

YTL HOSPITALITY REIT
(formerly known as
STARHILL REAL ESTATE INVESTMENT TRUST)
Established in Malaysia

Interim Financial Report
31 December 2013

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YTL HOSPITALITY REIT**INTERIM FINANCIAL REPORT**

Interim financial report on consolidated results for the financial period ended 31 December 2013.

The figures have not been audited.

CONDENSED INCOME STATEMENTS FOR THE QUARTER

	GROUP		TRUST	
	CURRENT	PRECEDING	CURRENT	PRECEDING
	YEAR	YEAR	YEAR	YEAR
	QUARTER	QUARTER	QUARTER	QUARTER
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
NET REVENUE	114,678	57,155	24,487	24,308
PROPERTY OPERATING EXPENSES	(58,154)	(15,631)	(1,211)	(1,255)
NET PROPERTY INCOME	56,524	41,524	23,276	23,053
OTHER INCOME	1,638	1,352	25,650	13,263
MANAGER'S FEES	(2,153)	(1,607)	(2,153)	(1,607)
TRUSTEE'S FEES	(307)	(233)	(307)	(233)
ADMINISTRATION EXPENSES	(17,641)	(15,412)	(306)	(414)
FINANCE COSTS	(18,391)	(8,588)	(18,391)	(8,588)
INCOME BEFORE UNREALISED ITEM	19,670	17,036	27,769	25,474
UNREALISED ITEM:				
- Unrealised (loss)/gain on foreign exchange	(155)	47	(49,076)	(20,188)
PROFIT/(LOSS) BEFORE TAX	19,515	17,083	(21,307)	5,286
INCOME TAX EXPENSE	(598)	(273)	(185)	(215)
PROFIT/(LOSS) FOR THE QUARTER	18,917	16,810	(21,492)	5,071

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

CONDENSED INCOME STATEMENTS FOR THE QUARTER - continued

	GROUP		TRUST	
	CURRENT YEAR CORRESPONDING QUARTER 31.12.2013 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.12.2012 RM'000	CURRENT YEAR CORRESPONDING QUARTER 31.12.2013 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.12.2012 RM'000
PROFIT/(LOSS) FOR THE QUARTER	18,917	16,810	(21,492)	5,071
DISTRIBUTION ADJUSTMENTS:				
- Depreciation	16,325	5,322	-	-
- Unrealised foreign translation differences	155	(47)	49,076	20,188
-Net (income)/loss not distributed from foreign operations	(7,813)	3,174	-	-
	-----	-----	-----	-----
INCOME AVAILABLE FOR DISTRIBUTION / TOTAL DISTRIBUTABLE INCOME	27,584	25,259	27,584	25,259
INCOME DISTRIBUTION*	(26,204)	(25,259)	(26,204)	(25,259)
	-----	-----	-----	-----
UNDISTRIBUTED DISTRIBUTABLE INCOME	1,380	-	1,380	-
	=====	=====	=====	=====
DISTRIBUTABLE INCOME PER UNIT (Sen)	2.0828	1.9072	2.0828	1.9072
	=====	=====	=====	=====
GROSS DISTRIBUTION PER UNIT (Sen)	1.9786	1.9072	1.9786	1.9072
	=====	=====	=====	=====

* For the preceding year corresponding quarter ended 31 December 2012, the Trust distributed half yearly income distribution amounted to RM47.510 million.

The Condensed Income Statements should be read in conjunction with the audited annual financial statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements.

YTL HOSPITALITY REIT**INTERIM FINANCIAL REPORT****CONDENSED STATEMENTS OF COMPREHENSIVE INCOME FOR THE QUARTER**

	GROUP		TRUST	
	CURRENT	PRECEDING	CURRENT	PRECEDING
	YEAR	YEAR	YEAR	YEAR
	CORRESPONDING	CORRESPONDING	CORRESPONDING	CORRESPONDING
	QUARTER	QUARTER	QUARTER	QUARTER
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
PROFIT/(LOSS) FOR THE QUARTER	18,917	16,810	(21,492)	5,071
OTHER COMPREHENSIVE EXPENSES :				
CURRENCY TRANSLATION DIFFERENCES	(59,284)	(26,185)	-	-
TOTAL COMPREHENSIVE (EXPENSES)/INCOME FOR THE QUARTER	<u>(40,367)</u>	<u>(9,375)</u>	<u>(21,492)</u>	<u>5,071</u>
PROFIT/(LOSS) FOR THE QUARTER IS MADE UP AS FOLLOWS :-				
REALISED PROFIT	19,072	16,763	27,584	25,259
UNREALISED (LOSS)/PROFIT	(155)	47	(49,076)	(20,188)
	<u>18,917</u>	<u>16,810</u>	<u>(21,492)</u>	<u>5,071</u>
EARNINGS/(LOSS) PER UNIT (Sen)	<u>1.43</u>	<u>1.27</u>	<u>(1.62)</u>	<u>0.38</u>

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The Condensed Statements of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements.

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

	GROUP		TRUST	
	6 MONTHS ENDED		6 MONTHS ENDED	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
NET REVENUE	217,259	85,232	48,975	48,526
PROPERTY OPERATING EXPENSES	(112,461)	(17,648)	(2,422)	(2,411)
NET PROPERTY INCOME	104,798	67,584	46,553	46,115
OTHER INCOME	2,539	1,886	51,795	16,237
MANAGER'S FEES	(4,275)	(2,638)	(4,275)	(2,638)
TRUSTEE'S FEES	(657)	(387)	(657)	(387)
ADMINISTRATION EXPENSES	(31,318)	(15,488)	(454)	(503)
FINANCE COSTS	(36,775)	(10,858)	(36,775)	(10,858)
INCOME BEFORE UNREALISED ITEM	34,312	40,099	56,187	47,966
UNREALISED ITEM: - Unrealised gain/(loss) on foreign exchange	33	(13)	(9,016)	(22,284)
PROFIT BEFORE TAX	34,345	40,086	47,171	25,682
INCOME TAX EXPENSE	(965)	(514)	(386)	(456)
PROFIT FOR THE PERIOD	33,380	39,572	46,785	25,226

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

	GROUP		TRUST	
	6 MONTHS ENDED		6 MONTHS ENDED	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
PROFIT FOR THE PERIOD	33,380	39,572	46,785	25,226
DISTRIBUTION ADJUSTMENTS:				
- Depreciation	28,651	5,322	-	-
- Unrealised foreign translation differences	(33)	(13)	9,016	22,284
- Net loss/(income) not distributed from foreign operations	(6,197)	2,629	-	-
	-----	-----	-----	-----
INCOME AVAILABLE FOR DISTRIBUTION / TOTAL DISTRIBUTABLE INCOME	55,801	47,510	55,801	47,510
INCOME DISTRIBUTION	(51,599)	(47,510)	(51,599)	(47,510)
	-----	-----	-----	-----
UNDISTRIBUTED DISTRIBUTABLE INCOME	4,202	-	4,202	-
	=====	=====	=====	=====
DISTRIBUTABLE INCOME PER UNIT (Sen)	4.2133	3.5873	4.2133	3.5873
	=====	=====	=====	=====
GROSS DISTRIBUTION PER UNIT (Sen)	3.8961	3.5873	3.8961	3.5873
	=====	=====	=====	=====

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The Condensed Income Statements should be read in conjunction with the audited annual financial statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements.

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

	GROUP		TRUST	
	6 MONTHS ENDED		6 MONTHS ENDED	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
PROFIT FOR THE PERIOD	33,380	39,572	46,785	25,226
OTHER COMPREHENSIVE EXPENSES :				
CURRENCY TRANSLATION DIFFERENCES	(11,137)	(28,970)	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>22,243</u>	<u>10,602</u>	<u>46,785</u>	<u>25,226</u>
PROFIT FOR THE PERIOD IS MADE UP AS FOLLOWS :-				
REALISED PROFIT	33,347	39,559	55,801	47,510
UNREALISED PROFIT/(LOSS)	33	13	(9,016)	(22,284)
	<u>33,380</u>	<u>39,572</u>	<u>46,785</u>	<u>25,226</u>
EARNINGS PER UNIT (Sen)	<u>2.52</u>	<u>2.99</u>	<u>3.53</u>	<u>1.90</u>

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The Condensed Statements of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

CONDENSED STATEMENTS OF FINANCIAL POSITION

	GROUP		TRUST	
	UNAUDITED AS AT 31.12.2013 RM'000	AUDITED AS AT 30.06.2013 RM'000	UNAUDITED AS AT 31.12.2013 RM'000	AUDITED AS AT 30.06.2013 RM'000
ASSETS				
Non-current Assets				
Investment properties	1,543,117	1,548,539	1,342,833	1,342,627
Property, plant and equipment	1,231,236	1,263,617	-	-
Investment in subsidiaries	-	-	344,792	344,792
Amount due from subsidiaries	-	-	1,189,794	1,198,083
Deferred tax assets	2,801	3,317	-	-
	-----	-----	-----	-----
	2,777,154	2,815,473	2,877,419	2,885,502
	-----	-----	-----	-----
Current Assets				
Inventories	945	927	-	-
Trade and other receivables	14,247	12,620	2,573	1,392
Amount due from subsidiaries	-	-	102,662	56,485
Deposits with licensed financial institution	79,753	107,370	21,998	89,029
Bank balances	61,319	55,515	639	705
	-----	-----	-----	-----
	156,264	176,432	127,872	147,611
	-----	-----	-----	-----
TOTAL ASSETS	2,933,418	2,991,905	3,005,291	3,033,113
	=====	=====	=====	=====
UNITHOLDERS' FUNDS				
Unitholders' capital	1,291,395	1,291,395	1,291,395	1,291,395
Undistributed income	155,580	173,799	98,320	103,134
Currency translation reserves	(160,263)	(149,126)	-	-
	-----	-----	-----	-----
Net Asset Value	1,286,712	1,316,068	1,389,715	1,394,529
	-----	-----	-----	-----
LIABILITIES				
Non-current Liabilities				
Borrowing	1,576,190	1,575,469	1,576,190	1,575,469
Other payables	4,357	2,449	-	-
Deferred tax liabilities	-	285	-	-
	-----	-----	-----	-----
	1,580,547	1,578,203	1,576,190	1,575,469
	-----	-----	-----	-----
Current Liabilities				
Trade and other payables	39,516	47,300	13,182	12,881
Income tax liabilities	439	100	-	-
Provision for income distribution	26,204	50,234	26,204	50,234
	-----	-----	-----	-----
	66,159	97,634	39,386	63,115
	-----	-----	-----	-----
TOTAL LIABILITIES	1,646,706	1,675,837	1,615,576	1,638,584
	-----	-----	-----	-----
TOTAL UNITHOLDERS' FUNDS & LIABILITIES	2,933,418	2,991,905	3,005,291	3,033,113
	=====	=====	=====	=====

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

	GROUP		TRUST	
	UNAUDITED AS AT 31.12.2013 RM'000	AUDITED AS AT 30.06.2013 RM'000	UNAUDITED AS AT 31.12.2013 RM'000	AUDITED AS AT 30.06.2013 RM'000
Net asset value (RM'000)	1,286,712	1,316,068	1,389,715	1,394,529
Number of units in circulations ('000)	1,324,389	1,324,389	1,324,389	1,324,389
Net asset value per unit (RM)				
- before income distribution	1.011	1.068	1.088	1.127
- after income distribution	0.972	0.994	1.049	1.053

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The Condensed Statements of Financial Position should be read in conjunction with the audited annual financial statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

**CONDENSED STATEMENTS OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2013**

GROUP	Unitholders' Capital RM'000	Distributable	<--Non distributable-->		Unitholders' Funds RM'000
		Undistributed Realised Income RM'000	Unrealised Income RM'000	Currency Translation Reserves RM'000	
At 1 July 2013	1,291,395	130,367	43,432	(149,126)	1,316,068
Operations for the period					
Profit for the period	-	33,347	33	-	33,380
Other comprehensive expense					
Currency translation differences	-	-	-	(11,137)	(11,137)
Increase/(Decrease) in net assets resulting from operations	-	33,347	33	(11,137)	22,243
Unitholders' transactions					
Distribution paid	-	(25,395)	-	-	(25,395)
Provision for income distribution	-	(26,204)	-	-	(26,204)
Decrease in net assets resulting from Unitholders' transaction	-	(51,599)	-	-	(51,599)
At 31 December 2013	1,291,395	112,115	43,465	(160,263)	1,286,712

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

**CONDENSED STATEMENTS OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2013 - continued**

TRUST	Unitholders' Capital RM'000	Distributable	<--Non distributable-->	Currency Translation Reserves RM'000	Unitholders' Funds RM'000
		Undistributed Realised Income RM'000	Unrealised Income RM'000		
At 1 July 2013	1,291,395	179,613	(76,479)	-	1,394,529
Operations for the period					
Profit for the period	-	55,801	(9,016)	-	46,785
Other comprehensive income	-	-	-	-	-
Increase/(Decrease) in net assets resulting from operations	-	55,801	(9,016)	-	46,785
Unitholders' transactions					
Distribution paid	-	(25,395)	-	-	(25,395)
Provision for income distribution	-	(26,204)	-	-	(26,204)
Decrease in net assets resulting from Unitholders' transaction	-	(51,599)	-	-	(51,599)
At 31 December 2013	1,291,395	183,815	(85,495)	-	1,389,715

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

**CONDENSED STATEMENTS OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2012**

GROUP	Unitholders' Capital RM'000	Distributable	<--Non distributable-->		Unitholders' Funds RM'000
		Undistributed Realised Income RM'000	Unrealised Income RM'000	Currency Translation Reserves RM'000	
At 1 July 2012	1,291,395	172,211	43,585	8,345	1,515,536
Operations for the period					
Profit for the period	-	39,559	13	-	39,572
Other comprehensive expense					
Currency translation differences	-	-	-	(28,970)	(28,970)
	-----	-----	-----	-----	-----
Increase / (Decrease) in net assets resulting from operations	-	39,559	13	(28,970)	10,602
Unitholders' transactions					
Provision for income distribution	-	(47,510)	-	-	(47,510)
	-----	-----	-----	-----	-----
Decrease in net assets resulting from Unitholders' transactions	-	(47,510)	-	-	(47,510)
	-----	-----	-----	-----	-----
At 31 December 2012	1,291,395	164,260	43,598	(20,625)	1,478,628
	=====	=====	=====	=====	=====

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

**CONDENSED STATEMENTS OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2012 - continued**

TRUST	Unitholders' Capital RM'000	Distributable Undistributed Realised Income RM'000	<--Non distributable--> Unrealised Income RM'000	<--Non distributable--> Currency Translation Reserves RM'000	Unitholders' Funds RM'000
At 1 July 2012	1,291,395	172,174	50,456	-	1,514,025
Operations for the period					
Profit/(Loss) for the period	-	47,510	(22,284)	-	25,226
Other comprehensive income	-	-	-	-	-
Increase/(Decrease) in net assets resulting from operations	-	47,510	(22,284)	-	25,226
Unitholders' transactions					
Provision for income distribution	-	(47,510)	-	-	(47,510)
Decrease in net assets resulting from Unitholders' transactions	-	(47,510)	-	-	(47,510)
At 31 December 2012	1,291,395	172,174	28,172	-	1,491,741

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The Condensed Statements of Changes in Net Asset Value should be read in conjunction with the audited annual financial statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements.

YTL HOSPITALITY REIT**INTERIM FINANCIAL REPORT****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2013**

	FOR THE 6 MONTHS ENDED	
	31.12.2013	31.12.2012
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	34,345	40,086
Adjustments for :-		
Amortisation of transaction cost	721	-
Depreciation of property, plant and equipment	28,651	5,322
Interest income	(1,696)	(866)
Impairment loss on equipment	172	-
Interest expense	36,043	10,858
Loss on disposal of equipment	70	-
Unrealised gain on foreign currency exchange	(33)	(13)
	-----	-----
Operating profit before changes in working capital	98,273	55,387
Net changes in current assets	(1,707)	52,250
Net changes in current liabilities	(5,699)	15,579
	-----	-----
Cash generated from operation	90,867	123,216
Tax paid	(405)	(514)
	-----	-----
Net cash from operating activities	90,462	122,702
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	1,696	866
Proceed from disposal of equipment	19	-
Acquisition of equipment	(1,367)	(1,393,857)
	-----	-----
Net cash from/(used in) investing activities	348	(1,392,991)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	-	1,309,435
Interest paid	(36,043)	(10,858)
Distribution paid	(75,629)	(48,005)
	-----	-----
Net cash (used in)/from financing activities	(111,672)	1,250,572
	-----	-----
Net decrease in cash and cash equivalent	(20,862)	(19,717)
Effect on exchange rate changes	(951)	(60)
Cash and cash equivalent at beginning of financial period	162,885	92,007
	-----	-----
Cash and cash equivalent at end of financial period (note a)	141,072	72,230
	=====	=====

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2013 - continued**

Note (a)

Cash and cash equivalent

	As At 31.12.2013 RM'000	As At 31.12.2012 RM'000
Deposits with licensed financial institution	79,753	47,607
Bank balances	61,319	24,623
	-----	-----
	<u>141,072</u>	<u>72,230</u>

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The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited annual financial statements for the year ended 30 June 2013 and the accompanying explanatory notes attached to the interim financial statements.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes :

Disclosure requirement pursuant to MFRS 134

The condensed consolidated interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 30 June 2013.

A1. Accounting Policies and Methods of Computation

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

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

The adoption of MFRS and amendments to MFRSs, which were effective for the financial period beginning 1 July 2013, do not have significant financial impacts on the interim financial report of the Group and of the Trust.

A2. Seasonality or Cyclicity of Operations

Save for the Australian Properties, the business operations of the Group and of the Trust are not materially affected by any seasonal or cyclical factors.

A3. Unusual Items

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

A4. Changes in estimates of amounts reported

This is not applicable as there were no estimates previously reported.

A5. Changes in Debt and Equity Securities

There was no issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the current financial quarter. The outstanding debts are disclosed in Note B15.

YTL HOSPITALITY REIT**INTERIM FINANCIAL REPORT****Notes : - continued****A6. Income Distribution**

An interim distribution of 1.9175 sen per unit (which is tax exempt at the Trust level under the amended Section 61A, Income Tax Act, 1967), totalling RM25,395,157, in respect of the three months period ended 30 September 2013 was paid during the financial quarter.

A7. Segment Information

The Group's segmental result for the financial period ended 31 December 2013 is as follows:-

	<--- Property Rental --->		<-- Hotel-->	
	Malaysia	Japan	Australia	Total
	RM'000	RM'000	RM'000	RM'000
External revenue	48,975	7,763	160,521	217,259
Operating expenses	(2,422)	(1,391)	(108,648)	(112,461)
Net property income	46,553	6,372	51,873	104,798
Other income	913	-	1,626	2,539
Total income	47,466	6,372	53,499	107,337
Trust and administration expenses	(5,353)	(127)	(30,737)	(36,217)
Finance costs	(36,775)	-	-	(36,775)
Profit before tax	5,338	6,245	22,762	34,345
Total assets	1,368,043	205,668	1,359,707	2,933,418

The Group's segmental result for the financial period ended 31 December 2012 is as follows:-

	<--- Property Rental --->		<-- Hotel-->	
	Malaysia	Japan	Australia	Total
	RM'000	RM'000	RM'000	RM'000
External revenue	48,526	7,670	29,036	85,232
Operating expenses	(2,411)	(1,609)	(13,628)	(17,648)
Net property income	46,115	6,061	15,408	67,584
Other income	866	1	1,019	1,886
Total income	46,981	6,062	16,427	69,470
Trust and administration expenses	(3,515)	(607)	(14,404)	(18,526)
Finance costs	(10,858)	-	-	(10,858)
Profit before tax	32,608	5,455	2,023	40,086
Total assets	1,403,158	228,852	1,439,261	3,071,271

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

A8. Events after the interim period

There was no material event after the end of the current financial quarter.

A9. Changes in the Composition of the Group

There was no change in the composition of the Group and of the Trust for the current quarter ended 31 December 2013 and the fund size stands at 1,324,388,889.

A10. Changes in Contingent Liabilities

There were no contingent liabilities to be disclosed.

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

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

B1. Review of Performance

Comparison with Preceding Year Corresponding Quarter

For the current financial quarter ended 31 December 2013, the Group recorded a revenue and net property income of RM114.678 million and RM56.524 million, respectively, representing an increase of 100.64% and 36.12%, respectively as compared to RM57.155 million and RM41.524 million, respectively recorded in the preceding year corresponding quarter ended 31 December 2012.

The increase in revenue and net property income for the current financial quarter was attributed mainly to the recognition of revenue generated by Sydney Harbour Marriott Hotel, Brisbane Marriott Hotel and Melbourne Marriott Hotel (collectively known as “Australian Properties”), which were acquired on 29 November 2012.

For the current financial quarter ended 31 December 2013, the Group recorded a profit before tax of RM19.515 million, an increase of 14.24%, as compared to RM17.083 million recorded in the preceding year corresponding quarter ended 31 December 2012. The net increase in profit before tax was due to the increase in revenue and net property income mentioned above set off by the depreciation charge related to the Australian Properties and additional borrowing costs incurred to finance the acquisition of the Australian Properties.

The income available for distribution increased from RM25.259 million recorded in preceding year corresponding quarter to RM27.584 million recorded in current financial quarter, representing an increase of 9.20%, after adjustment of non-cash transactions.

Comparison with Preceding Year Corresponding Period

For the current financial period ended 31 December 2013, the Group recorded a revenue and net property income of RM217.259 million and RM104.798 million, respectively, representing an increase of 154.90% and 55.06%, respectively as compared to RM85.232 million and RM67.584 million, respectively recorded in the preceding year corresponding period ended 31 December 2012.

The increase in revenue and net property income for the current financial period was attributed mainly to the recognition of revenue generated by Australian Properties.

For the current financial period ended 31 December 2013, the Group recorded a profit before tax of RM34.345 million, a decrease of 14.32%, as compared to RM40.086 million recorded in the preceding year corresponding period ended 31 December 2012. The decrease in profit before tax was due to depreciation charge related to the Australian Properties and additional borrowing costs incurred to finance the acquisition of the Australian Properties.

However, the income available for distribution increased from RM47.510 million recorded in preceding year corresponding period to RM55.801 million recorded in current financial period, representing an increase of 17.45%, after adjustment of non-cash transaction mainly for depreciation charges of the Australian Properties.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B1. Review of Performance - continued

Comparison with Preceding Quarter

	Current Quarter 31.12.2013 RM'000	Preceding Quarter 30.09.2013 RM'000
Revenue	114,678	102,581
Net Property Income	56,524	48,274
Profit Before Tax	19,515	14,830
Income Available For Distribution	27,584	28,217

The Group's revenue and net property income for the current financial quarter ended 31 December 2013 increased by 11.79% and 17.09%, respectively as compared to the preceding quarter ended 30 September 2013 due to the higher income generated by the Australian Properties during the current quarter.

The Group's profit before tax for the current financial quarter ended 31 December 2013 increased to RM19.515 million from RM14.830 million, representing an improvement of 31.59%. Included in the profit before tax for the preceding quarter ended 30 September 2013 was a reversal of overprovision of depreciation charges of RM4.113 million on the Australian Properties. The profit before taxation of RM19.515 million recorded in the current quarter improved by 82.09% as compared to the adjusted profit before taxation for the preceding quarter of RM10.717 million (after adjustment for the depreciation charges on the Australian Properties).

The Group's income available for distribution for the current financial quarter ended 31 December 2013 amounting to RM27.584 million, approximated that of the preceding financial quarter.

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B2. Audit Report of the preceding financial year ended 30 June 2013

The Auditor's Report on the financial statements of the financial year ended 30 June 2013 did not contain any qualification.

B3. Significant Changes in the State of Affairs

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

B4. Portfolio Composition

As at 31 December 2013, YTL Hospitality REIT's composition of investment portfolio is as follows:

	Fair value as at 31.12.2013 RM'000	% of fair value to NAV as at 31.12.2013 %
<u>Real Estate – Commercial</u>		
(i) JW Marriott Hotel, Kuala Lumpur	349,700	27
(ii) The Residences at The Ritz-Carlton, Kuala Lumpur	224,087	17
(iii) The Ritz-Carlton, Kuala Lumpur	253,017	20
(iv) Vistana Penang	101,778	8
(v) Vistana Kuala Lumpur	101,207	8
(vi) Vistana Kuantan	75,980	6
(vii) Pangkor Laut Resort	98,365	8
(viii) Tanjong Jara Resort	88,050	7
(ix) Cameron Highlands Resort	50,649	4
(x) Hilton Niseko *	200,284	16
(xi) Sydney Harbour Marriott ^	736,151	57
(xii) Brisbane Marriott ^	337,905	26
(xiii) Melbourne Marriott ^	157,180	12

	2,774,353	
Deposits with licensed financial institution	79,753	6

	2,854,106	
	=====	

Note :

* Translated on 31 December 2013 at the exchange rate of JPY100 : RM3.1281

^ Translated on 31 December 2013 at the exchange rate of AUD1 : RM2.9299

There was no change to the portfolio composition of the Group and the Trust for the quarter under review.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : continued

B5. Change in Net Asset Value (“NAV”)

The total NAV and NAV per unit of the Group as at 31 December 2013 were RM1,286,711,584 and RM0.9716, respectively. The decrease in total NAV and NAV per unit was mainly due to the recognition of unrealised foreign exchange loss on investments in Japanese and Australian subsidiaries.

	Current Quarter 31.12.2013 RM	Preceding Quarter 30.09.2013 RM
NAV	1,286,711,584	1,353,282,419
NAV per unit	0.9716	1.0218

B6. Change in Market Value

On 31 December 2013, YTL Hospitality REIT’s market value closed at RM1.01 per unit, a decrease of 1.94% as compared to the closing market value of RM1.03 per unit on 30 September 2013.

B7. Prospects

The Manager, after considering the strength of the real estate portfolio invested, is optimistic that the Group is expected to achieve satisfactory performance for the financial year ending 30 June 2014.

B8. Utilisation of Proceeds Raised from Issuance of New Units

There was no issuance of new units during the financial quarter.

B9. Circumstances Affecting Interest of Unitholders

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

B10. Material Litigation

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

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : continued

B11. Maintenance Costs and Major Capital Expenditure

There was no maintenance costs and major capital expenditure incurred during the financial period except for RM1,367,000 incurred for the enhancement of the hotel properties and purchase of hotel equipment.

B12. Soft Commission

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

B13. Taxation

Taxation comprises the following:-

	Current Year Quarter 31.12.2013 RM'000	Current Year To Date 31.12.2013 RM'000
Withholding tax	185	386
Foreign income tax	413	357
Deferred tax	-	222
	-----	-----
	598	965
	=====	=====

Trust level

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

Unitholders' level

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

Category of unitholders	Withholding tax rate
Resident and non-resident individuals	10%
Resident and non-resident institutions	10%
Resident companies	No withholding tax. Subject to corporate tax at the prevailing rate of 25%
Non-resident companies	25%

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : continued

B14. Corporate Development

As at the date of this report, there is no corporate proposal announced and pending completion, save for the following:-

On 14 June 2013, the Manager of YTL Hospitality REIT proposed to undertake the following proposals:-

- (i) Proposed placement of new units in YTL Hospitality REIT (“Placement Units”), at a price to be determined later, to raise gross proceeds of up to RM800 million to partially repay YTL Hospitality REIT’s borrowings and reduce its gearing level (“Proposed Placement”);
- (ii) Proposed increase in the existing approved fund size of YTL Hospitality REIT from 1,324,388,889 units up to a maximum of 2,125,000,000 units (“Proposed Increase in Fund Size”) to facilitate the issuance of the Placement Units pursuant to the Proposed Placement; and
- (iii) Proposed increase in borrowing limit to 60% of total asset value (“Proposed Increase in Borrowing Limit”) to provide YTL Hospitality REIT with the flexibility of funding larger acquisition opportunities through borrowings in the future.

On 28 June 2013, the existing major unitholder of YTL Hospitality REIT, namely YTL Corporation Berhad, accepted YTL Hospitality REIT’s conditional invitation for Placement Units of up to RM310 million in value (“Proposed Subscription”).

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

On 13 January 2014, Bursa Securities approved the listing of and quotation for up to 800,611,111 Placement Units to be issued pursuant to the Proposed Placement.

Unitholders approved the Proposed Placement, Proposed Increase in Fund Size, Proposed Increase in Borrowing Limit and Proposed Subscription at the meeting of unitholders held on 11 February 2014.

B15. Borrowings and Debt Securities

The Group’s borrowings from financial institutions as at 31 December 2013 are set below:

Long term	RM’000
Term Loan – secured	1,581,800
Capitalised transaction costs	(5,610)

	1,576,190
	=====

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : continued

B16. Income Distribution

The Board of Pintar Projek Sdn. Bhd. has declared an interim distribution of 1.9786 sen per unit of which 1.9786 sen is taxable in the hands of unitholders, totaling RM26,204,359 (which is tax exempt at the Trust level under the amended Section 61A of the Income Tax Act 1967), representing approximately 95% of the total distributable income for the financial quarter ended 31 December 2013. The total income distribution paid and declared for the financial period ended 31 December 2013 is 3.8961 sen per unit, totaling RM51,599,516 and representing approximately 92% of the total distributable income.

The interim income distribution is from the following sources:-

	Current Year Quarter RM'000	Current Year To Date RM'000
Profit after taxation	18,917	33,380
Distribution adjustments:-		
Depreciation	16,325	28,651
Unrealised foreign translation differences	155	(33)
Net profit not distributed from overseas operations	(7,813)	(6,197)
	-----	-----
Income available for distribution/Total distributable income	27,584	55,801
Less: Income distribution	(26,204)	(51,599)
	-----	-----
Undistributed distributable income	1,380	4,202
	=====	=====

B17. Unitholding by the Manager and Parties Related to the Manager

As at 31 December 2013, the Manager did not hold any units in YTL Hospitality REIT. The units held by the parties related to the Manager are as follows:-

	Number Of Units '000	Market Value RM'000
YTL Corporation Berhad	747,464	754,939
YTL Power International Berhad	43,090	43,520
Business & Budget Hotels (Kuantan) Sdn Bhd	18,750	18,938
Megahub Development Sdn Bhd	18,250	18,433
East-West Ventures Sdn Bhd	62,500	63,125
Syarikat Pelancongan Pangkor Laut Sendirian Berhad	24,250	24,493
Tanjong Jara Beach Hotel Sdn Bhd	21,750	21,968
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE, FICE	870	879
Dato' Yeoh Seok Kah	1,000	1,010
Dato' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir	70	71

The market value of the units held by the parties related to the Manager is based on the closing market price of YTL Hospitality REIT at RM1.01 per unit as at 31 December 2013.

YTL HOSPITALITY REIT

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Notes : continued

B18. Realised and Unrealised Retained Profits/Undistributed Income

The breakdown of the undistributed income of the Group as at 31 December 2013, into realised and unrealised profits, pursuant to the directive issued by Bursa Malaysia Securities Berhad (“Bursa Securities”) on 25 March 2010 and 20 December 2010 is as follows:-

	As at 31.12.2013 RM'000	As at 30.06.2013 RM'000
Total undistributed income of the Trust and its subsidiaries		
- Realised	81,468	117,861
- Unrealised	(85,162)	(75,923)
	-----	-----
	(3,694)	41,938
Add: Consolidation adjustments	159,274	131,861
	-----	-----
Total group undistributed income as per consolidated financial statements	155,580	173,799
	=====	=====

B19. Statement by the Directors of the Manager

In the opinion of the Directors of the Manager, this quarterly report has been prepared in accordance with MFRS 134: “Interim Financial Reporting”, and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of YTL Hospitality REIT as at 31 December 2013 and of its financial performance and cash flows for the financial quarter/period ended on that date.

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

Kuala Lumpur
Dated: 20 February 2014