	1.8697	**1.9175**	1.8697
– Third interim income distribution					
– Gross (sen)		**1.9175**	1.8616	**1.9175**	1.8616
– Final income distribution – Gross (sen)		**2.1413**	2.3258	**2.1413**	2.3258
Total income distribution per unit (sen)		**7.8938**	7.9746	**7.8938**	7.9746
(Loss)/Earnings per unit					
– after manager's fees (sen)	11	**(0.44)**	7.17	**15.55**	6.70
– before manager's fees (sen)	11	**0.13**	7.72	**16.12**	7.25

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 2016

		Group		Trust	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(Loss)/Profit after tax		**(5,775)**	94,992	**205,942**	88,727
Other comprehensive income					
Items that may be reclassified subsequently to income statement					
– currency translation differences		**94,995**	(52,251)	**–**	–
– cash flow hedge		**(23,724)**	–	**(23,724)**	–
Item that will not be reclassified subsequently to income statement					
– surplus on revaluation of properties		**178,856**	175,803	**–**	–
Total comprehensive income		**244,352**	218,544	**182,218**	88,727
(Loss)/Profit after tax is made up as follows:-					
Realised and distributable		**102,855**	107,798	**104,545**	105,616
Unrealised items		**(108,630)**	(12,806)	**101,397**	(16,889)
		(5,775)	94,992	**205,942**	88,727
Total comprehensive income is made up as follows:-					
(Loss)/Profit after tax		**(5,775)**	94,992	**205,942**	88,727
Unrealised currency translation differences		**94,995**	(52,251)	**–**	–
Surplus on revaluation of properties		**178,856**	175,803	**–**	–
Cash flow hedge		**(23,724)**	–	**(23,724)**	–
		244,352	218,544	**182,218**	88,727

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

Statements of Financial Position

as at 30 June 2016

	Note	Group		Trust	
		2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
ASSETS					
Non-current assets					
Investment properties	12	**1,843,183**	1,764,714	**1,586,000**	1,532,000
Property, plant and equipment	13	**1,623,328**	1,506,976	**–**	–
Investment in subsidiaries	14	**–**	–	**351,892**	344,792
Amount due from subsidiaries	14	**–**	–	**1,248,723**	1,179,671
Deferred tax assets	15	**2,663**	3,355	**–**	–
		3,469,174	3,275,045	**3,186,615**	3,056,463
Current assets					
Inventories	16	**729**	850	**–**	–
Trade receivables	17	**10,886**	7,125	**2,608**	797
Other receivables & prepayments	18	**21,474**	20,883	**3,598**	2,075
Amount due from subsidiaries	14	**–**	–	**95,390**	99,384
Income tax assets		**92**	–	**–**	–
Deposits with licensed financial institutions	19	**31,190**	56,391	**15,825**	14,025
Cash at banks		**88,373**	70,378	**529**	2,070
		152,744	155,627	**117,950**	118,351
Total assets		**3,621,918**	3,430,672	**3,304,565**	3,174,814

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

Statements of Financial Position

as at 30 June 2016

	Note	Group		Trust	
		2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
UNITHOLDERS' FUNDS AND LIABILITIES					
Unitholders' funds					
Unitholders' capital	20	**1,291,395**	1,291,395	**1,291,395**	1,291,395
Undistributed income		**135,890**	246,209	**379,231**	277,833
Currency translation reserves	21	**(73,393)**	(168,388)	**–**	–
Revaluation reserve	21	**592,235**	413,379	**–**	–
Cash flow hedge reserve	21	**(23,724)**	–	**(23,724)**	–
Total unitholders' funds/Net asset value ("NAV")		**1,922,403**	1,782,595	**1,646,902**	1,569,228
Non-current liabilities					
Borrowings	22	**1,590,422**	1,564,898	**1,590,422**	1,564,898
Medium Term Notes	23	**8,554**	–	**–**	–
Other payables	24	**836**	1,967	**–**	–
Derivative financial instruments	26	**23,724**	–	**23,724**	–
Amount due to a subsidiary	14	**–**	–	**10,000**	–
		1,623,536	1,566,865	**1,624,146**	1,564,898
Current liabilities					
Trade payables	25	**7,703**	1,943	**–**	–
Other payables	24	**39,917**	47,390	**5,158**	9,885
Income tax liabilities		**–**	1,076	**–**	–
Provision for income distribution	27	**28,359**	30,803	**28,359**	30,803
		75,979	81,212	**33,517**	40,688
Total liabilities		**1,699,515**	1,648,077	**1,657,663**	1,605,586
Total unitholders' funds and liabilities		**3,621,918**	3,430,672	**3,304,565**	3,174,814
NAV		**1,922,403**	1,782,595	**1,646,902**	1,569,228
Number of units in circulation ('000)	20	**1,324,389**	1,324,389	**1,324,389**	1,324,389
NAV per unit (RM)					
– before income distribution		**1.530**	1.426	**1.322**	1.265
– after income distribution		**1.452**	1.346	**1.244**	1.185

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 2016

Group	Unitholders' Capital RM'000	Distributable Undistributed Realised Income RM'000	<— Non-distributable Unrealised Income/(Loss) RM'000	Currency Translation Reserves RM'000	Revaluation Reserve RM'000	Cash Flow Hedge Reserve RM'000 —>	Total Unitholders' Funds RM'000
At 1 July 2014	1,291,395	184,342	72,490	(116,137)	237,576	–	1,669,666
Operations for the financial year ended 30 June 2015							
Profit for the year	–	107,798	(12,806)	–	–	–	94,992
Other comprehensive income	–	–	–	(52,251)	175,803	–	123,552
Total comprehensive income for the year	–	107,798	(12,806)	(52,251)	175,803	–	218,544
Unitholders transactions							
Distributions paid	–	(74,812)	–	–	–	–	(74,812)
Provision for income distribution (Note 27)	–	(30,803)	–	–	–	–	(30,803)
Decrease in net assets resulting from unitholders transactions	–	(105,615)	–	–	–	–	(105,615)
At 30 June 2015	1,291,395	186,525	59,684	(168,388)	413,379	–	1,782,595
At 1 July 2015	**1,291,395**	**186,525**	**59,684**	**(168,388)**	**413,379**	**–**	**1,782,595**
Operations for the financial year ended 30 June 2016							
Loss for the year	**–**	**102,855**	**(108,630)**	**–**	**–**	**–**	**(5,775)**
Other comprehensive income	**–**	**–**	**–**	**94,995**	**178,856**	**(23,724)**	**250,127**
Total comprehensive income for the year	**–**	**102,855**	**(108,630)**	**94,995**	**178,856**	**(23,724)**	**244,352**
Unitholders transactions							
Distributions paid	**–**	**(76,185)**	**–**	**–**	**–**	**–**	**(76,185)**
Provision for income distribution (Note 27)	**–**	**(28,359)**	**–**	**–**	**–**	**–**	**(28,359)**
Decrease in net assets resulting from unitholders transactions	**–**	**(104,544)**	**–**	**–**	**–**	**–**	**(104,544)**
At 30 June 2016	**1,291,395**	**184,836**	**(48,946)**	**(73,393)**	**592,235**	**(23,724)**	**1,922,403**

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 2016

Trust	Unitholders' Capital RM'000	Distributable Undistributed Realised Income RM'000	<— Non-distributable — Unrealised Income RM'000	Currency Translation Reserves RM'000	Revaluation Reserve RM'000	Cash Flow Hedge Reserve RM'000 —>	Total Unitholders' Funds RM'000
At 1 July 2014	1,291,395	184,695	110,026	–	–	–	1,586,116
Operations for the financial year ended 30 June 2015							
Profit for the year	–	105,616	(16,889)	–	–	–	88,727
Total comprehensive income for the year	–	105,616	(16,889)	–	–	–	88,727
Unitholders transactions							
Distributions paid	–	(74,812)	–	–	–	–	(74,812)
Provision for income distribution (Note 27)	–	(30,803)	–	–	–	–	(30,803)
Decrease in net assets resulting from unitholders transactions	–	(105,615)	–	–	–	–	(105,615)
At 30 June 2015	1,291,395	184,696	93,137	–	–	–	1,569,228
At 1 July 2015	**1,291,395**	**184,696**	**93,137**	**–**	**–**	**–**	**1,569,228**
Operations for the financial year ended 30 June 2016							
Profit for the year	**–**	**104,545**	**101,397**	**–**	**–**	**–**	**205,942**
Other comprehensive expense	**–**	**–**	**–**	**–**	**–**	**(23,724)**	**(23,724)**
Total comprehensive income for the year	**–**	**104,545**	**101,397**	**–**	**–**	**(23,724)**	**182,218**
Unitholders transactions							
Distributions paid	**–**	**(76,185)**	**–**	**–**	**–**	**–**	**(76,185)**
Provision for income distribution (Note 27)	**–**	**(28,359)**	**–**	**–**	**–**	**–**	**(28,359)**
Decrease in net assets resulting from unitholders transactions	**–**	**(104,544)**	**–**	**–**	**–**	**–**	**(104,544)**
At 30 June 2016	**1,291,395**	**184,697**	**194,534**	**–**	**–**	**(23,724)**	**1,646,902**

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 2016

	Group		Trust	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Cash flows from operating activities				
(Loss)/Profit before tax	**(3,788)**	96,808	**206,813**	89,443
Adjustments for:-				
Amortisation of transaction costs	**6,502**	2,929	**6,502**	2,929
Depreciation of property, plant and equipment	**75,123**	66,413	**–**	–
Dividend income	**–**	–	**–**	(6,950)
Impairment losses on trade receivables – net	**40**	(6)	**40**	(6)
Interest income	**(1,704)**	(2,733)	**(104,140)**	(98,207)
Interest expense	**76,289**	75,771	**76,236**	75,771
Fair value on investment properties	**(19,192)**	(44,061)	**(52,738)**	(32,000)
Loss on disposal of property, plant & equipment	**1,882**	962	**–**	–
Unrealised loss/(gain) on foreign currency exchange	**21,744**	3,061	**(48,699)**	48,889
Revaluation losses/(gain) on property	**30,915**	(12,607)	**–**	–
Operating profit before changes in working capital	**187,811**	186,537	**84,014**	79,869
Decrease/(Increase) in inventories	**146**	(42)	**–**	–
Increase in receivables	**(3,558)**	(11,277)	**(3,374)**	(693)
(Decrease)/Increase in payables	**(4,340)**	7,641	**(4,728)**	1,572
Inter-company balances	**–**	–	**3,423**	(251)
Cash generated from operations	**180,059**	182,859	**79,335**	80,497
Income tax paid	**(1,527)**	(869)	**–**	–
Net cash from operating activities	**178,532**	181,990	**79,335**	80,497

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 2016

	Group		Trust	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash flows from investing activities				
Dividend received	**–**	–	**–**	6,950
Interest received	**833**	2,018	**108,310**	92,073
Acquisition of property, plant and equipment	**(13,436)**	(4,564)	**–**	–
Enhancement of investment property	**(1,262)**	–	**(1,262)**	–
Proceed from disposal of equipment	**24**	29	**–**	–
Net cash (used in)/from investing activities	**(13,841)**	(2,517)	**107,048**	99,023
Cash flows from financing activities				
Interest paid	**(76,236)**	(75,771)	**(76,236)**	(75,771)
Distribution paid	**(106,988)**	(107,720)	**(106,988)**	(107,720)
Transaction costs paid	**(1,498)**	(17,841)	**–**	(17,841)
Net proceed/(repayment) of borrowing	**7,100**	–	**(2,900)**	–
Net cash used in financing activities	**(177,622)**	(201,332)	**(186,124)**	(201,332)
Net changes in cash and cash equivalent	**(12,931)**	(21,859)	**259**	(21,812)
Effect on exchange rate changes	**5,725**	(1,280)	**–**	–
Cash and cash equivalents at beginning of the financial year	**126,769**	149,908	**16,095**	37,907
Cash and cash equivalents at end of the financial year	**119,563**	126,769	**16,354**	16,095

NOTES TO THE STATEMENTS OF CASH FLOWS

Cash and cash equivalents comprise:-

	Group 2016 RM'000	Group 2015 RM'000	Trust 2016 RM'000	Trust 2015 RM'000
Deposits with licensed financial institutions	**31,190**	56,391	**15,825**	14,025
Cash at banks	**88,373**	70,378	**529**	2,070
	119,563	126,769	**16,354**	16,095

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 (as restated by the deed dated 3 December 2013) ("Restated Deed") entered into between the Manager and Maybank Trustees Berhad ("Trustee") and is categorised as a real property fund. The Restated Deed was amended by a supplemental deed ("Supplemental Deed") which has been registered with the Securities Commission Malaysia ("SC") on 29 October 2014.

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 consolidated financial statements reported for the financial year ended 30 June 2016 relates to the Trust and its subsidiaries ("Group").

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

11th Floor, Yeoh Tiong Lay Plaza
55 Jalan Bukit Bintang
55100 Kuala Lumpur

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

11th Floor, Yeoh Tiong Lay Plaza
55 Jalan Bukit Bintang
55100 Kuala Lumpur

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 Real Estate Investment Trusts ("REIT Guidelines") and the Restated Deed.

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

(c) 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.

Notes to the Financial Statements

2. BASIS OF PREPARATION (CONTINUED)

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

The following are accounting standards, amendments and interpretation 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 5, Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012 – 2014 Cycle)	1 January 2016
Amendments to MFRS 7, Financial Instruments: Disclosures (Annual Improvements 2012 – 2014 Cycle)	1 January 2016
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	1 January 2016
Amendments to MFRS 10, Consolidated Financial Statements, MFRS 12, Disclosure of Interests in Other Entities and MFRS 128, Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 11, Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
MFRS 14, Regulatory Deferral Accounts	1 January 2016
MFRS 101, Presentation of Financial Statements – Disclosure Initiative	1 January 2016
Amendments to MFRS 116, Property, Plant and Equipment and MFRS 138, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116, Property, Plant and Equipment and MFRS 141, Agriculture – Bearer Plants	1 January 2016
Amendments to MFRS 119, Employee Benefits (Annual Improvements 2012 – 2014 Cycle)	1 January 2016
Amendments to MFRS 127, Separate Financial Statements – Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 134, Interim Financial Reporting (Annual Improvements 2012 – 2014 Cycle)	1 January 2016
MFRS 9, Financial Instruments (2014)	1 January 2018
MFRS 15, Revenue from Contracts with Customers	1 January 2018
MFRS 16, Leases	1 January 2019
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

2. BASIS OF PREPARATION (CONTINUED)

(d) The new or revised financial reporting standard not yet effective (continued)

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 except as mentioned below:-

(i) MFRS 16 'Leases' supersedes MFRS 117 'Leases' and the related interpretations. Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases. The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in the income statement. For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently. MFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early application permitted provided MFRS 15 is also applied.

This amendment is not expected to have any significant impact on the financial statements of the Group.

(ii) MFRS 9 Financial instruments

The complete version of MFRS 9 replaces most of the guidance in MFRS 139. MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in MFRS 139.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentations is still required but is different to that currently prepared under MFRS 139.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

Notes to the Financial Statements

2. BASIS OF PREPARATION (CONTINUED)

(d) The new or revised financial reporting standard not yet effective (continued)

(iii) MFRS 15 Revenue from Contracts with Customers

MFRS 15 Revenue from Contracts with Customers deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:-

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligation in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The standard replaces MFRS 118 Revenue and MFRS 111 Construction contracts and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of MFRS 15.

(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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

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) Provisions

The Trust recognises provisions when it has a present legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. The recording of provisions requires the application of judgements about the ultimate resolution of these obligations. As a result, provisions are reviewed at each reporting date and adjusted to reflect the Trust's current best estimate.

(ii) Impairment loss on trade receivables

The Group and the Trust assess at each reporting date whether there is objective evidence that trade receivables have been impaired. Impairment loss is calculated based on a review of the current status of existing receivables and historical collections experience. Such provisions are adjusted periodically to reflect the actual and anticipated impairment.

2. BASIS OF PREPARATION (CONTINUED)

(e) Use of estimates and judgements (continued)

(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.

(iv) 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.

(v) 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 determined 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.

(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 Company. 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.

Notes to the Financial Statements

2. BASIS OF PREPARATION (CONTINUED)

(f) Basis of consolidation (continued)

(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.

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.

(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 in every 3 years from the last valuation, in compliance with the SC's 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.

Valuations 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.

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Leases

(i) Operating leases – as lessee

Leases of assets where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in the income statement on a straight-line basis over the period of the lease.

(ii) Operating leases – as lessor

Leases of properties where the Group and the Trust retain substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in the income statement on a straight-line basis over the lease term.

(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.

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	19%

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

(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.

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 profit and loss.

(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 are recognised initially, they are measured at fair value, plus, in the case of a financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Trust determine the classification of their financial assets at initial recognition, and the categories include loans and receivables.

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest 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. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in income statement.

(h) Impairment of financial assets

The Group and the Trust assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

Loans and receivables

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in income statement.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in income statement, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 loans and receivables 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.

(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 other financial liabilities.

Other financial liabilities

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.

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Derivatives 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 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.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 26. Movements on the hedging reserve in other comprehensive income are shown in Note 21(iii). The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedge

The fair value changes on the effective portion 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’.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) 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.

(o) Revenue recognition

Revenue is recognised when it is probable that the future economic benefits will flow to the Group and the benefits can be reliably measured.

(i) Rental of room

Revenue from room rental is recognised on the accrual basis.

(ii) Rental income and other related charges

Rental income is recognised in income statement on a straight-line basis over the term of the lease.

(iii) Car park income

Car park income is recognised in the income statement on accrual basis.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method in income statement.

(v) Sales of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyers.

(vi) Rendering of services

Revenue is recognised when the services are rendered.

(vii) Dividend income

Dividend income is recognised in income statement on the date that the Trust’s right to receive payment is established.

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Employee benefits

(i) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are recognised as an expense in the financial year when employees have rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as expenses when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(ii) Post-employment benefits

The Group has various post-employment benefit schemes in accordance with local conditions and practices in the industries in which it operates. These benefit plans are either defined contribution or defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

Defined contribution plan

The Group's contributions to a defined contribution plan are charged to income statement in the period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(q) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency using exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Foreign currency (continued)

(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.

(r) 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.

(s) 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	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Hotel revenue				
– Rental of room	**250,305**	233,258	**–**	–
– Food and beverage income	**52,347**	60,631	**–**	–
– Other hotel operating income	**9,763**	10,221	**–**	–
	312,415	304,110	**–**	–
Property revenue				
– Lease rental income	**112,028**	111,799	**96,273**	96,273
– Car park income	**1,849**	1,760	**1,849**	1,760
	113,877	113,559	**98,122**	98,033
Total revenue	**426,292**	417,669	**98,122**	98,033

5. OPERATING EXPENSES

	Group		Trust	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Hotel operating expenses				
– Operating expenses	**132,388**	130,404	**–**	–
– Repair and maintenance expenses	**11,506**	10,549	**–**	–
– Utilities	**6,398**	6,246	**–**	–
– Property taxes	**5,715**	5,161	**–**	–
– Insurance	**459**	541	**–**	–
– General and administration expenses	**50,737**	43,438	**–**	–
– Other direct expenses	**11,651**	11,733	**–**	–
	218,854	208,072	**–**	–
Property operating expenses				
– Property taxes	**6,246**	6,006	**4,267**	4,242
– Insurance	**2,241**	2,032	**1,471**	1,295
– Lease rental	**11**	11	**11**	11
	8,498	8,049	**5,749**	5,548
Total operating expenses	**227,352**	216,121	**5,749**	5,548

5. OPERATING EXPENSES (CONTINUED)

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

	Group		Trust	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Salaries, wages and bonus	**73,563**	76,481	**–**	–
Defined contribution plan	**28,318**	27,399	**–**	–
	101,881	103,880	**–**	–

6. FINANCE INCOME & CURRENCY EXCHANGE GAINS/(LOSSES)

	Group		Trust	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Financial institution deposits interests	**1,704**	2,733	**704**	711
Subsidiary loan interests	**–**	–	**103,436**	97,496
Finance income	**1,704**	2,733	**104,140**	98,207
Currency exchange gain/(losses) – realised	**1,676**	(2,626)	**1,676**	(2,626)

7. MANAGER'S FEES

Fees paid and payable to the Manager during the financial year comprise:-

	Group		Trust	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
(i) Base fee	**3,518**	3,247	**3,518**	3,247
(ii) Performance fee	**3,979**	4,031	**3,979**	4,031
	7,497	7,278	**7,497**	7,278

(i) Pursuant to the Restated Deed, the base fee, accrued and payable monthly, represents 0.1% per annum of the gross asset value of the Group; and

(ii) Pursuant to the Restated Deed, the performance fee, accrued and payable monthly, represents 2% of the net property income of the Group recorded during the financial year.

Notes to the Financial Statements

8. TRUSTEE'S FEES

Pursuant to the 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.

9. FINANCE COSTS

	Group		Trust	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Interest expense:-				
– Term loans (Note 22)	**76,236**	75,771	**76,236**	75,771
– Medium Term Notes (Note 23)	**53**	–	**–**	–
– Subsidiary (Note 14)	**–**	–	**53**	–
Incidental cost incurred to administer the borrowing facilities:-				
– Amortisation of transaction costs	**6,502**	2,929	**6,502**	2,929
– Facility fee	**372**	896	**363**	896
	83,163	79,596	**83,154**	79,596

10. INCOME TAX EXPENSE

	Group		Trust	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Current income tax				
– Malaysian income tax				
– current year	**112**	265	**–**	–
– under-provision in prior year	**–**	50	**–**	–
– Foreign income tax*	**1,082**	1,301	**871**	716
Deferred tax				
– Origination and reversal of temporary differences (Note 15)	**793**	200	**–**	–
	1,987	1,816	**871**	716

The Trust has provided approximately 100% (2015: 100%) of the distributable income to unitholders, which is more than 90% of the taxable income, which income at the Trust level is exempted from tax in accordance with the amended Section 61A of Income Tax Act 1967.

* Included withholding taxes from the foreign interest income received from shareholder loan interest.

10. INCOME TAX EXPENSE (CONTINUED)

A reconciliation of income tax expense applicable to (loss)/profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and the Trust is as follows:-

	Group		Trust	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(Loss)/Profit before tax	**(3,788)**	96,808	**206,813**	89,443
Income tax using Malaysian statutory tax rate of 24% (2015: 25%)	**(909)**	24,202	**49,635**	22,361
Expenses not deductible for tax purposes	**46,371**	33,802	**6,412**	19,317
Utilisation of capital allowances	**(5,098)**	(5,311)	**(5,098)**	(5,311)
Income exempted from tax	**(1,349)**	(3,717)	**(1,349)**	(3,717)
Income not subject to tax	**(35,965)**	(49,163)	**(48,729)**	(31,934)
Different tax rates in other countries	**(1,063)**	2,003	**–**	–
Income tax expense	**1,987**	1,816	**871**	716

11. (LOSS)/EARNINGS PER UNIT

	Group		Trust	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
(Loss)/Profit for the year after manager's fees	**(5,775)**	94,992	**205,942**	88,727
Profit for the year before manager's fees	**1,722**	102,270	**213,439**	96,005
Weighted average number of units ('000)	**1,324,389**	1,324,389	**1,324,389**	1,324,389
(Loss)/Earnings per unit after manager's fees (sen)	**(0.44)**	7.17	**15.55**	6.70
Earnings per unit before manager's fees (sen)	**0.13**	7.72	**16.12**	7.25

Notes to the Financial Statements

12. INVESTMENT PROPERTIES

	Group		Trust	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At beginning of the financial year	**1,764,714**	1,725,633	**1,532,000**	1,500,000
Enhancements	**1,262**	–	**1,262**	–
Change in fair value	**19,192**	44,061	**52,738**	32,000
Currency translation differences	**58,015**	(4,980)	**–**	–
At end of the financial year	**1,843,183**	1,764,714	**1,586,000**	1,532,000
Analysis of investment properties:-				
Freehold land & building	**1,366,183**	1,294,714	**1,109,000**	1,062,000
Leasehold land & building	**477,000**	470,000	**477,000**	470,000
	1,843,183	1,764,714	**1,586,000**	1,532,000

The fair value of the investment properties are as follows:-

Description of property	Tenure	Fair value as at 30.6.2016 RM'000	% of fair value to Net Asset Value as at 30.6.2016 %	Fair value as at 30.6.2015 RM'000	% of fair value to Net Asset Value as at 30.6.2015 %
JW Marriott Hotel Kuala Lumpur	Freehold	**410,000**	**21.3**	389,000	21.8
The Residences at The Ritz-Carlton, Kuala Lumpur (60 units)	Freehold	**163,000**	**8.5**	156,000	8.8
The Residences at The Ritz-Carlton, Kuala Lumpur (54 units)	Freehold	**91,000**	**4.7**	84,000	4.7
The Ritz-Carlton, Kuala Lumpur	Freehold	**320,000**	**16.6**	313,000	17.6
Pangkor Laut Resort	Leasehold	**114,000**	**5.9**	113,000	6.3
Tanjong Jara Resort	Leasehold	**101,000**	**5.3**	100,000	5.6
Vistana Kuala Lumpur Titiwangsa	Freehold	**125,000**	**6.5**	120,000	6.7
Vistana Penang Bukit Jambul	Leasehold	**117,000**	**6.1**	114,000	6.4
Vistana Kuantan City Centre	Leasehold	**86,000**	**4.5**	85,000	4.8
Cameron Highlands Resort	Leasehold	**59,000**	**3.1**	58,000	3.3
Hilton Niseko Village	Freehold	**257,183**	**13.4**	232,714	13.0
		1,843,183	**95.9**	1,764,714	99.0
Net Asset Value		**1,922,403**		1,782,595	

12. INVESTMENT PROPERTIES (CONTINUED)

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

	Group		Trust	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Rental income	**133,877**	113,559	**98,122**	98,033
Direct operating expenses:-				
– income generating investment properties	**(8,498)**	(8,049)	**(5,749)**	(5,548)

Investment properties with carrying amount of RM1,843 million (2015: RM1,765 million) are charged as security for borrowings granted to the Group as disclosed in Note 22 and Note 23 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 34(b) to the Financial Statements. The properties are valued by independent external valuers, Savills (Malaysia) Sdn. Bhd., SMY Valuers & Consultants Sdn. Bhd. and Jones Lang LaSalle K.K. on 31 May 2016 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.

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.	Discount rate of 5.2% to 7.5% (2015: 5.6% to 8.5%) Capitalisation rate of 5.3% to 7.5% (2015: 6.0% to 8.5%)	The higher the discount rate, the lower the fair value. The higher the capitalisation rate, the lower the fair value.

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 1.7.2015	182,200	1,123,106	224,013	52,843	1,582,162
Additions	–	3,110	3,243	7,083	13,436
Transfers	–	3,844	2,312	(6,156)	–
Disposals	–	–	(2,955)	(72)	(3,027)
Written off	–	–	–	(96)	(96)
Revaluation losses – net	9,734	(40,649)	–	–	(30,915)
Revaluation surplus	30,238	137,534	–	–	167,772
Revaluation adjustments	–	(46,649)	–	–	(46,649)
Currency translation differences	5,061	32,170	6,462	1,523	45,216
At 30.6.2016	227,233	1,212,466	233,075	55,125	1,727,899
Representing:					
At cost	–	–	233,075	55,125	288,200
At valuation	227,233	1,212,466	–	–	1,439,699
At 30.6.2016	227,233	1,212,466	233,075	55,125	1,727,899
Accumulated depreciation					
At 1.7.2015	–	3,743	46,415	25,028	75,186
Charge for the financial year	–	46,840	18,242	10,041	75,123
Disposals	–	–	(1,080)	(41)	(1,121)
Revaluation adjustment	–	(46,649)	–	–	(46,649)
Currency translation differences	–	107	1,253	672	2,032
At 30.6.2016	–	4,041	64,830	35,700	104,571
Net book value:					
At cost	–	–	168,245	19,425	187,670
At valuation	227,233	1,208,425	–	–	1,435,658
At 30.6.2016	227,233	1,208,425	168,245	19,425	1,623,328

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land RM'000	Buildings RM'000	Equipment RM'000	Other assets RM'000	Total RM'000
Cost/Valuation					
At 1.7.2014	171,855	1,021,090	231,126	53,905	1,477,976
Additions	–	227	1,952	2,385	4,564
Transfers	–	–	1,356	(1,356)	–
Disposals	–	–	(1,451)	(5)	(1,456)
Revaluation losses reversal	–	12,607	–	–	12,607
Revaluation surplus	16,848	166,235	–	–	183,083
Revaluation adjustments	–	(38,839)	–	–	(38,839)
Currency translation differences	(6,503)	(38,214)	(8,970)	(2,086)	(55,773)
At 30.6.2015	182,200	1,123,106	224,013	52,843	1,582,162
Representing:					
At cost	–	–	224,013	52,843	276,856
At valuation	182,200	1,123,106	–	–	1,305,306
At 30.6.2015	182,200	1,123,106	224,013	52,843	1,582,162
Accumulated depreciation					
At 1.7.2014	–	3,378	30,370	15,973	49,721
Charge for the financial year	–	39,306	17,507	9,600	66,413
Disposals	–	–	(463)	(2)	(465)
Revaluation adjustments	–	(38,839)	–	–	(38,839)
Currency translation differences	–	(102)	(999)	(543)	(1,644)
At 30.6.2015	–	3,743	46,415	25,028	75,186
Net book value:					
At cost	–	–	177,598	27,815	205,413
At valuation	182,200	1,119,363	–	–	1,301,563
At 30.6.2015	182,200	1,119,363	177,598	27,815	1,506,976

Notes to the Financial Statements

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The fair value of the property, plant and equipment are as follows:-

Description of property	Tenure	Fair value as at 30.6.2016 RM'000	% of fair value to Net Asset Value as at 30.6.2016 %	Fair value as at 30.6.2015 RM'000	% of fair value to Net Asset Value as at 30.6.2015 %
Sydney Harbour Marriott	Freehold	**1,132,499**	**58.9**	1,006,187	56.4
Brisbane Marriott	Freehold	**259,578**	**13.5**	285,093	16.0
Melbourne Marriott	Freehold	**231,251**	**12.0**	215,696	12.1
		1,623,328	**84.4**	1,506,976	84.5
Net Asset Value		**1,922,403**		1,782,595	

Property, plant and equipment at net book value amounting to RM1,623 million (2015: RM1,507 million) are charged as security for a term loan granted to the Trust as disclosed in Note 22 to the Financial Statements.

A valuation is carried out on the freehold land and buildings at least once during each financial year. The latest annual valuation exercise was conducted by independent professional valuers, CIVAS (NSW) Pty Limited and CIVAS (QLD) Pty Limited on 31 May 2016, 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	
	2016 RM'000	2015 RM'000
Freehold land	**155,620**	151,248
Buildings	**759,207**	772,330
	914,827	923,578

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 34(b) to the Financial Statements.

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

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Fair value information (continued)

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 8.8% to 9.0% (2015: 8.5% to 9.5%)	The higher the discount rate, the lower the fair value.
	Capitalisation rate of 5.5% to 9.0% (2015: 6.0% to 7.0%)	The higher the capitalisation rate, the lower the fair value.

14. INVESTMENT IN SUBSIDIARIES

	Trust	
	2016 RM'000	2015 RM'000
Unquoted shares, at costs	**351,892**	344,792

The details of subsidiaries are as follows:-

Name of subsidiary	Place of incorporation	Principal activities	Effective equity interest 2016 %	2015 %
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

Notes to the Financial Statements

14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

The details of subsidiaries are as follows:- (continued)

Name of subsidiary	Place of incorporation	Principal activities	Effective equity interest 2016 %	Effective equity interest 2015 %
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

14. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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. The loans in foreign currencies of RM1,249 million (2015: RM1,180 million) with tenure of ten and fifteen years bear interest at rates of 8.86% and 5% (2015: 8.86% and 5%) per annum respectively, interest is payable quarterly and monthly respectively. The loans shall be repaid by way of a bullet repayment on maturity date. Upon maturity, the Trust allows the loans to be renewed for another ten and fifteen years respectively, where the interest rate is mutually agreed upon in the later stage.

The amount due to a subsidiary relates to an advance of RM10 million for a tenure of three years and bears a fixed interest rate of 5.23% per annum, interest is payable half yearly. The advance shall be repaid on maturity date.

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 (2015: Nil) in the Group's ownership interest in its significant subsidiaries.

15. DEFERRED TAX ASSETS

	Group	
	2016 RM'000	**2015 RM'000**
At beginning of the financial year	**3,355**	3,701
Charged to income statement (Note 10)	**(793)**	(200)
Currency translation differences	**101**	(146)
At end of the financial year	**2,663**	3,355

15. DEFERRED TAX ASSETS (CONTINUED)

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 Statements of Financial Position:-

	Group	
	2016 RM'000	**2015 RM'000**
Deferred tax provided are in respect of:-		
Deferred tax assets		
Receivables	**184**	151
Accruals	**2,867**	3,546
Others	**14**	16
	3,065	3,713
Deferred tax liabilities		
Prepayments	**(402)**	(358)
	(402)	(358)
Net (after offsetting)	**2,663**	3,355

16. INVENTORIES

	Group	
	2016 RM'000	**2015 RM'000**
Beverage inventories	**578**	725
Operating inventories	**151**	125
	729	850

The Group's cost of inventories recognised as expenses and included in "hotel operating expenses" amounted to approximately RM8,882,000 (2015: RM12,190,000).

17. TRADE RECEIVABLES

	Group		Trust	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade receivables	**13,708**	9,907	**5,430**	3,579
Less: Accumulated impairment losses on trade receivables	**(2,822)**	(2,782)	**(2,822)**	(2,782)
	10,886	7,125	**2,608**	797

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

	Group		Trust	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At beginning of the financial year	**2,782**	2,788	**2,782**	2,788
Change in fair value of trade receivables	**40**	–	**40**	–
Reversal of impairment losses	**–**	(6)	**–**	(6)
At end of the financial year	**2,822**	2,782	**2,822**	2,782

The amount due from companies related to the Manager, which amounted to RM2,161,632 (2015: RM310,943) relate to rental due in respect of agreements and is subject to normal trade terms.

The normal trade credit terms of trade receivables range from 15 to 30 (2015: 15 to 30) days.

The ageing analysis of the Group's and the Trust's trade receivables is as follows:-

	Gross RM'000	Individual impairment RM'000	Net RM'000
Group – 2016			
Not past due	**7,041**	**–**	**7,041**
Past due 1 – 90 days	**3,190**	**–**	**3,190**
Past due 91 – 180 days	**209**	**–**	**209**
Past due more than 180 days	**3,268**	**(2,822)**	**446**
Trust – 2016			
Not past due	**164**	**–**	**164**
Past due 1 – 90 days	**1,998**	**–**	**1,998**
Past due more than 180 days	**3,268**	**(2,822)**	**446**

17. TRADE RECEIVABLES (CONTINUED)

The ageing analysis of the Group's and the Trust's trade receivables is as follows:- (continued)

	Gross RM'000	Individual impairment RM'000	Net RM'000
Group – 2015			
Not past due	5,620	–	5,620
Past due 1 – 90 days	927	–	927
Past due 91 – 180 days	88	–	88
Past due more than 180 days	3,272	(2,782)	490
Trust – 2015			
Not past due	311	–	311
Past due more than 180 days	3,268	(2,782)	486

The allowance account in respect of receivables is used to record impairment losses. At the end of the financial year, the Group and the Trust are satisfied that recovery of the amount is possible.

18. OTHER RECEIVABLES & PREPAYMENTS

	Group		Trust	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Other receivables	**16,570**	16,409	**201**	784
Prepayments	**4,904**	4,474	**3,397**	1,291
	21,474	20,883	**3,598**	2,075

Included in the other receivables of the Group is RM10,348,982 (2015: RM15,553,545) recoverable from Australian tax authorities for withholding tax on foreign source distribution received by a subsidiary.

In the previous financial year, the amount due from a company related to the Manager, which amounted to RM372,763 was unsecured, interest free and receivable on demand.

19. DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS

The effective interest rate of deposits placed with licensed banks of the Group and of the Trust were 2.2% and 3.4% (2015: 2.4% and 3.4%) per annum, respectively.

The average maturities of deposits of the Group and of the Trust ranged from 1 day to 91 days (2015: 1 day to 31 days).

Included in deposits with licensed financial institutions is RM4,589,383 (2015: RM4,437,878) pledged for a bank facility granted to the Trust as stated in Note 22 to the Financial Statements.

20. UNITHOLDERS' CAPITAL

	2016 No. of units '000	2015 No. of units '000
Authorised:-		
At beginning/end of the financial year	**1,324,389**	1,324,389
Issued and fully paid:-		
At beginning/end of the financial year	**1,324,389**	1,324,389

	2016 RM'000	2015 RM'000
Issued and fully paid:-		
At beginning/end of the financial year	**1,291,395**	1,291,395

21. RESERVES

(i) Currency translation reserves

	Group	
	2016 RM'000	2015 RM'000
At beginning of the financial year	**(168,388)**	(116,137)
Net currency translation differences from financial statement of foreign subsidiaries	**94,995**	(52,251)
At end of the financial year	**(73,393)**	(168,388)

Notes to the Financial Statements

21. RESERVES (CONTINUED)

(ii) Revaluation reserve

	Group	
	2016 RM'000	2015 RM'000
At beginning of the financial year	**413,379**	237,576
Revaluation gain of property	**167,772**	183,083
Currency translation differences	**11,084**	(7,280)
At end of the financial year	**592,235**	413,379

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

(iii) Cash flow hedge reserve

	Group		Trust	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At beginning of the financial year	**–**	–	**–**	–
Change in fair value	**(23,724)**	–	**(23,724)**	–
At end of the financial year	**(23,724)**	–	**(23,724)**	–

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.

22. BORROWINGS – SECURED

	Group		Trust	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-current				
– Term loans	**1,603,734**	1,584,712	**1,603,734**	1,584,712
– Capitalised transaction costs	**(13,312)**	(19,814)	**(13,312)**	(19,814)
	1,590,422	1,564,898	**1,590,422**	1,564,898

During the previous financial year, an amount of RM760 million of the existing term loan of RM1,581.8 million was refinanced by the drawing of AUD262.5 million under an Australian Dollar term loan.

22. BORROWINGS – SECURED (CONTINUED)

(i) The term loan denominated in Ringgit Malaysia of RM811,800,000 (2015: RM821,800,000), which is repayable by bullet payment on 23 November 2017, bears a weighted average interest rate of 4.91% (2015: 4.81%) per annum and is secured by:-

(a) a first legal charge over some properties as disclosed in Note 12 to the Financial Statements;

(b) an assignment of fire insurance policies in relation to the secured properties; and

(c) a Memorandum of Deposit over the fixed deposit of the Trust as disclosed in Note 19 to the Financial Statements.

(ii) The term loan denominated in Australian Dollar of AUD264,869,843 (2015: AUD262,538,860) which is repayable by bullet payment on 29 June 2020, bears a weighted average interest rate of 4.52% (2015: 4.19%) 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.

The interest rate on the term loan was largely hedged using interest rate swaps capped at 4.76% per annum.

23. MEDIUM TERM NOTES ("MTNs")

	Group		Trust	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Non-current				
Medium Term Notes	**10,000**	–	**–**	–
Capitalised transaction costs	**(1,446)**	–	**–**	–
	8,554	–	**–**	–

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. A nominal value of RM10 million of MTNs was issued on 25 May 2016 to refinance part the Group's existing RM821.8 million term loan. The coupon rate of the MTNs is 5.23% per annum, payable semi-annually in arrears and the MTNs are redeemable on 24 May 2019 at nominal value. The facility is secured by a property as disclosed in Note 12 to the Financial Statements.

Notes to the Financial Statements

24. OTHER PAYABLES

	Group		Trust	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Non-current				
Other payables	**836**	1,967	**–**	–

Included in the other payables is the long service leave of approximately RM836,000 (2015: RM1,967,000).

	Group		Trust	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Current				
Other payables	**24,783**	34,351	**2,024**	8,051
Accruals	**10,492**	8,973	**3,134**	1,834
Advance deposits	**4,642**	4,066	**–**	–
	39,917	47,390	**5,158**	9,885

The amounts due to the Manager and the companies related to the Manager, which amounted to RM1,487,227 (2015: RM1,817,099) are unsecured, interest free and payable on demand.

25. TRADE PAYABLES

The credit terms of trade payables granted to the Group vary from 15 to 30 (2015: 15 to 30) days.

26. DERIVATIVE FINANCIAL INSTRUMENTS

	Contract/ Notional Value RM'000	Fair Value RM'000
Cash flow hedge		
Interest rate swaps		
– 1 – 5 years	**784,965**	**(23,724)**

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 income statement.

The Group's derivative financial instruments are classified in Level 2 of the fair value hierarchy. The different levels of the fair value hierarchy are defined in Note 34(b) to the Financial Statements.

27. PROVISION FOR INCOME DISTRIBUTION

	Group		Trust	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
At beginning of the financial year	**30,803**	32,908	**30,803**	32,908
Provision made during the financial year	**104,544**	105,615	**104,544**	105,615
Distribution paid during the financial year	**(106,988)**	(107,720)	**(106,988)**	(107,720)
At end of the financial year	**28,359**	30,803	**28,359**	30,803

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

For the financial year ended 30 June 2016, the Manager has declared a final income distribution of 2.1413 sen per unit (2015: 2.3258 sen per unit), totaling RM28,359,139 (2015: RM30,802,637) which will be paid on 30 August 2016. Total distribution paid and declared for the financial year ended 30 June 2016 is 7.8938 sen per unit, totaling RM104,544,610, representing approximately 100% of the total distributable income for the financial year ended 30 June 2016 (2015: 7.9746 sen per unit, totaling RM105,614,716).

27. PROVISION FOR INCOME DISTRIBUTION (CONTINUED)

Distribution to unitholders is from the following sources:-

	Group	
	2016 RM'000	**2015 RM'000**
Net property income	**198,940**	201,548
Finance income	**1,704**	2,733
Other income	**22,556**	58,247
	223,200	262,528
Less: Expenses	**(226,988)**	(165,720)
Less: Income tax expense	**(1,987)**	(1,816)
	(5,775)	94,992
Add/(Less):-		
Unrealised gain on fair value of investment properties	**(19,192)**	(44,061)
Unrealised foreign translation differences	**21,744**	3,061
Unrealised loss on fair value of trade receivable	**40**	–
Revaluation losses/(gain) on property	**30,915**	(12,607)
Net income from foreign operations	**1,690**	(2,182)
Depreciation	**75,123**	66,413
Income available for distribution/Total distributable income	**104,545**	105,616
Less: Income distribution	**(104,544)**	(105,615)
Undistributed distributable income	**1**	1
Distributable income per unit (sen)	**7.8938**	7.9747
Gross distribution per unit (sen)	**7.8938**	7.9746
Net distribution per unit (sen)	**7.8938**	7.9746

28. TRANSACTIONS WITH STOCKBROKING COMPANIES

No transactions with stockbroking companies were made during the financial year.

29. UNITHOLDING BY THE MANAGER

As at 30 June 2016, the Manager did not hold any unit in the Trust.

30. UNITHOLDERS RELATED TO THE MANAGER

	2016		
	No. of units held '000	**Percentage of total units %**	**Market value RM'000**
YTL Corporation Berhad	**747,464**	**56.44**	**799,787**
YTL Power International Berhad	**43,090**	**3.25**	**46,106**
Business & Budget Hotels (Kuantan) Sdn. Bhd.	**18,750**	**1.42**	**20,063**
Megahub Development Sdn. Bhd.	**18,250**	**1.38**	**19,528**
East-West Ventures Sdn. Bhd.	**62,500**	**4.72**	**66,875**
Syarikat Pelanchongan Pangkor Laut Sendirian Berhad	**24,250**	**1.83**	**25,948**
Tanjong Jara Beach Hotel Sdn. Bhd.	**21,750**	**1.64**	**23,273**
	936,054	**70.68**	**1,001,580**

	2015		
	No. of units held '000	**Percentage of total units %**	**Market value RM'000**
YTL Corporation Berhad	747,464	56.44	769,888
YTL Power International Berhad	43,090	3.25	44,382
Business & Budget Hotels (Kuantan) Sdn. Bhd.	18,750	1.42	19,312
Megahub Development Sdn. Bhd.	18,250	1.38	18,798
East-West Ventures Sdn. Bhd.	62,500	4.72	64,375
Syarikat Pelanchongan Pangkor Laut Sendirian Berhad	24,250	1.83	24,978
Tanjong Jara Beach Hotel Sdn. Bhd.	21,750	1.64	22,403
	936,054	70.68	964,136

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 2016 of RM1.070 per unit (2015: RM1.030 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.

31. 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:-

Entity	Relationship	Nature of transaction	Group/Trust 2016 RM'000	Group/Trust 2015 RM'000
Business & Budget Hotels (Penang) Sdn. Bhd.	Subsidiary company of the major unitholder	Lease rental of investment property	**8,200**	8,200
Business & Budget Hotels (Kuantan) Sdn. Bhd.	Associated company of the major unitholder	Lease rental of investment property	**6,000**	6,000
Cameron Highlands Resort Sdn. Bhd.	Subsidiary company of the major unitholder	Lease rental of investment property	**4,000**	4,000
Prisma Tulin Sdn. Bhd.	Subsidiary company of the major unitholder	Lease rental of investment property	**8,200**	8,200
Star Hill Hotel Sdn. Bhd.	Subsidiary company of the major unitholder	Lease rental of investment properties	**35,223**	35,223
YTL Land Sdn. Bhd.	Subsidiary company of the major unitholder	Rental of car park space	**1,849**	1,760
Tanjong Jara Beach Hotel Sdn. Bhd.	Company related to a director of the manager	Lease rental of investment property	**7,000**	7,000
East-West Ventures Sdn. Bhd.	Subsidiary company of the holding company of major unitholder	Lease rental of investment property	**19,250**	19,250
Syarikat Pelanchongan Pangkor Laut Sendirian Berhad	Subsidiary company of the holding company of major unitholder	Lease rental of investment property	**8,400**	8,400

Entity	Relationship	Nature of transaction	Group 2016 RM'000	Group 2015 RM'000
Niseko Village K.K.	Subsidiary company of the major unitholder	Lease rental of investment property	**15,755**	15,526

31. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

Entity	Relationship	Nature of transaction	Trust 2016 RM'000	Trust 2015 RM'000
Starhill Hospitality REIT (Australia) Sdn. Bhd.	Subsidiary company	Shareholder loan interests	**94,888**	90,289
Starhill Hospitality REIT (Australia) Sdn. Bhd.	Subsidiary company	Dividend income	**–**	6,950
Starhill REIT Niseko G.K.	Subsidiary company	Shareholder loan interests	**8,548**	7,207
YTL REIT MTN Sdn. Bhd.	Subsidiary company	Interest expenses	**53**	–
YTL REIT MTN Sdn. Bhd.	Subsidiary company	Administrative charges	**142**	–

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.

32. CAPITAL COMMITMENTS AND OPERATING LEASE ARRANGEMENT

(a) Capital commitments

	Group 2016 RM'000	Group 2015 RM'000
Authorised but not contracted for	**35,914**	42,404

The above commitments mainly comprise refurbishment of Sydney Harbour Marriott hotel property.

(b) Operating lease arrangement

The Group leases out its investment properties as follows:-

(i) for JW Marriott Hotel Kuala Lumpur and The Residences at The Ritz-Carlton, Kuala Lumpur, the lease term are twenty and twenty five years respectively; and

(ii) for other investment properties, the average tenure is a lease term of fifteen years.

All lease arrangements are provided with a step-up rate of 5% every five years and an option to grant the respective lessees to renew the lease for a further term similar to the original lease agreements.

32. CAPITAL COMMITMENTS AND OPERATING LEASE ARRANGEMENT (CONTINUED)

(b) Operating lease arrangement (continued)

The future minimum lease payments receivable under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, are analysed as follows:-

	Group		Trust	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Not later than 1 year	**114,740**	111,813	**98,811**	96,273
Later than 1 year and not later than 5 years	**589,621**	583,884	**507,628**	502,688
Later than 5 years	**536,983**	657,461	**459,886**	563,638
	1,241,344	1,353,158	**1,066,325**	1,162,599

33. 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 or other financial assets (including cash & bank balances), the Group and the Trust minimise credit risk by dealing with high credit rating counterparties.

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.

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 Statement of Financial Position.

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.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

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 trade receivables as at the end of the reporting period by geographic region was:-

	Group		Trust	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Domestic	**2,608**	797	**2,608**	797
Australia	**8,278**	6,328	**–**	–
	10,886	7,125	**2,608**	797

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 30 June 2016, 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 30 June 2016, there was no indication that the advances extended to the subsidiaries are not recoverable.

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Trust will encounter difficulty in meeting its financial obligations due to shortage of fund. The Group's and the Trust's exposure to liquidity risk arise 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.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

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:-

	<------ 2016 ------>			
	Contractual cash flows RM'000	**Under 1 year RM'000**	**1 – 2 years RM'000**	**2 – 5 years RM'000**
Group				
Financial liabilities				
Borrowings	**1,783,914**	**71,780**	**856,845**	**855,289**
MTNs	**11,515**	**522**	**523**	**10,470**
Trade payables	**7,703**	**7,703**	**–**	**–**
Other payables	**40,753**	**39,917**	**836**	**–**
	1,843,885	**119,922**	**858,204**	**865,759**
Trust				
Financial liabilities				
Borrowings	**1,783,914**	**71,780**	**856,845**	**855,289**
Other payables	**5,158**	**5,158**	**–**	**–**
Subsidiary	**11,515**	**522**	**523**	**10,470**
	1,800,587	**77,460**	**857,368**	**865,759**

	<------ 2015 ------>			
	Contractual cash flows RM'000	**Under 1 year RM'000**	**1 – 2 years RM'000**	**2 – 5 years RM'000**
Group				
Financial liabilities				
Borrowings	1,833,253	71,373	71,372	1,690,508
Trade payables	1,943	1,943	–	–
Other payables	49,357	47,390	1,967	–
	1,884,553	120,706	73,339	1,690,508
Trust				
Financial liabilities				
Borrowings	1,833,253	71,373	71,372	1,690,508
Other payables	9,885	9,885	–	–
	1,843,138	81,258	71,372	1,690,508

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

The table below analyses the derivative financial instruments of the Group and the Trust for which contractual maturities are essential for an understanding of the timing of the cash flows into relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<------------------------- 2016 ------------------------->		
	Under 1 year RM'000	**1 – 2 years RM'000**	**2 – 5 years RM'000**
Group/Trust			
Derivative			
Net settled			
– interest rate swaps			
– cash flow hedges			
– net cash outflows	**5,966**	**5,966**	**11,931**

2015 – Nil

(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 bonds and 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. Derivative financial instruments are used, where appropriate, to generate the desired interest rate profile.

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**	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Fixed rate instruments				
Financial assets				
Shareholders loan	**–**	–	**1,248,723**	1,179,671
Financial liabilities				
Subsidiary	**–**	–	**10,000**	–
MTNs	**10,000**	–	**–**	–

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk (continued)

	Group		Trust	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Floating rate instruments				
Financial assets				
Deposits with licensed financial institutions	**31,190**	56,391	**15,825**	14,025
Financial liabilities				
Borrowings	**1,590,422**	1,564,898	**1,590,422**	1,564,898

The Group and the Trust does 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 RM4.1 million (2015: RM7.9 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 (2015: RM0.3 million) and RM0.1 million (2015: RM0.1 million), respectively.

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.

During the current financial year, the Group hedged its exposure to changes in interest rates on its variable rate borrowings by entering into interest rate swaps.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Foreign currency exchange risk

The Group is exposed to foreign currency risk arising from Japanese Yen ("JPY") and Australian Dollar ("AUD"). 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
2016				
5% changes on JPY exchange rate	**12,685**	**–**	**–**	**9,365**
5% changes on AUD exchange rate	**42,676**	**(39,597)**	**–**	**13,474**
2015				
5% changes on JPY exchange rate	3,008	–	–	7,404
5% changes on AUD exchange rate	40,439	(38,000)	–	13,580

Notes to the Financial Statements

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:-

- Loans and receivables ("L&R");
- Derivative used for hedging ("DH"); and
- Other financial liabilities measured at amortised cost ("OL").

	Note	Carrying amount RM'000	L&R RM'000	DH RM'000
Group – 2016				
Financial assets				
Current				
Trade receivables	17	**10,886**	**10,886**	–
Other receivables & deposits	18	**16,570**	**16,570**	–
Cash and cash equivalents	19	**119,563**	**119,563**	–
		147,019	**147,019**	–

	Note	Carrying amount RM'000	OL RM'000	DH RM'000
Financial liabilities				
Non-current				
Borrowings	22	**1,590,422**	**1,590,422**	–
MTNs	23	**8,554**	**8,554**	–
Other payables	24	**836**	**836**	–
Derivative financial instruments	26	**23,724**	–	**23,724**
Current				
Trade payables	25	**7,703**	**7,703**	–
Other payables	24	**39,917**	**39,917**	–
		1,671,156	**1,647,432**	**23,724**

34. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

	Note	Carrying amount RM'000	L&R RM'000	DH RM'000
Trust – 2016				
Financial assets				
Non-current				
Amount due from subsidiaries	14	**1,248,723**	**1,248,723**	–
Current				
Trade receivables	17	**2,608**	**2,608**	–
Other receivables & deposits	18	**201**	**201**	–
Amount due from subsidiaries	14	**95,390**	**95,390**	–
Cash and cash equivalents	19	**16,354**	**16,354**	–
		1,363,276	**1,363,276**	–

	Note	Carrying amount RM'000	OL RM'000	DH RM'000
Financial liabilities				
Non-current				
Borrowings	22	**1,590,422**	**1,590,422**	–
Derivative financial instruments	26	**23,724**	–	**23,724**
Amount due to a subsidiary	14	**10,000**	**10,000**	–
Current				
Other payables	24	**5,158**	**5,158**	–
		1,629,304	**1,605,580**	**23,724**

Notes to the Financial Statements

34. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

	Note	Carrying amount RM'000	L&R RM'000
Group – 2015			
Financial assets			
Current			
Trade receivables	17	7,125	7,125
Other receivables & deposits	18	16,409	16,409
Cash and cash equivalents	19	126,769	126,769
		150,303	150,303

	Note	Carrying amount RM'000	OL RM'000
Financial liabilities			
Non-current			
Borrowings	22	1,564,898	1,564,898
Other payables	24	1,967	1,967
Current			
Trade payables	25	1,943	1,943
Other payables	24	47,390	47,390
		1,616,198	1,616,198

34. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

	Note	Carrying amount RM'000	L&R RM'000
Trust – 2015			
Financial assets			
Non-current			
Amount due from subsidiaries	14	1,179,671	1,179,671
Current			
Trade receivables	17	797	797
Other receivables & deposits	18	784	784
Amount due from subsidiaries	14	99,384	99,384
Cash and cash equivalents	19	16,095	16,095
		1,296,731	1,296,731

	Note	Carrying amount RM'000	OL RM'000
Financial liabilities			
Non-current			
Borrowings	22	1,564,898	1,564,898
Current			
Other payables	24	9,885	9,885
		1,574,783	1,574,783

Notes to the Financial Statements

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables approximate fair values due to the relatively short term nature of these financial instruments.

The carrying amounts of other financial liabilities approximate the fair value as there is no change in the market interest rate for similar financing facilities. The following summarises the methods used in determining the fair value of financial instruments reflected in the above table.

When measuring the fair value of an asset or a liability, the Group and the Trust use observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:-

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Trust can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

Refer Note 12 for disclosure of the investment properties that are measured at fair value. Refer Note 13 for disclosure of the property, plant and equipment that are measured at fair value. Refer Note 26 for disclosure of the derivative financial instruments 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 (for example, over-the-counter derivatives) 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 and derivative financial instruments.

34. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Offsetting financial liabilities

The Group has the following financial instruments subject to enforceable master netting arrangements or similar agreement as follows:-

	Group/Trust					
	Related amount set off in the statements of financial position			Related amount not set off in statements of financial position		
2016	**Gross amounts – financial liabilities RM'000**	**Gross amounts – financial assets RM'000**	**Net amounts RM'000**	**Financial assets/ (liabilities) RM'000**	**Financial collateral pledged RM'000**	**Net amounts RM'000**
At 30 June 2016						
Derivative financial liabilities	**208**	**(194)**	**14**	–	–	–

2015 – Nil

35. PORTFOLIO TURNOVER RATIO ("PTR")

	Group		Trust	
	2016 %	**2015 %**	**2016 %**	**2015 %**
PTR	–	–	–	–

PTR is the ratio of the average of acquisitions and disposals of investments for the financial year to the average net asset value of the Group and the Trust during the financial year calculated on a quarterly basis.

There is no acquisitions and disposals during the year.

36. MANAGEMENT EXPENSE RATIO ("MER")

	Group		Trust	
	2016 %	2015 %	2016 %	2015 %
MER	**0.68**	0.86	**0.59**	0.64

MER is calculated based on the total of all the fees and expenses incurred by the Group and the Trust in the financial year and deducted directly from the income (including the manager's fees, the trustee's fees, the auditors' remuneration and other professional fees and expenses) and all the expenses not recovered from and/or charged to the Group and the Trust (including the costs of printing, stationery and postage), to the average net asset value of the Group and the Trust during the financial year calculated on a quarterly basis.

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

37. SEGMENTAL REPORTING

The Group's two (2015: two) operating segments operate in three (2015: three) main geographical areas:-

(i) Malaysia

(ii) Japan

(iii) Australia

The Group comprises the following reportable segments:-

(i) Property rental – leasing of hotel properties

(ii) Hotel – operating hotel business

The Manager monitors the operating results of its business units separately to make strategic decision.

37. SEGMENTAL REPORTING (CONTINUED)

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

	<------- Property rental ------->		<--- Hotel --->	
	Malaysia RM'000	**Japan RM'000**	**Australia RM'000**	**Total RM'000**
External revenue	**98,122**	**15,755**	**312,415**	**426,292**
Operating expenses	**(5,749)**	**(2,749)**	**(218,854)**	**(227,352)**
Net property income	**92,373**	**13,006**	**93,561**	**198,940**
Finance income				**1,704**
Fair value gain on investment properties				**19,192**
Other income				**3,364**
Total income				**223,200**
Trust and administration expenses				**(37,787)**
Revaluation losses on property				**(30,915)**
Depreciation				**(75,123)**
Finance costs				**(83,163)**
Loss before tax				**(3,788)**
Non-current assets	**1,586,000**	**257,183**	**1,625,991**	**3,469,174**
Current assets	**21,124**	**22,214**	**109,406**	**152,744**
Total assets	**1,607,124**	**279,397**	**1,735,397**	**3,621,918**
Non-current liabilities	**1,622,700**	**–**	**836**	**1,623,536**
Current liabilities	**33,525**	**990**	**41,464**	**75,979**
Total liabilities	**1,656,225**	**990**	**42,300**	**1,699,515**
Additions to non-current assets	**1,262**	**–**	**13,436**	**14,698**

Notes to the Financial Statements

37. SEGMENTAL REPORTING (CONTINUED)

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

	<------- Property rental ------->		<--- Hotel --->	
	Malaysia RM'000	Japan RM'000	Australia RM'000	Total RM'000
External revenue	98,033	15,526	304,110	417,669
Operating expenses	(5,548)	(2,501)	(208,072)	(216,121)
Net property income	92,485	13,025	96,038	201,548
Finance income				2,733
Fair value gain on investment properties				44,061
Other income				1,579
Total income				249,921
Trust and administration expenses				(19,711)
Revaluation losses on property – reversal				12,607
Depreciation				(66,413)
Finance costs				(79,596)
Profit before tax				96,808
Non-current assets	1,532,000	232,714	1,510,331	3,275,045
Current assets	19,467	14,233	121,927	155,627
Total assets	1,551,467	246,947	1,632,258	3,430,672
Non-current liabilities	1,564,898	–	1,967	1,566,865
Current liabilities	40,688	1,262	39,262	81,212
Total liabilities	1,605,586	1,262	41,229	1,648,077

37. SEGMENTAL REPORTING (CONTINUED)

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

	Group Revenue	
	2016 RM'000	**2015 RM'000**
Common control companies:-		
under the major unitholder	**79,227**	78,909
under the holding company of major unitholder	**27,650**	27,650
	106,877	106,559

38. CAPITAL MANAGEMENT

The Manager optimises YTL REIT's capital structure and cost of capital within the borrowing limits prescribed by the REIT Guidelines via a combination of debt and equity funding for future acquisitions and improvement works at the 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 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 8.37 of the REIT Guidelines. At the meeting of unitholders held on 11 February 2015, the borrowing limit had been increased to 60% of the Group's total assets to provide the Group with the flexibility of funding larger acquisition opportunities through borrowing in the future.

38. CAPITAL MANAGEMENT (CONTINUED)

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		Trust	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Borrowings (Note 22)	**1,603,734**	1,584,712	**1,603,734**	1,584,712
MTNs (Note 23)	**10,000**	–	**–**	–
Total borrowings	**1,613,734**	1,584,712	**1,603,734**	1,584,712
Total assets	**3,621,918**	3,430,672	**3,304,565**	3,174,814
Gearing Ratio (%)	**44.56**	46.19	**48.53**	49.92

The Trust is not subject to externally imposed capital requirements for the financial years ended 30 June 2016 and 30 June 2015.

39. CORPORATE PROPOSAL

The Manager of the Trust on 14 June 2013 announced that the following proposals:-

(i) proposed placement of new units in YTL REIT ("Placement Units") at a price to be determined later, to raise gross proceeds of up to RM800 million to partially repay YTL REIT's borrowings and reduce its gearing level ("Proposed Placement");

(ii) proposed increase in the existing approved fund size of YTL REIT from 1,324,388,889 units up to maximum of 2,125,000,000 units ("Proposed Increase in Fund Size") to facilitate the issuance of the Placement Units pursuant to the Proposed Placement; and

(iii) proposed increase in borrowing limit to 60% of the total asset value ("Proposed Increase in Borrowing Limit") to provide YTL REIT with the flexibility of funding larger acquisition opportunities through borrowings in the future.

On 28 June 2013, the major unitholder of YTL REIT, namely YTL Corporation Berhad, accepted YTL REIT's conditional invitation to subscribe for Placement Units of up to RM310 million in value ("Proposed Placement to YTL Corp").

On 30 December 2013, the SC granted its approval for the Proposed Increase in Fund Size, the listing of and quotation for the Placement Units on the Main Market of Bursa Securities and the exemption from complying with Paragraphs 14.04(a)(i), (ii) and (iii) of the REIT Guidelines in relation to the Proposed Placement.

39. CORPORATE PROPOSAL (CONTINUED)

On 10 January 2014, Bursa Securities approved the listing of and quotation for up to 800,611,111 Placement Units to be issued pursuant to the Proposed Placement.

Unitholders approved the Proposed Placement (including the Proposed Placement to YTL Corp), Proposed Increase in Fund Size and Proposed Increase in Borrowing Limit at the meeting of unitholders held on 11 February 2014. The proposed Increase in Borrowing Limit took effect upon its approval by unitholders on 11 February 2014.

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

40. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors of Pintar Projek Sdn. Bhd. in accordance with a resolution of the Directors on 28 July 2016.

Supplementary Information

on the Disclosure of Realised and Unrealised Profits or Losses

The breakdown of the undistributed income of the Group and the Trust as at 30 June 2016, into realised and unrealised profits, pursuant to the directive issued by Bursa Malaysia Securities Berhad ("Bursa Securities") on 25 March 2010 and 20 December 2010 is as follows:-

	Group		Trust	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Total undistributed income of the Trust and its subsidiaries				
– Realised	**(128,119)**	(19,737)	**183,749**	183,788
– Unrealised	**198,771**	130,088	**195,482**	94,045
	70,652	110,351	**379,231**	277,833
Add: Consolidation adjustments	**65,238**	135,858	**–**	–
Total undistributed income	**135,890**	246,209	**379,231**	277,833

The determination of realised and unrealised profits is complied based on the Guidance of Special Matter No.1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Main Market Listing Requirements" issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely complying with the disclosure requirement stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

Form of Proxy

I/We *(full name as per NRIC/company name in block letters)* ______________________________

____

NRIC/Company No. *(New NRIC No.)* ______________ *(Old NRIC No.)* ______________

CDS Account No. *(for nominee companies only)* ______________ Telephone No. ______________

of *(full address)* ______________________________

being a unitholder of **YTL Hospitality REIT** hereby appoint *(full name as per NRIC in block letters)* ______________

____

NRIC No. *(New NRIC No.)* ______________ *(Old NRIC No.)* ______________

of *(full address)* ______________________________

or failing him/her, the Chairman of the meeting as my/our proxy to attend on my/our behalf at the Fourth Annual General Meeting of YTL Hospitality REIT to be held at Starhill 2, Level 4, JW Marriott Hotel Kuala Lumpur, 183 Jalan Bukit Bintang, 55100 Kuala Lumpur on Friday, 21 October 2016 at 3.00 p.m. or at any adjournment thereof.

ORDINARY BUSINESS

To lay before the meeting the Audited Financial Statements for the financial year ended 30 June 2016 together with the Reports attached thereon.

Number of units held

Signed this ______________ day of ______________ 2016 Signature ______________

Notes:-

1. *A unitholder entitled to attend the meeting may appoint a proxy to attend instead of him. A proxy may, but need not, be a unitholder of YTL Hospitality REIT. A unitholder other than an authorised nominee shall not be entitled to appoint more than one proxy to attend the same meeting and where such unitholder appoints more than one proxy to attend the same meeting, such appointment shall be invalid.*
2. *Where a unitholder is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one proxy (but not more than two proxies) in respect of each securities account it holds in units standing to the credit of the said securities account. Where the unitholder appoints two proxies, the appointment will be invalid unless the unitholder specifies the proportions of his holdings to be represented by each proxy.*
3. *Where a unitholder is an exempt authorised nominee 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.*
4. *This form of proxy and the Power of Attorney or other authority (if any) under which it is signed or notarially certified copy thereof must be lodged at the office of Pintar Projek Sdn Bhd ("Manager") at 11th Floor, Yeoh Tiong Lay Plaza, 55 Jalan Bukit Bintang, 55100 Kuala Lumpur, not less than 48 hours before the time appointed for the meeting or any adjourned meeting thereof.*
5. *In the case of a corporation, this form of proxy should be executed under its common seal or under the hand of an officer or attorney who has been duly authorised by the corporation.*
6. *For the purpose of determining the unitholders who shall be entitled to attend the meeting, the Manager shall request Bursa Malaysia Depository Sdn Bhd, in accordance with Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 14 October 2016. Only a depositor whose name appears on the General Meeting Record of Depositors as at 14 October 2016 shall be entitled to attend the said meeting or appoint proxy to attend on his behalf.*

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AFFIX
STAMP

THE MANAGER
PINTAR PROJEK SDN BHD
11th Floor, Yeoh Tiong Lay Plaza
55 Jalan Bukit Bintang
55100 Kuala Lumpur

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YTL HOSPITALITY REIT

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