YTL HOSPITALITY REIT

Annual Report **2018**

BUILDING THE RIGHT THING

The Journey Continues...

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• Form of Proxy

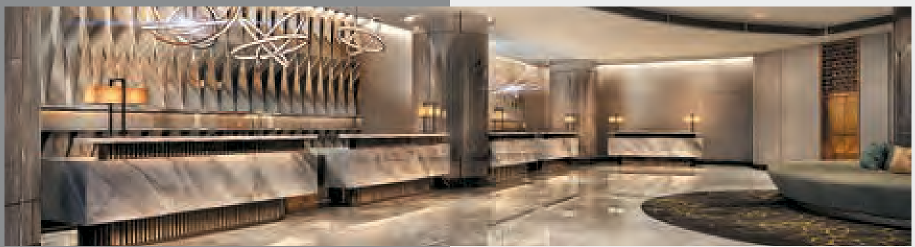
YTL HOSPITALITY REIT

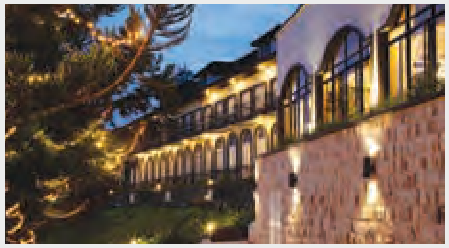
managed by
PINTAR PROJEK SDN BHD
(314009-W)

BUILDING THE RIGHT THING
The Journey Continues...

Our work stands the test of time by turning the right opportunity into the right thing and the right thing into lasting value. YTL is about building value that is not simply lasting, but is worthy of lasting.

Property Portfolio





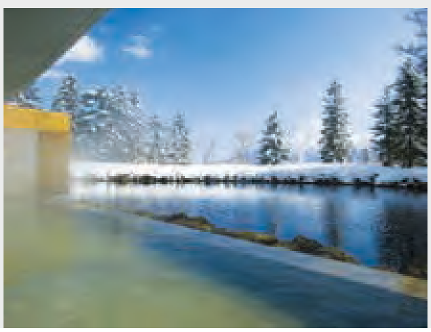
OVERVIEW

ABOUT YTL HOSPITALITY REIT

YTL Hospitality REIT has a market capitalisation of approximately RM1,974 million (as at 30 June 2018) with a wide portfolio of prime hotel properties. The hospitality assets range from business to luxury hotels and are spread across a range of unique locations worldwide. In Malaysia, these include the JW Marriott Hotel Kuala Lumpur, The Majestic Hotel Kuala Lumpur, The Ritz-Carlton, Kuala Lumpur - Hotel Wing, The Ritz-Carlton, Kuala Lumpur - Suite Wing, 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 – the JW Marriott Hotel Kuala Lumpur, Starhill Gallery and parcels in Lot 10 Shopping Centre. Its principal investment strategy was investing in a diversified portfolio of retail, office and hospitality real estate assets, with an added focus on retail and hotel properties. In 2007, the REIT added part of The Ritz-Carlton, Kuala Lumpur – Suite Wing to its portfolio.



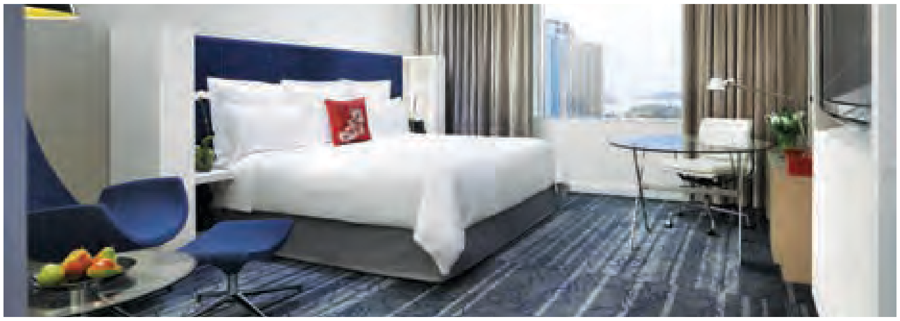
In 2009, the Trust embarked on a rationalisation exercise to reposition itself as a pure play hospitality REIT, focused on building a class of hotel and hospitality-related assets. The first stage of the exercise was completed in June 2010 and involved disposing the REIT's retail properties (Starhill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

YTL Hospitality REIT subsequently acquired 9 additional hotel properties in November and December 2011, namely, the Pangkor Laut, Tanjong Jara and Cameron Highlands resorts, The Ritz-Carlton, Kuala Lumpur – Hotel Wing, the remainder of The Ritz-Carlton, Kuala Lumpur – Suite Wing, the 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 2012. This extended the geographical scope of the REIT and significantly enhanced brand outreach, ultimately raising its appeal to existing and new investors.

In November 2017, YTL Hospitality REIT enhanced its asset portfolio with the acquisition of The Majestic Hotel Kuala Lumpur, the Trust's tenth property in Malaysia.

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.



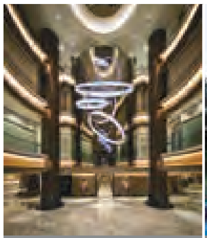
The composition of YTL Hospitality REIT's investment portfolio as at 30 June 2018 is as follows:-

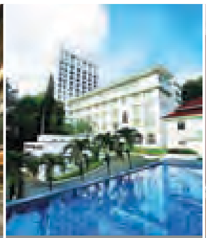
	RM'000	%
Real Estate - Commercial		
• JW Marriott Hotel Kuala Lumpur	424,000	10
• The Majestic Hotel Kuala Lumpur	385,000	9
• The Ritz-Carlton, Kuala Lumpur - Suite Wing	306,000	7
• The Ritz-Carlton, Kuala Lumpur - Hotel Wing	343,000	8
• Vistana Penang Bukit Jambul	118,000	3
• Vistana Kuala Lumpur Titiwangsa	136,000	3
• Vistana Kuantan City Centre	88,000	2
• Pangkor Laut Resort	117,000	3
• Tanjong Jara Resort	102,000	2
• Cameron Highlands Resort	60,000	1
• Hilton Niseko Village	292,618	7
• Sydney Harbour Marriott	1,473,642	34
• Brisbane Marriott	241,808	5
• Melbourne Marriott	232,303	5
	4,319,371	99
Deposits with licensed financial institutions	45,754	1
Total	**4,365,125**	**100**

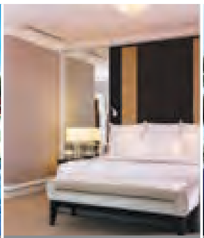
ABOUT THE MANAGER

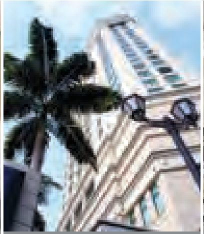
Pintar Projek was incorporated in 1994 and is a 70%-owned subsidiary of YTL Land Sdn Bhd, which is a wholly-owned subsidiary of YTL Corporation Berhad. Pintar Projek's Board of Directors and key personnel comprise competent and capable individuals that have extensive experience in their respective fields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

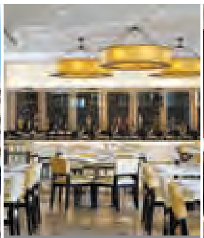
Property Portfolio

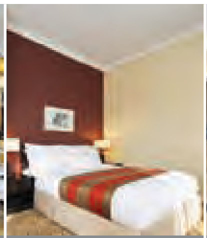

JW Marriott Hotel Kuala Lumpur

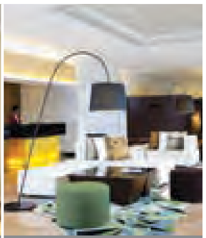

The Majestic Hotel Kuala Lumpur


The Ritz-Carlton, Kuala Lumpur – Suite Wing


The Ritz-Carlton, Kuala Lumpur – Hotel Wing


Vistana Kuala Lumpur Titiwangsa


Vistana Penang Bukit Jambul


Pangkor Laut Resort

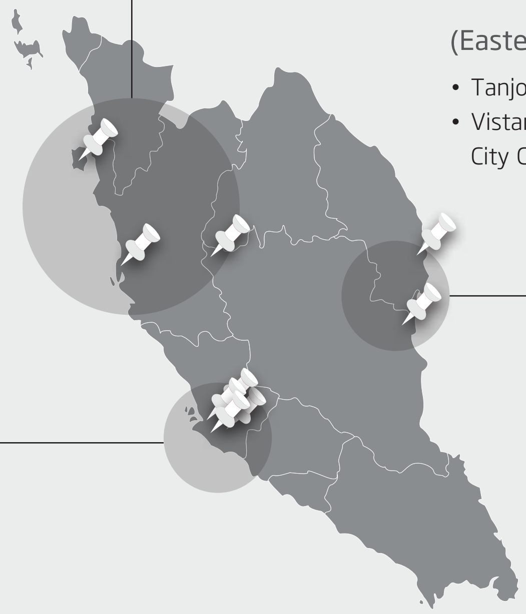
MALAYSIA

(Northern)

- Vistana Penang Bukit Jambul
- Pangkor Laut Resort
- Cameron Highlands Resort

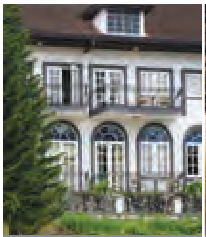
(Eastern)

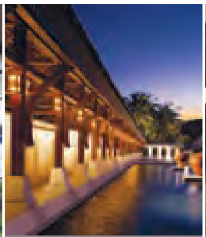
- Tanjong Jara Resort
- Vistana Kuantan City Centre

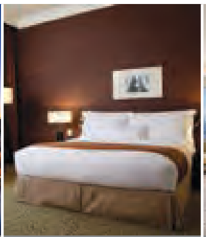


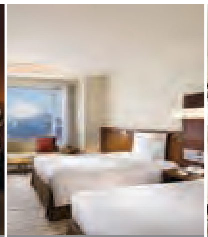
(Kuala Lumpur)

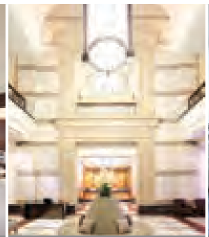
- JW Marriott Hotel Kuala Lumpur
- The Majestic Hotel Kuala Lumpur
- The Ritz-Carlton, Kuala Lumpur - Suite Wing
- The Ritz-Carlton, Kuala Lumpur - Hotel Wing
- Vistana Kuala Lumpur Titiwangsa

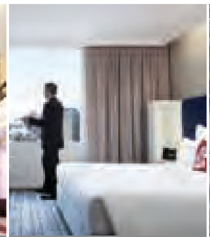

Cameron Highlands Resort

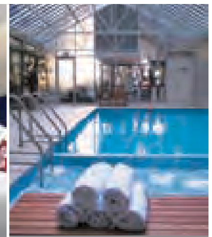

Tanjong Jara Resort

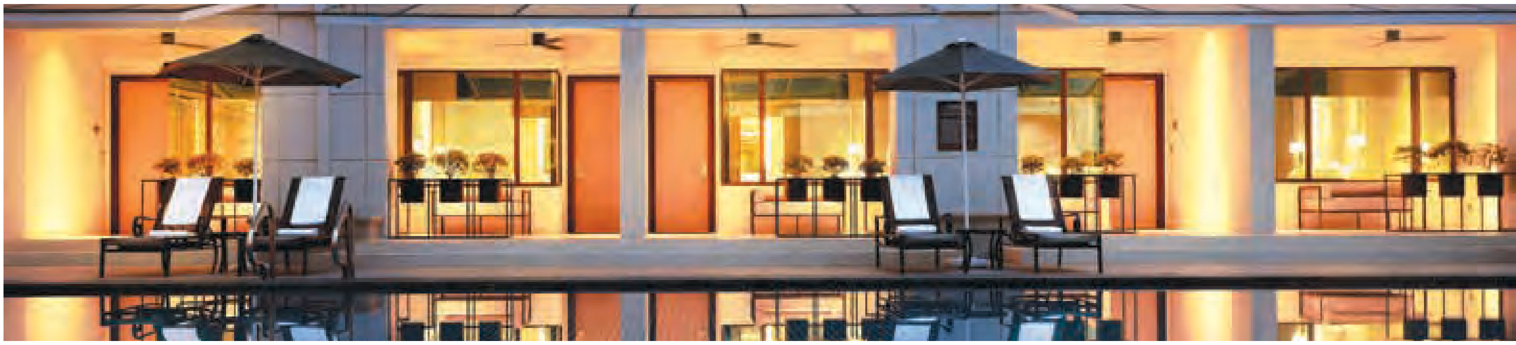

Vistana Kuantan City Centre


Hilton Niseko Village

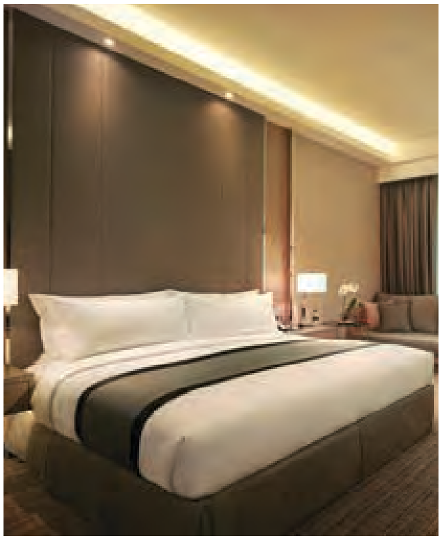

Brisbane Marriott

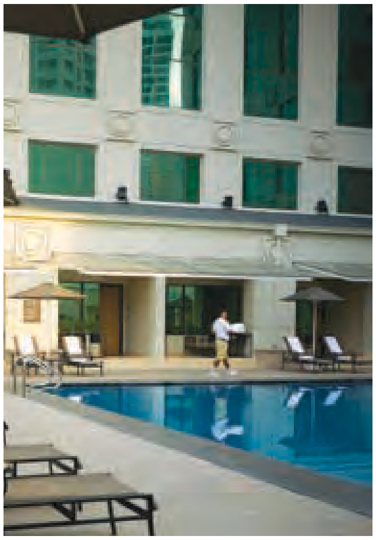

Sydney Harbour Marriott


Melbourne Marriott



JW MARRIOTT HOTEL KUALA LUMPUR





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

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

Property type	Hotel
Age	Approximately 21 years
Title details	Grant No. 28678/M1/B5/1, within Parcel No. 1, Storey No. B5 of Building No. M1 and 8 accessory parcels for Lot No. 1267 Section 67, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Encumbrances/Limitation in title/interest	The property is charged to secure financing and there is no restriction attached to the title.
Status of holdings	Freehold
Existing use	Commercial building
Parking spaces	490 bays
Lessee	Star Hill Hotel Sdn. Bhd.
Car park operator	YTL Land Sdn. Bhd.
Lease term	The property is leased for a term expiring on 31 December 2023.
Date of acquisition	16 December 2005
Cost of acquisition	RM331,024,096
Fair value adjustments for the financial year	RM13,000,000
Market value	RM424,000,000
Date of latest valuation	30 April 2018
Independent valuer	Savills (Malaysia) Sdn. Bhd.
Net book value	RM424,000,000

THE MAJESTIC HOTEL KUALA LUMPUR

Address/Location
No. 5, Jalan Sultan Hishamuddin, 50000 Kuala Lumpur.

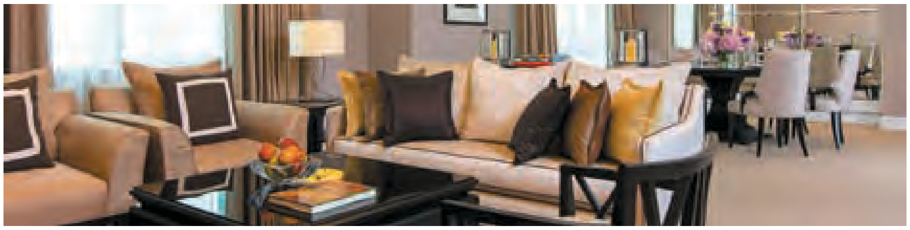
Description
A 5-star hotel comprising Majestic Wing (original historic hotel building) comprising 2-storey, 4-storey and 5-storey buildings with 47 rooms and 15-storey Tower Wing with 253 rooms and 3 levels of basement car park.

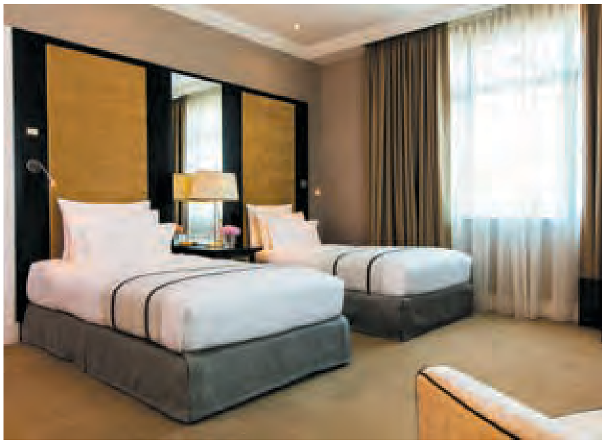
Property type	Hotel
Age	Majestic Wing – Approximately 86 years (refurbished in Year 2012) Tower Wing – Approximately 5 years
Title details	Geran 23849 Lot 74 Section 59, City and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Encumbrances/Limitation in title/interest	The property is charged to secure financing and there is no restriction attached to the title.
Status of holdings	90-year registered lease expiring on 11 May 2091 obtained from Pesuruhjaya Tanah Persekutuan. The unexpired lease period is approximately 73 years.
Existing use	Commercial building
Parking spaces	420 bays
Lessee	YTL Majestic Hotel Sdn. Bhd.
Lease term	The property is leased for a term expiring on 2 November 2032.
Date of acquisition	3 November 2017
Cost of acquisition	RM384,221,000
Fair value adjustments for the financial year	RM779,000
Market value	RM385,000,000
Date of latest valuation	30 April 2018
Independent valuer	Savills (Malaysia) Sdn. Bhd.
Net book value	RM385,000,000
Vendor	YTL Majestic Hotel Sdn. Bhd.
Relationship	Wholly-owned subsidiary of a major unitholder

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

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

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





Property type	Serviced apartment
Age	Approximately 13 years
Title details	Grant No. 47693 for Lot No. 1308 Section 67, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Encumbrances/Limitation in title/interest	The property is charged to secure financing and there is no restriction attached to the title.
Status of holdings	Freehold
Existing use	Commercial building
Parking spaces	Total combined 189 bays from Parcel 1 and Parcel 2.
Lessee	Star Hill Hotel Sdn. Bhd.
Lease term	The property is leased for a term expiring on 30 June 2031.
Date of acquisition	16 May 2007
Cost of acquisition	RM125,000,000
Fair value adjustments for the financial year	RM3,000,000
Market value	RM207,000,000
Date of latest valuation	30 April 2018
Independent valuer	Savills (Malaysia) Sdn. Bhd.
Net book value	RM207,000,000

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

Address/Location

No. 168, Jalan Imbi, 55100 Kuala Lumpur.

Description

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

Property type	Serviced apartment
Age	Approximately 13 years
Title details	Grant No. 47693 for Lot No. 1308 Section 67, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Encumbrances/Limitation in title/interest	The property is charged to secure financing and there is no restriction attached to the title.
Status of holdings	Freehold
Existing use	Commercial building
Parking spaces	Total combined 189 bays from Parcel 1 and Parcel 2.
Lessee	Star Hill Hotel Sdn. Bhd.
Lease term	The property is leased for a term expiring on 30 June 2031.
Date of acquisition	15 November 2011
Cost of acquisition	RM73,000,000
Fair value adjustments for the financial year	RM2,000,000
Market value	RM99,000,000
Date of latest valuation	30 April 2018
Independent valuer	Savills (Malaysia) Sdn. Bhd.
Net book value	RM99,000,000

THE RITZ-CARLTON, KUALA LUMPUR - HOTEL WING

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

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

Property type	Hotel
Age	Approximately 21 years
Title details	Grant No. 26579 for Lot No. 225, Section 67, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Encumbrances/Limitation in title/interest	The property is charged to secure financing and there is no restriction attached to the title.
Status of holdings	Freehold
Existing use	Commercial building
Parking spaces	153 bays
Lessee	East-West Ventures Sdn. Bhd.
Lease term	The property is leased for a term expiring on 14 November 2026.
Date of acquisition	15 November 2011
Cost of acquisition	RM250,000,000
Fair value adjustments for the financial year	RM2,000,000
Market value	RM343,000,000
Date of latest valuation	30 April 2018
Independent valuer	Savills (Malaysia) Sdn. Bhd.
Net book value	RM343,000,000

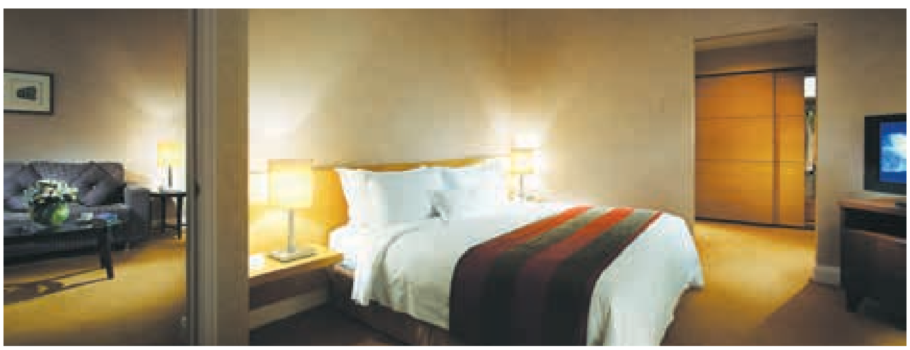
VISTANA PENANG BUKIT JAMBUL

Address/Location

No. 213, Jalan Bukit Gambier, Bukit Jambul, 11950 Pulau Pinang.

Description

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

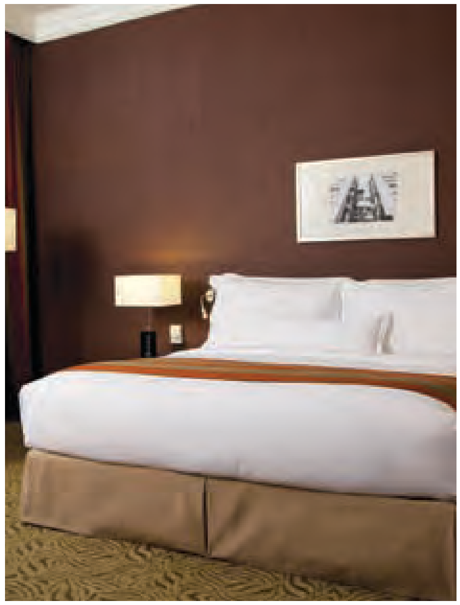



Property type	Hotel
Age	Approximately 19 years
Title details	HSD 9632, Lot No. P.T. 1678, Mukim 13, District of Timor Laut, State of Pulau Pinang.
Encumbrances/Limitation in title/interest	The property is free from encumbrances and there is restriction attached to the title.
Status of holdings	99-year leasehold expiring on 27 October 2094. The unexpired lease period is approximately 76 years.
Existing use	Commercial building
Parking spaces	375 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
Fair value adjustments for the financial year	RM1,000,000
Market value	RM118,000,000
Date of latest valuation	30 April 2018
Independent valuer	Savills (Malaysia) Sdn. Bhd.
Net book value	RM118,000,000

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.

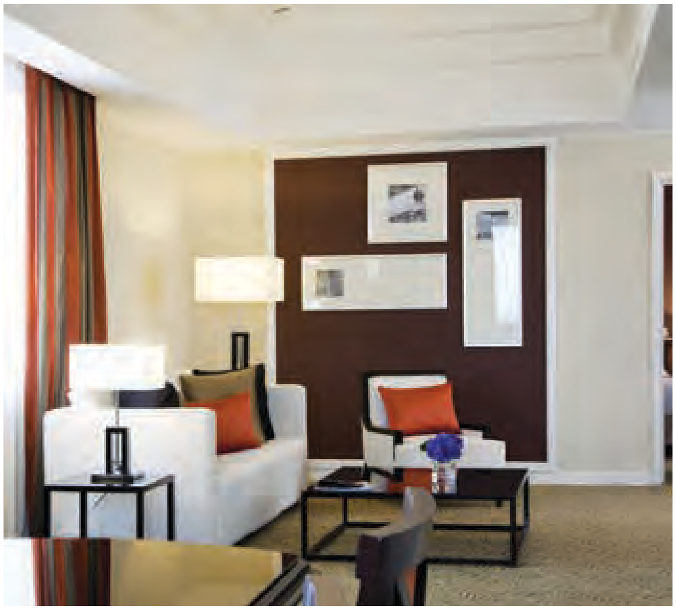


Property type	Hotel
Age	Approximately 23 years
Title details	GRN 33550, Lot No. 669 in Section 47, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Encumbrances/Limitation in title/interest	The property is charged to secure financing and there is no restriction attached to the title.
Status of holdings	Freehold
Existing use	Commercial building
Parking spaces	125 bays
Lessee	Prisma Tulin Sdn. Bhd.
Lease term	The property is leased for a term expiring on 14 November 2026.
Date of acquisition	15 November 2011
Cost of acquisition	RM100,000,000
Fair value adjustments for the financial year	RM7,700,000
Market value	RM136,000,000
Date of latest valuation	30 April 2018
Independent valuer	Azmi & Co. Sdn. Bhd.
Net book value	RM136,000,000

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 19 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 free from encumbrances and there is restriction attached to the title.
Status of holdings	99-year leasehold expiring on 11 July 2092. The unexpired lease period is approximately 74 years.
Existing use	Commercial building
Parking spaces	149 bays
Lessee	Business & Budget Hotels (Kuantan) Sdn. Bhd.
Lease term	The property is leased for a term expiring on 14 November 2026.
Date of acquisition	15 November 2011
Cost of acquisition	RM75,000,000
Fair value adjustments for the financial year	-
Market value	RM88,000,000
Date of latest valuation	30 April 2018
Independent valuer	Savills (Malaysia) Sdn. Bhd.
Net book value	RM88,000,000

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 25 years
Title details	PN 313713, Lot 12362 and PN 313715, Lot 12364, both in Mukim of Lumut, District of Manjung, State of Perak Darul Ridzuan.
Encumbrances/Limitation in title/interest	The property is free from encumbrances and there is restriction attached to the title.
Status of holdings	99-year registered lease expiring on 21 May 2095 obtained from Perbadanan Kemajuan Negeri Perak. The unexpired lease period is approximately 77 years.
Existing use	Commercial building
Parking spaces	Not applicable
Lessee	Syarikat Pelanchongan Pangkor Laut Sendirian Berhad.
Lease term	The property is leased for a term expiring on 14 November 2026.
Date of acquisition	15 November 2011
Cost of acquisition	RM97,000,000
Fair value adjustments for the financial year	RM900,000
Market value	RM117,000,000
Date of latest valuation	30 April 2018
Independent valuer	Azmi & Co. Sdn. Bhd.
Net book value	RM117,000,000

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 23 years
Title details	HSD 1473, Lot No. PT 18624, Mukim of Kuala Dungun, District of Dungun, State of Terengganu Darul Iman.
Encumbrances/Limitation in title/interest	The property is free from encumbrances and there is restriction attached to the title.
Status of holdings	60-year leasehold expiring on 4 December 2067. The unexpired lease period is approximately 49 years.
Existing use	Commercial building
Parking spaces	50 bays
Lessee	Tanjong Jara Beach Hotel Sdn. Bhd.
Lease term	The property is leased for a term expiring on 14 November 2026.
Date of acquisition	15 November 2011
Cost of acquisition	RM87,000,000
Fair value adjustments for the financial year	RM900,000
Market value	RM102,000,000
Date of latest valuation	30 April 2018
Independent valuer	Azmi & Co. Sdn. Bhd.
Net book value	RM102,000,000

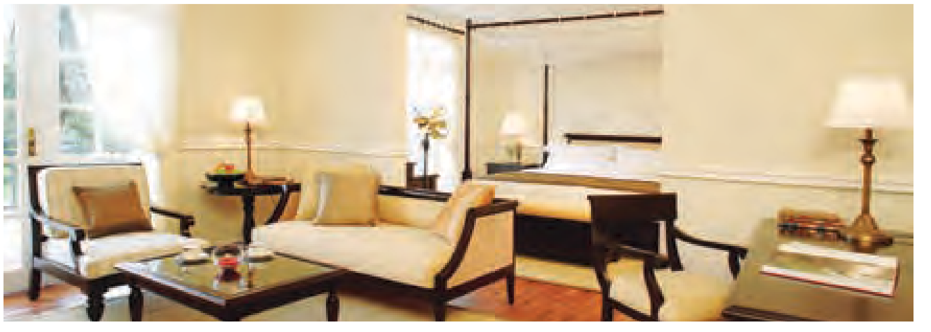
CAMERON HIGHLANDS RESORT

Address/Location

By the Golf Course, 39000 Tanah Rata, Cameron Highlands, Pahang Darul Makmur.

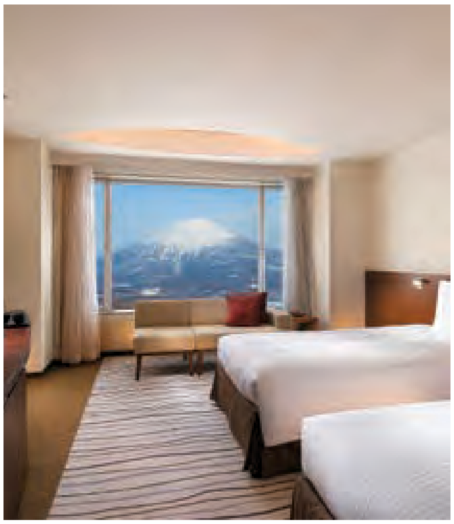
Description

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 44 years
Title details	HSD 3881 for Lot No. PT 1812, Mukim of Tanah Rata, District of Cameron Highlands, State of Pahang.
Encumbrances/Limitation in title/interest	The property is charged to secure financing and there is no restriction attached to the title.
Status of holdings	99-year leasehold expiring on 9 December 2108. The unexpired lease period is approximately 90 years.
Existing use	Commercial building
Parking spaces	19 bays
Lessee	Cameron Highlands Resort Sdn. Bhd.
Lease term	The property is leased for a term expiring on 14 November 2026.
Date of acquisition	15 November 2011
Cost of acquisition	RM50,000,000
Fair value adjustments for the financial year	-
Market value	RM60,000,000
Date of latest valuation	30 April 2018
Independent valuer	Savills (Malaysia) Sdn. Bhd.
Net book value	RM60,000,000

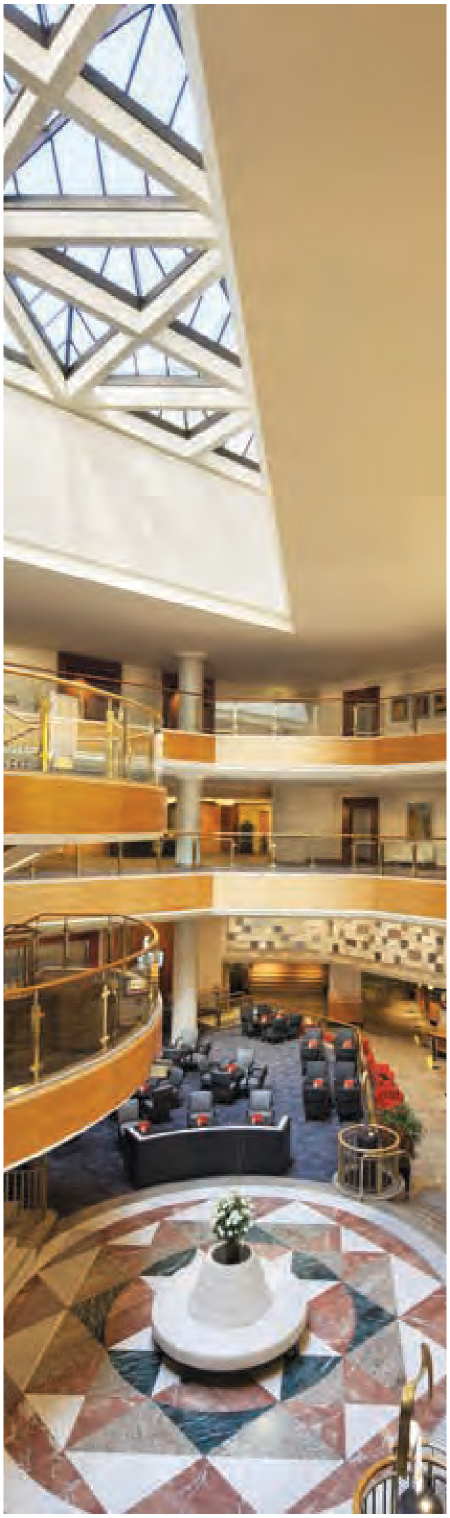
HILTON NISEKO VILLAGE



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 24 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	Nil
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
Fair value adjustments for the financial year	JPY880,000,000 or RM31,604,000
Market value	JPY8,020,000,000
Date of latest valuation	30 April 2018
Independent valuer	Savills Japan Co., Ltd.
Net book value	RM292,618,000



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 29 years
Title details	Lot 1 in Deposited Plan 804285 in the Local Government Area of Sydney, Parish of St James and County of Cumberland.
Encumbrances/Limitation in title/interest	The property is charged to secure financing and there is no restriction attached to the title.
Status of holdings	Freehold
Existing use	Commercial building
Parking spaces	Approximately 45 bays
Average occupancy rate	89.31%
Date of acquisition	29 November 2012
Cost of acquisition	AUD249,000,000
Fair value adjustments for the financial year	AUD94,678,000 or RM280,692,000
Market value	AUD498,000,000
Date of latest valuation	30 April 2018
Independent valuer	CIVAS (NSW) Pty Limited
Net book value	RM1,473,642,000

BRISBANE MARRIOTT

Address/Location
515 Queen Street, Brisbane, Queensland.

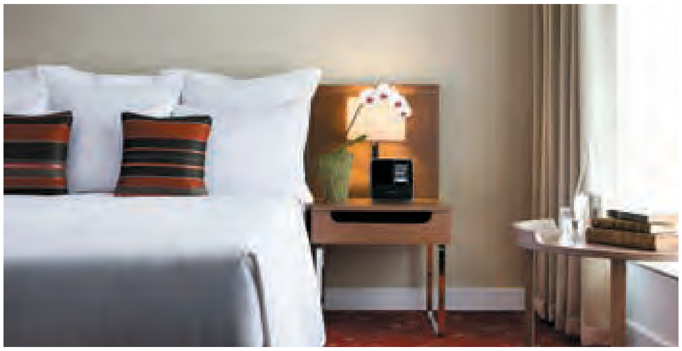
Description
28-storey hotel building comprising 267 rooms with 3 levels of basement car park.

Property type	Hotel
Age	Approximately 20 years
Title details	Lot 5 on survey plan 100339 comprised in certificate of title reference no.50218402 in the Parish of North Brisbane and County of Stanley.
Encumbrances/Limitation in title/interest	The property is charged to secure financing and there is no restriction attached to the title.
Status of holdings	Freehold
Existing use	Commercial building
Parking spaces	78 bays
Average occupancy rate	85.06%
Date of acquisition	29 November 2012
Cost of acquisition	AUD113,000,000
Fair value adjustments for the financial year	(AUD1,741,000) or (RM5,162,000)
Market value	AUD80,000,000
Date of latest valuation	30 April 2018
Independent valuer	CIVAS (QLD) Pty Limited
Net book value	RM241,808,000

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.



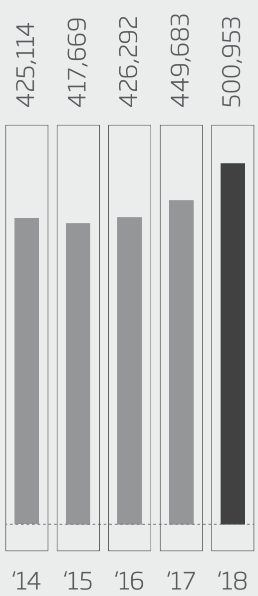

Property type	Hotel
Age	Approximately 36 years
Title details	Lot 1 on Plan of Subdivision 349277H (Volume 10323 Folio 372) and Lot 1 on Plan of Subdivision 349276K (Volume 10323 Folio 375) in the Local Government Area of City of Melbourne Council and Parish of North Melbourne.
Encumbrances/Limitation in title/interest	The property is charged to secure financing and there is no restriction attached to the title.
Status of holdings	Freehold
Existing use	Commercial building
Parking spaces	Approximately 80 bays
Average occupancy rate	87.09%
Date of acquisition	29 November 2012
Cost of acquisition	AUD53,000,000
Fair value adjustments for the financial year	AUD2,706,000 or RM8,024,000
Market value	AUD78,400,000
Date of latest valuation	30 April 2018
Independent valuer	CIVAS (NSW) Pty Limited
Net book value	RM232,303,000

Financial Highlights

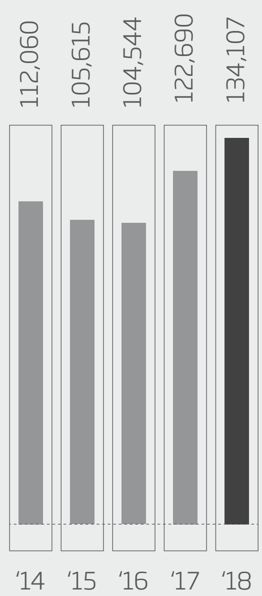
	2018	2017	2016	2015	2014[*1]
Revenue (RM'000)	**500,953**	449,683	426,292	417,669	425,114
Total income distribution (RM'000)	**134,107**	122,690	104,544	105,615	112,060
Profit/(Loss) before tax (RM'000)	**239,138**	(9,219)	(3,788)	96,808	196,515
Profit/(Loss) after tax (RM'000)	**236,559**	(12,121)	(5,775)	94,992	195,093
Total assets (RM'000)	**4,511,655**	4,039,206	3,621,918	3,430,672	3,325,634
Net asset value (RM'000)	**2,718,511**	2,530,991	1,922,403	1,782,595	1,669,666
Units in circulation ('000)	**1,704,389**	1,704,389[*2]	1,324,389	1,324,389	1,324,389
Net asset value per Unit (RM)	**1.595**	1.485	1.452	1.346	1.261
Earnings/(Loss) per Unit (sen)	**13.88**	(0.79)	(0.44)	7.17	14.73
Distribution per Unit (sen)	**7.8683**	8.0838	7.8938	7.9746	8.4613

*1 *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.*
*2 *After the issuance of 380,000,000 new placement units on 16 December 2016.*

Revenue (RM'000)

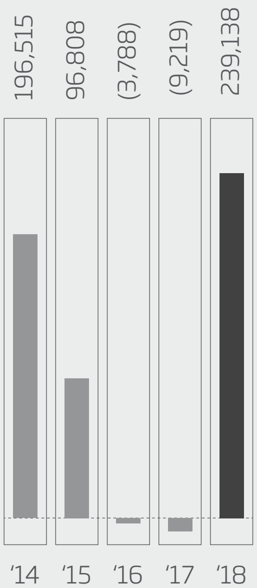


Total income distribution (RM'000)

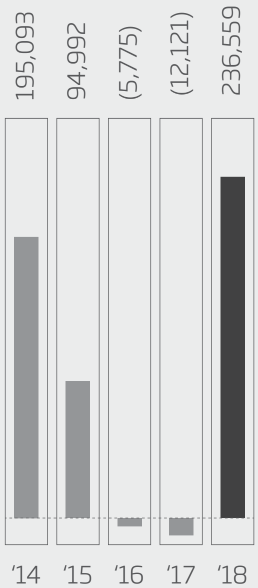


Financial Highlights

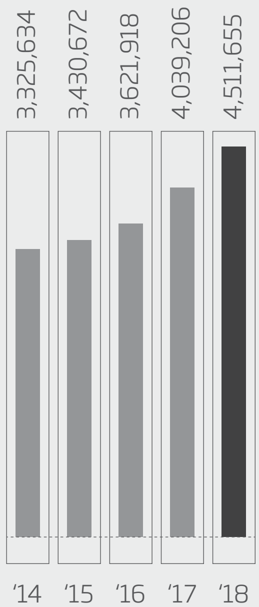
Profit/(Loss) before tax (RM'000)



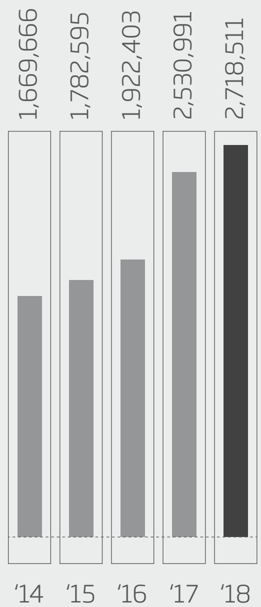
Profit/(Loss) after tax (RM'000)



Total assets (RM'000)

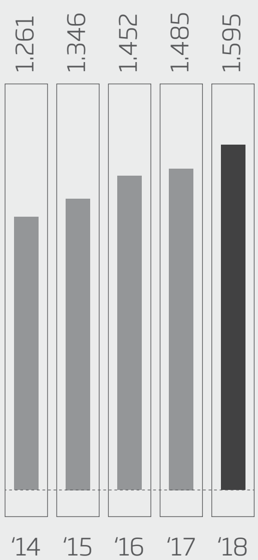


Net asset value (RM'000)

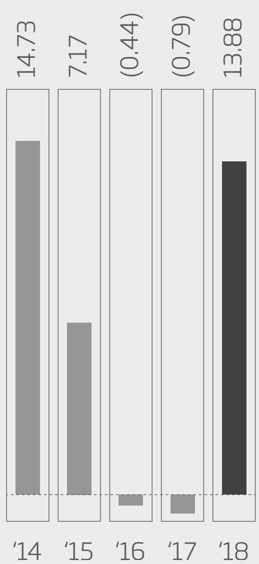


Units in circulation ('000)

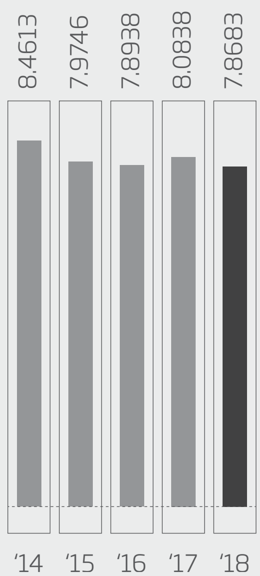
Net asset value per Unit (RM)



Earnings/(Loss) per Unit (sen)



Distribution per Unit (sen)



Fund Performance

(I) PORTFOLIO COMPOSITION OF THE GROUP

At 30 June	**2018 %**	2017 %	2016 %	2015 %	2014 %
Real estate	**99**	99	99	98	97
Non-real estate-related assets	**-**	-	-	-	-
Deposits	**1**	1	1	2	3
	100	100	100	100	100

(II) NET ASSET VALUE & UNIT INFORMATION

	2018	2017	2016	2015	2014
Total assets (RM'000)	**4,511,655**	4,039,206	3,621,918	3,430,672	3,325,634
Total net asset value ("NAV") (RM'000)					
- as at 30 June (before income distribution)	**2,852,618**	2,653,681	2,026,947	1,888,210	1,781,726
- as at 30 June (after income distribution)	**2,718,511**	2,530,991	1,922,403	1,782,595	1,669,666
Units in circulation ('000)	**1,704,389**	1,704,389	1,324,389	1,324,389	1,324,389
NAV per Unit (RM)					
- as at 30 June (before income distribution)	**1.674**	1.557	1.530	1.426	1.345
- as at 30 June (after income distribution)	**1.595**	1.485	1.452	1.346	1.261
- Highest NAV during the year	**1.595**	1.485	1.452	1.346	1.261
- Lowest NAV during the year	**1.398**	1.386	1.339	1.158	0.995
Market value per Unit (RM)					
- as at 30 June	**1.17**	1.18	1.07	1.03	0.92
- Weighted average price for the year	**1.17**	1.16	1.05	1.01	0.98
- Highest traded price for the year	**1.28**	1.24	1.09	1.05	1.07
- Lowest traded price for the year	**1.08**	1.06	0.99	0.92	0.89

(III) PERFORMANCE DETAILS OF THE GROUP

	2018	2017	2016	2015	2014
Distribution per Unit (sen)					
- First interim	**1.9737**	2.0528	1.9175	1.9175	1.9175
- Advance	**-**	1.9181	-	-	-
- Second interim	**1.9917**	0.3459	1.9175	1.8697	1.9786
- Third interim	**1.9378**	1.8364	1.9175	1.8616	2.0804
- Final	**1.9651**	1.9306	2.1413	2.3258	2.4848
	7.8683	8.0838	7.8938	7.9746	8.4613
Distribution date					
- First interim	**29 December 2017**	23 December 2016	30 December 2015	24 December 2014	27 December 2013
- Advance	**-**	12 January 2017	-	-	-
- Second interim	**30 March 2018**	30 March 2017	31 March 2016	24 March 2015	27 March 2014
- Third interim	**29 June 2018**	30 June 2017	30 June 2016	26 June 2015	24 June 2014
- Final	**30 August 2018**	30 August 2017	30 August 2016	28 August 2015	29 August 2014
Distribution yield (%) (1)	**6.73**	6.97	7.52	7.90	8.61
Management expense ratio (%)	**0.55**	0.54	0.68	0.86	1.05
Portfolio turnover ratio (times)	**0.08**	-	-	-	-
Total return (%) (2)	**7.59**	17.44	11.48	10.96	(0.65)
Average total return (3)					
- One year	**7.59**				
- Three years	**12.17**				
- Five years	**9.36**				

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.

Management
Discussion & Analysis

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATION

OVERVIEW OF YTL HOSPITALITY REIT

YTL Hospitality REIT ("YTL REIT" or "Trust") was established on 18 November 2005 pursuant to a trust deed (as restated by the deed dated 3 December 2013) ("Restated Deed") entered into between Pintar Projek Sdn Bhd, the Manager, and Maybank Trustees Berhad, the trustee of YTL REIT, and is categorised as a real estate investment trusts 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.

During the financial year ended 30 June 2018, YTL REIT completed the acquisition of The Majestic Hotel Kuala Lumpur. The investment portfolio of YTL REIT in Malaysia as at 30 June 2018 comprised The Majestic Hotel Kuala Lumpur, JW Marriott Hotel Kuala Lumpur, The Ritz-Carlton, Kuala Lumpur - Suite Wing ("The Ritz Carlton Suite Wing"), Cameron Highlands Resort, Vistana Penang Bukit Jambul, Vistana Kuala Lumpur Titiwangsa, Vistana Kuantan City Centre, The Ritz-Carlton, Kuala Lumpur – Hotel Wing ("The Ritz Carlton Hotel Wing"), Tanjong Jara Resort and part of Pangkor Laut Resort. Hilton Niseko Village was acquired through the Trust's subsidiary, namely Starhill REIT Niseko GK, a company incorporated in Japan while the Trust's Australian subsidiaries acquired Sydney Harbour Marriott, Brisbane Marriott and Melbourne Marriott.

RM **4,365**
MILLION

Investment Portfolio
as at 30 June 2018

RM **1,974**
MILLION

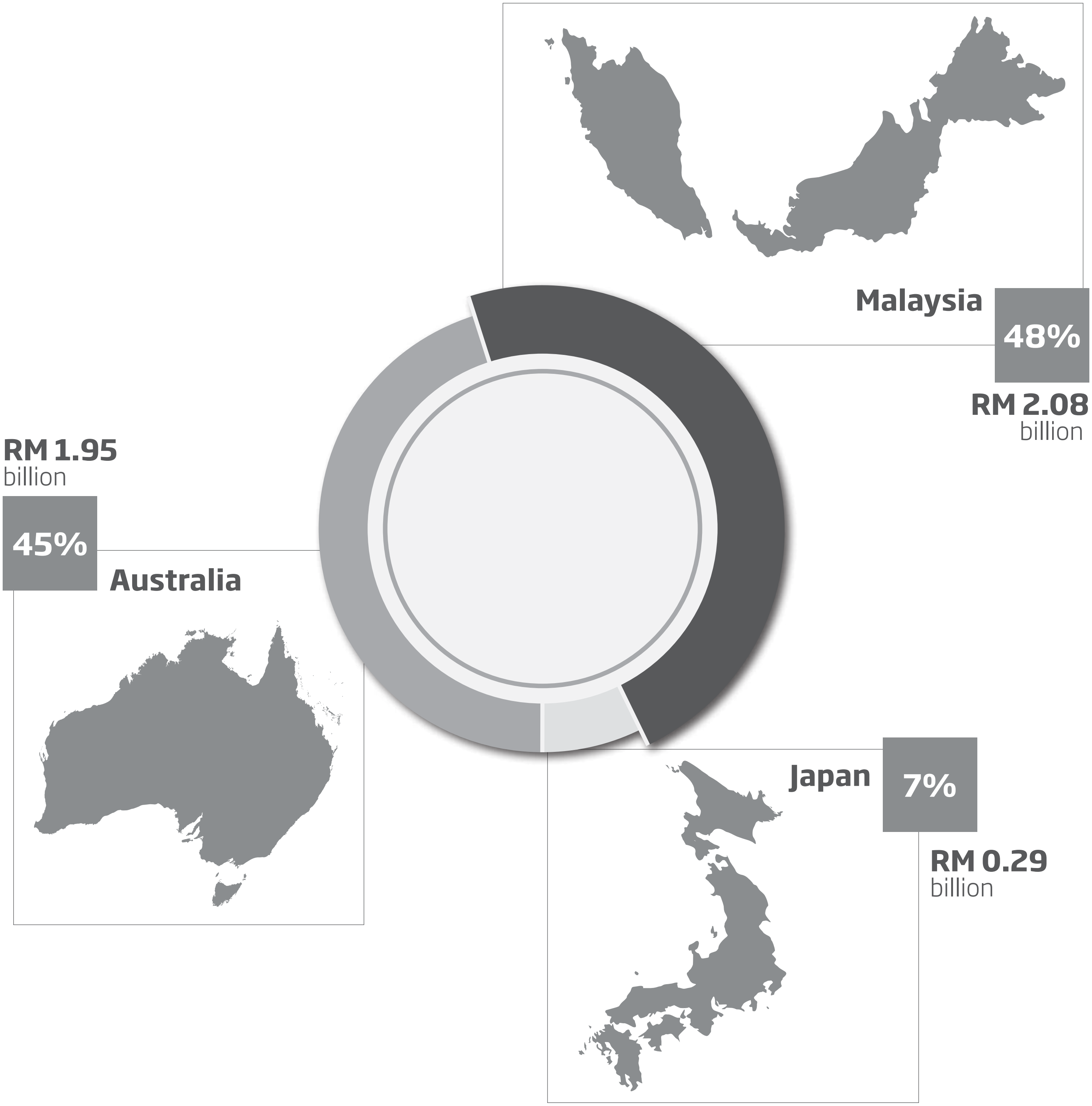
Market Capitalisation
as at 30 June 2018

COMPOSITION OF INVESTMENT PORTFOLIO

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

	Fair value as at 30.6.2018 RM'000	% of total investment	Fair value as at 30.6.2017 RM'000	% of total investment
Real Estate - Commercial				
Malaysian Properties				
1. JW Marriott Hotel Kuala Lumpur	**424,000**	**10**	411,000	10
2. The Majestic Hotel Kuala Lumpur	**385,000**	**9**	-	-
3. The Ritz-Carlton Hotel Wing	**343,000**	**8**	341,000	9
4. The Ritz-Carlton Suite Wing	**306,000**	**7**	301,000	8
5. Vistana Kuala Lumpur Titiwangsa	**136,000**	**3**	128,300	3
6. Vistana Penang Bukit Jambul	**118,000**	**3**	117,000	3
7. Pangkor Laut Resort	**117,000**	**3**	116,100	3
8. Tanjong Jara Resort	**102,000**	**2**	101,100	4
9. Vistana Kuantan City Centre	**88,000**	**2**	88,000	2
10. Cameron Highlands Resort	**60,000**	**1**	60,000	1
Japanese Property				
11. Hilton Niseko Village	**292,618**	**7**	274,147	7
Australian Properties				
12. Sydney Harbour Marriott	**1,473,642**	**34**	1,383,660	35
13. Brisbane Marriott	**241,808**	**5**	279,907	7
14. Melbourne Marriott	**232,303**	**5**	258,277	7
Sub-total	**4,319,371**	**99**	**3,859,491**	**99**
Deposits with licensed financial institutions	**45,754**	**1**	51,051	1
Total	**4,365,125**	**100**	**3,910,542**	**100**

ASSET BREAKDOWN BY COUNTRY AS AT 30 JUNE 2018



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 Listed Real Estate Investment Trusts issued by the SC ("Listed REIT Guidelines") via a combination of debt and equity funding for future acquisitions and improvement works of its properties. This capital management strategy involves:-

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

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

INVESTMENT POLICIES

The Manager will continue to comply with the Listed REIT Guidelines and other requirements as imposed by the SC from time to time and the 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 Listed REIT Guidelines and/or the Restated Deed are adhered to.

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.

DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS AND FINANCIAL CONDITION

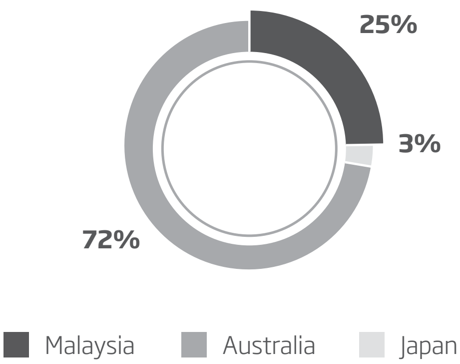
PERFORMANCE OF THE GROUP

	FY2018 RM'000	FY2017 RM'000	Change
Revenue			
– Hotel revenue (Management contracts)	**359,917**	332,736	+ 8.2%
- Property revenue (Master leases)	**141,036**	116,947	+ 20.6%
Total revenue	**500,953**	449,683	+ 11.4%
Net property income ("NPI")			
- Management contracts	**118,193**	102,251	+ 15.6%
- Master leases	**130,634**	107,365	+ 21.7%
Net property income	**248,827**	209,616	+ 18.7%
Income available for distribution	**134,107**	122,692	+ 9.3%
Total income distribution	**134,107**	122,690	+ 9.3%

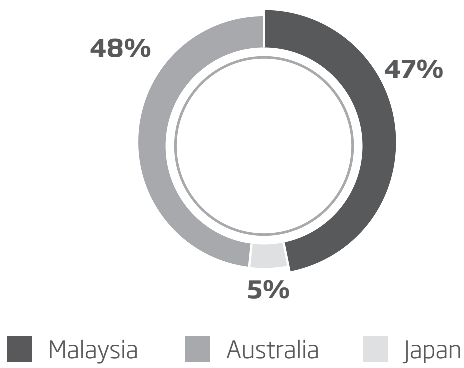
SEGMENTAL RESULTS OF THE GROUP

	Property rental		Hotel	
	Malaysia RM'000	Japan RM'000	Australia RM'000	Total RM'000
FY 2018				
External revenue	**124,701**	**16,335**	**359,917**	**500,953**
Operating expenses	**(6,731)**	**(3,671)**	**(241,724)**	**(252,126)**
Net property income	**117,970**	**12,664**	**118,193**	**248,827**
FY 2017				
External revenue	100,993	15,954	332,736	449,683
Operating expenses	(5,748)	(3,834)	(230,485)	240,067
Net property income	95,245	12,120	102,251	209,616

Revenue by Country



NPI by Country



The Group's income available for distribution for the current financial year ended 30 June 2018 increased by 9.3% from RM122.692 million to RM134.107 million mainly due to the revenue contribution from the acquisition of The Majestic Hotel Kuala Lumpur in November 2017.

For the current financial year ended 30 June 2018, the Group recorded a revenue and net property income of RM500.953 million and RM248.827 million, respectively, representing an increase of 11.4% and 18.7% respectively, as compared to the revenue and net property income recorded in the preceding financial year of RM449.683 million and RM209.616 million, respectively.

Australian Properties contributed 71.8% of total revenue, or RM359.917 million in the current financial year, 8.2% higher as compared to RM332.736 million recorded in the preceding financial year. Net property income for Australian Properties was RM118.193 million, an increase of 15.6% as compared to RM102.251 million recorded in the preceding financial year. The increase in revenue and net property income in the current financial year were due substantially to the increase in room sales following the completion of a refurbishment exercise in the financial quarter ended 31 March 2017.

Malaysian Properties contributed 24.9% of total revenue, or RM124.701 million in the current financial year, 23.5% higher as compared to RM100.993 million recorded in the preceding financial year. Net property income for Malaysian Properties was RM117.970 million, an increase of 23.9% from RM95.245 million recorded in the preceding financial year. The increase in revenue and net property income were mainly due to the revenue contribution from the acquisition of The Majestic Hotel Kuala Lumpur in November 2017.

Hilton Niseko Village contributed 3.3% of total revenue, or RM16.335 million in the current financial year, 2.4% higher than that recorded in the preceding financial year. Net property income for the current year was RM12.664 million, an increase of 4.5% from RM12.120 million recorded in the preceding financial year.

The Group recorded a profit before tax of RM239.138 million for the current financial year ended 30 June 2018, an increase of 2,694.0%, as compared to a loss before tax of RM9.219 million recorded in the preceding financial year. The following factors contributed to the increase:

(i) unrealised foreign currency translation gain on Australian Dollar denominated term loan of RM107.272 million recorded during the current financial year ended 30 June 2018 as compared to a translation loss of RM83.537 million recognised during the preceding financial year ended 30 June 2017.

(ii) gain on fair value of properties of RM58.234 million recorded during the current financial year ended 30 June 2018 as compared to the gain of RM34.843 million recognised in the preceding financial year ended 30 June 2017.

(iii) additional net property income of RM22.725 million mainly contributed by Malaysian Properties in the current financial year.

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 5.9032 sen per unit (of which 5.1098 sen is taxable and 0.7934 sen is non-taxable in the hands of unitholders) amounted to RM100,613,486 were paid as follows:-

	Date of distribution	Distribution per unit Sen	Income distribution RM
First interim	29 December 2017	1.9737	33,639,524
Second interim	30 March 2018	1.9917	33,946,314
Third interim	29 June 2018	1.9378	33,027,648
Total		5.9032	100,613,486

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 1.9651 sen per unit (of which 1.6282 sen is taxable and 0.3369 sen is non-taxable in the hands of unitholders), totalling RM33,492,946.

Total distribution paid and declared for the financial year ended 30 June 2018 is 7.8683 sen per unit, totalling RM134,106,432, which translates to a yield of 6.73% based on the twelve months weighted average market price of RM1.17 per unit.

The total income distribution of RM134,106,432 represents approximately 100% of the realised and distributable income for the financial year ended 30 June 2018.

The effect of the income distribution in terms of the net asset value per unit of the Group as at 30 June 2018 is as follows:-

	Before distribution RM	After distribution RM
Net asset value ("NAV") per unit	1.674	1.595

FINANCIAL POSITION

As at 30 June	2018 RM'000	2017 RM'000	Change
Investment properties	**2,371,618**	1,937,647	+ 22.4%
Property, plant and equipment	**1,947,753**	1,921,844	+ 1.3%
Cash & cash equivalents	**155,457**	142,462	+ 9.1%
Other assets	**36,827**	37,253	(1.1%)
Total assets	**4,511,655**	4,039,206	+ 11.7%
Borrowings	**1,687,694**	1,404,590	+ 20.2%
Other liabilities	**105,450**	103,625	+ 1.8%
Total liabilities	**1,793,144**	1,508,215	+ 18.9%
NAV	**2,718,511**	2,530,991	+ 7.4%
No. of units in circulation ('000)	**1,704,389**	1,704,389	0.0%
NAV per unit (RM)	**1.595**	1.485	+ 7.4%

Analysis of net asset value of the Group since the last financial year ended 30 June 2017:-

As at 30 June	2018 RM'000	2017 RM'000
Total net asset value (RM'000)	**2,718,511**	2,530,991
Net asset value per unit (RM)	**1.595**	1.485

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.

CAPITAL MANAGEMENT

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

Clause 8.32 of the Listed REIT Guidelines provides that the total borrowings of a real estate investment trust (including borrowings through issuance of debt securities) should not exceed 50% of its total asset value at the time the borrowings are incurred.

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.

- Gearing

As at 30 June	2018 RM'000	2017 RM'000	Change
Borrowings	**967,300**	1,337,394	(27.7%)
MTNs	**725,000**	75,000	+ 866.7%
Total borrowings	**1,692,300**	1,412,394	+ 19.8%
Total Assets	**4,511,655**	4,039,206	+ 11.7%
Gearing Ratio (%)	**37.51%**	34.97%	2.54pp

- Debt profile:

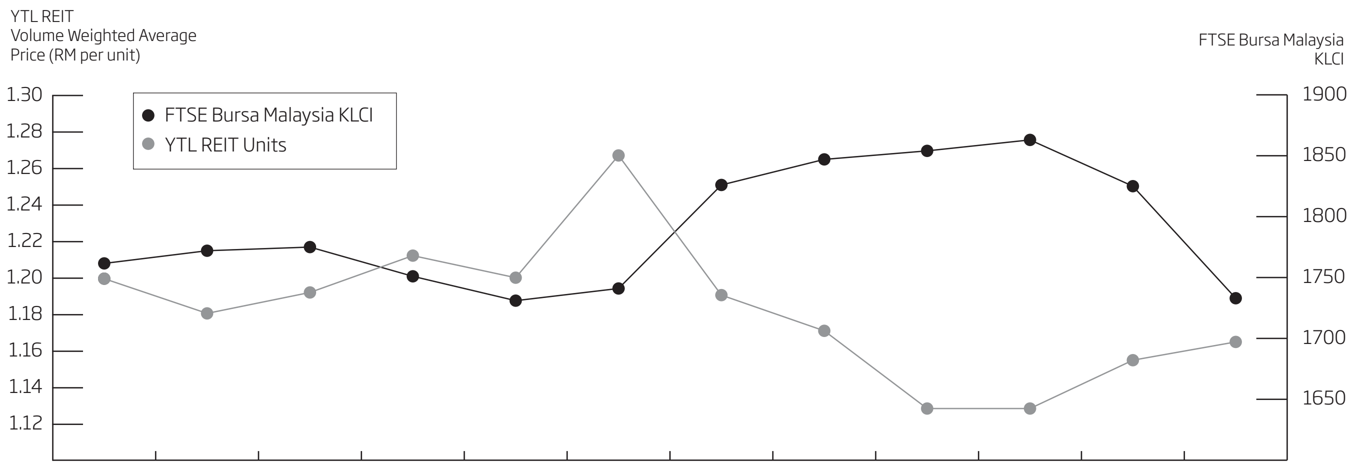
The Group diversifies its risks from borrowings via a combination of fixed and floating rates, different currencies and different maturities. The borrowings in foreign currency is hedged using interest rate swaps to eliminate the risk of fluctuation in interest rates.

UNITS PERFORMANCE

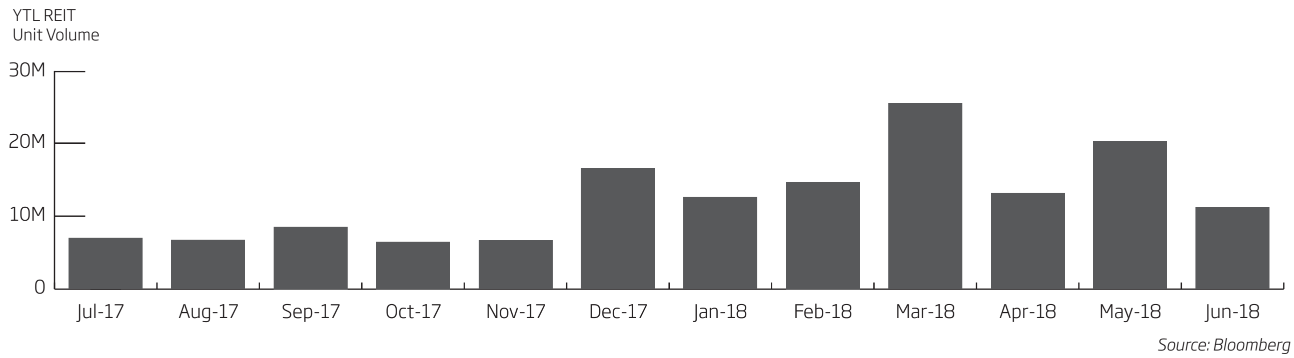
The Trust's units traded at RM1.18 per unit at the beginning of the financial year and ended the year lower at RM1.17 per unit, with a volume weighted average price for the financial year of RM1.17 per unit. During the financial year under review, the Trust's unit price recorded a high of RM1.28 per unit and a low of RM1.08 per unit, and traded largely in line with the FTSE Bursa Malaysia KLCI.

Analysis of changes in prices during the financial year ended 30 June 2018:-

PERFORMANCE OF YTL REIT UNITS VS FTSE BURSA MALAYSIA KLCI



AVERAGE VOLUME OF YTL REIT UNITS TRADED ON BURSA SECURITIES



Source: Bloomberg

Discussion and Analysis of the Financial Results and Financial Condition

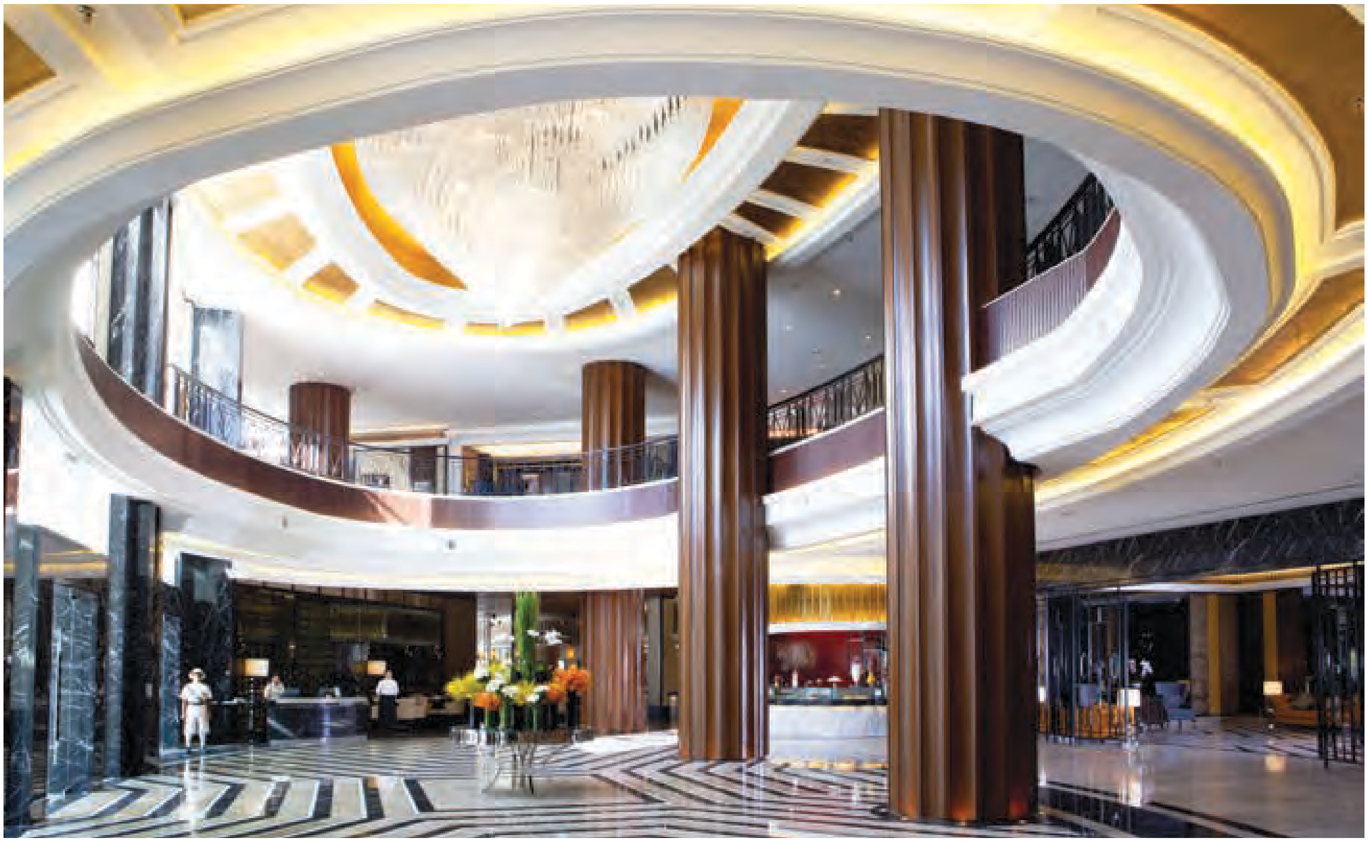
BENCHMARK RELEVANT TO THE GROUP

Management Expense Ratio ("MER")

	2018	2017
MER for the financial year	**0.55%**	0.54%

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.



SIGNIFICANT CORPORATE DEVELOPMENTS

ACQUISITION OF THE MAJESTIC HOTEL KUALA LUMPUR

As reported last year, on 26 May 2017, the Trustee entered into a conditional sale and purchase agreement with YTL Majestic Hotel Sdn Bhd ("Vendor"), an indirect wholly-owned subsidiary of YTL Corporation Berhad ("YTL Corp"), for the acquisition of The Majestic Hotel Kuala Lumpur for a cash consideration of RM380 million.

A sub-lease agreement was also entered into pursuant to which the Trustee, upon completion of the acquisition, sub-leases The Majestic Hotel Kuala Lumpur to the Vendor for a lease period of 15 years with an option granted to the Vendor to renew for a further term of 15 years ("Lease"). The sub-lease arrangement provides YTL REIT with a steady and secure income stream and is expected to be accretive to the Trust's future distributable income and distribution per unit.

The acquisition of The Majestic Hotel Kuala Lumpur was completed on 3 November 2017 and consequently, the Lease became effective on the same day.

PROPOSED ACQUISITION OF THE GREEN LEAF NISEKO VILLAGE

On 14 August 2018, Starhill REIT Niseko GK ("Starhill Niseko"), a wholly-owned subsidiary of YTL REIT, entered into a conditional sale and purchase agreement with Niseko Village KK ("NVKK"), an indirect wholly-owned subsidiary of YTL Corp, for the acquisition of The Green Leaf Niseko Village ("The Green Leaf") for a cash consideration of Japanese Yen ("JPY") 6.0 billion (equivalent to RM222.5 million, based on an exchange rate of JPY100 : RM3.7078)("Proposed Acquisition").

Upon completion of the Proposed Acquisition, Starhill Niseko will lease The Green Leaf to NVKK under a lease agreement for a lease period of 30 years, with an option granted to the Vendor to renew the lease for a further term of 30 years ("Proposed Lease").

The Proposed Acquisition is in line with the investment objective of the Manager to acquire and invest in high quality hospitality properties in Malaysia and internationally with a view to provide long-term and sustainable income distributions to unitholders and achieve long-term growth in the Trust's net asset value.

The Proposed Lease is expected to contribute positively to YTL REIT's future distributable income after taking into consideration the additional net property income received from the lease arrangement and estimated borrowing costs, amongst other factors. The lease arrangement provides stable and secure cash flows with a step-up provision of 5% every five years. Risks associated with the hospitality and tourism industry which may result in reduced occupancy levels and uncertainty in cash flows are also substantially mitigated through this lease arrangement.

The Proposed Acquisition and the Proposed Lease are currently pending completion as the Trust is in the process of obtaining the approvals required from the relevant authorities and any other third parties.

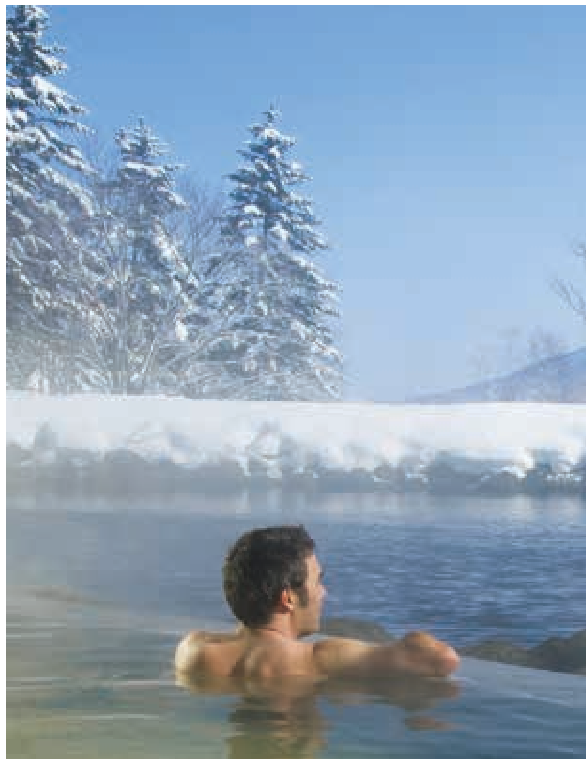
REVIEW OF OPERATING ACTIVITIES

YTL REIT's investment portfolio was valued at RM4,365.1 million as at 30 June 2018, an increase of RM454.6 million compared to the previous valuation of RM3,910.5 million as at 30 June 2017, contributed mainly by the new addition to the asset portfolio, The Majestic Hotel Kuala Lumpur, and the increase in the valuation of the Sydney Harbour Marriott in Australia, with smaller increases also contributed by JW Marriott Hotel Kuala Lumpur, The Ritz-Carlton Suite Wing, The Ritz-Carlton Hotel Wing, Vistana Kuala Lumpur Titiwangsa and Hilton Niseko Village.

MALAYSIAN PORTFOLIO

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

The Trust's portfolio of luxury properties situated in the Golden Triangle commercial precinct of Kuala Lumpur comprises the JW Marriott Hotel Kuala Lumpur, The Ritz-Carlton Hotel Wing and The Ritz-Carlton Suite Wing. The three luxury assets 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. During the financial year under review, these assets have benefited from the improved tourist and traffic flows as a result of the completed MRT works around the Golden Triangle area, with the service commencing operations in July 2017.



The new addition to the Trust's portfolio is The Majestic Hotel Kuala Lumpur, a luxury five star property with 300 rooms situated strategically along Jalan Sultan Hishamuddin lying a short distance away from KL Sentral. The Majestic Hotel Kuala Lumpur includes the original Hotel Majestic which is documented as a national heritage site. This colonial structure was built in 1932 and became one of the great hotels of Kuala Lumpur in its time.

The Majestic Hotel Kuala Lumpur is set to share the glamour, heritage and success of its predecessor. The hotel is established as part of the Autograph collection of iconic historic hotels where the allure of a city's distinctive past meets all of today's modern luxuries and stylish innovations. The Majestic Hotel Kuala Lumpur registered good guest numbers during the year under review, proving to be a sound new addition to the Trust's portfolio.

YTL REIT's resort portfolio consists of 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 remaining assets that make up the Trust's domestic portfolio are the Vistana hotels that operate in Kuala Lumpur, Kuantan and Penang. These hotels cater to the local and regional business travellers that are attracted to the mix of practical, modern amenities in comfortable rooms, coupled with refined service standards which set the Vistana hotels apart in this competitive segment of the hospitality industry.

INTERNATIONAL PORTFOLIO – JAPAN

YTL REIT owns the Hilton Niseko Village situated in Hokkaido, Japan, which operates under a fixed lease arrangement, ensuring a stable level of income for the Trust.

The Niseko region's tourism industry continues to garner both local support from Japanese visitors and a large contingent of international tourists, especially from China, Hong Kong and Taiwan.

Hilton Niseko Village maintains its 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 with its occupancy levels remaining healthy during the 2018 financial year. Although the weather conditions in Niseko has caused premature melting of snow in the region resulting in the drop in the number of skiers, Hilton Niseko Village has continued to concentrate on developing high quality summer facilities to differentiate itself as a summer destination also, encouraging tourists to visit throughout the year.

INTERNATIONAL PORTFOLIO – AUSTRALIA

YTL REIT's Australia Portfolio comprises 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 these hotel assets.

The Sydney Harbour Marriott continued to perform 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 increased to 89.31% compared to 85.65% last year. The recent asset enhancements undertaken last year have improved the guest experience with upgrades including the addition of a new executive lounge, a better concierge and arrivals process and modernised dining options. 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 an occupancy level of 87.09% for the financial year under review compared to 89.21% for the 2017 financial year. The hotel has continued to attain solid occupancy levels, despite the recent increase in room supply in the Victoria area of Melbourne. Plans are currently under development for additional asset enhancements including renovations and a reconfiguration to improve space optimisation. The Melbourne Marriott consists of 186 rooms, which is located close to the city's theatre precinct and is within minutes of the Bourke and Collins street shopping districts, Chinatown, the Melbourne Museum and the Royal Exhibition Building.

The Brisbane Marriott, a hotel with 263 rooms and 4 suites, registered an occupancy level of 85.06% for the 2018 financial year compared to 87.90% last year. The Brisbane market continued to recover cautiously and has kept on with its strategies to attract a broader segment of guests which proven to have yield positive results. The hotel has plans to undergo major refurbishment later this year. The Brisbane Marriott is situated between Brisbane's central business district and the Fortitude Valley hub, close to shopping, riverside dining along the Brisbane River, and the city's corporate and cultural locales.

RISK MANAGEMENT

CREDIT RISK

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

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally security deposits are obtained and credit evaluations are performed on customers requiring credit over a certain amount.

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

The YTL REIT Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 30 days, which are deemed to have higher credit risk, are monitored individually.

LIQUIDITY RISK

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

It maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to finance the operations, to distribute income to unitholders, and to mitigate the effects of fluctuations in cash flows.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of the YTL REIT Group's financial instruments will fluctuate because of changes in market interest rates. The Group's 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.

FOREIGN CURRENCY EXCHANGE RISK

The Group is exposed to foreign currency risk arising from Japanese Yen and Australian Dollar. The Group has investment in foreign operations whose net assets are exposed to foreign currency translation risk.

BUSINESS/MARKET RISK

The YTL REIT Group is exposed to the economic, financial and hospitality/tourism markets in Malaysia, Japan and Australia. Any negative developments in these areas may impact the Group's financial performance and the valuation of its asset portfolio. The YTL REIT Group works to manage these factors through the revenue structure of its portfolio whereby the Trust receives stable, medium to long term fixed lease income from its Malaysian and Japanese portfolios and variable income from its Australian assets.

This structure is intended to insulate part of the portfolio from the cyclical nature of the hospitality industry, balanced with any potential upside generated from better performance in other parts of the portfolio.

REGULATORY/COMPLIANCE RISK

YTL REIT is required to comply with applicable legislation, regulations and guidelines including the Capital Markets and Services Act 2007, the Main Market Listing Requirements of Bursa Securities, the Listed REIT Guidelines, exchange control rules issued by Bank Negara Malaysia and tax legislation and regulations, where failure to do so may result in fines, penalties or other remedies available to the regulatory authorities. Any such compliance failures may impact the Trust's financial performance or reputation, whilst amendments to existing requirements or the introduction of new requirements may also increase compliance costs. The Manager addresses these risks via its governance and internal control frameworks to monitor and ensure compliance, further details of which can be found in the Corporate Governance Overview Statement in this Annual Report.

OUTLOOK

The global economy is expected to expand at a faster pace for the remainder of the 2018 calendar year, driven primarily by private consumption and industrial activities in the advanced economies. Nevertheless, global growth still remains vulnerable to downside risks such as policy uncertainties in major economies and geopolitical risks. In Malaysia, the economy is expected to grow within the range of 5.5% to 6.0% for the full 2018 calendar year, driven primarily by domestic demand, underpinned by private sector expenditure. Private consumption growth is expected to remain sustained, supported by continued growth in employment and income, lower inflation and improving economic sentiments. Meanwhile, the Japanese economy is expected to continue expanding at a moderate pace, supported primarily by domestic demand, whilst the Australian economy is expected to show further improvement owing to strong contributions from consumption and non-mining business as the drag from the unwinding of the mining investment boom decreases further *(sources: Malaysian Ministry of Finance, Bank Negara Malaysia, Australia Government Budget, Bank of Japan updates).*

The Trust's outlook is expected to remain stable as YTL REIT remains committed to the sustainable growth of its long-term unit value in order to reward unitholders with sound returns.

In August 2018, the Trust embarked on the proposed acquisition of a new property, The Green Leaf, located at the base of Mount Niseko Annupuri in Japan. Inspired by a fusion of world-class design, local artistry and breathtaking scenery, this 200-room all-season destination hotel in Niseko provides ski-in/ski-out access during the winter season and a convenient base to explore a diverse range of outdoor pursuits during summer, as well a tranquil spa and natural *Onsen* facilities and a variety of bar and dining options featuring local seafood and seasonal Hokkaido produce. The proposed acquisition of The Green Leaf will provide YTL REIT with a steady and secure income stream and is expected to contribute positively to the Trust's future distributable income.

YTL REIT's portfolio of well-established properties, located at prime tourist and business destinations across different geographic regions, as well as its wide range of product offerings, places the Trust in a good position to attract an extensive clientele. The Trust will continue to pursue viable expansion and development opportunities to complement the existing portfolio.

Review of the Property Market

YTL Hospitality REIT and its subsidiaries ("Group") own fourteen (14) hospitality properties, ten (10) 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 in New South Wales, Brisbane in Queensland and Melbourne in Victoria. The Japanese property is located in the Niseko area of the island of Hokkaido.

REVIEW AND OUTLOOK

MALAYSIAN

1. ECONOMY

Malaysia's Real GDP registered a growth of 4.2% in 2016 compared with 5.0% in 2015 and 6.0% in 2014. This is also within the Ministry of Finance's 2016 Real GDP growth forecast of 4.0% to 4.5%. The growth was largely contributed by the continuous growth in domestic demand. According to the Department of Statistic, Malaysia's economy grew by 6.2% in the third quarter of 2017 (Q3/2016: 4.3%), supported by higher domestic demand and exports. The government has a targeted growth rate of between 4.0% to 5.0% for 2017, where the main driver of growth will be the domestic demand underpinned primarily by the private sector activity. Malaysia's GDP per capita (at current prices) increased by 4.8% year-on-year (y-o-y) in 2016, to RM38,887 from RM37,123 in 2015.

Inflation rate was recorded at 3.7% in 2017, higher than the year before at 2.1%. According to the Department of Statistic, this was mainly driven by the increase in food and non-alcoholic beverages, particularly in food away from home and food at home. RAM Rating Services Bhd ("RAM") envisaged the inflation rate to moderate to 2.5% in 2018.

Domestic demand registered a growth of 4.3% in 2016, compared with 5.1% in 2015. Public consumption recorded a slower growth rate of 1.7% in 2016 as a result of lower expenditure on supplies and services. According to Ministry of Finance's Quarterly Update on the Malaysian Economy – Q4/2017, domestic demand grew by 6.5% in 2017, driven by favourable performance of private sector expenditure. The government expects the growth in 2018 to be underpinned largely by private sector expenditure, as well as support from the external sector.

Private consumption in Malaysia has grown by a Compound Annual Growth Rate (CAGR) of 10.0% for the last 5 years up to 2016, primarily fueled by a growing economy and a young population. Despite the 2008/09 global financial crisis slowing down growth to 1.1% in 2009, recovery was immediate with the CAGR of 9.9% from 2009 to 2016. According to Ministry of Finance, private consumption grew by 7.0% in Q4/2017, attributed by steady employment and wage growth. Communication, restaurants and hotels, food and non-alcoholic beverages were the key segments that recorded higher consumer spending. During the same period, private investment accelerated by 9.2%, with highest investments recorded in the (i) machinery and equipment and (ii) structures subsectors.

On the supply side, all economic sectors recorded higher growth rates in 2016, with the exception of the agriculture sector. The growth was propelled by the services, manufacturing and construction sectors, recording y-o-y growth of 5.6%, 4.4% and 7.4%, respectively. The mining sector expanded by 2.2% while agriculture sector contracted by 5.1%. According to the DOS, the performance of the services sector was underpinned by business services, food and beverage ("F&B") and accommodation subsectors, while higher growth in both domestic and export-oriented industries were the key drivers in the manufacturing sector. In 2017, all sectors recorded positive growth, with the agriculture sector registering the highest growth at 7.2%. This is followed by the construction, services and manufacturing sectors at a y-o-y growth of 6.7%, 6.2% and 6.0%, respectively. The mining sector grew marginally by 1.1%.

As at 6 March 2018, the Malaysian Ringgit has appreciated by 13.2% to RM3.9045 against the US Dollar, from its lowest point on 4 January 2017 at RM4.4995. Similarly, it appreciated by 6.6% to RM2.9629 against the Singapore dollar, from RM3.1732 on 13 April 2017. The Malaysian Ringgit was also the strongest growing currency among major Asian currencies over 1H/2017, reflecting Bank Negara Malaysia's view that the Malaysian Ringgit has strengthened to better reflect the economic fundamentals. As a net oil exporter, the Malaysian Ringgit was impacted by the decline in global oil prices in 2014 as exports decelerated significantly, resulting in a depreciation of the Malaysian Ringgit against the US Dollar to 3.495 on 31 December 2014. This was further affected by a stronger US Dollar during the same period. The Malaysian Ringgit weakened and breached the 4.00-level in 2015, due to the political instability as well as the anticipation of normalisation of interest rates in the US and effects on regional economies following the expected slowdown in China's economy.

Approved investments for the manufacturing and services sectors grew by 8.1% in 2016. 72.7% of the approved investments comprises domestic investments while the remaining comprises foreign investments. Higher value of investments in the domestic manufacturing sector in 2015 compared to 2016 was attributed to the two major projects approved in 2015 namely, the Petronas Refinery and Petrochemical Corp project in Johor and the LNG9 project in Sarawak, which totaled RM35.3 billion.

Total household debt increased by 6.0% to RM787.2 billion in 2017 from RM742.8 billion in 2016. As of September 2017, the household debt to GDP ratio was at 84.6% from 88.4% in 2016. According to the BNM, despite the rise in household debt, households continued to demonstrate sustained debt repayment capacity supported by adequate financial buffers and stable labour market conditions. Household savings on the other hand, increased by 9.9% in 2016. Credit risk exposures remained manageable, due to the effect of measures introduced by BNM to curb excessive debt accumulation, such as tightening loan approvals, calculating loan-to-value ratio based on property's net price and mortgage assessments on net income rather than gross income.

(Source: Savills (Malaysia) Sdn Bhd, June 2018)

2. HOTEL SECTOR

Malaysia

The contribution of the tourism industry to GDP was 14.8% (RM182.4 billion) in 2016 compared with 14.4% (RM166.0 billion) in the preceding year. In 2016, the contribution of the tourism direct industry (expenditure within the tourism industry) to the GDP increased marginally to 6.3% (2015: 6.0%). Tourist arrivals stood at 26.8 million in 2016 compared with 25.7 million in 2015, where approximately half of the tourist arrivals were from Singapore. The stronger tourism performance indicated signs of recovery in 2016, which is attributed to the improved flight accessibility, travel facilitation and the weakening Malaysian exchange rate. Tourist receipts registered at RM82.1 billion in 2016, rising by 18.8% from RM69.1 billion in 2015. According to Tourism Malaysia, a total of 26 million tourist arrivals was recorded in 2017, which is 3% lower than the tourist arrivals recorded in 2016 (26.8 million).

The number of tourists from the top 5 countries that visited Malaysia during 2017 were from Singapore (12.4 million), which accounted for the largest share, followed by Indonesia (2.8 million), China (2.3 million), Thailand (1.8 million) and Brunei (1.7 million). There were also inbound tourists from other ASEAN countries, East Asia and the rest of the world.

In April 2017, the Royal Malaysian Customs Department ("RMCD") announced its plans to impose a tourism tax ranging from RM2 to RM20 per night according to the standard of hotel accommodation, with Malaysian tourists having to pay the tax at hotels of three-star quality and below. The rate has been revised to a flat rate of RM10 from five-star to zero-star hotels for foreign tourists, while Malaysians will be exempted from the tax across all classifications of hotels. The tax was implemented on 1st September 2017 and the Tourism and Culture Ministry expects to collect a total of RM200 million in 2018. Hotels and lodging operators are encouraged to register for the tourism tax as there are only 5,000 registered accommodation providers out of the estimated 10,000 establishments throughout Malaysia. The announcement has been controversial in Malaysia, particularly with the East Malaysian states fearing it would adversely impact the number of tourist arrivals to Sabah and Sarawak.

(Source: Savills (Malaysia) Sdn Bhd, June 2018)

Review of the Property Market

Kuala Lumpur

From 2010 to 2017, the average occupancy rate for hotels and serviced apartments in Kuala Lumpur fluctuated between 65% and 75%. During the period between 2010 and 2016, 4-star hotels outperformed 3- and 5-star hotels, achieving average occupancy rates of no less than 71%. The average occupancy rate in Kuala Lumpur was 66.1% in 2017.

According to Tourism Malaysia, the total hotel guests for Kuala Lumpur in 2017 increased by 11.34% to 17.98 million, compared to 16.15 million in 2016, primarily driven by increases in foreign guests which constituted approximately 60% of the hotel guests.

Four hotels were completed in 2017, namely, Sunway Alocity Hotel @ Cheras, Mercure Shaw Parade @ Pudu, Hotel Stripes Kuala Lumpur @ Chow Kit and Arcoris Hotel @ Mont Kiara, adding 1,047 rooms to the market.

The entry of these new brands would continue to give recognition to Kuala Lumpur as an international destination thus putting KL on par with the rest of the world.

(Source: Savills (Malaysia) Sdn Bhd, June 2018)

Pahang

The overall occupancy rate of hotels in Pahang saw a slight increase from 74.6% in 2016 to 75.7% in 2017.

The rapid growth of Kuantan Town and beach resorts in Pahang are largely due to general economic development of the state and ecotourism attractions.

As at 2017, the total supply of 3- to 5-star hotel rooms in Pahang registered 15,057 rooms, consisting of four 5-star hotels, thirteen 4-star hotels and twenty three 3-star hotels. A significant portion of the hotel room supply was from the 3-star hotel category which contributed a total of 9,674 rooms (64.3%), followed by 3,179 4-star rooms (21.1%) and 2,204 5-star rooms (14.6%).

The outlook for the hotel sector is expected to be healthy and underpinned by the natural/pristine environmental factors such as the magnificent wilderness, the cool highland retreat climate and the beautiful 210 kilometers of shoreline offering tourists the full sun, sand and sea experience.

(Source: Savills (Malaysia) Sdn Bhd, June 2018)

Penang

The leisure sub-sector saw a slight decline in the overall occupancy from 63.9% in 2016 to 62.1% in 2017.

As at 2017, the total supply of 3- to 5-star hotel rooms registered 10,968 rooms. A significant portion of the hotel room supply is from the 4-star hotel category, which contributes to a total of 5,113 rooms, followed by the 5-star category at 3,586 rooms and the 3-star category at 2,269 rooms. 10 new hotels were opened in 2017 increasing the total to 188 hotels in Penang; 5 hotels are located within the City/Town area 1 hotel is located by the beach area and 4 hotels in other areas. There are 17 incoming supply of hotels (3,421 rooms) as at Q4 2017.

The outlook for the Penang hotel sector remains healthy supported by both local and foreign tourists and boosted by the attractions of Penang as a UNESCO world heritage status sites.

(Source: Savills (Malaysia) Sdn Bhd, June 2018)

Perak

In 2017, Perak received about 3.1 million tourists in total. Of the total number of tourists, 2.6 million passengers used the railway services from January to October 2017, about 10% more than 2016. Lonely Planet (the largest travel guide book publisher in the world) has ranked Perak ninth place in the world's top 10 regions to visit in 2017, with Ipoh being the sixth best destination to visit in Asia in 2016. Lenggong has also been recognised by Unesco as a World Heritage Site, whereby Tourism Perak has set out 3 areas of focus, one of which is to brand Ipoh as an international city on par with other Malaysian cities such as Penang and Kuala Lumpur. Hong Kong and Shanghai are to also promote Ipoh amongst ASEAN counterparts, in line with Tourism Malaysia's Go ASEAN initiative. This initiative aims to attract tourists from ASEAN countries.

Notable attractions in Perak are Perak's Movie Animation Park, The Lost World of Tambun (a theme park that operates both day and night), Perak Cave Temple at the foothills of limestone Gunung Tasek in Ipoh, Belum-Temenggor Tropical Rainforest area and the proposed lakeside premium outlet in Batu Gajah.

In March 2018, Tourism Perak embarked on an effort to draw in travellers from Medan through medical tourism. In 2017, there were 274,000 passenger arrivals at the airport in Ipoh as compared to 270,000 passengers in 2016. Hentian Royal Belum Amanjaya, a highway rest area and jetty complex on Banding Island, is now equipped with a convenience store, food court, souvenir shop, parking area for cars and buses, as well as a helipad.

Perak's property market softened in 2017. Official hotel completions included the Manhattan Hotel (73-room) in Ipoh, M Roof & Residences Hotel (150-room) and Taiping Mall (185-room). The initiatives under the Northern Corridor Economic Region Development Blueprint 2016 (Blueprint 2.0) include Manjung-Aman Jaya Maritime City, theme parks and the declaration of Pangkor Laut as a duty-free island in Budget 2018.

Perak's government is committed towards upgrading Pulau Pangkor's hotels and infrastructure. The property market in 2018 is expected to maintain a positive trend with the residential sub-sector being the main contributor to total property transactions.

(Source: Azmi & Co Sdn Bhd, June 2018)

Terengganu

Terengganu is targeting about 5.5 million tourist arrivals for 2018 and is also actively preparing for Visit Malaysia Year 2020. Terengganu has been chosen as one of the states to jointly promote the VMY 2020 programme. Several projects are also being developed to attract tourists, including the construction of a bridge which connects Kuala Terengganu to Seberang Takir. Other initiatives include beautifying the island and Tasik Kenyir (duty free zone and syariah-compliant), the Factory Outlet in Pulau Bayas, Tasik Kenyir, Pulau Gawi boat terminal and others. It was estimated that 5.0 million tourists arrived to Terengganu in 2017. New infrastructure projects and two air routes re-opened to attract more visitors to Terengganu in conjunction to Visit Terengganu 2017 and Visit Malaysia 2020.

Terengganu had experienced a soft property market in 2017. Two new chalets in Pulau Kapas (12-and 20-room) were also completed in 2017. Terengganu's property market in 2018 is expected to remain promising backed by various initiatives by the State and Federal Governments.

(Source: Azmi & Co Sdn Bhd, June 2018)

Review of the Property Market

AUSTRALIA

1. ECONOMY

Gross Domestic Product (GDP) growth for the fourth quarter of 2017 was weaker than expected, growing at 0.36% quarter on quarter, which resulted in an annual growth rate of 2.36%. Household consumption lifted 0.96% over the quarter and 2.86% over the year, with growth weighted to health, apparel, hotels, cafes and restaurants. This marks a change from the prior non-discretionary growth sectors such as the consumption of electricity, gas and other fuels. Retail trade growth was 0.3% over the quarter and 2.51% over the year.

The labour market recorded the 17th consecutive month of net employment gains in February 2018. The net employment gain came in at 17,500 in February, bringing rolling 12 month employment growth to 420,700, the highest on record. Stronger gains were seen in the full-time sector (65,000) while part-time positions declined by 47,000. The participation rate lifted to 65.7%, back to the levels seen in December 2017. Unemployment meanwhile increased by 10bp to 5.6%. Underemployment lifted slightly to 8.4%, implying soft inflationary wage pressures.

The first quarter 2018 Consumer Price Index (CPI) rose by 0.4% quarter on quarter, resulting in an annual increase of 1.9%. Melbourne (0.9%), Canberra (0.8%) and Hobart (0.7%) experienced above average increases, with Darwin (0%), Brisbane (0.1%), Perth (0.1%) and Sydney (0.3%) experiencing flat to minimal price growth over the quarter. Drivers of inflation over the quarter were Education (2.6%), Health (2.2%), Transport (1.1%), Housing (0.7%), and Alcohol and Tobacco (0.7%). These were offset to some extent by detractors including Clothing and Footware (-2.0%), Recreation and Culture (-0.7%), Communication (-0.4%) and Furnishings, Household Equipment and Services (-0.4%).

The Australian dollar has continued to weaken, with the AUD/USD rate slipping a further -1.2% to close at US$0.7570 in April 2018. Increases in bulk commodity prices supported the Australian dollar over the past two years. However, narrowing interest rate differentials between Australia and other economies have worked in the other direction. Since the start of the year, the Australian dollar has depreciated against the US dollar and on a trade-weighted basis (TWI), as bulk commodity prices have declined and interest rate differentials have continued to narrow.

The RBA left the official cash rate unchanged at 1.50% in May 2018 for the 20th consecutive board meeting. The Bank's central forecast is for the Australian economy to grow faster in 2018 than it did in 2017. Business conditions are positive and higher levels of public infrastructure are supporting the economy with stronger growth in exports expected. Notwithstanding the improving labour market, wages growth remains low. This is likely to continue, although the stronger economy should see some lift in wages growth over time. Inflation is likely to remain low for some time, reflecting low growth in labour costs and strong competition in retailing Housing markets in Sydney and Melbourne have cooled with prices having recorded falls in some areas. APRA's supervisory measures and tighter credit standards have been helpful in containing the build-up of risk in household balance sheets, although the level of household debt remains high.

(Source: Colliers International, May 2018)

2. HOTEL SECTOR

Australia

Data 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 2017 grew by 6.5% to 8.1 million. This follows on from growth of 11.2% in 2016. This trend continues to be largely led by the emerging Asian economies, particularly from China with visitors increasing by 12.1% between 2016 and 2017. Other Asian countries are also showing growth, albeit form a lower base, including Other Asia (20.8%), India (15.8%), Hong Kong (13.8%) and Indonesia (11.2%). Other countries showing stronger growth in visitors were Canada (10.8%) and from the United States of America (9.1%).

Domestic overnight visitors increased by 7.1% over the year to December 2017, with growth strongest in Victoria (11.5%), Australian Capital Territory (10.7%), Tasmania (10.6%) and New South Wales (8.2%). Growth was driven by business travel which increased by 12.1% to 21.0 million visitors, other travel with growth of 10.3% to 6.6 million visitors and holiday which increased by 6.0% to 39.3 million visitors in 2017. Importantly, growth has been seen in visitors staying in commercial accommodation with 8.4% growth to 48.3 million visitors between 2016 and 2017.

According to data from STR Global, full year 2017 occupancy rates for major cities in Australia have ranged from 71.6% (Gold Coast) to 88.6% (Sydney) and shown divergent growth patterns. Strongest growth was experienced in Darwin (8.7%) and Canberra (3.1%), whilst declines were experienced in Perth (-4.5%), Hobart (-1.6%), Gold Coast (-1.3%) and Melbourne (-1.1%). Most declines have been influenced by increases in supply outstripping demand growth.

The Average Daily Rate (ADR) trend across major cities in Australia for 2017 also showed a range of outcomes with growth in Sydney at 7.0%, Cairns at 7.6%, Canberra 5.0% and Adelaide at 4.5%. Declines were experienced in Perth -7.1%, Darwin at -3.9% and Brisbane at -1.4%.

Average Revenue Per Available Room (RevPAR) for Australia's key cities experienced growth in (Sydney, Brisbane, Adelaide, Cairns, Darwin and Canberra), however, the Gold Coast was flat and decreases were seen in (Melbourne, Perth and Hobart), due primarily to increases in room supply in these latter three markets.

Sydney

Sydney remains Australia's best performing market. Over calendar year 2017 occupancy increased by 0.6% to 88.6%, ADR increased by 7.0% to $260.54 and RevPAR increased by 7.7% to $230.81. On a year-to-date April 2018 basis occupancy decreased by -2.3% to 88.0%, ADR increased by 3.0% to $272.63, resulting in RevPAR increasing modestly by 0.6% to $240.06.

Melbourne

The Melbourne hotel market has begun to feel the impacts of recent supply additions, although remains strong overall. Over calendar year 2017 occupancy decreased by -1.1% to 85.9%, ADR remained virtually flat at $205.748 and RevPAR decreased by -1.2% to $176.79. Growth on a year to date basis to April 2018 in comparison to the same period to April 2017 has continued to be subdued. RevPAR has increased by 0.1% year-to-date April 2018 to $186.28 and ADR increased marginally by 0.7% to $272.63 over the same period, however, occupancy levels declined by -0.6% to 86.4%.

Brisbane

Hotels in Brisbane have continued to experience a challenging trading environment over the past four years due to a strong supply pipeline, however, this supply cycle will draw to a close over the coming year and stronger demand growth had been achieved. Over calendar year 2017 occupancy increased by 2.6% to 73.7%, ADR decreased by -1.4% to $156.98 and RevPAR increased by 1.1% to $115.69.

On a year-to-date April 2018 basis occupancy decreased by -0.1% to 69.9%, ADR increased by 1.5% to $151.55, resulting in RevPAR increasing modestly by 1.3% to $104.53.

(Source: Colliers International, May 2018)

Review of the Property Market

JAPAN

1. ECONOMY

Japan's economy shows moderate expansion, with expansions ranging from income to expenditures. Overseas economies have continued to grow firmly. Exports have been on an upward trend. On the domestic demand side, fixed investments from businesses have continued on an upward trend as corporate profits and business sentiment improve. Private consumption has been increasing moderately, albeit with fluctuations, against the background of visible improvements in employment and income. Investment in housing real estate has been weakening while public investment remains high.

Financial conditions are highly accommodative. On the price front, the year-on-year rate of change in the CPI (all items less fresh food, and the same hereafter) stands at 1%. Under "Quantitative and Qualitative Monetary Easing (QQE) with Yield Curve Control," the yield curve for Japanese government bonds (JGBs) has been in line with the current guideline for market operations, in which the short-term policy interest rate is set at minus 0.1 percent and the target level of 10-year JGB yields is around zero percent. That is, the yields for relatively short maturities have been stable, hovering slightly in the negative territory; the 10-year JGB yields have generally been stable, at approximately 0 percent. Meanwhile, the 20-year JGB yields also have been stable, at approximately 0.5 percent. The monetary base has been increasing at a high year-on-year growth rate of approximately 10 percent, and its amount outstanding as of end-March was 487 trillion yen, of which the ratio to nominal GDP was 88 percent.

Issuance rates for CP (Commercial papers) have remained at extremely low levels. Conditions for CP issuance have been favorable, as suggested by the DI (Diffusion Index) in the *Tankan*. Issuance rates for corporate bonds have also remained extremely low. Meanwhile, lending rates (the average interest rates on new loans and discounts) are at historically low levels.

In terms of the economic outlook, Japan's economy is likely to continue its moderate expansion. In fiscal year 2018, domestic demand will likely increase, with income and spending being maintained in both the corporate and household sectors, against the backdrop of highly accommodative financial conditions (as described previously) and expansive government spending. Business fixed investment is likely to continue increasing amid accommodative financial conditions, led mainly by investment intended for domestic capacity spending (coupled with the economic expansion), Olympic Games-related investment, and labor-saving investments to address the labor shortage. Private consumption is also expected to follow a moderate upward trend as employment and income continually improve. Public investment is expected to remain at a relatively high level, mainly reflecting the supplementary budget for fiscal year 2017 and Olympic Games-related demand, although the positive effects resulting from the government's past stimulus measures are likely to diminish over time. Nonetheless, exports are expected to expand on the back of promising growth in overseas economies.

As for potential risks to the economic health of Japan, there is uncertainty regarding developments in overseas economies such as the volatility in U.S. economic policies and their impact on global financial markets; developments in emerging and commodity-exporting economies; negotiations on the United Kingdom's exit from the European Union (EU) and other external geopolitical factors beyond Japan's control.

(Source: Outlook for Economic Activity and Prices, Bank of Japan, April 2018)

2. HOTEL SECTOR

Japan

International arrivals to Japan continue to expand at a rapid pace. In 2017, the number of overseas tourists to Japan increased by 19.3% to 28.7 million from 24.0 million in 2016. Whilst Asian countries such as South Korea, China, and Hong Kong led this growth, the US, Canada and Australia also recorded double-digit growth. Increases in tourism from the countries listed reduced Japan's reliance on neighbouring Asian countries and built a stronger long-term tourism growth foundation. This figure between January and May in 2018 increased by 15.6% compared to the same period in 2017. Japan may be able to reach its target of 40 million visitors by 2020 if it adds 3.8 million visitors annually over the next three years.

Niseko

During 1 April 2017 to 31 March 2018 (FY March 2018), the number of visitor arrivals was approximately 3.3 million, up by 1.6% from the previous year. In FY March 2018, day visitors accounted for approximately 72% of total visitors during this time period. The total number of over-night stays increased by 2.7% in FY March 2018 as compared to the previous year.

By visitor profile, the number of foreign guests had increased significantly. The total number of over-night stays by international hotel guests in FY March 2006 was 97,227 and the figure grew more than 6 times to 652,183 in FY March 2018. Although weather conditions and the strength of the Japanese currency temporarily affected the number of visitors and hotel guests in Niseko area during this period, the basic trend is positive, underpinned by the growing number of visitors from Asian countries, especially from China, Hong Kong, and Taiwan.

(Source: Savills Japan Co Ltd, June 2018)

MANAGING SUSTAINABILITY

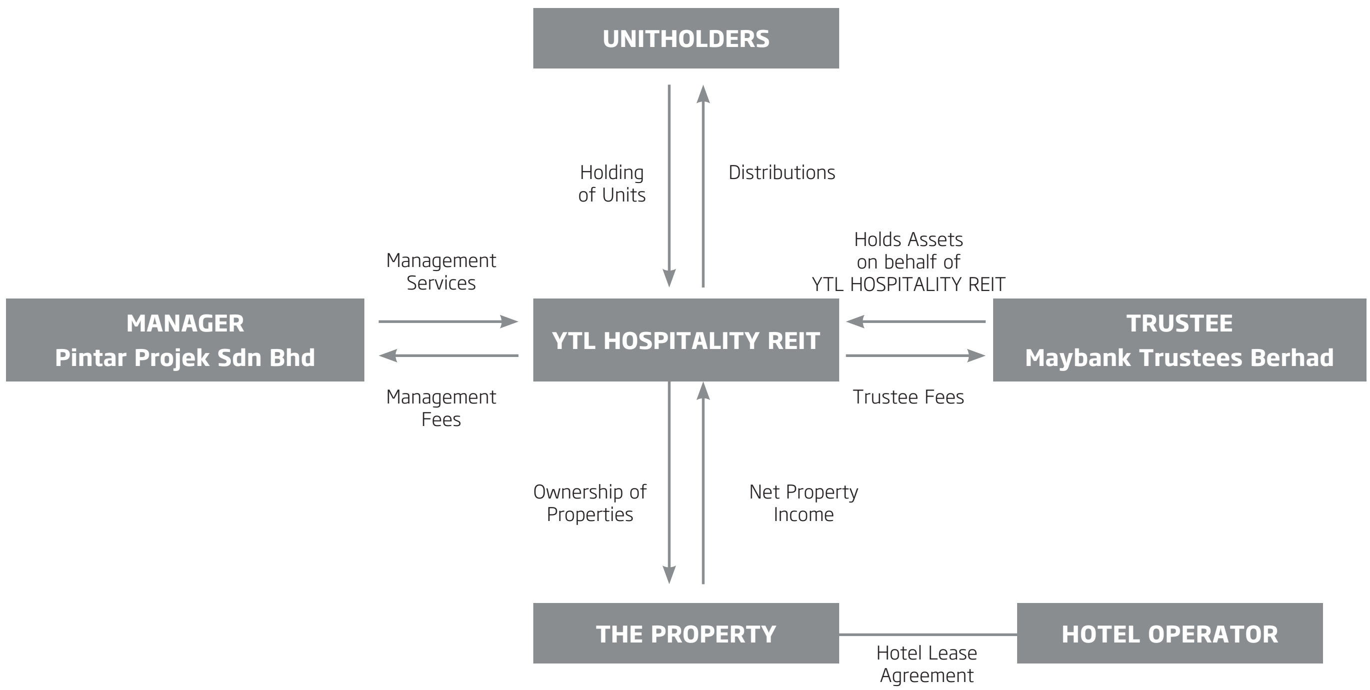
STRUCTURE AND MANAGEMENT

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

YTL REIT has a market capitalisation of approximately RM1,974.2 million as at 30 June 2018 and owns a broad portfolio of fourteen (14) hospitality properties ranging from business hotels to luxury resorts, spread across various prime locations in Malaysia, Australia and Japan.

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

YTL HOSPITALITY REIT STRUCTURE



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

SUSTAINABILITY COMMITMENT

As YTL REIT is part of YTL Group, the Manager of YTL REIT has aligned and adopted YTL Group's established sustainability structure and framework of policies and guidelines, as well as the ethics and code of business conduct for YTL REIT where relevant and appropriate.

YTL REIT's sustainability focus is aligned with YTL Group's credo, **'Making A Good Future Happen'**, and this is integrated into YTL REIT's asset and portfolio strategies, daily operations, management and stakeholder engagement. There is regular assessment, reviews and feedback of environmental, social and governance issues in line with YTL Group's practices.

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

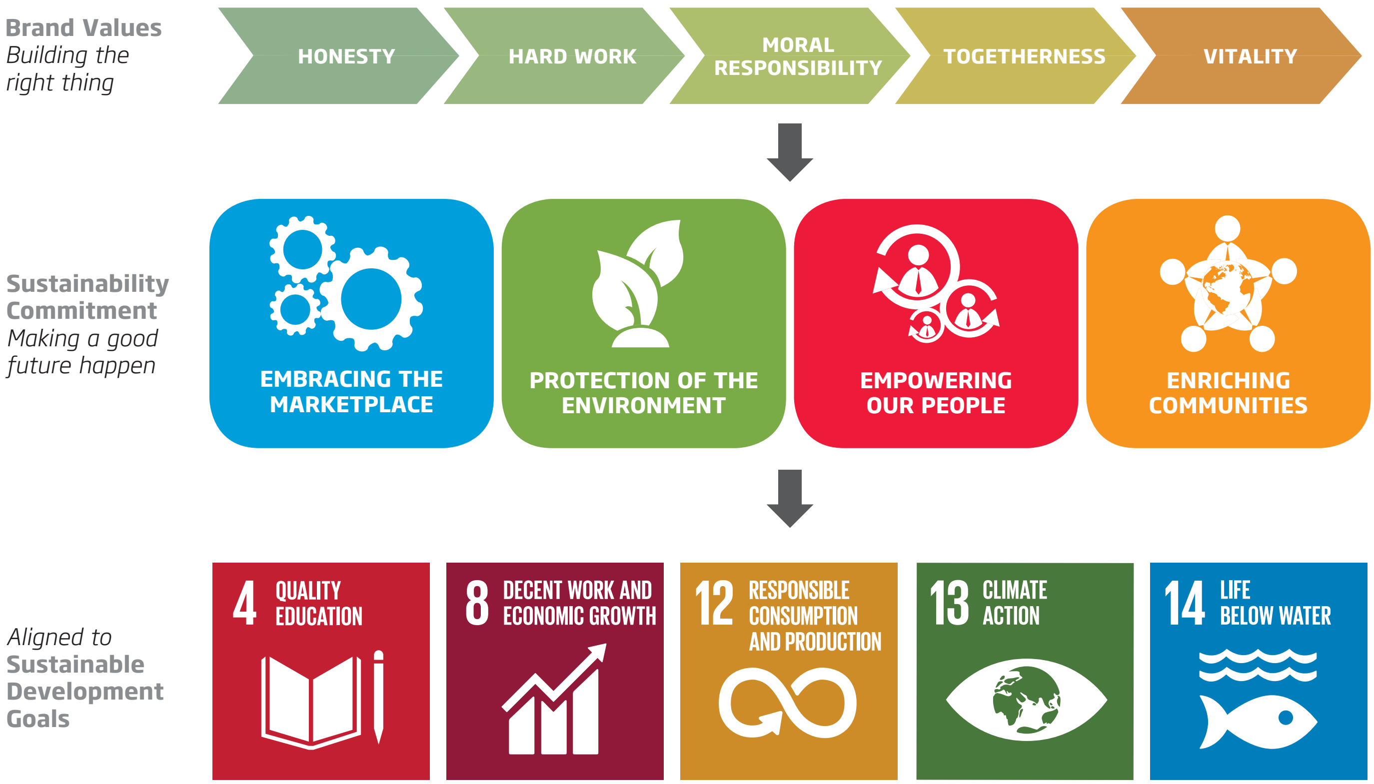
REPORTING SCOPE AND PERIOD

This sustainability statement covers YTL REIT's portfolio from 1 July 2017 to 30 June 2018, aligned with YTL REIT's financial year. This provides an overview of how we operate sustainably and manage our strategy and day-to-day business to address our sustainability commitments and performance. In addition, the sustainability initiatives, performance and achievements of the lessees and operators of the Trust's properties will be outlined in greater detail in the consolidated ***YTL Group Sustainability Report 2018*** which will be published in October 2018 in conjunction with YTL Corp's Annual Report for the financial year ended 30 June 2018. The report will be available for download at http://www.ytl.com/sustainability.asp.

OUR APPROACH TO SUSTAINABILITY

We have aligned our sustainability commitments to YTL Group's four pillars – Marketplace, Environment, People and Communities. The following value-added Sustainability Framework forms the basis of our sustainable business practices.

YTL GROUP SUSTAINABILITY FRAMEWORK



Where applicable to the Trust, we incorporate sustainability into the day-to-day management of YTL REIT which is aligned with five of the seventeen (17) United Nations Sustainable Development Goals (SDGs) and YTL Group Corporate Statements (Human Rights and Ethics, Environment, Health and Safety, and Commitment to Ethical Purchasing).

Managing Sustainability

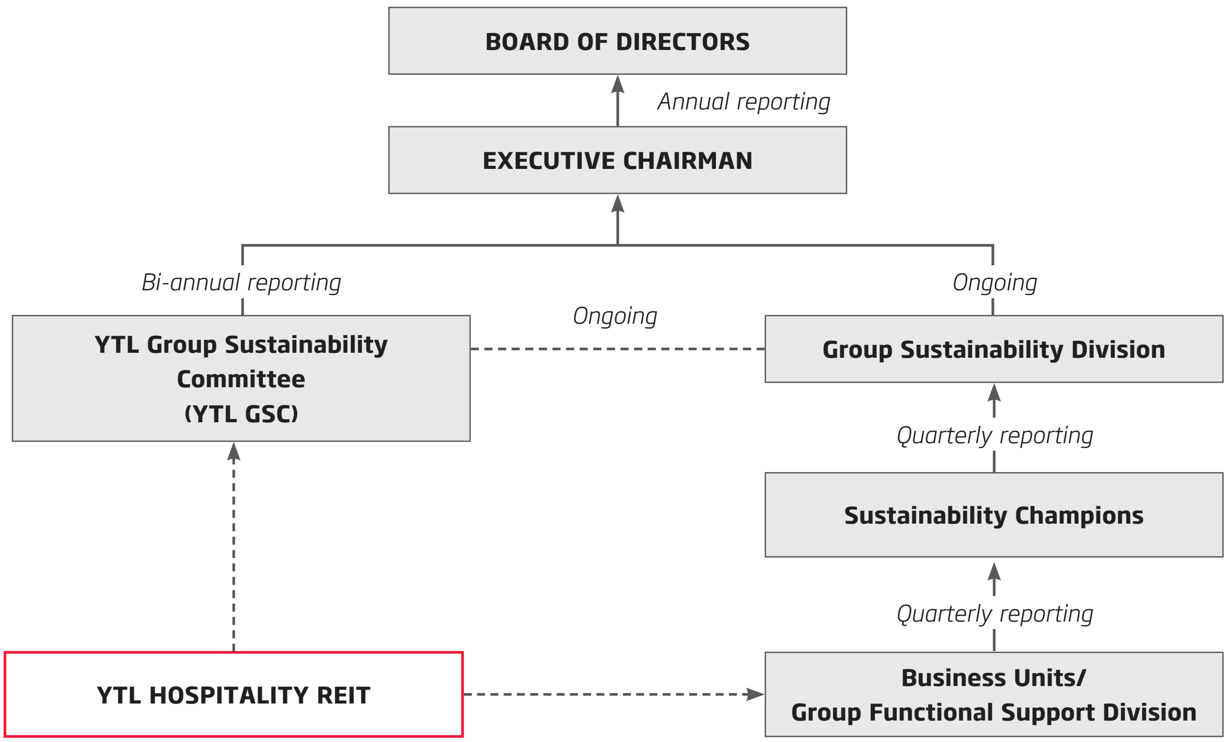
GOVERNANCE STRUCTURE AND PRINCIPLES

YTL Group operates with a clear and effective governance structure together with a strong governance system, which has similarly been adopted by YTL REIT. Responsibility for implementing and ensuring good governance lies with the Board of Directors of the Manager (the "Board").

The Board's purview includes assessing and managing the impacts of our operations on economic, environmental and social capital, underpinned by the YTL Group's core governance principles, with the support of the YTL Group Sustainability Committee ("YTL GSC") and sustainability representative(s) from respective business units.

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

YTL GROUP SUSTAINABILITY GOVERNANCE STRUCTURE



MATERIALITY

Determining materiality helps to identify and prioritise which issues to focus our collective efforts on and, through various engagement channels, we seek to understand the views of the Trust's stakeholders, communicate effectively with them and respond to their concerns. Stakeholders are groups that may be significantly impacted by the Trust's business and those with a vested interest in our operations. As a publicly listed entity, YTL REIT's key stakeholders are our unitholders, investors, regulators and the communities where the Trust owns and operates assets.

The Manager identifies, reviews and prioritises material issues that are most relevant and significant to our stakeholders, and those are ranked based on the likelihood and potential impact of issues affecting business continuity and development. The final list of material issues is then reviewed and approved by the Board. The following areas are the issues that are most material to YTL REIT:

- **Financial Sustainability** and **Quality of Asset Portfolio**

  For further information, please refer to the following sections in this Annual Report:-

  - Detailed analysis of the Trust's financial results and performance for the financial year under review can be found in the ***Management Discussion and Analysis***;
  - The full results can be found in the ***Financial Statements***; and
  - A complete overview of the Trust's assets can be found in the ***Property Portfolio.***

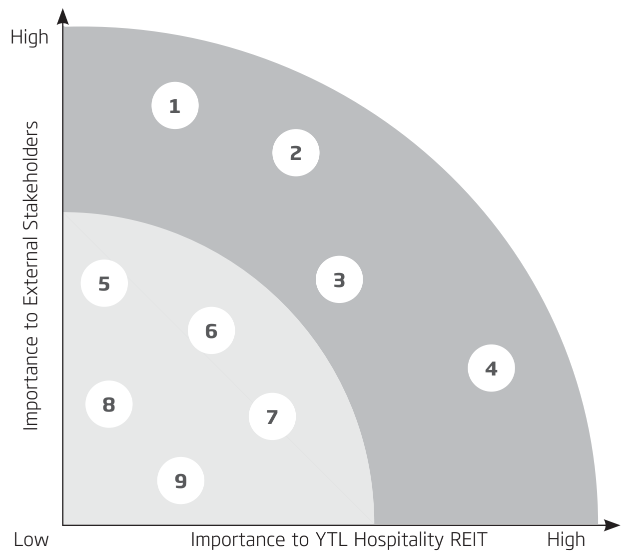
- **Corporate Governance** and **Business Transparency**

  The Manager is committed to the highest level of corporate governance and transparency in its policies and processes. We see governance as an essential component in creating sustainable value and ensuring success of YTL REIT. Importantly, it is in the best interests of our unitholders. For details on YTL REIT's corporate governance, risk management and internal control processes and procedures, please refer to the ***Corporate Governance Overview Statement*** in this Annual Report.

YTL HOSPITALITY REIT MATERIALITY MATRIX

Legends:

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



MOVING FORWARD

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

Notice of
Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Sixth 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 Thursday, the 18th day of October, 2018 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 2018 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 2018

Notes:-

1. A unitholder entitled to attend and vote at the meeting may appoint a proxy to attend and vote 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 and vote at the same meeting and where such unitholder appoints more than one proxy to attend and vote at 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 original 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 at any adjournment 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 11 October 2018. Only a depositor whose name appears on the General Meeting Record of Depositors as at 11 October 2018 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 2018 of REIT together with the Reports attached thereon before the unitholders at the Annual General Meeting is meant for discussion only in accordance with Paragraph 13.18 of the Guidelines on Listed Real Estate Investment Trusts issued by the Securities Commission Malaysia.

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' Tan Guan Cheong
DSSA

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

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

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

AUDIT COMMITTEE

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

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

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

AUDITORS

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

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 64, 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 global integrated infrastructure developer, encompassing multiple listed entities ie. YTL Corporation Berhad, YTL Power International Berhad, YTL Land & Development Berhad, YTL Hospitality REIT and Starhill Global REIT.

He was 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 until 29 June 2018 when he was redesignated as Executive Chairman of these companies. He is the Executive Chairman and Managing Director of YTL e-Solutions 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 is the Executive Chairman of YTL Cement Berhad and director of YTL Industries Berhad. He is the Chairman of private utilities corporations, Wessex Water Services Limited in England and Wales, and YTL PowerSeraya Pte Limited in Singapore. Tan Sri Francis is also an Independent Non-Executive Director of The Hong Kong and Shanghai Banking Corporation Limited. He also sits on the board of trustees of YTL Foundation. He also serves on the board of directors of Suu Foundation, a humanitarian organisation committed to improving healthcare and education in Myanmar. He is a Founder Member of the Malaysian Business Council and The Capital Markets Advisory Council, member of The Nature Conservancy Asia Pacific Council, and the Asia Business Council, Trustee of the Asia Society and Chairman for South East Asia of the International Friends of the Louvre. He is also a member of the Advisory Council of London Business School, Wharton School and INSEAD. He is the first non-Italian board member of the historic Rome Opera House and helped fund its restoration to keep it from closing. He served as a member of the Barclays Asia-Pacific Advisory Committee from 2005 to 2012. Tan Sri Francis was made a board member of Global Child Forum by His Majesty King Carl XVI Gustaf in May 2016.

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

In 2006, he was awarded the Commander of the Most Excellent Order of the British Empire (CBE) by Her Majesty Queen Elizabeth II, and received a prestigious professional accolade when made a Fellow of the Institute of Civil Engineers in London in 2008. He was the Primus Inter Pares Honouree of the 2010 Oslo Business for Peace Award, for his advocacy of socially responsible business ethics and practices. The Award was conferred by a panel of Nobel Laureates in Oslo, home of the Nobel Peace Prize. He also received the Corporate Social Responsibility Award at CNBC's 9th Asia Business Leaders Awards 2010. He received the Lifetime Achievement Award for Leadership in Regulated Industries at the 7th World Chinese Economic Summit held in London in 2015.

He was also awarded the prestigious Muhammad Ali Celebrity Fight Night Award at the 2016 Celebrity Fight Night in Arizona. In 2017, he was honoured with the Kuala Lumpur Mayor's Award for Outstanding Contribution at the Kuala Lumpur Mayor Tourism Awards. This was in recognition of his efforts in the transformation of Kuala Lumpur into one of the top shopping and tourist destinations in the world. He was named CEO of the Year at the Asian Power Awards in 2017. The Japanese Government bestowed upon him the Order of the Rising Sun, Gold Rays with Rosette, in 2018.

DATO' YEOH SEOK KIAN

Malaysian, aged 60, has been an Executive Director of Pintar Projek Sdn Bhd since 10 March 2005. He graduated from Heriot-Watt University, Edinburgh, United Kingdom in 1981 with a Bachelor of Science (Hons) Degree in Building and was conferred an Honorary Degree of Doctor of the University in 2017. He attended the Advance Management Programme conducted by Wharton Business School, University of Pennsylvania in 1984. Dato' Yeoh is a Fellow of the Faculty of Building, United Kingdom as well as a Member of the Chartered Institute of Building (UK). He served as Deputy Managing Director of YTL Corporation Berhad and YTL Power International Berhad and the Executive Director of YTL Land & Development Berhad, all listed on the Main Market of Bursa Malaysia Securities Berhad until 29 June 2018 when he was redesignated as Managing Director of YTL Corporation Berhad and YTL Land & Development Berhad, and Executive Director of YTL Power International Berhad. 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 corporations, 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).

DATO' MARK YEOH SEOK KAH

Malaysian, aged 53, 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 corporations, Wessex Water Limited and Wessex Water Services Limited in England and Wales, and YTL PowerSeraya Pte Limited in Singapore.

DATO' TAN GUAN CHEONG

Malaysian, aged 74, was appointed to the Board on 12 July 2018 as an Independent Non-Executive Director. He is also the Chairman of the Audit Committee. Dato' Tan graduated with a Bachelor of Commerce Degree from Otago University, New Zealand. He is a Member of the Malaysian Institute of Accountants since 1983. He worked in international audit firms overseas and also in Malaysia. He has more than 20 years' experience in the field of financial services. He is a director of YTL Cement Berhad and Hartalega Holdings Berhad.

DATO' AHMAD FUAAD BIN MOHD DAHALAN

Malaysian, aged 68, was appointed to the Board on 17 January 2012 as an Independent Non-Executive Director. He is also a member of the Audit Committee. Dato' Ahmad Fuaad holds a Bachelor of Arts (Hons) degree from the University of Malaya. He was attached with Wisma Putra, Ministry of Foreign Affairs as Malaysian Civil Service ("MCS") Officer in April 1973 before joining Malaysia Airlines in July 1973. While in Malaysia Airlines, Dato' Ahmad Fuaad served various posts and his last position was as the Managing Director. He was formerly a director of Lembaga Penggalakan Pelanchongan Malaysia, Malaysia Industry-Government Group for High Technology and Malaysia Airports Holdings Berhad. Currently, Dato' Ahmad Fuaad is a director of Hong Leong Capital Berhad, YTL Corporation Berhad and YTL e-Solutions Berhad.

Profile of the Board of Directors

DATO' HJ MOHAMED ZAINAL ABIDIN BIN HJ ABDUL KADIR

Malaysian, aged 78, has been an Executive Director of Pintar Projek Sdn Bhd since 10 March 2005. He qualified as a teacher in 1963 from the Day Training Centre for Teaching in Ipoh, Perak, and was in the teaching profession from 1964 to 1981 prior to entering the business arena as a property developer in May 1981. Dato' Hj Mohamed Zainal Abidin also sits on the boards of several reputable private limited companies involved in construction, property development and resort operations such as Pakatan Perakbina Sdn Bhd, Seri Yakin Sdn Bhd and Syarikat Pelanchongan Pangkor Laut Sendirian Berhad.

DATO' ZAINAL ABDIN BIN AHMAD

Malaysian, aged 61, was appointed to the Board on 23 February 2018 as an Independent Non-Executive Director. He is also a member of the Audit Committee. Dato' Zainal holds a Master of International Affairs from Columbia University, U.S.A; a Bachelor of Science (Hons) Degree in Mathematics from University of Manchester, United Kingdom; and a Diploma in Public Administration from Institut Tadbiran Awam Negara (INTAN), Kuala Lumpur. He also attended the Oxford Foreign Services Programme conducted by University of Oxford, United Kingdom. He was attached with Ministry of Foreign Affairs since 1983. Dato' Zainal served various posts and his last position was as the High Commissioner of Malaysia to Australia.

EU PENG MENG @ LESLIE EU

Malaysian, aged 83, 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 32, has been an Executive Director of Pintar Projek Sdn Bhd since 18 January 2011. He graduated from the University of Nottingham with an LLB (Hons) in 2008. He obtained the Capital Markets and Financial Advisory Services (CMFAS) Certification in 2010. He joined YTL Group in 2009 and is presently engaged in the YTL Hotels and Resorts as well as the Property Development Divisions.

DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

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

	Attendance
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping	4
Dato' Yeoh Seok Kian	2
Dato' Mark Yeoh Seok Kah	3
Dato' Ahmad Fuaad Bin Mohd Dahalan	4
Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir	4
Dato' Zainal Abidin Bin Ahmad *(Appointed on 23.02.2018)*	1
Eu Peng Meng @ Leslie Eu	2
Yeoh Keong Shyan	4

Notes:

1. **Family Relationship with 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. The Estate of Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay, deceased is a deemed major shareholder of YTL Corporation Berhad, which is a major unitholder of YTL Hospitality REIT. Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Dato' Yeoh Seok Kian and Dato' Mark Yeoh Seok Kah are sons of the late Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay. 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 director of the Manager and/or major unitholder 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 of Offences (other than traffic offences)**
   None of the Directors of the Manager has been convicted of any offences within the past five (5) years.

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

Corporate Governance Overview Statement

for the financial year ended 30 June 2018

YTL Hospitality REIT ("YTL REIT" or "Trust") was established on 18 November 2005 pursuant to a trust deed ("Deed") (as restated by the deed dated 3 December 2013) ("Restated Deed") entered into between Pintar Projek Sdn Bhd ("PPSB" or "Manager") and Maybank Trustees Berhad ("Trustee"), as the manager and trustee, respectively, of the Trust. The Restated Deed was amended by a supplemental trust deed entered into between the Manager and the Trustee on 17 September 2014. YTL REIT has been listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") since 16 December 2005.

The Board of Directors of PPSB ("Board") is firmly committed to ensuring that the Manager implements and operates good corporate governance practices in its overall management of the Trust and its subsidiaries ("YTL REIT Group" or "Group"). In implementing its system of corporate governance, the Directors have been guided by the measures set out in the Guidelines on Listed Real Estate Investment Trusts ("REIT Guidelines") and the Malaysian Code on Corporate Governance ("Code") issued by the Securities Commission Malaysia ("SC"), and the Main Market Listing Requirements of Bursa Securities ("Listing Requirements").

The new Code was issued in April 2017 and the revised REIT Guidelines were issued in March 2018, following which, in April 2018, Bursa Securities announced amendments to the Listing Requirements intended to streamline the regulatory roles of the SC and Bursa Securities and introducing new measures, including additional corporate governance requirements for real estate investment trusts listed on Bursa Securities with varying implementation dates over the course of the next two to three years.

The Board's progress in implementing these new requirements during the financial year ended 30 June 2018 is detailed in this statement, together with its targeted timeframes for measures expected to be implemented in the near future, where applicable.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

THE ROLE OF THE MANAGER

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

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

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

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

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

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

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

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

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

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

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

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

RESPONSIBILITIES OF THE BOARD

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

Key elements of the Board's stewardship responsibilities include:

- Reviewing and adopting strategic plans for the YTL REIT Group to ensure long term, sustainable value creation for the benefit of its stakeholders;
- Overseeing the conduct of the YTL REIT Group's business operations and financial performance, including the economic, environmental and social impacts of its asset portfolio;
- Identifying and understanding the principal risks affecting the YTL REIT Group's businesses in order to determine the appropriate risk appetite within which management is expected to operate;
- Maintaining sound risk management and internal control frameworks, supported by appropriate mitigation measures;
- Succession planning; and
- Overseeing the development and implementation of Unitholder communication policies

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

BOARD MEETINGS AND PROCEDURES

Board meetings are scheduled with due notice in advance at least four times a year in order to review and approve the interim and annual financial statements. Additional meetings may also be convened on an ad-hoc basis when significant issues arise relating to the Trust. The Board met four times during the financial year ended 30 June 2018.

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

COMPANY SECRETARY

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

The Company Secretary ensures that Board procedures are adhered to at all times during meetings and advises the Board on matters including corporate governance issues and the Directors' responsibilities in complying with relevant legislation and regulations. The Company Secretary works very closely with management for timely and appropriate information, which will then be passed on to the Directors. In accordance with the Board's procedures, deliberations and conclusions in Board meetings are recorded by the Company Secretary, who ensures that accurate and proper records of the proceedings of Board meetings and resolutions passed are recorded and kept in the statutory register at the registered office of the Manager.

During the financial year under review, the Company Secretary attended training, seminars and regulatory briefings and updates relevant for the effective discharge of her duties. Upon the issuance of the revised REIT Guidelines and the amendments to the Listing Requirements during the current financial year, the Company Secretary briefed the Board of the salient changes affecting the Manager and the Trust, in addition to carrying out an ongoing review of existing practices in comparison with the new measures introduced in the Code.

BOARD CHARTER

The Board is in the process of formalising a charter setting out the respective roles and responsibilities of the Board, Board committees, directors and management, and the issues and decisions reserved for the Board. This process is expected to be completed in the last quarter of the 2018 calendar year. Once approved and adopted, the Board charter will also be published on the Trust's website at www.ytlhospitalityreit.com.

BUSINESS CONDUCT AND ETHICS

The Directors observe and adhere to the Code of Ethics for Company Directors established by the Companies Commission of Malaysia, which encompasses the formulation of corporate accountability standards in order to establish an ethical corporate environment. The Manager is also guided by the corporate culture of its parent company, YTL Corporation Berhad ("YTL Corp"), which has an established track record for good governance and ethical conduct. YTL Corp's general code of conduct and ethics for employees of its group of companies is set out in an employee handbook and which is presently being revised to include the specific policies and procedures identified in the Code.

COMPOSITION OF THE BOARD

During the financial year ended 30 June 2018, Dato' Zainal Abidin Bin Ahmad was appointed as an Independent Non-Executive Director, resulting in the Board comprising 8 Directors consisting of 5 executive members and 3 non-executive members, all of whom are independent.

After the end of the financial year under review, on 12 July 2018, Dato' Tan Guan Cheong was appointed as an Independent Non-Executive Director, resulting in the Board's current composition of 9 Directors, consisting of 5 executive members and 4 non-executive members, all of whom are independent.

The Independent Directors comprised 37.5% of the Board during the financial year under review, and increased to 44.4% following the appointment of Dato' Tan Guan Cheong on 12 July 2018. This is in compliance with the provisions of the Listing Requirements and the REIT Guidelines for at least one-third of the Board to be independent. The Directors are cognisant of the recommendation in the Code for the board to comprise a majority of independent directors, and will assess the composition and size of the Board on an ongoing basis to ensure the needs of the Trust are met. The Board is of the view that the current Independent Non-Executive Directors have the experience and business acumen necessary to carry sufficient weight in the Board's decisions, and act in the best interests of the Unitholders.

BOARD AND SENIOR MANAGEMENT APPOINTMENTS

The appointment of Directors is undertaken by the Board as a whole. However, the Board has reviewed the need to delegate this function to a separate committee and targets to establish a nominating committee within the next two years. Currently, 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, diversity, expertise and experience of the proposed candidate. Nevertheless, in identifying future candidates, the Board will also endeavour to utilise independent sources including external human resources consultants and specialised databases, as appropriate.

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

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

EVALUATION OF THE BOARD

The Board expects that the formal evaluation process will be carried out by the nominating committee being contemplated for establishment in the previous section on "Board and Senior Management Appointments". The evaluation would involve an annual assessment of the effectiveness of each individual Director and the Board as a whole, with the objectives of assessing whether the Board and the Directors have effectively performed its/their roles and fulfilled its/theirs responsibilities, and devoted sufficient time commitment to the Company's affairs, in addition to recommending areas for improvement.

The assessment exercise will be facilitated by the Company Secretary and is expected to take the form of completion of questionnaires/evaluation forms comprising a Board Effectiveness Evaluation Form, Individual Director Performance Evaluation Form and Independent Directors' Evaluation Form. As recommended in the Code, the Board will endeavour to utilise independent experts to facilitate the evaluation process, as and when appropriate. The Board will report on the status of this process in the next annual report of the Trust for the financial year ending 30 June 2019.

BOARD REMUNERATION

Directors' remuneration is decided in line with the objective recommended by the Code to determine the remuneration for Directors so as to attract and retain Directors of the calibre needed to successfully carry on the Manager's operations. The Executive Directors' remuneration consists of basic salary, other emoluments and other customary benefits as appropriate to a senior management member. In general, the component parts of remuneration are structured so as to link rewards to the overall performance of YTL REIT. In the case of Non-Executive Directors, the level of remuneration reflects the contribution, experience and responsibilities undertaken by the particular non-executive concerned. The Board does not currently have a separate committee to perform this function but will target to establish a remuneration committee within the next two years.

The following tables provide an overview of the remuneration of the Directors for the financial year ended 30 June 2018:-

Remuneration of Executive and Non-Executive Directors for the financial year ended 30 June 2018					
	Salaries and other emoluments RM'000	Directors' fees RM'000	Meeting attendance allowances RM'000	Benefits-in-kind RM'000	Total RM'000
Executive Directors	9,629	250	-	2	9,881
Non-Executive Directors	-	118	11	-	129

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

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

BOARD COMMITMENT

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

All the Directors have undergone training programmes during the financial year ended 30 June 2018. The conferences, seminars and training programmes attended by one or more of the Directors covered the following areas:-

Seminars/Conferences/Training	Attended by
▸ **Corporate Governance ("CG")/Risk Management and Internal Controls/Legal/Technology**	
• Case Study Workshop for Independent Directors – "Rethinking – Independent Directors: A New Frontier" (9 November 2017)	Eu Peng Meng @ Leslie Eu

Seminars/Conferences/Training	Attended by
• Malaysian Code on Corporate Governance 2017 (19 March 2018)	Tan Sri Dato' (Dr) Francis Yeoh Sock Ping Dato' Yeoh Seok Kian Dato' Mark Yeoh Seok Kah Dato' Ahmad Fuaad Bin Mohd Dahalan Dato' Zainal Abidin Bin Ahmad Yeoh Keong Shyan
• Mandatory Accreditation Programme for Directors of Public Listed Companies (9 & 10 April 2018)	Dato' Zainal Abidin Bin Ahmad
• Digital Transformation and Impact to Businesses (18 May 2018)	Dato' Ahmad Fuaad Bin Mohd Dahalan
• Companies Act 2016 (18 June 2018)	Tan Sri Dato' (Dr) Francis Yeoh Sock Ping Dato' Yeoh Seok Kian Dato' Mark Yeoh Seok Kah Dato' Zainal Abidin Bin Ahmad
▸ **Leadership and Business Management**	
• CG Breakfast Series: Thought Leadership Session for Directors – Leading in a Volatile, Uncertain, Complex, Ambiguous (VUCA) World (13 October 2017)	Dato' Yeoh Seok Kian
• YTL Leadership Conference 2017 (6 November 2017)	Tan Sri Dato' (Dr) Francis Yeoh Sock Ping Dato' Yeoh Seok Kian Dato' Mark Yeoh Seok Kah Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir Dato' Ahmad Fuaad Bin Mohd Dahalan Yeoh Keong Shyan

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

INTEGRITY IN FINANCIAL REPORTING

The Directors are responsible for ensuring that financial statements of the Trust are drawn up in accordance with applicable approved accounting standards in Malaysia, the REIT Guidelines and the Deed. 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.

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.

AUDIT COMMITTEE

In April 2018, Bursa Securities announced new amendments to the Listing Requirements which include the requirement for real estate investment trusts to establish an audit committee in the management company by 31 December 2018. After the end of the financial year under review, on 16 July 2018, the Board established an Audit Committee comprising three Independent Non-Executive Directors, in accordance with Code, namely Dato' Tan Guan Cheong, Dato' Ahmad Fuaad Bin Mohd Dahalan and Dato' Zainal Abidin Bin Ahmad. The Chairman of the Audit Committee is Dato' Tan Guan Cheong, which in accordance with the recommendations of the Code that the chairman of the audit committee should not be the chairman of the board.

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

It is intended that the Audit Committee will report on its activities beginning in the next annual report of the Trust to be issued for the financial year ending 30 June 2019, within the timeframe stipulated by Bursa Securities in its letter dated 2 April 2018.

RISK MANAGEMENT & INTERNAL CONTROL

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

The Group's strong financial profile is the result of a system of internal control and risk management designed to mitigate risks which arise in the course of business. The Board acknowledges that all areas of the YTL REIT Group's business activities involve some degree of risk and is committed to ensuring that there is an effective risk management framework which allows management to manage risks within defined parameters and standards, and promotes profitability of the YTL REIT Group's operations in order to enhance Unitholder value.

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

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

CONFLICTS OF INTEREST AND RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

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

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

INTERNAL AUDIT

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

The Head of Internal Audit, Mr Choong Hon Chow, is a member of the Malaysian Institute of Accountants and a fellow member of the Association of Chartered Certified Accountants (ACCA) UK. He started his career with the external audit division of a large public accounting firm before moving on to the internal audit profession in public listed companies and gained valuable and extensive internal audit experiences covering many areas of diversified commercial businesses and activities. He has a total of 35 years of internal and external audit experience.

YTLIA comprises 8 full-time personnel. The personnel of YTLIA are free from any relationships or conflicts of interest which could impair their objectivity and independence.

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

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

- Developing the annual internal audit plan and proposing this plan to the 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.

During the financial year under review, the Board's functions in the risk management framework were exercised primarily by the Executive Directors through their participation in management meetings to ensure the adequacy and integrity of the system of internal control. Emphasis is placed on reviewing and updating the process for identifying and evaluating the significant risks affecting the business, and policies and procedures by which these risks are managed.

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.

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

COMMUNICATION WITH UNITHOLDERS

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

Corporate information, annual financial results, governance information, business reviews and future plans are disseminated through the Annual Report, whilst current corporate developments are communicated via the 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.

CONDUCT OF GENERAL MEETINGS

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

The Chief Executive Officer and Executive Directors take the opportunity to present comprehensive of the progress and performance of YTL REIT and provide appropriate answers in response to Unitholders' questions during the meeting thereby ensuring a high level of accountability, transparency and identification with YTL REIT's strategy and goals. The Directors are mindful of the recommendation under the Code that all directors must attend general meetings and fully appreciate the need for their attendance at all such meetings.

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

Voting in absentia is not applied as general meetings are always held at easily accessible locations, in the centre of Kuala Lumpur. Unitholders that are unable to attend the meetings can appoint a proxy to vote on their behalf.

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

This statement was approved by the Board on 31 July 2018.

Analysis of Unitholdings

as at 20 July 2018

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

DISTRIBUTION UNIHOLDINGS

Size of holding	No. of Unitholders	%	No. of Units	%
1 – 99	529	4.53	5,622	0.00
100 – 1,000	2,746	23.52	2,326,950	0.14
1,001 – 10,000	5,033	43.10	26,265,128	1.54
10,001 – 100,000	2,726	23.34	97,890,287	5.74
100,001 – to less than 5% of issued units	642	5.50	717,620,013	42.11
5% and above of issued units	1	0.01	860,280,889	50.47
Total	**11,677**	**100.00**	**1,704,388,889**	**100.00**

THIRTY LARGEST UNITHOLDERS

(as per Record of Depositors)

	Name	No. of Units	%
1	YTL Corporation Berhad	860,280,889	50.47
2	YTL Corporation Berhad	74,115,600	4.35
3	East-West Ventures Sdn Bhd	62,500,000	3.67
4	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board (AFFIN-HWG)	39,592,900	2.32
5	Valuecap Sdn Bhd	27,518,000	1.61
6	Syarikat Pelanchongan Pangkor Laut Sendirian Berhad	24,250,000	1.42
7	YTL Power International Berhad	20,496,900	1.20
8	Business & Budget Hotels (Kuantan) Sdn Bhd	18,750,000	1.10
9	Megahub Development Sdn Bhd	18,250,000	1.07
10	Citigroup Nominees (Tempatan) Sdn Bhd – Exempt An for AIA Bhd	16,860,100	0.99
11	HSBC Nominees (Tempatan) Sdn Bhd – HSBC (M) Trustee Bhd for Zurich Life Insurance Malaysia Berhad (LIFE PAR)	15,650,300	0.92
12	Malaysia Nominees (Tempatan) Sendirian Berhad – Great Eastern Life Assurance (Malaysia) Berhad (PAR 4)	15,000,000	0.88
13	YTL Power International Berhad	14,628,000	0.86
14	HSBC Nominees (Tempatan) Sdn Bhd – HSBC (M) Trustee Bhd for Affin Hwang Select Asia (Ex Japan) Quantam Fund (4579)	9,937,100	0.58

Analysis of Unitholdings

as at 20 July 2018

	Name	No. of Units	%
15	CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB Bank for Khoo Chai Pek (MY 1030)	9,392,000	0.55
16	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Allianz Life Insurance Malaysia Berhad (P)	9,000,000	0.53
17	HSBC Nominees (Asing) Sdn Bhd - SIX SIS for Bank Sarasin CIE	8,500,000	0.50
18	Hong Leong Assurance Berhad - As Beneficial Owner (LIFE PAR)	8,100,000	0.48
19	Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad (PAR 3)	7,981,700	0.47
20	YTL Power International Berhad	7,964,600	0.47
21	Steeloak International Limited	7,900,000	0.46
22	Citigroup Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Persaraan (Diperbadankan) (AFFIN AM A EQ)	7,747,000	0.45
23	Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad (LEEF)	7,739,000	0.45
24	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Affin Hwang Select Opportunity Fund (3969)	7,301,600	0.43
25	Amanah Raya Berhad - Kumpulan Wang Bersama	6,200,000	0.36
26	Citigroup Nominees (Asing) Sdn Bhd - CBNY for DFA International Real Estate Securities Portfolio of DFA Investment Dimensions Group INC	5,826,200	0.34
27	Affin Hwang Investment Bank Berhad - IVT (FVOCI)	5,490,000	0.32
28	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Zurich Life Insurance Malaysia Berhad (LIFE PAR EQ II)	4,400,000	0.26
29	CIMB Group Nominees (Tempatan) Sdn Bhd - CIMB Islamic Trustee Berhad for Affin Hwang Select Dividend Fund	4,302,200	0.25
30	Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad (PAR 2)	3,674,900	0.22
	Total	**1,329,348,989**	**77.98**

SUBSTANTIAL UNITHOLDERS

	No. of Units Held			
Name	Direct	%	Indirect	%
YTL Corporation Berhad	937,464,189	55.00	61,839,500 (1)	3.63
Yeoh Tiong Lay & Sons Holdings Sdn Bhd	–	–	1,104,303,689 (2)	64.79
The Estate of Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay, Deceased	–	–	1,104,303,689 (3)	64.79
Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir	100,000	0.01	88,500,000 (4)	5.19

(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 8 of the Companies Act, 2016 ("**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 8 of the Act.*

(3) *Deemed interests by virtue of interests held by YTL Corp, YTL Power, BBHK, MDSB, EWV and SPPL pursuant to Section 8 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 8 of the Act.*

Statement of Interests of Directors of the Manager

Pintar Projek Sdn Bhd in YTL Hospitality REIT as at 20 July 2018

	No. of Units Held			
Name	Direct	%	Indirect	%
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE, FICE	2,875,900	0.17	–	–
Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir	100,000	0.01	88,500,000→	5.19
Dato' Mark Yeoh Seok Kah	2,000,000	0.12	1,000,000←	0.06

→ *Deemed interests by virtue of interests held by EWV, SPPL and TJBH pursuant to Section 8 of the Act.*

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

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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 2018.

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, the trustee of YTL REIT and is classified under the real estate investment trusts sector. The Restated Deed was amended by a supplemental deed which has been registered with the Securities Commission Malaysia 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.

RESERVES AND PROVISIONS

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

DIRECTORS

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

Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE, FICE
Dato' Yeoh Seok Kian
Dato' Mark Yeoh Seok Kah
Dato' Tan Guan Cheong (appointed on 12 July 2018)
Dato' Ahmad Fuaad Bin Mohd Dahalan
Dato' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir
Dato' Zainal Abidin Bin Ahmad (appointed on 23 February 2018)
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 2018, no Director has received or become entitled to receive any benefit by reason of a contract made by the Manager for YTL REIT or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in the notes to the financial statements.

DIRECTORS' INTERESTS

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

	Balance at 1.7.2017	No. of units acquired	No. of units disposed	Balance at 30.6.2018
Direct interest				
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE, FICE	870,000	2,005,900	-	**2,875,900**
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	88,500,000 (2)	-	-	**88,500,000 (2)**

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

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

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

BREAKDOWN OF UNITHOLDINGS

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

Unit class	No. of Unitholders	%	No. of Units held	%
Less than 100	529	4.52	5,622	0.00
100 to 1,000	2,740	23.41	2,321,150	0.14
1,001 to 10,000	5,038	43.05	26,256,528	1.54
10,001 to 100,000	2,758	23.57	98,862,487	5.80
100,001 to less than 5% of issued units	637	5.44	716,662,213	42.05
5% and above of issued units	1	0.01	860,280,889	50.47
	11,703	100.00	1,704,388,889	100.00

MATERIAL CONTRACTS

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

Name	Pintar Projek Sdn. Bhd.
Date of agreement	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, 18 October 2006 and 5 May 2017
Deed of novation	16 December 2005, 16 May 2007 and 15 November 2011
General nature	Agreement for lease of two properties and Supplemental Agreement to Agreement for lease of a property
Consideration passing to the Trust	Annual lease rental of RM39,659,548
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	Wholly-owned subsidiary company

MATERIAL CONTRACTS (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 RM4,200,000
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 RM8,610,000
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 RM8,610,000
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 RM6,300,000
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	50%-owned associated company

MATERIAL CONTRACTS (CONTINUED)

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 RM16,334,979
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	Wholly-owned subsidiary company

Name	East-West Ventures Sdn. Bhd.
Date of agreement	15 November 2011 and 5 May 2017
General nature	Agreement for lease and Supplemental Agreement
Consideration passing to the Trust	Annual lease rental of RM21,626,100
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 RM8,820,000
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 RM7,350,000
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	Company related to a director

MATERIAL CONTRACTS (CONTINUED)

Name	YTL Land Sdn. Bhd.
Date of agreement	11 May 2016
General nature	Car park agreement
Consideration passing to the Trust	Annual fee of RM1,940,446
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	Wholly-owned subsidiary company

Name	YTL Majestic Hotel Sdn. Bhd.
Date of agreement	8 May 2018
General nature	Agreement for sub-lease
Consideration passing to the Trust	Annual lease rental of RM17,585,556
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	Wholly-owned subsidiary company

MATERIAL LITIGATION

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

SOFT COMMISSION

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

MANAGER'S REMUNERATION

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

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

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

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

(d) a divestment fee of 0.5% of the sale price of any asset being real estate or a single-purpose company sold or 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.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

OTHER STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

The Directors of the Manager state that:-

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

In their opinion,

(a) the results of the operations of the Group and of the Trust during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; 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' Mark Yeoh Seok Kah

Dato' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir

Dated: 31 July 2018

STATEMENT BY MANAGER

In the opinion of the Directors of Pintar Projek Sdn. Bhd. ("Manager"), the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the Securities Commission Malaysia's Guidelines on Listed Real Estate Investment Trusts and the deed dated 18 November 2005 (as restated and amended) so as to give a true and fair view of the financial position of YTL Hospitality REIT ("Trust") and its subsidiaries ("Group") as at 30 June 2018 and financial performance and cash flows of the Group and of the Trust for the financial year then ended.

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

Dato' Mark Yeoh Seok Kah

Dato' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir

Dated: 31 July 2018

STATUTORY DECLARATION

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

Dato' Mark Yeoh Seok Kah

Subscribed and solemnly declared by the
abovenamed Dato' Mark Yeoh Seok Kah
at Kuala Lumpur on 31 July 2018

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 2018. 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 Listed Real Estate Investment Trusts, the Capital Markets and Services Act 2007 and other applicable laws during the financial year ended 30 June 2018.

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 2018 are in line with and are reflective of the objectives of the Trust.

For Maybank Trustees Berhad,

Bernice Lau Kam Mun
Head, Operations

Dated: 31 July 2018
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

to the unitholders of YTL Hospitality REIT

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of YTL Hospitality REIT ("Trust") and its subsidiaries ("Group"), which comprise the Statements of Financial Position as at 30 June 2018 of the Group and of the Trust, and the Income Statements, Statements of Other Comprehensive Income, Statements of Changes in Net Asset Value and Statements of Cash Flows of the Group and of the Trust for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 106 to 178.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Trust as at 30 June 2018, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the Securities Commission Malaysia's Guidelines on Listed Real Estate Investment Trusts and the Deed dated 18 November 2005 (as restated and amended).

BASIS FOR OPINION

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

INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES

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

KEY AUDIT MATTERS

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

1. VALUATION OF INVESTMENT PROPERTIES

The risk

Investment properties of the Group amounting to RM2,372 million, represent 53% of total assets are the most quantitatively material account balance in the financial statements.

The investment properties are stated at their fair values based on independent professional valuations using the income capitalisation approach, which capitalise the estimate rental income stream, net projected operating costs, using a discount rate derived from market yield. Valuation of the properties was carried out once a year.

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

Our response:

Our and component auditors' audit procedures included the following:

- evaluated the qualifications and competence of the external valuers based on their membership of recognised professional body.
- checked the accuracy and relevance of the input data used in the valuations.
- performed site visits to major properties.
- evaluated the Group's disclosures on those assumptions to which the outcome of the valuation is most sensitive, that is, those that have the most significant effect on the determination of the fair value of the investment properties, by comparing them to the information disclosed in the valuation reports.

2. REVALUATION OF FREEHOLD LAND AND BUILDINGS

The risk

The valuation of freehold land and buildings comprises 40% of value of total assets and is measured at fair value.

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

2. REVALUATION OF FREEHOLD LAND AND BUILDINGS (CONTINUED)

Our response:

Our and component auditors' audit procedures included the following:

- evaluated the competence, capabilities and objectivity of the professional valuers' specialist.
- checked the accuracy and relevance of the input data used in the valuations.
- considered the other alternative valuation methods commonly used by professional valuers.
- used internal valuation specialist in assessing appropriateness of methodologies used and the reasonableness of the key assumptions applied in the valuations.
- evaluated the Group's disclosures on those assumptions to which the outcome of the valuation is most sensitive, that is, those that have the most significant effect on the determination of the valuation of the land and buildings, by comparing them to the information disclosed in the valuation reports.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS OF THE MANAGER FOR THE FINANCIAL STATEMENTS

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

OTHER MATTERS

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

HLB LER LUM
AF 0276
Chartered Accountants

WONG CHEE HONG
3160/09/18(J)
Chartered Accountant

Dated: 31 July 2018
Kuala Lumpur

INCOME STATEMENTS

for the financial year ended 30 June 2018

		Group		Trust	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue					
– Hotel revenue	4	**359,917**	332,736	**-**	-
– Property revenue	4	**141,036**	116,947	**124,701**	100,993
Total revenue		**500,953**	449,683	**124,701**	100,993
Operating expenses					
– Hotel operating expenses	5	**(241,724)**	(230,485)	**-**	-
– Property operating expenses	5	**(10,402)**	(9,582)	**(6,731)**	(5,748)
Total operating expenses		**(252,126)**	(240,067)	**(6,731)**	(5,748)
Net property income		**248,827**	209,616	**117,970**	95,245
Finance income	6	**1,192**	3,077	**108,773**	114,199
Other income – others	6	**5,244**	5,966	**1,069**	3,843
Expenses					
– Manager's fees	7	**(9,242)**	(8,021)	**(9,242)**	(8,021)
– Trustee's fees	8	**(1,278)**	(1,148)	**(1,278)**	(1,148)
– Finance costs	9	**(80,976)**	(79,084)	**(80,885)**	(78,994)
– Auditors' remuneration		**(740)**	(702)	**(110)**	(101)
– Tax agent's fees		**(246)**	(219)	**(13)**	(12)
– Valuation fees		**(313)**	(484)	**(313)**	(420)
– Depreciation		**(83,667)**	(83,444)	**-**	-
– Administration expenses		**(5,169)**	(6,030)	**(989)**	(963)
Total income before unrealised items		**73,632**	39,527	**134,982**	123,628
Unrealised items					
– Fair value on investment properties		**63,816**	34,794	**31,279**	12,360
– Fair value on trade receivable		**-**	(52)	**-**	(52)
– Unrealised gain/(loss) on foreign exchange		**107,272**	(83,537)	**(29,287)**	30,157
– Revaluation (loss)/gain on property		**(5,582)**	49	**-**	-
Profit/(Loss) before tax		**239,138**	(9,219)	**136,974**	166,093
Income tax expense	10	**(2,579)**	(2,902)	**(875)**	(936)
Profit/(Loss) after tax		**236,559**	(12,121)	**136,099**	165,157

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

		Group		Trust	
	Note	**2018 RM'000**	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Profit/(Loss) after tax		**236,559**	(12,121)	**136,099**	165,157
Distribution adjustments					
- Depreciation		**83,667**	83,444	**-**	-
- Net income from foreign operations		**(20,613)**	2,623	**-**	-
- Unrealised foreign translation differences		**(107,272)**	83,537	**29,287**	(30,157)
- Unrealised loss on fair value of trade receivable		**-**	52	**-**	52
- Unrealised gain on fair value of investment properties		**(63,816)**	(34,794)	**(31,279)**	(12,360)
- Revaluation loss/(gain) on property		**5,582**	(49)	**-**	-
Income available for distribution		**134,107**	122,692	**134,107**	122,692
Net income distribution					
- First interim income distribution paid on 29 December 2017 (2017: paid on 23 December 2016)		**33,640**	27,187	**33,640**	27,187
- Advance income distribution (2017: paid on 12 January 2017)		**-**	25,403	**-**	25,403
- Second interim income distribution paid on 30 March 2018 (2017: paid on 30 March 2017)		**33,946**	5,896	**33,946**	5,896
- Third interim income distribution paid on 29 June 2018 (2017: paid on 30 June 2017)		**33,028**	31,299	**33,028**	31,299
- Final income distribution (2017: paid on 30 August 2017)		**33,493**	32,905	**33,493**	32,905
Total income distribution		**134,107**	122,690	**134,107**	122,690

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

Income Statements

for the financial year ended 30 June 2018

		Group		Trust	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Income distribution per unit					
First interim income distribution					
– Gross (sen)		**1.9737**	2.0528	**1.9737**	2.0528
Advance income distribution					
– Gross (sen)		**-**	1.9181	**-**	1.9181
Second interim income distribution					
– Gross (sen)		**1.9917**	0.3459	**1.9917**	0.3459
Third interim income distribution					
– Gross (sen)		**1.9378**	1.8364	**1.9378**	1.8364
Final income distribution					
– Gross (sen)		**1.9651**	1.9306	**1.9651**	1.9306
Total income distribution per unit (sen)		**7.8683**	8.0838	**7.8683**	8.0838
Earnings/(Loss) per unit					
– after manager's fees (sen)	11	**13.88**	(0.79)	**7.99**	10.80
– before manager's fees (sen)	11	**14.42**	(0.27)	**8.53**	11.32

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 2018

		Group		Trust	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit/(Loss) after tax		**236,559**	(12,121)	**136,099**	165,157
Other comprehensive income					
Items that may be reclassified subsequently to income statement					
- currency translation differences		**(128,418)**	103,928	**-**	-
- cash flow hedge		**4,318**	9,851	**4,318**	9,851
Item that will not be reclassified subsequently to income statement					
- surplus on revaluation of properties		**209,168**	230,209	**-**	-
Total comprehensive income		**321,627**	331,867	**140,417**	175,008
Profit/(Loss) after tax is made up as follows:-					
Realised and distributable		**154,720**	120,069	**134,107**	122,692
Unrealised items		**81,839**	(132,190)	**1,992**	42,465
		236,559	(12,121)	**136,099**	165,157
Total comprehensive income is made up as follows:-					
Profit/(Loss) after tax		**236,559**	(12,121)	**136,099**	165,157
Unrealised currency translation differences		**(128,418)**	103,928	**-**	-
Surplus on revaluation of properties		**209,168**	230,209	**-**	-
Cash flow hedge		**4,318**	9,851	**4,318**	9,851
		321,627	331,867	**140,417**	175,008

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

STATEMENTS OF FINANCIAL POSITION
as at 30 June 2018

		Group		Trust	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Assets					
Non-current assets					
Investment properties	12	**2,371,618**	1,937,647	**2,079,000**	1,663,500
Property, plant and equipment	13	**1,947,753**	1,921,844	**-**	-
Investment in subsidiaries	14	**-**	-	**401,037**	396,657
Amount due from subsidiaries	14	**-**	-	**1,232,840**	1,357,497
Deferred tax assets	15	**2,550**	2,733	**-**	-
		4,321,921	3,862,224	**3,712,877**	3,417,654
Current assets					
Inventories	16	**707**	860	**-**	-
Trade receivables	17	**7,889**	12,458	**556**	4,071
Other receivables & prepayments	18	**25,681**	21,202	**7,360**	6,233
Amount due from subsidiaries	14	**-**	-	**126,351**	99,524
Deposits with licensed financial institutions	19	**45,754**	51,051	**1,350**	30,975
Cash at banks		**109,703**	91,411	**135**	888
		189,734	176,982	**135,752**	141,691
Total assets		**4,511,655**	4,039,206	**3,848,629**	3,559,345
Unitholders' funds and liabilities					
Unitholders' funds					
Unitholders' capital	20	**1,690,806**	1,690,806	**1,690,806**	1,690,806
Undistributed income		**103,531**	1,079	**423,690**	421,698
Reserves	21	**924,174**	839,106	**(9,555)**	(13,873)
Total unitholders' funds/Net asset value ("NAV")		**2,718,511**	2,530,991	**2,104,941**	2,098,631
Non-current liabilities					
Borrowings	22	**963,164**	915,830	**963,164**	915,830
Medium Term Notes	23	**715,000**	74,007	**-**	-
Other payables	24	**963**	1,195	**-**	-
Derivative financial instruments	26	**9,555**	13,873	**9,555**	13,873
Amount due to a subsidiary	14	**-**	-	**715,000**	75,000
		1,688,682	1,004,905	**1,687,719**	1,004,703

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

		Group		Trust	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current liabilities					
Borrowings	22	**-**	414,753	**-**	414,753
Medium Term Notes	23	**9,530**	–	**-**	–
Trade payables	25	**5,619**	5,120	**-**	–
Other payables	24	**54,615**	49,603	**12,472**	8,353
Amount due to a subsidiary	14	**-**	–	**10,004**	–
Income tax liabilities		**1,205**	929	**-**	–
Provision for income distribution	27	**33,493**	32,905	**33,493**	32,905
		104,462	503,310	**55,969**	456,011
Total liabilities		**1,793,144**	1,508,215	**1,743,688**	1,460,714
Total unitholders' funds and liabilities		**4,511,655**	4,039,206	**3,848,629**	3,559,345
NAV before distribution		**2,852,618**	2,653,681	**2,239,048**	2,221,321
NAV after distribution		**2,718,511**	2,530,991	**2,104,941**	2,098,631
Number of units in circulation ('000)	20	**1,704,389**	1,704,389	**1,704,389**	1,704,389
NAV per unit (RM)					
– before income distribution		**1.674**	1.557	**1.314**	1.303
– after income distribution		**1.595**	1.485	**1.235**	1.231

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 2018

Group	Unitholders' Capital RM'000	Distributable Undistributed Realised Income RM'000	Non-distributable Unrealised Loss RM'000	Non-distributable Currency Translation Reserves RM'000	Non-distributable Revaluation Reserve RM'000	Non-distributable Cash Flow Hedge Reserve RM'000	Total Unitholders' Funds RM'000
At 1 July 2016	1,291,395	184,836	(48,946)	(73,393)	592,235	(23,724)	1,922,403
Operations for the financial year ended 30 June 2017							
Profit/(Loss) for the year	-	120,069	(132,190)	-	-	-	(12,121)
Other comprehensive income	-	-	-	103,928	230,209	9,851	343,988
Total comprehensive income for the year	-	120,069	(132,190)	103,928	230,209	9,851	331,867
Unitholders transactions							
Issuance of units	402,800	-	-	-	-	-	402,800
Issuing expenses	(3,389)	-	-	-	-	-	(3,389)
Distributions paid	-	(89,785)	-	-	-	-	(89,785)
Provision for income distribution (Note 27)	-	(32,905)	-	-	-	-	(32,905)
Increase in net assets resulting from unitholders transactions	399,411	(122,690)	-	-	-	-	276,721
At 30 June 2017	1,690,806	182,215	(181,136)	30,535	822,444	(13,873)	2,530,991

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

Group	Unitholders' Capital RM'000	Distributable Undistributed Realised Income RM'000	Non-distributable Unrealised 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 2017	1,690,806	182,215	(181,136)	30,535	822,444	(13,873)	2,530,991
Operations for the financial year ended 30 June 2018							
Profit for the year	-	154,720	81,839	-	-	-	236,559
Other comprehensive income	-	-	-	(128,418)	209,168	4,318	85,068
Total comprehensive income for the year	-	154,720	81,839	(128,418)	209,168	4,318	321,627
Unitholders transactions							
Distributions paid	-	(100,614)	-	-	-	-	(100,614)
Provision for income distribution (Note 27)	-	(33,493)	-	-	-	-	(33,493)
Decrease in net assets resulting from unitholders transactions	-	(134,107)	-	-	-	-	(134,107)
At 30 June 2018	**1,690,806**	**202,828**	**(99,297)**	**(97,883)**	**1,031,612**	**(9,555)**	**2,718,511**

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 2018

Trust	Unitholders' Capital RM'000	Distributable Undistributed Realised Income RM'000	Non-distributable Unrealised Income RM'000	Non-distributable Currency Translation Reserves RM'000	Non-distributable Revaluation Reserve RM'000	Non-distributable Cash Flow Hedge Reserve RM'000	Total Unitholders' Funds RM'000
At 1 July 2016	1,291,395	184,697	194,534	-	-	(23,724)	1,646,902
Operations for the financial year ended 30 June 2017							
Profit for the year	-	122,692	42,465	-	-	-	165,157
Other comprehensive income	-	-	-	-	-	9,851	9,851
Total comprehensive income	-	122,692	42,465	-	-	9,851	175,008
Unitholders transactions							
Issuance of units	402,800	-	-	-	-	-	402,800
Issuing expenses	(3,389)	-	-	-	-	-	(3,389)
Distributions paid	-	(89,785)	-	-	-	-	(89,785)
Provision for income distribution (Note 27)	-	(32,905)	-	-	-	-	(32,905)
Increase in net assets resulting from unitholders transactions	399,411	(122,690)	-	-	-	-	276,721
At 30 June 2017	1,690,806	184,699	236,999	-	-	(13,873)	2,098,631

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 2018

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 2017	1,690,806	184,699	236,999	-	-	(13,873)	2,098,631
Operation for the financial year ended 30 June 2018							
Profit for the year	-	134,107	1,992	-	-	-	136,099
Other comprehensive income	-	-	-	-	-	4,318	4,318
Total comprehensive income for the year	-	134,107	1,992	-	-	4,318	140,417
Unitholders transactions							
Distributions paid	-	(100,614)	-	-	-	-	(100,614)
Provision for income distribution (Note 27)	-	(33,493)	-	-	-	-	(33,493)
Decrease in net assets resulting from unitholders transactions	-	(134,107)	-	-	-	-	(134,107)
At 30 June 2018	**1,690,806**	**184,699**	**238,991**	**-**	**-**	**(9,555)**	**2,104,941**

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 2018

	Group		Trust	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Cash flows from operating activities				
Profit/(Loss) before tax	**239,138**	(9,219)	**136,974**	166,093
Adjustments for:				
Amortisation of transaction costs	**4,035**	6,501	**4,035**	6,501
Depreciation of property, plant and equipment	**83,667**	83,444	**-**	-
Impairment loss on trade receivables - net	**-**	52	**-**	52
Interest income	**(1,192)**	(3,077)	**(108,773)**	(114,199)
Interest expense	**76,141**	71,750	**76,141**	70,877
Fair value on investment properties	**(63,816)**	(34,794)	**(31,279)**	(12,360)
Loss on disposal of property, plant and equipment	**400**	35	**-**	-
Unrealised (gain)/loss on foreign exchange	**(107,272)**	83,537	**29,287**	(30,157)
Revaluation loss/(gain) on property	**5,582**	(49)	**-**	-
Operating profit before changes in working capital	**236,683**	198,180	**106,385**	86,807
Decrease/(Increase) in inventories	**69**	(54)	**-**	-
(Increase)/Decrease in receivables	**(1,739)**	1,474	**2,388**	(4,149)
Increase in payables	**9,913**	3,004	**4,120**	3,194
Inter-company balances	**-**	-	**(20,012)**	65,000
Cash generated from operations	**244,926**	202,604	**92,881**	150,852
Income tax paid	**(2,302)**	(1,659)	**-**	-
Net cash from operating activities	**242,624**	200,945	**92,881**	150,852
Cash flows from investing activities				
Interest received	**1,192**	3,077	**69,637**	114,407
Acquisition of property, plant and equipment	**(10,088)**	(43,572)	**-**	-
Enhancement of investment properties	**-**	(65,140)	**-**	(65,140)
Proceed from disposal of equipment	**60**	76	**-**	-
Acquisition of investment property	**(4,221)**	-	**(4,221)**	-
Net cash (used in)/from investing activities	**(13,057)**	(105,559)	**65,416**	49,267

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

	Group		Trust	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Cash flows from financing activities				
Proceeds from issuance of units	**-**	402,800	**-**	402,800
Interest paid	**(76,141)**	(71,750)	**(51,996)**	(70,877)
Distribution paid	**(133,519)**	(118,144)	**(133,519)**	(118,144)
Transaction costs paid	**(1,368)**	(72)	**(1,360)**	-
Proceed of borrowings	**9,380**	110,311	**-**	-
Repayment of borrowings	**(1,800)**	(395,000)	**(1,800)**	(395,000)
Issuance expenses	**-**	(3,389)	**-**	(3,389)
Net cash used in financing activities	**(203,448)**	(75,244)	**(188,675)**	(184,610)
Net changes in cash and cash equivalents	**26,119**	20,142	**(30,378)**	15,509
Effect on exchange rate changes	**(13,124)**	2,757	**-**	-
Cash and cash equivalents at beginning of the financial year	**142,462**	119,563	**31,863**	16,354
Cash and cash equivalents at end of the financial year	**155,457**	142,462	**1,485**	31,863
NOTES TO THE STATEMENTS OF CASH FLOWS				
Cash and cash equivalents comprise:-				
Deposits with licensed financial institutions	**45,754**	51,051	**1,350**	30,975
Cash at banks	**109,703**	91,411	**135**	888
	155,457	142,462	**1,485**	31,863
Analysis of acquisition of investment property:-				
Cash	**4,221**	-	**4,221**	-
Borrowings	**380,000**	-	**-**	-
Inter-company - advance	**-**	-	**380,000**	-
	384,221	-	**384,221**	-

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

Statements of Cash Flows

for the financial year ended 30 June 2018

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Group	Trust
	RM'000	RM'000
Borrowings		
At 1 July 2017	1,418,463	1,344,456
Cash inflow/(outflow)		
Interest paid	(76,141)	(51,996)
Drawdown	9,380	-
Repayment	(1,800)	(1,800)
Transaction costs paid	(1,368)	(1,360)
Non-cash changes		
Additional investment in subsidiary	-	4,380
Acquisition of investment property	380,000	380,000
Amount due to subsidiary	-	(645,000)
Finance costs	80,707	56,031
Currency translation differences	(107,674)	(107,674)
Cash flow hedge	(4,318)	(4,318)
At 30 June 2018	**1,697,249**	**972,719**

The accompanying accounting policies and explanatory notes form an integral part of 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 classified under the real estate investment trusts sector. 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.

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

The consolidated financial statements reported for the financial year ended 30 June 2018 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 Listed Real Estate Investment Trusts ("Listed REIT Guidelines") and the Restated Deed.

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

2. BASIS OF PREPARATION (CONT'D.)

(b) Functional and presentation currency

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

(c) Changes in accounting policies

The Group and the Trust adopted the following amendments to the standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") for annual financial year beginning on or after 1 July 2017.

Amendments to MFRSs (Including The Consequential Amendments)
Amendments to MFRS 107, Statement of Cash Flows – Disclosure Initiative
Amendments to MFRS 112, Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to MFRS 12, Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014 – 2016 Cycle)

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

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

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

MFRSs and IC Interpretations (Including The Consequential Amendments)	Effective date
MFRS 9, Financial Instruments (2014)	1 January 2018
MFRS 15, Revenue from Contracts with Customers	1 January 2018
Clarifications to MFRS 15, Revenue from Contracts with Customers	1 January 2018
IC Interpretation 22, Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 1, First Time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014 – 2016 Cycle)	1 January 2018
Amendments to MFRS 2, Share-based Payment – Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4, Insurance Contracts – Applying MFRS 9, Financial Instruments with MFRS 4, Insurance Contracts	1 January 2018
Amendments to MFRS 128, Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014 – 2016 Cycle)	1 January 2018

2. BASIS OF PREPARATION (CONT'D.)

(d) The new or revised financial reporting standards not yet effective (cont'd.)

MFRSs and IC Interpretations (Including The Consequential Amendments)	Effective date
Amendments to MFRS 140, Investment Property – Transfers of Investment Property	1 January 2018
MFRS 16, Leases	1 January 2019
IC Interpretation 23, Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 3, Business Combinations (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)	1 January 2019
Amendments to MFRS 9, Financial Instruments – Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 11, Joint Arrangements (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)	1 January 2019
Amendments to MFRS 112, Income Taxes (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)	1 January 2019
Amendments to MFRS 123, Borrowing Costs (Annual Improvements to MFRS Standards 2015 – 2017 Cycle)	1 January 2019
Amendments to MFRS 128, Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 119, Employee Benefits – Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
MFRS 17, Insurance Contracts	1 January 2021
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 (CONT'D.)

(d) The new or revised financial reporting standards not yet effective (cont'd.)

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

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. The Group and the Trust plan to adopt MFRS 16 on or after 1 July 2019.

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

(ii) MFRS 9 Financial Instruments

MFRS 9 replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, impairment of financial assets and on hedge accounting.

The Group has established a structured implementation program which includes undertaking impact assessment, guideline, training program as well as engaging with relevant experts within the Group to ensure readiness and smooth implementation of MFRS 9.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. MFRS 9 also introduced a new impairment model with a forward-looking expected credit loss model and replaced MFRS 139's incurred loss model.

Based on the preliminary assessment performed, the Group and the Trust does not expect the application of MFRS 9 to have material impact on its financial statements, other than the disclosure impact which the Group and the Trust is finalising.

(iii) MFRS 15 Revenue from Contracts with Customers

MFRS 15 Revenue from Contracts with Customers replaces MFRS 118 Revenue and MFRS 111 Construction Contracts and related interpretations.

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. The standard establishes a new five-step model that will apply to revenue arising from contracts with customers. Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

2. BASIS OF PREPARATION (CONT'D.)

(d) The new or revised financial reporting standards not yet effective (cont'd.)

(iii) MFRS 15 Revenue from Contracts with Customers (cont'd.)

The presentation and disclosure requirements in MFRS 15 are more detailed than the current standard. Many of the disclosure requirements in MFRS 15 are new. The Group has preliminary assessed the implementation of MFRS 15 on the main affected area, i.e. hotel operations in Australia. The overseas hotel operations are practising MFRS 15 equivalent, Australian Accounting Standards Board 15, and the directors of the Manager does not expect the impact to be material on its financial statements.

(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) Fair value estimates for investment properties

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

(ii) Revaluation of properties

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

(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.

2. BASIS OF PREPARATION (CONT'D.)

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

(iii) Depreciation of property, plant and equipment (cont'd.)

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) 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.

(f) Basis of consolidation

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

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

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

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

(i) Acquisitions

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

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

2. BASIS OF PREPARATION (CONT'D.)

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

(i) Acquisitions (cont'd.)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(a) Investment properties (cont'd.)

(ii) Determination of fair value

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

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

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

Valuation reflect, where appropriate:-

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

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

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

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

(b) Leases

(i) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(b) Leases (cont'd.)

(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 *	12.5% to 19%

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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

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

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

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(e) Inventories

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

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

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

(f) Investment in subsidiaries

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(k) Financial liabilities (cont'd.)

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.

(l) Derivative financial instruments and hedging activities

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

The Group 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(c). 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'.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

Cash flow hedge (cont'd.)

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(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) Hotel operations charges

Revenue from room rental is recognised on the accrual basis. Revenue from the sale of food and beverages is recognised based on invoiced value of goods sold. Rendering of other services is recognised when the services are rendered.

(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) Interest income

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

(iv) Dividend income

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

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(p) Employee benefits (cont'd.)

(ii) Post-employment benefits (cont'd.)

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(s) Fair value measurement (cont'd.)

(i) Financial assets and liabilities (cont'd.)

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.

4. REVENUE

	Group		Trust	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Hotel revenue				
- Rental of rooms	**282,320**	269,418	**-**	-
- Food and beverage income	**67,506**	53,331	**-**	-
- Other hotel operating income	**10,091**	9,987	**-**	-
	359,917	332,736	**-**	-
Property revenue				
- Lease rental income	**139,096**	115,098	**122,761**	99,144
- Car park income	**1,940**	1,849	**1,940**	1,849
	141,036	116,947	**124,701**	100,993
Total revenue	**500,953**	449,683	**124,701**	100,993

5. OPERATING EXPENSES

	Group		Trust	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Hotel operating expenses				
- Operating expenses	**143,203**	133,626	**-**	-
- Repair and maintenance expenses	**12,284**	12,183	**-**	-
- Utilities	**7,924**	6,502	**-**	-
- Property taxes	**9,396**	8,051	**-**	-
- Insurance	**531**	478	**-**	-
- General and administration expenses	**54,148**	56,811	**-**	-
- Other direct expenses	**14,238**	12,834	**-**	-
	241,724	230,485	**-**	-
Property operating expenses				
- Property taxes	**7,305**	6,645	**4,996**	4,268
- Insurance	**2,495**	2,297	**1,724**	1,469
- Lease rental	**11**	11	**11**	11
- Property maintenance	**591**	629	**-**	-
	10,402	9,582	**6,731**	5,748
Total operating expenses	**252,126**	240,067	**6,731**	5,748

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

	Group		Trust	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Salaries, wages and bonus	**68,205**	63,755	**-**	-
Defined contribution plan	**23,911**	23,840	**-**	-
	92,116	87,595	**-**	-

6. FINANCE INCOME & CURRENCY EXCHANGE GAINS

	Group		Trust	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Financial institution deposits interests	**1,192**	3,077	**871**	2,737
Subsidiary loan interests	**-**	-	**107,902**	111,462
Finance income	**1,192**	3,077	**108,773**	114,199
Currency exchange gains – realised	**1,069**	3,843	**1,069**	3,843

7. MANAGER'S FEES

		Group		Trust	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Base fee	7(a)	**4,265**	3,828	**4,265**	3,828
Performance fee	7(b)	**4,977**	4,193	**4,977**	4,193
		9,242	8,021	**9,242**	8,021

(a) 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

(b) 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.

(c) Pursuant to the Restated Deed, the acquisition fee represents 1% of the acquisition price of the asset acquired.

Included in the acquisition fee is the amount of RM3,800,000 (2017: Nil) incurred and capitalised as part of the incidental costs to the acquisition of an investment property.

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	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest expense:					
- Term loans	22	**51,996**	70,877	**51,996**	70,877
- Medium Term Notes	23	**24,145**	873	**-**	-
- Subsidiary	14	**-**	-	**24,145**	873
Incidental cost incurred to administer the borrowing facilities:					
- Amortisation of transaction costs		**4,035**	6,501	**4,035**	6,501
- Facility fee		**800**	833	**709**	743
		80,976	79,084	**80,885**	78,994

10. INCOME TAX EXPENSE

		Group		Trust	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current income tax					
- Malaysian income tax					
- current year		**140**	106	**-**	-
- over/(under) provision in prior year		**1**	(9)	**-**	-
- Foreign income tax*		**2,529**	2,597	**875**	936
Deferred tax					
- Origination and reversal of temporary differences	15	**(91)**	208	**-**	-
		2,579	2,902	**875**	936

The Trust has provided approximately 100% (2017: 100%) of the distributable income to unitholders, which is more than 90% of the taxable income, which income at the Trust level is exempted from tax in accordance with the amended Section 61A of Income Tax Act 1967.

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

10. INCOME TAX EXPENSE (CONT'D.)

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

	Group		Trust	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Profit/(Loss) before tax	**239,138**	(9,219)	**136,974**	166,093
Income tax using Malaysian statutory tax rate of 24% (2017: 24%)	**57,393**	(2,212)	**32,874**	39,862
Expenses not deductible for tax purposes	**38,796**	32,966	**12,802**	6,841
Utilisation of capital allowances	**(8,022)**	(5,098)	**(8,022)**	(5,098)
Income exempted from tax	**(1,455)**	(1,979)	**(1,453)**	(1,979)
Income not subject to tax	**(84,321)**	(20,052)	**(35,326)**	(38,690)
Different tax rates in other countries	**188**	(723)	**-**	-
Income tax expense	**2,579**	2,902	**875**	936

11. EARNINGS/(LOSS) PER UNIT

	Group		Trust	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Profit/(Loss) for the year after manager's fees	**236,559**	(12,121)	**136,099**	165,157
Profit/(Loss) for the year before manager's fees	**245,801**	(4,100)	**145,341**	173,178
Weighted average number of units ('000)	**1,704,389**	1,529,485	**1,704,389**	1,529,485
Earnings/(Loss) per unit after manager's fees (sen)	**13.88**	(0.79)	**7.99**	10.80
Earnings/(Loss) per unit before manager's fees (sen)	**14.42**	(0.27)	**8.53**	11.32

12. INVESTMENT PROPERTIES

	Group		Trust	
	2018 RM'000	2017 RM'000	**2018 RM'000**	2017 RM'000
At beginning of the financial year	**1,937,647**	1,843,183	**1,663,500**	1,586,000
Acquisition	**384,221**	-	**384,221**	-
Enhancements	**-**	65,140	**-**	65,140
Change in fair value	**63,816**	34,794	**31,279**	12,360
Currency translation differences	**(14,066)**	(5,470)	**-**	-
At end of the financial year	**2,371,618**	1,937,647	**2,079,000**	1,663,500
Analysis of investment properties:-				
Freehold land & building	**1,501,618**	1,455,447	**1,209,000**	1,181,300
Leasehold land & building	**368,000**	366,100	**368,000**	366,100
Registered lease & building	**502,000**	116,100	**502,000**	116,100
	2,371,618	1,937,647	**2,079,000**	1,663,500

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

Description of property	Tenure	Remaining lease period (years)	Initial acquisition cost RM'000	Fair value as at 30.6.2018 RM'000	% of fair value to Net Asset Value as at 30.6.2018 %	Fair value as at 30.6.2017 RM'000	% of fair value to Net Asset Value as at 30.6.2017 %
Real Estate - Commercial							
JW Marriott Hotel Kuala Lumpur	Freehold	-	331,024	**424,000**	**15.60**	411,000	16.20
The Ritz-Carlton, Kuala Lumpur - Suite Wing - 60 units	Freehold	-	125,000	**207,000**	**7.62**	204,000	8.10
The Ritz-Carlton, Kuala Lumpur - Suite Wing - 54 units	Freehold	-	73,000	**99,000**	**3.64**	97,000	3.80
The Ritz-Carlton, Kuala Lumpur - Hotel Wing	Freehold	-	250,000	**343,000**	**12.62**	341,000	13.50
Pangkor Laut Resort	Registered lease	77	97,000	**117,000**	**4.30**	116,100	4.60
Tanjong Jara Resort	Leasehold	49	87,000	**102,000**	**3.75**	101,100	4.00
Vistana Kuala Lumpur Titiwangsa	Freehold	-	100,000	**136,000**	**5.00**	128,300	5.10
Vistana Penang Bukit Jambul	Leasehold	76	100,000	**118,000**	**4.34**	117,000	4.60
Vistana Kuantan City Centre	Leasehold	74	75,000	**88,000**	**3.24**	88,000	3.50
Cameron Highlands Resort	Leasehold	90	50,000	**60,000**	**2.21**	60,000	2.40
The Majestic Hotel Kuala Lumpur	Registered lease	73	384,221	**385,000**	**14.16**	-	0.00
Hilton Niseko Village	Freehold	-	218,916*	**292,618**	**10.76**	274,147	10.80
			1,891,161	**2,371,618**	**87.24**	1,937,647	76.60
Net Asset Value				**2,718,511**		2,530,991	

* Initial acquisition cost translated at the exchange rate as at 29 June 2018

12. INVESTMENT PROPERTIES (CONT'D.)

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

	Group		Trust	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Rental income	**141,036**	116,947	**124,701**	100,993
Direct operating expenses:-				
- income generating investment properties	**(10,402)**	(9,582)	**(6,731)**	(5,748)

Investment properties with carrying amount of RM1,654 million (2017: RM1,938 million) are charged as security for financing granted to the Group as disclosed in 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 professional valuers, Savills (Malaysia) Sdn. Bhd., Azmi & Co Sdn. Bhd. and Savills Japan Co., Ltd. on 30 April 2018 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 4.9% to 7.5% (2017: 5.1% to 7.5%)	The higher the discount rate, the lower the fair value.
	Capitalisation rate of 5.2% to 7.5% (2017: 5.3% to 7.5%)	The higher the capitalisation rate, the lower the fair value.

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 1.7.2017	272,778	1,473,484	262,481	59,271	2,068,014
Additions	–	1,079	3,045	5,964	10,088
Transfers	–	14	883	(897)	–
Disposals	–	–	(1,739)	(18)	(1,757)
Revaluation losses – net	–	(5,582)	–	–	(5,582)
Revaluation surplus	28,459	279,274	–	–	307,733
Revaluation adjustments	–	(51,484)	–	–	(51,484)
Currency translation differences	(28,475)	(157,802)	(25,958)	(6,121)	(218,356)
At 30.6.2018	**272,762**	**1,538,983**	**238,712**	**58,199**	**2,108,656**
Representing:					
At cost	–	–	238,712	58,199	296,911
At valuation	272,762	1,538,983	–	–	1,811,745
At 30.6.2018	**272,762**	**1,538,983**	**238,712**	**58,199**	**2,108,656**
Accumulated depreciation					
At 1.7.2017	–	4,910	90,721	50,539	146,170
Depreciation charge	–	57,900	17,785	7,982	83,667
Disposal	–	–	(1,281)	(16)	(1,297)
Revaluation adjustment	–	(51,484)	–	–	(51,484)
Currency translation differences	–	(850)	(9,873)	(5,430)	(16,153)
At 30.6.2018	**-**	**10,476**	**97,352**	**53,075**	**160,903**
Net book value:					
At cost	–	–	141,360	5,124	146,484
At valuation	272,762	1,528,507	–	–	1,801,269
At 30.6.2018	**272,762**	**1,528,507**	**141,360**	**5,124**	**1,947,753**

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

Group	Freehold land RM'000	Buildings RM'000	Equipment RM'000	Other assets RM'000	Total RM'000
Cost/Valuation					
At 1.7.2016	227,233	1,212,466	233,075	55,125	1,727,899
Additions	–	13,714	3,077	26,781	43,572
Transfers	–	26,021	2,395	(28,416)	–
Disposals	–	–	(844)	(17)	(861)
Revaluation losses reversal	–	49	–	–	49
Revaluation surplus	21,014	142,784	–	–	163,798
Revaluation adjustments	–	(52,842)	–	–	(52,842)
Currency translation differences	24,531	131,292	24,778	5,798	186,399
At 30.6.2017	272,778	1,473,484	262,481	59,271	2,068,014
Representing:					
At cost	–	–	262,481	59,271	321,752
At valuation	272,778	1,473,484	–	–	1,746,262
At 30.6.2017	272,778	1,473,484	262,481	59,271	2,068,014
Accumulated depreciation					
At 1.7.2016	–	4,041	64,830	35,700	104,571
Depreciation charge	–	53,274	19,344	10,826	83,444
Disposal	–	–	(738)	(12)	(750)
Revaluation adjustment	–	(52,842)	–	–	(52,842)
Currency translation differences	–	437	7,285	4,025	11,747
At 30.6.2017	–	4,910	90,721	50,539	146,170
Net book value:					
At cost	–	–	171,760	8,732	180,492
At valuation	272,778	1,468,574	–	–	1,741,352
At 30.6.2017	272,778	1,468,574	171,760	8,732	1,921,844

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

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

Description of property	Tenure	Initial acquisition cost* RM'000	Fair value as at 30.6.2018 RM'000	% of fair value to Net Asset Value as at 30.6.2018 %	Fair value as at 30.6.2017 RM'000	% of fair value to Net Asset Value as at 30.6.2017 %
Real Estate - Commercial						
Sydney Harbour Marriott	Freehold	742,269	**1,473,642**	**54.20**	1,383,660	54.70
Brisbane Marriott	Freehold	336,853	**241,808**	**8.90**	279,907	11.00
Melbourne Marriott	Freehold	157,993	**232,303**	**8.55**	258,277	10.20
		1,237,115	**1,947,753**	**71.65**	1,921,844	75.90
Net Asset Value			**2,718,511**		2,530,991	

* Translated at the exchange rate as at 29 June 2018.

Property, plant and equipment at net book value amounting to RM1,948 million (2017: RM1,922 million) are charged as security for a term loan facility 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 30 April 2018, 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	
	2018 RM'000	**2017 RM'000**
Freehold land	**155,157**	172,094
Buildings	**720,957**	839,385
	876,114	1,011,479

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

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.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Discounted cash flow method is the total of discounted income stream and present value of the properties' anticipated sale value in arriving at the total present market value.	Discount rate of 6.0% to 7.75% (2017: 8.0% to 8.5%)	The higher the discount rate, the lower the fair value.
	Capitalisation rate of 5.25% to 5.75% (2017: 5.75% to 6.75%)	The higher the capitalisation rate, the lower the fair value.

14. INVESTMENT IN SUBSIDIARIES

	Trust	
	2018 RM'000	**2017 RM'000**
Unquoted shares, at cost	**401,037**	396,657

Details of the subsidiaries are as follows:

Name of subsidiary	Place of incorporation	Principal activities	Effective equity interest 2018 %	2017 %
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

14. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Name of subsidiary	Place of incorporation	Principal activities	Effective equity interest 2018 %	Effective equity interest 2017 %
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

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 RM1,233 million (2017: RM1,357 million) with tenure of ten and fifteen years bear interest at rates of 8.86% and 5% (2017: 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 advances totalling RM725 million from the proceeds of issuance of medium term notes as disclosed in Note 23 to the financial statements at the same repayment terms.

All subsidiary undertakings are included in the consolidation. The proportion of the voting rights in the subsidiary undertakings held directly or indirectly by the parent company do not differ from the proportion of ordinary shares held.

There were no changes during the year (2017: Nil) in the Group's ownership interest in its significant subsidiaries.

14. INVESTMENT IN SUBSIDIARIES (CONT'D.)

The loans and advances are receivable/repayable by the Trust:

	Amount due from subsidiaries RM'000	Amount due to subsidiaries RM'000
2018		
Within 1 year	**126,351**	**10,004**
Later than 1 year and not later than 5 years	**1,058,255**	**715,000**
Later than 5 years	**174,585**	**-**
	1,359,191	**725,004**
2017		
Within 1 year	99,524	-
Later than 1 year and not later than 5 years	-	75,000
Later than 5 years	1,357,497	-
	1,457,021	75,000

15. DEFERRED TAX ASSETS

		Group	
	Note	2018 RM'000	2017 RM'000
At beginning of the financial year		**2,733**	2,663
Charged to income statement	10	**91**	(208)
Currency translation differences		**(274)**	278
At end of the financial year		**2,550**	2,733

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off income tax assets against income tax liabilities and when deferred taxes relate to the same tax authority. The following amounts determined after appropriate offsetting are shown in the statement of financial position:

15. DEFERRED TAX ASSETS (CONT'D.)

	Group	
	2018 RM'000	**2017 RM'000**
Deferred tax provided are in respect of:-		
Deferred tax assets		
Accruals	**2,555**	2,718
Others	**-**	15
	2,555	2,733
Deferred tax liabilities		
Others	**(5)**	-
	(5)	-
Net (after offsetting)	**2,550**	2,733

16. INVENTORIES

	Group	
	2018 RM'000	**2017 RM'000**
Beverage inventories	**638**	720
Operating inventories	**69**	140
	707	860

The Group's cost of inventories recognised as expenses and included in "hotel operating expenses" amounted to approximately RM11,303,000 (2017: RM7,776,000).

17. TRADE RECEIVABLES

	Group		Trust	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Trade receivables	**10,753**	15,332	**3,420**	6,945
Less: Accumulated impairment losses on trade receivables	**(2,864)**	(2,874)	**(2,864)**	(2,874)
	7,889	12,458	**556**	4,071

17. TRADE RECEIVABLES (CONT'D.)

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

	Group		Trust	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
At beginning of the financial year	**2,874**	2,822	**2,874**	2,822
Change in fair value of trade receivables	**-**	52	**-**	52
Reversal of impairment losses	**(10)**	-	**(10)**	-
At end of the financial year	**2,864**	2,874	**2,864**	2,874

The amount due from companies related to the Manager, which amounted to RM161,702 (2017: RM3,675,630) 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 (2017: 15 to 30) days.

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

Group - 2018

	Gross RM'000	**Individual impairment RM'000**	**Net RM'000**
Not past due	**4,175**	**-**	**4,175**
Past due 1 - 90 days	**3,189**	**-**	**3,189**
Past due 91 - 180 days	**131**	**-**	**131**
Past due more than 180 days	**3,258**	**(2,864)**	**394**

Trust - 2018

	Gross RM'000	**Individual impairment RM'000**	**Net RM'000**
Not past due	**162**	**-**	**162**
Past due more than 180 days	**3,258**	**(2,864)**	**394**

17. TRADE RECEIVABLES (CONT'D.)

Group - 2017

	Gross RM'000	Individual impairment RM'000	Net RM'000
Not past due	1,147	-	1,147
Past due 1 - 90 days	10,712	-	10,712
Past due 91 - 180 days	106	-	106
Past due more than 180 days	3,367	(2,874)	493

Trust - 2017

	Gross RM'000	Individual impairment RM'000	Net RM'000
Not past due	164	-	164
Past due 1 - 90 days	3,513	-	3,513
Past due more than 180 days	3,268	(2,874)	394

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	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Other receivables	**16,247**	12,793	**203**	218
GST receivables	**68**	2,793	**68**	2,793
Prepayments	**9,366**	5,616	**7,089**	3,222
	25,681	21,202	**7,360**	6,233

Included in the other receivables of the Group is RM15,657,756 (2017: RM12,554,918) recoverable from Australian tax authorities for withholding tax on foreign source distribution received by a subsidiary.

19. DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS

The effective interest rate of deposits placed with licensed banks of the Group and of the Trust were 1.3% and 3.3% (2017: 2.4% and 3.7%) per annum, respectively.

The average maturities of deposits of the Group and of the Trust ranged from 1 day to 91 days (2017: 1 day to 91 days).

Included in previous financial year's deposits with licensed financial institutions is RM4,741,663 pledged for a bank facility granted to the Trust as stated in Note 22 to the financial statements.

20. UNITHOLDERS' CAPITAL

	Number of units	
	2018 '000	**2017 '000**
Issued and fully paid		
At beginning of the financial year	**1,704,389**	1,324,389
Issuance of new placement units	**-**	380,000
At end of the financial year	**1,704,389**	1,704,389

	2018 RM'000	**2017 RM'000**
Issued and fully paid		
At beginning of the financial year	**1,690,806**	1,291,395
Issuance of new placement units	**-**	402,800
Issuing expenses	**-**	(3,389)
At end of the financial year	**1,690,806**	1,690,806

21. RESERVES

		Group		Trust	
	Note	**2018 RM'000**	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Currency translation reserves	21(a)	**(97,883)**	30,535	**-**	-
Revaluation reserve	21(b)	**1,031,612**	822,444	**-**	-
Cash flow hedge reserve	21(c)	**(9,555)**	(13,873)	**(9,555)**	(13,873)
		924,174	839,106	**(9,555)**	(13,873)

21. RESERVES (CONT'D.)

(a) Currency translation reserves

	Group	
	2018 RM'000	**2017 RM'000**
At beginning of the financial year	**30,535**	(73,393)
Net currency translation differences from financial statement of foreign subsidiaries	**(128,418)**	103,928
At end of the financial year	**(97,883)**	30,535

(b) Revaluation reserve

	Group	
	2018 RM'000	**2017 RM'000**
At beginning of the financial year	**822,444**	592,235
Revaluation gain of property	**307,733**	163,798
Currency translation differences	**(98,565)**	66,411
At end of the financial year	**1,031,612**	822,444

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

(c) Cash flow hedge reserve

	Group/Trust	
	2018 RM'000	**2017 RM'000**
At beginning of the financial year	**(13,873)**	(23,724)
Change in fair value	**4,318**	9,851
At end of the financial year	**(9,555)**	(13,873)

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	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Non-current				
- Term loans	**967,300**	920,594	**967,300**	920,594
- Capitalised transaction costs	**(4,136)**	(4,764)	**(4,136)**	(4,764)
	963,164	915,830	**963,164**	915,830
Current				
- Term loans	**-**	416,800	**-**	416,800
- Capitalised transaction costs	**-**	(2,047)	**-**	(2,047)
	-	414,753	**-**	414,753
Total borrowings	**963,164**	1,330,583	**963,164**	1,330,583

(i) The term loan denominated in Australian Dollar of AUD324,488,428 (2017: AUD278,427,954) which is repayable by bullet payment on 29 June 2020, bears a weighted average interest rate of 4.55% (2017: 4.57%) 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 fixed at effective rate of 4.68% (2017: 4.76%) per annum.

(ii) The term loan denominated in Ringgit Malaysia of RM416,800,000 in the previous financial year, which is repayable by bullet payment on 23 November 2017, bears a weighted average interest rate of 4.73% 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.

During the financial year, the term loan has been fully repaid.

23. MEDIUM TERM NOTES ("MTNs")

	Group	
	2018 RM'000	**2017 RM'000**
Non-current		
Medium Term Notes	**715,000**	75,000
Capitalised transaction costs	**-**	(993)
	715,000	74,007
Current		
Medium Term Notes	**10,000**	-
Capitalised transaction costs	**(470)**	-
	9,530	-
Total MTNs (net)	**724,530**	74,007

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) 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 MTNs are redeemable on 24 May 2019 at nominal value.

(b) A nominal value of RM65 million of MTNs was issued on 23 May 2017 to finance the renovation costs carried out at two properties owned by the Trust. The MTNs are redeemable on 23 May 2022 at nominal value.

(c) A nominal value of RM385 million of MTNs was issued on 3 November 2017 to finance the acquisition of The Majestic Hotel Kuala Lumpur by the Trust. The MTNs are redeemable on 1 November 2024 at nominal value.

(d) A nominal value of RM265 million of MTNs was issued on 23 November 2017 to refinance the existing borrowings of the Trust. The MTNs are redeemable on 23 November 2022 at nominal value.

The facility bears coupon rates ranging from 4.95% to 5.23% (2017: 5.05% to 5.23%) per annum, payable semi-annually in arrears and is secured by certain properties as disclosed in Note 12 to the financial statements.

The fair value of the MTNs is RM720,077,000 and is categorised as 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.

The above fair value, which is determined for disclosure purpose, is calculated based on the present value of future cash flows discounted at the market rate of interest at the end of the financial year. The interest rates used to determine fair value range from 4.70% to 5.31%.

24. OTHER PAYABLES

	Group		Trust	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current				
Other payables	**963**	1,195	**-**	-

Included in the other payables is the long service leave of approximately RM963,000 (2017: RM1,195,000).

	Group		Trust	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current				
Other payables	**30,428**	28,957	**2,864**	1,495
Accruals	**16,487**	14,015	**9,608**	6,858
Advance deposits	**7,700**	6,631	**-**	-
	54,615	49,603	**12,472**	8,353

The amounts due to the Manager and the companies related to the Manager, which amounted to RM1,721,791 (2017: RM1,436,405) 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 days (2017: 15 to 30 days).

26. DERIVATIVE FINANCIAL INSTRUMENTS

	Contract/ Notional Value RM'000	Fair Value RM'000
Group/Trust - 2018		
Cash flow hedge		
Interest rate swaps		
- 1 - 5 years	**962,913**	(9,555)
Group/Trust - 2017		
Cash flow hedge		
Interest rate swaps		
- 1 - 5 years	**868,058**	(13,873)

26. DERIVATIVE FINANCIAL INSTRUMENTS (CONT'D.)

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	
	2018 RM'000	**2017 RM'000**
At beginning of the financial year	**32,905**	28,359
Provision made during the financial year	**134,107**	122,690
Distribution paid during the financial year	**(133,519)**	(118,144)
At end of the financial year	**33,493**	32,905

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 2018, the Manager has declared a final income distribution of 1.9651 sen per unit (2017: 1.9306 sen per unit), totalling RM33,492,946 (2017: RM32,904,932) which will be paid on 30 August 2018. Total distribution paid and declared for the financial year ended 30 June 2018 is 7.8683 sen per unit, totalling RM134,106,432, representing approximately 100% of the total distributable income for the financial year ended 30 June 2018 (2017: 8.0838 sen per unit, totalling RM122,689,969).

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

Distribution to unitholders is from the following sources:-

	Group	
	2018 **RM'000**	**2017** **RM'000**
Net property income	**248,827**	209,616
Finance income	**1,192**	3,077
Other income	**176,332**	40,809
	426,351	253,502
Add/(Less):-		
Less: Expenses	**(187,213)**	(262,721)
Less: Income tax expense	**(2,579)**	(2,902)
	236,559	(12,121)
Depreciation	**83,667**	83,444
Net income from foreign operations	**(20,613)**	2,623
Unrealised foreign translation differences	**(107,272)**	83,537
Unrealised loss on fair value of trade receivables	**-**	52
Unrealised gain on fair value of investment properties	**(63,816)**	(34,794)
Revaluation loss/(gain) on property	**5,582**	(49)
Income available for distribution/Total distributable income	**134,107**	122,692
Less: Income distribution	**(134,107)**	(122,690)
Undistributed distributable income	**-**	2
Distributable income per unit (sen)	**7.8683**	8.0838
Gross distribution per unit (sen)	**7.8683**	8.0838
Net distribution per unit (sen)	**7.8683**	8.0838

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 2018, the Manager did not hold any unit in the Trust.

30. UNITHOLDERS RELATED TO THE MANAGER

	2018		
	No. of units held '000	**Percentage of total units %**	**Market value RM'000**
YTL Corporation Berhad	**937,464**	**55.00**	**1,096,833**
YTL Power International Berhad	**43,090**	**2.53**	**50,415**
Business & Budget Hotels (Kuantan) Sdn. Bhd.	**18,750**	**1.10**	**21,938**
Megahub Development Sdn. Bhd.	**18,250**	**1.07**	**21,353**
East-West Ventures Sdn. Bhd.	**62,500**	**3.67**	**73,125**
Syarikat Pelanchongan Pangkor Laut Sendirian Berhad	**24,250**	**1.42**	**28,373**
Tanjong Jara Beach Hotel Sdn. Bhd.	**1,750**	**0.10**	**2,048**
	1,106,054	**64.89**	**1,294,085**

	2017		
	No. of units held '000	**Percentage of total units %**	**Market value RM'000**
YTL Corporation Berhad	937,464	55.00	1,106,208
YTL Power International Berhad	43,090	2.53	50,846
Business & Budget Hotels (Kuantan) Sdn. Bhd.	18,750	1.10	22,125
Megahub Development Sdn. Bhd.	18,250	1.07	21,535
East-West Ventures Sdn. Bhd.	62,500	3.67	73,750
Syarikat Pelanchongan Pangkor Laut Sendirian Berhad	24,250	1.42	28,615
Tanjong Jara Beach Hotel Sdn. Bhd.	1,750	0.10	2,065
	1,106,054	64.89	1,305,144

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 29 June 2018 of RM1.170 per unit (2017: RM1.180 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:

			Group/Trust	
Entity	Relationship	Nature of transaction	2018 RM'000	2017 RM'000
Business & Budget Hotels (Penang) Sdn. Bhd.	Subsidiary company of the major unitholder	Lease rental of investment property	**8,610**	8,457
Business & Budget Hotels (Kuantan) Sdn. Bhd.	Associated company of the major unitholder	Lease rental of investment property	**6,300**	6,188
Cameron Highlands Resort Sdn. Bhd.	Subsidiary company of the major unitholder	Lease rental of investment property	**4,200**	4,126
Prisma Tulin Sdn. Bhd.	Subsidiary company of the major unitholder	Lease rental of investment property	**8,610**	8,457
Star Hill Hotel Sdn. Bhd.	Subsidiary company of the major unitholder	Lease rental of investment properties	**39,660**	36,116
		Reimbursement of renovation cost	**-**	44,494
YTL Land Sdn. Bhd.	Subsidiary company of the major unitholder	Rental of car park space	**1,940**	1,849
Tanjong Jara Beach Hotel Sdn. Bhd.	Company related to a director of the manager	Lease rental of investment property	**7,350**	7,219
East-West Ventures Sdn. Bhd.	Subsidiary company of the holding company of major unitholder	Lease rental of investment property	**21,626**	19,917
		Reimbursement of renovation cost	**-**	20,646

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

			Group/Trust	
Entity	**Relationship**	**Nature of transaction**	**2018 RM'000**	**2017 RM'000**
Syarikat Pelanchongan Pangkor Laut Sendirian Berhad	Subsidiary company of the holding company of major unitholder	Lease rental of investment property	**8,820**	8,664
YTL Majestic Hotel Sdn. Bhd.	Subsidiary company of the major unitholder	Acquisition of investment property	**380,000**	-
		Lease rental of investment property	**17,586**	-

			Group	
Entity	**Relationship**	**Nature of transaction**	**2018 RM'000**	**2017 RM'000**
Niseko Village K.K.	Subsidiary company of the major unitholder	Lease rental of investment property	**16,335**	15,954

			Trust	
Entity	**Relationship**	**Nature of transaction**	**2018 RM'000**	**2017 RM'000**
Starhill Hospitality REIT (Australia) Sdn. Bhd.	Subsidiary company	Shareholder loan interests	**99,074**	102,054
Starhill REIT Niseko G.K.	Subsidiary company	Shareholder loan interests	**8,828**	9,408
YTL REIT MTN Sdn. Bhd.	Subsidiary company	Interest expenses	**24,145**	873
		Administrative charges	**672**	645
		Advances	**650,000**	65,000

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	
	2018 RM'000	2017 RM'000
Contracted but not provided for	**-**	380,000
Authorised but not contracted for	**58,214**	-
	58,214	380,000

The commitments for the current financial year comprise refurbishment of Brisbane Marriott and Melbourne Marriott hotel properties while commitments for the previous financial year was in respect of the acquisition of an investment property as disclosed in Note 39 to the financial statements.

(b) Operating lease arrangement

The Group leases out its investment properties as follows:-

(i) for JW Marriott Hotel Kuala Lumpur and The Ritz-Carlton, Kuala Lumpur - Suite Wing, 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.

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	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Not later than 1 year	**148,564**	121,492	**132,247**	105,176
Later than 1 year and not later than 5 years	**747,541**	618,697	**663,916**	535,888
Later than 5 years	**570,611**	446,469	**527,779**	386,504
	1,466,716	1,186,658	**1,323,942**	1,027,568

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.

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	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Domestic	**556**	4,071	**556**	4,071
Australia	**7,333**	8,387	**-**	-
	7,889	12,458	**556**	4,071

33. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

Inter-company balances

The Trust provides unsecured advances to subsidiaries and where necessary makes payments for expenses on behalf of its subsidiaries. The Trust monitors the results of the subsidiaries regularly. As at 30 June 2018, 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 2018, 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 and the Trust will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Trust's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group and the Trust maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

The table below summarises the maturity profile of the Group's and the Trust's financial liabilities as at the end of the reporting period based on contractual undiscounted repayment obligations:-

	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
2018					
Group					
Financial liabilities:					
Borrowings	**1,047,334**	**40,017**	**1,007,317**	**-**	**-**
MTNs	**920,463**	**46,504**	**36,035**	**426,619**	**411,305**
Trade payables	**5,619**	**5,619**	**-**	**-**	**-**
Other payables	**55,578**	**54,615**	**963**	**-**	**-**
	2,028,994	**146,755**	**1,044,315**	**426,619**	**411,305**

33. FINANCIAL RISK MANAGEMENT (CONT'D.)

(b) Liquidity risk (cont'd.)

	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
2018					
Trust					
Financial liabilities:					
Borrowings	**1,047,334**	**40,017**	**1,007,317**	**-**	**-**
Other payables	**12,472**	**12,472**	**-**	**-**	**-**
Subsidiary	**920,467**	**46,507**	**36,035**	**426,619**	**411,306**
	1,980,273	**98,996**	**1,043,352**	**426,619**	**411,306**

	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
2017				
Group				
Financial liabilities:				
Borrowings	1,450,626	460,066	34,983	955,577
MTNs	92,064	3,806	13,752	74,506
Trade payables	5,120	5,120	-	-
Other payables	50,798	49,603	1,195	-
	1,598,608	518,595	49,930	1,030,083

	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
2017				
Trust				
Financial liabilities:				
Borrowings	1,450,626	460,066	34,983	955,577
Other payables	8,353	8,353	-	-
Subsidiary	92,064	3,806	13,752	74,506
	1,551,043	472,225	48,735	1,030,083

33. FINANCIAL RISK MANAGEMENT (CONT'D.)

(b) Liquidity risk (cont'd.)

The table below analyses the derivative financial instruments of the Group and of 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.

	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
2018			
Group/Trust			
Derivative			
Net settled interest rate swaps - cash flow hedges (net cash outflows)	**5,257**	**5,257**	**-**
2017			
Group/Trust			
Derivative			
Net settled interest rate swaps - cash flow hedges (net cash outflows)	8,333	8,333	8,333

(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.

33. FINANCIAL RISK MANAGEMENT (CONT'D.)

(c) Interest rate risk (cont'd.)

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	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Fixed rate instruments				
Financial assets				
Shareholders loan	**-**	-	**1,232,840**	1,357,497
Financial liabilities				
Subsidiary	**-**	-	**340,000**	75,000
MTNs	**340,000**	75,000	**-**	-
Floating rate instruments				
Financial assets				
Deposits with licensed financial institutions	**45,754**	51,051	**1,350**	30,975
Financial liabilities				
Borrowings	**967,300**	1,337,394	**967,300**	1,337,394
MTNs	**385,000**	-	**-**	-
Subsidiary	**-**	-	**385,000**	-

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 RM1.9 million (2017 RM2.1 million) as a result of lower/higher interest expense on borrowings.

The excess funds of the Group and of the Trust are invested in bank deposits and other short term instruments. The Group and the Trust manage their liquidity risks by placing such excess funds on short term maturities to match its cash flow needs. If interest deposit rates increased/decreased by 50 basis points, interest income of the Group and of the Trust for the financial year would increase/decrease by RM0.01 million (2017 RM0.3 million) and RM0.2 million (2017: RM0.2 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 (CONT'D.)

(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**
2018				
5% change on JPY exchange rate	**7,596**	**-**	**-**	**8,729**
5% change on AUD exchange rate	**46,882**	**(48,365)**	**-**	**4,548**
2017				
5% change on JPY exchange rate	7,668	-	-	5,602
5% change on AUD exchange rate	200,611	(154,760)	-	16,287

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").

34. FINANCIAL INSTRUMENTS (CONT'D.)

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

2018	Note	Carrying amount RM'000	L&R RM'000	DH RM'000
Group				
Financial assets				
Current				
Trade receivables	17	**7,889**	**7,889**	**-**
Other receivables & deposits	18	**16,315**	**16,315**	**-**
Cash and cash equivalents	19	**155,457**	**155,457**	**-**
		179,661	**179,661**	**-**

	Note	Carrying amount RM'000	OL RM'000	DH RM'000
Financial liabilities				
Non-current				
Borrowings	22	**963,164**	**963,164**	**-**
MTNs	23	**715,000**	**715,000**	**-**
Other payables	24	**963**	**963**	**-**
Derivative financial instruments	26	**9,555**	**-**	**9,555**
Current				
MTNs	23	**9,530**	**9,530**	**-**
Trade payables	25	**5,619**	**5,619**	**-**
Other payables	24	**54,615**	**54,615**	**-**
		1,758,446	**1,748,891**	**9,555**

34. FINANCIAL INSTRUMENTS (CONT'D.)

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

2018	Note	Carrying amount RM'000	L&R RM'000	DH RM'000
Trust				
Financial assets				
Non-current				
Amount due from subsidiaries	14	**1,232,840**	**1,232,840**	**-**
Current				
Trade receivables	17	**556**	**556**	**-**
Other receivables & deposits	18	**271**	**271**	**-**
Amount due from subsidiaries	14	**126,351**	**126,351**	**-**
Cash and cash equivalents	19	**1,485**	**1,485**	**-**
		1,361,503	**1,361,503**	**-**

	Note	Carrying amount RM'000	OL RM'000	DH RM'000
Financial liabilities				
Non-current				
Borrowings	22	**963,164**	**963,164**	**-**
Derivative financial instruments	26	**9,555**	**-**	**9,555**
Amount due to a subsidiary	14	**715,000**	**715,000**	**-**
Current				
Other payables	24	**12,472**	**12,472**	**-**
Amount due to a subsidiary	14	**10,004**	**10,004**	**-**
		1,710,195	**1,700,640**	**9,555**

34. FINANCIAL INSTRUMENTS (CONT'D.)

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

2017	Note	Carrying amount RM'000	L&R RM'000	DH RM'000
Group				
Financial assets				
Current				
Trade receivables	17	12,458	12,458	–
Other receivables & deposits	18	15,586	15,586	–
Cash and cash equivalents	19	142,462	142,462	–
		170,506	170,506	–

	Note	Carrying amount RM'000	OL RM'000	DH RM'000
Financial liabilities				
Non-current				
Borrowings	22	915,830	915,830	–
MTNs	23	74,007	74,007	–
Other payables	24	1,195	1,195	–
Derivative financial instruments	26	13,873	–	13,873
Current				
Borrowings	22	414,753	414,753	–
Trade payables	25	5,120	5,120	–
Other payables	24	49,603	49,603	–
		1,474,381	1,460,508	13,873

34. FINANCIAL INSTRUMENTS (CONT'D.)

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

2017	Note	Carrying amount RM'000	L&R RM'000	DH RM'000
Trust				
Financial assets				
Non-current				
Amount due from subsidiaries	14	1,357,497	1,357,497	–
Current				
Trade receivables	17	4,071	4,071	–
Other receivables & deposits	18	3,011	3,011	–
Amount due from subsidiaries	14	99,524	99,524	–
Cash and cash equivalents	19	31,863	31,863	–
		1,495,966	1,495,966	–

	Note	Carrying amount RM'000	OL RM'000	DH RM'000
Financial liabilities				
Non-current				
Borrowings	22	915,830	915,830	–
Derivative financial instruments	26	13,873	–	13,873
Amount due to a subsidiary	14	75,000	75,000	–
Current				
Borrowings	22	414,753	414,753	–
Other payables	24	8,353	8,353	–
		1,427,809	1,413,936	13,873

34. FINANCIAL INSTRUMENTS (CONT'D.)

(b) Fair value of financial instruments

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

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

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

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

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

Level 3: unobservable inputs for the asset or liability.

Refer Note 12 for disclosure of the investment properties that are measured at fair value. Refer Note 13 for disclosure of the property, plant and equipment that are measured at fair value. Refer Note 23 for disclosure of the MTNs 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 (CONT'D.)

(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		
	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
2018						
Derivative financial liabilities	**231**	**(203)**	**28**	**-**	**-**	**-**
2017						
Derivative financial liabilities	230	(190)	40	-	-	-

35. PORTFOLIO TURNOVER RATIO ("PTR")

	Group		Trust	
	2018	**2017**	**2018**	**2017**
PTR (times)	**0.08**	-	**0.09**	-

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 of the Trust during the financial year calculated on a quarterly basis.

36. MANAGEMENT EXPENSE RATIO ("MER")

	Group		Trust	
	2018	**2017**	**2018**	**2017**
	%	**%**	**%**	**%**
MER	**0.55**	0.54	**0.57**	0.54

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 of 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 operating segments operate in three main geographical areas:-

(a) Malaysia

(b) Japan

(c) Australia

The Group comprises the following reportable segments:-

(a) Property rental - leasing of hotel properties

(b) Hotel - operating hotel business

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

37. SEGMENTAL REPORTING (CONT'D.)

The Group's segmental result for the financial year ended 30 June 2018 is as follows:-

	Property rental		Hotel	
	Malaysia RM'000	Japan RM'000	Australia RM'000	Total RM'000
External revenue	124,701	16,335	359,917	500,953
Operating expenses	(6,731)	(3,671)	(241,724)	(252,126)
Net property income	117,970	12,664	118,193	248,827
Finance income				1,192
Fair value gain on investment properties				63,816
Other income				5,244
Unrealised gain on foreign exchange				107,272
Total income				426,351
Trust and administration expenses				(16,988)
Depreciation				(83,667)
Finance costs				(80,976)
Revaluation loss on property				(5,582)
Profit before tax				239,138

	Property rental		Hotel	
	Malaysia RM'000	Japan RM'000	Australia RM'000	Total RM'000
Non-current assets	2,079,000	292,618	1,950,303	4,321,921
Current assets	8,961	26,829	153,944	189,734
Total assets	2,087,961	319,447	2,104,247	4,511,655
Non-current liabilities	1,687,719	-	963	1,688,682
Current liabilities	54,843	1,198	48,421	104,462
Total liabilities	1,742,562	1,198	49,384	1,793,144
Additions to non-current assets	384,221	-	10,088	394,309

37. SEGMENTAL REPORTING (CONT'D.)

The Group's segmental result for the financial year ended 30 June 2017 is as follows:-

	Property rental		Hotel	
	Malaysia RM'000	Japan RM'000	Australia RM'000	Total RM'000
External revenue	100,993	15,954	332,736	449,683
Operating expenses	(5,748)	(3,834)	(230,485)	(240,067)
Net property income	95,245	12,120	102,251	209,616
Finance income				3,077
Fair value gain on investment properties				34,794
Revaluation gain on property				49
Other income				5,966
Total income				253,502
Trust and administration expenses				(16,656)
Unrealised loss on foreign exchange				(83,537)
Depreciation				(83,444)
Finance costs				(79,084)
Loss before tax				(9,219)

	Property rental		Hotel	
	Malaysia RM'000	Japan RM'000	Australia RM'000	Total RM'000
Non-current assets	1,663,500	274,147	1,924,577	3,862,224
Current assets	41,220	24,293	111,469	176,982
Total assets	1,704,720	298,440	2,036,046	4,039,206
Non-current liabilities	1,003,710	-	1,195	1,004,905
Current liabilities	456,018	1,041	46,251	503,310
Total liabilities	1,459,728	1,041	47,446	1,508,215
Additions to non-current assets	65,140	-	43,572	108,712

37. SEGMENTAL REPORTING (CONT'D.)

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

	Group	
	2018 RM'000	**2017 RM'000**
Revenue		
Common control companies:-		
under the major unitholder	**103,241**	81,147
under the holding company of major unitholder	**30,446**	28,581
	133,687	109,728

38. CAPITAL MANAGEMENT

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

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

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

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

The Listed REIT Guidelines require that the total borrowings of a real estate investment trust (including borrowings through issuance of debt securities) should not exceed 50% of its total asset value at the time the borrowings are incurred, pursuant to Clause 8.32 of the Listed REIT Guidelines. This supersedes the borrowing limit which had been approved and increased to 60% during the last unitholders' meeting.

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

		Group	
	Note	**2018 RM'000**	**2017 RM'000**
Borrowings	22	**967,300**	1,337,394
MTNs	23	**725,000**	75,000
Total borrowings		**1,692,300**	1,412,394
Total assets		**4,511,655**	4,039,206
Gearing ratio (%)		**37.51**	34.97

The Trust is not subject to externally imposed capital requirements for the financial years ended 30 June 2018 and 30 June 2017.

39. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

During the previous financial year, the Trust entered into a sale and purchase agreement for the acquisition of The Majestic Hotel Kuala Lumpur from YTL Majestic Hotel Sdn. Bhd. for a cash consideration of RM380,000,000.

The acquisition of The Majestic Hotel Kuala Lumpur was completed on 3 November 2017.

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 31 July 2018.

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 Sixth 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 Thursday, 18 October 2018 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 2018 together with the Reports attached thereon.

Number of units held

Signed this ______________ day of ______________________ 2018 Signature ______________________________

Notes:-

1. *A unitholder entitled to attend and vote at the meeting may appoint a proxy to attend and vote 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 and vote at the same meeting and where such unitholder appoints more than one proxy to attend and vote at 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 original 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 at any adjournment 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 11 October 2018. Only a depositor whose name appears on the General Meeting Record of Depositors as at 11 October 2018 shall be entitled to attend the said meeting or appoint proxy to attend on his behalf.*

Fold this flap for sealing

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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

managed by

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