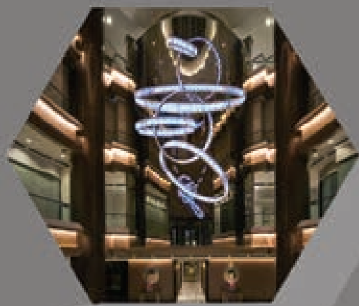
YTL HOSPITALITY REIT

ANNUAL
REPORT
2019



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.

ANNUAL
REPORT
2019

BUILDING THE RIGHT THING
The Journey Continues...

YTL HOSPITALITY REIT

managed by

PINTAR PROJEK SDN BHD
(314009-W)

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OVERVIEW

ABOUT YTL HOSPITALITY REIT

YTL Hospitality REIT has a market capitalisation of approximately RM2.30 billion (as at 30 June 2019) with a wide portfolio of prime hotel properties. The hospitality assets range from business to luxury hotels and are spread across a range of unique locations worldwide. In Malaysia, these include the JW Marriott Hotel Kuala Lumpur, The Majestic Hotel Kuala Lumpur, The Ritz-Carlton, Kuala Lumpur (Hotel and Suite wings), the Pangkor Laut, Tanjong Jara and Cameron Highlands resorts and the Vistana chain of hotels in Kuala Lumpur, Penang and Kuantan. YTL Hospitality REIT's international portfolio comprises Hilton Niseko Village and The Green Leaf Niseko Village in Japan and the Sydney Harbour, Brisbane and Melbourne Marriott hotels in Australia.

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

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

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.

Property Portfolio

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, and, in September 2018, acquired its second hotel in Japan, The Green Leaf Niseko Village.

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

The composition of YTL Hospitality REIT's investment portfolio as at 30 June 2019 is as follows:-

	RM '000	%
Real Estate - Commercial		
JW Marriott Hotel Kuala Lumpur	519,000	11
The Majestic Hotel Kuala Lumpur	388,000	8
The Ritz-Carlton, Kuala Lumpur – Suite Wing	311,000	7
The Ritz-Carlton, Kuala Lumpur – Hotel Wing	357,000	8
Vistana Penang Bukit Jambul	120,000	2
Vistana Kuala Lumpur Titiwangsa	138,000	3
Vistana Kuantan City Centre	89,000	2
Pangkor Laut Resort	118,000	2
Tanjong Jara Resort	103,000	2
Cameron Highlands Resort	60,000	1
Hilton Niseko Village	296,335	6
The Green Leaf Niseko Village	233,219	5
Sydney Harbour Marriott	1,447,848	31
Brisbane Marriott	270,540	6
Melbourne Marriott	227,838	5
	4,678,780	99
Deposits with licensed financial institutions	58,935	1
Total	4,737,715	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.

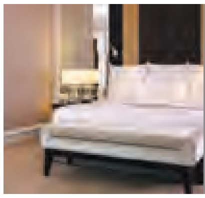
Property Portfolio

JW Marriott Hotel Kuala Lumpur

Cameron Highlands Resort

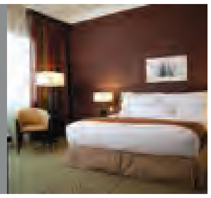
The Majestic Hotel Kuala Lumpur

Tanjong Jara Resort



The Ritz-Carlton, Kuala Lumpur – Suite Wing

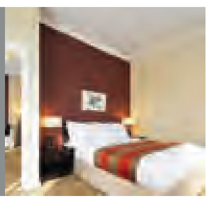
Vistana Kuantan City Centre

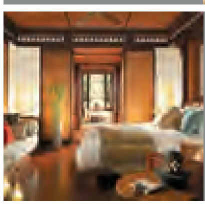


The Ritz-Carlton, Kuala Lumpur – Hotel Wing

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

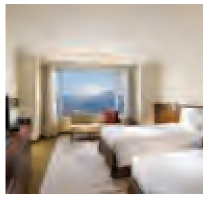
Property Portfolio

JAPAN

- Hilton Niseko Village
- The Green Leaf Niseko Village

AUSTRALIA

- Brisbane Marriott
- Sydney Harbour Marriott
- Melbourne Marriott

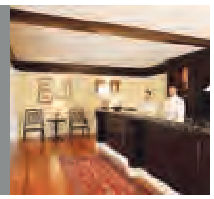


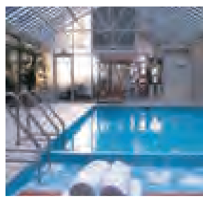
Hilton Niseko Village

The Green Leaf Niseko Village

Brisbane Marriott

Sydney Harbour Marriott





Melbourne Marriott

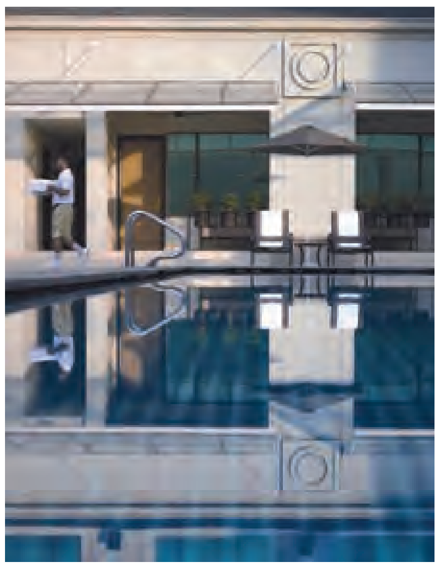
Property Portfolio

JW MARRIOTT HOTEL KUALA LUMPUR

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

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

Property type	Hotel
Age	Approximately 22 years
Title details	Grant No. 28678/M1/B5/1, within Parcel No. 1, Storey No. B5 of Building No. M1 and 8 accessory parcels for Lot No. 1267 Section 67, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Encumbrances/Limitation in title/interest	The property is charged to secure financing and there is no restriction attached to the title.
Status of holdings	Freehold
Existing use	Commercial building
Parking spaces	490 bays
Lessee	Star Hill Hotel Sdn. Bhd.
Car park operator	YTL Land Sdn. Bhd.
Lease term	The property is leased for a term expiring on 31 December 2023.
Date of acquisition	16 December 2005
Cost of acquisition (including incidentals)	RM331,024,000
Fair value adjustments for the financial year	RM3,702,000
Market value	RM519,000,000
Date of latest valuation	30 June 2019
Independent valuer	SMY Valuers & Consultants Sdn. Bhd.
Net book value	RM519,000,000

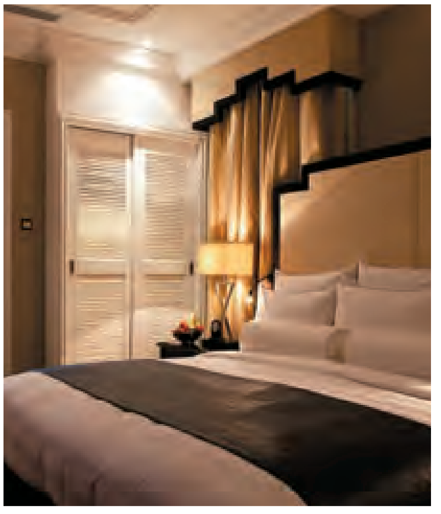


THE MAJESTIC HOTEL KUALA LUMPUR

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 87 years (refurbished in Year 2012) Tower Wing – Approximately 6 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 72 years.
Existing use	Commercial building
Parking spaces	430 bays
Lessee	YTL Majestic Hotel Sdn. Bhd.
Lease term	The property is leased for a term expiring on 2 November 2032.
Date of acquisition	3 November 2017
Cost of acquisition (including incidentals)	RM384,221,000
Fair value adjustments for the financial year	RM3,000,000
Market value	RM388,000,000
Date of latest valuation	31 May 2019
Independent valuer	Savills (Malaysia) Sdn. Bhd.
Net book value	RM388,000,000



Property Portfolio

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

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

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

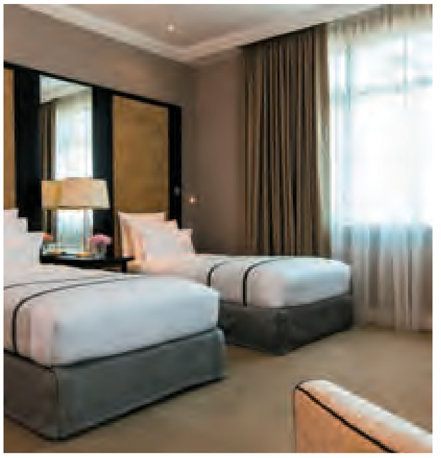
Property type	Serviced apartment
Age	Approximately 14 years
Title details	Grant No. 47693 for Lot No. 1308 Section 67, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Encumbrances/Limitation in title/interest	The property is charged to secure financing and there is no restriction attached to the title.
Status of holdings	Freehold
Existing use	Commercial building
Parking spaces	Total combined 189 bays from Parcel 1 and Parcel 2.
Lessee	Star Hill Hotel Sdn. Bhd.
Lease term	The property is leased for a term expiring on 30 June 2031.
Date of acquisition	16 May 2007
Cost of acquisition (including incidentals)	RM125,000,000
Fair value adjustments for the financial year	RM3,000,000
Market value	RM210,000,000
Date of latest valuation	31 May 2019
Independent valuer	Savills (Malaysia) Sdn. Bhd.
Net book value	RM210,000,000

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 14 years
Title details	Grant No. 47693 for Lot No. 1308 Section 67, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Encumbrances/Limitation in title/interest	The property is charged to secure financing and there is no restriction attached to the title.
Status of holdings	Freehold
Existing use	Commercial building
Parking spaces	Total combined 189 bays from Parcel 1 and Parcel 2.
Lessee	Star Hill Hotel Sdn. Bhd.
Lease term	The property is leased for a term expiring on 30 June 2031.
Date of acquisition	15 November 2011
Cost of acquisition (including incidentals)	RM73,881,000
Fair value adjustments for the financial year	RM2,000,000
Market value	RM101,000,000
Date of latest valuation	31 May 2019
Independent valuer	Savills (Malaysia) Sdn. Bhd.
Net book value	RM101,000,000



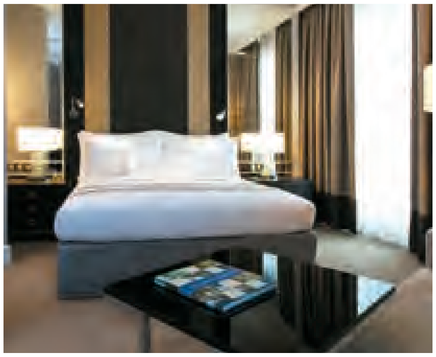
Property Portfolio

THE RITZ-CARLTON, KUALA LUMPUR - HOTEL WING

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

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

Property type	Hotel
Age	Approximately 22 years
Title details	Grant No. 26579 for Lot No. 225, Section 67, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Encumbrances/Limitation in title/interest	The property is charged to secure financing and there is no restriction attached to the title.
Status of holdings	Freehold
Existing use	Commercial building
Parking spaces	153 bays
Lessee	East-West Ventures Sdn. Bhd.
Lease term	The property is leased for a term expiring on 14 November 2026.
Date of acquisition	15 November 2011
Cost of acquisition (including incidentals)	RM253,017,000
Fair value adjustments for the financial year	RM14,000,000
Market value	RM357,000,000
Date of latest valuation	31 May 2019
Independent valuer	SMY Valuers & Consultants Sdn. Bhd.
Net book value	RM357,000,000



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 20 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 75 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 (including incidentals)	RM101,778,000
Fair value adjustments for the financial year	RM2,000,000
Market value	RM120,000,000
Date of latest valuation	31 May 2019
Independent valuer	Savills (Malaysia) Sdn. Bhd.
Net book value	RM120,000,000

Property Portfolio

VISTANA KUALA LUMPUR TITIWANGSA

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

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

Property type	Hotel
Age	Approximately 24 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 (including incidentals)	RM101,207,000
Fair value adjustments for the financial year	RM2,000,000
Market value	RM138,000,000
Date of latest valuation	31 May 2019
Independent valuer	Azmi & Co. Sdn. Bhd.
Net book value	RM138,000,000

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 20 years
Title details	Lot No. 714, Section 37 held under PN No. 13491, Town and District of Kuantan, Pahang.
Encumbrances/Limitation in title/interest	The property is charged to secure financing and there is restriction attached to the title.
Status of holdings	99-year leasehold expiring on 11 July 2092. The unexpired lease period is approximately 73 years.
Existing use	Commercial building
Parking spaces	149 bays
Lessee	Business & Budget Hotels (Kuantan) Sdn. Bhd.
Lease term	The property is leased for a term expiring on 14 November 2026.
Date of acquisition	15 November 2011
Cost of acquisition (including incidentals)	RM75,980,000
Fair value adjustments for the financial year	RM1,000,000
Market value	RM89,000,000
Date of latest valuation	31 May 2019
Independent valuer	Savills (Malaysia) Sdn. Bhd.
Net book value	RM89,000,000

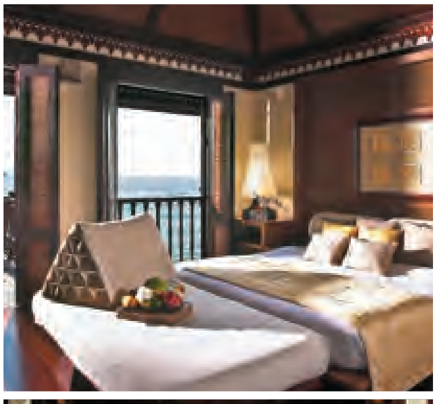
Property Portfolio

PANGKOR LAUT RESORT

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

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

Property type	Resort
Age	Approximately 26 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 76 years.
Existing use	Commercial building
Parking spaces	Not applicable
Lessee	Syarikat Pelanchongan Pangkor Laut Sendirian Berhad.
Lease term	The property is leased for a term expiring on 14 November 2026.
Date of acquisition	15 November 2011
Cost of acquisition (including incidentals)	RM98,365,000
Fair value adjustments for the financial year	RM1,000,000
Market value	RM118,000,000
Date of latest valuation	31 May 2019
Independent valuer	Azmi & Co. Sdn. Bhd.
Net book value	RM118,000,000



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 24 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 48 years.
Existing use	Commercial building
Parking spaces	50 bays
Lessee	Tanjong Jara Beach Hotel Sdn. Bhd.
Lease term	The property is leased for a term expiring on 14 November 2026.
Date of acquisition	15 November 2011
Cost of acquisition (including incidentals)	RM88,050,000
Fair value adjustments for the financial year	RM1,000,000
Market value	RM103,000,000
Date of latest valuation	31 May 2019
Independent valuer	Azmi & Co. Sdn. Bhd.
Net book value	RM103,000,000

Property Portfolio

CAMERON HIGHLANDS RESORT

Address/Location

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

Description

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

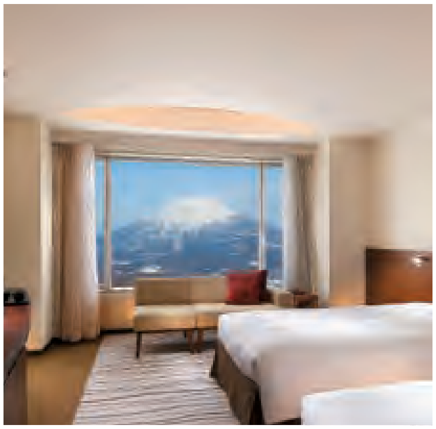
Property type	Resort
Age	Approximately 45 years
Title details	HSD 3881 for Lot No. PT 1812, Mukim of Tanah Rata, District of Cameron Highlands, State of Pahang.
Encumbrances/Limitation in title/interest	The property is charged to secure financing and there is no restriction attached to the title.
Status of holdings	99-year leasehold expiring on 9 December 2108. The unexpired lease period is approximately 89 years.
Existing use	Commercial building
Parking spaces	19 bays
Lessee	Cameron Highlands Resort Sdn. Bhd.
Lease term	The property is leased for a term expiring on 14 November 2026.
Date of acquisition	15 November 2011
Cost of acquisition (including incidentals)	RM50,649,000
Fair value adjustments for the financial year	-
Market value	RM60,000,000
Date of latest valuation	31 May 2019
Independent valuer	Savills (Malaysia) Sdn. Bhd.
Net book value	RM60,000,000

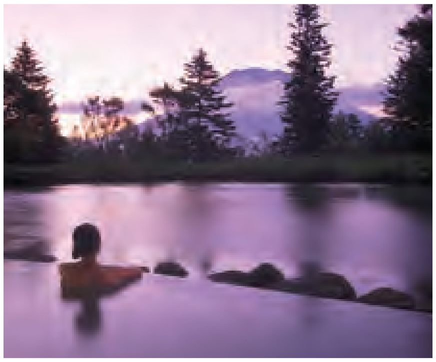
HILTON NISEKO VILLAGE

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 25 years
Title details	Lot No. 919-15, 919-18, 919-19, 920-4, 920-5 and 920-7, Aza-Soga, Niseko-cho, Abuta-gun and Lot No. 214-6, 252-2 and 264-4, Aza-Kabayama, Kutchan-cho, Abuta-gun, Hokkaido, Japan.
Encumbrances/Limitation in title/interest	The property is charged to secure financing and there is no restriction attached to the title.
Status of holdings	Freehold
Existing use	Commercial building
Parking spaces	290 bays
Lessee	Niseko Village K.K.
Lease term	The property is leased for a term expiring on 21 December 2026.
Date of acquisition	22 December 2011
Cost of acquisition (including incidentals)	JPY6,402,726,000
Fair value adjustments for the financial year	(JPY320,000,000) or (RM12,300,000)
Market value	JPY7,700,000,000
Date of latest valuation	31 May 2019
Independent valuer	Savills Japan Co., Ltd.
Net book value	RM296,335,000





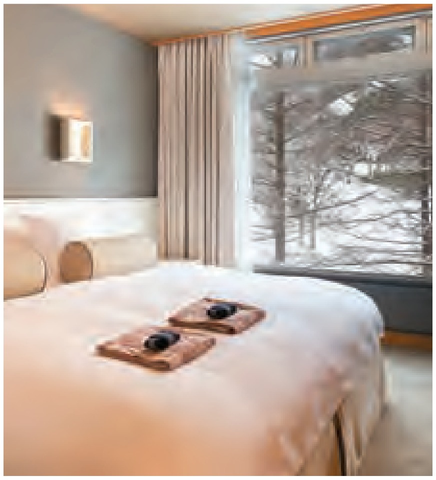
Property Portfolio

THE GREEN LEAF NISEKO VILLAGE

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

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

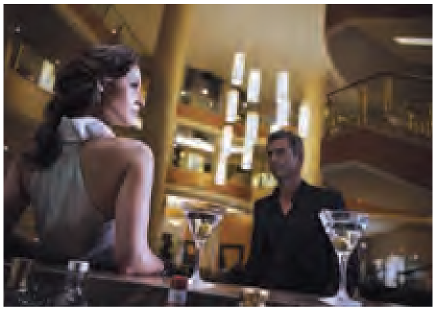
Property type	Hotel
Age	Approximately 36 years
Title details	Lot No. 1-2, 5-4, 6-2 and 7-3, Aza-Higashiyama, Niseko-cho, Abuta-gun, Hokkaido, Japan.
Encumbrances/Limitation in title/interest	The property is charged to secure financing and there is no restriction attached to the title.
Status of holdings	Freehold
Existing use	Commercial building
Parking spaces	Nil
Lessee	Niseko Village K.K.
Lease term	The property is leased for a term expiring on 25 September 2048.
Date of acquisition	26 September 2018
Cost of acquisition (including incidentals)	JPY6,005,452,000
Fair value adjustments for the financial year	JPY54,548,000 or RM2,097,000
Market value	JPY6,060,000,000
Date of latest valuation	31 May 2019
Independent valuer	Savills Japan Co., Ltd.
Net book value	RM233,219,000
Vendor	Niseko Village K.K.
Relationship	Wholly-owned subsidiary of the major unitholder

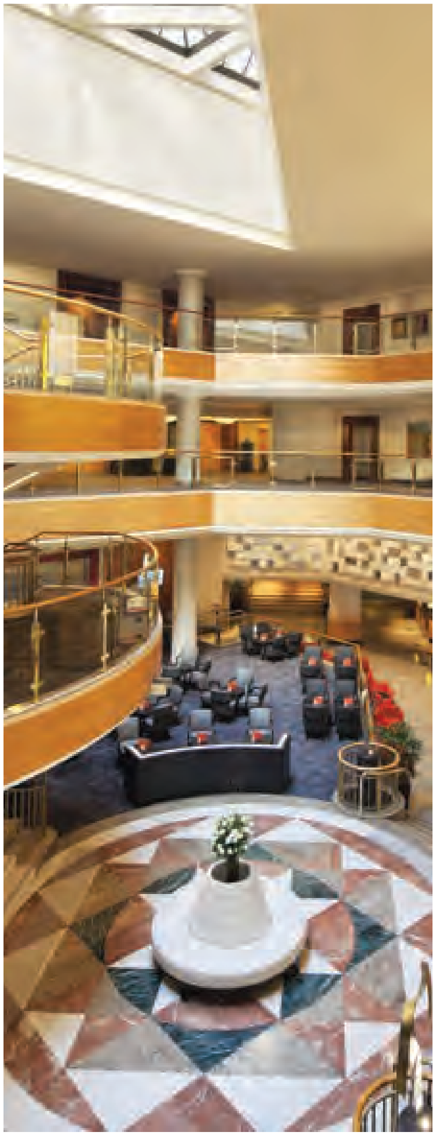


SYDNEY HARBOUR MARRIOTT

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 30 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	91.59%
Date of acquisition	29 November 2012
Cost of acquisition (including incidentals)	AUD264,618,000
Fair value adjustments for the financial year	AUD23,879,000 or RM69,287,000
Market value	AUD500,000,000
Date of latest valuation	31 May 2019
Independent valuer	Savills Valuations Pty. Ltd.
Net book value	RM1,447,848,000

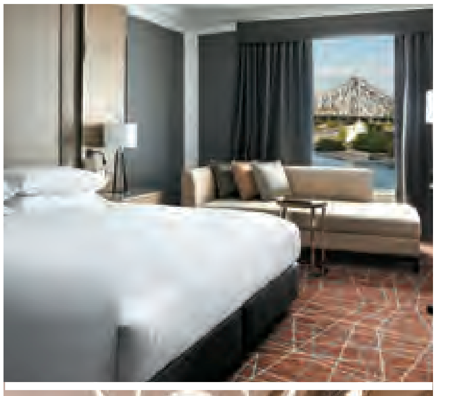
Property Portfolio

BRISBANE MARRIOTT

Address/Location
515 Queen Street, Brisbane, Queensland.

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

Property type	Hotel
Age	Approximately 21 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	69.40%
Date of acquisition	29 November 2012
Cost of acquisition (including incidentals)	AUD120,311,000
Fair value adjustments for the financial year	AUD346,000 or RM1,005,000
Market value	AUD93,500,000
Date of latest valuation	31 May 2019
Independent valuer	Savills Valuations Pty. Ltd.
Net book value	RM270,540,000



MELBOURNE MARRIOTT

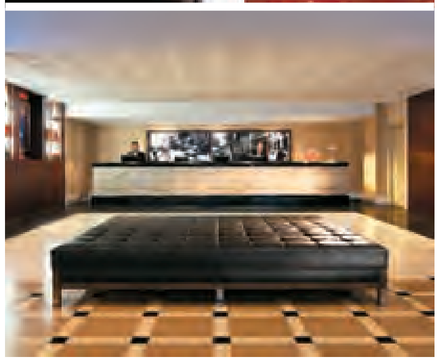
Address/Location

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 37 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	85.50%
Date of acquisition	29 November 2012
Cost of acquisition (including incidentals)	AUD56,404,000
Fair value adjustments for the financial year	AUD2,741,000 or RM7,952,000
Market value	AUD78,500,000
Date of latest valuation	31 May 2019
Independent valuer	Savills Valuations Pty. Ltd.
Net book value	RM227,838,000

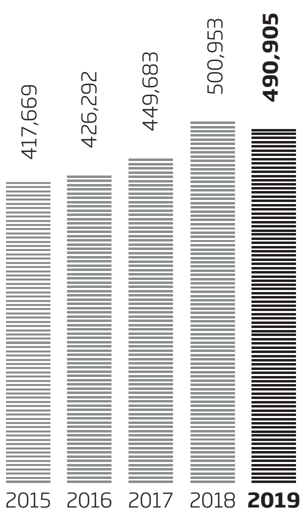


Financial Highlights

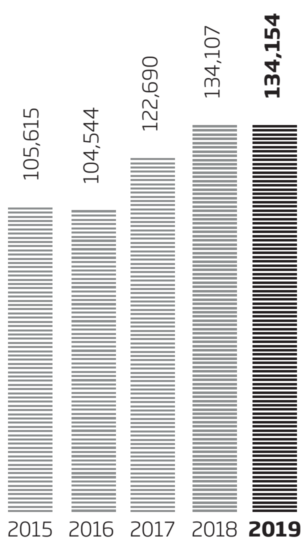
	2019	2018	2017	2016	2015
Revenue (RM'000)	**490,905**	500,953	449,683	426,292	417,669
Total income distribution (RM'000)	**134,154**	134,107	122,690	104,544	105,615
Profit/(Loss) before tax (RM'000)	**107,841**	239,138	(9,219)	(3,788)	96,808
Profit/(Loss) after tax (RM'000)	**104,673**	236,559	(12,121)	(5,775)	94,992
Total assets (RM'000)	**4,864,777**	4,511,655	4,039,206	3,621,918	3,430,672
Net asset value (RM'000)	**2,737,100**	2,718,511	2,530,991	1,922,403	1,782,595
Units in circulation ('000)	**1,704,389**	1,704,389	1,704,389*1	1,324,389	1,324,389
Net asset value per Unit (RM)	**1.606**	1.595	1.485	1.452	1.346
Earnings/(Loss) per Unit (sen)	**6.14**	13.88	(0.79)	(0.44)	7.17
Distribution per Unit (sen)	**7.8711**	7.8683	8.0838	7.8938	7.9746

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

Revenue (RM'000)



Total income distribution (RM'000)

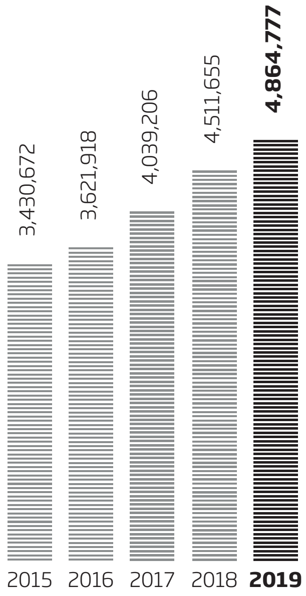


Financial Highlights

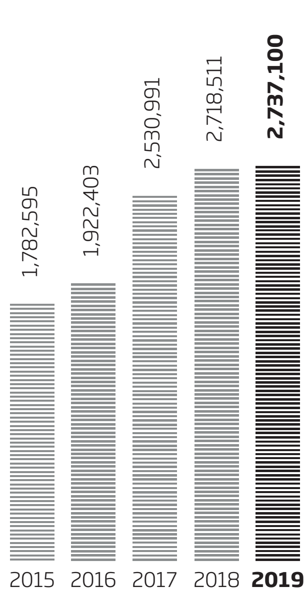
Profit/(Loss) before tax (RM'000)

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

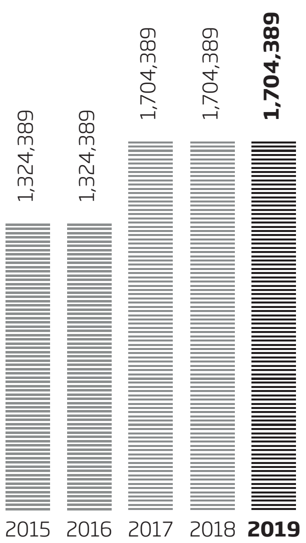
Total assets (RM'000)



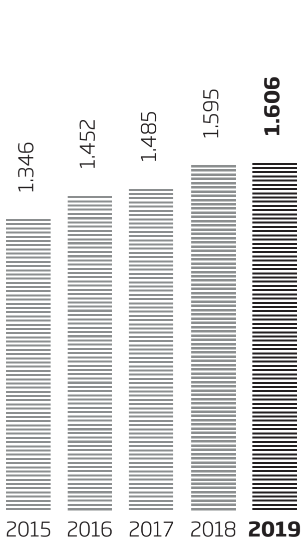
Net asset value (RM'000)



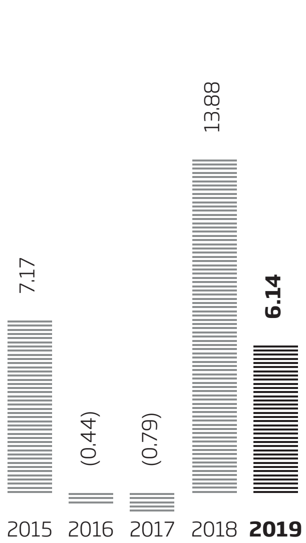
Units in circulation ('000)



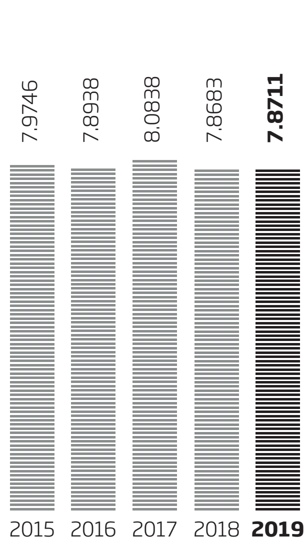
Net asset value per Unit (RM)



Earnings/(Loss) per Unit (sen)



Distribution per Unit (sen)



Fund Performance

(I) PORTFOLIO COMPOSITION OF THE GROUP

At 30 June	2019 %	2018 %	2017 %	2016 %	2015 %
Real estate	**99**	99	99	99	98
Non-real estate-related assets	**-**	-	-	-	-
Deposits	**1**	1	1	1	2
	100	100	100	100	100

(II) NET ASSET VALUE & UNIT INFORMATION

	2019	2018	2017	2016	2015
Total assets (RM'000)	**4,864,777**	4,511,655	4,039,206	3,621,918	3,430,672
Total net asset value ("NAV") (RM'000)					
- as at 30 June (before income distribution)	**2,871,254**	2,852,618	2,653,681	2,026,947	1,888,210
- as at 30 June (after income distribution)	**2,737,100**	2,718,511	2,530,991	1,922,403	1,782,595
Units in circulation ('000)	**1,704,389**	1,704,389	1,704,389	1,324,389	1,324,389
NAV per Unit (RM)					
- as at 30 June (before income distribution)	**1.685**	1.674	1.557	1.530	1.426
- as at 30 June (after income distribution)	**1.606**	1.595	1.485	1.452	1.346
- Highest NAV during the year	**1.606**	1.595	1.485	1.452	1.346
- Lowest NAV during the year	**1.551**	1.398	1.386	1.339	1.158
Market value per Unit (RM)					
- as at 30 June	**1.34**	1.17	1.18	1.07	1.03
- Weighted average price for the year	**1.25**	1.17	1.16	1.05	1.01
- Highest traded price for the year	**1.37**	1.28	1.24	1.09	1.05
- Lowest traded price for the year	**1.15**	1.08	1.06	0.99	0.92

(III) PERFORMANCE DETAILS OF THE GROUP

	2019	2018	2017	2016	2015
Distribution per Unit (sen)					
- First interim	**1.9219**	1.9737	2.0528	1.9175	1.9175
- Advance	**-**	-	1.9181	-	-
- Second interim	**1.9387**	1.9917	0.3459	1.9175	1.8697
- Third interim	**1.9116**	1.9378	1.8364	1.9175	1.8616
- Final	**2.0989**	1.9651	1.9306	2.1413	2.3258
	7.8711	7.8683	8.0838	7.8938	7.9746
Distribution date					
- First interim	**28 December 2018**	29 December 2017	23 December 2016	30 December 2015	24 December 2014
- Advance	**-**	-	12 January 2017	-	-
- Second interim	**29 March 2019**	30 March 2018	30 March 2017	31 March 2016	24 March 2015
- Third interim	**28 June 2019**	29 June 2018	30 June 2017	30 June 2016	26 June 2015
- Final	**30 August 2019**	30 August 2018	30 August 2017	30 August 2016	28 August 2015
Distribution yield (%) (1)	**6.30**	6.73	6.97	7.52	7.90
Management expense ratio (%)	**0.84**	0.55	0.54	0.68	0.86
Total return (%) (2)	**13.13**	7.59	17.44	11.48	10.96
Average total return (3)					
- One year	**13.13**				
- Three years	**12.72**				
- Five years	**12.12**				

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

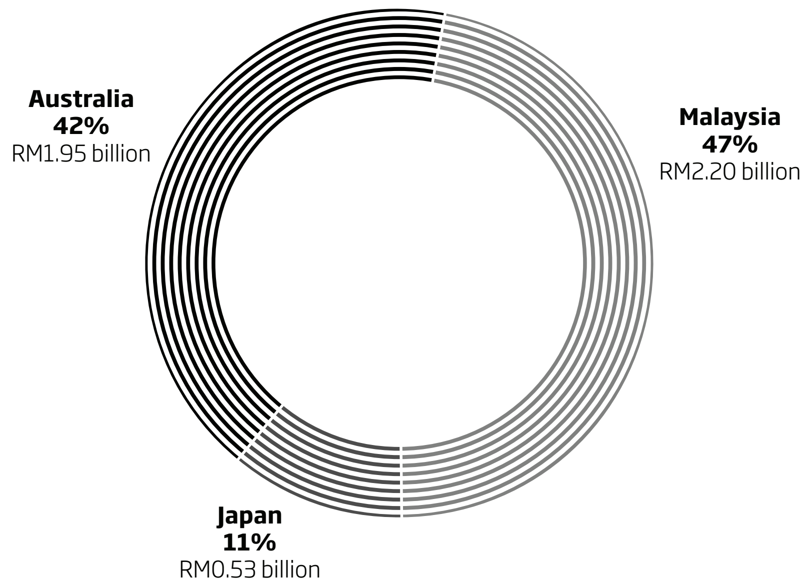
OVERVIEW OF YTL HOSPITALITY REIT

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

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

During the financial year ended 30 June 2019, YTL REIT completed the acquisition of The Green Leaf Niseko Village ("The Green Leaf"). The investment portfolio of YTL REIT in Malaysia as at 30 June 2019 comprises The Majestic Hotel Kuala Lumpur, JW Marriott Hotel Kuala Lumpur, The Ritz-Carlton, Kuala Lumpur - Suite Wing ("The Ritz Carlton Suite Wing"), Cameron Highlands Resort, 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 and The Green Leaf were acquired through the Trust's subsidiary, namely Starhill REIT Niseko GK, a company incorporated in Japan, while the Sydney Harbour Marriott, Brisbane Marriott and Melbourne Marriott were acquired by Australian trust entities of the Trust.

Asset Breakdown By Country as at 30 June 2019



Management Discussion & Analysis

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATION

COMPOSITION OF INVESTMENT PORTFOLIO

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

	Fair value as at 30.6.2019 RM'000	% of total investment	Fair value as at 30.6.2018 RM'000	% of total investment
Real Estate - Commercial				
Properties in Malaysia				
1. JW Marriott Hotel Kuala Lumpur	**519,000**	**11**	424,000	10
2. The Majestic Hotel Kuala Lumpur	**388,000**	**8**	385,000	9
3. The Ritz-Carlton Hotel Wing	**357,000**	**8**	343,000	8
4. The Ritz-Carlton Suite Wing	**311,000**	**7**	306,000	7
5. Vistana Kuala Lumpur Titiwangsa	**138,000**	**3**	136,000	3
6. Vistana Penang Bukit Jambul	**120,000**	**2**	118,000	3
7. Pangkor Laut Resort	**118,000**	**2**	117,000	3
8. Tanjong Jara Resort	**103,000**	**2**	102,000	2
9. Vistana Kuantan City Centre	**89,000**	**2**	88,000	2
10. Cameron Highlands Resort	**60,000**	**1**	60,000	1
Properties in Japan				
11. Hilton Niseko Village	**296,335**	**6**	292,618	7
12. The Green Leaf Niseko Village	**233,219**	**5**	-	-
Properties in Australia				
13. Sydney Harbour Marriott	**1,447,848**	**31**	1,473,642	34
14. Brisbane Marriott	**270,540**	**6**	241,808	5
15. Melbourne Marriott	**227,838**	**5**	232,303	5
Sub-total	**4,678,780**	**99**	**4,319,371**	**99**
Deposits with licensed financial institutions	**58,935**	**1**	45,754	1
Total	**4,737,715**	**100**	**4,365,125**	**100**

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

MANAGER'S INVESTMENT STRATEGIES AND POLICIES

Investment Strategies

During the financial year, 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.

Management Discussion & Analysis

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATION

(iii) Capital Management Strategy

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

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

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

Investment Policies

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

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

(a) Real estate

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

(b) Non-real estate assets

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

(c) Cash, deposits and money market instruments

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

DISTRIBUTION POLICY

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

Commencing 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

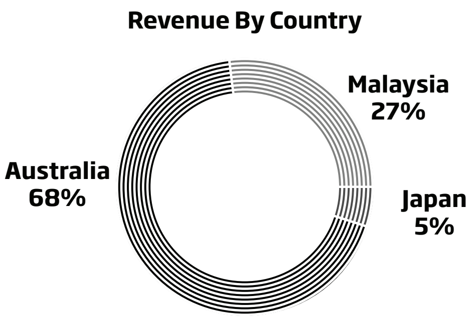
	FY2019 RM'000	FY2018 RM'000	Change
Revenue			
- Hotel revenue (Management contracts)	**331,482**	359,917	(7.9%)
- Property revenue (Master leases)	**159,423**	141,036	+ 13.0%
Total revenue	**490,905**	500,953	(2.0%)
Net property income ("NPI")			
- Management contracts	**105,322**	118,193	(10.9%)
- Master leases	**147,957**	130,634	+ 13.3%
NPI	**253,279**	248,827	+ 1.8%
Income available for distribution	**134,154**	134,107	+ 0.0%
Total income distribution	**134,154**	134,107	+ 0.0%

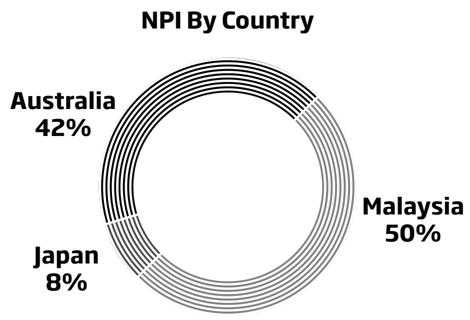
SEGMENTAL RESULTS OF THE GROUP

	Property rental		Hotel	
	Malaysia RM'000	Japan RM'000	Australia RM'000	Total RM'000
FY 2019				
External revenue	**134,188**	**25,235**	**331,482**	**490,905**
Operating expenses	**(7,078)**	**(4,388)**	**(226,160)**	**(237,626)**
NPI	**127,110**	**20,847**	**105,322**	**253,279**
FY 2018				
External revenue	124,701	16,335	359,917	500,953
Operating expenses	(6,731)	(3,671)	(241,724)	(252,126)
NPI	117,970	12,664	118,193	248,827

Management Discussion & Analysis

DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS AND FINANCIAL CONDITION





The income available for distribution in the current financial year of RM134.154 million represented a slight increase of 0.04% as compared to RM134.107 million recorded in the preceding financial year.

For the current financial year ended 30 June 2019, the Group's revenue decreased by 2.01% while net property income increased by 1.79% as compared to the preceding financial year.

Australian Properties contributed 67.53% of total revenue, or RM331.482 million in the current financial year, which was 7.90% lower as compared to RM359.917 million recorded in the preceding financial year. Net property income for Australian Properties was RM105.322 million, a decrease of 10.89% as compared to RM118.193 million recorded in the preceding financial year. The decreases in revenue and net property income in the current financial year were substantially due to business interruptions following the refurbishment exercise at Brisbane Marriott which commenced during the financial quarter ended 30 September 2018 and the continuous weakening of Australian Dollar against Ringgit Malaysia which resulted in lower translated revenue and net property income in Ringgit Malaysia.

Malaysian Properties contributed 27.33% of total revenue, or RM134.188 million in the current financial year, which was 7.61% higher as compared to RM124.701 million recorded in the preceding financial year. Net property income for Malaysian Properties was RM127.110 million, an increase of 7.75% from RM117.970 million recorded in the preceding financial year. The increase in revenue and net property income was mainly contributed by The Majestic Hotel Kuala Lumpur acquired in November 2017. Step-up lease rental income of 5% every five years from the commencement of the lease agreement for JW Marriott Hotel Kuala Lumpur also contributed to the increase in revenue and net property income.

Japanese Properties contributed 5.14% of total revenue, or RM25.235 million in the current financial year, which was 54.48% higher than that recorded in the preceding financial year. Net property income for the current financial year was RM20.847 million, an increase of 64.62% from RM12.664 million recorded in the preceding financial year. The increases in revenue and net property income were mainly due to the acquisition of The Green Leaf in September 2018.

The Group recorded profit before tax of RM107.841 million for the current financial year ended 30 June 2019, a decrease of 54.90% as compared to profit before tax of RM239.138 million recorded in the preceding financial year. The following factors contributed to the decrease:

(i) fair value gain on properties of RM23.875 million recorded during the current financial year as compared to the gain of RM58.234 million recorded in the preceding financial year; and

(ii) unrealised foreign currency translation gain on borrowings denominated in foreign currencies of RM16.359 million recorded during the current financial year as compared to a translation gain of RM107.272 million recognised during the preceding financial year.

DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS AND FINANCIAL CONDITION

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 5.7722 sen per unit (of which 5.2195 sen is taxable and 0.5527 sen is non-taxable in the hands of unitholders) amounted to RM98,380,735 were paid as follows:-

	Date of distribution	Distribution per unit Sen	Income distribution RM
First interim	28 December 2018	1.9219	32,756,650
Second interim	29 March 2019	1.9387	33,042,987
Third interim	28 June 2019	1.9116	32,581,098
Total		**5.7722**	**98,380,735**

The Manager has declared a final income distribution (which is tax exempt at the Trust level under the amended Section 61A of the Income Tax Act 1967) of 2.0989 sen per unit (of which 1.7022 sen is taxable and 0.3967 sen is non-taxable in the hands of unitholders), totaling RM35,773,418.

Total income distribution paid and declared for the financial year ended 30 June 2019 is 7.8711 sen per unit, totaling RM134,154,153, which translates to a yield of 6.32% based on the twelve months weighted average market price of RM1.245 per unit.

The total income distribution of RM134,154,153 represents approximately 100% of the realised and distributable income for the financial year ended 30 June 2019.

The effect of the income distribution in terms of the net asset value per unit of the Group as at 30 June 2019 is as follows:-

	Before distribution RM	After distribution RM
Net asset value ("NAV") per unit	1.685	1.606

Management Discussion & Analysis

DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS AND FINANCIAL CONDITION

FINANCIAL POSITION

As at 30 June	2019 RM'000	2018 RM'000	Change
Investment properties	**2,732,554**	2,371,618	+ 15.2%
Property, plant and equipment	**1,946,226**	1,947,753	(0.1%)
Cash & cash equivalents	**148,972**	155,457	(4.2%)
Other assets	**37,025**	36,827	+ 0.5%
Total assets	**4,864,777**	4,511,655	+ 7.8%
Borrowings	**2,009,424**	1,687,694	+ 19.1%
Other liabilities	**118,253**	105,450	+ 12.1%
Total liabilities	**2,127,677**	1,793,144	+ 18.7%
NAV	**2,737,100**	2,718,511	+ 0.7%
No. of units in circulation ('000)	**1,704,389**	1,704,389	-
NAV per unit (RM)	**1.606**	1.595	+ 0.7%

Analysis of NAV of the Group since the last financial year ended 30 June 2018:-

As at 30 June	2019 RM'000	2018 RM'000
Total NAV (RM'000)	**2,737,100**	2,718,511
NAV per unit (RM)	**1.606**	1.595

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 computed as total borrowings divided by total assets.

- Gearing

As at 30 June	2019 RM'000	2018 RM'000	Change
Borrowings	**1,202,966**	967,300	+ 24.4%
MTNs	**810,000**	725,000	+ 11.7%
Total borrowings	**2,012,966**	1,692,300	+ 18.9%
Total Assets	**4,864,777**	4,511,655	+ 7.8%
Gearing Ratio (%)	**41.38%**	37.51%	3.87 pp

- 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 largely hedged using interest rate swaps to eliminate the risk of fluctuation in interest rates.

Management Discussion & Analysis

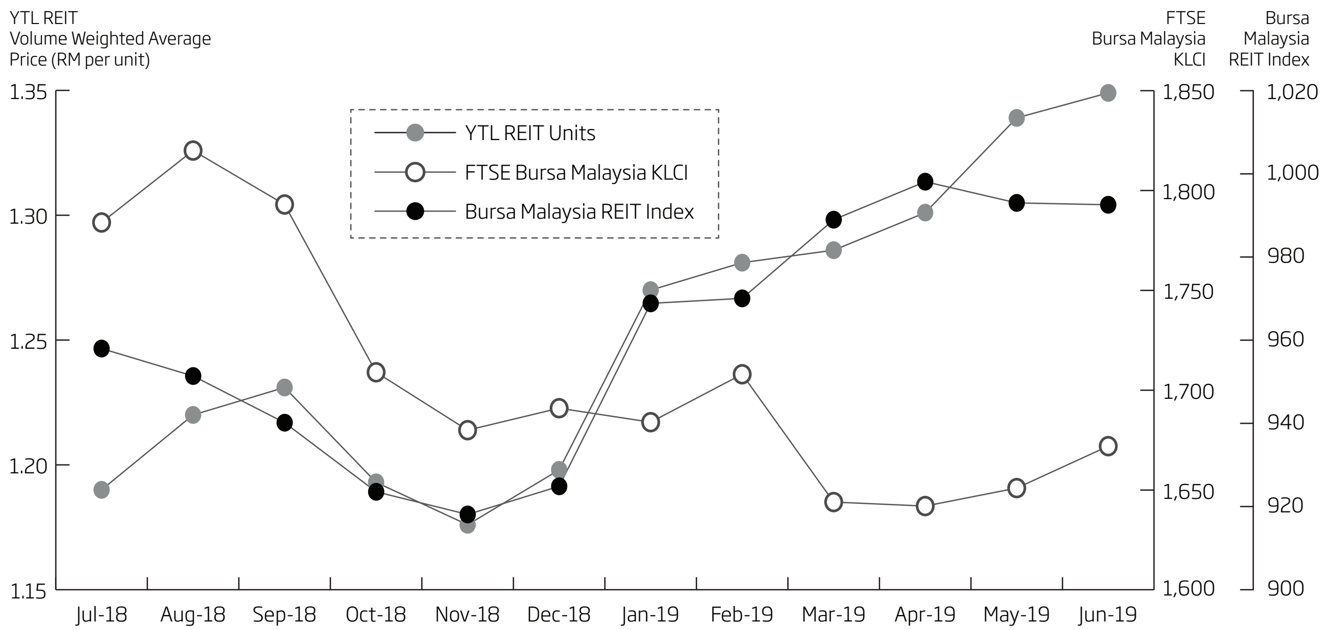
DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS AND FINANCIAL CONDITION

UNIT PERFORMANCE

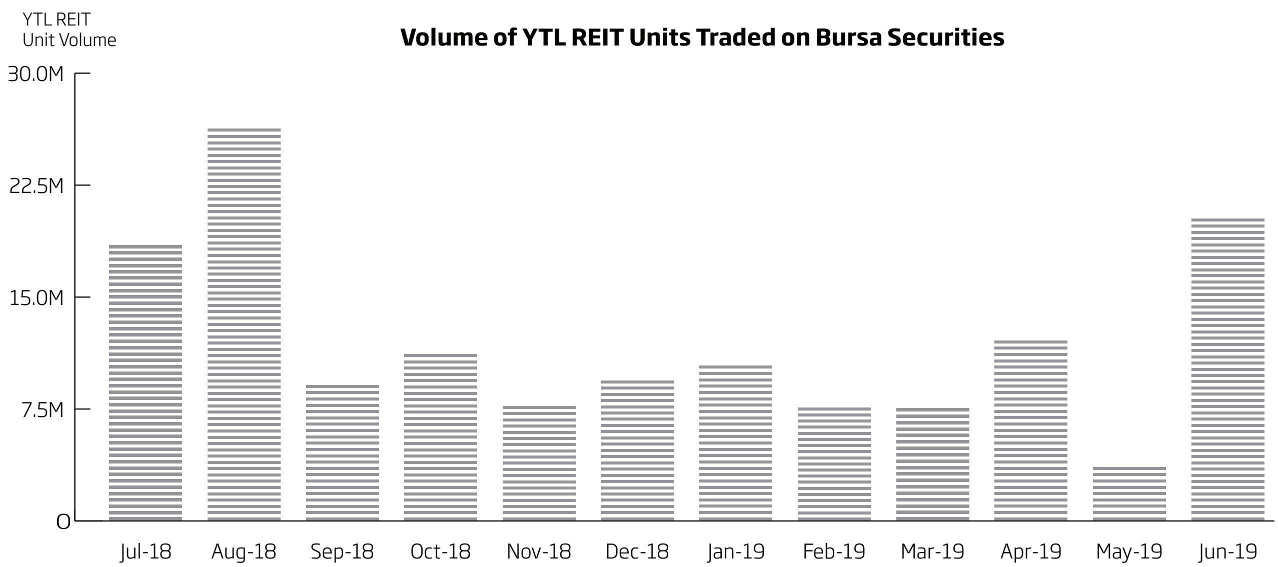
The Trust's units traded at RM1.17 per unit at the beginning of the financial year and ended the year higher at RM1.34 per unit, with a volume weighted average price for the financial year of RM1.245 per unit. During the financial year under review, the Trust's unit price recorded a high of RM1.37 per unit and a low of RM1.15 per unit, and traded largely in line with the Bursa Malaysia REIT Index.

Analysis of changes in prices during the financial year ended 30 June 2019:-

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



Volume of YTL REIT Units Traded on Bursa Securities



Source: Bloomberg

DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS AND FINANCIAL CONDITION

BENCHMARK RELEVANT TO THE GROUP

Management Expense Ratio ("MER")

	2019	2018
MER for the financial year	**0.84%**	0.55%

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

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

SIGNIFICANT CORPORATE DEVELOPMENTS

ACQUISITION OF THE GREEN LEAF

As reported last year, 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 Corporation Berhad ("YTL Corp"), for the acquisition of The Green Leaf for a cash consideration of Japanese Yen ("JPY") 6.0 billion (equivalent to RM222.5 million, based on exchange rate of JPY100 : RM3.7078). YTL Corp is a substantial unitholder of YTL REIT and also owns a 70% stake in the Manager.

A lease agreement was also entered into, whereby Starhill Niseko leases The Green Leaf to NVKK for a lease period of 30 years with an option granted to NVKK to renew the lease for a further term of 30 years ("Lease").

The acquisition of The Green Leaf was completed on 26 September 2018 and, consequently, the Lease became effective on the same day.

RENTAL REVISION FOR JW MARRIOTT HOTEL KUALA LUMPUR

On 20 June 2019, the Trustee ("Lessor") entered into a supplemental lease agreement ("Supplemental Agreement") with Star Hill Hotel Sdn Bhd ("Lessee"), the lessee of JW Marriott Hotel Kuala Lumpur, for the rental increase of RM5,950,000 per annum ("Additional Rental").

Pursuant to the Supplemental Agreement, the Lessee has agreed to pay the Additional Rental as the Lessor has agreed to reimburse the Lessee for the renovation costs totalling RM85 million. The reimbursement was completed on 28 June 2019 and the commencement date of the Additional Rental is 1 July 2019.

REVIEW OF OPERATING ACTIVITIES

YTL REIT's investment portfolio was valued at RM4,737.7 million as at 30 June 2019, an increase of RM372.6 million compared to the previous valuation of RM4,365.1 million as at 30 June 2018, mainly due to the acquisition of The Green Leaf in September 2018 with smaller increases also contributed by JW Marriott Hotel Kuala Lumpur, The Ritz-Carlton Hotel Wing, The Ritz-Carlton Suite Wing and the Brisbane Marriott in Australia.

MALAYSIAN PORTFOLIO

YTL REIT continued to receive steady income from its portfolio of assets in Malaysia for the financial year ended 30 June 2019. 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 Peninsula. YTL REIT maintains fixed lease arrangements for the properties and benefits from the stable income produced by this revenue structure.

The Trust's luxury assets, situated in the Golden Triangle commercial precinct of Kuala Lumpur consist of 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. These assets have continued to benefit from the improved accessibility created by the commencement of operations of the MRT in 2017, bringing in more tourists and traffic flows to the Golden Triangle, and the refurbishment of JW Marriott Hotel Kuala Lumpur which was completed towards the end of 2017.

The Trust's portfolio in Kuala Lumpur also includes The Majestic Hotel Kuala Lumpur, a five star luxury property with 300 rooms situated strategically along Jalan Sultan Hishamuddin, lying a short distance away from the KL Sentral transportation hub. 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 shares the glamour, heritage and success of its predecessor and is 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 continued to perform well, recording sound guest numbers for the financial year under review.

YTL REIT's resort portfolio comprises Pangkor Laut Resort, Tanjong Jara Resort and Cameron Highlands Resort. Each resort offers a unique range of luxury services and experiences, including the award-winning Spa Village, offering treatments and services distinctive to each resort. The resorts continued to see consistently good guest numbers for the financial year ended 30 June 2019, drawing both international and domestic clientele.

The remaining assets that make up the Trust's domestic portfolio are the Vistana hotels which operate in Kuala Lumpur, Kuantan and Penang. These hotels offer a mix of practical, modern amenities in comfortable rooms and refined service standards which attracts the local and regional business travelers, setting the Vistana hotels apart in this competitive segment of the hospitality industry.

Management Discussion & Analysis
REVIEW OF OPERATING ACTIVITIES

INTERNATIONAL PORTFOLIO – JAPAN

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

The Niseko region's tourism industry continued to register strong tourist numbers from Japanese visitors and a large contingent of international tourists, mainly from China, Hong Kong and Taiwan.

Hilton Niseko Village is recognised 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 financial year under review. As the Niseko area continued to experience warmer weather conditions causing premature snow melt in the region and impacting the number of skiers, Hilton Niseko Village has remained committed to developing its variety of high quality summer facilities and other activities to draw visitors to visit throughout the year.

The new addition to the Trust's portfolio is The Green Leaf, which is located at the base of Mount Niseko Annupuri in Japan. The Green Leaf, a 200-room all-season destination hotel, features a fusion of world-class design, local artistry and breathtaking scenery, providing ski-in/ski-out access during the winter season and a convenient base to explore a diverse range of outdoor pursuits during summer. The Green Leaf also offers a tranquil spa and natural Onsen facilities, together with a variety of bar and dining options featuring local seafood and seasonal Hokkaido produce. The hotel demonstrated good occupancy levels during the year under review, proving to be a sound new addition to the Trust's portfolio.

Management Discussion & Analysis

REVIEW OF OPERATING ACTIVITIES

INTERNATIONAL PORTFOLIO – AUSTRALIA

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

The Sydney Harbour Marriott performed well during the year under review due to its well-established position and the quality of its service offerings. Occupancy at the Sydney Harbour Marriott increased to 91.59% for the year under review compared to 89.31% last year. The Sydney Harbour Marriott is a 5-star, 595-room hotel set in the heart of Circular Quay, overlooking iconic landmarks including Harbour Bridge and the Sydney Opera House.

The 186-room Melbourne Marriott recorded an occupancy level of 85.50% for the financial year under review compared to 87.09% for the 2018 financial year. The hotel has continued to achieve strong occupancy levels, despite the increasing room supply in the Victoria area in recent years. The Melbourne Marriott is located close to the city's theatre precinct and is within minutes of the Bourke and Collins street shopping districts, Chinatown, the Melbourne Museum and the Royal Exhibition Building.

The Brisbane Marriott, which consists of 263 rooms and 4 suites, recorded an occupancy level of 69.40% for the 2019 financial year compared to 85.06% last year, due mainly to the impact of renovations carried out on the hotel during the financial year under review. A full refurbishment exercise was carried out on the hotel in 2018 and was completed in early 2019.

In combination with the limited further supply forecast, the Brisbane market is expected to show growth in performance and benefit from major entertainment and infrastructure projects underway. The Brisbane Marriott is located between Brisbane's central business district and the Fortitude Valley hub, close to shopping, riverside dining along the Brisbane River, and the city's corporate and cultural locales.

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

Management Discussion & Analysis

RISK MANAGEMENT

CREDIT RISK

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

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

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

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

LIQUIDITY RISK

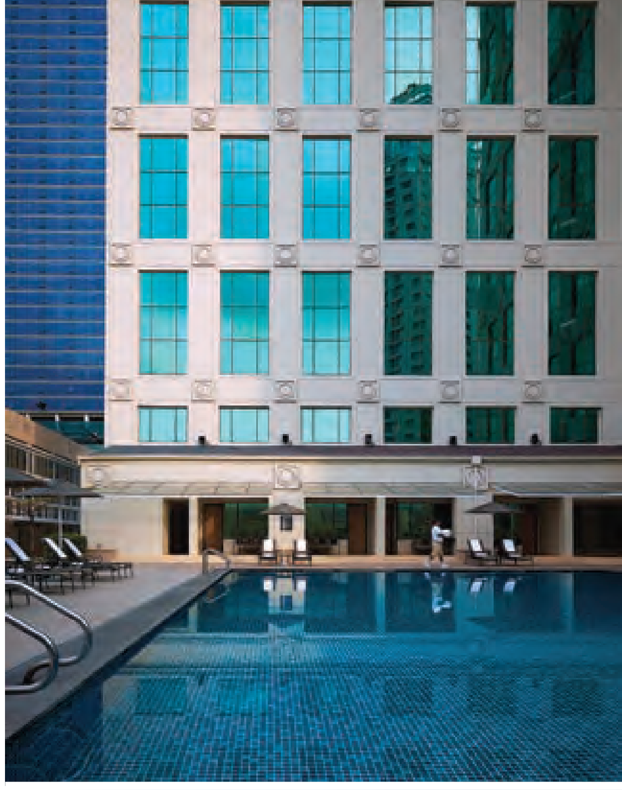
The YTL REIT Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

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

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.



Management Discussion & Analysis
RISK MANAGEMENT

FOREIGN CURRENCY EXCHANGE RISK

The Group is exposed to foreign currency risk arising from the Japanese Yen ("JPY") and the Australian Dollar ("AUD"). 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 introduction of new requirements may also increase compliance costs.

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

Management Discussion & Analysis

OUTLOOK

Global growth is expected to expand moderately, subsequent to the slower growth in both advanced and major emerging market economies. Overall, the Malaysian economy is expected to grow by 4.3% to 4.8% for the full 2019 calendar year, anchored by domestic demand, underpinned by the continued expansion in private sector activity. Private consumption growth is expected to moderate, but remain firm, supported by stable labour market conditions and continued growth in wages. Meanwhile, the Japanese economy is expected to continue expanding as private consumption and public investment continue to increase, whilst the Australian economy is forecasted to expand, supported by consumer spending, business investment and ongoing demand for Australian exports *(sources: Bank Negara Malaysia, Australia Government Budget, Bank of Japan updates).*

Looking ahead, the upcoming Visit Malaysia Year 2020 is expected to bolster the country's tourist arrivals and reputation as a preferred holiday destination, and the Trust's assets in Malaysia are well-positioned to benefit from increasing tourism levels.

The outlook for the Trust is expected to remain stable as YTL REIT continues to be committed to the stable, long-term growth and development of its portfolio in order to ensure sound returns to its unitholders.

The Trust's asset portfolio, covering diverse geographic markets and a wide range of product offerings, has proven attractive to a sizeable clientele. The Trust will continue with its efforts to pursue new yield-accretive additions that will complement the existing portfolio, as well as value-creating asset-enhancement opportunities.


HOTEL MAJESTIC

Review of the Property Market

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

MALAYSIAN

1. Economy

The Malaysian economy expanded at a moderate pace of 4.7% in 2018, attributable to uncertainties in the economy and domestic challenges, arising from major policies and political shifts, the change of the Malaysian Government as well as global trade tensions. Latest data from Bank Negara Malaysia ("BNM") reported that GDP grew by 4.5% in 1Q 2019 (4Q 2018: 4.7%), underpinned by continuous expansion of domestic demand and driven by firm household spending amid weaker capital expenditure. Based on BNM Annual Report 2018, the country's real GDP growth forecast ranges between 4.3% to 4.8% in 2019, of which growth will continue to be anchored by private sector activities, supported by stable income and employment growth. Malaysia's GDI per capita (at current prices) increased by 3.5% year-on-year (y-o-y) in 2018 to RM43,086 from RM41,627 in 2017.

Inflation rate was recorded at 1% in 2018, 2.7% lower than the year before. According to the Department of Statistics, this was mainly driven by the increase in food and non-alcoholic beverages. Ministry of Finance envisaged the inflation rate to average between 1.6% and 2.0% in 2019, due to global uncertainties arising from the trade war between United States and China.

Domestic demand has registered growth of 4.4% in 1Q 2019, compared with 5.7% in 4Q 2018. Growth in the private consumption sector moderated in 1Q 2019 at 4.4% (4Q 2018: 5.7%), factored by normalisation in spending following the frontloading of purchases during the tax holiday period. Nonetheless, stable income and employment growth continue to fuel growth. Public consumption recorded a stronger growth of 6.3% in 1Q 2019 (4Q 2018: 4.0%) attributable to higher growth in spending on supplies and services.

On the supply side, the growth of most economic sectors moderated in 1Q 2019, with the exception of the agriculture sector. The three main pillars i.e. services, manufacturing and construction sectors, recorded y-o-y change of 6.4%, 4.2% and 0.3% respectively. The mining sector contracted by 2.1% while agriculture sector expanded by 5.6%. According to the BNM Quarterly Bulletin, the moderate growth of the services sector was due to soft performance in wholesale and retail trade subsectors following post-tax holiday normalisation, while growth in finance and insurance subsectors remained stable. For the manufacturing sector, the slowdown in electronics and electrical (E&E) due to lower global demand for semiconductors led to lower overall growth in manufacturing sector.

As at 28 June 2019, the Malaysian Ringgit appreciated by 8.1% to RM4.1335 against the US Dollar, from its lowest point on 4 January 2017 at RM4.4995. Similarly, it appreciated by 3.7% to RM3.0563 against the Singapore dollar, from RM3.1732 on 13 April 2017.

Approved investments for the manufacturing and services sectors grew by 4.7% in 2018. Of manufacturing investments, 66% of approved investments comprise foreign investments while the balance comprises domestic investments. For the services sector, the bulk of investments are domestically driven, accounting for 85% with the balance in foreign investments. Notable manufacturing investments included Pentax Medical (Penang) Sdn Bhd, one of the top 3 endoscopic and surgical system manufacturers in the world, Jinjing Technology, a float glass product manufacturing company and TESTHUB, a knowledge based company.

Household debt remained elevated despite expansion at a slower pace in recent years. In 2018, the growth of household debt slowed further to 4.7%, primarily driven by fewer loans extended by non-bank financial institutions (NBFIs). As of end 2018, the household debt to GDP ratio declined marginally from 83.8% in 2017 to 83.0% in 2018 with residential property loans being the primary contributor to growth in household debt.

Sources: Savills (Malaysia) Sdn Bhd (July 2019),
Bank Negara Malaysia Annual Report 2018 &
Bank Negara Malaysia Quarterly Bulletin Q1 2019

2. Hotel Sector

Malaysia

Tourist arrivals have declined by 0.45% to 25.8 million in 2018. As at March 2019, Malaysia recorded 6.7 million tourist arrivals. Malaysia remains the second most-visited country in Southeast Asia since 2014 just after Thailand. Tourist receipts increased marginally by 0.1% reaching RM82.2 billion despite the decreased in tourist arrivals.

The number of tourists from the top 5 countries that visited Malaysia as of March 2019 were from Singapore (4.4 million), which accounted for the largest share, followed by Indonesia (1.5 million), China (1.3 million), Thailand (0.8 million) and Brunei (0.5 million). There were also inbound tourists from other ASEAN countries, East Asia and the rest of the world. Singapore remain the highest tourist arrivals in Malaysia. It is mostly contributed by Singaporeans working cross-border in Johor Bahru.

With the upcoming Visit Malaysia Year 2020, we will see many campaigns attracting tourists to Malaysia.

On the domestic front, Tourism Malaysia initiated various local consumer and trade shows to further stimulate domestic tourism among the public and corporate sectors.

The Tourism Malaysia Integrated Promotion Plan 2018 - 2020, aims to build and promote the country's brand policy, market and travel trends, available resources, budget, network, trade and economic policy, travel formalities, technology know-how, manpower skills, and support from stakeholders, at both international and domestic levels.

This Plan will drive Malaysia's tourism industry forward and achieve its objectives and targets over the next two years. All the promotional efforts will culminate with the celebration of Visit Malaysia Year 2020 in hopes of achieving the country's ultimate goal of 36 million tourist arrivals and revenue of RM168 billion.

Sources: Savills (Malaysia) Sdn Bhd (July 2019) & Tourism Malaysia

Kuala Lumpur

According to Tourism Malaysia, the overall tourist arrivals in Kuala Lumpur saw an increase from 17.98 million in 2017 to 19.62 million in 2018, whereas the overall occupancy rate saw a slight decline from 66.1% in 2017 to 63.3% in 2018.

5-star hotel performance maintained a 65% average occupancy rate. It is noted that Kuala Lumpur is one of the cheapest locations in Asia Pacific (and globally) for quality lodging, with an average 5-star rate of approximately USD100 per room per night.

Hotel supply in Kuala Lumpur increased by 5.5% from 39,454 rooms in 2017 to 41,608 rooms in 2018. There were five new hotels and serviced residences opened in 2018:-

- Royale Pavilion by Banyan Tree (337 rooms)
- Banyan Tree Signatures KL (43 rooms)

Review of the Property Market

- Dorsett Hartamas (290 rooms)
- Four Seasons Hotel KL (209 rooms)
- Hyatt House (298 rooms)

Most of these hotels are located in Kuala Lumpur's Golden Triangle and Central Business District focusing in the areas of Jalan Kia Peng, Jalan Ampang and Jalan Bukit Bintang. The entry of these new brands helps recognise Kuala Lumpur as an international tourism destination.

Sources: Savills (Malaysia) Sdn Bhd (July 2019) & Tourism Malaysia

Pahang

According to Tourism Malaysia, the overall tourist arrivals in Pahang saw a slight increase from 10.98 million in 2017 to 11.64 million in 2018, whereas the overall occupancy rate saw an increase from 75.7% in 2017 to 78.8% in 2018.

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

As at Q3 2018, the total supply of 3- to 5-star hotel rooms in Pahang registered 14,877 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 is 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 2,024 5-star rooms (14.6%).

Genting Highlands and Cameron Highlands are the main tourist attractions in Pahang and contribute to the majority of tourism income in Pahang. The outlook for the hotel sector in Pahang is expected to remain healthy and is underpinned by the natural/pristine environmental factors such as lush wilderness, temperate highland retreats and the impressive 210 kilometers of shoreline which offers tourists the full sun, sand and sea experience.

Sources: Savills (Malaysia) Sdn Bhd (July 2019) & Tourism Malaysia

Penang

According to Tourism Malaysia, the overall tourist arrivals in Penang saw a slight increase from 6.38 million in 2017 to 6.66 million in 2018, whereas the overall occupancy rate saw a marginal increase from 62.1% in 2017 to 62.2% in 2018.

As at Q3 2018, the total supply of 3- to 5-star hotel rooms in Penang registered 11,455 rooms. A significant portion of the hotel room supply was from 4-star hotel category, which contributes a total of 5,501 rooms, followed by the 5-star category at 3,614 rooms and the 3-star category at 2,340 rooms.

In Penang, the majority of hotels are located within city/town areas as well as the beach side such as Georgetown city centre and Feringghi Beaches.

4 new hotels had opened as at Q3 2018 increasing the total number of hotels in Penang to 192. All 4 new hotels are located within the city/town areas.

The general outlook for the Penang hotel sector remains healthily driven by both local and foreign tourists, and boosted by the depreciating Ringgit and its UNESCO world heritage status sites.

Sources: Savills (Malaysia) Sdn Bhd (July 2019) & Tourism Malaysia

Perak

Perak received 7.6 million domestic tourists in 2017, targeted with RM3.0 billion tourist receipts. As at June 2018, tourist arrivals were 151,471 and expecting an increase of 6% in domestic tourists. In the released 2019 Budget, Tourism Perak had been allocated RM8 million to promote the state. Efforts are underway to upgrade several attractions in the state such as upgrading of the Lata Tebing Tinggi in Selama, Rumah Datuk Lat in Batu Gajah and also the Pusat Eko Pelajaran Hutan Paya Laut Matang in Kuala Sepetang. The 101 Experiences in Perak campaign will also be launched. The Betong airport in Thailand is expected to be completed by end-2019. Pengkalan Hulu would be an important gateway. The ecotourism clusters such as Taiping, Batu Kurau, Bukit Merah, Kuala Sepetang, Ulu Geroh, Gua Tempurung and many more, have potential to generate downstream economic activity.

Perak's property market moderated in 2018, registering a 3.7% drop in volume and a slight 0.7% increase in value. The state's commercial sub-sector's market activity softened, with 1,904 transactions worth RM1.04 billion in 2018. The leisure sub-sector witnessed the completion of two new hotels, namely Hotel Grand Baron in Taiping (80 rooms) and Hotel Rivertel in Teluk Intan (73 rooms) offering a total of 153 rooms. As at December 2018, there were 317 hotels (16,212 rooms) in supply, together with 14 hotels (944 rooms) in incoming supply and 8 hotels (974 rooms) in the planned supply.

The future prospect for Perak is expected to be bright, supported by various government projects. Under the Perak State Budget 2019, several initiatives and plans have been drawn up to ensure that the 2019 property market remained strong. In terms of transportation and tourism sectors, the state government will proceed with its proposal to build an airport to attract foreign tourists to Perak. At the same time, the Sultan Azlan Shah Airport in Ipoh will be upgraded to accommodate bigger aircrafts. The Federal government has approved 298 development and infrastructure projects worth RM2.58 billion whereby some of these developments consist of development projects at local authorities' area and the traditional villages of Perak, hospitals, West Coast Expressway, new roads and others. There will also be a new road construction linking Kampung Beng and Kampung Intan Suraya (Sg Siput), Free Tax Zone Klebang and Tanjung Rambutan.

Source: Azmi & Co Sdn Bhd (May 2019)

Terengganu

Terengganu is targeted to receive 5.0 million tourists in 2019 until 2020 (2018: 4.79 million). Terengganu is chosen as one of the states to jointly promote the "Visit Malaysia Year 2020" programme and several projects are also being developed in line with this programme, including the construction of a bridge which connects Kuala Terengganu to Seberang Takir. The bridge will be the latest attraction constructed. The government will also provide an interest rate subsidy of 2% for the RM500 million Small and Medium Industry (SMI) Tourism Fund provided by the SME Bank and this will hopefully help handicraft and homestay operators expand their businesses.

Terengganu's property market prospect is anticipated to remain positive, backed by the State Government Policy 2019. In addition to the policies, programmes and projects planned for 2019, the state plans to strengthen the master plans for existing islands and marine parks. Amongst these are the development of Terengganu Silica Valley (TSV), the construction of a new 300-bed hospital called Kemaman Hospital in Bandar Baru Kijal and the opening of a new polytechnic institution in Bukit Keluang known as Besut Polytechnic which accommodates up to 2000 students. There will also be an exemption of Assessment Tax during this time which aids both ongoing and planned development.

Source: Azmi & Co Sdn Bhd (May 2019)

AUSTRALIA

1. Economy

1.1 *Australian Economy*

The Australian economy grew at a rate of 2.5 percent on a rolling annual basis in the 12 months to March 2019. Looking at performance by industry, the Health Care industry was once again the best performing industry with an annual growth rate of 6.9 percent in the 12 months to March 2019 (on a rolling annual basis), followed by the Rental sector (6.2 percent) and the Financial Services sector (5.3 percent).

State Final Demand increased in all states (bar Western Australia and Northern Territory) with the remaining states outperforming their respective 5 year compound annual growth rates. Albeit being off a much lower base, Tasmania outperformed the other states recording growth in State Final Demand of 5.4 percent (on a rolling annual basis) in the 12 months to March 2019, followed by Australia's "Economic Powerhouse" Victoria (4.6 percent), Australian Capital Territory (4.4 percent), New South Wales (3.0 percent), Queensland (2.0 percent) and South Australia (2.4 percent).

Review of the Property Market

1.2 *Retail Trade*

Retail turnover in Australia increased by 3.2 percent (on a rolling annual basis) in the 12 months to April 2019. Total retail trade growth, nationally, was driven by non-discretionary retailing categories Supermarkets (4.9 percent) and Food (4.5 percent) with discretionary retail categories Household Goods (-0.4 percent) and Hardware & Garden (2.1 percent) recording growth below their 5 year CAGR's (3.4 percent and 4.4 percent respectively). On a state by state basis, Queensland and Victoria outperformed all long-term averages and the national average, with retail turnover in these states expanding 5.2 percent and 4.2 percent respectively in the year to April 2019 (on a rolling annual basis). This was followed by ACT (3.9 percent), Tasmania (3.1 percent), New South Wales (2.1 percent), Queensland (5.2 percent), South Australia (2.3 percent) and Western Australia (1.2 percent).

1.3 *Employment*

Labour market conditions remain at their strongest level in a decade. The unemployment rate (on trend terms) in Australia was recorded at 5.1 percent in April 2019 (down from 5.5 percent in April 2018). Total employment growth in Australia was recorded at 2.5 percent in the 12 months to April 2019, which was above the 10 year CAGR of 1.8 percent. Total employment growth was driven by full-time employment growth, which grew at an annual rate of 3.1 percent, compared to an annual rate of 1.3 percent for part-time employment growth. Looking forward, labour market indicators are likely to remain stable in Australia over the next 12 months, with annual growth in total job advertisements recorded at 1.2 percent in April 2019. Job advertisement growth in the Office sector was the strongest, with a recorded growth rate of 6.9 percent over the same annual period, followed by the Industrial sector (-0.7 percent) and then the Retail sector (-7.7 percent).

1.4 *Inflation and Interest Rates*

The weighted average eight capitals Consumer Price Index increased by 2.3 percent in the Mar-19 quarter, corresponding to an annual rate of 1.3 percent. The main contributors to the rise in consumer prices in weighted average eight capitals are Liquor (8.11%), Education (2.65%), Health Care (2.29%), and Food (2.09%). These rises were partially offset by falls in the Communication (-4.72%) and the Transport (-3.42%) sectors. The Sydney Consumer Price Index fell by -0.09% in the Mar-19 quarter, corresponding to an annual rate of 1.3 percent. The Melbourne Consumer Price Index increased by 0.1 percent in the Mar-19 quarter, corresponding to an annual rate of 1.2 percent. The Brisbane Consumer Price Index increased by 0.1 percent in the Mar-19 quarter, corresponding to an annual rate of 1.5 percent.

After remaining at 1.5% for nearly 3 years, the RBA cut the cash rate to 1.25% in June 2019, signalling a new record low rate for Australia. Whilst swap markets are forecasting at least another cut before the end of the year, it would be prudent to consider the current cut has already buoyed investor sentiment in the residential property sector, which will likely boost economic growth for the remainder of the year. The current low interest rate environment is conducive to growing private and government expenditure, which has been below historical levels over the past 6 months.

1.5 *Outlook*

Whilst GDP growth was at their lowest levels since the Global Financial Crisis, with GDP per capita falling for the first time since the 1982 recession, economists and the Reserve Bank expect the current cut to interest rates to aid unemployment, thus boosting wage growth. The expectations are that rising wages will have a positive flow on effect to consumer spending over the short to medium term, helping to bring inflation back up within the desirable range. In Tuesday's statement Philip Lowe stated that the expectation is that GDP growth should come back to 2.75% by year end with more promising numbers in 2020 as a result of joint expansionary monetary and fiscal policies. There remain concerns about the US-China trade wars and the headwinds that the Australian economy will face as a result, though mining investments are up considerably, with forecasts for mining exports in the current financial year likely to be close to the record high levels hit during the 2012 mining boom.

A lower than average exchange rate has already had a notably positive effect on Australia's tourism and education sector, with rising international short term visitors and foreign students boosting retail trade growth in cities like Melbourne and Brisbane. The outlook for the exchange rate is that it will likely remain at its current low, with some market pundits pointing to further depreciation, particularly with forecasts for the long-term bond differential to remain in favour of the US for the foreseeable future.

Source: Savills Valuations Pty Ltd (June 2019)

2. Hotel Sector

2.1 *Australia Hotel Sales*

2018 saw a slight increase of hotel sales volumes totalling approximately $1.8 bilion, but still just below the long term average of $1.9 bilion and nearly half of the 2015 peak.

Passing yields have continued to fall. In 2018 the median passing yield is 5.51% compared to 6.68% in 2017 and well below the long term average of 7.57%.

Due to the lack of hotels available for sale and continued low interest rate environment and low value of the Australian Dollar, investment demand has continued to chase fewer available hotels, driving up pricing. We expect yield compression to slow in 2019.

2.2 *National Hotel Trade*

A review of the YTD May 2019 STR Global Data indicates a slight softening of the Australian tourism market with an overall RevPAR decline of -2.9% in the 5 months of 2019 to $137.68 when compared with the same period 2018 of $141.75.

Darwin fared the worst with a RevPAR decline of -21.1% to $65.86 followed by the Gold Coast -9.2% to $137.22 (coming off the back of the Commonwealth Games in 2018), Cairns at -6.9% to $105.54, Perth -5.8% to $115.99 and Sydney -4.8% to $186.81. With the exception of the Gold Coast, these declines are largely considered a result of new supply entering these markets.

Cities that are experiencing new supply, such as Perth, Melbourne and Sydney, may continue to suffer falls in RevPAR until demand catches up with supply.

Brisbane and Hobart were the only cities to experience positive growth in RevPAR with Hobart achieving RevPAR growth of 7.4% to $165.91 and Brisbane achieving moderate growth of 0.4% to $105.75.

As Melbourne continues to experience new room supply, RevPAR growth is starting to slow.

2.3 *Australia Tourism*

The latest data available from Tourism Research Australia (TRA) indicates that the outlook for total visitor nights in Australia remains encouraging. Total visitor nights is forecast to grow by 4.7% to over 630 million nights for the FY 2017-18. The growth continues to be largely led by the increase of visitors for leisure.

TRA forecasts an average increase in total visitor nights of 4.0% per annum over the next 10 years.

As at March 2019, the 12 months rolling data for International Visitor Numbers from TRA indicated that international visitor numbers to Australia were up 2.7% on the prior year, with visitor spend up 5.3%

2.4 *Sydney*

As at March 2019, the 12 months rolling data for International Visitor Numbers from TRA indicated that international visitor numbers to Sydney were up only 0.2% on the prior year, but visitor spend is up 7.7%

Sydney continues to outperform Australian markets with a RevPAR gap of $34+ over the next best market performer (Melbourne).

For the year to December 2018 Sydney Luxury hotels achieved 87.7% occupancy and $361.87 ADR, but a slight drop in RevPAR of 1.3% to $317.28 from $321.35 the previous year.

Review of the Property Market

Strong demand levels combined with limited supply additions have produced record occupancies and strong growth in Sydney's average room rates over recent years.

Sydney is at the forefront of numerous stock upgrades and tourism infrastructure creating new generators of room night demand that will positively impact the future growth of ADR over the medium to longer term.

2.5 *Melbourne*

As at March 2019, the 12 months rolling data for International Visitor Numbers from TRA indicated that international visitor numbers to Melbourne were up 4.8% on the prior year, with visitor spend up 7.9%

Melbourne was the third highest performing market in CY2018 recording a marginal increase in ADR to $186.27 (up 0.8%). Conversely, occupancy declined 0.8% resulting in no growth in RevPAR for two consecutive years. Whilst the overall Melbourne hotel market remained stable, new CBD hotels are due to open over the next 3 years, which will put pressure on both occupancy and ADR.

For YTD March 2019 Melbourne ADR growth continued up slightly (1.1%) however occupancy continued to decline by 0.8%. This resulted in a moderate increase in RevPAR of only 0.3% to $168.56, but the majority of new supply due in 2019 has yet to open.

There is significant new hotel supply in Melbourne either under construction, planned or mooted, which totals 15,084 new rooms, of which 6,582 rooms may actually be delivered between 2019 and 2022. The impact on future RevPAR is fairly limited growth.

2.6 *Brisbane*

As at March 2019, the 12 months rolling data for International Visitor Numbers from TRA indicated that international visitor numbers to Brisbane were up 4.4% on the prior year, with visitor spend up 15.0%

STR data for Brisbane shows the city has suffered from a fall in demand against a backdrop of significant new supply. Hotel operators have sought to maintain occupancy levels but at the expense of ADR. This strategy makes any recovery in ADR a slow process.

ADR had shown signs of steadily increasing over the last few months of 2017, which resulted in a steady increase in RevPAR but still well below historic levels when supply was limited and demand was high driven by the resources boom.

However, a significant number of new openings in 2018, particularly of a high standard, led to a fall in ADR across the market as older hotels dropped rates to retain business. Brisbane market ADR in CY2014 was $187.05, falling to $156.71 in CY2017 and $155.68 in CY2018. RevPAR in CY2018 was $111.18 against the high of $148.41 in CY2012.

With limited further supply forecast, the Brisbane market is expected to show good growth in performance and benefit from various major entertainment and infrastructure projects under way.

Historically the luxury hotels in Brisbane have been able to achieve a 15% to 36% premium RevPAR to the whole market, a premium that has increased during the market downturn as lower standard hotels have had to drop rates to remain competitive against relatively affordable luxury hotels.

As new hotel stock opens, this will place pressure on other hotels to renovate to retain market share and potentially avoid any significant decline in trade.

Source: Savills Valuations Pty Ltd (June 2019)

JAPAN

1. Economy

Japan's economy shows moderate expansion, with these expansions ranging from income to expenditure, although exports and industrial production appear weak due to the global economic slowdown. On the domestic demand side, fixed investments from businesses have continued on an upward trend as corporate profits, performance and business sentiment remain robust. Private consumption has been increasing moderately, albeit with fluctuations, against the backdrop of visible improvements in employment and income. Investment in housing real estate has been steady. Meanwhile, the rate of public investment continues to hover at high levels.

Financial conditions are highly accommodative. On the price front, the year-on-year rate of change in the CPI (all items except fresh food, and the same hereafter) is in the range of 0.5-1.0 percent. 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. The monetary base has been increasing at a high year-on-year growth rate of approximately 5 percent, and its amount outstanding as of end-March 2019 was 506 trillion yen, of which the ratio to nominal GDP was 92 percent.

In terms of economic outlook, Japan's economy is likely to continue its moderate expansion throughout 2021. Domestic demand is likely to increase, private consumption is expected to continue increasing as the employment and income situation improves over time, and spending will be maintained in both the corporate and household sectors, against the backdrop of highly accommodative financial conditions. Capital investment by businesses is likely to increase moderately amid these accommodative financial conditions, led mainly by domestic capacity expansion coupled with economic expansion, and labour-saving investments to address underlying labour shortages. Public investment is also likely to increase to cater towards Olympic Games-related demand. On this basis, Japan's economy is likely to continue growing at the same pace as its expected growth rate.

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

Source: Outlook for Economic Activity and Prices, Bank of Japan (April 2019)

2. Hotel Sector

Japan

International arrivals to Japan continue to expand at a rapid pace. In 2018, the number of overseas tourists to Japan increased by 8.7% to 31.2 million from 28.7 million in 2017. Asian countries such as South Korea, China and Hong Kong led this growth while Europe and North America also recorded double-digit growth in tourism.

This increase in tourism from these regions reduced Japan's reliance on neighbouring Asian countries, building a stronger long-term tourism growth foundation. This figure increased by 4.2% between January and May in 2019 as compared to the same period in 2018. Japan may be able to reach its target of 40 million visitors by 2020 if it adds 4.4 million visitors annually over the next two years.

Sources: Japan Tourism Statistics, Japan National Tourism Organization (JNTO), Visitor Arrivals for May 2019 (JNTO) & Savills Japan Co., Ltd. (June 2019)

Niseko

From 1 April 2018 to 31 March 2019 (FY March 2019), the number of visitor arrivals was approximately 3.3 million, up by 0.9% from the previous year. In FY March 2019, day visitors accounted for approximately 72% of total visitors during this time period. The total number of over-night stays decreased by 6.2% in FY March 2019 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 2008 was 166,932 and the figure grew more than 4 times to 682,163 in FY March 2019.

The "Hokkaido Eastern Iburi Earthquake" of September 2018, coupled with the strong Japanese currency had temporarily affected the number of visitors and hotel guests in Niseko area during this period. Nevertheless, the base trend has been positive, being underpinned by a growing number of visitors from China, Australia, and North America.

Source: Savills Japan Co., Ltd. (June 2019)

Managing Sustainability

STRUCTURE AND MANAGEMENT

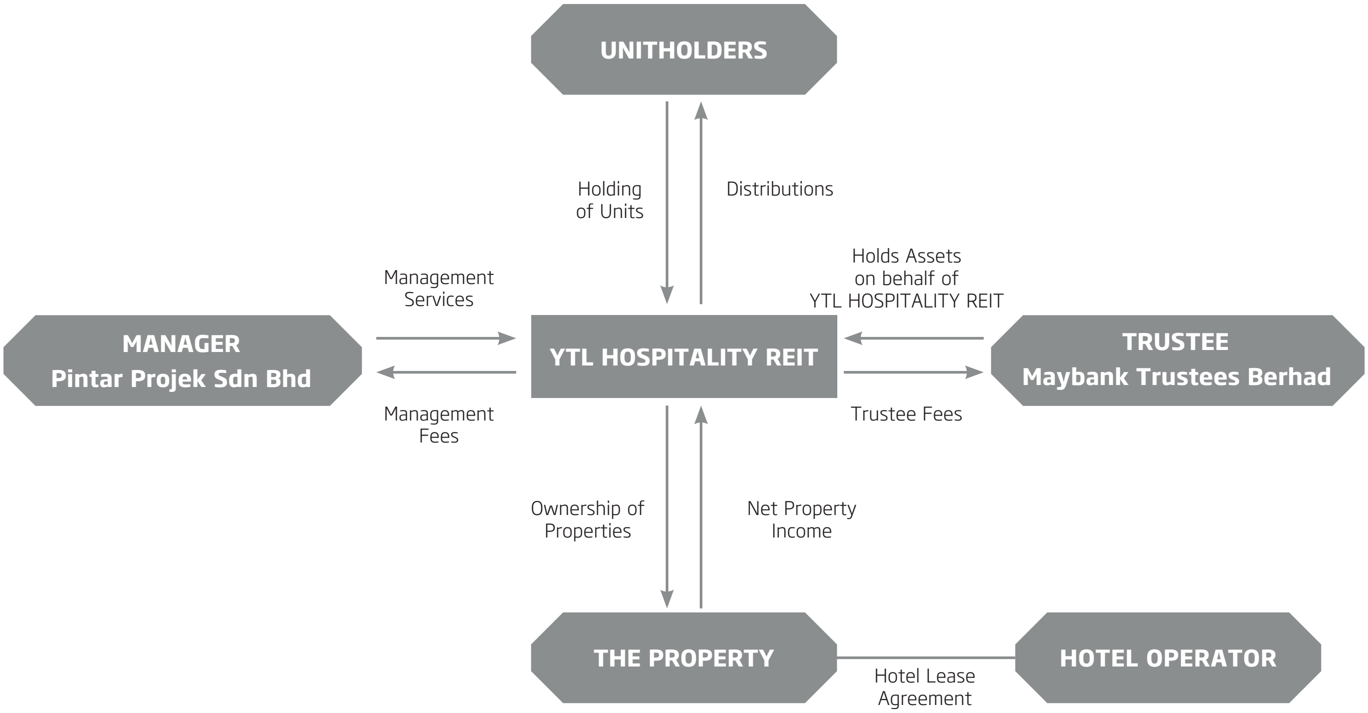
YTL Hospitality REIT ("YTL REIT" or the "Trust") was listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 16 December 2005 and is an income and growth type fund. The investment objective of YTL REIT is to own and invest in real estate and real estate-related assets, whether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

YTL REIT has a market capitalisation of approximately RM2,301 million as at 30 June 2019 and owns a broad portfolio of fifteen (15) hospitality properties ranging from business hotels to luxury resorts, spread across various prime locations in Malaysia, Australia and Japan.

A REIT is constituted by a trust deed entered into between the manager and the trustee which sets out, amongst other matters, the manner in which the trust is to be administered, the rights of unitholders, the duties and responsibilities of the manager and the trustee with 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 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 third year running. The index has been designed to measure the performance of companies demonstrating good Environmental, Social and Governance (ESG) practices.

YTL Hospitality REIT Structure



SUSTAINABILITY COMMITMENT

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

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

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

REPORTING PERIOD AND SCOPE

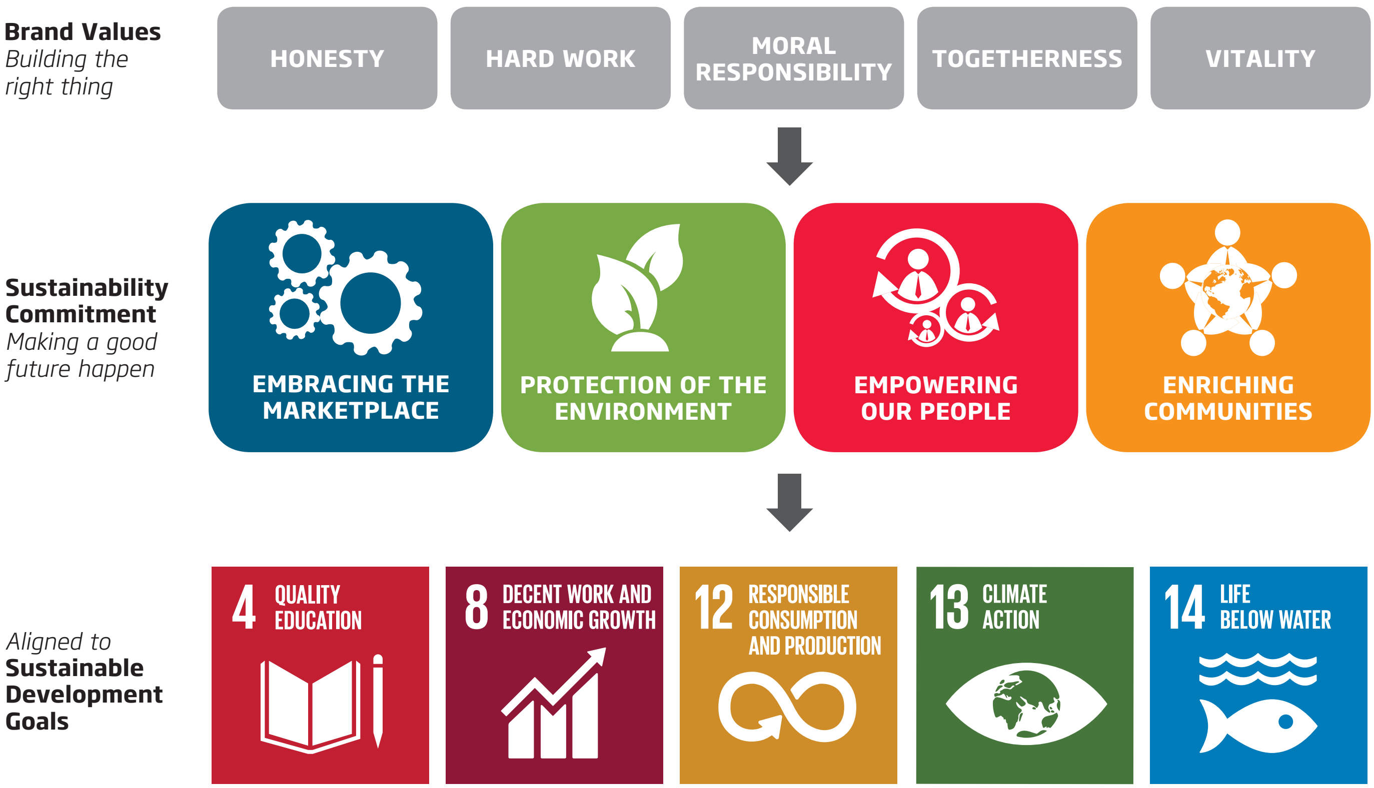
This sustainability statement covers YTL REIT's portfolio from 1 July 2018 to 30 June 2019, aligned with YTL REIT's financial year. This provides an overview of how we operate sustainably and how we manage our strategy and day-to-day business to address our sustainability commitments and performance. In addition, the sustainability initiatives, performance and achievements of the lessees and operators of the Trust's properties will be outlined in greater detail in the consolidated ***YTL Group Sustainability Report 2019***, which will be published in October 2019 in conjunction with YTL Corp's Annual Report for the financial year ended 30 June 2019. The report will be available for download at http://www.ytl.com/sustainability/.

Managing Sustainability

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), YTL Group Corporate Statements (Human Rights and Ethics, Environment, Health and Safety, and Commitment to Ethical Purchasing), as well as Code of Conduct and Ethics.

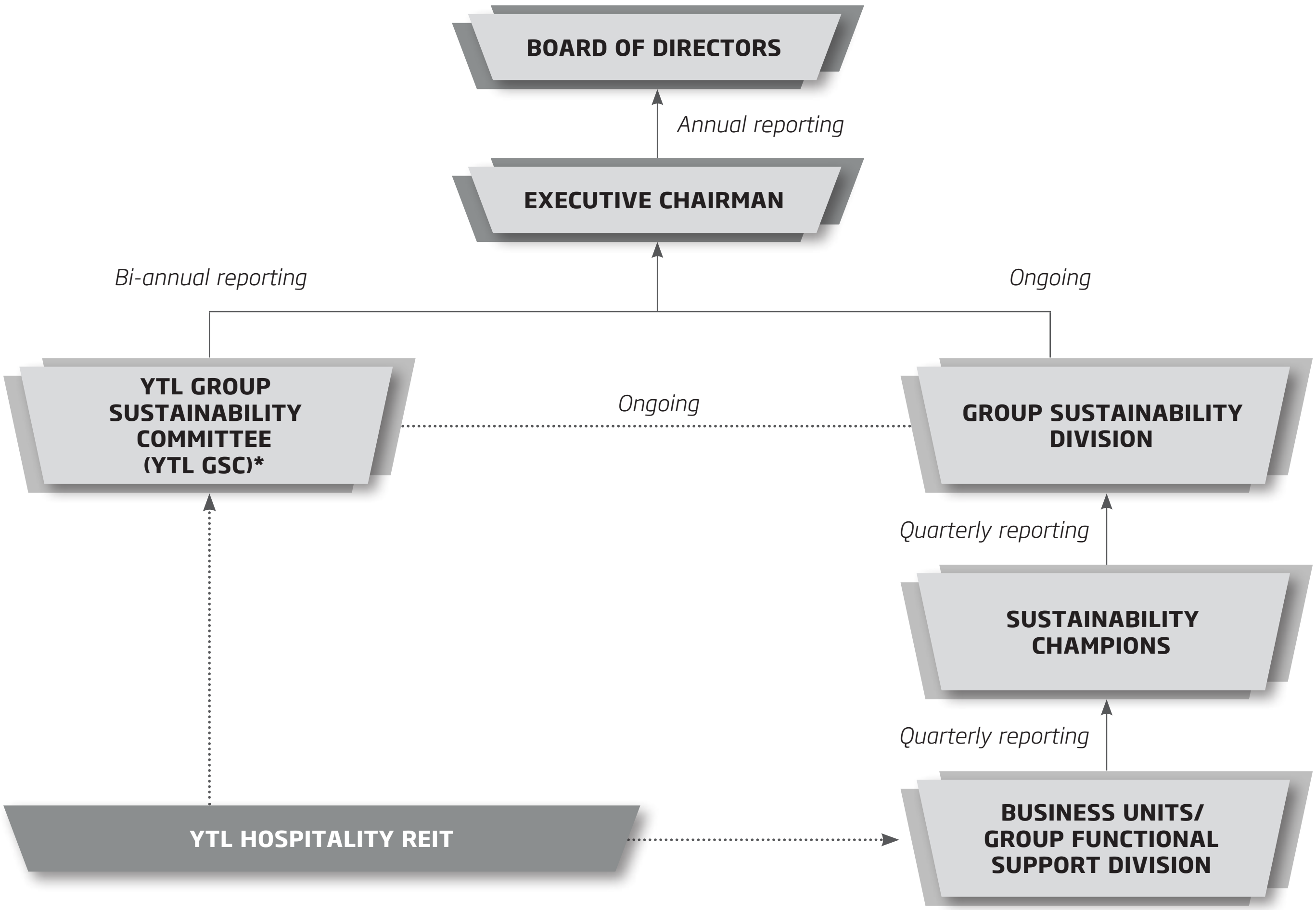
SUSTAINABILITY GOVERNANCE

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

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 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*** and the ***Statement on Risk Management and Internal Control*** set out separately in this Annual Report.

YTL Group Sustainability Governance Structure



Note: Chairman of YTL GSC is the Executive Chairman

Managing Sustainability

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**

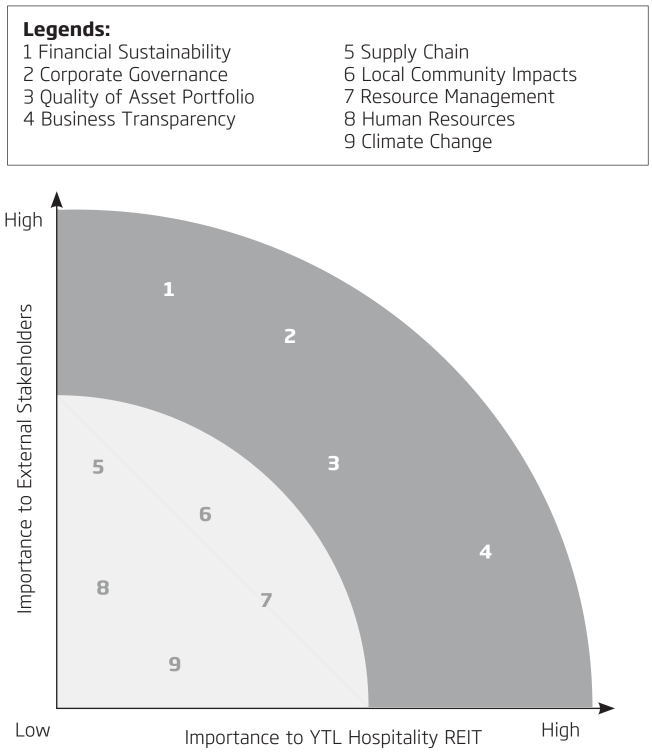
  For further information, please refer to the following sections in this Annual Report:-

  - 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 financial results can be found in the ***Financial Statements;*** and
  - A complete overview of the Trust's assets can be found in the ***Property Portfolio.***

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

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

YTL Hospitality REIT Materiality Matrix



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 Seventh 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 17th day of October, 2019 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 2019 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 2019

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 10 October 2019. Only a depositor whose name appears on the General Meeting Record of Depositors as at 10 October 2019 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 2019 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

Executive Chairman
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

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

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

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

Yeoh Keong Shyan
LLB (Hons)

Independent Non-Executive Directors
Dato' Tan Guan Cheong
DSSA

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

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

MANAGEMENT TEAM

Datin Kathleen Chew Wai Lin
Legal Advisor

Ho Say Keng
Accountant/Company Secretary

Eoon Whai San
General Manager

COMPANY SECRETARY OF THE MANAGER

Ho Say Keng

TRUSTEE

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

REGISTRAR

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

He was the Managing Director of YTL Corporation Berhad, YTL Power International Berhad and YTL Land & Development Berhad, 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 also the Executive Chairman of Lafarge Malaysia Berhad, which is listed on the Main Market of Bursa Malaysia Securities Berhad. He is the Executive Chairman and Managing Director of YTL e-Solutions Berhad. He is also the Chairman of YTL Starhill Global REIT Management Limited, the manager of Starhill Global Real Estate Investment Trust, a vehicle listed on the Main Board of the Singapore Exchange Securities Trading Limited (SGX-ST). Tan Sri Francis is the Executive Chairman of YTL Cement Berhad 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 and in the same year the Italian government conferred upon him the honour of Grande Officiale of the Order of the Star of Italy.

Profile of the Board of Directors

Dato' Mark Yeoh Seok Kah, Malaysian, aged 54, has been an Executive Director of Pintar Projek Sdn Bhd since 17 January 2012. He was redesignated to the position of Chief Executive Officer on 14 February 2019. He graduated from King's College, University of London, with an LLB (Hons) and was subsequently called to the Bar at Gray's Inn, London, in 1988. He was awarded Fellowship of King's College London in July 2014.

Dato' Mark Yeoh joined YTL Group in 1989 and is presently the Executive Director responsible for the YTL Hotels and Resorts Division. In addition, he is also part of YTL Power's Mergers & Acquisitions Team and was involved in the acquisition of ElectraNet SA (Australia), Wessex Water Limited (UK), P.T. Jawa Power (Indonesia) and PowerSeraya Limited (Singapore). He serves as an Executive Director of YTL Corporation Berhad, 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' Yeoh Seok Kian, Malaysian, aged 61, 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. He is also an Executive Director of Lafarge Malaysia Berhad, which is listed on the Main Market of Bursa Malaysia Securities Berhad. Dato' Yeoh also serves on the boards of other public companies such as YTL Cement Berhad, YTL Industries Berhad 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 Real Estate Investment Trust, a vehicle listed on the Main Board of the Singapore Exchange Securities Trading Limited (SGX-ST).

Dato' Tan Guan Cheong, Malaysian, aged 75, 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 Lafarge Malaysia Berhad and Hartalega Holdings Berhad.

Dato' Ahmad Fuaad Bin Mohd Dahalan, Malaysian, aged 69, was appointed to the Board on 17 January 2012 as an Independent Non-Executive Director. He is also a member of the Audit Committee. Dato' Ahmad Fuaad holds a Bachelor of Arts (Hons) degree from the University of Malaya. He was attached with Wisma Putra, Ministry of Foreign Affairs as Malaysian Civil Service ("MCS") Officer in April 1973 before joining Malaysia Airlines in July 1973. While in Malaysia Airlines, Dato' Ahmad Fuaad served various posts and his last position was as the Managing Director. He was formerly a director of Lembaga Penggalakan Pelanchongan Malaysia, Malaysia Industry-Government Group for High Technology and Malaysia Airports Holdings Berhad, Tokio Marine Insurans (Malaysia) Berhad, Hong Leong Capital Berhad and YTL e-Solutions Berhad. Currently, Dato' Ahmad Fuaad is a director of YTL Corporation Berhad. He also sits on the board of trustees of YTL Foundation.

Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir, Malaysian, aged 79, 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.

Profile of the Board of Directors

Dato' Zainal Abdin Bin Ahmad, Malaysian, aged 62, was appointed to the Board on 23 February 2018 as an Independent Non-Executive Director. He is also a member of the Audit Committee. Dato' Zainal holds a Master of International Affairs from Columbia University, U.S.A; a Bachelor of Science (Hons) Degree in Mathematics from University of Manchester, United Kingdom; and a Diploma in Public Administration from Institut Tadbiran Awam Negara (INTAN), Kuala Lumpur. He also attended the Oxford Foreign Services Programme conducted by University of Oxford, United Kingdom. He was attached with Ministry of Foreign Affairs since 1983. Dato' Zainal served various posts and his last position was as the High Commissioner of Malaysia to Australia.

Yeoh Keong Shyan, Malaysian, aged 33, 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	3
Dato' Mark Yeoh Seok Kah	4
Dato' Tan Guan Cheong *(Appointed on 12.07.2018)*	4
Dato' Ahmad Fuaad Bin Mohd Dahalan	4
Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir	4
Dato' Zainal Abidin Bin Ahmad	4
Eu Peng Meng @ Leslie Eu *(Resigned on 12.06.2019)*	4
Yeoh Keong Shyan	3

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. Puan Sri Datin Seri Tan Kai Yong @ Tan Kay Neong, the mother of Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Dato' Yeoh Seok Kian and Dato' Mark Yeoh Seok Kah, is a major unitholder of YTL Hospitality REIT. Mr Yeoh Keong Shyan is a son of Tan Sri 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**
   None of the Directors of the Manager has any conflict of interest with YTL Hospitality REIT.

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

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

Statement of Directors' Responsibilities

The Directors of Pintar Projek Sdn Bhd ("Directors"), the manager of YTL Hospitality REIT ("YTL REIT" or "Trust") are required, pursuant to the Securities Commission Malaysia's Guidelines on Listed Real Estate Investment Trusts ("REIT Guidelines"), to prepare the financial statements for each financial year which give a true and fair view of the financial position of YTL REIT and its subsidiaries ("Group") as at the end of the financial year and of the financial performance and cash flows of the Group and of the Trust for the financial year then ended.

In preparing the financial statements of the Group and of the Trust for the financial year ended 30 June 2019, the Directors have:

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

The Directors confirm that the financial statements of the Group and of the Trust have been prepared on a going concern basis.

The Directors are responsible for ensuring that the Group and the Trust keep accounting records which disclose with reasonable accuracy the financial position of the Group and of the Trust which enable them to ensure that the financial statements comply with the REIT Guidelines, the deed dated 18 November 2005 (as restated and amended), Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Audit Committee Report

COMPOSITION

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

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

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

TERMS OF REFERENCE

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

NUMBER OF MEETINGS HELD AND DETAILS OF ATTENDANCE

The Audit Committee shall meet at quarterly intervals or such other intervals as the Audit Committee shall decide. During the financial year, a total of 6 Audit Committee meetings comprising 4 quarterly meetings and 2 special meetings were held and the details of attendance are as follows:-

	Attendance
Dato' Tan Guan Cheong	6
Dato' Ahmad Fuaad Bin Mohd Dahalan	6
Dato' Zainal Abidin Bin Ahmad	6

SUMMARY OF WORK CARRIED OUT DURING FINANCIAL YEAR

The Audit Committee carried out the following work during the financial year ended 30 June 2019 in the discharge of its functions and duties:-

1. Overseeing Financial Reporting

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

- Quarterly financial results for the fourth quarter of financial year ended 30 June 2018, and the annual audited financial statements for the financial year ended 30 June 2018 at the Audit Committee meetings held on 31 July 2018;
- First, second and third quarters of the quarterly results for the financial year ended 30 June 2019 at the Audit Committee meetings held on 22 November 2018, 26 February 2019 and 29 May 2019, respectively.

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

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

Audit Committee Report

- Significant judgements made by management in respect of matters such as valuation of investment properties, revaluation of freehold land and buildings, valuation of derivative financial instruments, revenue recognition, adequacy of impairment loss made on trade receivables, judgemental differences on allocation of fair value adjustment between land and building for Sydney Harbour Marriott and the underlying assumptions and/or estimates used were reasonable in accordance with the requirements of the Financial Reporting Standards ("FRS");
- Adequate processes and controls were in place for effective and efficient financial reporting and disclosures under the FRS and Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Main LR");
- The Financial Reports were fairly presented in conformity with the relevant accounting standards in all material aspects.

2. External Audit

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

- the final report on the audit of the financial statements for financial year ended 30 June 2018 setting out their comments and conclusions on the significant auditing and accounting issues highlighted, including management's judgements, estimates and/or assessments made, and adequateness of disclosures in the financial statements;
- the audit plan for the financial year ended 30 June 2019 outlining, amongst others, their scope of work, areas of audit emphasis, multi-location audit, and development in laws and regulations affecting financial reporting and the responsibilities of directors/audit committee and management, and auditors.

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

(c) Had discussions with HLB twice during the financial year, namely on 31 July 2018 and 29 May 2019, without the presence of management, to apprise on matters in regard to the audit and financial statements. No major concerns were highlighted by HLB.

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

3. Internal Audit

(a) Reviewed and adopted the risk-based internal audit plan for financial year ending 30 June 2020 to ensure sufficient scope and coverage of activities of YTL REIT and the Group;

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

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

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

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

(c) Reviewed the following RPT and/or RRPT entered into by YTL REIT and/or its subsidiaries with related parties to ensure the transactions were in the best interest of YTL REIT and the unitholders; were fair, reasonable and on normal commercial terms; and were not detrimental to the interest of the non-interested unitholders of YTL REIT, prior to its recommendation to the Board of Directors for approval:-

- Acquisition of The Green Leaf Niseko Village ("Green Leaf") from Niseko Village K.K. ("NVKK") and lease of Green Leaf to NVKK;
- Rental revision for JW Marriott Hotel Kuala Lumpur in consideration of YTL REIT's reimbursement of the renovation costs.

5. Policy on Auditor Independence

(a) Reviewed the Policy on Auditor Independence and 'External Auditor Evaluation Form', prior to approval of the Board of Directors.

INTERNAL AUDIT FUNCTION

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

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

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

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

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

Costs amounting to RM110,286 were incurred in relation to the internal audit function for the financial year ended 30 June 2019.

Corporate Governance Overview Statement

for the financial year ended 30 June 2019

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

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

The 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.

The Board's progress in implementing these requirements during the financial year ended 30 June 2019 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.

In June 2018, the Board approved the re-designations of Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, who was re-designated as the Executive Chairman, from Chief Executive Officer previously, and Dato' Mark Yeoh Seok Kah, who was re-designated as the Chief Executive Officer, from Executive Director previously.

There is a balance of power, authority and accountability between the Executive Chairman and the Chief Executive Officer with a clear division of responsibility between the running of the Board and the Group's business respectively. The positions of the Executive Chairman and the Chief Executive Officer are separate and clearly defined, and are held by different members of the Board.

The Board is led by the Executive Chairman who is responsible for instilling good corporate governance practices, leadership and effectiveness of the Board. The Executive Chairman is responsible for leadership of the Board in ensuring the effectiveness of all aspects of its role, and is primarily responsible for leading the Board in setting the values and standards of the Group, the orderly and effective conduct of the meetings of the Board and Unitholders, maintaining a relationship of trust with and between the Executive and Non-Executive Directors, ensuring the provision of accurate, timely and clear information to Directors, facilitating the effective contribution of Non-Executive Directors and ensuring that constructive relations are maintained between Executive and Non-Executive Directors.

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

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

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

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

The Board believes sustainability is integral to the long-term success of the YTL REIT Group. Further information on the Group's sustainability activities can be found in the *Sustainability Statement* in this Annual Report.

Corporate Governance Overview Statement
for the financial year ended 30 June 2019

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 2019.

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

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

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

Company Secretary

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

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

During the financial year under review, the Company Secretary attended training, seminars and regulatory briefings and updates relevant for the effective discharge of her duties. The Company Secretary briefed the Board on any salient changes reflected in the REIT Guidelines and amendments to the Listing Requirements which affect the Manager and the Trust. The Company Secretary also carried out an ongoing review of existing practices in comparison with any new or amended measures introduced or made in the Code.

Board Charter

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

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. During the financial year under review, the Code of Conduct and Ethics, which sets out the whistleblowing policy and procedures has been formalised for the YTL Group of Companies and a copy can be found on the Trust's website at www.ytlhospitalityreit.com.

Composition of the Board

There were two changes in the composition of the Board during the financial year ended 30 June 2019:-

(i) Dato' Tan Guan Cheong was appointed to the Board as an Independent Non-Executive Director on 12 July 2018; and

(ii) Mr Eu Peng Meng @ Leslie Eu, an Independent Non-Executive Director resigned from the Board on 12 June 2019

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

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

Board and Senior Management Appointments

The appointment of Directors is undertaken by the Board as a whole. 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 year. Currently, the Executive Chairman and/or 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 Executive Chairman and/or the Chief Executive Officer based relevant industry experience and with due regard for diversity in skills, experience, age, background and gender.

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

Evaluation of the Board

The Board 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 Group'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 once the proposed nominating committee has been established.

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

Corporate Governance Overview Statement
for the financial year ended 30 June 2019

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 year.

The following tables provide an overview of the remuneration of the Directors for the financial year ended 30 June 2019:-

Remuneration of Executive and Non-Executive Directors for the financial year ended 30 June 2019

	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	6,165	-	-	2	6,167
Non-Executive Directors	-	784	37	-	821

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

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

Board Commitment

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

All the Directors have undergone training programmes during the financial year ended 30 June 2019. 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/Anti-Money Laundering**	
• King on Governance, Value Creation in the Era of Seismic Disruption (18 September 2018)	Dato' Zainal Abidin Bin Ahmad

Seminars/Conferences/Training	Attended by
• Evolving Expectations for Board (11 March 2019)	Tan Sri Dato' (Dr) Francis Yeoh Sock Ping Dato' Mark Yeoh Seok Kah Dato' Tan Guan Cheong Dato' Ahmad Fuaad Bin Mohd Dahalan Dato' Zainal Abidin Bin Ahmad
• Audit Committee Institute (ACI) Breakfast Roundtable 2019 – (1) Evolving Global and Local Landscape of Anti-Money Laundering & Sanction – Should I be concerned? & (2) Tax Risk Management and Board Responsibility (3 April 2019)	Dato' Zainal Abidin Bin Ahmad
• Directors Guide to Risk Maturity Frameworks (9 April 2019)	Tan Sri Dato' (Dr) Francis Yeoh Sock Ping Dato' Mark Yeoh Seok Kah Dato' Tan Guan Cheong Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir Dato' Zainal Abidin Bin Ahmad
▸ **Leadership and Business Management**	
• YTL Leadership Conference 2018 (2 November 2018)	Tan Sri Dato' (Dr) Francis Yeoh Sock Ping Dato' Mark Yeoh Seok Kah Dato' Yeoh Seok Kian Dato' Tan Guan Cheong Dato' Ahmad Fuaad Bin Mohd Dahalan Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir Dato' Zainal Abidin Bin Ahmad Yeoh Keong Shyan
▸ **Technology/Digital Economy/Sustainability**	
• 36th JAMECA-MAJECA Joint Conference – "Moving towards a renewed Japan-Malaysia Collaboration in High-Technology for the Digital Economy" (6 November 2018)	Dato' Yeoh Seok Kian
• Bursa Malaysia Breakfast Series: "Companies of the Future – The Role for Boards" (4 December 2018)	Dato' Zainal Abidin Bin Ahmad
• Bursa Malaysia Breakfast Series: "Non-Financials – Does It Matter?" (5 December 2018)	Dato' Tan Guan Cheong Dato' Ahmad Fuaad Bin Mohd Dahalan

Corporate Governance Overview Statement

for the financial year ended 30 June 2019

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Integrity in Financial Reporting

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

In presenting the financial statements, the Manager has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates. The Directors also strive to ensure that financial reporting presents a fair and understandable assessment of the position and prospects of YTL REIT. Interim financial statements are reviewed by the Audit Committee and approved by the Directors prior to release to the relevant regulatory authorities.

Audit Committee

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, in accordance with the recommendations of the Code that the chairman of the audit committee should not be the chairman of the board.

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

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

The Audit Committee met 6 times during the financial year ended 30 June 2019. Full details of the composition and summary of the work carried out by the Audit Committee during the financial year can be found in the *Audit Committee Report* set out in this Annual Report. This information and the terms of reference of the Audit Committee are available under the "*Governance*" section on the Trust's website at www.ytlhospitalityreit.com.

The Audit Committee has established formal and professional arrangements for maintaining an appropriate relationship with the Trust's external auditors, Messrs HLB Ler Lum ("HLB"). The external auditors also attend each AGM in order to address clarifications sought pertaining to the audited financial statements by Unitholders. During the financial year under review, the Terms of Reference of the Audit Committee were updated to include the establishment of policies to assess the suitability, objectivity and independence of external auditors. These policies include a requirement that a former key audit partner must observe a cooling-off period of two years before being appointed as a member of the Audit Committee.

Details of the audit and non-audit fees paid/payable to HLB for the financial year ended 30 June 2019 are as follows:-

	Trust RM'000	**Group RM'000**
Statutory audit fees paid/ payable to HLB	88	116
Non-audit fees paid/payable to HLB	50	50
Total	138	166

Risk Management & Internal Control

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

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

Conflicts of Interest and Related Party Transactions

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

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

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

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

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

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

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

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

Internal Audit

The Manager's internal audit function is undertaken by the Internal Audit department of YTL Corp ("YTLIA"). YTLIA reports directly to the Audit Committee of YTL Corporation Berhad 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 36 years of internal and external audit experience.

YTLIA comprises 7 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.

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

Corporate Governance Overview Statement

for the financial year ended 30 June 2019

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

Communication with Unitholders

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

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

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

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

Conduct of General Meetings

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

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

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

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 2019.

Statement on Risk Management & Internal Control

for the financial year ended 30 June 2019

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

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

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

RESPONSIBILITIES OF THE BOARD

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

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

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

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

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

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

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

- **Authority Levels:** The YTL REIT Group has delegated authority levels for major tenders, capital expenditure projects, acquisitions and disposals of businesses and other significant transactions to the Executive Directors. The approval of capital

Statement on Risk Management & Internal Control

for the financial year ended 30 June 2019

and revenue proposals above certain limits is reserved for decision by the Board and the Trustee. Other investment decisions are delegated for approval in accordance with authority limits. Comprehensive appraisal and monitoring procedures are applied to all major investment decisions. The authority of the Directors is required for decisions on key treasury matters including financing of corporate and investment funding requirements, foreign currency and interest rate risk management, investments, insurance and designation of authorised signatories.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

REVIEW BY EXTERNAL AUDITORS

The external auditors, Messrs HLB Ler Lum, have reviewed this Statement on Risk Management & Internal Control for inclusion in the Annual Report for the financial year ended 30 June 2019, in compliance with Paragraph 15.23 of the Listing Requirements, and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

CONCLUSION

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

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

This statement was approved by the Board of Directors on 31 July 2019.

Analysis of Unitholdings

as at 22 July 2019

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

DISTRIBUTION OF UNITHOLDINGS

Size of holding	No. of Unitholders	%	No. of Units	%
1 - 99	514	4.16	5,202	0.00
100 - 1,000	3,116	25.23	2,581,004	0.15
1,001 - 10,000	5,275	42.71	26,811,371	1.57
10,001 - 100,000	2,781	22.52	97,763,879	5.74
100,001 - to less than 5% of issued units	663	5.37	716,946,544	42.07
5% and above of issued units	1	0.01	860,280,889	50.47
Total	**12,350**	**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)	29,958,900	1.76
5	Syarikat Pelanchongan Pangkor Laut Sendirian Berhad	24,250,000	1.42
6	YTL Power International Berhad	20,496,900	1.20
7	Business & Budget Hotels (Kuantan) Sdn Bhd	18,750,000	1.10
8	Megahub Development Sdn Bhd	18,250,000	1.07
9	Pertubuhan Keselamatan Sosial	17,790,400	1.04
10	Citigroup Nominees (Tempatan) Sdn Bhd - Exempt An for AIA Bhd	16,656,900	0.98
11	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Zurich Life Insurance Malaysia Berhad (LIFE PAR)	15,650,300	0.92
12	YTL Power International Berhad	14,628,000	0.86
13	Citigroup Nominees (Tempatan) Sdn Bhd - Great Eastern Life Assurance (Malaysia) Berhad (PAR 4)	10,000,000	0.59
14	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Allianz Life Insurance Malaysia Berhad (P)	9,000,000	0.53

Analysis of Unitholdings
as at 22 July 2019

	Name	No. of Units	%
15	HSBC Nominees (Asing) Sdn Bhd - SIX SIS for Bank Sarasin CIE	8,500,000	0.50
16	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (ARIM)	8,433,100	0.49
17	Hong Leong Assurance Berhad - As Beneficial Owner (LIFE PAR)	8,100,000	0.48
18	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (AMUNDI)	8,000,000	0.47
19	Citigroup Nominees (Tempatan) Sdn Bhd - 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 - Great Eastern Life Assurance (Malaysia) Berhad (LEEF)	7,739,000	0.45
23	Citigroup Nominees (Tempatan) Sdn Bhd - Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	7,343,600	0.43
24	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Affin Hwang Select Opportunity Fund (3969)	7,301,600	0.43
25	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (AM INV)	6,675,300	0.39
26	Citigroup Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Persaraan (Diperbadankan) (AFFIN AM A EQ)	6,447,000	0.38
27	Amanah Raya Berhad - Kumpulan Wang Bersama	6,200,000	0.36
28	Citigroup Nominees (Asing) Sdn Bhd - CBNY for DFA International Real Estate Securities Portfolio of DFA Investment Dimensions Group INC	5,689,000	0.33
29	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Zurich Life Insurance Malaysia Berhad (LIFE PAR EQ II)	5,400,000	0.32
30	CIMB Group Nominees (Tempatan) Sdn Bhd - CIMB Islamic Trustee Berhad for Affin Hwang Select Dividend Fund	4,958,300	0.29
Total		**1,306,961,089**	**76.68**

Analysis of Unitholdings
as at 22 July 2019

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
Yeoh Tiong Lay & Sons Family Holdings Limited	–	–	1,104,303,689 (3)	64.79
Yeoh Tiong Lay & Sons Trust Company Limited	–	–	1,104,303,689 (4)	64.79
Puan Sri Datin Seri Tan Kai Yong @ Tan Kay Neong	–	–	1,104,303,689 (5)	64.79
Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir	100,000	0.01	88,500,000 (6)	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 pursuant to Section 8 of the Act arising from the ownership of 100% of Yeoh Tiong Lay & Sons Holdings Sdn Bhd.*

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

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

(6) *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 22 July 2019

	No. of Units Held			
Name	**Direct**	**%**	**Indirect**	**%**
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE, FICE	2,875,900	0.17	416,000 ←	0.02
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
Dato' Tan Guan Cheong	–	–	250,000	0.01

→ *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.*

FINANCIAL STATEMENTS

Manager's Report

The Directors of Pintar Projek Sdn. Bhd. ("Manager"), the manager of YTL Hospitality REIT ("YTL REIT" or "Trust"), is pleased to present the report to unitholders of YTL REIT together with the audited financial statements of YTL REIT and its subsidiaries ("Group") for the financial year ended 30 June 2019.

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' Mark Yeoh Seok Kah
Dato' Yeoh Seok Kian
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
Eu Peng Meng @ Leslie Eu (resigned on 12 June 2019)
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 2019, 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 1.7.2018	No. of units acquired	No. of units disposed	Balance at 30.6.2019
Direct interest				
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE, FICE	2,875,900	-	-	**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				
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE, FICE	-	416,000	-	**416,000**(1)
Dato' Mark Yeoh Seok Kah	1,000,000(1)	-	-	**1,000,000**(1)
Dato' Tan Guan Cheong	-	250,000	-	**250,000**(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 and/or children pursuant to Section 59(11)(c) of the Companies Act 2016.

(2) Deemed interests by virtue of interests held by East-West Ventures Sdn. Bhd., 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.

Manager's Report (Cont'd.)

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	515	4.20	5,204	0.00
100 to 1,000	3,106	25.32	2,577,504	0.15
1,001 to 10,000	5,220	42.55	26,622,785	1.56
10,001 to 100,000	2,773	22.61	97,557,706	5.73
100,001 to less than 5% of issued units	652	5.31	717,344,801	42.09
5% and above of issued units	1	0.01	860,280,889	50.47
	12,267	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, 5 May 2017 and 20 June 2019
Deed of novation	16 December 2005, 16 May 2007 and 15 November 2011
General nature	Agreement for lease and Supplemental Agreement to Agreement for lease of two properties
Consideration passing to the Trust	Annual lease rental of RM40,130,868
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	Wholly-owned subsidiary company

MATERIAL CONTRACTS (CONT'D.)

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

Name	Niseko Village K.K.
Date of agreement	22 December 2011 and 26 September 2018
General nature	Agreement for lease of two properties
Consideration passing to the Group	Annual lease rental of RM25,235,012
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	Wholly-owned subsidiary company

Manager's Report (Cont'd.)

MATERIAL CONTRACTS (CONT'D.)

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

Name	YTL Land Sdn. Bhd.
Date of agreement	11 May 2016
General nature	Car park agreement
Consideration passing to the Trust	Annual fee of RM1,941,257
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 RM26,600,000
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	Wholly-owned subsidiary company

MATERIAL LITIGATION

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

SOFT COMMISSION

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

MANAGER'S REMUNERATION

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

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

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

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

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

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

Manager's Report (Cont'd.)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONT'D.)

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 2019

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 2019 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 2019

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 2019

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 2019. 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 2019.

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 2019 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 2019
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 2019 of the Group and of the Trust, and the Income Statements, Statements of Other Comprehensive Income, Statements of Changes in Net Asset Value and Statements of Cash Flows of the Group and of the Trust for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 100 to 176.

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 2019, 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.

1. Valuation of investment properties

The risk

Investment properties of the Group amounting to RM2,733 million, represent 56% of total assets are the most quantitatively material account balance in the financial statements.

Independent Auditors' Report

to the Unitholders of YTL Hospitality REIT

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

Key Audit Matters (cont'd.)

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

The 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 in property, plant and equipment

The risk

The valuation of freehold land and buildings comprises 37% of value of total assets and is measured at fair value.

Freehold land carried at the revalued amount less accumulated impairment losses and buildings carried at the revalued amounts less accumulated depreciation and accumulated impairment losses. Valuation is carried out on the freehold land and buildings by the independent 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 (CONT'D.)

Key Audit Matters (cont'd.)

2. Revaluation of freehold land and buildings in property, plant and equipment (cont'd.)

Our response:

Our and component auditors' audit procedures included the following:

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

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.

Independent Auditors' Report

to the Unitholders of YTL Hospitality REIT

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

Responsibilities of the Directors of the Manager for the Financial Statements (cont'd.)

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.

Independent Auditors' Report
to the Unitholders of YTL Hospitality REIT

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

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

- 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.

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
03160/09/2020 J
Chartered Accountant

Dated: 31 July 2019
Kuala Lumpur

Income Statements

for the financial year ended 30 June 2019

		Group		Trust	
	Note	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Revenue					
- Hotel revenue	4	**331,482**	359,917	**-**	-
- Property revenue	4	**159,423**	141,036	**134,188**	124,701
Total revenue		**490,905**	500,953	**134,188**	124,701
Operating expenses					
- Hotel operating expenses	5	**(226,160)**	(241,724)	**-**	-
- Property operating expenses	5	**(11,466)**	(10,402)	**(7,078)**	(6,731)
Total operating expenses		**(237,626)**	(252,126)	**(7,078)**	(6,731)
Net property income		**253,279**	248,827	**127,110**	117,970
Finance income	6	**1,801**	1,192	**107,134**	108,773
Other income - others	6	**1,681**	5,244	**115**	1,069
Other income - dividend		**-**	-	**5,028**	-
Expenses					
- Manager's fees	7	**(11,970)**	(9,242)	**(11,970)**	(9,242)
- Trustee's fees	8	**(1,412)**	(1,278)	**(1,412)**	(1,278)
- Finance costs	9	**(86,120)**	(80,976)	**(86,030)**	(80,885)
- Auditors' remuneration		**(759)**	(740)	**(158)**	(110)
- Tax agent's fees		**(410)**	(246)	**(12)**	(13)
- Valuation fees		**(465)**	(313)	**(400)**	(313)
- Depreciation		**(77,395)**	(83,667)	**-**	-
- Administration expenses		**(10,228)**	(5,169)	**(3,856)**	(989)
Total income before unrealised items		**68,002**	73,632	**135,549**	134,982
Unrealised items					
- Fair value on investment properties		**22,851**	63,816	**32,702**	31,279
- Fair value on trade receivable		**(395)**	-	**(395)**	-
- Unrealised gain/(loss) on foreign exchange		**16,359**	107,272	**3,637**	(29,287)
- Revaluation gain/(loss) on property		**1,024**	(5,582)	**-**	-
Profit before tax		**107,841**	239,138	**171,493**	136,974
Income tax expense	10	**(3,168)**	(2,579)	**(1,395)**	(875)
Profit after tax		**104,673**	236,559	**170,098**	136,099

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

Income Statements

for the financial year ended 30 June 2019

	Note	Group		Trust	
		2019 RM'000	2018 RM'000	**2019 RM'000**	2018 RM'000
Profit after tax		**104,673**	236,559	**170,098**	136,099
Distribution adjustments					
- Depreciation		**77,395**	83,667	**-**	-
- Net income from foreign operations		**(8,075)**	(20,613)	**-**	-
- Unrealised foreign translation differences		**(16,359)**	(107,272)	**(3,637)**	29,287
- Unrealised loss on fair value of trade receivable		**395**	-	**395**	-
- Unrealised gain on fair value of investment properties		**(22,851)**	(63,816)	**(32,702)**	(31,279)
- Revaluation (gain)/loss on property		**(1,024)**	5,582	**-**	-
Income available for distribution		**134,154**	134,107	**134,154**	134,107
Net income distribution					
- First interim income distribution paid on 28 December 2018 (2018: paid on 29 December 2017)		**32,757**	33,640	**32,757**	33,640
- Second interim income distribution paid on 29 March 2019 (2018: paid on 30 March 2018)		**33,043**	33,946	**33,043**	33,946
- Third interim income distribution paid on 28 June 2019 (2018: paid on 29 June 2018)		**32,581**	33,028	**32,581**	33,028
- Final income distribution (2018: paid on 30 August 2018)		**35,773**	33,493	**35,773**	33,493
Total income distribution		**134,154**	134,107	**134,154**	134,107

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

Income Statements

for the financial year ended 30 June 2019

		Group		Trust	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income distribution per unit					
First interim income distribution					
- Gross (sen)		**1.9219**	1.9737	**1.9219**	1.9737
Second interim income distribution					
- Gross (sen)		**1.9387**	1.9917	**1.9387**	1.9917
Third interim income distribution					
- Gross (sen)		**1.9116**	1.9378	**1.9116**	1.9378
Final income distribution					
- Gross (sen)		**2.0989**	1.9651	**2.0989**	1.9651
Total income distribution per unit (sen)		**7.8711**	7.8683	**7.8711**	7.8683
Earnings per unit					
- after manager's fees (sen)	11	**6.14**	13.88	**9.98**	7.99
- before manager's fees (sen)	11	**6.84**	14.42	**10.68**	8.53

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 2019

		Group		Trust	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit after tax		**104,673**	236,559	**170,098**	136,099
Other comprehensive income					
Items that may be reclassified subsequently to income statement					
- currency translation differences		**(25,632)**	(226,983)	**-**	-
- cash flow hedge		**(4,993)**	4,318	**(4,993)**	4,318
Item that will not be reclassified subsequently to income statement					
- surplus on revaluation of properties		**78,695**	307,733	**-**	-
Total comprehensive income		**152,743**	321,627	**165,105**	140,417
Profit after tax is made up as follows:-					
Realised and distributable		**142,229**	154,720	**134,154**	134,107
Unrealised items		**(37,556)**	81,839	**35,944**	1,992
		104,673	236,559	**170,098**	136,099
Total comprehensive income is made up as follows:-					
Profit after tax		**104,673**	236,559	**170,098**	136,099
Cash flow hedge		**(4,993)**	4,318	**(4,993)**	4,318
Surplus on revaluation of properties		**78,695**	307,733	**-**	-
Unrealised currency translation differences		**(25,632)**	(226,983)	**-**	-
		152,743	321,627	**165,105**	140,417

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

Statements of Financial Position

as at 30 June 2019

		Group		Trust	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Assets					
Non-current assets					
Investment properties	12	**2,732,554**	2,371,618	**2,203,000**	2,079,000
Property, plant and equipment	13	**1,946,226**	1,947,753	**-**	-
Investment in subsidiaries	14	**-**	-	**521,056**	401,037
Amount due from subsidiaries	14	**-**	-	**1,349,378**	1,232,840
Deferred tax assets	15	**2,679**	2,550	**-**	-
		4,681,459	4,321,921	**4,073,434**	3,712,877
Current assets					
Inventories	16	**664**	707	**-**	-
Trade receivables	17	**11,631**	7,889	**161**	556
Other receivables & prepayments	18	**22,051**	25,681	**5,853**	7,360
Amount due from subsidiaries	14	**-**	-	**123,399**	126,351
Deposits with licensed financial institutions	19	**58,935**	45,754	**10,130**	1,350
Cash at banks		**90,037**	109,703	**317**	135
		183,318	189,734	**139,860**	135,752
Total assets		**4,864,777**	4,511,655	**4,213,294**	3,848,629
Unitholders' funds and liabilities					
Unitholders' funds					
Unitholders' capital	20	**1,690,806**	1,690,806	**1,690,806**	1,690,806
Undistributed income		**74,050**	103,531	**459,634**	423,690
Reserves	21	**972,244**	924,174	**(14,548)**	(9,555)
Total unitholders' funds/Net asset value ("NAV")		**2,737,100**	2,718,511	**2,135,892**	2,104,941
Non-current liabilities					
Borrowings	22	**206,393**	963,164	**206,393**	963,164
Medium Term Notes	23	**810,000**	715,000	**-**	-
Other payables	24	**963**	963	**-**	-
Derivative financial instruments	26	**-**	9,555	**-**	9,555
Amount due to a subsidiary	14	**-**	-	**810,000**	715,000
		1,017,356	1,688,682	**1,016,393**	1,687,719

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

Statements of Financial Position
as at 30 June 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Trust 2019 RM'000	Trust 2018 RM'000
Current liabilities					
Borrowings	22	**993,031**	–	**993,031**	–
Medium Term Notes	23	**-**	9,530	**-**	–
Derivative financial instruments	26	**14,548**	–	**14,548**	–
Trade payables	25	**3,888**	5,619	**-**	–
Other payables	24	**63,060**	54,615	**17,648**	12,472
Amount due to a subsidiary	14	**-**	–	**9**	10,004
Income tax liabilities		**21**	1,205	**-**	–
Provision for income distribution	27	**35,773**	33,493	**35,773**	33,493
		1,110,321	104,462	**1,061,009**	55,969
Total liabilities		**2,127,677**	1,793,144	**2,077,402**	1,743,688
Total unitholders' funds and liabilities		**4,864,777**	4,511,655	**4,213,294**	3,848,629
NAV before distribution		**2,871,254**	2,852,618	**2,270,046**	2,239,048
NAV after distribution		**2,737,100**	2,718,511	**2,135,892**	2,104,941
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		**1.685**	1.674	**1.332**	1.314
– after income distribution		**1.606**	1.595	**1.253**	1.235

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 2019

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 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
Cash flow hedge	-	-	-	-	-	4,318	4,318
Revaluation gain	-	-	-	-	307,733	-	307,733
Currency translation differences	-	-	-	(128,418)	(98,565)	-	(226,983)
Total 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 2019

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 2018	1,690,806	202,828	(99,297)	(97,883)	1,031,612	(9,555)	2,718,511
Operations for the financial year ended 30 June 2019							
Profit/(Loss) for the year	-	142,229	(37,556)	-	-	-	104,673
Cash flow hedge	-	-	-	-	-	(4,993)	(4,993)
Revaluation gain	-	-	-	-	78,695	-	78,695
Currency translation differences	-	-	-	2,817	(28,449)	-	(25,632)
Total other comprehensive income	-	-	-	2,817	50,246	(4,993)	48,070
Total comprehensive income for the year	-	142,229	(37,556)	2,817	50,246	(4,993)	152,743
Unitholders transactions							
Distributions paid	-	(98,381)	-	-	-	-	(98,381)
Provision for income distribution (Note 27)	-	(35,773)	-	-	-	-	(35,773)
Decrease in net assets resulting from unitholders transactions	-	(134,154)	-	-	-	-	(134,154)
At 30 June 2019	**1,690,806**	**210,903**	**(136,853)**	**(95,066)**	**1,081,858**	**(14,548)**	**2,737,100**

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 2019

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 2017	1,690,806	184,699	236,999	-	-	(13,873)	2,098,631
Operations for the financial year ended 30 June 2018							
Profit for the year	-	134,107	1,992	-	-	-	136,099
Total 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 Changes in Net Asset Value
for the financial year ended 30 June 2019

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 2018	1,690,806	184,699	238,991	-	-	(9,555)	2,104,941
Operations for the financial year ended 30 June 2019							
Profit for the year	-	134,154	35,944	-	-	-	170,098
Total other comprehensive income	-	-	-	-	-	(4,993)	(4,993)
Total comprehensive income	-	134,154	35,944	-	-	(4,993)	165,105
Unitholders transactions							
Distributions paid	-	(98,381)	-	-	-	-	(98,381)
Provision for income distribution (Note 27)	-	(35,773)	-	-	-	-	(35,773)
Decrease in net assets resulting from unitholders transactions	-	(134,154)	-	-	-	-	(134,154)
At 30 June 2019	**1,690,806**	**184,699**	**274,935**	**-**	**-**	**(14,548)**	**2,135,892**

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 2019

	Group		Trust	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Cash flows from operating activities				
Profit before tax	**107,841**	239,138	**171,493**	136,974
Adjustments for:				
Amortisation of transaction costs	**2,334**	4,035	**2,334**	4,035
Depreciation of property, plant and equipment	**77,395**	83,667	**-**	-
Dividend income	**-**	-	**(5,028)**	-
Impairment loss on trade receivables - net	**395**	-	**395**	-
Interest income	**(1,801)**	(1,192)	**(107,134)**	(108,773)
Interest expense	**83,085**	76,141	**83,085**	76,141
Fair value on investment properties	**(22,851)**	(63,816)	**(32,702)**	(31,279)
Loss on disposal of property, plant and equipment	**2,801**	400	**-**	-
Unrealised (gain)/loss on foreign exchange	**(16,359)**	(107,272)	**(3,637)**	29,287
Revaluation (gain)/loss on property	**(1,024)**	5,582	**-**	-
Operating profit before changes in working capital	**231,816**	236,683	**108,806**	106,385
Decrease in inventories	**25**	69	**-**	-
(Increase)/Decrease in receivables	**(6,556)**	(1,739)	**654**	2,388
Increase/(Decrease) in payables	**908**	9,913	**(1,828)**	4,120
Inter-company balances	**-**	-	**(42,737)**	(20,012)
Cash generated from operations	**226,193**	244,926	**64,895**	92,881
Income tax paid	**(4,517)**	(2,302)	**-**	-
Net cash from operating activities	**221,676**	242,624	**64,895**	92,881
Cash flows from investing activities				
Additional investment in subsidiary	**-**	-	**(65,997)**	-
Interest received	**1,801**	1,192	**107,134**	69,637
Acquisition of property, plant and equipment	**(50,916)**	(10,088)	**-**	-
Enhancement of investment properties	**(78,414)**	-	**(78,414)**	-
Proceeds from disposal of equipment	**26**	60	**-**	-
Acquisition of investment property	**(220,190)**	(4,221)	**-**	(4,221)
Net cash (used in)/from investing activities	**(347,693)**	(13,057)	**(37,277)**	65,416

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 2019

	Group		Trust	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Cash flows from financing activities				
Interest paid	**(83,085)**	(76,141)	**(83,085)**	(51,996)
Distribution paid	**(131,874)**	(133,519)	**(131,874)**	(133,519)
Transaction costs paid	**(1,740)**	(1,368)	**(1,740)**	(1,360)
Proceeds from borrowings	**337,081**	9,380	**198,059**	-
Repayment of borrowings	**-**	(1,800)	**-**	(1,800)
Net cash from/(used in) financing activities	**120,382**	(203,448)	**(18,640)**	(188,675)
Net changes in cash and cash equivalents	**(5,635)**	26,119	**8,978**	(30,378)
Effect on exchange rate changes	**(850)**	(13,124)	**(16)**	-
Cash and cash equivalents at beginning of the financial year	**155,457**	142,462	**1,485**	31,863
Cash and cash equivalents at end of the financial year	**148,972**	155,457	**10,447**	1,485
NOTES TO THE STATEMENTS OF CASH FLOWS				
Cash and cash equivalents comprise:-				
Deposits with licensed financial institutions	**58,935**	45,754	**10,130**	1,350
Cash at banks	**90,037**	109,703	**317**	135
	148,972	155,457	**10,447**	1,485
Analysis of acquisition of investment property:-				
Cash	**24,353**	4,221	**-**	4,221
Borrowings	**195,837**	380,000	**-**	-
Inter-company - advance	**-**	-	**-**	380,000
	220,190	384,221	**-**	384,221
Analysis of enhancement of investment property:-				
Cash	**142**	-	**142**	-
Borrowings	**78,272**	-	**78,272**	-
Payables	**7,002**	-	**7,002**	-
Prepayments	**5,882**	-	**5,882**	-
	91,298	**-**	**91,298**	**-**

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 2019

Reconciliation of liabilities arising from financing activities

	Group		Trust	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Borrowings				
At beginning of the financial year	**1,697,249**	1,418,463	**972,719**	1,344,456
Cash inflow/(outflow)				
Interest paid	**(83,085)**	(76,141)	**(83,085)**	(51,996)
Drawdown	**337,081**	9,380	**198,059**	-
Repayment	**-**	(1,800)	**-**	(1,800)
Transaction costs paid	**(1,740)**	(1,368)	**(1,740)**	(1,360)
Non-cash changes				
Additional investment in subsidiary (Note 14)*	**-**	-	**54,022**	4,380
Acquisition of investment property	**-**	380,000	**-**	380,000
Amount due to subsidiary**	**-**	-	**-**	(645,000)
Finance costs	**85,889**	80,707	**85,419**	56,031
Currency translation differences	**(16,415)**	(107,674)	**(16,415)**	(107,674)
Cash flow hedge	**4,993**	(4,318)	**4,993**	(4,318)
At end of the financial year	**2,023,972**	1,697,249	**1,213,972**	972,719

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

** The amount due to subsidiary relates to proceed from advances from a subsidiary and is directly used to set off the acquisition of an investment property and repayment of a term loan.

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

		Group		Trust	
	Note	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Non-current liabilities					
Borrowings	22	**206,393**	963,164	**206,393**	963,164
Medium Term Notes	23	**810,000**	715,000	**-**	-
Derivative financial instruments	26	**-**	9,555	**-**	9,555
Current liabilities					
Borrowings	22	**993,031**	-	**993,031**	-
Medium Term Notes	23	**-**	9,530	**-**	-
Derivative financial instruments	26	**14,548**	-	**14,548**	-
		2,023,972	1,697,249	**1,213,972**	972,719

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

Notes to the Financial Statements

1. GENERAL INFORMATION

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

YTL REIT was established on 18 November 2005 pursuant to a trust deed (as restated by the deed dated 3 December 2013) ("Restated Deed") entered into between the Manager and Maybank Trustees Berhad ("Trustee") and is 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 Family Holdings Limited, which is incorporated in Jersey.

The consolidated financial statements reported for the financial year ended 30 June 2019 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).

Notes to the Financial Statements

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 and disclosures

The Group and the Trust adopted the following accounting standards, interpretations and amendments to the standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") for annual financial year beginning on or after 1 July 2018.

MFRSs and IC Interpretations (Including The Consequential Amendments)
MFRS 9, Financial Instruments (2014)
MFRS 15, Revenue from Contracts with Customers
Clarifications to MFRS 15, Revenue from Contracts with Customers
IC Interpretation 22, Foreign Currency Transactions and Advance Consideration
Amendments to MFRS 1, First Time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014 – 2016 Cycle)
Amendments to MFRS 2, Share-based Payment – Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4, Insurance Contracts – Applying MFRS 9, Financial Instruments with MFRS 4, Insurance Contracts
Amendments to MFRS 128, Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014 – 2016 Cycle)
Amendments to MFRS 140, Investment Property – Transfers of Investment Property

The adoption of the above accounting standards, interpretations and amendments did not have any significant financial impact to the Group and the Trust, except as mentioned below:-

(i) 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.

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.

2. BASIS OF PREPARATION (CONT'D.)

(c) Changes in accounting policies and disclosures (cont'd.)

(i) MFRS 9 Financial Instruments (cont'd.)

Classification and measurement

The assessment of the Group's and the Trust's business model was made as of the date of initial application, 1 July 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of MFRS 9 did not have a significant impact to the Group and the Trust. Trade and other receivables and cash and cash equivalents classified as loans and receivables as at 30 June 2018 are classified and measured at amortised cost beginning 1 July 2018 as they are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest.

The Group and the Trust have not designated any financial instruments at fair value through profit or loss ("FVTPL") and fair value through other comprehensive income. There are no changes in classification and measurement for the Group's and for the Trust's financial liabilities.

Impairment

The adoption of MFRS 9 has fundamentally changed the Group's and the Trust's accounting for impairment losses for financial assets by replacing MFRS 139's incurred loss approach with a forward looking expected credit loss ("ECL") approach. MFRS 9 requires the Group and the Trust to recognise an allowance for ECLs for all debt instruments not held at FVTPL and contract assets.

The adoption of MFRS 9 did not have a significant financial impact on the Group's and the Trust's financial statements. Arising from the adoption of MFRS 9, the changes to the accounting policies as compared to those adopted in the previous financial statements are as described in the respective notes to the financial statements as follows:-

- Financial assets (Note 3(g)); and
- Impairment of financial assets (Note 3(h))

(ii) 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. The standard also specified the accounting for incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

2. BASIS OF PREPARATION (CONT'D.)

(c) Changes in accounting policies and disclosures (cont'd.)

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

In accordance with the transitional provision in MFRS 15, the Group and the Trust have adopted the standard using the modified retrospective approach without any restatement to the comparative information. As the Group and the Trust have been recognising revenue in a manner consistent with the principles of MFRS 15, no adjustment has been made to the amounts recognised in the financial statements, hence no modification to the existing accounting policy on revenue recognition as disclosed in Note 3(p) to the financial statements.

MFRS 15 affects the business segment related to hotel operations in Australia. The Malaysian and Japanese business segments relate to master lease arrangements of the hotel properties which fall under the accounting standard on MFRS 117 Leases. The Group has assessed that there is no significant impact on MFRS 15 on interest income and dividend income.

(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 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
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 are mainly lessors in the operating leases and based on the preliminary assessment performed, the Group and the Trust do not expect the application of MFRS 16 to have significant impact on the 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.

Notes to the Financial Statements

2. BASIS OF PREPARATION (CONT'D.)

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

(iii) Depreciation of property, plant and equipment

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

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

(f) Basis of consolidation

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

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

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

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

(i) Acquisitions

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

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

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(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 & equipment depending on nature of assets and depreciation commences when they are ready for their intended use.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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

(d) Impairment of non-financial assets

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

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

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

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

(e) Inventories

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

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

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

(f) Investment in subsidiaries

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(g) Financial assets

Accounting policies applied until 30 June 2018

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.

Accounting policies applied from 1 July 2018

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(g) Financial assets (cont'd.)

Accounting policies applied from 1 July 2018 (cont'd.)

Amortised cost

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

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

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

(h) Impairment of financial assets

Accounting policies applied until 30 June 2018

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

Loans and receivables

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

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

Accounting policies applied from 1 July 2018

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

Accounting policies applied from 1 July 2018 (cont'd.)

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

At each reporting date, the Group and the Trust assess whether financial assets are credit-impaired.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the procedures for recovery of amounts due.

The recognition and measurement of impairment loss on financial assets are as disclosed in Note 33(a) to the financial statements.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash at banks and deposits with licensed financial institutions.

Cash and cash equivalents are categorised and measured as amortised cost in accordance with policy in Note 3(g).

(j) Interest-bearing borrowings

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in income statement using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(k) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities are recognised in the statements of financial position when, and only when, the Group and the Trust become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as other financial liabilities, which is known as amortised cost from 1 July 2018.

Amortised cost

The Group's and the Trust's other financial liabilities include trade and other payables and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in income statement when the liabilities are derecognised, and through amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished.

(l) Derivative financial instruments and hedging activities

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

The Group 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

Cash flow hedge

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

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

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

(m) Provisions

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation (legal or constructive) as a result of a past event and a reliable estimate can be made of the amount. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Provision for income distribution

Provision for income distribution is recognised when any distribution is declared, determined or publicly recommended by the Directors of the Manager but not distributed at the reporting date.

(n) Contract liabilities

A contract liability is the obligation to transfer goods and services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(o) Income tax and deferred tax

Income tax on the profit or loss for the financial year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributable to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting nor taxable profit or loss.

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(o) Income tax and deferred tax (cont'd.)

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.

(p) Revenue recognition

(i) Revenue from contracts with customers

Revenue from contracts with customers introduces a single revenue recognition model applicable to all types of customer contracts, regardless of the entity's business. This model, which follows five key steps, is based on the principle that revenue is recognised when control of goods or services is transferred to a customer, which may be overtime or at a point in time.

<u>Hotel revenue</u>

The Group generates revenue mainly from providing the service of room rentals to tenants within the hotel and rental of spaces for functions and banquets. The Group also generates revenue from the sale of goods such as food and beverage, as well as minor services such as telecommunication, garage, commissions and services.

Revenue is recognised when the terms of a contract have been satisfied, which occurs when control has been transferred to customers and performance obligations are satisfied. For room revenue, this occurs evenly throughout the duration of the tenant's use on a straight line basis. For functions and banquets, revenue is recognised at a point in time when the performance obligation is satisfied, generally at the provision of the space. Revenue is measured as the amount of consideration the Group expects to receive, which is known at the commencement of the contract. Revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

Amounts collected in advance for future services are recorded as contract liability and are recognised as revenue when the services are provided.

(ii) Revenue from other sources

Specific revenue recognition criteria for other revenue and income earned by the Group are as follows:-

(a) Rental income from operating leases and other related charges

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

(b) Interest income

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(p) Revenue recognition (cont'd.)

(ii) Revenue from other sources (cont'd.)

(c) Dividend income

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

(q) Employee benefits

(i) Short term employee benefits

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

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

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

(ii) Post-employment benefits

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

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

Defined contribution plan

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

(r) Foreign currency

(i) Foreign currency transactions

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(r) Foreign currency (cont'd.)

(i) Foreign currency transactions (cont'd.)

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.

(s) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments.

(t) Fair value measurement

(i) Financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the reporting date. The quoted market prices used for financial assets are the current bid prices, the appropriate quoted market prices used for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions that are existing at each reporting date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair values of the financial instruments.

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

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

(ii) Non-financial assets

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

4. REVENUE

	Group		Trust	
	2019 RM'000	2018 RM'000	**2019 RM'000**	2018 RM'000
Revenue from contracts with customers				
Hotel revenue				
- Rental of rooms	**259,929**	282,320	**-**	-
- Food and beverage income	**61,564**	67,506	**-**	-
- Other hotel operating income	**9,989**	10,091	**-**	-
	331,482	359,917	**-**	-
Rental income from operating leases				
Property revenue				
- Lease rental income	**157,482**	139,096	**132,247**	122,761
- Car park income	**1,941**	1,940	**1,941**	1,940
	159,423	141,036	**134,188**	124,701
Total revenue	**490,905**	500,953	**134,188**	124,701

The hotel revenue are recognised at a point of time and denominated in one segment and one country (refer to Note 36 of the financial statements).

5. OPERATING EXPENSES

	Group		Trust	
	2019 RM'000	2018 RM'000	**2019 RM'000**	2018 RM'000
Hotel operating expenses				
- Operating expenses	**134,001**	143,203	**-**	-
- Repair and maintenance expenses	**11,654**	12,284	**-**	-
- Utilities	**8,417**	7,924	**-**	-
- Property taxes	**7,816**	9,396	**-**	-
- Insurance	**548**	531	**-**	-
- General and administration expenses	**50,841**	54,148	**-**	-
- Other direct expenses	**12,883**	14,238	**-**	-
	226,160	241,724	**-**	-

5. OPERATING EXPENSES (CONT'D.)

	Group		Trust	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Property operating expenses				
– Property taxes	**8,345**	7,305	**5,419**	4,996
– Insurance	**2,527**	2,495	**1,648**	1,724
– Lease rental	**11**	11	**11**	11
– Property maintenance	**583**	591	**-**	-
	11,466	10,402	**7,078**	6,731
Total operating expenses	**237,626**	252,126	**7,078**	6,731

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

	Group		Trust	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Salaries, wages and bonus	**64,176**	68,205	**-**	-
Defined contribution plan	**22,214**	23,911	**-**	-
	86,390	92,116	**-**	-

6. FINANCE INCOME & CURRENCY EXCHANGE GAINS

	Group		Trust	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Finance income from financial assets measured at amortised cost:-				
Financial institution deposits interests	**1,801**	1,192	**364**	871
Subsidiary loan interests	**-**	-	**106,770**	107,902
Finance income	**1,801**	1,192	**107,134**	108,773
Currency exchange gains - realised	**-**	1,069	**-**	1,069

7. MANAGER'S FEES

		Group/Trust	
	Note	2019 RM'000	2018 RM'000
Base fee	7(a)	**4,705**	4,265
Performance fee	7(b)	**5,065**	4,977
Acquisition fee	7(c)	**2,200**	-
		11,970	9,242

(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.

(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.

The acquisition fee is incurred for the acquisition of The Green Leaf Niseko Village.

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	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest expense:					
- Term loans	22	**46,499**	51,996	**46,499**	51,996
- Medium Term Notes	23	**36,586**	24,145	**-**	-
- Subsidiary	14	**-**	-	**36,586**	24,145
Incidental cost incurred to administer the borrowing facilities:					
- Amortisation of transaction costs		**2,334**	4,035	**2,334**	4,035
- Facility fee		**701**	800	**611**	709
		86,120	80,976	**86,030**	80,885

Notes to the Financial Statements

10. INCOME TAX EXPENSE

		Group		Trust	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current income tax					
– Malaysian income tax					
- current year		**278**	140	**-**	-
- under provision in prior year		**4**	1	**-**	-
– Foreign income tax*		**3,086**	2,529	**1,395**	875
Deferred tax					
– Origination and reversal of temporary differences	15	**(200)**	(91)	**-**	-
		3,168	2,579	**1,395**	875

The Trust has provided approximately 100% (2018: 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.

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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before tax	**107,841**	239,138	**171,493**	136,974
Income tax using Malaysian statutory tax rate of 24% (2018: 24%)	**25,882**	57,393	**41,158**	32,874
Expenses not deductible for tax purposes	**43,550**	38,796	**7,179**	12,802
Utilisation of capital allowances	**(6,650)**	(8,022)	**(6,650)**	(8,022)
Income exempted from tax	**(3,237)**	(1,455)	**(3,230)**	(1,453)
Income not subject to tax	**(49,751)**	(84,321)	**(37,062)**	(35,326)
Different tax rates in other countries	**(6,626)**	188	**-**	-
Income tax expense	**3,168**	2,579	**1,395**	875

11. EARNINGS PER UNIT

	Group		Trust	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit for the year after manager's fees	**104,673**	236,559	**170,098**	136,099
Profit for the year before manager's fees	**116,643**	245,801	**182,068**	145,341
Weighted average number of units ('000)	**1,704,389**	1,704,389	**1,704,389**	1,704,389
Earnings per unit after manager's fees (sen)	**6.14**	13.88	**9.98**	7.99
Earnings per unit before manager's fees (sen)	**6.84**	14.42	**10.68**	8.53

12. INVESTMENT PROPERTIES

	Group		Trust	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
At beginning of the financial year	**2,371,618**	1,937,647	**2,079,000**	1,663,500
Acquisition	**220,190**	384,221	**-**	384,221
Enhancements	**91,298**	-	**91,298**	-
Change in fair value	**22,851**	63,816	**32,702**	31,279
Currency translation differences	**26,597**	(14,066)	**-**	-
At end of the financial year	**2,732,554**	2,371,618	**2,203,000**	2,079,000
Analysis of investment properties:-				
Freehold land & building	**1,854,554**	1,501,618	**1,325,000**	1,209,000
Leasehold land & building	**372,000**	368,000	**372,000**	368,000
Registered lease & building	**506,000**	502,000	**506,000**	502,000
	2,732,554	2,371,618	**2,203,000**	2,079,000

12. INVESTMENT PROPERTIES (CONT'D.)

The fair value of the investment properties as at 30 June 2019 are as follows:-

Description of property	Tenure	Remaining lease period (years)	Initial acquisition cost RM'000	Fair value as at 30.6.2019 RM'000	% of fair value to Net Asset Value as at 30.6.2019 %	Fair value as at 30.6.2018 RM'000	% of fair value to Net Asset Value as at 30.6.2018 %
Real Estate - Commercial							
JW Marriott Hotel Kuala Lumpur	Freehold		331,024	**519,000**	**18.96**	424,000	15.60
The Ritz-Carlton, Kuala Lumpur - Suite Wing (Parcel 1)	Freehold		125,000	**210,000**	**7.67**	207,000	7.62
The Ritz-Carlton, Kuala Lumpur - Suite Wing (Parcel 2)	Freehold		73,881	**101,000**	**3.69**	99,000	3.64
The Ritz-Carlton, Kuala Lumpur - Hotel Wing	Freehold		253,017	**357,000**	**13.04**	343,000	12.62
Pangkor Laut Resort	Registered lease	76	98,365	**118,000**	**4.31**	117,000	4.30
Tanjong Jara Resort	Leasehold	48	88,050	**103,000**	**3.76**	102,000	3.75
Vistana Kuala Lumpur Titiwangsa	Freehold		101,207	**138,000**	**5.04**	136,000	5.00
Vistana Penang Bukit Jambul	Leasehold	75	101,778	**120,000**	**4.38**	118,000	4.34
Vistana Kuantan City Centre	Leasehold	73	75,980	**89,000**	**3.25**	88,000	3.24
Cameron Highlands Resort	Leasehold	89	50,649	**60,000**	**2.19**	60,000	2.21
The Majestic Hotel Kuala Lumpur	Registered lease	72	384,221	**388,000**	**14.18**	385,000	14.16
Hilton Niseko Village	Freehold		246,409*	**296,335**	**10.83**	292,618	10.76
The Green Leaf Niseko Village	Freehold		231,120*	**233,219**	**8.52**	-	-
			2,160,701	**2,732,554**	**99.82**	2,371,618	87.24
Net Asset Value				**2,737,100**		2,718,511	

* Initial acquisition cost translated at the exchange rate as at 28 June 2019.

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

	Group		Trust	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Rental income	**159,423**	141,036	**134,188**	124,701
Direct operating expenses:–				
– income generating investment properties	**(11,466)**	(10,402)	**(7,078)**	(6,731)

Investment properties with carrying amount of RM2,392 million (2018: RM1,654 million) are charged as security for financing granted to the Group as disclosed in Notes 22 and 23 to the financial statements.

Included in the acquisition fee in the previous financial year was an amount of RM3,800,000 incurred and capitalised as part of the incidental costs to the acquisition of an investment property.

12. INVESTMENT PROPERTIES (CONT'D.)

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., SMY Valuers & Consultants Sdn. Bhd. and Savills Japan Co., Ltd. on 31 May 2019 using the income capitalisation approach, also known as the investment approach except for JW Marriott Kuala Lumpur which is valued by SMY Valuers & Consultants Sdn. Bhd. on 30 June 2019. 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.	Malaysia: Discount rate of 6.0% to 7.5% (2018: 7.0% to 7.5%) Japan: Discount rate of 4.7% to 6.4% (2018: 4.9% to 5.3%)	The higher the discount rate, the lower the fair value.
	Malaysia: Capitalisation rate of 6.0% to 7.5% (2018: 6.0% to 7.5%) Japan: Capitalisation rate of 5.0% to 6.4% (2018: 5.2%)	The higher the capitalisation rate, the lower the fair value.

The investment properties are valued using the income capitalisation method, where a property's fair value is estimated based on the normalised net operating income generated by the property, which is divided by the capitalisation (discount) rate based on current market-derived yield rates which reflect the expected return on investments commensurate with the risk exposure associated to the asset.

The significant unobservable input is the adjustment for factors specific to the hotel properties. The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for valuation. Although this input is a subjective judgement, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions.

Notes to the Financial Statements

13. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Buildings RM'000	Equipment RM'000	Other assets RM'000	Total RM'000
Cost/Valuation					
At 1.7.2018	272,762	1,538,983	238,712	58,199	2,108,656
Additions	–	1,137	3,901	45,878	50,916
Transfers	–	47,672	1,056	(48,728)	–
Disposals	–	–	(11,458)	(17)	(11,475)
Revaluation surplus	128,717	7,984	–	–	136,701
Revaluation losses	–	(58,006)	–	–	(58,006)
Revaluation adjustments	–	(66,605)	–	–	(66,605)
Reversal of impairment	–	1,024	–	–	1,024
Currency translation differences	(9,471)	(39,114)	(6,137)	(1,473)	(56,195)
At 30.6.2019	**392,008**	**1,433,075**	**226,074**	**53,859**	**2,105,016**
Representing:					
At cost	–	–	226,074	53,859	279,933
At valuation	392,008	1,433,075	–	–	1,825,083
At 30.6.2019	**392,008**	**1,433,075**	**226,074**	**53,859**	**2,105,016**
Accumulated depreciation					
At 1.7.2018	–	10,476	97,352	53,075	160,903
Depreciation charge	–	61,111	16,161	123	77,395
Disposal	–	–	(8,638)	(10)	(8,648)
Revaluation adjustment	–	(66,605)	–	–	(66,605)
Currency translation differences	–	(176)	(2,686)	(1,393)	(4,255)
At 30.6.2019	**-**	**4,806**	**102,189**	**51,795**	**158,790**
Net book value:					
At cost	–	–	123,885	2,064	125,949
At valuation	392,008	1,428,269	–	–	1,820,277
At 30.6.2019	**392,008**	**1,428,269**	**123,885**	**2,064**	**1,946,226**

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 1.7.2017	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 surplus	28,459	279,274	–	–	307,733
Revaluation losses	–	(5,582)	–	–	(5,582)
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

Notes to the Financial Statements

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

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

Description of property	Tenure	Initial acquisition cost* RM'000	Fair value as at 30.6.2019 RM'000	% of fair value to Net Asset Value as at 30.6.2019 %	Fair value as at 30.6.2018 RM'000	% of fair value to Net Asset Value as at 30.6.2018 %
Real Estate - Commercial						
Sydney Harbour Marriott	Freehold	768,161	**1,447,848**	**52.90**	1,473,642	54.20
Brisbane Marriott	Freehold	349,251	**270,540**	**9.88**	241,808	8.90
Melbourne Marriott	Freehold	163,734	**227,838**	**8.32**	232,303	8.55
		1,281,146	**1,946,226**	**71.10**	1,947,753	71.65
Net Asset Value			**2,737,100**		2,718,511	

* Translated at the exchange rate as at 28 June 2019.

Property, plant and equipment at net book value amounting to RM1,946 million (2018: RM1,948 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 valuer, Savills Valuation Pty Ltd on 31 May 2019, 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	
	2019 RM'000	**2018 RM'000**
Freehold land	**151,092**	155,157
Buildings	**712,194**	720,957
	863,286	876,114

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 7.50% to 7.75% (2018: 6.00% to 7.75%)	The higher the discount rate, the lower the fair value.
	Capitalisation rate of 5.50% to 5.75% (2018: 5.25% to 5.75%)	The higher the capitalisation rate, the lower the fair value.

A discounted cash flow analysis has been prepared taking into account the ability of the property to generate income over a 10-year period based on certain assumptions. Provision is made for room rate and occupancy growth throughout the time horizon and also capital expenditure through a furniture, fittings and equipment reserve. Each year's net operating income during the period is discounted to arrive at the present value of expected future cash flows. The property's anticipated sale value at the end of the period (i.e. its terminal or reversionary value) is also discounted to its present value and added to the discounted income stream to arrive at the total present market value of the property.

The significant unobservable input is the adjustment for factors specific to the hotel properties. The extent and direction of this adjustment depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for valuation. Although this input is a subjective judgement, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions.

14. INVESTMENT IN SUBSIDIARIES

	Trust	
	2019 RM'000	**2018 RM'000**
Unquoted shares, at cost		
At beginning of the financial year	**401,037**	396,657
Additional investment by cash	**65,997**	-
Additional investment via capitalisation of debt	**54,022**	4,380
At end of the financial year	**521,056**	401,037

Notes to the Financial Statements

14. INVESTMENT IN SUBSIDIARIES (CONT'D.)

Details of the subsidiaries are as follows:

Name of subsidiary	Place of incorporation	Principal activities	Effective equity interest 2019 %	Effective equity interest 2018 %
Held by the Trust				
* Starhill REIT Niseko G.K.	Japan	Purchase, possession, disposal, lease and management of real properties	**100**	100
Starhill Hospitality REIT (Australia) Sdn. Bhd.	Malaysia	Investment holding	**100**	100
YTL REIT MTN Sdn. Bhd.	Malaysia	To undertake the issuance of medium term notes	**100**	100
Held through Starhill Hospitality REIT (Australia) Sdn. Bhd.				
Starhill Hotel (Australia) Sdn. Bhd.	Malaysia	Investment holding	**100**	100
* Starhill REIT (Australia) Pty. Ltd.	Australia	Trustee company	**100**	100
* Starhill Hospitality (Australia) Pty. Ltd.	Australia	Trustee company	**100**	100
* Starhill Hospitality REIT (Australia) Trust	Australia	Real estate investment	**100**	100
Held through Starhill Hotel (Australia) Sdn. Bhd.				
* Starhill Hotel (Brisbane) Pty. Ltd.	Australia	Hotel operator	**100**	100
* Starhill Hotel (Sydney) Pty. Ltd.	Australia	Hotel operator	**100**	100
* Starhill Hotel (Melbourne) Pty. Ltd.	Australia	Hotel operator	**100**	100
Held through Starhill Hospitality REIT (Australia) Trust				
* Starhill Hospitality REIT (Brisbane) Trust	Australia	Real estate investment	**100**	100
* Starhill Hospitality REIT (Sydney) Trust	Australia	Real estate investment	**100**	100
* Starhill Hospitality REIT (Melbourne) Trust	Australia	Real estate investment	**100**	100

* Subsidiaries not audited by HLB Ler Lum

14. INVESTMENT IN SUBSIDIARIES (CONT'D.)

The amounts due from subsidiaries pertain mainly to loans, loan interest, advances and payments on behalf. The outstanding amounts are unsecured, interest free and payable on demand save for loans.

Details of the foreign currency loans are as follows:

(a) The loan in Australian Dollar of RM1,030 million (2018: RM1,058 million) with tenure of ten year bears interest at rate of 8.86% (2018: 8.86%) per annum, interest is payable quarterly. The loan shall be repaid by way of a bullet repayment on maturity date. Upon maturity, the Trust allows the loan to be renewed for another ten years, where the interest rate is mutually agreed upon in the later stage.

(b) Two loans in Japanese Yen totalling RM319 million (2018: RM175 million) with tenure of fifteen and thirty years bear interest at rates of 5% (2018: 5%) per annum, interest is payable monthly. 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 fifteen years, where the interest rate is mutually agreed upon in the later stage.

The amount due to a subsidiary relates to advances totalling RM810 million (2018: 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 (2018: Nil) in the Group's ownership interest in its significant subsidiaries.

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

	Amount due from subsidiaries RM'000	Amount due to a subsidiary RM'000
2019		
Within 1 year	**123,399**	**9**
Later than 1 year and not later than 5 years	**1,030,530**	**425,000**
Later than 5 years	**318,848**	**385,000**
	1,472,777	**810,009**
2018		
Within 1 year	126,351	10,004
Later than 1 year and not later than 5 years	1,058,255	330,000
Later than 5 years	174,585	385,000
	1,359,191	725,004

Notes to the Financial Statements

15. DEFERRED TAX ASSETS

		Group	
	Note	2019 RM'000	2018 RM'000
At beginning of the financial year		**2,550**	2,733
Charged to income statement	10	**200**	91
Currency translation differences		**(71)**	(274)
At end of the financial year		**2,679**	2,550

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

	Group	
	2019 RM'000	2018 RM'000
Deferred tax provided are in respect of:-		
Deferred tax assets		
Accruals	**2,683**	2,555
Others	**1**	-
	2,684	2,555
Deferred tax liabilities		
Others	**(5)**	(5)
	(5)	(5)
Net (after offsetting)	**2,679**	2,550

16. INVENTORIES

	Group	
	2019 RM'000	2018 RM'000
Beverage inventories	**619**	638
Operating inventories	**45**	69
	664	707

The Group's cost of inventories recognised as expenses and included in "hotel operating expenses" amounted to approximately RM12,045,000 (2018: RM11,303,000).

17. TRADE RECEIVABLES

	Group		Trust	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Trade receivables	**12,194**	10,753	**724**	3,420
Less: Accumulated impairment losses on trade receivables	**(563)**	(2,864)	**(563)**	(2,864)
	11,631	7,889	**161**	556

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

	Group		Trust	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
At beginning of the financial year	**2,864**	2,874	**2,864**	2,874
Change in fair value of trade receivables	**395**	-	**395**	-
Reversal of impairment losses	**-**	(10)	**-**	(10)
Bad debts written off	**(2,696)**	-	**(2,696)**	-
At end of the financial year	**563**	2,864	**563**	2,864

The Group's and the Trust's amounts due from companies related to the Manager of approximately RM1,173,000 (2018: RM161,000) and RM161,000 (2018: RM161,000) relate to rental due in respect of agreements and are subject to normal trade terms.

The normal trade credit terms of trade receivables range from 15 to 30 (2018: 15 to 30) days.

Credit risks relating to trade receivables are disclosed in Note 33(a) to the financial statements.

18. OTHER RECEIVABLES & PREPAYMENTS

	Group		Trust	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Other receivables	**17,489**	16,247	**5,307**	203
GST receivables	**225**	68	**225**	68
Prepayments	**4,337**	9,366	**321**	7,089
	22,051	25,681	**5,853**	7,360

Included in the other receivables of the Group is RM17,137,868 (2018: RM15,657,756) recoverable from Australian tax authorities for withholding tax on foreign source distribution received by a subsidiary.

Included in the other receivables of the Trust is RM5,028,099 (2018: Nil) dividend receivable from 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 1.6% and 2.8% (2018: 1.3% and 3.3%) per annum, respectively.

The average maturities of deposits of the Group and of the Trust ranged from 3 to 34 days (2018: 1 to 91 days).

20. UNITHOLDERS' CAPITAL

	Number of units	
	2019	**2018**
	'000	**'000**
Issued and fully paid		
At beginning and end of the financial year	**1,704,389**	1,704,389

	2019	**2018**
	RM'000	**RM'000**
Issued and fully paid		
At beginning and end of the financial year	**1,690,806**	1,690,806

21. RESERVES

		Group		Trust	
		2019	**2018**	**2019**	**2018**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Currency translation reserves	21(a)	**(95,066)**	(97,883)	**-**	-
Revaluation reserve	21(b)	**1,081,858**	1,031,612	**-**	-
Cash flow hedge reserve	21(c)	**(14,548)**	(9,555)	**(14,548)**	(9,555)
		972,244	924,174	**(14,548)**	(9,555)

21. RESERVES (CONT'D.)

(a) Currency translation reserves

	Group	
	2019 **RM'000**	**2018** **RM'000**
At beginning of the financial year	**(97,883)**	30,535
Net currency translation differences from financial statement of foreign subsidiaries	**2,817**	(128,418)
At end of the financial year	**(95,066)**	(97,883)

(b) Revaluation reserve

	Group	
	2019 **RM'000**	**2018** **RM'000**
At beginning of the financial year	**1,031,612**	822,444
Revaluation gain of property	**78,695**	307,733
Currency translation differences	**(28,449)**	(98,565)
At end of the financial year	**1,081,858**	1,031,612

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

(c) Cash flow hedge reserve

	Group/Trust	
	2019 **RM'000**	**2018** **RM'000**
At beginning of the financial year	**(9,555)**	(13,873)
Change in fair value	**(4,993)**	4,318
At end of the financial year	**(14,548)**	(9,555)

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.

Notes to the Financial Statements

22. BORROWINGS - SECURED

	Group/Trust	
	2019 RM'000	**2018 RM'000**
Non-current		
- Term loans	**207,867**	967,300
- Capitalised transaction costs	**(1,474)**	(4,136)
	206,393	963,164
Current		
- Term loans	**995,099**	-
- Capitalised transaction costs	**(2,068)**	-
	993,031	-
Total borrowings	**1,199,424**	963,164

(i) The term loan denominated in Australian Dollar of AUD342,794,795 (2018: AUD324,488,428) which is equivalent to RM995,099,000 (2018: RM967,300,000), is repayable by bullet payment on 29 June 2020, bears a weighted average interest rate of 4.58% (2018: 4.55%) 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% (2018: 4.68%) per annum.

(ii) The term loan denominated in Japanese Yen of JPY5,401,250,000 (2018: Nil), which is equivalent to RM207,867,000 (2018: Nil), is repayable by bullet payment on 26 September 2023, bears a weighted average interest rate of 0.83% (2018: Nil) per annum and is secured by:-

(a) a first legal charge over certain properties as disclosed in Note 12 to the financial statements; and

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

23. MEDIUM TERM NOTES ("MTNS")

	Group	
	2019 RM'000	**2018 RM'000**
Non-current		
Medium Term Notes	**810,000**	715,000
Current		
Medium Term Notes	**-**	10,000
Capitalised transaction costs	**-**	(470)
	-	9,530
Total MTNs (net)	**810,000**	724,530

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 of the Group's existing RM821.8 million term loan. The MTNs had been redeemed on 24 May 2019 by the issuance of a nominal value of RM10 million of MTNs on 24 May 2019. The MTNs are redeemable on 23 May 2022 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 The Ritz-Carlton, Kuala Lumpur - Suite Wing and Hotel Wing. 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.

(e) A nominal value of RM85 million of MTNs was issued on 28 June 2019 to finance the renovation costs carried out at JW Marriott Hotel Kuala Lumpur. The MTNs are redeemable on 28 June 2023 at nominal value.

The facility bears coupon rates ranging from 4.70% to 5.10% (2018: 4.95% 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 RM821,616,000 (2018: 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 4.66% to 4.78% (2018: 4.70% to 5.31%).

Notes to the Financial Statements

24. OTHER PAYABLES

	Group		Trust	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current				
Other payables	**963**	963	**-**	-

Included in the other payables is the long service leave of approximately RM963,000 (2018: RM963,000).

	Group		Trust	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current				
Other payables	**33,270**	30,428	**2,970**	2,864
Accruals	**21,928**	16,487	**14,678**	9,608
Contract liabilities	**7,862**	7,700	**-**	-
	63,060	54,615	**17,648**	12,472

The Group's amounts due to the Manager and the companies related to the Manager, which amounted to RM1,578,370 (2018: RM1,721,791) are unsecured, interest free and payable on demand.

Contract liabilities represent revenues collected but not earned as at the end of the financial year. This is primarily composed of advance deposits from the customers who prepay for hotel accommodation.

The significant changes to contract liabilities balances during the period are as follows:-

	Group
	2019 RM'000
Contract liabilities as at the beginning of the period recognised as revenue during the year	**(7,498)**
Advance deposits received during the year	**61,582**

25. TRADE PAYABLES

The credit terms of trade payables granted to the Group vary from 15 to 30 days (2018: 15 to 30 days).

26. DERIVATIVE FINANCIAL INSTRUMENTS

	Contract/ Notional Value RM'000	Fair Value RM'000
Group/Trust - 2019		
Cash flow hedge		
Interest rate swaps		
Less than 1 year	**937,686**	**(14,548)**
Group/Trust - 2018		
Cash flow hedge		
Interest rate swaps		
- 1 - 5 years	962,913	(9,555)

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	
	2019 RM'000	2018 RM'000
At beginning of the financial year	**33,493**	32,905
Provision made during the financial year	**134,154**	134,107
Distribution paid during the financial year	**(131,874)**	(133,519)
At end of the financial year	**35,773**	33,493

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 2019, the Manager has declared a final income distribution of 2.0989 sen per unit (2018: 1.9651 sen per unit), totalling RM35,773,418 (2018: RM33,492,946) which will be paid on 30 August 2019. Total distribution paid and declared for the financial year ended 30 June 2019 is 7.8711 sen per unit, totalling RM134,154,153, representing approximately 100% of the total distributable income for the financial year ended 30 June 2019 (2018: 7.8683 sen per unit, totalling RM134,106,432).

Notes to the Financial Statements

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

Distribution to unitholders is from the following sources:-

	Group	
	2019 RM'000	**2018 RM'000**
Net property income	**253,279**	248,827
Finance income	**1,801**	1,192
Other income	**41,915**	176,332
	296,995	426,351
Add/(Less):-		
Less: Expenses	**(189,154)**	(187,213)
Less: Income tax expense	**(3,168)**	(2,579)
Profit after tax	**104,673**	236,559
Distribution adjustments:-		
Depreciation	**77,395**	83,667
Net income from foreign operations	**(8,075)**	(20,613)
Unrealised foreign translation differences	**(16,359)**	(107,272)
Unrealised loss on fair value of trade receivables	**395**	-
Unrealised gain on fair value of investment properties	**(22,851)**	(63,816)
Revaluation (gain)/loss on property	**(1,024)**	5,582
Income available for distribution/Total distributable income	**134,154**	134,107
Less: Income distribution	**(134,154)**	(134,107)
Undistributed distributable income	**-**	-
Distributable income per unit (sen)	**7.8711**	7.8683
Gross distribution per unit (sen)	**7.8711**	7.8683
Net distribution per unit (sen)	**7.8711**	7.8683

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 2019, the Manager did not hold any unit in the Trust.

30. UNITHOLDERS RELATED TO THE MANAGER

	2019		
	No. of units held '000	Percentage of total units %	Market value RM'000
YTL Corporation Berhad	**937,464**	**55.00**	**1,256,202**
YTL Power International Berhad	**43,090**	**2.53**	**57,740**
Business & Budget Hotels (Kuantan) Sdn. Bhd.	**18,750**	**1.10**	**25,125**
Megahub Development Sdn. Bhd.	**18,250**	**1.07**	**24,455**
East-West Ventures Sdn. Bhd.	**62,500**	**3.67**	**83,750**
Syarikat Pelanchongan Pangkor Laut Sendirian Berhad	**24,250**	**1.42**	**32,495**
Tanjong Jara Beach Hotel Sdn. Bhd.	**1,750**	**0.10**	**2,345**
	1,106,054	**64.89**	**1,482,112**

	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

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 28 June 2019 of RM1.340 per unit (2018: RM1.170 per unit).

Pintar Projek Sdn. Bhd., the manager of the Trust is also a subsidiary of YTL Corporation Berhad, a public listed company. YTL Corporation Berhad is therefore deemed to have control over the Trust as Pintar Projek Sdn. Bhd. governs the financial and operating policies of the Trust.

Notes to the Financial Statements

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**	**2019 RM'000**	**2018 RM'000**
Business & Budget Hotels (Penang) Sdn. Bhd.	Subsidiary company of the major unitholder	Lease rental of investment property	**8,610**	8,610
Business & Budget Hotels (Kuantan) Sdn. Bhd.	Associated company of the major unitholder	Lease rental of investment property	**6,300**	6,300
Cameron Highlands Resort Sdn. Bhd.	Subsidiary company of the major unitholder	Lease rental of investment property	**4,200**	4,200
YTL Majestic Hotel Sdn. Bhd.	Subsidiary company of the major unitholder	Acquisition of investment property	**-**	380,000
		Lease rental of investment property	**26,600**	17,586
Prisma Tulin Sdn. Bhd.	Subsidiary company of the major unitholder	Lease rental of investment property	**8,610**	8,610
Star Hill Hotel Sdn. Bhd.	Subsidiary company of the major unitholder	Lease rental of investment properties	**40,131**	39,660
		Reimbursement of renovation cost	**85,000**	-
YTL Land Sdn. Bhd.	Subsidiary company of the major unitholder	Rental of car park space	**1,941**	1,940
Tanjong Jara Beach Hotel Sdn. Bhd.	Company related to a director of the manager	Lease rental of investment property	**7,350**	7,350
East-West Ventures Sdn. Bhd.	Subsidiary company of the holding company of major unitholder	Lease rental of investment property	**21,626**	21,626
Syarikat Pelanchongan Pangkor Laut Sendirian Berhad	Subsidiary company of the holding company of major unitholder	Lease rental of investment property	**8,820**	8,820

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

			Group	
Entity	**Relationship**	**Nature of transaction**	**2019 RM'000**	**2018 RM'000**
Niseko Village K.K.	Subsidiary company of the major unitholder	Lease rental of investment properties	**25,235**	16,335
		Acquisition of investment property	**220,190**	–

			Trust	
Entity	**Relationship**	**Nature of transaction**	**2019 RM'000**	**2018 RM'000**
Starhill Hospitality REIT (Australia) Sdn. Bhd.	Subsidiary company	Shareholder loan interests	**92,889**	99,074
		Dividend income	**5,028**	–
Starhill REIT Niseko G.K.	Subsidiary company	Shareholder loan interests	**13,881**	8,828
		Shareholder loan	**128,328**	–
YTL REIT MTN Sdn. Bhd.	Subsidiary company	Interest expenses	**36,586**	24,145
		Administrative charges	**608**	672
		Advances	**85,000**	650,000

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	
	2019 RM'000	**2018 RM'000**
Authorised but not contracted for	**2,903**	58,214

The commitments for the current financial year relate to refurbishment of Melbourne Marriott hotel property while the commitments for the previous financial year comprise refurbishment of Brisbane Marriott and Melbourne Marriott hotel properties.

32. CAPITAL COMMITMENTS AND OPERATING LEASE ARRANGEMENT (CONT'D.)

(b) Operating lease arrangement

The Group leases out its investment properties as follows:-

(i) for The Green Leaf Niseko Village, the lease term is thirty years;

(ii) for The Ritz-Carlton, Kuala Lumpur - Suite Wing, the lease term is twenty five years;

(iii) for JW Marriott Hotel Kuala Lumpur, the lease term is twenty years; and

(iv) 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	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Not later than 1 year	**166,637**	148,564	**138,197**	132,247
Later than 1 year and not later than 5 years	**812,849**	747,541	**666,734**	663,916
Later than 5 years	**768,961**	570,611	**413,861**	527,779
	1,748,447	1,466,716	**1,218,792**	1,323,942

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

33. FINANCIAL RISK MANAGEMENT (CONT'D.)

(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.

Trade receivables

Risk management objectives, policies and processes for managing the risk

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

The gross carrying amounts of credit impaired trade receivables are written off when there is no realistic prospect of recovery. This is generally when there is indication that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. Nevertheless, trade receivables that are written off could still be subject to enforcement activities.

There is no impairment of trade receivables balances as the rate of default and expected loss rate is low.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. The Group and the Trust use ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 30 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic region was:-

	Group		**Trust**	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Domestic	**161**	556	**161**	556
Australia	**10,460**	7,333	**-**	-
Japan	**1,010**	-	**-**	-
	11,631	7,889	**161**	556

Notes to the Financial Statements

33. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

Trade receivables (cont'd.)

Recognition and measurement of impairment losses

The Group and the Trust use individual assessment to measure expected credit losses ("ECLs") of trade receivables for all segments, taking into account of all relevant credit information and forward-looking macroeconomic information. Consistent with the debt recovery process, invoices which are past due 180 days will be considered as credit impaired.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 30 June 2019.

2019	Gross RM'000	Loss allowance RM'000	Net RM'000
Group			
Current (not past due)	**5,016**	**-**	**5,016**
Past due 1 - 90 days	**5,716**	**-**	**5,716**
Past due 91 - 180 days	**899**	**-**	**899**
	11,631	**-**	**11,631**
Credit impaired			
Past due more than 180 days	**563**	**(563)**	**-**
	12,194	**(563)**	**11,631**

2019	Gross RM'000	Loss allowance RM'000	Net RM'000
Trust			
Current (not past due)	**161**	**-**	**161**
Credit impaired			
Past due more than 180 days	**563**	**(563)**	**-**
	724	**(563)**	**161**

33. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

Trade receivables (cont'd.)

Recognition and measurement of impairment losses (cont'd.)

The movements in the allowance for impairment during the financial year ended 30 June 2019 were:-

2019	Group RM'000	Trust RM'000
At beginning of the financial year as per MFRS 139/MFRS 9	**2,864**	**2,864**
Change in fair value of trade receivables	**395**	**395**
Bad debts written off	**(2,696)**	**(2,696)**
At end of the financial year	**563**	**563**

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement

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

2018	Gross RM'000	Individual impairment RM'000	Net RM'000
Group			
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

2018	Gross RM'000	Individual impairment RM'000	Net RM'000
Trust			
Not past due	162	-	162
Past due more than 180 days	3,258	(2,864)	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.

33. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

Trade receivables (cont'd.)

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement (cont'd.)

The movements in the allowance for impairment during the financial year ended 30 June 2018 were:-

	Group RM'000	Trust RM'000
At beginning of the financial year	2,874	2,874
Reversal of impairment losses	(10)	(10)
At end of the financial year	2,864	2,864

Other receivables

Credit risk on other receivables are mainly arising from the withholding tax on foreign source distribution received by a subsidiary and recoverable from Australian tax authorities.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

There is no impairment of other receivables balances as the rate of default and expected loss rate is low.

Inter-company balances

The Trust provides unsecured advances to subsidiaries and where necessary makes payments for expenses on behalf of its subsidiaries. The Trust monitors the results of the subsidiaries regularly.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that inter-company receivables are stated at the realisable values. As at the end of the reporting period, there was no indication that the advances extended to the subsidiaries are not recoverable.

Cash and cash equivalents

Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

In view of the low credit risk of the financial institutions, the loss allowance is not material and hence, is not provided for.

33. FINANCIAL RISK MANAGEMENT (CONT'D.)

(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
2019					
Group					
Financial liabilities:					
Borrowings	1,243,797	1,032,104	1,705	209,988	-
MTNs	986,293	40,508	40,508	513,607	391,670
Trade payables	3,888	3,888	-	-	-
Other payables	56,161	55,198	963	-	-
	2,290,139	1,131,698	43,176	723,595	391,670

	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
2019					
Trust					
Financial liabilities:					
Borrowings	1,243,797	1,032,104	1,705	209,988	-
Other payables	17,648	17,648	-	-	-
Subsidiary	986,302	40,517	40,508	513,607	391,670
	2,247,747	1,090,269	42,213	723,595	391,670

Notes to the Financial Statements

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					
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	47,878	46,915	963	–	–
	2,021,294	139,055	1,044,315	426,619	411,305

	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

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
2019		
Group/Trust		
Derivative		
Net settled interest rate swaps - cash flow hedges (net cash outflows)	**10,561**	**-**
2018		
Group/Trust		
Derivative		
Net settled interest rate swaps - cash flow hedges (net cash outflows)	5,257	5,257

(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	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Fixed rate instruments				
Financial assets				
Shareholders loan	**-**	-	**1,349,378**	1,232,840
Financial liabilities				
Borrowings	**995,099**	967,300	**995,099**	967,300
MTNs	**425,000**	340,000	**-**	-
Subsidiary	**-**	-	**425,000**	340,000
Floating rate instruments				
Financial assets				
Deposits with licensed financial institutions	**58,935**	45,754	**10,130**	1,350
Financial liabilities				
Borrowings	**207,867**	-	**207,867**	-
MTNs	**385,000**	385,000	**-**	-
Subsidiary	**-**	-	**385,000**	385,000

The Group and the Trust do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect income statement.

At the reporting date, if the interest rates had been 50 basis points lower/higher, with all other variables held constant, the Group's and the Trust's profit after tax would be higher/lower by approximately RM2.1 million (2018 RM1.9 million) as a result of lower/higher interest expense on borrowings.

The excess funds of the Group and of the Trust are invested in bank deposits and other short term instruments. The Group and the Trust manage their liquidity risks by placing such excess funds on short term maturities to match its cash flow needs. If interest deposit rates increased/decreased by 50 basis points, interest income of the Group and of the Trust for the financial year would increase/decrease by RM0.3 million (2018 RM0.2 million) and RM0.01 million (2018: RM0.01 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**
2019				
5% change on JPY exchange rate	**24,897**	**(10,393)**	**-**	**5,549**
5% change on AUD exchange rate	**38,554**	**(49,755)**	**-**	**1,772**
2018				
5% change on JPY exchange rate	7,596	-	-	8,729
5% change on AUD exchange rate	46,882	(48,365)	-	4,548

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The table below provides an analysis of financial instruments as at 30 June 2019 categorised under MFRS 9 as follows:-

- Amortised cost ("AC"); and
- Derivative used for hedging ("DH").

Notes to the Financial Statements

34. FINANCIAL INSTRUMENTS (CONT'D.)

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

2019 Group	Note	Carrying amount RM'000	AC RM'000	DH RM'000
Financial assets				
Current				
Trade receivables	17	**11,631**	**11,631**	**-**
Other receivables & deposits	18	**17,714**	**17,714**	**-**
Cash and cash equivalents	19	**148,972**	**148,972**	**-**
		178,317	**178,317**	**-**
Financial liabilities				
Non-current				
Borrowings	22	**206,393**	**206,393**	**-**
MTNs	23	**810,000**	**810,000**	**-**
Other payables	24	**963**	**963**	**-**
Current				
Borrowings	22	**993,031**	**993,031**	**-**
Derivative financial instruments	26	**14,548**	**-**	**14,548**
Trade payables	25	**3,888**	**3,888**	**-**
Other payables	24	**55,198**	**55,198**	**-**
		2,084,021	**2,069,473**	**14,548**

34. FINANCIAL INSTRUMENTS (CONT'D.)

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

2019 Trust	Note	Carrying amount RM'000	AC RM'000	DH RM'000
Financial assets				
Non-current				
Amount due from subsidiaries	14	**1,349,378**	**1,349,378**	**-**
Current				
Trade receivables	17	**161**	**161**	**-**
Other receivables & deposits	18	**5,532**	**5,532**	**-**
Amount due from subsidiaries	14	**123,399**	**123,399**	**-**
Cash and cash equivalents	19	**10,447**	**10,447**	**-**
		1,488,917	**1,488,917**	**-**
Financial liabilities				
Non-current				
Borrowings	22	**206,393**	**206,393**	**-**
Amount due to a subsidiary	14	**810,000**	**810,000**	**-**
Current				
Borrowings	22	**993,031**	**993,031**	**-**
Derivative financial instruments	26	**14,548**	**-**	**14,548**
Other payables	24	**17,648**	**17,648**	**-**
Amount due to a subsidiary	14	**9**	**9**	**-**
		2,041,629	**2,027,081**	**14,548**

Notes to the Financial Statements

34. FINANCIAL INSTRUMENTS (CONT'D.)

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

The table below provides an analysis of financial instruments as at 30 June 2018 categorised under MFRS 139 as follows:-

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

2018 Group	Note	Carrying amount RM'000	L&R RM'000	DH RM'000
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	46,915	46,915	–
		1,750,746	1,741,191	9,555

34. FINANCIAL INSTRUMENTS (CONT'D.)

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

2018 Trust	Note	Carrying amount RM'000	L&R RM'000	DH RM'000
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.)

(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
2019						
Derivative financial liabilities	**337**	**(276)**	**61**	**-**	**-**	**-**
2018						
Derivative financial liabilities	231	(203)	28	-	-	-

35. MANAGEMENT EXPENSE RATIO ("MER")

	Group		Trust	
	2019 %	2018 %	2019 %	2018 %
MER	**0.84**	0.55	**0.84**	0.57

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

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

Notes to the Financial Statements

36. SEGMENTAL REPORTING

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

(a) Malaysia

(b) Japan

(c) Australia

The Group comprises the following reportable segments:-

(a) Property rental - leasing of hotel properties

(b) Hotel - operating hotel business

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

The Group's segmental result for the financial year ended 30 June 2019 is as follows:-

	Property rental		Hotel	
	Malaysia RM'000	**Japan RM'000**	**Australia RM'000**	**Total RM'000**
External revenue	**134,188**	**25,235**	**331,482**	**490,905**
Operating expenses	**(7,078)**	**(4,388)**	**(226,160)**	**(237,626)**
Net property income	**127,110**	**20,847**	**105,322**	**253,279**
Finance income				**1,801**
Fair value gain on investment properties				**22,851**
Revaluation gain on property				**1,024**
Other income				**1,681**
Unrealised gain on foreign exchange				**16,359**
Total income				**296,995**
Trust and administration expenses				**(25,639)**
Depreciation				**(77,395)**
Finance costs				**(86,120)**
Profit before tax				**107,841**

36. SEGMENTAL REPORTING (CONT'D.)

The Group's segmental result for the financial year ended 30 June 2019 is as follows:- (cont'd.)

	Property rental		Hotel	
	Malaysia RM'000	**Japan RM'000**	**Australia RM'000**	**Total RM'000**
Non-current assets	**2,203,000**	**529,554**	**1,948,905**	**4,681,459**
Current assets	**11,463**	**8,959**	**162,896**	**183,318**
Total assets	**2,214,463**	**538,513**	**2,111,801**	**4,864,777**
Non-current liabilities	**1,016,393**	**-**	**963**	**1,017,356**
Current liabilities	**1,061,007**	**1,509**	**47,805**	**1,110,321**
Total liabilities	**2,077,400**	**1,509**	**48,768**	**2,127,677**
Additions to non-current assets	**91,298**	**220,190**	**50,916**	**362,404**

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

Notes to the Financial Statements

36. SEGMENTAL REPORTING (CONT'D.)

The Group's segmental result for the financial year ended 30 June 2018 is as follows:- (cont'd.)

	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

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

	Group Revenue	
	2019 RM'000	**2018 RM'000**
Common control companies:-		
under major unitholder	**121,627**	103,241
under the holding company of major unitholder	**30,446**	30,446
	152,073	133,687

37. 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	2019 RM'000	2018 RM'000
Borrowings	22	**1,202,966**	967,300
MTNs	23	**810,000**	725,000
Total borrowings		**2,012,966**	1,692,300
Total assets		**4,864,777**	4,511,655
Gearing ratio (%)		**41.38**	37.51

The Trust is not subject to externally imposed capital requirements for the financial years ended 30 June 2019 and 30 June 2018.

Notes to the Financial Statements

38. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) During the current financial year, Starhill REIT Niseko G.K., a wholly-owned subsidiary of the Trust, entered into a sale and purchase agreement for the acquisition of The Green Leaf Niseko Village from Niseko Village K.K. for a cash consideration of JPY6,000,000,000.

The acquisition of The Green Leaf Niseko Village was completed on 26 September 2018.

(b) On 20 June 2019, the Trustee of YTL Hospitality REIT ("Lessor") entered into a supplemental lease agreement ("Supplemental Agreement") with Star Hill Hotel Sdn. Bhd. ("Lessee"), the lessee of JW Marriott Hotel Kuala Lumpur, for the rental increase of RM5,950,000 per annum ("Additional Rental").

Pursuant to the Supplemental Agreement, the Lessee has agreed to pay the Additional Rental as the Lessor has agreed to reimburse the Lessee for the renovation costs totalling RM85 million. The reimbursement date was completed on 28 June 2019 and the commencement date of the Additional Rental is 1 July 2019.

39. 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 2019.

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 Seventh 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, 17 October 2019 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 2019 together with the Reports attached thereon.

Number of units held

Signed this __________ day of ________________ 2019 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 10 October 2019. Only a depositor whose name appears on the General Meeting Record of Depositors as at 10 October 2019 shall be entitled to attend the said meeting or appoint proxy to attend on his behalf.*

Fold this flap for sealing

Then fold here

AFFIX
STAMP

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

1st fold here

YTL HOSPITALITY REIT

managed by

PINTAR PROJEK SDN BHD
314009-W

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

Tel • 603 2117 0088
603 2142 6633
Fax • 603 2141 2703

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