YTL HOSPITALITY REIT

managed by

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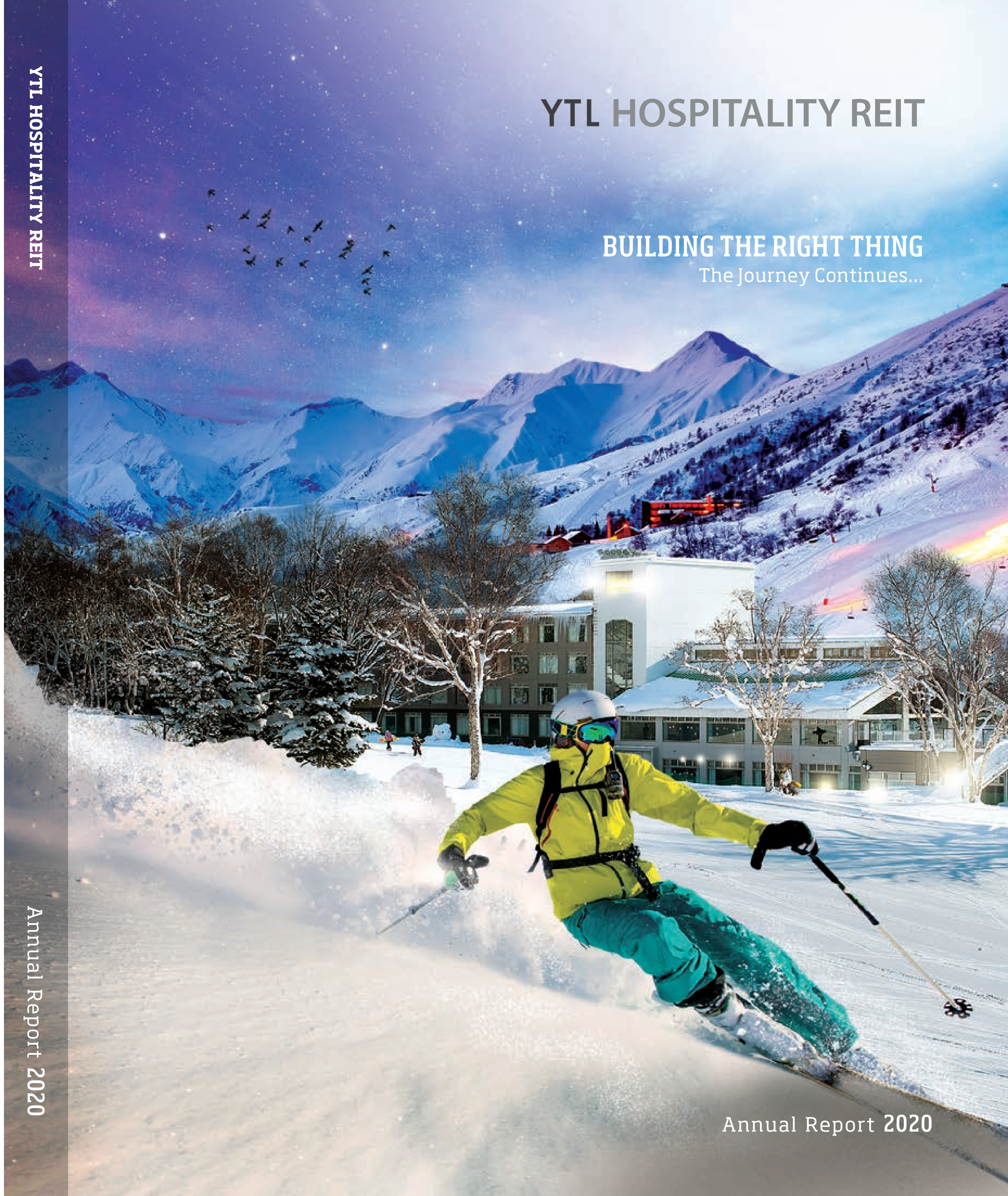
YTL HOSPITALITY REIT
Annual Report 2020



YTL HOSPITALITY REIT

BUILDING THE RIGHT THING

The Journey Continues...

Annual Report **2020**

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YTL HOSPITALITY REIT

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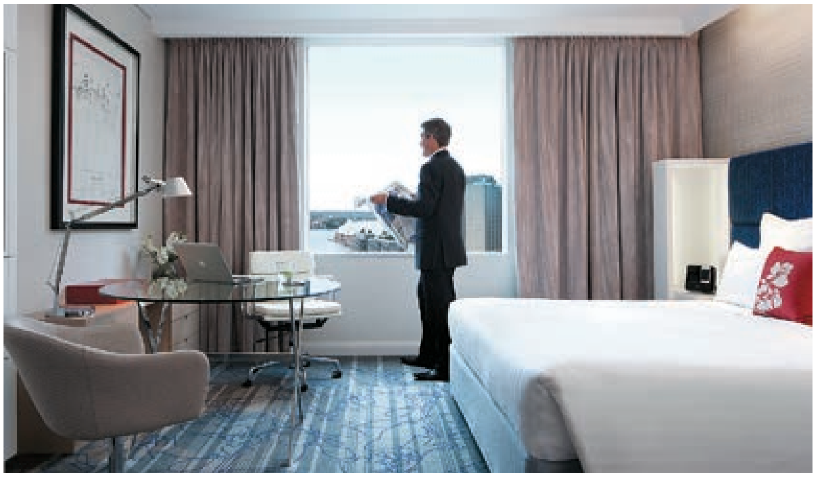

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OVERVIEW

ABOUT YTL HOSPITALITY REIT

YTL Hospitality REIT has a market capitalisation of approximately RM1.83 billion (as at 30 June 2020) with a wide portfolio of prime hotel properties. The hospitality assets range from business to luxury hotels and are spread across a range of unique locations worldwide. In Malaysia, these include the JW Marriott Hotel Kuala Lumpur, The Majestic Hotel Kuala Lumpur, The Ritz-Carlton, Kuala Lumpur *(Hotel and Suite wings)*, the Pangkor Laut, Tanjong Jara and Cameron Highlands resorts and the AC *(formerly 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.

Property Portfolio

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

YTL Hospitality REIT subsequently acquired 9 additional hotel properties in November and December 2011, namely, the Pangkor Laut, Tanjong Jara and Cameron Highlands resorts, The Ritz-Carlton, Kuala Lumpur – Hotel Wing, the remainder of The Ritz-Carlton, Kuala Lumpur – Suite Wing, the AC chain of hotels in Kuala Lumpur, Penang and Kuantan, and Hilton Niseko Village in Japan.

The REIT's international portfolio was further strengthened with the acquisitions of the Sydney Harbour, Brisbane and Melbourne Marriott hotels in Australia in November 2012. This extended the geographical scope of the REIT and significantly enhanced brand outreach, ultimately raising its appeal to existing and new investors.

In November 2017, YTL Hospitality REIT enhanced its asset portfolio with the acquisition of The Majestic Hotel Kuala Lumpur, the Trust's tenth property in Malaysia, and, in September 2018, acquired its second hotel in Japan, The Green Leaf Niseko Village.

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

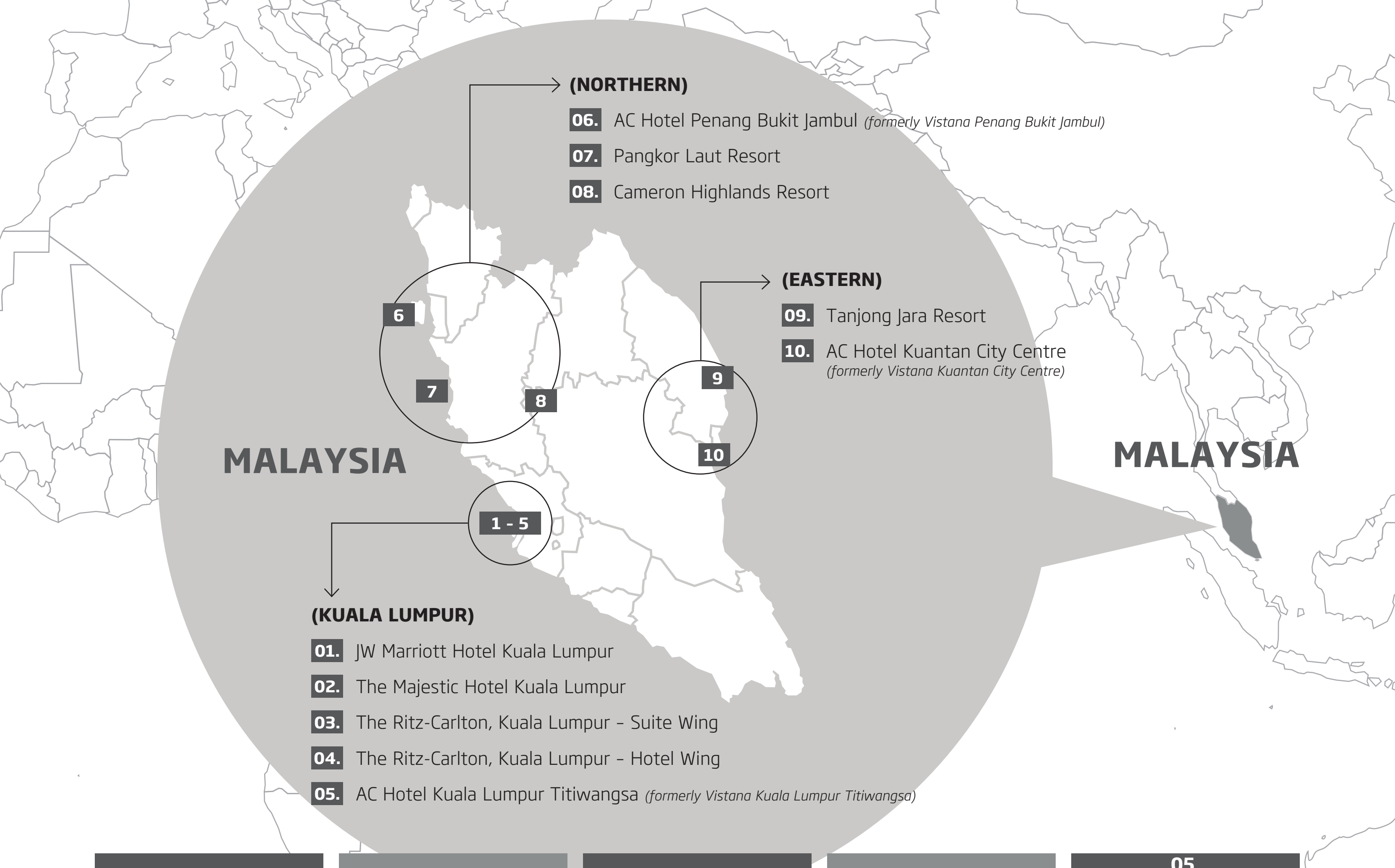
The composition of YTL Hospitality REIT's investment portfolio as at 30 June 2020 is as follows:-

	RM'000	%
Real Estate – Commercial		
JW Marriott Hotel Kuala Lumpur	523,000	11
The Majestic Hotel Kuala Lumpur	390,000	9
The Ritz-Carlton, Kuala Lumpur – Suite Wing	313,000	7
The Ritz-Carlton, Kuala Lumpur – Hotel Wing	360,000	8
AC Hotel Penang Bukit Jambul *(formerly Vistana Penang Bukit Jambul)*	121,000	3
AC Hotel Kuala Lumpur Titiwangsa *(formerly Vistana Kuala Lumpur Titiwangsa)*	139,000	3
AC Hotel Kuantan City Centre *(formerly Vistana Kuantan City Centre)*	90,000	2
Pangkor Laut Resort	119,000	3
Tanjong Jara Resort	103,000	2
Cameron Highlands Resort	60,000	1
Hilton Niseko Village	288,035	6
The Green Leaf Niseko Village	241,155	5
Sydney Harbour Marriott	1,305,129	29
Brisbane Marriott	234,118	5
Melbourne Marriott	210,929	5
	4,497,366	99
Deposits with licensed financial institutions	40,124	1
Total	4,537,490	100

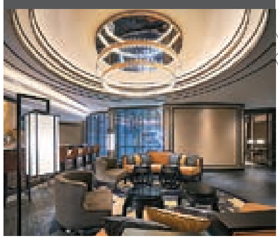
ABOUT THE MANAGER

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

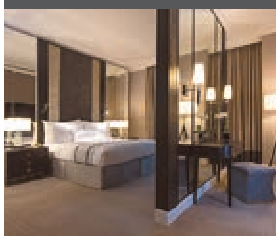


01.
JW Marriott Hotel Kuala Lumpur

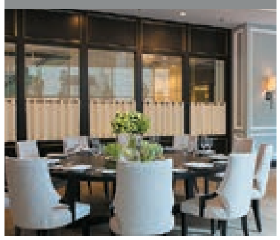


02.
The Majestic Hotel Kuala Lumpur

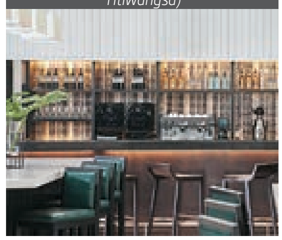
03.
The Ritz-Carlton, Kuala Lumpur - Suite Wing



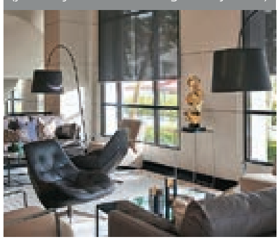
04.
The Ritz-Carlton, Kuala Lumpur - Hotel Wing



05.
AC Hotel Kuala Lumpur Titiwangsa
(formerly Vistana Kuala Lumpur Titiwangsa)



06.
AC Hotel Penang Bukit Jambul
(formerly Vistana Penang Bukit Jambul)

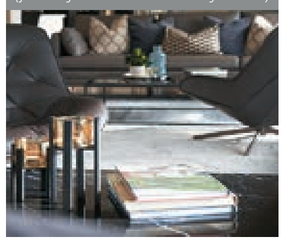


07.
Pangkor Laut Resort

08.
Cameron Highlands Resort

09.
Tanjong Jara Resort

10.
AC Hotel Kuantan City Centre
(formerly Vistana Kuantan City Centre)

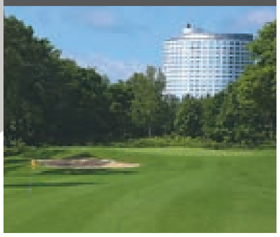


Property Portfolio

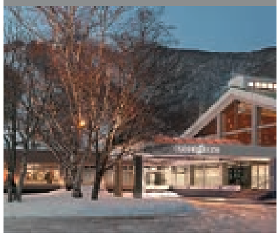
11. Hilton Niseko Village

12. The Green Leaf Niseko Village

11. Hilton Niseko Village



12. The Green Leaf Niseko Village



13. Brisbane Marriott

14. Sydney Harbour Marriott

15. Melbourne Marriott

13. Brisbane Marriott

14. Sydney Harbour Marriott

15. Melbourne Marriott

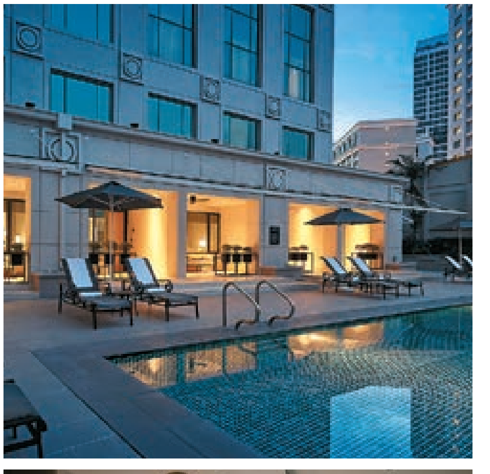
Property Portfolio

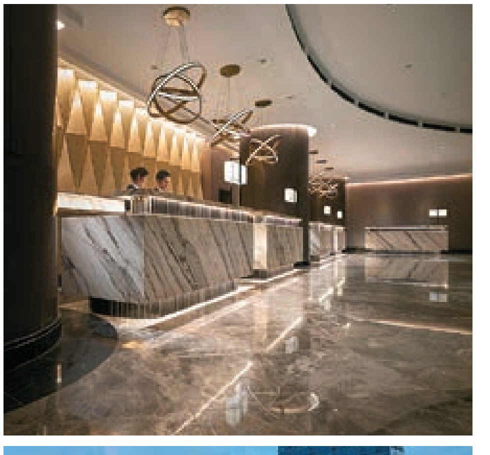
JW MARRIOTT HOTEL KUALA LUMPUR

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

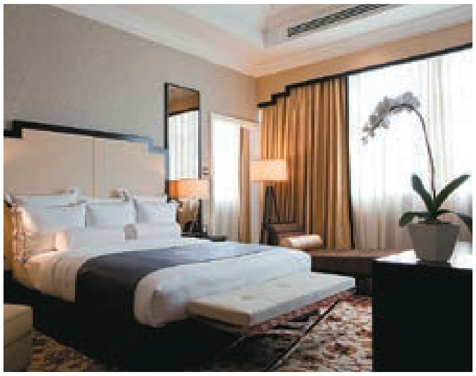
Description
A 5-star hotel with 578 rooms located on part of an 8-level podium block and entire 24-level tower block of Starhill Gallery together with car park bays located partially at basement 1 and 4 and the entire basement 2, 3 and 5 of JW Marriott Hotel Kuala Lumpur.

Property type	Hotel
Age	Approximately 23 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	RM4,000,000
Market value	RM523,000,000
Date of latest valuation	31 May 2020
Independent valuer	SMY Valuers & Consultants Sdn. Bhd.
Net book value	RM523,000,000





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 88 years (refurbished in Year 2012) Tower Wing - Approximately 7 years
Title details	Geran 23849 Lot No. 74 Section 59, City and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Encumbrances/Limitation in title/interest	The property is charged to secure financing and there is no restriction attached to the title.
Status of holdings	90-year registererd lease expiring on 11 May 2091 obtained from Pesuruhjaya Tanah Persekutuan. The unexpired lease period is approximately 71 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	RM2,000,000
Market value	RM390,000,000
Date of latest valuation	31 May 2020
Independent valuer	Azmi & Co. Sdn. Bhd.
Net book value	RM390,000,000

Property Portfolio

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

Address/Location

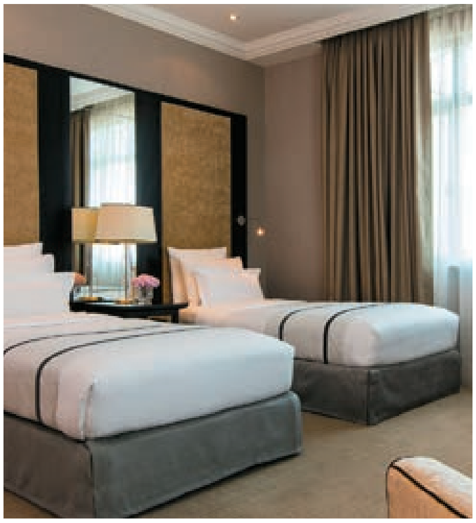
No. 168, Jalan Imbi, 55100 Kuala Lumpur.

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 15 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	RM1,000,000
Market value	RM211,000,000
Date of latest valuation	31 May 2020
Independent valuer	Azmi & Co. Sdn. Bhd.
Net book value	RM211,000,000

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 15 years
Title details	Grant No. 47693 for Lot No. 1308 Section 67, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Encumbrances/Limitation in title/interest	The property is charged to secure financing and there is no restriction attached to the title.
Status of holdings	Freehold
Existing use	Commercial building
Parking spaces	Total combined 189 bays from Parcel 1 and Parcel 2.
Lessee	Star Hill Hotel Sdn. Bhd.
Lease term	The property is leased for a term expiring on 30 June 2031.
Date of acquisition	15 November 2011
Cost of acquisition (including incidentals)	RM73,881,000
Fair value adjustments for the financial year	RM1,000,000
Market value	RM102,000,000
Date of latest valuation	31 May 2020
Independent valuer	Azmi & Co. Sdn. Bhd.
Net book value	RM102,000,000

Property Portfolio

THE RITZ-CARLTON, KUALA LUMPUR - HOTEL WING

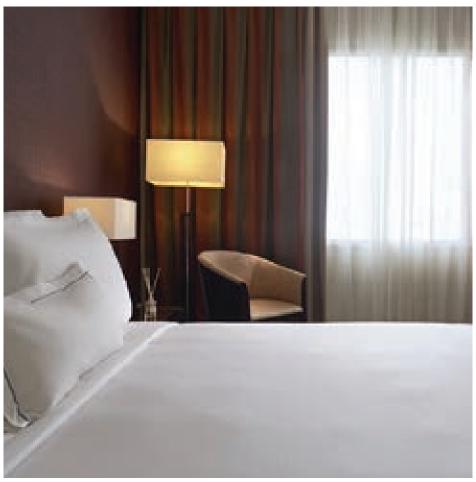
Address/Location
No. 168, Jalan Imbi, 55100 Kuala Lumpur.

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

Property type	Hotel
Age	Approximately 23 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	RM3,000,000
Market value	RM360,000,000
Date of latest valuation	31 May 2020
Independent valuer	SMY Valuers & Consultants Sdn. Bhd.
Net book value	RM360,000,000

AC HOTEL PENANG BUKIT JAMBUL

(formerly Vistana Penang Bukit Jambul)



Address/Location

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

Description

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

Property type	Hotel
Age	Approximately 21 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 74 years.
Existing use	Commercial building
Parking spaces	367 bays
Lessee	Business & Budget Hotels (Penang) Sdn. Bhd.
Lease term	The property is leased for a term expiring on 14 November 2026.
Date of acquisition	15 November 2011
Cost of acquisition (including incidentals)	RM101,778,000
Fair value adjustments for the financial year	RM1,000,000
Market value	RM121,000,000
Date of latest valuation	31 May 2020
Independent valuer	Azmi & Co. Sdn. Bhd.
Net book value	RM121,000,000

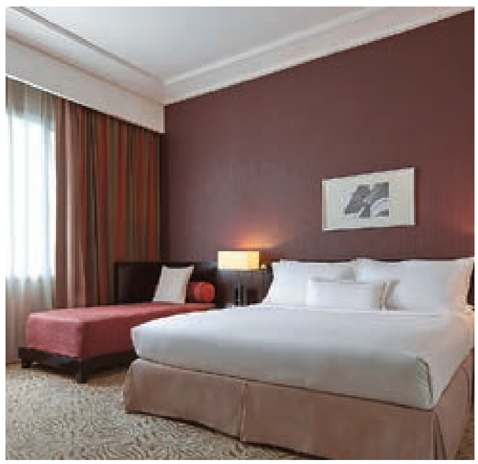
Property Portfolio

AC HOTEL KUALA LUMPUR TITIWANGSA
(formerly Vistana Kuala Lumpur Titiwangsa)

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

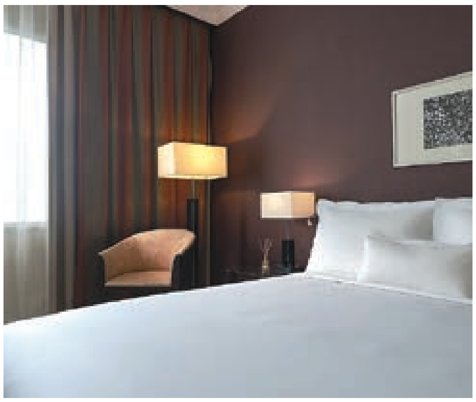
Description
17-storey hotel building with 364 rooms and 2-storey basement car parks.

Property type	Hotel
Age	Approximately 25 years
Title details	Geran 33550, Lot No. 669 in Section 47, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Encumbrances/Limitation in title/interest	The property is charged to secure financing and there is no restriction attached to the title.
Status of holdings	Freehold
Existing use	Commercial building
Parking spaces	125 bays
Lessee	Prisma Tulin Sdn. Bhd.
Lease term	The property is leased for a term expiring on 14 November 2026.
Date of acquisition	15 November 2011
Cost of acquisition (including incidentals)	RM101,207,000
Fair value adjustments for the financial year	RM1,000,000
Market value	RM139,000,000
Date of latest valuation	31 May 2020
Independent valuer	Savills (Malaysia) Sdn. Bhd.
Net book value	RM139,000,000



AC HOTEL KUANTAN CITY CENTRE

(formerly 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 21 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 72 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	RM90,000,000
Date of latest valuation	31 May 2020
Independent valuer	Azmi & Co. Sdn. Bhd.
Net book value	RM90,000,000

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 27 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 75 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	RM119,000,000
Date of latest valuation	31 May 2020
Independent valuer	Savills (Malaysia) Sdn. Bhd.
Net book value	RM119,000,000

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 25 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 47 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	-
Market value	RM103,000,000
Date of latest valuation	31 May 2020
Independent valuer	Savills (Malaysia) 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 46 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 88 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 2020
Independent valuer	SMY Valuers & Consultants 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 26 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	(JPY450,000,000) or (RM18,271,000)
Market value	JPY7,250,000,000
Date of latest valuation	30 April 2020
Independent valuer	JLL Morii Valuation & Advisory K.K.
Net book value	RM288,035,000

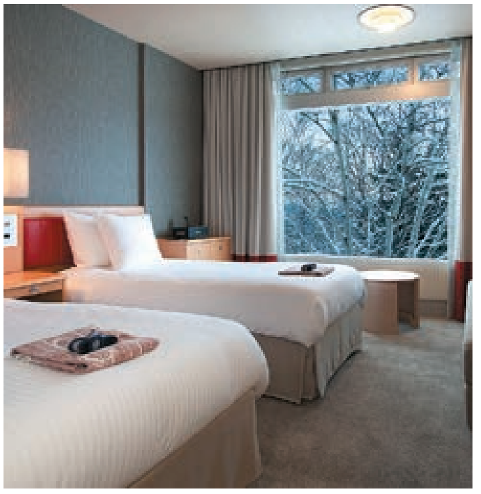
Property Portfolio

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 37 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	JPY10,000,000 or RM406,000
Market value	JPY6,070,000,000
Date of latest valuation	30 April 2020
Independent valuer	Savills Japan Co., Ltd.
Net book value	RM241,155,000



SYDNEY HARBOUR MARRIOTT

Address/Location

30 Pitt Street, Sydney, New South Wales.

Description

33-storey hotel building with central atrium comprising 595 rooms including 3 levels of basement with car parking bays.

Property type	Hotel
Age	Approximately 31 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	76.25%
Date of acquisition	29 November 2012
Cost of acquisition (including incidentals)	AUD264,618,000
Fair value adjustments for the financial year	(AUD38,648,000) or (RM109,610,000)
Market value	AUD445,000,000
Date of latest valuation	30 April 2020
Independent valuer	Savills Valuations Pty. Ltd.
Net book value	RM1,305,129,000

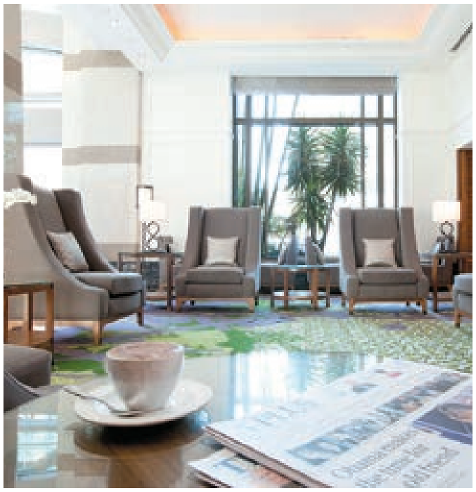
Property Portfolio

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 22 years
Title details	Lot 5 on Survey Plan 100339 comprised in certificate of Title Reference No. 50218402 in the Parish of North Brisbane and County of Stanley.
Encumbrances/Limitation in title/interest	The property is charged to secure financing and there is no restriction attached to the title.
Status of holdings	Freehold
Existing use	Commercial building
Parking spaces	78 bays
Average occupancy rate	68.51%
Date of acquisition	29 November 2012
Cost of acquisition (including incidentals)	AUD120,311,000
Fair value adjustments for the financial year	(AUD10,311,000) or (RM29,242,000)
Market value	AUD80,000,000
Date of latest valuation	30 April 2020
Independent valuer	Savills Valuations Pty. Ltd.
Net book value	RM234,118,000



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.

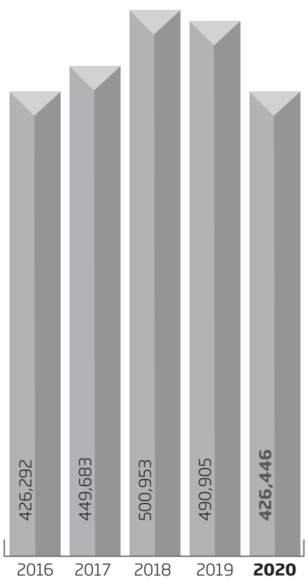
Property type	Hotel
Age	Approximately 38 years
Title details	Lot 1 on Plan of Subdivision 349277H (Volume 10323 Folio 372) and Lot 1 on Plan of Subdivision 349276K (Volume 10323 Folio 375) in the Local Government Area of City of Melbourne Council and Parish of North Melbourne.
Encumbrances/Limitation 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	69.69%
Date of acquisition	29 November 2012
Cost of acquisition (including incidentals)	AUD56,404,000
Fair value adjustments for the financial year	(AUD4,720,000) or (RM13,386,000)
Market value	AUD72,000,000
Date of latest valuation	30 April 2020
Independent valuer	Savills Valuations Pty. Ltd.
Net book value	RM210,929,000

Financial Highlights

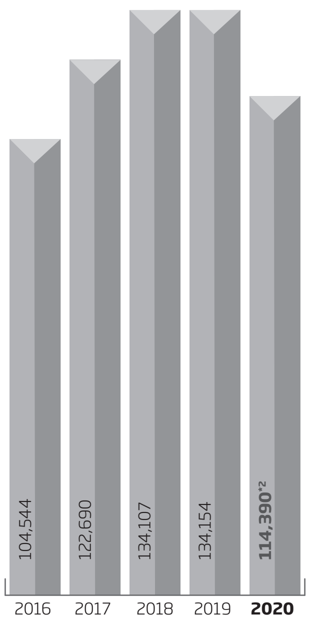
	2020	**2019**	**2018**	**2017**	**2016**
Revenue (RM'000)	**426,446**	490,905	500,953	449,683	426,292
Total income distribution (RM'000)	**114,390**[*2]	134,154	134,107	122,690	104,544
Profit/(Loss) before tax (RM'000)	**13,141**	107,841	239,138	(9,219)	(3,788)
Profit/(Loss) after tax (RM'000)	**9,594**	104,673	236,559	(12,121)	(5,775)
Total assets (RM'000)	**4,693,536**	4,864,777	4,511,655	4,039,206	3,621,918
Net asset value (RM'000)	**2,555,899**	2,737,100	2,718,511	2,530,991	1,922,403
Units in circulation ('000)	**1,704,389**	1,704,389	1,704,389	1,704,389[*1]	1,324,389
Net asset value per Unit (RM)	**1.500**	1.606	1.595	1.485	1.452
Earnings/(Loss) per Unit (sen)	**0.56**	6.14	13.88	(0.79)	(0.44)
Distribution per Unit (sen)	**6.7115**[*2]	7.8711	7.8683	8.0838	7.8938

*1 *After the issuance of 380,000,000 new placement units on 16 December 2016.*
*2 *Representing approximately 90% of the total distributable income.*

Revenue
(RM'000)

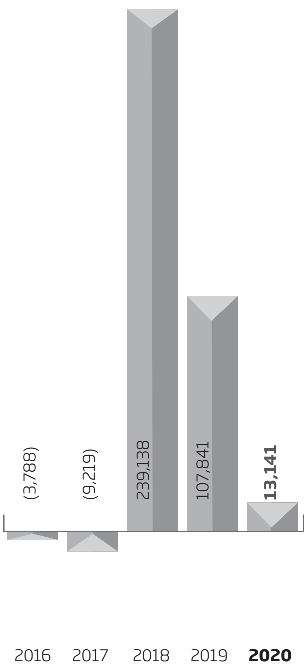


Total Income Distribution
(RM'000)

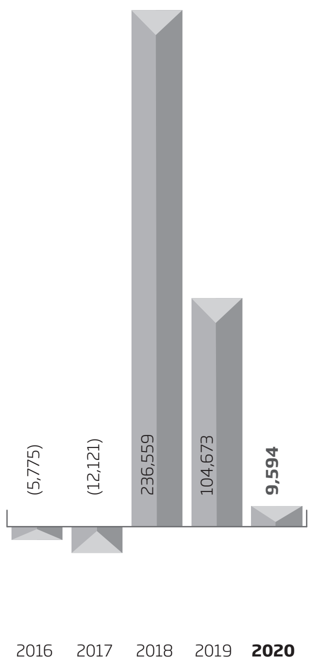


Financial Highlights

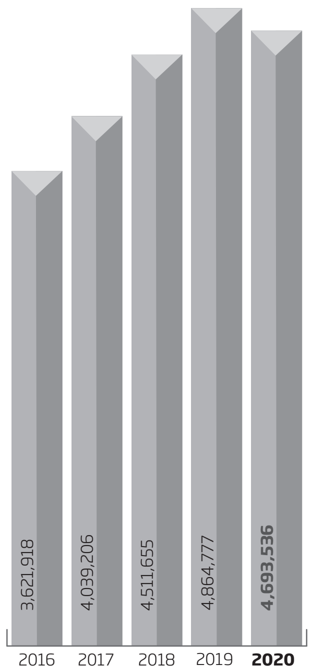
Profit/(Loss) Before Tax
(RM'000)



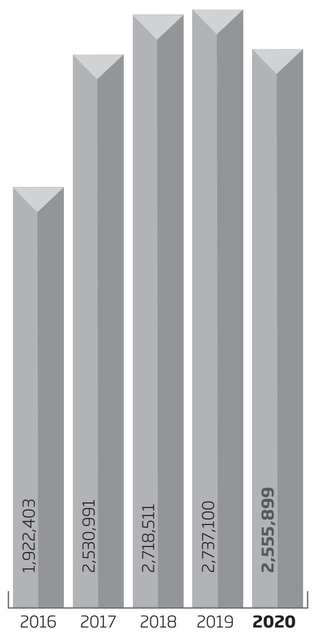
Profit/(Loss) After Tax
(RM'000)



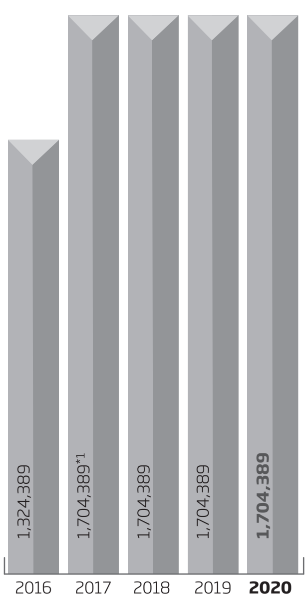
Total Assets
(RM'000)



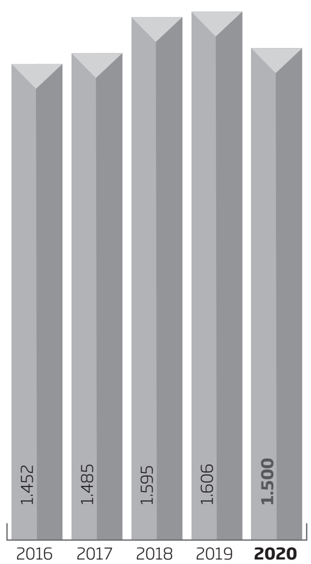
Net Asset Value
(RM'000)



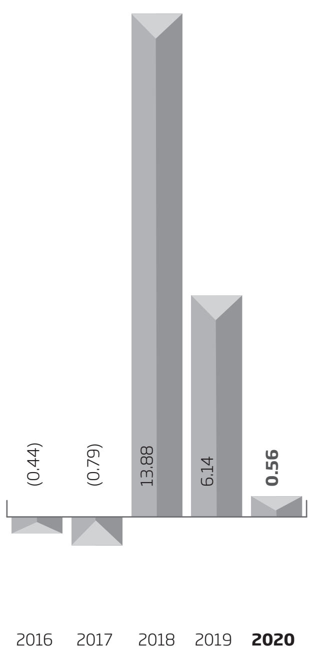
Units in Circulation
('000)



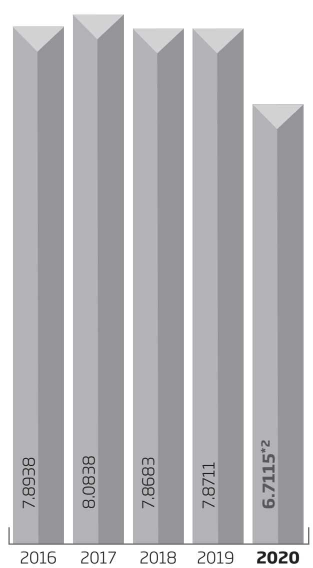
Net Asset Value per Unit
(RM)



Earnings/(Loss) per Unit
(sen)



Distribution per Unit
(sen)



Fund Performance

(I) PORTFOLIO COMPOSITION OF THE GROUP

At 30 June	2020 %	2019 %	2018 %	2017 %	2016 %
Real estate	**99**	99	99	99	99
Non-real estate-related assets	**-**	-	-	-	-
Deposits	**1**	1	1	1	1
	100	100	100	100	100

(II) NET ASSET VALUE & UNIT INFORMATION

	2020	2019	2018	2017	2016
Total assets (RM'000)	**4,693,536**	4,864,777	4,511,655	4,039,206	3,621,918
Total net asset value ("NAV") (RM'000)					
- as at 30 June (before income distribution)	**2,670,289**	2,871,254	2,852,618	2,653,681	2,026,947
- as at 30 June (after income distribution)	**2,555,899**	2,737,100	2,718,511	2,530,991	1,922,403
Units in circulation ('000)	**1,704,389**	1,704,389	1,704,389	1,704,389	1,324,389
NAV per Unit (RM)					
- as at 30 June (before income distribution)	**1.567**	1.685	1.674	1.557	1.530
- as at 30 June (after income distribution)	**1.500**	1.606	1.595	1.485	1.452
- Highest NAV during the year	**1.584**	1.606	1.595	1.485	1.452
- Lowest NAV during the year	**1.500**	1.551	1.398	1.386	1.339
Market value per Unit (RM)					
- as at 30 June	**1.05**	1.34	1.17	1.18	1.07
- Weighted average price for the year	**1.23**	1.25	1.17	1.16	1.05
- Highest traded price for the year	**1.38**	1.37	1.28	1.24	1.09
- Lowest traded price for the year	**0.75**	1.15	1.08	1.06	0.99

(III) PERFORMANCE DETAILS OF THE GROUP

	2020	2019	2018	2017	2016
Distribution per Unit (sen)					
- First interim	**1.9584**	1.9219	1.9737	2.0528	1.9175
- Advance	**-**	-	-	1.9181	-
- Second interim	**1.9158**	1.9387	1.9917	0.3459	1.9175
- Third interim	**-** (4)	1.9116	1.9378	1.8364	1.9175
- Final	**2.8373** (4)(5)	2.0989	1.9651	1.9306	2.1413
	6.7115	7.8711	7.8683	8.0838	7.8938
Distribution date					
- First interim	**27 December 2019**	28 December 2018	29 December 2017	23 December 2016	30 December 2015
- Advance	**-**	-	-	12 January 2017	-
- Second interim	**25 March 2020**	29 March 2019	30 March 2018	30 March 2017	31 March 2016
- Third interim	**-** (4)	28 June 2019	29 June 2018	30 June 2017	30 June 2016
- Final	**28 August 2020** (4)(5)	30 August 2019	30 August 2018	30 August 2017	30 August 2016
Distribution yield (%) (1)	**5.46**	6.30	6.73	6.97	7.52
Management expense ratio (%)	**0.61**	0.84	0.55	0.54	0.68
Total return (%) (2)	**3.86**	13.13	7.59	17.44	11.48
Average total return (3)					
- One year	**3.86**				
- Three years	**8.19**				
- Five years	**10.70**				

Notes:

1. *Distribution yield is computed based on weighted average market price of the respective financial year.*
2. *Total return is computed based on the distribution yield per unit and the change in the weighted average market price of the respective financial year.*
3. *Average total return is computed based on total return per unit averaged over number of years.*
4. *Change of income distribution frequency from quarterly to semi-annually effective from the financial quarter ended 31 March 2020.*
5. *For the 6 months period from 1 January 2020 to 30 June 2020.*

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

Management Discussion & Analysis

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATION

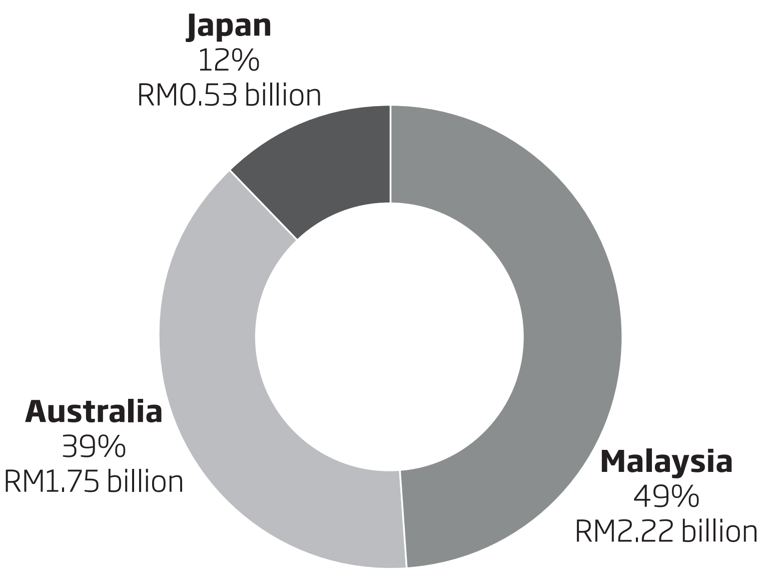
OVERVIEW OF YTL HOSPITALITY REIT

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

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

The investment portfolio of YTL REIT in Malaysia as at 30 June 2020 comprises The Majestic Hotel Kuala Lumpur, JW Marriott Hotel Kuala Lumpur, The Ritz-Carlton, Kuala Lumpur – Suite Wing ("The Ritz Carlton Suite Wing"), Cameron Highlands Resort, AC Hotel Penang Bukit Jambul *(formerly Vistana Penang Bukit Jambul)* ("AC Hotel Penang"), AC Hotel Kuala Lumpur Titiwangsa *(formerly Vistana Kuala Lumpur Titiwangsa)* ("AC Hotel Kuala Lumpur"), AC Hotel Kuantan City Centre *(formerly Vistana Kuantan City Centre)* ("AC Hotel Kuantan"), The Ritz-Carlton, Kuala Lumpur – Hotel Wing ("The Ritz Carlton Hotel Wing"), Tanjong Jara Resort and part of Pangkor Laut Resort. The Trust's international portfolio comprises Hilton Niseko Village and The Green Leaf in Hokkaido, Japan, and the Sydney Harbour Marriott, Brisbane Marriott and Melbourne Marriott in Australia.

Asset Breakdown by Country as at 30 June 2020



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 30.6.2020 RM'000	% of total investment	Fair value as at 30.6.2019 RM'000	% of total investment
Real Estate - Commercial				
Properties in Malaysia				
1. JW Marriott Hotel Kuala Lumpur	**523,000**	**11**	519,000	11
2. The Majestic Hotel Kuala Lumpur	**390,000**	**9**	388,000	8
3. The Ritz-Carlton Hotel Wing	**360,000**	**8**	357,000	8
4. The Ritz-Carlton Suite Wing	**313,000**	**7**	311,000	7
5. AC Hotel Kuala Lumpur	**139,000**	**3**	138,000	3
6. AC Hotel Penang	**121,000**	**3**	120,000	2
7. Pangkor Laut Resort	**119,000**	**3**	118,000	2
8. Tanjong Jara Resort	**103,000**	**2**	103,000	2
9. AC Hotel Kuantan	**90,000**	**2**	89,000	2
10. Cameron Highlands Resort	**60,000**	**1**	60,000	1
Properties in Japan				
11. Hilton Niseko Village	**288,035**	**6**	296,335	6
12. The Green Leaf Niseko Village	**241,155**	**5**	233,219	5
Properties in Australia				
13. Sydney Harbour Marriott	**1,305,129**	**29**	1,447,848	31
14. Brisbane Marriott	**234,118**	**5**	270,540	6
15. Melbourne Marriott	**210,929**	**5**	227,838	5
Sub-total	**4,497,366**	**99**	**4,678,780**	**99**
Deposits with licensed financial institutions	**40,124**	**1**	58,935	1
Total	**4,537,490**	**100**	**4,737,715**	**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 with the objective to consume substantially all of the economic benefits through generation of rental income, rather than through sale. However, in the future where the Manager considers that any property has reached a stage that offers only limited scope for growth and in the best interest of the unitholders, the Manager may consider selling the property and using the proceeds for alternative investments in properties that meet its investment criteria.

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 assets

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

(b) Non-real estate assets

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

(c) Cash, deposits and money market instruments

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

DISTRIBUTION POLICY

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

Commencing from the financial quarter ended 31 March 2020, the frequency of distribution was changed from quarterly to semi-annually.

The Manager believes that the switch of its distribution frequency from quarterly to semi-annually for each six-month period ending 30 June and 31 December will enable the Trust to preserve and better manage its cashflows and achieve savings in terms of cost and administrative resources in view of the unprecedented COVID-19 pandemic.

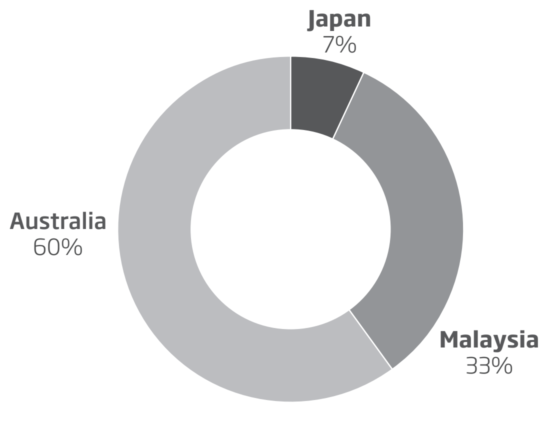
DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS AND FINANCIAL CONDITION

PERFORMANCE OF THE GROUP

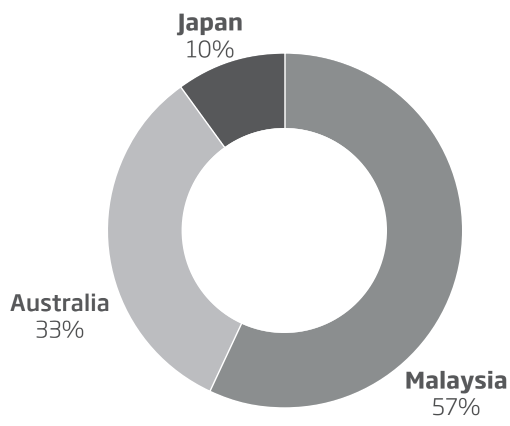
	FY2020 RM'000	FY2019 RM'000	Change
Revenue			
– Hotel revenue (Management contracts)	**257,553**	331,482	(22.3%)
– Property revenue (Master leases)	**168,893**	159,423	+5.9%
Total revenue	**426,446**	490,905	(13.1%)
Net property income ("NPI")			
– Management contracts	**78,290**	105,322	(25.7%)
– Master leases	**156,929**	147,957	+6.1%
NPI	**235,219**	253,279	(7.1%)
Income available for distribution	**127,100**	134,154	(5.3%)
Total income distribution	**114,390**	134,154	(14.7%)

Segmental Results of the Group

Revenue by Country - FY2020



NPI by Country - FY2020



Management Discussion & Analysis

DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS AND FINANCIAL CONDITION

Segmental Results of the Group	**Property rental**		**Hotel**	
	Malaysia RM'000	**Japan RM'000**	**Australia RM'000**	**Total RM'000**
FY2020				
External revenue	**140,234**	**28,659**	**257,553**	**426,446**
Operating expenses	**(7,355)**	**(4,609)**	**(179,263)**	**(191,227)**
NPI	**132,879**	**24,050**	**78,290**	**235,219**
FY2019				
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

Review of Financial Performance

For the current financial year under review, the Group recorded revenue and net property income of RM426.446 million and RM235.219 million, respectively, as compared to RM490.905 million and RM253.279 million, respectively, recorded in the preceding financial year ended 30 June 2019. This represented a decrease of 13.1% and 7.1%, respectively, as compared to the preceding financial year. The Group recorded a profit before tax of RM13.141 million for the current financial year ended 30 June 2020, a decrease of 87.81% as compared to a profit before tax of RM107.841 million recorded in the preceding financial year due to the following factors:-

(i) Fair value loss on properties of RM28.120 million during the current financial year as compared to the fair value gain of RM23.875 million recorded in the preceding financial year; and

(ii) unrealised foreign currency translation loss on borrowings denominated in foreign currencies of RM22.160 million recorded during the current financial year as compared to a translation gain of RM16.359 million recognised during the preceding financial year.

The income available for distribution in the current financial year of RM127.100 million represented a decrease of 5.3% as compared to RM134.154 million recorded in the preceding financial year mainly due to lower performance from Australian hotel portfolio following the COVID-19 pandemic that impacted since February 2020.

Performance of the respective operating business segments for the financial year ended 30 June 2020 as compared to the preceding year is analysed as follows:-

Hotel

Revenue and net property income from the Australian Portfolio have been impacted by the COVID-19 pandemic since February 2020. Australian borders were closed to all non-residents from 20 March 2020 and the government implemented stricter social distancing measures to contain the pandemic. The Australian Portfolio participated in the Australian Government's programme for self-isolation guests and remained in operations throughout. However, since then, the hotel portfolio performance has been continuously impacted by the restrictions.

Property rental

The increase in revenue and net property income was mainly due to the additional rentals recorded from the JW Marriott Hotel Kuala Lumpur following the refurbishment completed in June 2019.

Additionally, The Green Leaf Niseko Village acquired in September 2018 contributed to the full year's revenue and net property income for the current financial year ended 30 June 2020 as compared to nine months in the financial year ended 30 June 2019.

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 3.8742 sen per unit (of which 3.0206 sen is taxable and 0.8536 sen is non-taxable in the hands of unitholders) amounted to RM66,031,434 were paid as follows:-

	Date of distribution	Distribution per unit Sen	Income distribution RM
First interim	27 December 2019	1.9584	33,378,752
Second interim	25 March 2020	1.9158	32,652,682
Total		**3.8742**	**66,031,434**

For the six months from 1 January 2020 to 30 June 2020, 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 2.8373 sen per unit (all taxable in the hands of unitholders), totalling RM48,358,626.

Total distribution paid and declared for the financial year ended 30 June 2020 is 6.7115 sen per unit, totalling RM114,390,060, which translates to a yield of 5.45% based on the twelve months weighted average market price of RM1.231 per unit.

The total income distribution of RM114,390,060 represents approximately 90% of the realised and distributable income for the financial year ended 30 June 2020.

The effect of the income distribution in terms of the net asset value per unit of the Group as at 30 June 2020 is as follows:-

	Before distribution RM	After distribution RM
Net asset value ("NAV") per unit	1.567	1.500

Management Discussion & Analysis

DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS AND FINANCIAL CONDITION

FINANCIAL POSITION

As at 30 June	2020 RM'000	2019 RM'000	Change
Investment properties	**2,747,190**	2,732,554	+0.5%
Property, plant and equipment	**1,750,176**	1,946,226	(10.1%)
Cash & cash equivalents	**145,908**	148,972	(2.1%)
Other assets	**50,262**	37,025	+35.8%
Total assets	**4,693,536**	4,864,777	(3.5%)
Borrowings	**2,036,559**	2,009,424	+1.4%
Other liabilities	**101,078**	118,253	(14.5%)
Total liabilities	**2,137,637**	2,127,677	+0.5%
NAV	**2,555,899**	2,737,100	(6.6%)
No. of units in circulation ('000)	**1,704,389**	1,704,389	-
NAV per unit (RM)	**1.500**	1.606	(6.6%)

Analysis of NAV of the Group since the last financial year ended 30 June 2019:-

As at 30 June	2020	2019
Total NAV (RM'000)	**2,555,899**	2,737,100
NAV per unit (RM)	**1.500**	1.606

The decrease in total NAV and NAV per unit was mainly due to the recognition of revaluation deficit on the real estates properties and the unrealised foreign currency translation loss on borrowings denominated in foreign currencies recorded 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 guided by the Listed REIT Guidelines, which is total borrowings divided by total assets.

- Gearing

As at 30 June	2020 RM'000	2019 RM'000	Change
Borrowings	**1,231,351**	1,202,966	+2.4%
MTNs	**810,000**	810,000	-
Total borrowings	**2,041,351**	2,012,966	+1.4%
Total assets	**4,693,536**	4,864,777	(3.5%)
Gearing ratio (%)	**43.49%**	41.38%	2.11 pp

- Debt profile

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

Management Discussion & Analysis

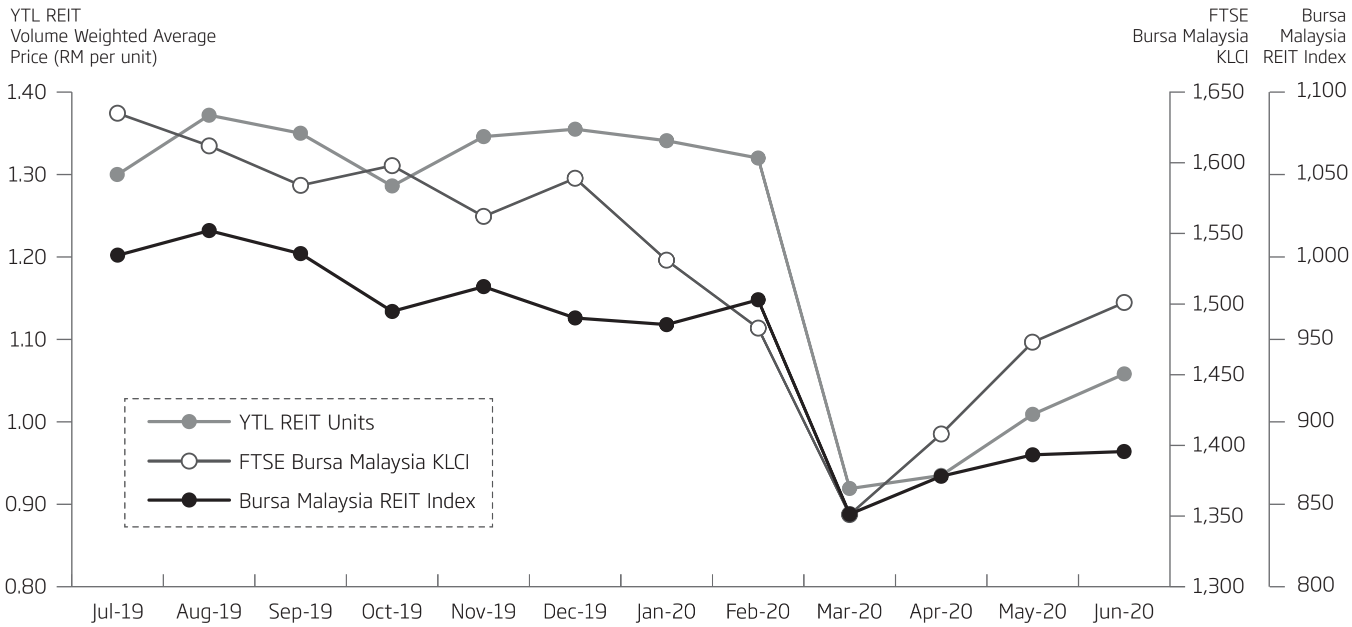
DISCUSSION AND ANALYSIS OF THE FINANCIAL RESULTS AND FINANCIAL CONDITION

UNIT PERFORMANCE

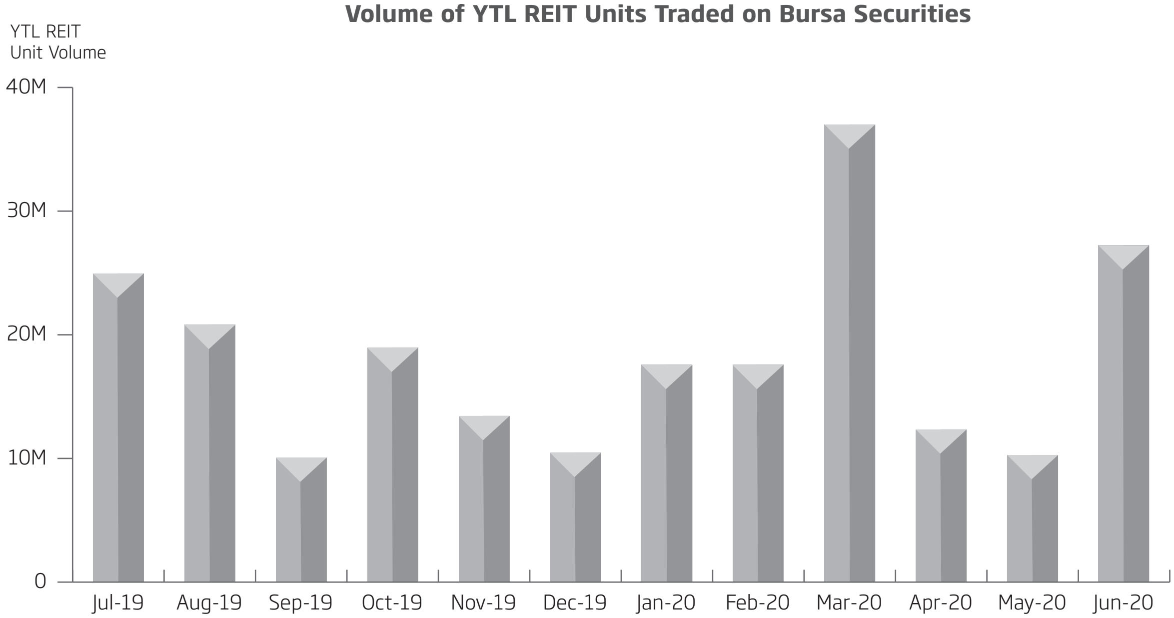
The Trust's units traded at RM1.34 per unit at the beginning of the financial year and ended the year lower at RM1.05 per unit, with a volume weighted average price for the financial year of RM1.231 per unit. During the financial year under review, the Trust's unit price recorded a high of RM1.38 per unit and a low of RM0.75 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 2020:-

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

BENCHMARK RELEVANT TO THE GROUP

Management Expense Ratio ("MER")

	2020	2019
MER for the financial year	**0.61%**	0.84%

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

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

Management Discussion & Analysis

REVIEW OF OPERATING ACTIVITIES

YTL REIT's investment portfolio was valued at RM4,537.5 million as at 30 June 2020, a decrease of RM200.2 million compared to the previous valuation of RM4,737.7 million as at 30 June 2019, mainly due to revaluation deficits on the Australia portfolio.

MALAYSIAN PORTFOLIO

YTL REIT continued to receive steady income from its portfolio of assets in Malaysia for the financial year ended 30 June 2020. 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 the JW Marriott Hotel Kuala Lumpur, The Ritz-Carlton Hotel Wing and The Ritz-Carlton Suite Wing. The three luxury assets operate in close proximity to high-end retail destinations such as Starhill Gallery and other luxury amenities including the Feast Village fine dining pavilion, the Carlton Conference Centre and Spa Village Kuala Lumpur. These assets are surrounded by public transportation networks including monorail and MRT lines, making access to the area even easier.

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.

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 remaining assets that make up the Trust's domestic portfolio are the AC Hotels operating in Kuala Lumpur, Kuantan and Penang. Formerly under the Vistana brand name, the hotels underwent a rebranding exercise in December 2019 and are now known as AC Hotels. These hotels offer a mix of practical, modern amenities in comfortable rooms and refined service standards which attract local and regional business travellers, setting the AC Hotels apart in this competitive segment of the hospitality industry.

During the current calendar year, the tourism sector in Malaysia was negatively impacted by the COVID-19 pandemic which resulted in the imposition of a country-wide Movement Control Order (MCO) on 18 March 2020. During the MCO, government and private premises providing non-essential services were not permitted to operate, while domestic and international travel was also heavily curtailed to prevent further spread of the virus.

Management Discussion & Analysis
REVIEW OF OPERATING ACTIVITIES

On 4 May 2020, the Government began partially easing restrictions, allowing most businesses, including hotels, to re-open, guided by standard operating procedures. However, businesses and customers alike have continued to take a cautious approach towards social interactions, including hotel stays, retail shopping and travelling within the country for holidays.

As such, the Trust's Malaysian hotels saw good guest numbers during most months in the financial year under review, but were impacted by the onset of the COVID-19 pandemic beginning in early 2020.

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.

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. The Green Leaf, which is located at the base of Mount Niseko Annupuri in Japan, is a 200-room all-season destination hotel featuring 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.

Inbound tourism in Japan has been negatively affected by the outbreak of COVID-19, with a sharp decrease in international arrivals. Japan declared a state of emergency in April 2020 which was subsequently lifted in late May 2020. To date, the outbreak has not been especially damaging to the Niseko market given that the peak season was reaching its tail end as the outbreak began to accelerate in March 2020.

Hilton Niseko Village and The Green Leaf were closed in April 2020 following the imposition of the state of emergency. However, occupancy levels at both hotels prior to the onset of the pandemic remained at good levels.

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.

During the financial year under review, the Australian properties performances were impacted by the COVID-19 pandemic, as a result of travel restrictions being implemented internationally and domestically, cancellations of major crowd attracting events and also the domestic business travel bans in order to contain the spread of the virus.

Occupancy at the Sydney Harbour Marriott decreased to 76.25% for the year under review compared to 91.59% last year. Occupancy levels were impacted by the closure of Australia's borders to international travel that resulted from containment measures of the COVID-19 pandemic, as a large proportion of hotel guests are sourced from international markets. 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 69.69% for the financial year under review compared to 85.50% for the 2019 financial year. The impact of the pandemic countermeasures on the Melbourne Marriott was slightly softened as the hotel was selected as a quarantine hotel by the Victorian Government for international repatriation and, therefore, continued to operate. 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 68.51% for the 2020 financial year compared to 69.40% last year. Impacts on occupancy levels were slightly mitigated due to the hotel being allowed to remain open during the pandemic as it was selected as a quarantine hotel by the Queensland Government for international repatriation. The Brisbane Marriott is located between Brisbane's central business district and the Fortitude Valley hub, close to shopping, riverside dining along the Brisbane River, and the city's corporate and cultural locales.

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

Management Discussion & Analysis

RISK MANAGEMENT

CREDIT RISK

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

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

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

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

LIQUIDITY RISK

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

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

During the period under review, the Trust changed the frequency of distribution from quarterly to semi-annually, to preserve and better manage its cash flows during the pandemic period.

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 securities 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 considered, where appropriate, to generate the desired interest rate profile.

FOREIGN CURRENCY EXCHANGE RISK

The Group is exposed to foreign currency risk arising from Japanese Yen ("JPY") and Australian Dollars ("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 or globally may impact the Group's financial performance and the valuation of its asset portfolio.

The YTL REIT Group works to manage these factors through the revenue structure of its portfolio whereby the Trust receives stable, medium to long term fixed lease income from its Malaysian and Japanese portfolios and variable income from its Australian assets.

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

REGULATORY/COMPLIANCE RISK

YTL REIT is required to comply with applicable legislation, regulations and guidelines including the Capital Markets and Services Act 2007, the Main Market Listing Requirements of Bursa Securities, the Listed REIT Guidelines, exchange control rules issued by Bank Negara Malaysia and tax legislation and regulations, where failure to do so may result in fines, penalties or other remedies available to the regulatory authorities.

Any such compliance failures may impact the Trust's financial performance or reputation, whilst amendments to existing requirements or introduction of new requirements may also increase compliance costs.

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

Management Discussion & Analysis

OUTLOOK

Global growth is expected to weaken in 2020, in light of the ongoing COVID-19 pandemic which has significantly dampened global growth prospects, with the outlook highly dependent on how successful countries across the world are in containing the pandemic. The Malaysian economy is projected to register between -2.0% and 0.5% growth for the full 2020 calendar year, impacted by the output loss, the effects of the MCO and commodities supply disruptions as a result of the pandemic. Private consumption growth is expected to be dragged by weak labour market conditions, mobility restrictions and subdued sentiments in the first half of the year. It is expected that the economy will normalise in 2021 in line with projected recovery in the global economy *(source: Bank Negara Malaysia updates)*.

Meanwhile, in Japan, the economy is likely to remain in a severe situation for the time being due to the impact of the spread of COVID-19. However, it is expected that the economy will likely improve once the spread of the virus subsides, supported by accommodative financial conditions, the Japanese government's economic measures, expected materialisation of pent-up demand and the recovery in production levels. Meanwhile, growth in the Australian economy has also been severely affected by the COVID-19 pandemic, with the outlook for the Australian economy also being dependent on how long border controls, physical distancing and other pandemic-related measures remain in place, and the magnitude of the resulting effects on economic activity *(sources: Reserve Bank of Australia, Bank of Japan updates)*.

The COVID-19 pandemic has severely impacted the tourism, travel and hospitality industries worldwide and it is expected that business will take a longer period to recover in view of the uncertainties and challenges that lie ahead. Despite the challenging outlook, the Manager will continue to closely monitor the related risks and impact on all segments, and formulate strategies to best manage these developments to mitigate the effects on the Trust's performance.

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 registered a lower growth of 0.7% in the first quarter of 2020. At 0.7%, this was the lowest growth since 3Q 2009 (-1.1%), reflecting the early impact of measures taken both globally and domestically to contain the spread of the COVID-19 pandemic, including the introduction of the Movement Control Order (MCO) in Malaysia. On the supply side, the services and manufacturing sectors moderated while the other sectors contracted. On the expenditure side, domestic demand moderated while exports of goods and services recorded a sharper decline. On a quarter-on-quarter seasonally-adjusted basis, the economy declined by 2.0% (4Q 2019: +0.6%).

Domestic demand registered a modest growth of 3.7% in the first quarter (4Q 2019: +4.8%) due mainly to weaker capital spending by both the private and public sectors. The subdued investment activity was attributable to the containment measures undertaken by authorities both globally and domestically. Domestic demand was also affected by weaker consumer sentiments and business confidence given the heightened uncertainty surrounding COVID-19. In addition, net exports performance was also a large drag on growth during the quarter. Nonetheless, growth was supported by continued expansion in private and public consumption.

As at 6 July 2020, the Malaysian Ringgit appreciated by 4.8% to RM4.2840 against the US Dollar, from its lowest point on 4 January 2017 at RM4.4995. Similarly, it appreciated by 3% to RM3.0781 against the Singapore dollar, from RM3.1732 on 13 April 2017.

The services sector moderated to 3.1% in 1Q 2020 (4Q 2019: +6.2%), the slowest growth since 2Q 2009. The sector was affected by the COVID-19 pandemic, particularly the tourism-related and non-food retail subsectors. The implementation of the MCO substantially affected business activity, tourism and consumer spending. This led to a sharp slowdown in the wholesale and retail trade, as well as food and beverages and accommodation sub-sectors.

The manufacturing sector moderated further to 1.5% (4Q 2019: +3.0%). The lockdown in the People's Republic of China to contain the pandemic disrupted the global supply chain for a broad range of products, including electrical and electronics (E&E) and transport equipment. This resulted in a shortage of intermediate input for some domestic industries. Nevertheless, the impact was mitigated through a drawdown of inventory, which largely sustained domestic production activities. Manufacturing activity was however impacted by the imposition of the MCO. While the production of essential items and its supply chain were allowed to operate, it did so at a significantly reduced capacity due to the 50% cap on labour utilisation to ensure sufficient social distancing at workplaces.

Review of the Property Market

Growth in the mining sector continued to contract at -2.0% (4Q 2019: -3.4%) as crude oil and natural gas production was weighed down by ongoing maintenance works and the gas pipeline incident in East Malaysia. The agriculture sector contracted further at -8.7% (4Q 2019: -5.7%). Oil palm production continued to be weighed down by the lingering effects of the severe dry weather conditions and cutbacks in fertiliser applications experienced in the early part of 2019.

The construction sector declined by 7.9% during the quarter (4Q 2019: +1.0%), reflecting the halt in activities during the MCO. This had more than offset the progress in large transportation projects and activities in the affordable housing segments during the early part of the quarter.

Overall household debt remains elevated and has recently edged higher, driven by loans for the purchase of residential properties. The share of borrowers from the vulnerable income group has continued to decline to 17.6% of total household debt, while the exposure-at-risk for housing loan borrowers with variable income remained low at 2% of total banking system loans. The six-month moratorium on loan repayments and cash transfers by the Government to support households affected by COVID-19 is foreseen to help households manage their debt in the current environment. Some signs of easing in underwriting standards continued to be observed in 2019 but this has been mostly confined to lower risk-borrowers.

2020 is an exceptionally challenging year for the global economy. Confronted with an unprecedented health crisis, global growth is expected to contract. As an open economy, Malaysia will not be spared. Malaysia's GDP growth is projected to be between -2.0% and +0.5% in 2020, affected by weak global demand, supply chain disruptions and COVID-19 containment measures both abroad and domestic. The Government's stimulus package will help to cushion the economic fallout. Both Pakej Rangsangan Ekonomi 2020 and Pakej Rangsangan Ekonomi Prihatin Rakyat as well as the Bank Negara Malaysia's (Bank) financial measures will provide sizable support to households and businesses. These measures are expected to add 2.8 points to 2020 GDP growth. Also supporting growth is the ongoing large-scale infrastructure projects which are expected to provide an additional 1-point lift to growth in 2020.

There remain significant uncertainties surrounding the growth outlook, with both upside and downside risks to the outlook. Downside risks stem from prolonged and wider spread of COVID-19 globally and domestically, recurring commodities supply disruptions and tighter financial conditions following heightened volatility in financial markets. However, there are also upside risks, emanating from potentially larger-than-expected impact from the pro-growth measures, faster normalisation in activity amid pent-up demand and better-than-expected global economy, arising from the various stimulus measures. The Bank expects the Malaysian economy to rebound in 2021, in line with the projected global recovery. The health crisis is evolving rapidly and the Bank will continue to monitor and assess the development of the pandemic and its economic impact.

Sources: Savills (Malaysia) Sdn Bhd (July 2020),
Bank Negara Malaysia Annual Report 2019 &
Bank Negara Malaysia Quarterly Bulletin Q1 2020

2. Hotel Sector

Malaysia

Tourist arrivals have increased by 1.05% to 26.1 million in 2019. As at March 2020, Malaysia recorded 4.2 million tourist arrivals. Malaysia remains the second most-visited country in Southeast Asia since 2014 just after Thailand. Tourist receipts increased marginally by 2.4% reaching RM86.1 billion in line with the increase in tourist arrivals.

The number of tourists from the top 5 countries that visited Malaysia as of March 2020 were from Singapore (1.5 million) which accounted for the largest share, followed by Indonesia (0.7 million), China (0.4 million), Thailand (0.3 million) and Brunei (0.1 million). There were also inbound tourists from other ASEAN countries, East Asia and the rest of the world.

Visit Malaysia Year 2020 was to become a festive year-long event. This fifth Visit Malaysia Year since 1990 will be held with renewed vigour and passion as Malaysia celebrate the successes and challenges which have experienced together as a nation. The theme for year 2020 is 'Visit Truly Asia Malaysia', a myriad of exciting and lively events has been lined-up to bring to light all of Malaysia's bountiful offerings in terms of art, culture, cuisine, history, natural beauty and others.

The outbreak of COVID-19 has exposed a major risk to Visit Malaysia Year 2020 campaign as 50% of Malaysia's tourists originate from Singapore and Indonesia. The increasing cases of COVID-19 in both countries has led to the cancellation of many tours, which has already led to a large drop in the number of tourists to Malaysia.

In order to fully contain the virus, Malaysia implemented 4 phases of Movement Control Order (MCO). The prohibitions during the MCO such as border closure, restrictions on public movement and closure of non-essential services further contracted Malaysia's tourism industry and therefore effective policies to assist the industry players are imperative such as airlines and hotels industry.

Sources: Savills (Malaysia) Sdn Bhd (July 2020) & Tourism Malaysia

Kuala Lumpur

According to Tourism Malaysia, the overall tourist arrivals in Kuala Lumpur saw a decrease from 19.62 million in 2018 to 18.33 million in 2019, whereas the overall occupancy rate saw a slight decline from 63.3% in 2018 to 59.9% in 2019.

In 2019, KL upmarket hospitality market (excluding serviced apartments) supply increased by 2.6% y-o-y from 32,982 rooms in 2018 to 33,825 rooms. 2019 saw the opening of four hotel developments such as:-

a) EQ Hotel (440 rooms)
b) CitizenM Hotel Kuala Lumpur (210 rooms)
c) Four Points by Sheraton (318 rooms)
d) J Hotel by Dorsett (154 rooms)

Notable updates on the existing hotel developments:-

a) Vistana Hotel (3 star) to AC Hotel by Marriott (4 star) – rebranding
b) Renaissance Hotels– renovation of 510 rooms, completing in 2 years
c) Swiss-Garden Hotel and Residences, Bukit Bintang – additional 29 rooms
d) Hotel Invito (formerly known as Capri) by Fraser – closed down
e) Ambassador Row Hotel Suites by Lanson Place – closed down

The overall ARR dropped by 2.1% in 2019. This was contributed largely by the declining ARR in the serviced apartment segment (5.9%). Growth of ARR has been slow since 2015 when Airbnb was introduced in the market. The majority of hotels will likely experience slowdown in new reservations. In the midst of improving occupancy, hoteliers may further cut their room rates to lure travellers.

Due to the COVID-19 and the recent lockdown in the current recessionary market, we are seeing more closure of hotels such as G City Club Hotel, Berjaya Tioman Resort, Holiday Inn Resort Penang, Kinta Riverfront Hotel & Suites and etc.

Sources: Savills (Malaysia) Sdn Bhd (July 2020) & Tourism Malaysia

Pahang

In 2019, Pahang's property market slightly rebounded as indicated by the growth of market activity. There were 18,306 transactions worth RM5.54 billion recorded in 2019, increases of 3.9% in volume and 9.1% in value as compared to 2018 (17,614 transactions worth RM5.08 billion). Residential sub-sector continued to propel the overall market, accounting for 63.5% of Pahang's property market volume. This was followed by agriculture (23.8%), commercial (6.4%), development land (5.2%) and industrial sub-sectors (1.0%).

Performance of all sub-sectors improved except for agriculture (-11.2%) and industrial (-6.0%) sub-sectors. Commercial sub-sector increased by 26.3%, followed by development land (15.5%) and residential (8.2%) sub-sectors. Value-wise, all sub-sectors recorded an uptrend movement except for agriculture and development land sub-sectors.

The performance of Pahang's commercial sub-sector strengthened in 2019, with 1,171 transactions carrying a total value of RM903.75 million (2018: 927 transactions worth RM566.53 million). This indicates an increase of 26.3% in volume and 59.5% in value as compared to 2018.

The review period witnessed three new completions, namely the Swiss-Garden Hotel & Resort Genting Highlands, Geo Resort & Hotel and a chalet at Kampung Cherating which injected a combined 893 hotel rooms into the market. As at the end of 2019, Pahang has 486 hotels (32,874 rooms) in the existing supply with another 1 hotel (70 rooms) in the incoming supply and 5 hotels (595 rooms) in the planned supply.

Pahang has easy accessibility, wide range attractions and close to 35,000 available rooms. Up to November 2019, 14 million tourists have visited Pahang (2018: 13.4 million). Domestic tourism also increased by 10.9%. Nevertheless, Pahang's hotels had received lesser guests of 11,631,513 in 2019 as compared to 11,642,891 guests in 2018.

Prior to the COVID-19 outbreak, the State Government aimed to receive 15 million domestic tourists in year 2020 with the Teruntum Tower being the new landmark and tourist attraction of Kuantan City. The 180-metre Tower built by the East Coast Economic Region Development Council (ECERDC) costs approximately RM53.1 million, and it is in the process of obtaining a Certificate of Completion and Compliance (CCC). It is expected to start operations in mid-2020. The opening of the Tower is expected to boost economic activities in the tourism sector, particularly in the Kuantan District and have a positive impact on property development in the surrounding area. The Sultan Ahmad Shah Administrative Center (PPSAS), which had begun construction in 2016, is also expected to be completed by the end of 2020. This will be a new and more organised Pahang administrative center and the construction of the PPSAS has been a catalyst for surrounding areas' economic growth especially in KOTASAS and Bandar Indera Mahkota. It is expected to boost both the demand and supply of property market in the residential sub-sector.

Review of the Property Market

Two new sub-districts will be established in 2020, namely Gebeng Sub-District and Genting Sub-District. The establishment of these sub-districts is expected to improve the government's delivery system and also to have a significant impact on the growth of the new town centre which will in turn increase property market activity in the area. With the establishment of these new sub-districts, the ongoing East Coast Rail Link (ECRL) project may bring a large economic spill to Pahang's property market. Through the ECRL project, in addition to the construction of a passenger station near Kuantan Port namely Kuantan Port City 1, a spur line railway into the Kuantan Port operating area will also be built in phase 2 of the project. When completed, the rail link will connect Kuantan Port to Port Klang whereby a land bridge will be created and is expected to increase cargo mobility between the two ports. The project involving a route linking five states namely Selangor, Negeri Sembilan, Pahang, Terengganu and Kelantan are expected to be completed by December 2026.

Pahang will also receive investment from China with the signing of a Memorandum of Understanding (MoU) between the State Government and Chinese companies. The investments are in various sectors including paper and pulp production, integrated energy and heat generation, the development of Eco Tourism City in Bukit Tinggi, Bentong, plastic paper and dust production, wind turbine construction projects in Tioman Island and solar panel production plant for residential in Gebeng Industrial Area, Kuantan.

As the Conditional Movement Control Order (CMCO) is effectively lifted on 10th June 2020, it is envisaged and hopeful that the highlands, eco-tourism destinations and beaches in Pahang to be in demand. Interstate travelling is expected to spur domestic tourism for relaxation after spending weeks at home. The Pahang Government is also developing initiatives to support 180 budget hotel operators such as offering vouchers worth RM20 to RM30 on a first-come-first-serve basis to those who are using the Pahang Go online portal to book rooms which might further boost domestic tourism.

Source: SMY Valuers & Consultants Sdn Bhd (July 2020)

Penang

Penang's property market performance in 2019 saw a slight improvement in market activity. 17,118 transactions worth RM8.63 billion were recorded in 2019, an increase of 0.2% in volume. However, value decreased by 15.3% against 2018 (17,087 transactions worth RM10.19 billion). Residential sub-sector continues to dominate the overall market, accounting for 74.3% of the state's property transaction volume followed by agriculture (8.7%), commercial (8.5%), development land (6.3%) and industrial (2.3%) sub-sectors. Market movements were mainly on downward movements except for residential and commercial sub-sectors which increased by 1.3% and 11.0% respectively. In tandem with the softening of total value, all subsectors recorded downward trend, with the exception of the commercial sub-sector which increased 14.2%.

Penang's commercial sub-sector showed better performance in 2019. There were 1,448 transactions worth RM1.27 billion recorded, increased by 11.0% in volume and 14.2% in value as compared to 2018 (1,304 transactions worth RM1.11 billion).

2019 saw 6,389,996 total hotel guests in Penang (2018: 6,656,481) and the average occupancy rate of 56.5% (2018: 62.2%). As at end June 2019, there were 194 hotels (19,708 rooms) in the existing supply with another 19 hotels (3,543 rooms) in the incoming supply and 10 hotels (1,869 rooms) in the planned supply. Penang witnessed completion of a few other hotels in the whole of 2019, adding 767 rooms to the existing market. These hotels include Macalister Terraces (20 rooms) which opened in December 2019, Loop On Leith by Compass Hospitality in Georgetown (140 rooms, November 2019), a fully restored new heritage Le Embassy Hotel in Jalan Burmah (33 rooms, October 2019), WOW Hotel near KOMTAR in Georgetown (45 rooms, October 2019) and several others which mainly located in Georgetown. Planned to be completed in 2020 is Angsana Teluk Bahang (250 rooms, 4th Quarter 2020). Malaysian Association of Hotels (MAH) Penang chapter anticipated lower hotels' occupancy rate in 2019 due to abundance of both illegal and legal accommodation providers, cheaper rates by AirBNB, no control on the number of people staying, no insurance/security required as compared to hotels' and the requirement to hire only Malaysian labours. As at November 2019, occupancy rate declined between 5% and 10% during the holiday season.

Prior to the COVID-19 pandemic and Movement Control Order (MCO), Penang's property market growth was expected to be sustained, backed by various proposed and on-going development projects, namely the following: (i) 29.9 km Bayan Lepas Light Rail Transit (BLLRT) from KOMTAR to Penang International Airport and to three future reclaimed islands, (ii) Bayan Lepas International Airport expansion, (iii) Urban Transformation Centre (UTC) in KOMTAR, (iv) Pan Island Link 1 (PIL 1), (v) new housing initiatives in addition to extending the supply of Affordable Housing (RMM), (vi) the development of GEM Mall retail space development in the Seberang Perai Tengah area, (vii) a 6-hectare GEM Residences development (978 SOHO units) located at Jalan Baru, (viii) Gurney Wharf a world-class public park on the 24.28 hectare reclaimed Gurney Drive foreshore in reclaimed Tanjung Pinang and (ix) transformation of the waterfront area of Weld Quay for parts of Penang and Butterworth in Seberang Perai into a new Penang attraction to be known as Penang's New City Core (PNCC).

The Penang State Government has set up Penang Tourism Economy Recovery Advisory Board (PETERAB), Penang Aid Package 2.0 and introduced RM10 million Penang Business Continuity Zero Interest Loan for eligible registered Penang based travel and tour companies. It is anticipated Penang beach hotels' occupancy rates to register about 60% and city hotels at 30% soon following the reopening of state borders. Some hotels have also planned to reopen by offering low room rates to rejuvenate their business.

Source: Azmi & Co Sdn Bhd (July 2020)

Perak

According to Tourism Malaysia, the overall tourist arrivals in Perak saw an increase from 2.90 million in 2018 to 2.92 million in 2019 whereas the overall occupancy rate saw a slight decline from 44.1% in 2018 to 43.9% in 2019.

As at Q1 2020, the total supply of 3- to 5-star hotel rooms in Perak registered 4,694 rooms consisting of 2 (5-star) hotels, 9 (4-star) hotels and 19 (3-star) hotels. A significant portion of the hotel room supply is from the 3-star hotel category which contributed a total of 2,526 rooms (53.8%), followed by 1,981 4-star rooms (42.2%) and 187 5-star rooms (4.0%).

The rapid growth of Ipoh Town and also in the numbers of beach resorts in Perak are largely due to economic development of the state and the ecotourism attractions found all around the state.

2 new hotels located within the Ipoh Town area were opened as at Q1 2020, increasing the total number of hotels in Perak to 324.

The general outlook for Perak hotel sector remains healthily driven by both local & foreign tourist and is underpinned by the natural and pristine environmental factors.

Sources: Savills (Malaysia) Sdn Bhd (July 2020) & Tourism Malaysia

Terengganu

According to Tourism Malaysia, the overall tourist arrivals in Terengganu saw an increase from 1.89 million in 2018 to 1.92 million in 2019 whereas the overall occupancy rate saw a slight increase from 39.9% in 2018 to 41.3% in 2019.

As at Q1 2020, the total supply of 3- to 5-star hotel rooms in Terengganu registered 3,607 rooms consisting of 4 (5-star) hotels, 6 (4-star) hotels and 18 (3-star) hotels. A significant portion of the hotel room supply is from the 3-star hotel category which contributed a total of 1,910 rooms (52.9%), followed by 970 4-star rooms (26.9%) and 727 5-star rooms (20.1%).

The rapid growth of Kuala Terengganu Town, the famous Redang Island and also in the numbers of beach resorts in Terengganu are largely due to economic development of the state and the ecotourism attractions found all around the state.

Hotel rooms located at beach locations report the highest numbers. The main reason is that Terengganu is located along the pristine East Coast of Peninsular Malaysia which facing the South China Sea.

3 new hotels located within the Town area were opened as at Q1 2020, increasing the total number of hotels in Terengganu to 202.

Sources: Savills (Malaysia) Sdn Bhd (July 2020) & Tourism Malaysia

AUSTRALIA

1. Economy

1.1 *Australian Economy*

The Australian economy contracted by 0.3% (on seasonally adjusted terms) in the first quarter of 2020, with the annual growth rate slowing to 1.4% in the 12 months to March 2020. The International Monetary Fund's World Economic Outlook forecasts that the Australian economy will contract by -6.7% in 2020 as a result of the COVID-19 pandemic, with the outlook of a GDP growth recovery in 2021 of 6.1%.

The Federal Government's economic support package of $259 billion will help soften the impact felt by Australian individuals and businesses. This includes the JobKeeper program which will provide a wage subsidy to Australians who otherwise may have been unemployed, along with early superannuation release of up to $20,000 for eligible individuals. More recently, the HomeBuilder scheme was introduced to provide eligible owner-occupiers a $25,000 grant to build a new home or undergo substantial renovations. The aim of the scheme is to create economic activity within the residential construction sector.

1.2 *Retail Trade*

Retail trade in Australia recorded its largest monthly fall in April, with a decline of 17.7% (on seasonally adjusted terms). This was however on the back of a record monthly rise of 8.5% in March, resulting from panic buying at the beginning of the pandemic. The fall came following the introduction of strict social distancing and lockdown laws which forced many businesses (particularly food

Review of the Property Market

and beverage) to close. Annual retail trade growth for Australia was recorded at 0.9%, with major falls in 'Clothing & Footwear', 'Café & Restaurant' and 'Department Store' retailing. The falls were offset by strong growth in 'Hardware & Garden' retailing which grew by a staggering 15.4% as many Australians used the time in lockdown to make home improvements and renovations.

On the other hand, according to the NAB Online Retail Sales Index, the monthly online retail sales grew by 16.2% in April, which was the largest monthly growth since the index started in 2012, equating to a year on year growth of 58.5%. Online sales growth has been largely driven by appliances and homewares products. This divergence in retail trade demonstrates a shift in consumer spending patterns, suggesting that COVID-19 pandemic pushed consumers to spend more online, particularly throughout the lockdown period.

1.3 *Employment*

The unemployment rate (seasonally adjusted) in Australia was recorded at 7.1% in May 2020, which was up from 6.4% in April. More positively, the underemployment rate fell 70 basis points over the month to 13.1% as restrictions were eased and hospitality and retail sectors began to reopen. Deloitte Access Economics is projecting that Australia's unemployment rate will rise to 9.7% in 2020 before falling to 8.1% in 2021 and 6.6% in 2022. Short term job growth will be in health, education, food supply chain and utilities industries as well as technology sectors that have boomed from businesses adapting to work from home.

1.4 *Inflation and Interest Rates*

The weighted average of eight capital cities Consumer Price Index increased by 0.3% in the March 2020 quarter, corresponding to an annual rate of 2.2%. The main contributors to the rise are Liquor (7.9%), Food (3.2%) and Healthcare (2.9%). The Reserve Bank of Australia (RBA) have forecasted that headline inflation will be negative in the June quarter on the back of low fuel prices and free child care, with the expectation that underlying inflation will experience a notable decline.

After keeping the cash rate at 1.5% for close to three years, The RBA began cutting rates in June 2019 to stimulate economic activity. The cash rate was cut 25 basis points on both 4 and 20 March 2020, with the cash rate target now at an all-time low of 0.25% where it has been held for the last three months. The RBA cited COVID-19 and its resultant negative impacts to economic activity and financial markets as the main reason for the last two reductions, with the RBA having called an out of cycle emergency meeting to facilitate the latest reduction. Hence, near term increases to interest rates are now considered highly unlikely in Australia until economic and financial markets stabilise, with the RBA having stated that they will not seek an increase to the cash rate target until progress is being made towards full employment and it is confident that inflation will be sustainably within the 2 to 3% target band.

1.5 *Outlook*

As the COVID-19 pandemic continues to take hold of the global economy, without any precedent it is difficult to determine the full human and economic impact. The RBA's May economic outlook for Australia detailed that Australia's national output will likely fall by approximately 10% in the first half of 2020. The RBA's baseline scenario was the majority of the restrictions will be removed by September (apart from international travel) with the outlook that GDP growth will turn around in the third quarter and the Australian economy would begin to recover from there.

Source: Savills Valuations Pty Ltd (July 2020)

2. Hotel Sector

2.1 *Australia*

Prior to the COVID-19 outbreak, investment demand for hotels across Australian capital cities was strong with capitalisation rates firming against a lack of available investment opportunities. Since the outbreak begun, we have seen a significant decline in transactional activity as investors place negotiations on hold or pull out of deals due to the uncertain economic outlook.

2019 saw an increase of hotel sales volumes totalling approximately $2 billion, just above the long term average of $1.9 billion. However, the hotel sales volume in 2019 is still well below the 2015 peak.

Early figures provided by Real Capital Analytics (RCA) indicate a decline in the value of transactions (across all asset classes) of approximately 50% in Australia and 56% across the Asia Pacific region for the first quarter of 2020. It is expected that the June quarter will see further declines.

Passing yields had been tightening between 2011 and 2018, in part due to lower interest rates and low value of the Australian Dollar, but also due to an increase in demand for hotel assets off the back of strong trading performances. For the first time since 2011 we have seen a softening in passing yields from 5.39% in 2018 to 5.67% in 2019, but still well below the long term average of 7.40%.

It is anticipated that interest rates will continue to remain at low levels, however, because of the COVID-19 pandemic and associated economic downturn, it is likely that the cost of capital will increase as credit becomes tighter and financiers reprice risk. This may result in a softening of capitalisation rates.

There has been a lack of sales post COVID-19 resulting in difficulties gauging current market conditions and investor expectations.

2.2 *National Hotel Trade*

A review of the calendar year to date (YTD) May 2020 STR Global data indicates that the impact of the COVID-19 pandemic has been significant. Occupancy declined across Australia by 36.2%, ADR declined by 5.7% and RevPAR decreased by 39.9% to $81.80 compared to $136.03 for the same period last year.

Darwin has suffered from the most significant decline, with RevPAR down 48.2% to $33.55 for the 5 months to May 2020. Locations with a greater reliance on international tourism have also suffered the largest falls, with Cairns RevPAR down 51.1% to $51.44, Sydney RevPAR down 44.7% to $103.01 and Melbourne RevPAR down 39.9% to $92.60.

Perth has been less affected due to fly-in fly-out (FIFO) mining workers not being able to leave the state, with RevPAR down 28.3% to $78.04. Brisbane reflected a RevPAR decrease of 39.1%, the Gold Coast down by 36.3% and Hobart down by 34.0%.

Quarantine business for repatriation of Australian residences returning from overseas has provided the bulk of hotel occupancy in April and May, but this is winding down across June and July.

Anecdotal data suggest June experienced a slight increase in hotel occupancy and it is anticipated that as state borders (with the exception of Victoria) start to open in July that occupancy levels should increase further, albeit remaining at low levels until later in the year, subject to a second wave of infections.

2.3 *Australia Tourism*

The latest data available from Tourism Research Australia (TRA) indicated that the outlook for total visitor nights in Australia was encouraging. The growth continued to be largely led by the increase of visitors for holiday purposes, although generally there was growth across the board. In Financial Year (FY) June 2019 there was total visitor night growth of 6.3% compared to the previous year.

Pre-COVID-19 TRA forecasts indicated an average increase in total visitor nights of 3.0% per annum over the next 10 years. It is likely the data for FY2020 will show a decrease in visitor numbers and a downgrade of future forecasts.

As at March 2020, the rolling 12 months data for International Visitor Numbers from TRA indicated that visitation was down by 5.66% on the prior year, with visitor spend down by 6.72%. This was offset by an increase in domestic tourism with visitation up 2.97% and spend up 5.64%. Whilst a lower percentage increase the actual domestic visitor numbers and spend was larger than the decline in international visitation and spend.

Once up to date data is available for YE June 2020, this data will be more insightful in gaining an appreciation of the full impact of the bushfires in early 2020 and the COVID-19 pandemic.

2.4 *Sydney*

The rolling 12-month period to March 2020 indicated that International visitors to Sydney declined by 8.54% compared to the same period last year. Total international expenditure to Sydney was $9,067 million, down 10.64% on the prior year.

Strong demand growth with limited supply additions have produced above long-term trend occupancies and strong growth in Sydney's average room rates over recent years.

However, in 2019, along with the broader hotel market, Sydney experienced a slight decline in performance. The softening in Sydney was considered to be caused by a combination of factors including new supply (albeit at modest levels), weak events schedule and an overreaction by hoteliers looking to drop rates in order to maintain occupancy.

Review of the Property Market

Hotel performance in 2020 is well behind levels experienced in 2019 because of the bushfires in January and the COVID-19 outbreak. YTD May 2020 occupancy was 51.3% in comparison to 83.8% for the same time last year whilst room rates were at $200.87 in comparison to $222.26 for the same period last year. Luxury hotels in Sydney are the best performing in the country with RevPAR at $155.78 for YTD May 2020, but still down 46.1% on the same period last year.

The travel restrictions have significantly impacted hotel performances. National travel restrictions are starting to ease and it is anticipated that travel between New Zealand and some of the Pacific Islands may also resume in the next few months. As a result, demand is expected to improve, however, it is expected that it will take some time to recover to its pre-COVID-19 levels. There are also concerns that we may see a new outbreak as the restrictions eased which might further delay the recovery of the State's economy.

2.5 *Melbourne*

For the rolling 12-month period to March 2020, International Visitor Numbers to Melbourne decreased by 8.54% compared to the previous 12-month period. The TRA figures indicate that international visitor nights declined by 5.30% and spend declined by 4.69%, after years of strong growth.

For the 12-months to March 2020, TRA data for Melbourne indicates domestic visitor numbers were marginally up 0.70%, domestic visitor nights down 0.75% but domestic expenditure up 6.96% compared to prior year.

In Calendar Year ("CY") 2019 Melbourne's strong new rooms supply exceeded room night demand growth resulting in a moderate decline in occupancy whilst ADR grew marginally to record a small decline in RevPAR of -1.9% to $149.44 compared to $152.34 in CY2018.

Whilst the overall Melbourne hotel market remained relatively stable in CY2019, new Central Business District (CBD) hotels are due to open over the next 3 years, which will put further pressure on both occupancy and ADR and hinder the speed of recovery post COVID-19.

Australia closed its international borders in March, State borders were also closed and are due to open in some States from early July. COVID-19 infections spiked again in Victoria in June resulting in the easing of some restrictions being postponed. RevPAR in May 2020 was down 75.5% to $33.32 compared to $135.89 the prior year. Luxury hotels in Melbourne have suffered a 40.6% RevPAR decline to $157.41 for YTD May 2020, compared to $264.79 for the same period last year.

Sydney and Melbourne are gateway cities and are likely to be severely impacted from international travel restrictions. We anticipate international travel may take 12 to 18 months to recover back to its pre-COVID level. We would expect domestic tourism to replace some of the lost international tourism and we anticipate a bounce back once the travel restrictions are eased.

2.6 *Brisbane*

For the rolling 12-month period to March 2020, international visitor nights decreased by 2.089 million (7.57%) compared to the prior year. This decrease was partially offset by a 0.892 million (4.05%) increase in domestic visitor nights. International expenditure in Brisbane decreased slightly by 0.54% compared to an increase in domestic expenditure of 5.89%.

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

New supply has slowed and demand growth showed signs of improvement in the last quarter of 2019 producing positive results. October 2019 RevPAR was up 6.2% on the previous year, November was up 9.8% and December RevPAR up 10.0%. For the CY2019, RevPAR was up 2.8% to $157.18. This upward trend continued in January 2020 with RevPAR up 9.4% on January 2019 and February RevPAR up 2.1%.

It is only since March that the closure of international and State borders has started to result in reduced occupancy. RevPAR in May 2020 was down 77.7% to $26.28 compared to $118.11 the prior year. Luxury hotels in Brisbane have not avoided this decline, suffering an 83.2% RevPAR decline to $25.08 in May 2020 compared to $149.18 in May 2019.

In comparison to Sydney and Melbourne, we anticipate the impact on locations such as Brisbane to be less severe as Brisbane is less heavily weighted to international tourism. As international travel takes a long time to recover, popular family friendly local destinations such as Brisbane, the Gold Coast and Sunshine Coast should experience a strong bounce back once local travel restrictions are eased.

Source: Savills Valuations Pty Ltd (July 2020)

JAPAN

1. Economy

Japan's economy has faced many difficulties due to the impact of COVID-19 at home and abroad, although economic activity has gradually resumed. Overseas economies have been depressed significantly, reflecting the impact of the COVID-19 pandemic, although they have shown signs of a gradual pick-up. In light of this, exports and industrial production have declined substantially. Corporate profits and business sentiment have deteriorated, and fixed business investment has been flat. With the continuing impact of COVID-19, employment and income figures have been weak. Nonetheless, private consumption decreased significantly, mainly in food and beverage, as well as accommodation, and has shown signs of improvements recently.

The year-on-year rate of change in the Consumer Price Index (CPI, all items less fresh food) is likely to be negative for the time being, mainly affected by COVID-19 and decline in crude oil prices. Thereafter, it is expected to be positive with a gradual increase, since downward pressure on prices is projected to wane as the economy improves, and the effects of the decline in crude oil prices are predicted to dissipate.

Financial conditions have been accommodative on the whole, but conditions for corporate financing have remained less so, as seen in deterioration in firms' financial positions. Under "Quantitative and Qualitative Monetary Easing (QQE) with Yield Curve Control," the yield curve for Japanese government bonds (JGBs) has been in line with the current guideline for market operations, in which the short-term policy interest rate is set at minus 0.1 percent and the target level of 10-year JGB yields is around zero percent. That is, the yields for relatively short maturities have been in slightly negative territory and the 10-year JGB yields have been at around 0 percent. The Bank of Japan has conducted further active purchases of both JGBs and treasury discount bills (T-Bills) with the view of maintaining stability in the bond market and stabilising the entire yield curve at a low level, also taking into account the impact on the market of the increase in the amount of issuance of JGBs and T-Bills in response to the government's emergency economic measures. Meanwhile, the 20-year JGB yields has been in the range of 0.0-0.5 percent.

The outlook for economic activity and prices is still unclear as it could fluctuate with the consequences of COVID-19 and the magnitude of the impact on domestic and overseas economies. It is based mainly on the assumption that a second wave of COVID-19 will not occur on a large scale and while the impact of COVID-19 remains, firms' and households' medium- to long-term growth expectations will not decline substantially and the financial intermediation runs smoothly alongside the financial system remaining stable. However, these assumptions entail high uncertainties. With regard to the risk balance, risks to both economic activity and prices are skewed towards the downside, mainly due to the impact of COVID-19.

Sources: Outlook for Economic Activity and Prices, Bank of Japan (July 2020) & Savills Japan Co., Ltd (July 2020)

2. Hotel Sector

Japan

The Japan National Tourism Organisation ("JNTO") announced that the total number of international arrivals to Japan reached 31.9 million in 2019, a 2.2% increase from the previous year. Since the second half of 2019, the number of arrivals from South Korea has decreased sharply. Looking at the growth rate excluding South Korea, inbound tourism expanded 11.2% from 2018 to 2019. The recent outbreak of COVID-19 has been negatively impacting international arrivals to Japan in 2020. On a year-on-year comparison from January 2020, significant decreases have been observed; -1.1% in January 2020, -58.3% in February 2020, -93.0% in March 2020, -99.9% in May 2020 and -99.9% in June 2020.

Sources: Japan Tourism Statistics, Japan National Tourism Organization (JNTO), Visitor Arrivals for July 2020 (JNTO) & Savills Japan Co., Ltd (July 2020)

Niseko

From 1 April 2019 to 31 March 2020 (FY March 2020), the number of visitor arrivals was approximately 3.2 million, decreased by 2.1% from the previous year. In FY March 2020, day visitors accounted for approximately 75% of total visitors during this time period. The total number of over-night stays decreased by 9.4% in FY March 2020 as compared to the previous year. Summer season in 2019, from May to November, enjoyed healthy growth of 7.0% compared to the same period last year. However, during winter season from December 2019 to March 2020, the number of visitor arrivals decreased by 12.1% from the same period last year due to light snowfall amounts. The recent outbreak of COVID-19 has not been especially damaging to Niseko as compared to other hospitality markets throughout Japan given the peak season was already at its tail end.

From 22 July 2020, Japanese government will launch a new economic policy called "Go To Campaign" which has a supplementary budget of JPY1.7 trillion, to recover from the impact of COVID-19 in the tourism industry.

Sources: Niseko Town, Kutchan Town & Savills Japan Co., Ltd. (July 2020)

Managing Sustainability

STRUCTURE AND MANAGEMENT

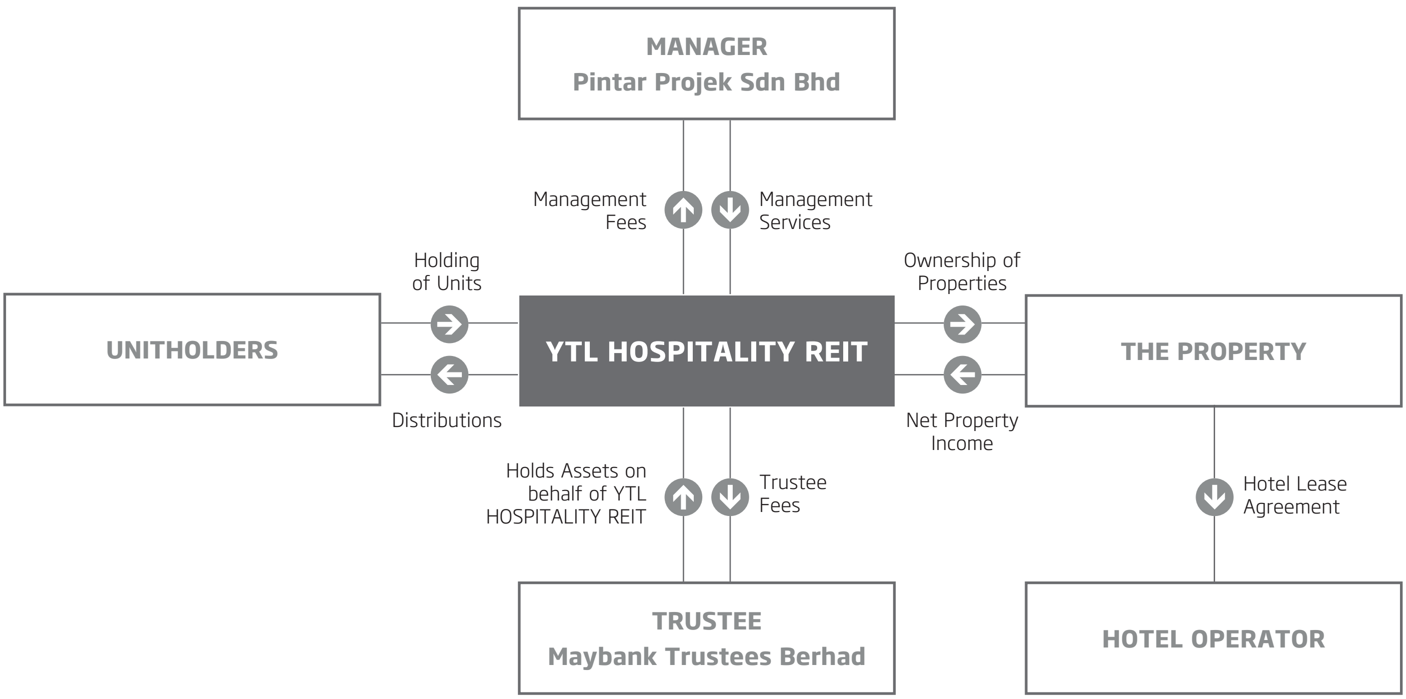
YTL Hospitality REIT ("YTL REIT" or the "Trust") was listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia") on 16 December 2005 and is an income and growth type fund. The principal investment objective of YTL REIT is to own and invest in real estate and real estate-related assets,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

YTL REIT has a market capitalisation of approximately RM1.83 billion (as at 30 June 2020) and owns a broad portfolio of 15 hospitality properties ranging from business hotels to luxury resorts, spread across various prime locations in Malaysia, Australia and Japan.

A REIT is constituted by a trust deed entered into between the manager and the trustee which sets out, amongst other matters, the manner in which the trust is to be administered, the rights of unitholders, the duties and responsibilities of the manager and the trustee with 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 fourth 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 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.

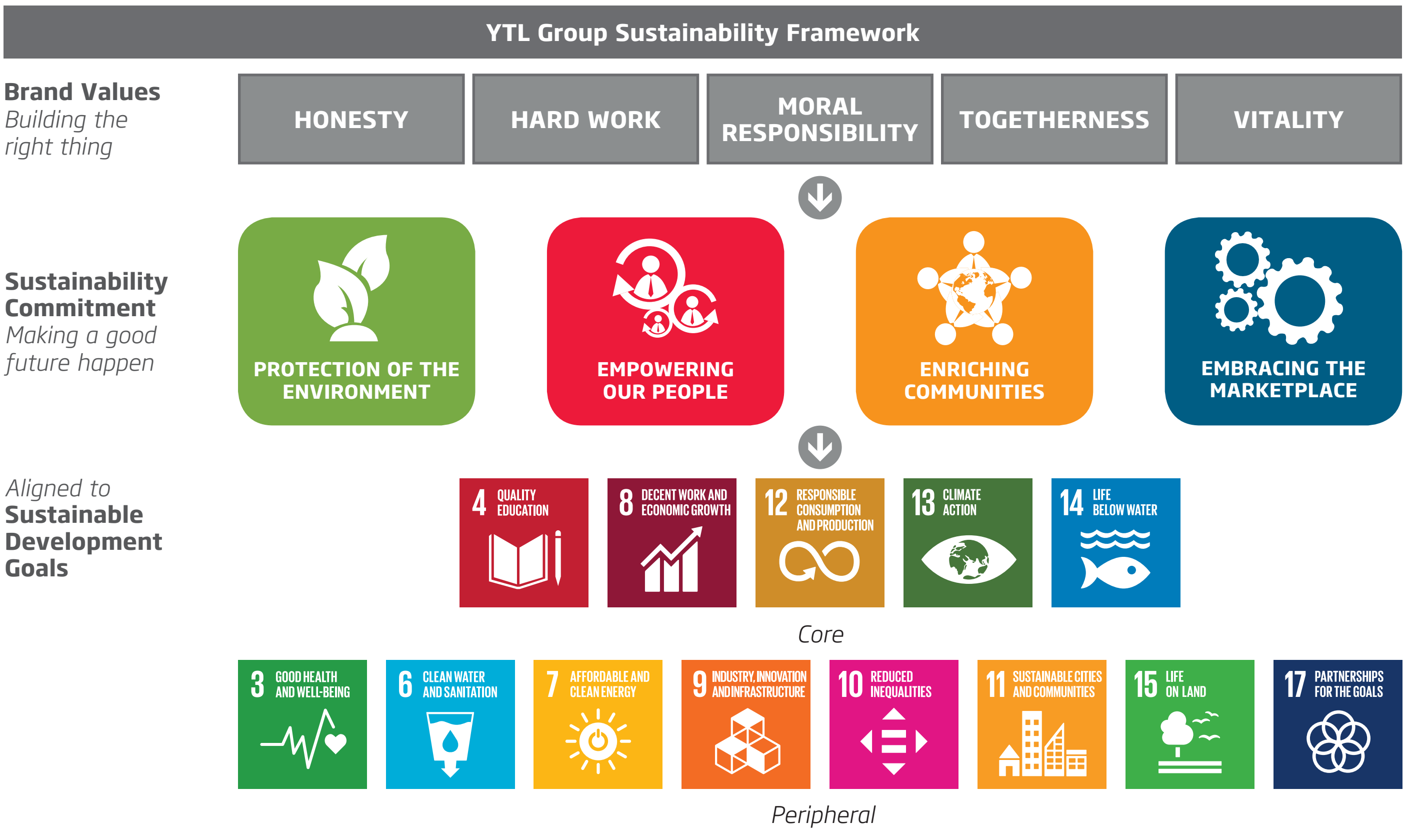
The Manager's sustainability commitment is rooted in creating lasting value for all stakeholders by placing a strong emphasis on managing the Trust's assets responsibly and with integrity. Our commitment to sustainable practices enables us to walk the talk towards achieving our growth objectives, balancing 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 2019 to 30 June 2020, 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 2020*** which will be published in October 2020 in conjunction with YTL Corp's Annual Report for the financial year ended 30 June 2020. The report will be available for download at http://www.ytl.com/sustainability/.

OUR APPROACH TO SUSTAINABILITY

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



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

Managing Sustainability

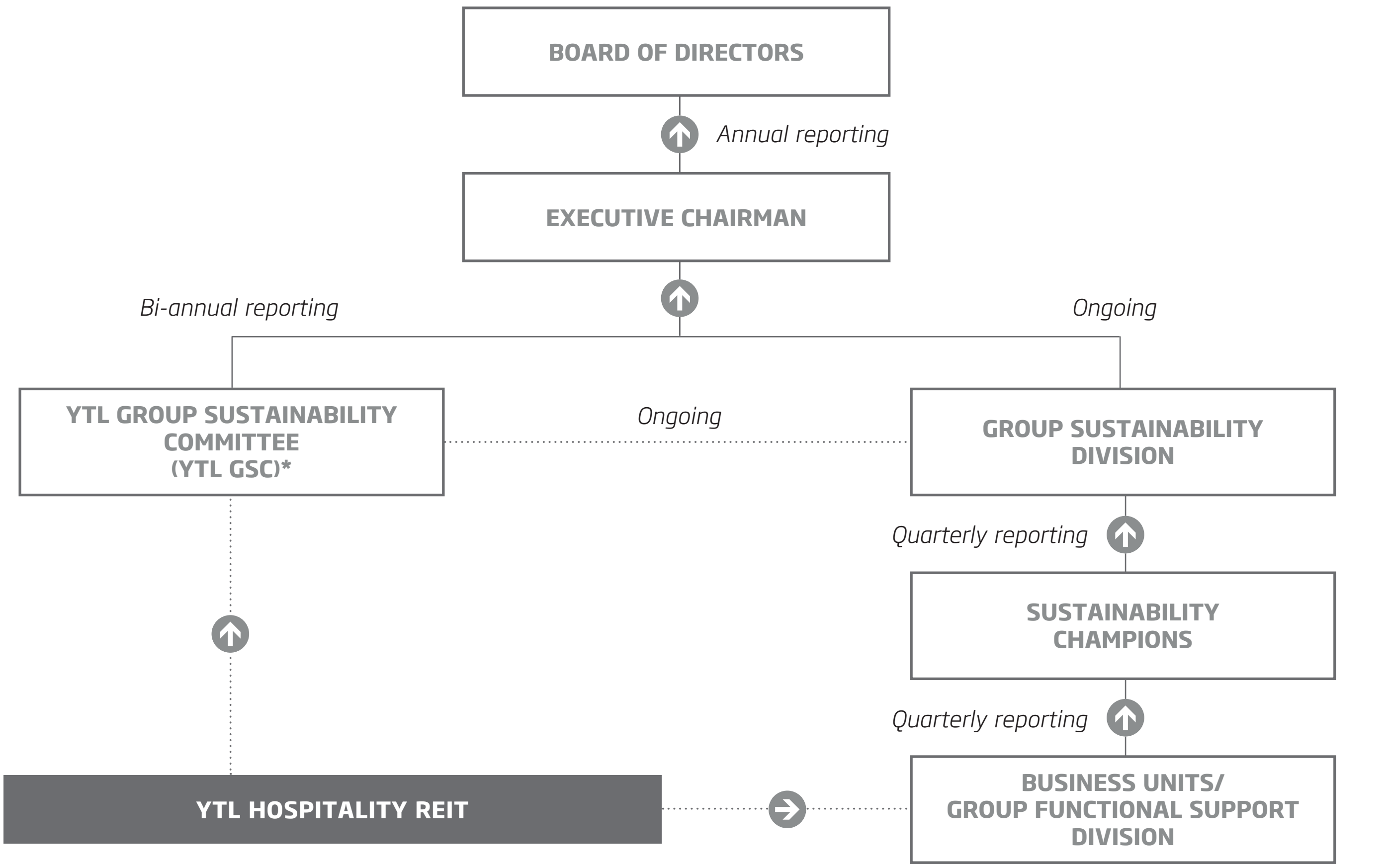
SUSTAINABILITY GOVERNANCE

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 the YTL Group Sustainability Committee ("YTL GSC") and sustainability representative(s) from respective business units.

More information on the Trust's governance and internal control systems can be found in the ***Corporate Governance Overview Statement*** 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

Identifying our material issues, we are able to prioritise which issues to improve and optimise our sustainability management, through various engagement channels, we seek to understand the views of the Trust's stakeholders, to communicate effectively with them and to 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.

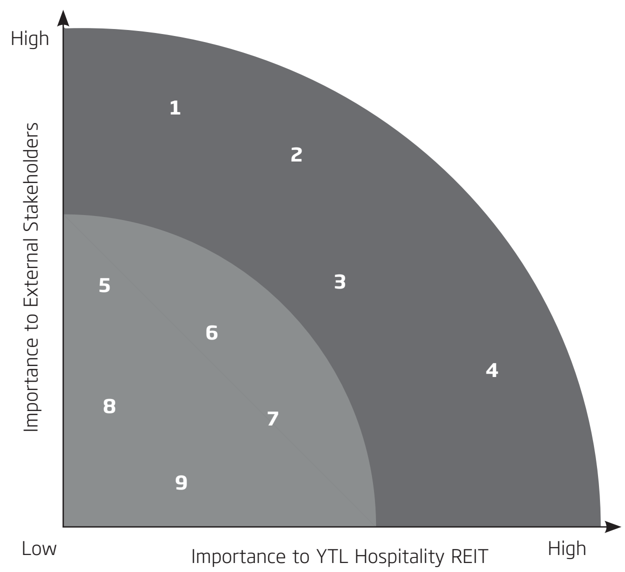
To ensure the continued relevance of our material issues, we review our materiality matrix biennially. The Manager identifies, reviews and prioritises material issues that are most relevant and significant to our stakeholders, and those are ranked based on the likelihood and potential impact of issues affecting business continuity and development. The final list of material issues is then reviewed and approved by the Board. As a result of the assessment the following topics were deemed to still be relevant, hence no changes were made in this year.

- **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 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



Legends:

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

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 Eighth Annual General Meeting of YTL Hospitality REIT ("REIT") will be held on Thursday, 15 October 2020 at 3.00 p.m. and will be conducted as a **fully virtual** meeting through live streaming from the broadcast venue at the Town Hall, 8th Floor, Menara YTL, 205 Jalan Bukit Bintang, 55100 Kuala Lumpur ("Broadcast Venue") to transact the following business:-

ORDINARY BUSINESS

To lay before the meeting the Audited Financial Statements for the financial year ended 30 June 2020 together with the Reports attached thereon.	**Please refer Explanatory Note A**

By Order of the Board
of Pintar Projek Sdn Bhd [199401028328 (314009-W)]
(Manager for YTL Hospitality REIT)

Ho Say Keng
Company Secretary

Kuala Lumpur
28 August 2020

Notes:-

REMOTE PARTICIPATION

1. *The Eighth Annual General Meeting ("8th AGM") will be conducted on a virtual basis through live streaming using the Remote Participation ("RP") facility provided by the appointed share registrar for the 8th AGM, Tricor Investor & Issuing House Services Sdn Bhd ("Tricor") on its TIIH Online website at https://tiih.online. Please follow the procedures set out in the Administrative Guide for the 8th AGM which is available on the REIT's website at www.ytlhospitalityreit.com/meetings.asp to register, participate and speak (in the form of real time submission of typed texts) via the RP facility.*

BROADCAST VENUE

2. *The Broadcast Venue of the 8th AGM is strictly for the purpose of complying with the Securities Commission Malaysia Guidance and FAQs on the Conduct of General Meetings for Listed Issuers which requires the Chairperson of the meeting to be at the main venue of the meeting. Unitholders/proxies/representatives are not allowed to be physically present at the Broadcast Venue on the day of the 8th AGM.*

PROXY

3. *A unitholder (including an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA")) entitled to attend a general meeting of the REIT may appoint not more than two (2) proxies to participate instead of the unitholder at the 8th AGM via the RP facility.*

4. *Where a unitholder is an Exempt Authorised Nominee as defined under the SICDA, which holds units in the REIT for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.*

5. *A proxy may but need not be a unitholder of the REIT. Where a unitholder appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his unitholdings to be represented by each proxy.*

6. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised in writing.*

7. *The appointment of a proxy may be made in hardcopy form or by electronic means as specified below and must be received by Tricor not less than 48 hours before the time appointed for holding the 8th AGM i.e. no later than* ***13 October 2020 at 3.00 p.m.****:-*

   (i) *In hard copy form [****applicable for all unitholders****]*

   The original Form of Proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified or office copy of that power or authority shall be deposited at the office of Tricor at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, at its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

   (ii) *By Tricor Online System (TIIH Online) [****applicable for unitholders who are individuals****]*

   The Form of Proxy can be electronically lodged with Tricor via TIIH Online at https://tiih.online. Please follow the procedures set out in the Administrative Guide.

8. *For the purpose of determining a unitholder who shall be entitled to attend the 8th AGM via the RP facility, the Manager shall be requesting Bursa Malaysia Depository Sdn Bhd, in accordance with Section 34(1) of the SICDA to issue a General Meeting Record of Depositors as at 8 October 2020. Only a depositor whose name appears on the General Meeting Record of Depositors as at 8 October 2020 shall be entitled to attend the said meeting or appoint proxy(ies) to attend in his stead.*

REPRESENTATIVE FROM CORPORATE MEMBER

9. *For a corporate member who has appointed an authorised representative, please deposit the original certificate of appointment of corporate representative with Tricor at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or alternatively, at its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, not less than 48 hours before the time appointed for holding the 8th AGM or adjourned meeting at which the person named in the appointment proposes to vote.*

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 2020 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

33rd Floor, Manara YTL
205 Jalan Bukit Bintang
55100 Kuala Lumpur
Tel: 603-2038 0888
Fax: 603-2038 0388

MANAGER'S PRINCIPAL PLACE OF BUSINESS

25th Floor, Manara YTL
205 Jalan Bukit Bintang
55100 Kuala Lumpur
Tel: 603-2038 0888
Fax: 603-2038 0301

BOARD OF DIRECTORS OF THE MANAGER

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

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

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

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

Yeoh Keong Shyan
LLB (Hons)

Independent Non-Executive Directors
Dato' Tan Guan Cheong
DSSA

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

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

MANAGEMENT TEAM

Datin Kathleen Chew Wai Lin
Legal Advisor

Ho Say Keng
Accountant/Company Secretary

Eoon Whai San
General Manager

COMPANY SECRETARY OF THE MANAGER

Ho Say Keng

TRUSTEE

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

REGISTRAR

Pintar Projek Sdn Bhd
33rd Floor, Menara YTL
205 Jalan Bukit Bintang
55100 Kuala Lumpur
Tel: 603-2038 0888
Fax: 603-2038 0388

AUDIT COMMITTEE

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

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

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

AUDITORS

HLB Ler Lum PLT (LLP0021174-LCA & 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, male, aged 66, was appointed to the Board of Pintar Projek Sdn Bhd on 10 March 2005 as an Executive Director and has been the Chief Executive Officer till 14 February 2019 when he was redesignated as Executive Chairman. Tan Sri Francis studied at Kingston University in the United Kingdom, where he obtained a Bachelor of Science (Hons) Degree in Civil Engineering and was conferred an Honorary Doctorate of Engineering in 2004. In July 2014, Tan Sri Francis was conferred an Honorary Degree of Doctor of Laws from University of Nottingham. He became the Managing Director of YTL Corporation Berhad Group in 1988 which, under his stewardship, has grown from a single listed company into a global integrated infrastructure developer, encompassing multiple listed entities ie. YTL Corporation Berhad, YTL Power International Berhad, YTL Hospitality REIT, Malayan Cement Berhad (formerly known as 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 until 29 June 2018 when he was redesignated as Executive Chairman of these companies. He is also the Executive Chairman of Malayan Cement Berhad (formerly known as 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. He is the Chairman of private utilities corporations, Wessex Water Services Limited in England and Wales, and YTL PowerSeraya Pte Limited in Singapore. Tan Sri Francis is also an Independent Non-Executive Director of The Hong Kong and Shanghai Banking Corporation Limited, and is a director of YTL Industries Berhad. He also sits on the board of trustees of YTL Foundation. He also serves on the board of directors of Suu Foundation, a humanitarian organisation committed to improving healthcare and education in Myanmar.

He is a Founder Member of the Malaysian Business Council and The Capital Markets Advisory Council, member of The Nature Conservancy Asia Pacific Council, and the Asia Business Council, Trustee of the Asia Society and Chairman for South East Asia of the International Friends of the Louvre. He is also a member of the Advisory Council of London Business School, Wharton School and INSEAD. He is the first non-Italian board member of the historic Rome Opera House and helped fund its restoration to keep it from closing. He served as a member of the Barclays Asia-Pacific Advisory Committee from 2005 to 2012. Tan Sri Francis was made a board member of Global Child Forum by His Majesty King Carl XVI Gustaf in May 2016.

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

In 2006, he was awarded the Commander of the Most Excellent Order of the British Empire (CBE) by Her Majesty Queen Elizabeth II, and in 2019, received the Knight Commander of the Order of the British Empire (KBE). Tan Sri Francis received a prestigious professional accolade when made a Fellow of the Institute of Civil Engineers in London in 2008. He was the Primus Inter Pares Honouree of the 2010 Oslo Business for Peace Award, for his advocacy of socially responsible business ethics and practices. The Award was conferred by a panel of Nobel Laureates in Oslo, home of the Nobel Peace Prize. He also received the Corporate Social Responsibility Award at CNBC's 9th Asia Business Leaders Awards 2010. He received the Lifetime Achievement Award for Leadership in Regulated Industries at the 7th World Chinese Economic Summit held in London in 2015. He was also awarded the prestigious Muhammad Ali Celebrity Fight Night Award at the 2016 Celebrity Fight Night in Arizona. In 2017, he was honoured with the Kuala Lumpur Mayor's Award for Outstanding Contribution at the Kuala Lumpur Mayor Tourism Awards. This was in recognition of his efforts in the transformation of Kuala Lumpur into one of the top shopping and tourist destinations in the world. He was named CEO of the Year at the Asian Power Awards in 2017. The Japanese Government bestowed upon him the Order of the Rising Sun, Gold Rays with Rosette, in 2018 and in the same year the Italian government conferred upon him the honour of Grande Officiale of the Order of the Star of Italy.

Profile of the Board of Directors

DATO' MARK YEOH SEOK KAH

Malaysian, male, aged 55, has been an Executive Director of Pintar Projek Sdn Bhd since 17 January 2012. He was redesignated to the position of Chief Executive Officer on 14 February 2019. He graduated from King's College, University of London, with an LLB (Hons) and was subsequently called to the Bar at Gray's Inn, London, in 1988. He was awarded Fellowship of King's College London in July 2014.

Dato' Mark Yeoh joined YTL Group in 1989 and is presently the Executive Director responsible for the YTL Hotels and Resorts Division. In addition, he is also part of YTL Power's Mergers & Acquisitions Team and was involved in the acquisition of ElectraNet SA (Australia), Wessex Water Limited (UK), P.T. Jawa Power (Indonesia) and PowerSeraya Limited (Singapore). He serves as an Executive Director of YTL Corporation Berhad and YTL Power International Berhad, all listed on the Main Market of Bursa Malaysia Securities Berhad. He is also a board member of YTL Cement Berhad, YTL Land & Development Berhad and private utilities corporations, Wessex Water Limited and Wessex Water Services Limited in England and Wales, and YTL PowerSeraya Pte Limited in Singapore.

DATO' YEOH SEOK KIAN

Malaysian, male, aged 62, has been an Executive Director of Pintar Projek Sdn Bhd since 10 March 2005. He graduated from Heriot-Watt University, Edinburgh, United Kingdom in 1981 with a Bachelor of Science (Hons) Degree in Building and was conferred an Honorary Degree of Doctor of the University in 2017. He attended the Advance Management Programme conducted by Wharton Business School, University of Pennsylvania in 1984. Dato' Yeoh is a Fellow of the Faculty of Building, United Kingdom as well as a Member of the Chartered Institute of Building (UK). He served as Deputy Managing Director of YTL Corporation Berhad and YTL Power International Berhad, all listed on the Main Market of Bursa Malaysia Securities Berhad, and the Executive Director of YTL Land & Development Berhad, until 29 June 2018 when he was redesignated as Managing Director of YTL Corporation Berhad and YTL Land & Development Berhad, and Executive Director of YTL Power International Berhad. He is also an Executive Director of Malayan Cement Berhad (formerly known as 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, male, aged 76, was appointed to the Board on 12 July 2018 as an Independent Non-Executive Director. He is also the Chairman of the Audit Committee. Dato' Tan graduated with a Bachelor of Commerce Degree from Otago University, New Zealand. He is a Member of the Malaysian Institute of Accountants since 1983. He worked in international audit firms overseas and also in Malaysia. He has more than 20 years' experience in the field of financial services. He is a director of Malayan Cement Berhad (formerly known as Lafarge Malaysia Berhad) and Hartalega Holdings Berhad.

DATO' AHMAD FUAAD BIN MOHD DAHALAN

Malaysian, male, aged 70, 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, male, aged 80, has been an Executive Director of Pintar Projek Sdn Bhd since 10 March 2005. He qualified as a teacher in 1963 from the Day Training Centre for Teaching in Ipoh, Perak, and was in the teaching profession from 1964 to 1981 prior to entering the business arena as a property developer in May 1981. Dato' Hj Mohamed Zainal Abidin also sits on the boards of several reputable private limited companies involved in construction, property development and resort operations such as Pakatan Perakbina Sdn Bhd, Seri Yakin Sdn Bhd and Syarikat Pelanchongan Pangkor Laut Sendirian Berhad.

DATO' ZAINAL ABDIN BIN AHMAD

Malaysian, male, aged 63, was appointed to the Board on 23 February 2018 as an Independent Non-Executive Director. He is also a member of the Audit Committee. Dato' Zainal holds a Master of International Affairs from Columbia University, U.S.A; a Bachelor of Science (Hons) Degree in Mathematics from University of Manchester, United Kingdom; and a Diploma in Public Administration from Institut Tadbiran Awam Negara (INTAN), Kuala Lumpur. He also attended the Oxford Foreign Services Programme conducted by University of Oxford, United Kingdom. He was attached with Ministry of Foreign Affairs since 1983. Dato' Zainal served various posts and his last position was as the High Commissioner of Malaysia to Australia.

YEOH KEONG SHYAN

Malaysian, male, aged 34, 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' Mark Yeoh Seok Kah	4
Dato' Yeoh Seok Kian	3
Dato' Tan Guan Cheong	4
Dato' Ahmad Fuaad Bin Mohd Dahalan	4
Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir	4
Dato' Zainal Abidin Bin Ahmad	4
Yeoh Keong Shyan	4

Notes:

1. **Family Relationship with Director and/or Major Unitholder**
   Tan Sri 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 2020, 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 4 Audit Committee meetings were held and the details of attendance are as follows:-

	Attendance
Dato' Tan Guan Cheong	4
Dato' Ahmad Fuaad Bin Mohd Dahalan	4
Dato' Zainal Abidin Bin Ahmad	4

SUMMARY OF WORK CARRIED OUT DURING FINANCIAL YEAR

The Audit Committee carried out the following work during the financial year ended 30 June 2020 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 2019, and the annual audited financial statements for the financial year ended 30 June 2019 at the Audit Committee meetings held on 31 July 2019;
- First, second and third quarters of the quarterly results for the financial year ended 30 June 2020 at the Audit Committee meetings held on 25 November 2019, 19 February 2020 and 15 June 2020, respectively.

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

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

Audit Committee Report

- Significant judgements made by management in respect of matters such as valuation of investment properties, revaluation of freehold land and buildings, fraud risk including management override of controls, valuation of derivative financial instruments, revenue recognition, account receivables, critical accounting policies and financial statement disclosures and the underlying assumptions and/or estimates used were reasonable in accordance with the requirements of the Malaysian Financial Reporting Standards ("MFRS");
- Adequate processes and controls were in place for effective and efficient financial reporting and disclosures under the MFRS and Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Main LR");
- The Financial Reports were fairly presented in conformity with the relevant accounting standards in all material aspects.

2. External Audit

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

- the final report on the audit of the financial statements for financial year ended 30 June 2019 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 2020 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 2019 and 15 June 2020, without the presence of management, to apprise on matters in regard to the audit and financial statements. No major concerns were highlighted by HLB.

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

3. Internal Audit

(a) Reviewed with the internal auditors the internal audit reports (including follow-up review reports), the audit findings and recommendations, management's responses and/or actions taken thereto, and ensured that material findings were satisfactorily addressed by management;

(b) Reviewed and adopted the risk-based internal audit plan for financial year ending 30 June 2021 to ensure sufficient scope and coverage of activities of YTL REIT and the Group;

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

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;

5. Annual Report

(a) Reviewed the Audit Committee Report, and Statement on Risk Management and Internal Control before recommending these to the Board of Directors for approval for inclusion in 2019 Annual Report.

INTERNAL AUDIT FUNCTION

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

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

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

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

1. Developed the annual internal audit plan and proposed the plan to the Audit Committee.

2. Conducted scheduled internal audit engagements, focusing primarily on the effectiveness of internal controls and recommended improvements where necessary.

3. Conducted follow-up reviews to assess if appropriate action has been taken to address issues highlighted in previous audit reports.

4. Conducted recurrent related party transactions reviews to assess accuracy and completeness of reporting for presentation to the Audit Committee, and ensure compliance with the Main LR.

5. Conducted discussions with management in identifying significant concerns and risk areas perceived by management for inclusion in the internal audit plan.

Costs amounting to RM34,857 were incurred in relation to the internal audit function for the financial year ended 30 June 2020.

Corporate Governance Overview Statement

for the financial year ended 30 June 2020

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

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

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 2020 is detailed in this statement, together with its targeted timeframes for measures expected to be implemented in the near future, where applicable.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

The Role of the Manager

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

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

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

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

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

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

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

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

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

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

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

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

Responsibilities of the Board

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

Key elements of the Board's stewardship responsibilities include:

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

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

There is a balance of power, authority and accountability between the Executive Chairman, Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, and the Chief Executive Officer, Dato' Mark Yeoh Seok Kah, with a clear division of responsibility between the running of the Board and the Group's business respectively. The positions of the Executive Chairman and the Chief Executive Officer are separate and clearly defined, and are held by different members of the Board.

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

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

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

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

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

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

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for the financial year ended 30 June 2020

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 2020.

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 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. A copy of the charter can be found under the "*Governance*" section on the Trust's website at www.ytlhospitalityreit.com.

Business Conduct and Ethics

The Directors observe and adhere to the Code of Ethics for Company Directors established by the Companies Commission of Malaysia, which encompasses the formulation of corporate accountability standards in order to establish an ethical corporate environment.

The Manager is also guided by the corporate culture of its parent company, YTL Corporation Berhad ("YTL Corp"), which has an established track record for good governance and ethical conduct. The Code of Conduct and Business Ethics, which also sets out the whistleblowing policy and procedures, was formalised for the YTL Group of Companies ("YTL Group") during the last financial year ended 30 June 2019 and further updated during the current year under review, following the adoption and implementation of the YTL Group's Anti-Bribery and Corruption Policy, as detailed in the following section. A copy of the Code of Conduct and Business Ethics can be found on the Trust's website at www.ytlhospitalityreit.com.

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

During the financial year under review, the ABC Policy was formalised for the YTL Group. The objective of the ABC Policy is to further enforce the YTL Group's Code of Conduct and Business Ethics in order to ensure that all Directors and employees understand their responsibilities in compliance with the YTL Group's zero tolerance for bribery and corruption within the organisation. This is in line with the new corporate liability provision in Section 17A of the Malaysian Anti-Corruption Commission Act 2009 ("MACC Act") which came into force on 1 June 2020.

The ABC Policy was deliberated and approved by the Board on 20 February 2020. It outlines YTL Group's strategies in identifying, preventing and managing bribery and corruption issues. The policies and procedures put in place are guided by the Guidelines on Adequate Procedures issued pursuant to Section 17A(5) of MACC Act. The ABC Policy applies to all Directors, managers and employees of the Manager in dealing with external parties in the commercial context. The policy will be reviewed at least once every three years to ensure that it continues to remain relevant, appropriate and effective to enforce the principles highlighted therein and to ensure continued compliance with the prevailing law. A copy of the ABC Policy can be found on the Trust's website at www.ytlhospitalityreit.com.

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

All directors and employees of the YTL Group are required to read and understand the ABC Policy and the Code of Conduct and Business Ethics, successfully complete the online training modules to reinforce their understanding of the policy and sign the YTL Group's Integrity Pledge in acknowledgement of their obligations and responsibilities.

Compliance with the ABC Policy will be monitored closely, both on an ongoing basis and in conjunction with the annual assessment of the Group's corruption risks. The annual risk assessment is carried out to identify the corruption risks to which the Group is exposed and the appropriateness of the mitigation measures established to minimise the exposure to these risks.

Composition of the Board

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

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

Board and Senior Management Appointments

The appointment of Directors is undertaken by the Board as a whole whereby the Executive Chairman and/or the Chief Executive Officer make recommendations on the suitability of candidates nominated for appointment to the Board and, thereafter, the final decision lies with the entire Board to ensure that the resulting mix of experience and expertise of members of the Board is sufficient to address the issues affecting the Manager. The Board is of the view that its current practice and procedures are suitable and appropriate to fulfil the needs of the Trust and to comply with the applicable Listing Requirements. As previously reported, the Board will continue to assess the necessity of delegating this function to a separate nominating committee and will do so if it is deemed appropriate at the relevant time.

In its deliberations, the Board is required to take into account the integrity, professionalism, skill, knowledge, diversity, expertise and experience of the proposed candidate. Nevertheless, in identifying future candidates, the Board will also endeavour to utilise independent sources including external human resources consultants and specialised databases, as appropriate.

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

The Board has not yet established a formal policy on diversity or set gender diversity targets and, as there are currently no female directors on the Board, the Manager has not met the target of

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30% women directors set out in the Code. However, the Directors understand the importance of having a diverse Board to leverage on varying perspectives, experience and expertise required to achieve effective stewardship and management, and will, therefore, include a review of initiatives towards achieving a more diverse Board as part of the periodic assessment of the Board's composition.

Evaluation of the Board

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

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

Board Remuneration

Directors' remuneration is decided in line with the objective recommended by the Code to determine the remuneration for Directors so as to attract and retain Directors of the calibre needed to successfully carry on the Manager's operations. The Executive Directors' remuneration consists of basic salary, other emoluments and other customary benefits as appropriate to a senior management member. In general, the component parts of remuneration are structured so as to link rewards to the overall performance of YTL REIT. In the case of Non-Executive Directors, the level of remuneration reflects the contribution, experience and responsibilities undertaken by the particular non-executive concerned.

As previously reported, the Board has continued to assess the need to delegate this function to a separate committee and concluded that, its current practice and procedures remain suitable and appropriate to fulfil the needs of the Trust and are in compliance with the Listing Requirements. In this context it is pertinent to note that the Directors and senior management are remunerated by the Manager and not by YTL Hospitality REIT.

The following tables provide an overview of the remuneration of the Directors for the financial year ended 30 June 2020:-

Remuneration of Executive and Non-Executive Directors for the financial year ended 30 June 2020					
	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	4,900	–	–	2	4,902
Non-Executive Directors	–	630	27	–	657

Range of remuneration per annum	Executive Directors	Non-Executive Directors
RM50,000 and below	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 2020. The conferences, seminars and training programmes attended by one or more of the Directors covered the following areas:-

Seminars/Conferences/Training	Attended by
▸ **Corporate Governance/Risk Management and Internal Controls/ Anti-Corruption/Financial**	
Bursa Malaysia Diversity Xperience (2 October 2019)	Dato' Tan Guan Cheong
Evaluating Effective Internal Audit Function Audit Committees Guide on How To (15 October 2019)	Dato' Tan Guan Cheong
Bursa Malaysia – "Integrated Reporting: Communicating Value Creation" Programme (16 October 2019)	Dato' Tan Guan Cheong
Bursa Malaysia's Workshop on Corporate Liability Provision (Section 17A) of the MACC Act 2009 (4 November 2019)	Dato' Tan Guan Cheong
The Securities Commission Malaysia's Audit Oversight Board Conversation with Audit Committees (8 November 2019)	Dato' Tan Guan Cheong
Integrated Reporting for Directors of Public Listed Companies (12 March 2020)	Tan Sri Dato' (Dr) Francis Yeoh Sock Ping Dato' Mark Yeoh Seok Kah Dato' Ahmad Fuaad Bin Mohd Dahalan Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir Dato' Zainal Abidin Bin Ahmad Yeoh Keong Shyan
▸ **Leadership and Business Management/Corporate Responsibility/ Sustainability**	
Bursa Malaysia's Thought Leadership Series – Sustainability Inspired Innovations: Enablers of the 21st Century (23 September 2019)	Dato' Tan Guan Cheong Dato' Zainal Abidin Bin Ahmad
YTL Leadership Conference 2019 (15 November 2019)	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
▸ **Trade/Economic Development/Investment/Technology**	
MIRA Evening Talk and Networking: US – China Trade War: Its Impact on Business and Consumers in ASEAN (9 October 2019)	Dato' Tan Guan Cheong
Malaysia REIT Forum 2019 – Opportunities in the New Malaysia (31 October 2019)	Dato' Tan Guan Cheong Dato' Ahmad Fuaad Bin Mohd Dahalan Dato' Zainal Abidin Bin Ahmad

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for the financial year ended 30 June 2020

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Integrity in Financial Reporting

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

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

Audit Committee

The Manager has in place an Audit Committee which comprise of three Independent Non-Executive Directors, in compliance with the Code, namely Dato' Tan Guan Cheong, Dato' Ahmad Fuaad Bin Mohd Dahalan and Dato' Zainal Abidin Bin Ahmad. The Chairman of the Audit Committee is Dato' Tan Guan Cheong, in accordance with the recommendations of the Code that the chairman of the audit committee should not be the chairman of the board.

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

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

The Audit Committee met four times during the financial year ended 30 June 2020. Full details of the composition and summary of the work carried out by the Audit Committee during the financial year can be found in the *Audit Committee Report* set out in this Annual Report. This information and the terms of reference of the Audit Committee are available under the "*Governance*" section on the Trust's website at www.ytlhospitalityreit.com.

The Audit Committee has established formal and professional arrangements for maintaining an appropriate relationship with the Trust's external auditors, HLB Ler Lum PLT ("HLB"). The external auditors also attend each AGM in order to address clarifications sought pertaining to the audited financial statements by Unitholders. During the last financial year ended 30 June 2019, 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 2020 are as follows:-

	Trust RM'000	Group RM'000
Statutory audit fees paid/ payable to HLB	89	118
Non-audit fees paid/payable to HLB	5	5
Total	94	123

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 37 years of internal and external audit experience.

YTLIA comprises 9 full-time personnel. The personnel of YTLIA are free from any relationships or conflicts of interest which could impair their objectivity and independence.

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

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

- Developing the annual internal audit plan and proposing this plan to the Board;
- Conducting scheduled internal audit engagements, focusing primarily on the effectiveness of internal controls and recommending improvements where necessary;
- Conducting follow-up reviews to assess if appropriate action has been taken to address issues highlighted in audit reports; 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 A*udit Committee Report* as set out in this Annual Report.

Corporate Governance Overview Statement

for the financial year ended 30 June 2020

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

Communication with Unitholders

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

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

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

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

Conduct of General Meetings

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

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

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

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

In view of the ongoing COVID-19 pandemic, the forthcoming eighth AGM will be held on a fully virtual basis, the details of which can be found in the *Notice of Annual General Meeting* in this Annual Report.

This statement was approved by the Board on 30 July 2020.

Statement on Risk Management & Internal Control

for the financial year ended 30 June 2020

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 amended and restated) ("Trust Deed") entered into between PPSB and Maybank Trustees Berhad ("Trustee"), as the manager and trustee, respectively, of the Trust. The Manager and the Trustee administer the Trust in accordance with the provisions of the Trust Deed, which governs matters including the management of the Trust, issuance of units, investments in assets, distributions, related party transactions and conflicts of interest, powers of the Trustee and responsibilities and remuneration of the Manager and the Trustee.

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

RESPONSIBILITIES OF THE BOARD

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

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

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

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

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

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

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

- **Authority Levels:** The YTL REIT Group has delegated authority levels for major tenders, capital expenditure projects, acquisitions and disposals of businesses and other significant transactions to the Executive Directors. The approval of capital and revenue proposals above certain limits is reserved for decision by the

Statement on Risk Management & Internal Control

for the financial year ended 30 June 2020

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

Statement on Risk Management & Internal Control
for the financial year ended 30 June 2020

internal control. Emphasis is placed on reviewing and updating the process for identifying and evaluating the significant risks affecting the business, and policies and procedures by which these risks are managed.

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

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

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

REVIEW BY EXTERNAL AUDITORS

The external auditors, HLB Ler Lum PLT, have reviewed this Statement on Risk Management & Internal Control for inclusion in the Annual Report for the financial year ended 30 June 2020, in compliance with Paragraph 15.23 of the Listing Requirements, and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

CONCLUSION

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

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

This statement was approved by the Board of Directors on 30 July 2020.

Analysis of Unitholdings

as at 21 July 2020

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	516	3.89	5,318	0.00
100 – 1,000	3,432	25.90	2,775,487	0.16
1,001 – 10,000	5,866	44.26	29,119,097	1.71
10,001 - 100,000	2,820	21.28	95,934,285	5.63
100,001 – to less than 5% of issued units	618	4.66	716,273,813	42.03
5% and above of issued units	1	0.01	860,280,889	50.47
Total	**13,253**	**100.00**	**1,704,388,889**	**100.00**

THIRTY LARGEST UNITHOLDERS

(as per Record of Depositors)

	Name	No. of Units	%
1	YTL Corporation Berhad	860,280,889	50.47
2	YTL Corporation Berhad	74,115,600	4.35
3	East-West Ventures Sdn Bhd	62,500,000	3.67
4	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board (AFFIN- HWG)	34,409,800	2.02
5	Syarikat Pelanchongan Pangkor Laut Sendirian Berhad	24,250,000	1.42
6	YTL Power International Berhad	20,496,900	1.20
7	Business & Budget Hotels (Kuantan) Sdn Bhd	18,750,000	1.10
8	Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board (AMUNDI)	17,902,300	1.05
9	Pertubuhan Keselamatan Sosial	17,790,400	1.04
10	HSBC Nominees (Tempatan) Sdn Bhd – HSBC (M) Trustee Bhd for Zurich Life Insurance Malaysia Berhad (LIFE PAR)	14,650,300	0.86
11	YTL Power International Berhad	14,628,000	0.86
12	Megahub Development Sdn Bhd	13,250,000	0.78
13	HSBC Nominees (Tempatan) Sdn Bhd – HSBC (M) Trustee Bhd for Allianz Life Insurance Malaysia Berhad (P)	9,581,900	0.56
14	Citigroup Nominees (Tempatan) Sdn Bhd – Exempt An for AIA Bhd	9,487,800	0.56
15	HSBC Nominees (Asing) Sdn Bhd – SIX SIS for Bank Sarasin CIE	8,400,000	0.49

Analysis of Unitholdings
as at 21 July 2020

	Name	No. of Units	%
16	Hong Leong Assurance Berhad - As Beneficial Owner (LIFE PAR)	8,350,000	0.49
17	YTL Power International Berhad	7,964,600	0.47
18	Citigroup Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Persaraan (Diperbadankan) (AFFIN AM A EQ)	7,939,800	0.47
19	Steeloak International Limited	7,900,000	0.46
20	Citigroup Nominees (Tempatan) Sdn Bhd - Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	7,343,600	0.43
21	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Affin Hwang Select Opportunity Fund (3969)	7,301,600	0.43
22	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (ARIM)	6,920,100	0.41
23	Citigroup Nominees (Tempatan) Sdn Bhd - Employees Provident Fund Board (AM INV)	6,833,000	0.40
24	Citigroup Nominees (Tempatan) Sdn Bhd - Great Eastern Life Assurance (Malaysia) Berhad (PAR 3)	6,619,800	0.39
25	Amanah Raya Berhad - Kumpulan Wang Bersama	6,200,000	0.36
26	HSBC Nominees (Tempatan) Sdn Bhd - HSBC (M) Trustee Bhd for Zurich General Insurance Malaysia Berhad (GI-REITS)	5,800,000	0.34
27	Citigroup Nominees (Asing) Sdn Bhd - CBNY for DFA International Real Estate Securities Portfolio of DFA Investment Dimensions Group INC	5,315,600	0.31
28	Maybank Nominees (Tempatan) Sdn Bhd - Affin Hwang Asset Management Berhad for Hong Leong Assurance Berhad (PAR-220082)	5,224,000	0.31
29	Cartaban Nominees (Tempatan) Sdn Bhd - TMF Trustees Malaysia Berhad for Affin Hwang Wholesale Equity Fund	5,124,900	0.30
30	CIMB Group Nominees (Tempatan) Sdn Bhd - CIMB Islamic Trustee Berhad for Affin Hwang Select Dividend Fund	5,014,300	0.29
	Total	**1,300,345,189**	**76.29**

Analysis of Unitholdings
as at 21 July 2020

SUBSTANTIAL UNITHOLDERS

	No. of Units Held			
Name	**Direct**	**%**	**Indirect**	**%**
YTL Corporation Berhad	937,464,189	55.00	61,839,500 (1)	3.63
Yeoh Tiong Lay & Sons Holdings Sdn Bhd	–	–	1,099,303,689 (2)	64.50
Yeoh Tiong Lay & Sons Family Holdings Limited	–	–	1,099,303,689 (3)	64.50
Yeoh Tiong Lay & Sons Trust Company Limited	–	–	1,099,303,689 (4)	64.50
Puan Sri Datin Seri Tan Kai Yong @ Tan Kay Neong	–	–	1,099,303,689 (5)	64.50

(1) *Deemed interests by virtue of interests held by YTL Power International Berhad ("**YTL Power**") and Business & Budget Hotels (Kuantan) Sdn Bhd ("**BBHK**") pursuant to Section 8 of the Companies Act, 2016 ("**Act**").*

(2) *Deemed interests by virtue of interests held by YTL Corporation Berhad ("**YTL 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.*

Statement of Interests of Directors of the Manager

Pintar Projek Sdn Bhd in YTL Hospitality REIT as at 21 July 2020

	No. of Units Held			
Name	**Direct**	**%**	**Indirect**	**%**
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, KBE, CBE, FICE	2,975,900	0.17	816,000 ←	0.05
Dato' Mark Yeoh Seok Kah	2,475,400	0.15	1,000,000 ←	0.06
Dato' Tan Guan Cheong	–	–	350,000 ←	0.02
Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir	100,000	0.01	64,250,000 →	3.77
Yeoh Keong Shyan	100,000	0.01	–	–

→ *Deemed interests by virtue of interests held by EWV 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 2020.

PRINCIPAL ACTIVITY OF THE MANAGER

The principal activity of the Manager is the management of real estate investment trusts. There has been no significant change in the nature of this activity during the financial year under review.

THE TRUST AND ITS INVESTMENT OBJECTIVE

YTL REIT was established on 18 November 2005 pursuant to a trust deed ("Principal Deed") entered into between the Manager and Maybank Trustees Berhad, the trustee of YTL REIT and is classified under the real estate investment trusts sector. The Principal Deed was registered with the Securities Commission Malaysia and had been amended and restated by a second restated deed dated 25 November 2019 ("Second Restated Deed").

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

RESERVES AND PROVISIONS

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

DIRECTORS

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

Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, KBE, CBE, FICE
Dato' Mark Yeoh Seok Kah
Dato' Yeoh Seok Kian
Dato' Tan Guan Cheong
Dato' Ahmad Fuaad Bin Mohd Dahalan
Dato' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir
Dato' Zainal Abidin Bin Ahmad
Yeoh Keong Shyan

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 2020, 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 1.7.2019	No. of units acquired	No. of units disposed	Balance at 30.6.2020
Direct interest				
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, KBE, CBE, FICE	2,875,900	100,000	-	2,975,900
Dato' Mark Yeoh Seok Kah	2,000,000	475,400	-	2,475,400
Dato' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir	100,000	-	-	100,000
Yeoh Keong Shyan	-	100,000	-	100,000
Indirect interest				
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, KBE, CBE, FICE	416,000 (1)	400,000	-	816,000 (1)
Dato' Mark Yeoh Seok Kah	1,000,000 (1)	-	-	1,000,000 (1)
Dato' Tan Guan Cheong	250,000 (1)	100,000	-	350,000 (1)
Dato' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir	88,500,000 (2)	-	(24,250,000)	64,250,000 (3)

(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.

(3) Deemed interests by virtue of interests held by East-West Ventures Sdn. Bhd. and Tanjong Jara Beach Hotel Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016.

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

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	517	3.93	5,319	0.00
100 to 1,000	3,419	26.00	2,760,987	0.16
1,001 to 10,000	5,826	44.30	28,879,796	1.69
10,001 to 100,000	2,769	21.06	94,585,085	5.56
100,001 to less than 5% of issued units	618	4.70	717,876,813	42.12
5% and above of issued units	1	0.01	860,280,889	50.47
	13,150	100.00	1,704,388,889	100.00

MATERIAL CONTRACTS

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

Name	Pintar Projek Sdn. Bhd.
Date of agreement	25 November 2019
General nature	Second Restated Deed
Consideration passing from the Trust	As disclosed in Note 7 to the financial statements
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	70%-owned subsidiary company

Name	Star Hill Hotel Sdn. Bhd.
Date of agreement	8 March 2005, 18 October 2006, 18 October 2006, 5 May 2017 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 RM46,080,868
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	Wholly-owned subsidiary company

Name	Cameron Highlands Resort Sdn. Bhd.
Date of agreement	15 November 2011
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

MATERIAL CONTRACTS (CONT'D.)

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 RM28,659,094
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	Wholly-owned subsidiary company

Name	East-West Ventures Sdn. Bhd.
Date of agreement	15 November 2011 and 5 May 2017
General nature	Agreement for lease and Supplemental Agreement
Consideration passing to the Trust	Annual lease rental of RM21,626,100
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	70%-owned subsidiary company of holding company of the major unitholder

MATERIAL CONTRACTS (CONT’D.)

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 RM2,037,469
Mode of satisfaction of the consideration	By cash
Relationship with the major unitholder	Wholly-owned subsidiary company

Name	YTL Majestic Hotel Sdn. Bhd.
Date of agreement	8 May 2018
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 Report

MANAGER'S REMUNERATION

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

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

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

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

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

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

OTHER STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

The Directors of the Manager state that:-

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

In their opinion,

(a) the results of the operations of the Group and of the Trust during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except as disclosed in Note 39 to the financial statements; and

(b) except as disclosed in Note 39 to the financial statements, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Trust for the financial year in which this report is made.

AUDITORS

The auditors, HLB Ler Lum PLT (LLP0021174-LCA & AF 0276), have expressed their willingness to continue in office.

HLB Ler Lum PLT (LLP0021174-LCA & AF 0276) was registered on 9 August 2019 and with effect from the date, HLB Ler Lum (AF 0276), a conventional partnership was converted to a limited liability partnership.

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

TAN SRI DATO' (DR) FRANCIS YEOH SOCK PING,
KBE, CBE, FICE

DATO' MARK YEOH SEOK KAH

Dated: 30 July 2020

Statement By Manager

In the opinion of the Directors of Pintar Projek Sdn. Bhd. ("Manager"), the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the Securities Commission Malaysia's Guidelines on Listed Real Estate Investment Trusts and the deed dated 18 November 2005 (as amended and restated) so as to give a true and fair view of the financial position of YTL Hospitality REIT ("Trust") and its subsidiaries ("Group") as at 30 June 2020 and financial performance and cash flows of the Group and of the Trust for the financial year then ended.

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

TAN SRI DATO' (DR) FRANCIS YEOH SOCK PING,
KBE, CBE, FICE

DATO' MARK YEOH SEOK KAH

Dated: 30 July 2020

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 30 July 2020

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 2020. To the best of our knowledge, Pintar Projek Sdn. Bhd., the manager of the Trust has managed the Trust in accordance with the roles and responsibilities and limitation imposed on the investment powers of the management company under the deed dated 18 November 2005 (as amended and restated) ("Deed"), the Securities Commission Malaysia's Guidelines on Listed Real Estate Investment Trusts, the Capital Markets and Services Act 2007 and other applicable laws during the financial year ended 30 June 2020.

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 2020 are in line with and are reflective of the objectives of the Trust.

For Maybank Trustees Berhad,

JULIA BINTI MUSTAFFA
Chief Executive Officer

Dated: 30 July 2020
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 2020 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 99 to 178.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Trust as at 30 June 2020, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the Securities Commission Malaysia's Guidelines on Listed Real Estate Investment Trusts and the deed dated 18 November 2005 (as amended and restated).

Basis for Opinion

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

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Trust in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' 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.

Emphasis of Matter – Fair Value of Investment Properties and Revaluation of Properties

We draw attention to Note 2(e) in the financial statements which describes the impact of the COVID-19 pandemic on the determination of fair value of investment properties and revaluation of properties and how this has been considered by the Directors of the Manager in the preparation of the financial statements. Due to the heightened degree of valuation uncertainty, property values may change significantly and unexpectedly over a relatively short period of time. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

1. Valuation of investment properties

The risk

Investment properties of the Group amounting to RM2,747 million, represent 59% of total assets are the most quantitatively material account balance in the financial statements.

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

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

Key Audit Matters (cont'd.)

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

The risk (cont'd.)

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.

Some of the independent valuation reports have highlighted that with the heightened uncertainty of the COVID-19 pandemic, a higher degree of caution should be exercised when relying upon the valuation. The valuations are based on the information available as at the date of valuation. Values may change more rapidly and significantly than during normal market conditions.

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.
- discussed the COVID-19 implications on the critical assumptions use by the external valuers.

2. Revaluation of freehold land and buildings

The risk

The valuation of freehold land and buildings comprises 35% 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.

The independent valuation reports have highlighted that with the heightened uncertainty of the COVID-19 pandemic, a higher degree of caution should be exercised when relying upon the valuation. The valuations are based on the information available as at the date of valuation. Values and incomes may change more rapidly and significantly than during normal market conditions.

Independent Auditors' Report

to the Unitholders of YTL Hospitality REIT

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

Key Audit Matters (cont'd.)

2. Revaluation of freehold land and buildings (cont'd.)

Our response:-

Our and component auditors' audit procedures included the following:-

- evaluated the competence, capabilities and objectivity of the professional valuers' specialist.
- checked the accuracy and relevance of the input data used in the valuations.
- used internal valuation specialist in assessing appropriateness of methodologies used and the reasonableness of the key assumptions applied in the valuations.
- evaluated the Group's disclosures on those assumptions to which the outcome of the valuation is most sensitive, that is, those that have the most significant effect on the determination of the valuation of the land and buildings, by comparing them to the information disclosed in the valuation reports.
- discussed the COVID-19 implications on the critical assumptions used by the external valuers.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors of the Manager for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Independent Auditors' Report
to the Unitholders of YTL Hospitality REIT

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

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

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

Other Matters

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

HLB LER LUM PLT
LLP0021174-LCA & AF 0276
Chartered Accountants

WONG CHEE HONG
03160/09/2020 J
Chartered Accountant

Dated: 30 July 2020
Kuala Lumpur

Income Statements

for the financial year ended 30 June 2020

		Group		Trust	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue					
- Hotel revenue	4	**257,553**	331,482	**-**	-
- Property revenue	4	**168,893**	159,423	**140,234**	134,188
Total revenue		**426,446**	490,905	**140,234**	134,188
Operating expenses					
- Hotel operating expenses	5	**(179,263)**	(226,160)	**-**	-
- Property operating expenses	5	**(11,964)**	(11,466)	**(7,355)**	(7,078)
Total operating expenses		**(191,227)**	(237,626)	**(7,355)**	(7,078)
Net property income		**235,219**	253,279	**132,879**	127,110
Finance income	6	**1,010**	1,801	**97,770**	107,134
Other income - others		**1,520**	1,681	**-**	115
Other income - dividend		**-**	-	**-**	5,028
Expenses					
- Manager's fees	7	**(9,469)**	(11,970)	**(9,469)**	(11,970)
- Trustee's fees	8	**(1,430)**	(1,412)	**(1,430)**	(1,412)
- Finance costs	9	**(87,934)**	(86,120)	**(87,844)**	(86,030)
- Auditors' remuneration		**(702)**	(759)	**(114)**	(158)
- Tax agent's fees		**(223)**	(410)	**(12)**	(12)
- Valuation fees		**(447)**	(465)	**(440)**	(400)
- Depreciation		**(67,196)**	(77,395)	**(3)**	-
- Administration expenses		**(6,927)**	(10,228)	**(2,614)**	(3,856)
Operating and administrative expenses		**(174,328)**	(188,759)	**(101,926)**	(103,838)
Total income before unrealised items		**63,421**	68,002	**128,723**	135,549
Unrealised items					
- Fair value on investment properties		**(2,115)**	22,851	**15,000**	32,702
- Impairment loss on trade receivable		**-**	(395)	**-**	(395)
- Unrealised (loss)/gain on foreign exchange		**(22,160)**	16,359	**8,074**	3,637
- Revaluation (loss)/gain on properties		**(26,005)**	1,024	**-**	-
Total unrealised items		**(50,280)**	39,839	**23,074**	35,944
Profit before tax		**13,141**	107,841	**151,797**	171,493
Income tax expense	10	**(3,547)**	(3,168)	**(1,626)**	(1,395)
Profit after tax		**9,594**	104,673	**150,171**	170,098

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

Income Statements

for the financial year ended 30 June 2020

		Group		Trust	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit after tax		**9,594**	104,673	**150,171**	170,098
Distribution adjustments					
- Depreciation of property, plant and equipment		**67,193**	77,395	**-**	-
- Depreciation of right-of-use asset		**3**	-	**3**	-
- Net income from foreign operations		**30**	(8,075)	**-**	-
- Unrealised foreign translation differences		**22,160**	(16,359)	**(8,074)**	(3,637)
- Impairment loss on trade receivable		**-**	395	**-**	395
- Unrealised loss/(gain) on fair value of investment properties		**2,115**	(22,851)	**(15,000)**	(32,702)
- Revaluation loss/(gain) on properties		**26,005**	(1,024)	**-**	-
Income available for distribution		**127,100**	134,154	**127,100**	134,154
Net income distribution					
- First interim income distribution paid on 27 December 2019 (2019: paid on 28 December 2018)		**33,379**	32,757	**33,379**	32,757
- Second interim income distribution paid on 25 March 2020 (2019: paid on 29 March 2019)		**32,653**	33,043	**32,653**	33,043
- Third interim income distribution (2019: paid on 28 June 2019)		**-**	32,581	**-**	32,581
- Final income distribution (2019: paid on 30 August 2019)		**48,358**	35,773	**48,358**	35,773
Total income distribution		**114,390**	134,154	**114,390**	134,154

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

Income Statements
for the financial year ended 30 June 2020

		Group		Trust	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Income distribution per unit					
First interim income distribution					
– Gross (sen)		**1.9584**	1.9219	**1.9584**	1.9219
Second interim income distribution					
– Gross (sen)		**1.9158**	1.9387	**1.9158**	1.9387
Third interim income distribution					
– Gross (sen)		**-**	1.9116	**-**	1.9116
Final income distribution					
– Gross (sen)		**2.8373**	2.0989	**2.8373**	2.0989
Total income distribution per unit (sen)		**6.7115**	7.8711	**6.7115**	7.8711
Earnings per unit					
– after manager's fees (sen)	11	**0.56**	6.14	**8.81**	9.98
– before manager's fees (sen)	11	**1.12**	6.84	**9.37**	10.68

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 2020

	Note	Group		Trust	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit after tax		**9,594**	104,673	**150,171**	170,098
Other comprehensive income/(loss)					
Items that may be reclassified subsequently to income statement					
- currency translation differences		**40,821**	(25,632)	**-**	-
- cash flow hedge		**14,548**	(4,993)	**14,548**	(4,993)
Item that will not be reclassified subsequently to income statement					
- (deficit)/surplus on revaluation of properties		**(131,774)**	78,695	**-**	-
Total comprehensive (loss)/income		**(66,811)**	152,743	**164,719**	165,105
Profit after tax is made up as follows:-					
Realised and distributable		**127,070**	142,229	**127,100**	134,154
Unrealised items		**(117,476)**	(37,556)	**23,071**	35,944
		9,594	104,673	**150,171**	170,098
Total comprehensive (loss)/income is made up as follows:-					
Profit after tax		**9,594**	104,673	**150,171**	170,098
Cash flow hedge		**14,548**	(4,993)	**14,548**	(4,993)
(Deficit)/Surplus on revaluation of properties		**(131,774)**	78,695	**-**	-
Unrealised currency translation differences		**40,821**	(25,632)	**-**	-
		(66,811)	152,743	**164,719**	165,105

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

Statements of Financial Position

as at 30 June 2020

		Group		Trust	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
ASSETS					
Non-current assets					
Investment properties	12	**2,747,190**	2,732,554	**2,218,000**	2,203,000
Property, plant and equipment	13	**1,750,176**	1,946,226	**-**	-
Right-of-use asset	14	**206**	-	**206**	-
Investment in subsidiaries	15	**-**	-	**527,536**	521,056
Amount due from subsidiaries	15	**-**	-	**1,374,807**	1,349,378
Deferred tax assets	16	**1,671**	2,679	**-**	-
		4,499,243	4,681,459	**4,120,549**	4,073,434
Current assets					
Inventories	17	**400**	664	**-**	-
Trade receivables	18	**17,973**	11,631	**12,365**	161
Other receivables & prepayments	19	**28,548**	22,051	**584**	5,853
Amount due from subsidiaries	15	**-**	-	**135,150**	123,399
Income tax assets		**1,464**	-	**-**	-
Deposits with licensed financial institutions	20	**40,124**	58,935	**9,794**	10,130
Cash at banks		**105,784**	90,037	**2,507**	317
		194,293	183,318	**160,400**	139,860
Total assets		**4,693,536**	4,864,777	**4,280,949**	4,213,294
UNITHOLDERS' FUNDS AND LIABILITIES					
Unitholders' funds					
Unitholders' capital	21	**1,690,806**	1,690,806	**1,690,806**	1,690,806
Undistributed income		**(30,746)**	74,050	**495,415**	459,634
Reserves	22	**895,839**	972,244	**-**	(14,548)
Total unitholders' funds/Net asset value ("NAV")		**2,555,899**	2,737,100	**2,186,221**	2,135,892
Non-current liabilities					
Borrowings	23	**1,226,559**	206,393	**1,226,559**	206,393
Medium Term Notes	24	**810,000**	810,000	**-**	-
Lease liability	14	**203**	-	**203**	-
Other payables	25	**702**	963	**-**	-
Amount due to a subsidiary	15	**-**	-	**810,000**	810,000
		2,037,464	1,017,356	**2,036,762**	1,016,393

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

Statements of Financial Position
as at 30 June 2020

		Group		Trust	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current liabilities					
Borrowings	23	**-**	993,031	**-**	993,031
Derivative financial instruments	26	**-**	14,548	**-**	14,548
Trade payables	27	**3,582**	3,888	**-**	-
Other payables	25	**48,233**	63,060	**9,608**	17,648
Amount due to a subsidiary	15	**-**	-	**-**	9
Income tax liabilities		**-**	21	**-**	-
Provision for income distribution	28	**48,358**	35,773	**48,358**	35,773
		100,173	1,110,321	**57,966**	1,061,009
Total liabilities		**2,137,637**	2,127,677	**2,094,728**	2,077,402
Total unitholders' funds and liabilities		**4,693,536**	4,864,777	**4,280,949**	4,213,294
NAV before distribution		**2,670,289**	2,871,254	**2,300,611**	2,270,046
NAV after distribution		**2,555,899**	2,737,100	**2,186,221**	2,135,892
Number of units in circulation ('000)	21	**1,704,389**	1,704,389	**1,704,389**	1,704,389
NAV per unit (RM)					
- before income distribution		**1.567**	1.685	**1.350**	1.332
- after income distribution		**1.500**	1.606	**1.283**	1.253

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 2020

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/(loss)	-	-	-	2,817	50,246	(4,993)	48,070
Total comprehensive income/(loss) 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 28)	-	(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
At 1 July 2019	**1,690,806**	**210,903**	**(136,853)**	**(95,066)**	**1,081,858**	**(14,548)**	**2,737,100**
Operations for the financial year ended 30 June 2020							
Profit/(Loss) for the year	**-**	**127,070**	**(117,476)**	**-**	**-**	**-**	**9,594**
Cash flow hedge expired	**-**	**-**	**-**	**-**	**-**	**14,548**	**14,548**
Revaluation loss	**-**	**-**	**-**	**-**	**(131,774)**	**-**	**(131,774)**
Currency translation differences	**-**	**-**	**-**	**30,537**	**10,284**	**-**	**40,821**
Total other comprehensive income/(loss)	**-**	**-**	**-**	**30,537**	**(121,490)**	**14,548**	**(76,405)**
Total comprehensive income/(loss) for the year	**-**	**127,070**	**(117,476)**	**30,537**	**(121,490)**	**14,548**	**(66,811)**
Unitholders transactions							
Distributions paid	**-**	**(66,032)**	**-**	**-**	**-**	**-**	**(66,032)**
Provision for income distribution (Note 28)	**-**	**(48,358)**	**-**	**-**	**-**	**-**	**(48,358)**
Decrease in net assets resulting from unitholders transactions	**-**	**(114,390)**	**-**	**-**	**-**	**-**	**(114,390)**
At 30 June 2020	**1,690,806**	**223,583**	**(254,329)**	**(64,529)**	**960,368**	**-**	**2,555,899**

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

Statements of Changes in Net Asset Value

for the financial year ended 30 June 2020

Trust	Unitholders' Capital RM'000	Distributable Undistributed Realised Income RM'000	<------ Non-distributable ------> Unrealised Income RM'000	Currency Translation Reserves RM'000	Revaluation Reserve RM'000	Cash Flow Hedge Reserve RM'000	Total Unitholders' Funds RM'000
At 1 July 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
Cash flow hedge	-	-	-	-	-	(4,993)	(4,993)
Total comprehensive income/(loss) for the year	-	134,154	35,944	-	-	(4,993)	165,105
Unitholders transactions							
Distributions paid	-	(98,381)	-	-	-	-	(98,381)
Provision for income distribution (Note 28)	-	(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
At 1 July 2019	**1,690,806**	**184,699**	**274,935**	**-**	**-**	**(14,548)**	**2,135,892**
Operations for the financial year ended 30 June 2020							
Profit for the year	**-**	**127,100**	**23,071**	**-**	**-**	**-**	**150,171**
Cash flow hedge expired	**-**	**-**	**-**	**-**	**-**	**14,548**	**14,548**
Total comprehensive income for the year	**-**	**127,100**	**23,071**	**-**	**-**	**14,548**	**164,719**
Unitholders transactions							
Distributions paid	**-**	**(66,032)**	**-**	**-**	**-**	**-**	**(66,032)**
Provision for income distribution (Note 28)	**-**	**(48,358)**	**-**	**-**	**-**	**-**	**(48,358)**
Decrease in net assets resulting from unitholders transactions	**-**	**(114,390)**	**-**	**-**	**-**	**-**	**(114,390)**
At 30 June 2020	**1,690,806**	**197,409**	**298,006**	**-**	**-**	**-**	**2,186,221**

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

Statements of Cash Flows

for the financial year ended 30 June 2020

	Group		Trust	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	**13,141**	107,841	**151,797**	171,493
Adjustments for:-				
Amortisation of transaction costs	**2,421**	2,334	**2,421**	2,334
Depreciation of right-of-use asset	**3**	-	**3**	-
Depreciation of property, plant and equipment	**67,193**	77,395	**-**	-
Dividend income	**-**	-	**-**	(5,028)
Impairment loss on trade receivable - net	**-**	395	**-**	395
Interest income	**(1,010)**	(1,801)	**(97,770)**	(107,134)
Interest expense	**85,308**	83,085	**85,308**	83,085
Fair value on investment properties	**2,115**	(22,851)	**(15,000)**	(32,702)
Loss on disposal of property, plant and equipment	**129**	2,801	**-**	-
Unrealised loss/(gain) on foreign exchange	**22,160**	(16,359)	**(8,074)**	(3,637)
Revaluation loss/(gain) on properties	**26,005**	(1,024)	**-**	-
Operating profit before changes in working capital	**217,465**	231,816	**118,685**	108,806
Decrease in inventories	**274**	25	**-**	-
(Increase)/Decrease in receivables	**(12,535)**	(6,556)	**(7,144)**	654
(Decrease)/Increase in payables	**(16,307)**	908	**(7,835)**	(1,828)
Inter-company balances	**-**	-	**(8,825)**	(42,737)
Cash generated from operations	**188,897**	226,193	**94,881**	64,895
Income tax paid	**(3,516)**	(4,517)	**-**	-
Net cash from operating activities	**185,381**	221,676	**94,881**	64,895
CASH FLOWS FROM INVESTING ACTIVITIES				
Additional investment in subsidiary	**-**	-	**-**	(65,997)
Interest received	**1,010**	1,801	**97,770**	107,134
Acquisition of property, plant and equipment	**(9,657)**	(50,916)	**-**	-
Enhancement of investment property	**-**	(78,414)	**-**	(78,414)
Proceeds from disposal of equipment	**23**	26	**-**	-
Acquisition of investment property	**-**	(220,190)	**-**	-
Net cash (used in)/from investing activities	**(8,624)**	(347,693)	**97,770**	(37,277)

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 2020

	Group		Trust	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
CASH FLOWS FROM FINANCING ACTIVITIES				
Interest paid	**(85,298)**	(83,085)	**(85,298)**	(83,085)
Distribution paid	**(101,805)**	(131,874)	**(101,805)**	(131,874)
Transaction costs paid	**(3,671)**	(1,740)	**(3,671)**	(1,740)
Proceeds from borrowings	**6,480**	337,081	**-**	198,059
Payment of lease liability	**(11)**	-	**(11)**	-
Net cash (used in)/from financing activities	**(184,305)**	120,382	**(190,785)**	(18,640)
Net changes in cash and cash equivalents	**(7,548)**	(5,635)	**1,866**	8,978
Effect on exchange rate changes	**4,484**	(850)	**(12)**	(16)
Cash and cash equivalents at beginning of the financial year	**148,972**	155,457	**10,447**	1,485
Cash and cash equivalents at end of the financial year	**145,908**	148,972	**12,301**	10,447
NOTES TO THE STATEMENTS OF CASH FLOWS				
Cash and cash equivalents comprise:-				
Deposits with licensed financial institutions	**40,124**	58,935	**9,794**	10,130
Cash at banks	**105,784**	90,037	**2,507**	317
	145,908	148,972	**12,301**	10,447
Analysis of acquisition of investment property:-				
Cash	**-**	24,353	**-**	-
Borrowings	**-**	195,837	**-**	-
	-	220,190	**-**	-
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 2020

Reconciliation of liabilities arising from financing activities

	Group		Trust	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Borrowings				
At beginning of the financial year	**2,023,972**	1,697,249	**1,213,972**	972,719
Cash inflow/(outflow)				
Interest paid	**(85,298)**	(83,085)	**(85,298)**	(83,085)
Drawdown	**6,480**	337,081	**-**	198,059
Transaction costs paid	**(3,671)**	(1,740)	**(3,671)**	(1,740)
Repayment of lease liability	**(11)**	-	**(11)**	-
Non-cash changes				
Additional investment in subsidiary (Note 15)*	**-**	-	**6,480**	54,022
Finance costs	**87,729**	85,889	**87,729**	85,419
Currency translation differences	**21,905**	(16,415)	**21,905**	(16,415)
Cash flow hedge	**(14,548)**	4,993	**(14,548)**	4,993
Adjustment on initial application of MFRS 16	**204**	-	**204**	-
At end of the financial year	**2,036,762**	2,023,972	**1,226,762**	1,213,972

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

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

		Group		Trust	
	Note	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Non-current liabilities					
Borrowings	23	**1,226,559**	206,393	**1,226,559**	206,393
Medium Term Notes	24	**810,000**	810,000	**-**	-
Lease liability	14	**203**	-	**203**	-
Current liabilities					
Borrowings	23	**-**	993,031	**-**	993,031
Derivative financial instruments	26	**-**	14,548	**-**	14,548
		2,036,762	2,023,972	**1,226,762**	1,213,972

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

Notes to the Financial Statements

1. GENERAL INFORMATION

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

YTL REIT was established on 18 November 2005 pursuant to a trust deed ("Principal Deed") entered into between the Manager and Maybank Trustees Berhad ("Trustee") and is classified under the real estate investment trusts sector. The Principal Deed was registered with the Securities Commission Malaysia ("SC") and had been amended and restated by a second restated deed dated 25 November 2019 ("Second Restated Deed").

The consolidated financial statements reported for the financial year ended 30 June 2020 relates to the Trust and its subsidiaries ("Group").

The address of the registered office of the Manager is as follows:-

33rd Floor, Menara YTL
205 Jalan Bukit Bintang
55100 Kuala Lumpur

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

25th Floor, Menara YTL
205 Jalan Bukit Bintang
55100 Kuala Lumpur

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

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

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and the Trust have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards, accounting principles generally acceptable in Malaysia, the SC's Guidelines on Listed Real Estate Investment Trusts ("Listed REIT Guidelines") and the Second Restated Deed.

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

(b) Functional and presentation currency

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

2. BASIS OF PREPARATION (CONT'D.)

(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 2019.

MFRSs and IC Interpretations (Including The Consequential Amendments)
MFRS 16, Leases
IC Interpretation 23, Uncertainty over Income Tax Treatments
Amendments to MFRS 3, Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)
Amendments to MFRS 9, Financial Instruments – Prepayment Features with Negative Compensation
Amendments to MFRS 11, Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)
Amendments to MFRS 112, Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)
Amendments to MFRS 119, Employee Benefits – Plan Amendment, Curtailment or Settlement
Amendments to MFRS 123, Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)
Amendments to MFRS 128, Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures

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 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 the adoption of MFRS 16 did not have significant financial impact on the financial statements.

The impact arising from the changes are disclosed in Note 41.

2. BASIS OF PREPARATION (CONT'D.)

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

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

MFRSs and IC Interpretations (Including The Consequential Amendments)	Effective date
Amendments to MFRS 3, Business Combinations – Definition of a Business	1 January 2020
Amendments to MFRS 9, Financial Instruments, MFRS 139, Financial Instruments: Recognition and Measurement and MFRS 7, Financial Instruments: Disclosures – Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 101, Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material	1 January 2020
Amendments to MFRS 16, Leases – COVID-19-Related Rent Concessions	1 June 2020
MFRS 17, Insurance Contracts	1 January 2021
Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018-2020)	1 January 2022
Amendments to MFRS 3, Business Combinations – Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 9, Financial Instruments (Annual Improvements to MFRS Standards 2018-2020)	1 January 2022
Amendments to Illustrative Examples accompanying MFRS 16, Leases (Annual Improvements to MFRS Standards 2018-2020)	1 January 2022
Amendments to MFRS 101, Presentation of Financial Statements – Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to MFRS 116, Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137, Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to MFRS 141, Agriculture (Annual Improvements to MFRS Standards 2018–2020)	1 January 2022
Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced by the MASB Board

The Group and the Trust plan to apply the accounting standards, amendments and interpretations when they become effective except for MFRS 17, Insurance Contracts as it is not applicable to the Group and the Trust.

The initial applications of the accounting standards, amendments or interpretations are not expected to have any material financial impact to the current period and prior period financial statements of the Group and the Trust.

(e) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires the Directors of the Manager to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

For the current financial year, the outbreak of COVID-19 and related global responses have caused material disruptions to businesses including the travel and tourism industries. This uncertainty affects management's ability to reliably determine the key judgements and assumptions used in the valuation of hotel assets.

2. BASIS OF PREPARATION (CONT'D.)

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

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.

Some of the investment properties' valuations are reported on the basis of material valuation uncertainty. The valuations have been prepared and the previous market evidence may not reflect current market conditions for comparison purposes. Therefore, there may be unprecedented set of circumstances on which to base a judgement. Any changes in these observable inputs and judgements will impact the fair values of these investment properties.

(ii) Revaluation of properties

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

The valuation takes into account management's assumptions regarding the hotels' operations, response and plans to continue operating throughout the COVID-19 pandemic. The key assumptions and estimates used in these valuation approaches which have been impacted by COVID-19 include:-

- Forecast future hotel income, based on the location, type and quality of the property, which are supported by forecast occupancy and average daily rate information or external evidence such as current industry averages and trading benchmarks for similar properties. The hotels' income are forecast to significantly decline in years 2020 and 2021, with market recovering to stabilise in year 2023.
- The capitalisation rates and discount rates derived from recent comparable market transactions, adjusted for COVID-19 and which reflects the uncertainty in the amount and timing of cash flows.
- The impact of government action on hotels' operations. The hotels secured isolation business from the respective Australian district governments for return travellers, which is expected to decline as repatriation flights reduce and therefore has been excluded from forecast income.

Due to the valuation uncertainty, the hotel values may change significantly and unexpectedly over a relatively short period of time. The valuations have been prepared based on the information that is available as at the date of valuation, and updated with reference to actual operating performance and circumstances prior to 30 June 2020. The Group will likely see a correlating impact on valuation should the performance of the hotels not move in line with these assumptions.

2. BASIS OF PREPARATION (CONT'D.)

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

(iii) Depreciation of property, plant and equipment

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

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

(f) Basis of consolidation

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

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

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

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

(i) Acquisitions

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

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

Acquisition-related costs are expensed as incurred.

2. BASIS OF PREPARATION (CONT'D.)

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

(i) Acquisitions (cont'd.)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previously held equity interest in the acquiree over the (b) fair values of the identifiable assets acquired net of the fair values of the liabilities and any contingent liabilities assumed, is recorded as goodwill.

(ii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to income statement or transferred directly to undistributed income if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in income statement.

The accounting policy on investment in subsidiaries are disclosed in Note 3(f) to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Investment properties

(i) Investment properties carried at fair value

Investment properties consist of freehold and leasehold land & buildings which are held for long term rental yield or for capital appreciation or both.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in income statement for the period in which they arise.

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

A property interest held under operating lease is classified and accounted for as investment property as the Group holds it to earn rental income or for capital appreciation or both.

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

Accounting policies applied until 30 June 2019

(i) Operating leases – as lessee

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(b) Leases (cont'd.)

Accounting policies applied until 30 June 2019 (cont'd.)

(ii) Operating leases – as lessor

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

Accounting policies applied from 1 July 2019

(i) As lessee

Leases are recognised as right-of-use ('ROU') asset and a corresponding liability at the date on which the leased asset is available for use (i.e. the commencement date).

Contracts may contain both lease and non-lease components. Consideration in the contract is allocated to the lease and non-lease components based on their relative standalone prices.

In determining the lease term, facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option are considered. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The lease term is reassessed upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Trust and affect whether the Group and the Trust are reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities.

ROU assets

ROU assets are initially measured at cost comprising the following:-

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

If the Group and the Trust are reasonably certain to exercise a purchase option, the ROU assets are depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(b) Leases (cont'd.)

Accounting policies applied from 1 July 2019 (cont'd.)

(i) As lessee (cont'd.)

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:-

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under residual value guarantees;
- The exercise price of a purchase and extension options if it is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group and the Trust exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group and the Trust, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in the statement of comprehensive income in the period in which the condition that triggers those payments occurs.

Lease liabilities are presented as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in the income statement.

Short-term leases and leases of low-value assets

The Group and the Trust have elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. Payments associated with short-term leases and low-value assets are recognised on a straight-line basis as an expense over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(b) Leases (cont'd.)

Accounting policies applied from 1 July 2019 (cont'd.)

(ii) As lessor

As a lessor, the Group and the Trust determine at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group and the Trust make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group and the Trust allocate the consideration in the contract to the lease and non-lease components based on the stand-alone selling prices in accordance with the principles in MFRS 15 Revenue from Contracts with Customers.

(c) Property, plant & equipment and depreciation

Property, plant & equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Freehold land and buildings are initially recognised at cost. Freehold land is subsequently carried at the revalued amount less accumulated impairment losses. Buildings are subsequently carried at the revalued amounts less accumulated depreciation and accumulated impairment losses while equipment and other assets are carried at cost less accumulated depreciation and any accumulated impairment losses. Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Depreciation on property, plant & equipment is calculated on the straight-line basis at rates required to write off the cost of the property, plant & equipment over their estimated useful lives.

The principal annual rates of depreciation used are as follows:-

Buildings	4%
Equipment	4% - 25%
Other assets*	12.5% - 19%

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

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

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

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

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

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

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

(d) Impairment of non-financial assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(e) Inventories

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

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

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

(f) Investment in subsidiaries

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

(g) Financial assets

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

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

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

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

<u>Amortised cost</u>

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(h) Impairment of financial assets

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

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

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

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

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

The recognition and measurement of impairment loss on financial assets are as disclosed in Note 34(a) to the financial statements.

(i) Cash and cash equivalents

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

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

(j) Interest-bearing borrowings

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(k) Financial liabilities

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

Financial liabilities are recognised in the statements of financial position when, and only when, the Group and the Trust become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as amortised cost.

Amortised cost

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

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

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

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

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

(l) Derivative financial instruments and hedging activities

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

The Group 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 22(c). The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedge

The fair value changes on the effective portion 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'.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

Cash flow hedge (cont'd.)

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.

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unabsorbed tax losses can be utilised.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 3(a), the amount of deferred tax recognised is measure using the tax rates that would apply on the sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. The Group intends to consume substantially all economic benefit through generation of rental income and these income will be subjected to income tax at prevailing rate. For freehold land, for the best interest of the unitholders, it would sold to other REITs and property trust fund approved by the SC, which the gain accruing from the sale will be exempted from real property gain tax.

(p) Revenue recognition

(i) Revenue from contracts with customers

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

Hotel revenue

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

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.

(c) Dividend income

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

Notes to the Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(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.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

(r) Foreign currency (cont'd.)

(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	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Revenue from contracts with customers				
Hotel revenue				
– Rental of rooms	**193,786**	259,929	**-**	-
– Food and beverage income	**52,703**	61,564	**-**	-
– Other hotel operating income	**11,064**	9,989	**-**	-
	257,553	331,482	**-**	-
Rental income from operating leases				
Property revenue				
– Lease rental income	**166,856**	157,482	**138,197**	132,247
– Car park income	**2,037**	1,941	**2,037**	1,941
	168,893	159,423	**140,234**	134,188
Total revenue	**426,446**	490,905	**140,234**	134,188

The hotel revenue are recognised at a point of time and denominated in one segment and one country (refer Note 37 of the financial statements).

5. OPERATING EXPENSES

	Group		Trust	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Hotel operating expenses				
- Operating expenses	**104,687**	134,001	**-**	-
- Repair and maintenance expenses	**9,498**	11,654	**-**	-
- Utilities	**6,861**	8,417	**-**	-
- Property taxes	**8,676**	7,816	**-**	-
- Insurance	**509**	548	**-**	-
- General and administration expenses	**38,924**	50,841	**-**	-
- Other direct expenses	**10,108**	12,883	**-**	-
	179,263	226,160	**-**	-
Property operating expenses				
- Property taxes	**8,255**	8,345	**5,481**	5,419
- Insurance	**2,869**	2,527	**1,874**	1,648
- Lease rental	**-**	11	**-**	11
- Property maintenance	**840**	583	**-**	-
	11,964	11,466	**7,355**	7,078
Total operating expenses	**191,227**	237,626	**7,355**	7,078

During the current financial year, the adoption of MFRS 16 Leases have resulted in change to the recognition of lease rental expenses for lessees, as disclosed in Note 14 to the financial statements.

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

	Group		Trust	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Salaries, wages and bonus	**45,699**	64,176	**-**	-
Defined contribution plan	**20,863**	22,214	**-**	-
	66,562	86,390	**-**	-

6. FINANCE INCOME

	Group		Trust	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Finance income from financial assets measured at amortised cost:-				
Financial institution deposits interests	**1,010**	1,801	**240**	364
Subsidiary loan interests	**-**	-	**97,530**	106,770
Finance income	**1,010**	1,801	**97,770**	107,134

7. MANAGER'S FEES

		Group/Trust	
	Note	**2020 RM'000**	**2019 RM'000**
Base fee	7(a)	**4,765**	4,705
Performance fee	7(b)	**4,704**	5,065
Acquisition fee	7(c)	**-**	2,200
		9,469	11,970

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

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

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

The acquisition fee incurred during the last financial year was for the acquisition of The Green Leaf Niseko Village.

8. TRUSTEE'S FEES

Pursuant to the Second Restated Deed, the Trustee's fees, accrued monthly and payable every half year to the Trustee, represents 0.03% per annum of the gross asset value of the Group.

9. FINANCE COSTS

		Group		Trust	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Interest expense:-					
- Term loans	23	**45,699**	46,499	**45,699**	46,499
- Medium Term Notes	24	**39,599**	36,586	**-**	-
- Subsidiary	15	**-**	-	**39,599**	36,586
- Lease liability	14	**10**	-	**10**	-
Incidental cost incurred to administer the borrowing facilities:-					
- Amortisation of transaction costs		**2,421**	2,334	**2,421**	2,334
- Facility fee		**205**	701	**115**	611
		87,934	86,120	**87,844**	86,030

10. INCOME TAX EXPENSE

		Group		Trust	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current income tax					
- Malaysian income tax					
- current year		**125**	278	**-**	-
- under provision in prior year		**2**	4	**-**	-
- Foreign income tax*		**2,416**	3,086	**1,626**	1,395
Deferred tax					
- Origination and reversal of temporary differences	16	**1,004**	(200)	**-**	-
		3,547	3,168	**1,626**	1,395

The Trust has provided approximately 90% (2019: 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.

Notes to the Financial Statements

10. INCOME TAX EXPENSE (CONT'D.)

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

	Group		Trust	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Profit before tax	**13,141**	107,841	**151,797**	171,493
Income tax using Malaysian statutory tax rate of 24% (2019: 24%)	**3,154**	25,882	**36,431**	41,158
Expenses not deductible for tax purposes	**47,302**	43,550	**4,252**	7,179
Utilisation of capital allowances	**(7,857)**	(6,650)	**(7,857)**	(6,650)
Income exempted from tax	**(2,318)**	(3,237)	**(2,314)**	(3,230)
Income not subject to tax	**(31,428)**	(49,751)	**(28,886)**	(37,062)
Different tax rates in other countries	**(5,306)**	(6,626)	**-**	-
Income tax expense	**3,547**	3,168	**1,626**	1,395

11. EARNINGS PER UNIT

	Group		Trust	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Profit for the year after manager's fees	**9,594**	104,673	**150,171**	170,098
Profit for the year before manager's fees	**19,063**	116,643	**159,640**	182,068
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)	**0.56**	6.14	**8.81**	9.98
Earnings per unit before manager's fees (sen)	**1.12**	6.84	**9.37**	10.68

12. INVESTMENT PROPERTIES

	Group		Trust	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
At beginning of the financial year	**2,732,554**	2,371,618	**2,203,000**	2,079,000
Acquisition	**-**	220,190	**-**	-
Enhancements	**-**	91,298	**-**	91,298
Change in fair value	**(2,115)**	22,851	**15,000**	32,702
Currency translation differences	**16,751**	26,597	**-**	-
At end of the financial year	**2,747,190**	2,732,554	**2,218,000**	2,203,000
Analysis of investment properties:-				
Freehold land & building	**1,864,190**	1,854,554	**1,335,000**	1,325,000
Leasehold land & building	**374,000**	372,000	**374,000**	372,000
Registered lease & building	**509,000**	506,000	**509,000**	506,000
	2,747,190	2,732,554	**2,218,000**	2,203,000

12. INVESTMENT PROPERTIES (CONT'D.)

The fair value of the investment properties as at 30 June 2020 are as follows:-

Description of property	Tenure	Remaining lease period (years)	Initial acquisition cost RM'000	Fair value as at 30.6.2020 RM'000	% of fair value to Net Asset Value as at 30.6.2020 %	Fair value as at 30.6.2019 RM'000	% of fair value to Net Asset Value as at 30.6.2019 %
Real Estate - Commercial							
JW Marriott Hotel Kuala Lumpur	Freehold		331,024	**523,000**	**20.46**	519,000	18.96
The Ritz-Carlton, Kuala Lumpur - Suite Wing (Parcel 1)	Freehold		125,000	**211,000**	**8.25**	210,000	7.67
The Ritz-Carlton, Kuala Lumpur - Suite Wing (Parcel 2)	Freehold		73,881	**102,000**	**3.99**	101,000	3.69
The Ritz-Carlton, Kuala Lumpur - Hotel Wing	Freehold		253,017	**360,000**	**14.09**	357,000	13.04
Pangkor Laut Resort	Registered lease	75	98,365	**119,000**	**4.66**	118,000	4.31
Tanjong Jara Resort	Leasehold	47	88,050	**103,000**	**4.03**	103,000	3.76
AC Hotel Kuala Lumpur Titiwangsa *(formerly Vistana Kuala Lumpur Titiwangsa)*	Freehold		101,207	**139,000**	**5.44**	138,000	5.04
AC Hotel Penang Bukit Jambul *(formerly Vistana Penang Bukit Jambul)*	Leasehold	74	101,778	**121,000**	**4.73**	120,000	4.38
AC Hotel Kuantan City Centre *(formerly Vistana Kuantan City Centre)*	Leasehold	72	75,980	**90,000**	**3.52**	89,000	3.25
Cameron Highlands Resort	Leasehold	88	50,649	**60,000**	**2.35**	60,000	2.19
The Majestic Hotel Kuala Lumpur	Registered lease	71	384,221	**390,000**	**15.26**	388,000	14.18
Hilton Niseko Village	Freehold		254,374*	**288,035**	**11.27**	296,335	10.83
The Green Leaf Niseko Village	Freehold		238,591*	**241,155**	**9.43**	233,219	8.52
			2,176,137	**2,747,190**	**107.48**	2,732,554	99.82
Net Asset Value				**2,555,899**		2,737,100	

* Initial acquisition cost translated at the exchange rate as at 30 June 2020.

12. INVESTMENT PROPERTIES (CONT'D.)

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

	Group		Trust	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Rental income	**168,893**	159,423	**140,234**	134,188
Direct operating expenses:-				
- income generating investment properties	**(11,964)**	(11,466)	**(7,355)**	(7,078)

Investment properties of the Group and of the Trust with carrying amounts of RM2,404 million (2019: RM2,392 million) and RM1,875 million (2019: RM1,862 million) respectively, are charged as security for financings granted to the Group and the Trust as disclosed in Notes 23 and 24 to the financial statements.

Fair value information

The fair value of investment properties of the Group and the Trust are categorised as Level 3. The different levels of the fair value hierarchy are defined in Note 35(b) to the financial statements. The properties in Malaysia are valued by independent professional valuers, Savills (Malaysia) Sdn. Bhd., Azmi & Co Sdn. Bhd. and SMY Valuers & Consultants Sdn. Bhd. on 31 May 2020 using the income capitalisation approach, also known as the investment approach. The properties in Japan are valued by JLL Morii Valuation & Advisory K.K. and Savills Japan Co., Ltd., on 30 April 2020. 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.

12. INVESTMENT PROPERTIES (CONT'D.)

Fair value information (cont'd.)

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

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Income approach which capitalise the estimate rental income stream, net projected operating costs, using a discount rate derived from market yield.	Malaysia: Discount rate of 6.00% to 7.50% (2019: 6.00% to 7.50%) Japan: Discount rate of 4.60% to 5.45% (2019: 4.70% to 6.40%)	The higher the discount rate, the lower the fair value.
	Malaysia: Capitalisation rate of 6.00% to 7.50% (2019: 6.00% to 7.50%) Japan: Capitalisation rate of 4.70% to 6.35% (2019: 5.00% to 6.40%)	The higher the capitalisation rate, the lower the fair value.

Some of the independent valuation reports have highlighted that with the heightened uncertainty of the COVID-19 pandemic, a higher degree of caution should be exercised when relying upon their valuation. The valuations are based on the information available as at the date of valuation. Values may change more rapidly and significantly than during normal market conditions.

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.

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

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 1.7.2018	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)
Reversal of impairment	–	1,024	–	–	1,024
Revaluation adjustments	–	(66,605)	–	–	(66,605)
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
Disposals	–	–	(8,638)	(10)	(8,648)
Revaluation adjustments	–	(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.)

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 30.6.2020 RM'000	% of fair value to Net Asset Value as at 30.6.2020 %	Fair value as at 30.6.2019 RM'000	% of fair value to Net Asset Value as at 30.6.2019 %
Real Estate - Commercial						
Sydney Harbour Marriott	Freehold	779,432	**1,305,129**	**51.06**	1,447,848	52.90
Brisbane Marriott	Freehold	354,376	**234,118**	**9.16**	270,540	9.88
Melbourne Marriott	Freehold	166,138	**210,929**	**8.25**	227,838	8.32
		1,299,946	**1,750,176**	**68.47**	1,946,226	71.10
Net Asset Value			**2,555,899**		2,737,100	

* Translated at the exchange rate as at 30 June 2020.

Property, plant and equipment at net book value amounting to RM1,750 million (2019: RM1,946 million) are charged as security for a term loan facility granted to the Trust as disclosed in Note 23 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 30 April 2020, 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	
	2020 RM'000	**2019 RM'000**
Freehold land	**153,309**	151,092
Buildings	**686,708**	712,194
	840,017	863,286

Fair value information

The Group's freehold land and buildings are valued based on unobservable inputs and classified in Level 3 of the fair value hierarchy. The different levels of the fair value hierarchy are defined in Note 35(b) to the financial statements.

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

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

Fair value information (cont'd.)

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

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Discounted cash flow method is the total of discounted income stream and present value of the properties' anticipated sale value in arriving at the total present market value.	Discount rate of 7.50% to 8.00% (2019: 7.50% to 7.75%)	The higher the discount rate, the lower the fair value.
	Capitalisation rate of 5.25% to 6.00% (2019: 5.50% to 5.75%)	The higher the capitalisation rate, the lower the fair value.

The independent valuation reports have highlighted that with the heightened uncertainty of the COVID-19 pandemic, a higher degree of caution should be exercised when relying upon their valuation. The valuations are based on the information available as at the date of valuation. Values and incomes may change more rapidly and significantly than during normal market conditions.

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

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

14. RIGHT-OF-USE ASSET AND LEASE LIABILITY

The Trust has lease contract for a piece of land under registered lease with remaining lease term of 76 years as at the beginning of the financial year. The Trust had adopted the MFRS 16 Leases by using modified retrospective approach, therefore the comparative information was not restated.

Set out below are the carrying amount of the right-of-use asset recognised and the movements during the current financial year:-

	Group/Trust RM'000
At beginning of the financial year	-
Effect on adoption of MFRS 16	209
Depreciation of right-of-use asset	(3)
At end of the financial year	206

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

	Group/Trust RM'000
At beginning of the financial year	-
Effect on adoption of MFRS 16	204
Accretion of interest	10
Lease rental payments	(11)
At end of the financial year	203

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

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

Total cash outflow for leases in year 2020 was RM482,510.

15. INVESTMENT IN SUBSIDIARIES

	Trust	
	2020 RM'000	**2019 RM'000**
Unquoted shares, at cost		
At beginning of the financial year	**521,056**	401,037
Additional investment by cash	**-**	65,997
Additional investment via capitalisation of debt	**6,480**	54,022
At end of the financial year	**527,536**	521,056

Details of the subsidiaries are as follows:-

			Effective equity interest	
Name of subsidiary	**Place of incorporation**	**Principal activities**	**2020 %**	**2019 %**
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 PLT

15. 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 RM1,046 million (2019: RM1,030 million) with tenure of ten year bears interest payable quarterly at the rate of 5.86% per annum, which was revised from 8.86% per annum (2019: 8.86% per annum). The loan shall be repaid by way of a bullet repayment on 30 October 2022. Upon maturity, the Trust allows the loan to be renewed for another ten years, where the interest rate is to be mutually agreed upon in the later stage.

(b) Two loans in Japanese Yen totalling RM329 million (2019: RM319 million) with tenure of fifteen and thirty years bear interest payable monthly at the rates of 5% (2019: 5%) per annum. The loans shall be repaid by way of bullet repayments on 21 December 2026 and 25 September 2048, respectively. Upon maturity, the Trust allows the loans to be renewed for another fifteen years, where the interest rate is to be mutually agreed upon in the later stage.

The amount due to a subsidiary relates to advances totalling RM810 million (2019: RM810 million) from the proceeds of issuance of medium term notes as disclosed in Note 24 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 (2019: 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
2020		
Within 1 year	**135,150**	**-**
Later than 1 year and not later than 5 years	**1,045,652**	**810,000**
Later than 5 years	**329,155**	**-**
	1,509,957	**810,000**
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

Notes to the Financial Statements

16. DEFERRED TAX ASSETS

		Group	
	Note	2020 RM'000	2019 RM'000
At beginning of the financial year		**2,679**	2,550
Charged to income statement	10	**(1,004)**	200
Currency translation differences		**(4)**	(71)
At end of the financial year		**1,671**	2,679

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	
	2020 RM'000	2019 RM'000
Deferred tax provided are in respect of:-		
Deferred tax assets		
Accruals	**1,672**	2,683
Others	**2**	1
	1,674	2,684
Deferred tax liabilities		
Others	**(3)**	(5)
	(3)	(5)
Net (after offsetting)	**1,671**	2,679

17. INVENTORIES

	Group	
	2020 RM'000	2019 RM'000
Beverage inventories	**400**	619
Operating inventories	**-**	45
	400	664

The Group's cost of inventories recognised as expenses and included in "hotel operating expenses" amounted to approximately RM8,799,000 (2019: RM12,045,000).

18. TRADE RECEIVABLES

	Group		Trust	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Trade receivables	**18,536**	12,194	**12,928**	724
Less: Accumulated impairment losses on trade receivables	**(563)**	(563)	**(563)**	(563)
	17,973	11,631	**12,365**	161

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

	Group		Trust	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At beginning of the financial year	**563**	2,864	**563**	2,864
Impairment loss on trade receivable	**-**	395	**-**	395
Bad debts written off	**-**	(2,696)	**-**	(2,696)
At end of the financial year	**563**	563	**563**	563

The Group's and the Trust's amounts due from companies related to the Manager of approximately RM12,617,000 (2019: RM1,173,000) and RM12,365,000 (2019: RM161,000) respectively, relate to rental due in respect of agreements and are generally subject to normal trade terms.

The normal trade credit terms of trade receivables range from 30 to 90 (2019: 15 to 30) days.

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

19. OTHER RECEIVABLES & PREPAYMENTS

	Group		Trust	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Other receivables	**14,167**	17,489	**1**	5,307
GST receivables	**8**	225	**7**	225
Prepayments	**14,373**	4,337	**576**	321
	28,548	22,051	**584**	5,853

Included in the other receivables of the Group is RM11,579,865 (2019: RM17,137,868) recoverable from Australian tax authorities for withholding tax on foreign source distribution received by a subsidiary.

Included in the other receivables of the Trust in the previous financial year was RM5,028,099 dividend declared by a subsidiary.

20. DEPOSITS WITH LICENSED FINANCIAL INSTITUTIONS

The effective interest rate of deposits placed with licensed banks of the Group and of the Trust were 0.6% and 2.0% (2019: 1.6% and 2.8%) per annum, respectively.

The average maturities of deposits of the Group and of the Trust ranged from 7 to 30 days (2019: 3 to 34 days).

21. UNITHOLDERS' CAPITAL

	Number of units	
	2020 '000	2019 '000
Issued and fully paid		
At beginning and end of the financial year	**1,704,389**	1,704,389

	2020 RM'000	2019 RM'000
Issued and fully paid		
At beginning and end of the financial year	**1,690,806**	1,690,806

22. RESERVES

		Group		Trust	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Currency translation reserves	22(a)	**(64,529)**	(95,066)	**-**	-
Revaluation reserve	22(b)	**960,368**	1,081,858	**-**	-
Cash flow hedge reserve	22(c)	**-**	(14,548)	**-**	(14,548)
		895,839	972,244	**-**	(14,548)

(a) Currency translation reserves

	Group	
	2020 RM'000	2019 RM'000
At beginning of the financial year	**(95,066)**	(97,883)
Net currency translation differences from financial statement of foreign subsidiaries	**30,537**	2,817
At end of the financial year	**(64,529)**	(95,066)

(b) Revaluation reserve

	Group	
	2020 RM'000	2019 RM'000
At beginning of the financial year	**1,081,858**	1,031,612
Revaluation (loss)/gain of properties	**(131,774)**	78,695
Currency translation differences	**10,284**	(28,449)
At end of the financial year	**960,368**	1,081,858

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

22. RESERVES (CONT'D.)

(c) Cash flow hedge reserve

	Group/Trust	
	2020 RM'000	**2019 RM'000**
At beginning of the financial year	**(14,548)**	(9,555)
On expiry/(Change in fair value)	**14,548**	(4,993)
At end of the financial year	**-**	(14,548)

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

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

23. BORROWINGS - SECURED

	Group/Trust	
	2020 RM'000	**2019 RM'000**
Non-current		
- Term loans	**1,231,351**	207,867
- Capitalised transaction costs	**(4,792)**	(1,474)
	1,226,559	206,393
Current		
- Term loans	**-**	995,099
- Capitalised transaction costs	**-**	(2,068)
	-	993,031
Total borrowings	**1,226,559**	1,199,424

23. BORROWINGS - SECURED (CONT'D.)

(i) The term loan denominated in Australian Dollar of AUD342,794,795 which was equivalent to RM995,099,000 in the previous financial year, bore a weighted average interest rate of 4.45% (2019: 4.58%) per annum had been fully repaid during the current financial year. The interest rate on the term loan was largely hedged using interest rate swaps fixed at an effective rate of 4.68% (2019: 4.68%) per annum.

The term loan denominated in Australian Dollar of AUD345,192,577 which is equivalent to RM1,026,746,000 drawndown during the year which is repayable by bullet payments of AUD90,000,000 and AUD255,195,577 on 28 June 2023 and 28 June 2025, respectively, bears a weighted average interest rate of 2.16% per annum and is secured by:-

(a) a first legal charge over properties as disclosed in Note 13 to the financial statements; and

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

(ii) The term loan denominated in Japanese Yen of JPY5,401,250,000 (2019: JPY5,401,250,000), which is equivalent to RM214,586,000 (2019: RM207,867,000), is repayable by bullet payment on 26 September 2023, bears a weighted average interest rate of 0.81% (2019: 0.83%) 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.

24. MEDIUM TERM NOTES ("MTNS")

	Group	
	2020 RM'000	**2019 RM'000**
Non-current		
Medium Term Notes	**810,000**	810,000

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

The MTNs of the Group were issued pursuant to an MTNs issuance programme of up to RM1,650 million constituted by a Trust Deed and Programme Agreement, both dated 11 May 2016. As at end of the reporting period, RM810 million (2019: RM810 million) were issued as follows:-

(a) A nominal value of RM65 million of MTNs was issued on 23 May 2017 to finance the renovation costs carried out at The Ritz-Carlton, Kuala Lumpur – Suite Wing and Hotel Wing. The MTNs are redeemable on 23 May 2022 at nominal value.

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

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

(d) A nominal value of RM10 million of MTNs was issued on 24 May 2019 to refinance the Group's existing RM10 million nominal value MTNs. The MTNs are redeemable on 23 May 2022 at nominal value.

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

The MTNs bear coupon rates ranging from 4.21% to 5.05% (2019: 4.70% to 5.10%) per annum, payable semi-annually in arrears and are secured by certain properties as disclosed in Note 12 to the financial statements.

The fair value of the MTNs is RM846,654,000 (2019: RM821,616,000) and is categorised as Level 2 of the fair value hierarchy. The different levels of the fair value hierarchy are defined in Note 35(b) to the financial statements.

The above fair value, which is determined for disclosure purpose, is calculated based on the present value of future cash flows discounted at the market rate of interest at the end of the financial year. The interest rates used to determine fair value range from 3.50% to 3.72% (2019: 4.66% to 4.78%).

25. OTHER PAYABLES

	Group		Trust	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Non-current				
Other payables	**702**	963	**-**	-

Included in the other payables is the long service leave of approximately RM702,000 (2019: RM963,000).

	Group		Trust	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Current				
Other payables	**29,698**	33,270	**2,448**	2,970
Accruals	**11,654**	21,928	**7,160**	14,678
Contract liabilities	**6,881**	7,862	**-**	-
	48,233	63,060	**9,608**	17,648

The Group's amounts due to the Manager and the companies related to the Manager, which amounted to RM1,903,631 (2019: RM1,578,370) are unsecured, interest free and payable on demand.

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

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

	Group	
	2020 RM'000	**2019 RM'000**
Contract liabilities as at the beginning of the year recognised as revenue during the year	**(7,862)**	(7,498)
Advance deposits received during the year	**49,976**	61,582

26. DERIVATIVE FINANCIAL INSTRUMENTS

	Contract/ Notional Value RM'000	Fair Value RM'000
Group/Trust - 2020		
Cash flow hedge		
Interest rate swaps	-	-
Group/Trust - 2019		
Cash flow hedge		
Interest rate swaps		
Less than 1 year	937,686	(14,548)

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 35(b) to the financial statements.

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

27. TRADE PAYABLES

The credit terms of trade payables granted to the Group is 30 days (2019: vary from 15 to 30 days).

28. PROVISION FOR INCOME DISTRIBUTION

	Group/Trust	
	2020 RM'000	**2019 RM'000**
At beginning of the financial year	**35,773**	33,493
Provision made during the financial year	**114,390**	134,154
Distribution paid during the financial year	**(101,805)**	(131,874)
At end of the financial year	**48,358**	35,773

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

During the current financial year, YTL Hospitality REIT changed its income distribution frequency from quarterly to semi-annually.

The Manager believes that the switch of its distribution frequency from quarterly to semi-annual for each six-month period ending 30 June and 31 December will enable the Trust to preserve and better manage its cashflows and achieve savings in terms of cost and administrative resources in view of the unprecedented COVID-19 pandemic and the uncertainties in recovery.

For the 6 months from 1 January 2020 to 30 June 2020, the Manager has declared a final income distribution of 2.8373 sen per unit (2019: 2.0989 sen per unit), totalling RM48,358,626 (2019: for the 3 months from 1 April 2019 to 30 June 2019 of RM35,773,418) which will be paid on 28 August 2020. Total distribution paid and declared for the financial year ended 30 June 2020 is 6.7115 sen per unit, totalling RM114,390,060, representing approximately 90% of the total distributable income for the financial year ended 30 June 2020 (2019: 7.8711 sen per unit, totalling RM134,154,153, representing approximately 100% of the total distributable income).

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

Distribution to unitholders is from the following sources:-

	Group	
	2020 RM'000	**2019 RM'000**
Net property income	**235,219**	253,279
Finance income	**1,010**	1,801
Other income	**1,520**	41,915
	237,749	296,995
Add/(Less):-		
Less: Expenses	**(224,608)**	(189,154)
Less: Income tax expense	**(3,547)**	(3,168)
Profit after tax	**9,594**	104,673
Distribution adjustments:-		
Depreciation of property, plant and equipment	**67,193**	77,395
Depreciation of right-of-use asset	**3**	-
Net income from foreign operations	**30**	(8,075)
Unrealised foreign translation differences	**22,160**	(16,359)
Impairment loss on trade receivable	**-**	395
Unrealised loss/(gain) on fair value of investment properties	**2,115**	(22,851)
Revaluation loss/(gain) on properties	**26,005**	(1,024)
Income available for distribution/Total distributable income	**127,100**	134,154
Less: Income distribution	**(114,390)**	(134,154)
Undistributed distributable income	**12,710**	-
Distributable income per unit (sen)	**7.4572**	7.8711
Gross distribution per unit (sen)	**6.7115**	7.8711
Net distribution per unit (sen)	**6.7115**	7.8711

29. TRANSACTIONS WITH STOCKBROKING COMPANIES

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

30. UNITHOLDING BY THE MANAGER

As at 30 June 2020, the Manager did not hold any unit in the Trust.

31. UNITHOLDERS RELATED TO THE MANAGER

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

	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

The market value of the units held by the companies related to the Manager is determined by using the closing market value of the Trust as at 30 June 2020 of RM1.050 per unit (2019: RM1.340 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.

32. SIGNIFICANT RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The following significant transactions which have been transacted with companies related to the Manager and the major unitholder are as follows:-

			Group/Trust	
Entity	Relationship	Nature of transaction	2020 RM'000	2019 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	Lease rental of investment property	**26,600**	26,600
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	**46,081**	40,131
		Reimbursement of renovation cost	**-**	85,000
YTL Land Sdn. Bhd.	Subsidiary company of the major unitholder	Rental of car park space	**2,037**	1,941
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

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

			Group	
Entity	Relationship	Nature of transaction	2020 RM'000	2019 RM'000
Niseko Village K.K.	Subsidiary company of the major unitholder	Lease rental of investment properties	**28,659**	25,235
		Acquisition of investment property	**-**	220,190

			Trust	
Entity	Relationship	Nature of transaction	2020 RM'000	2019 RM'000
Starhill Hospitality REIT (Australia) Sdn. Bhd.	Subsidiary company	Shareholder loan interests	**81,352**	92,889
		Dividend income	**-**	5,028
Starhill REIT Niseko G.K.	Subsidiary company	Shareholder loan interests	**16,178**	13,881
		Shareholder loan	**-**	128,328
YTL REIT MTN Sdn. Bhd.	Subsidiary company	Interest expenses	**39,599**	36,586
		Administrative charges	**120**	608
		Advances	**-**	85,000

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.

33. CAPITAL COMMITMENTS AND OPERATING LEASE ARRANGEMENT

(a) Capital commitments

	Group	
	2020 **RM'000**	**2019** **RM'000**
Authorised but not contracted for	**8,837**	2,903

The commitments relate to refurbishment of Melbourne Marriott hotel property.

(b) Operating lease arrangement

For the financial year ended 30 June 2019

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**	**2019** **RM'000**
Not later than 1 year	166,637	138,197
Later than 1 year and not later than 5 years	812,849	666,734
Later than 5 years	768,961	413,861
	1,748,447	1,218,792

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

(b) Operating lease arrangement (cont'd.)

For the financial year ended 30 June 2020

The Group leases out its investment properties for monthly lease payments. These lease arrangements are classified as an operating lease because the risk and rewards incidental to ownership of the assets are not substantially transferred.

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

	Group	Trust
	2020 RM'000	2020 RM'000
Not later than 1 year	167,029	138,197
Between 1 to 2 years	170,303	141,063
Between 2 to 3 years	173,692	144,045
Between 3 to 4 years	159,629	129,512
Between 4 to 5 years	144,190	113,917
Later than 5 years	779,609	413,861
	1,594,452	1,080,595

34. FINANCIAL RISK MANAGEMENT

The Group's and the Trust's operations are subject to the following risks:-

(a) Credit risk;
(b) Liquidity risk;
(c) Interest rate risk; and
(d) Foreign currency exchange risk

(a) Credit risk

Credit risk is the risk of a financial loss to the Group and the Trust if a lessee or counterparty to a financial instrument fails to meet its contractual obligations. The Group's and the Trust's exposure to credit risk arise principally from its receivables from lessees or other financial assets (including cash & bank balances), the Group and the Trust minimise credit risk by dealing with high credit rating counterparties.

Notes to the Financial Statements

34. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

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	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Domestic	**12,365**	161	**12,365**	161
Australia	**5,357**	10,460	**-**	-
Japan	**251**	1,010	**-**	-
	17,973	11,631	**12,365**	161

34. 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 the end of the reporting period:-

	Gross RM'000	Loss allowance RM'000	Net RM'000
Group - 2020			
Current (not past due)	**16,233**	**-**	**16,233**
Past due 1 - 90 days	**1,570**	**-**	**1,570**
Past due 91 - 180 days	**170**	**-**	**170**
	17,973	**-**	**17,973**
Credit impaired			
Past due more than 180 days	**563**	**(563)**	**-**
	18,536	**(563)**	**17,973**
Trust - 2020			
Current (not past due)	**11,686**	**-**	**11,686**
Past due 1 - 90 days	**509**	**-**	**509**
Past due 91 - 180 days	**170**	**-**	**170**
	12,365	**-**	**12,365**
Credit impaired			
Past due more than 180 days	**563**	**(563)**	**-**
	12,928	**(563)**	**12,365**

34. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

Trade receivables (cont'd.)

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

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

The movements in the allowance for impairment during the financial year were disclosed in Note 18 to the financial statements.

Other receivables

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

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

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

34. FINANCIAL RISK MANAGEMENT (CONT'D.)

(a) Credit risk (cont'd.)

Inter-company balances

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

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

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

Cash and cash equivalents

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

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

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

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Trust will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Trust's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

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

34. FINANCIAL RISK MANAGEMENT (CONT'D.)

(b) Liquidity risk (cont'd.)

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

	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
2020					
Group					
Financial liabilities					
Borrowings	**1,119,710**	**23,678**	**23,678**	**1,072,354**	**-**
MTNs	**930,915**	**37,081**	**111,690**	**782,144**	**-**
Lease liability	**798**	**11**	**11**	**32**	**744**
Trade payables	**3,582**	**3,582**	**-**	**-**	**-**
Other payables	**42,054**	**41,352**	**702**	**-**	**-**
	2,097,059	**105,704**	**136,081**	**1,854,530**	**744**
Trust					
Financial liabilities					
Borrowings	**1,119,710**	**23,678**	**23,678**	**1,072,354**	**-**
Lease liability	**798**	**11**	**11**	**32**	**744**
Other payables	**9,608**	**9,608**	**-**	**-**	**-**
Subsidiary	**930,915**	**37,081**	**111,690**	**782,144**	**-**
	2,061,031	**70,378**	**135,379**	**1,854,530**	**744**
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
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

34. 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
2020	
Group/Trust	
Derivative	
Net settled interest rate swaps – cash flow hedges (net cash outflows)	-
2019	
Group/Trust	
Derivative	
Net settled interest rate swaps – cash flow hedges (net cash outflows)	10,561

(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.

34. 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	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Fixed rate instruments				
Financial assets				
Shareholders loan	**-**	-	**1,374,807**	1,349,378
Financial liabilities				
Borrowings	**-**	995,099	**-**	995,099
MTNs	**425,000**	425,000	**-**	-
Subsidiary	**-**	-	**425,000**	425,000
Floating rate instruments				
Financial assets				
Deposits with licensed financial institutions	**40,124**	58,935	**9,794**	10,130
Financial liabilities				
Borrowings	**1,231,351**	207,867	**1,231,351**	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 RM8.1 million (2019: RM2.1 million) as a result of lower/higher interest expense on borrowings.

The excess funds of the Group and of the Trust are invested in bank deposits and other short term instruments. The Group and the Trust manage their liquidity risks by placing such excess funds on short term maturities to match its cash flow needs. If interest deposit rates increased/decreased by 50 basis points, interest income of the Group and of the Trust for the financial year would increase/decrease by RM0.2 million (2019: RM0.3 million) and RM0.05 million (2019: RM0.05 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.

34. 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
2020				
5% change on JPY exchange rate	**40,153**	**(17,448)**	**-**	**9,316**
5% change on AUD exchange rate	**67,423**	**(72,504)**	**-**	**(5,098)**
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

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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

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

35. FINANCIAL INSTRUMENTS (CONT'D.)

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

2020	Note	Carrying amount RM'000	AC RM'000	DH RM'000
Group				
Financial assets				
Current				
Trade receivables	18	**17,973**	**17,973**	**-**
Other receivables & deposits	19	**14,175**	**14,175**	**-**
Cash and cash equivalents	20	**145,908**	**145,908**	**-**
		178,056	**178,056**	**-**
Financial liabilities				
Non-current				
Borrowings	23	**1,226,559**	**1,226,559**	**-**
MTNs	24	**810,000**	**810,000**	**-**
Lease liability	14	**203**	**203**	**-**
Other payables	25	**702**	**702**	**-**
Current				
Trade payables	27	**3,582**	**3,582**	**-**
Other payables	25	**41,352**	**41,352**	**-**
		2,082,398	**2,082,398**	**-**

35. FINANCIAL INSTRUMENTS (CONT'D.)

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

2020	Note	Carrying amount RM'000	AC RM'000	DH RM'000
Trust				
Financial assets				
Non-current				
Amount due from subsidiaries	15	**1,374,807**	**1,374,807**	**-**
Current				
Trade receivables	18	**12,365**	**12,365**	**-**
Other receivables & deposits	19	**8**	**8**	**-**
Amount due from subsidiaries	15	**135,150**	**135,150**	**-**
Cash and cash equivalents	20	**12,301**	**12,301**	**-**
		1,534,631	**1,534,631**	**-**
Financial liabilities				
Non-current				
Borrowings	23	**1,226,559**	**1,226,559**	**-**
Lease liability	14	**203**	**203**	**-**
Amount due to a subsidiary	15	**810,000**	**810,000**	**-**
Current				
Other payables	25	**9,608**	**9,608**	**-**
		2,046,370	**2,046,370**	**-**

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35. FINANCIAL INSTRUMENTS (CONT'D.)

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

2019	Note	Carrying amount RM'000	AC RM'000	DH RM'000
Group				
Financial assets				
Current				
Trade receivables	18	11,631	11,631	–
Other receivables & deposits	19	17,714	17,714	–
Cash and cash equivalents	20	148,972	148,972	–
		178,317	178,317	–
Financial liabilities				
Non-current				
Borrowings	23	206,393	206,393	–
MTNs	24	810,000	810,000	–
Other payables	25	963	963	–
Current				
Borrowings	23	993,031	993,031	–
Derivative financial instruments	26	14,548	–	14,548
Trade payables	27	3,888	3,888	–
Other payables	25	55,198	55,198	–
		2,084,021	2,069,473	14,548

35. FINANCIAL INSTRUMENTS (CONT'D.)

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

2019	Note	Carrying amount RM'000	AC RM'000	DH RM'000
Trust				
Financial assets				
Non-current				
Amount due from subsidiaries	15	1,349,378	1,349,378	–
Current				
Trade receivables	18	161	161	–
Other receivables & deposits	19	5,532	5,532	–
Amount due from subsidiaries	15	123,399	123,399	–
Cash and cash equivalents	20	10,447	10,447	–
		1,488,917	1,488,917	–
Financial liabilities				
Non-current				
Borrowings	23	206,393	206,393	–
Amount due to a subsidiary	15	810,000	810,000	–
Current				
Borrowings	23	993,031	993,031	–
Derivative financial instruments	26	14,548	–	14,548
Other payables	25	17,648	17,648	–
Amount due to a subsidiary	15	9	9	–
		2,041,629	2,027,081	14,548

35. 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 24 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.

35. 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 the 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
2020						
Derivative financial liabilities	-	-	-	-	-	-
2019						
Derivative financial liabilities	337	(276)	61	-	-	-

36. MANAGEMENT EXPENSE RATIO ("MER")

	Group		Trust	
	2020 %	**2019 %**	**2020 %**	**2019 %**
MER	**0.61**	0.84	**0.65**	0.84

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

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

Notes to the Financial Statements

37. SEGMENTAL REPORTING

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

(a) Malaysia
(b) Japan
(c) Australia

The Group comprises the following reportable segments:-

(a) Property rental – leasing of hotel properties
(b) Hotel – operating hotel business

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

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

	<--------- Property rental --------->		<---- Hotel ---->	
	Malaysia RM'000	**Japan RM'000**	**Australia RM'000**	**Total RM'000**
External revenue	**140,234**	**28,659**	**257,553**	**426,446**
Operating expenses	**(7,355)**	**(4,609)**	**(179,263)**	**(191,227)**
Net property income	**132,879**	**24,050**	**78,290**	**235,219**
Finance income				**1,010**
Other income				**1,520**
Total income				**237,749**
Depreciation				**(67,196)**
Fair value loss on investment properties				**(2,115)**
Finance costs				**(87,934)**
Revaluation loss on properties				**(26,005)**
Unrealised loss on foreign exchange				**(22,160)**
Trust and administration expenses				**(19,198)**
Profit before tax				**13,141**
Non-current assets	**2,218,206**	**529,190**	**1,751,847**	**4,499,243**
Current assets	**25,327**	**15,306**	**153,660**	**194,293**
Total assets	**2,243,533**	**544,496**	**1,905,507**	**4,693,536**
Non-current liabilities	**2,036,762**	**-**	**702**	**2,037,464**
Current liabilities	**57,973**	**1,517**	**40,683**	**100,173**
Total liabilities	**2,094,735**	**1,517**	**41,385**	**2,137,637**
Additions to non-current assets	**-**	**-**	**9,657**	**9,657**

37. SEGMENTAL REPORTING (CONT'D.)

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
Other income				1,681
Fair value gain on investment properties				22,851
Revaluation gain on property				1,024
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
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 following are major customers with revenues equal or more than 10 percent of the Group's total revenue:-

	Group Revenue	
	2020 RM'000	**2019 RM'000**
Common control companies:-		
under major unitholder	**131,097**	121,627
under the holding company of major unitholder	**30,446**	30,446
	161,543	152,073

38. CAPITAL MANAGEMENT

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

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

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

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

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

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

		Group	
	Note	2020 RM'000	2019 RM'000
Borrowings	23	**1,231,351**	1,202,966
MTNs	24	**810,000**	810,000
Total borrowings		**2,041,351**	2,012,966
Total assets		**4,693,536**	4,864,777
Gearing ratio (%)		**43.49**	41.38

The Trust is not subject to externally imposed capital requirements for the financial years ended 30 June 2020 and 30 June 2019.

39. SIGNIFICANT EVENT DURING AND AFTER THE REPORTING DATE

The outbreak of the COVID-19 declared by the World Health Organisation as a global pandemic on 11 March 2020 has adversely impacted the hospitality sector worldwide. Since the outbreak, country borders are closed to international travel, both local and international market demands have been badly affected. Many Governments have set up measures to contain the pandemic and introduced various forms of support to mitigate and cushion the impact for businesses.

Australian borders were closed to all non-residents from 20 March 2020 and the government implemented stricter social distancing measures to contain the pandemic. Meanwhile, the Australian portfolios participated in the Australian Government's programme for self-isolation guests and remained in operations throughout. The Manager continues to take measures to review the business continuity plans, tighten cost saving measures and delay non-essential capital expenditures to mitigate the financial impact. National travel restrictions are starting to ease in June 2020, as a result, the demand is expected to improve.

The Hokkaido governor declared a state of emergency from 28 February 2020 to 19 March 2020, and again on 17 April 2020 which was lifted on 25 May 2020 as the implementation of emergency measures are deemed no longer necessary and counter measures are put in place. Travel across prefectural borders is no longer restricted from 19 June 2020, boosting the way for domestic tourism to return to the country.

The Malaysian government declared Movement Control Order ("MCO") from 18 March 2020 to 12 May 2020 in response to the COVID-19 pandemic in the country. As a result, government and private premises providing non-essential services were compulsorily closed. On 4 May 2020, the government eased the order via the conditional movement control order which allowed almost all businesses to re-open, guided by the standard operating procedures. The order has subsequently been extended on several occasions with the recovery MCO in place with effect from 9 June 2020 until 31 August 2020. During the recovery MCO, interstate travel is allowed generally.

The easement on domestic travel encourages the return of domestic tourism which will play a vital role in the hospitality sector towards recovery while country borders are still closed to international travel. However, there are concerns of new outbreaks when restrictions are eased which could delay the recovery.

As the COVID-19 situation is still evolving, the full impact of COVID-19 pandemic to the Group's performance for the financial year ending 30 June 2021 cannot be ascertained at the point when this set of financial statements was authorised for issuance.

40. EVENT AFTER THE FINANCIAL YEAR

As a result of the financial impact arising from COVID-19 pandemic, the lessees of all the Malaysian and Japanese properties (except The Green Leaf Niseko Village) appealed to (i) reduce the lease rentals by fifty percent (50%) for twenty-four months commencing 1 July 2020 until 30 June 2022 ("Rental Adjustment Period") and (ii) pay the difference between the original rentals and reduced rentals ("Rental Differences") on a staggered basis within seven years after the Rental Adjustment Period or over the remaining tenures of the existing leases whichever is earlier ("Rental Variations"). The Manager announced the approval to the Rental Variations on 30 July 2020.

The Rental Variations are not expected to have any material impact on the revenue of the Group. As the Group is exposed to volatility of the foreign exchange translation risk, the estimate on profit before taxation cannot be readily made.

41. ADOPTION OF MFRS 16 LEASES

As at 1 July 2019, the change in accounting policies from the adoption of MFRS 16 has affected the following items:-

	30.06.2019 RM'000	Effects of MFRS 16 RM'000	01.07.2019 Restated RM'000
Group/Trust			
Non-current asset			
ROU asset	–	209	**209**
Non-current liability			
Lease liability	-	(204)	**(204)**

The adoption of MFRS 16 Leases is expected to have no significant impact to the financial statements of the Group and of the Trust upon its initial application.

42. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors of Pintar Projek Sdn. Bhd. in accordance with a resolution of the Directors on 30 July 2020.

YTL HOSPITALITY REIT

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

Form of Proxy

CDS Account No. *(only for nominee companies)*	
Number of units held	

I/We *(full name in block letters)* ____

____ Telephone No. ____________________

NRIC *(new & old)*/Passport/Company No. ____

of *(full address)* ____

being a unitholder of **YTL Hospitality REIT** hereby appoint

Full name of proxy in block letters	*NRIC (new & old)/Passport No. of proxy*	*Proportion of unitholdings to be represented*	
		No. of units	*%*
Address of proxy			

* and/or *(delete as appropriate)*

Full name of proxy in block letters	*NRIC (new & old)/Passport No. of proxy*	*Proportion of unitholdings to be represented*	
		No. of units	*%*
Address of proxy			

or failing him/her, the Chairman of the Meeting as my/our proxy(ies) to vote for me/us on my/our behalf at the Eighth Annual General Meeting of YTL Hospitality REIT which will be conducted as a **fully virtual** meeting through live streaming from the broadcast venue at the Town Hall, 8th Floor, Menara YTL, 205 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia ("Broadcast Venue") on Thursday, 15 October 2020 at 3.00 p.m. and at any adjournment thereof.

ORDINARY BUSINESS

To lay before the meeting the Audited Financial Statements for the financial year ended 30 June 2020 together with the Reports attached thereon.

Dated this ____________ day of ____________________ 2020.

____
Signature(s)/Common Seal of Unitholder

IMPORTANT NOTICE

Pursuant to the Securities Commission Malaysia Guidance and FAQs on the Conduct of General Meetings for Listed Issuers, the Chairman of the Meeting will be present at the Broadcast Venue, being the main venue of the meeting. Unitholders/proxies/representatives will not be allowed to be physically present at the Broadcast Venue on the day of the meeting. Unitholders are to participate and speak (in the form of real time submission of typed texts) via the Remote Participation ("RP") facility provided by Tricor Investor & Issuing House Services Sdn Bhd ("Tricor") on its TIIH Online website at https://tiih.online.

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Notes:-

1. *A unitholder (including an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA")) entitled to attend at a general meeting of YTL Hospitality REIT may appoint not more than two (2) proxies to participate instead of the unitholder at the Eighth Annual General Meeting ("8th AGM") via the RP facility.*
2. *Where a unitholder is an Exempt Authorised Nominee as defined under the SICDA, which holds units in YTL Hospitality REIT for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.*
3. *A proxy may but need not be a unitholder of YTL Hospitality REIT. Where a unitholder appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his unitholdings to be represented by each proxy.*
4. *The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer or attorney duly authorised in writing.*
5. *The appointment of proxy may be made in hardcopy form or by electronic means as specified below and must be received by Tricor not less than 48 hours before the time appointed for holding the 8th AGM i.e. no later than* ***13 October 2020 at 3.00 p.m.****:-*

   (i) *In hard copy form [**applicable for all unitholders**]*

   The original Form of Proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified or office copy of that power or authority shall be deposited at the office of Tricor at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or alternatively, at its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

   (ii) *By Tricor Online System (TIIH Online) [**applicable for unitholders who are individuals**]*

   The Form of Proxy can be electronically lodged with Tricor via TIIH Online at https://tiih.online. Please follow the procedures set out in the Administrative Guide.
6. *Only unitholders whose names appear on the General Meeting Record of Depositors as at 8 October 2020 shall be entitled to attend the 8th AGM via the RP facility or appoint proxy(ies) to attend in his stead.*
7. *For a corporate member who has appointed an authorised representative, please deposit the original certificate of appointment of corporate representative with Tricor at either of the addresses stated in note 5(i) above, not less than 48 hours before the time appointed for holding the 8th AGM or adjourned meeting at which the person named in the appointment proposes to vote.*

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AFFIX
STAMP

Tricor Investor & Issuing House Services Sdn Bhd
Share Registrar for YTL Hospitality REIT's 8th AGM
Unit 32-01, Level 32, Tower A, Vertical Business Suite
Avenue 3, Bangsar South, No. 8, Jalan Kerinchi
59200 Kuala Lumpur

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