

YTL HOSPITALITY REIT

Established in Malaysia

**Interim Financial Report
31 December 2016**

YTL HOSPITALITY REIT

Interim Financial Report 31 December 2016

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YTL HOSPITALITY REIT**INTERIM FINANCIAL REPORT**

Interim financial report on results for the financial period ended 31 December 2016.

The figures have not been audited.

CONDENSED INCOME STATEMENTS FOR THE QUARTER

	GROUP		TRUST	
	CURRENT YEAR QUARTER 31.12.2016 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.12.2015 RM'000	CURRENT YEAR QUARTER 31.12.2016 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.12.2015 RM'000
NET REVENUE	119,155	117,114	25,078	24,509
PROPERTY OPERATING EXPENSES	(62,114)	(61,570)	(1,432)	(1,469)
NET PROPERTY INCOME	57,041	55,544	23,646	23,040
OTHER INCOME	3,081	882	30,755	26,837
MANAGER'S FEES	(2,124)	(2,003)	(2,124)	(2,003)
TRUSTEE'S FEES	(295)	(267)	(295)	(267)
ADMINISTRATION EXPENSES	(22,226)	(22,387)	(318)	(247)
FINANCE COSTS	(21,890)	(21,564)	(21,867)	(21,564)
INCOME BEFORE UNREALISED ITEM	13,587	10,205	29,797	25,796
UNREALISED ITEM:				
- Unrealised loss on foreign exchange	(21,189)	(4,450)	(3,209)	(4,962)
- Fair value of derivative instruments	-	(6,387)	-	(6,387)
(LOSS)/PROFIT BEFORE TAX	(7,602)	(632)	26,588	14,447
INCOME TAX EXPENSE	(951)	(658)	(233)	(213)
(LOSS)/PROFIT FOR THE QUARTER	(8,553)	(1,290)	26,355	14,234

YTL HOSPITALITY REIT**INTERIM FINANCIAL REPORT****CONDENSED INCOME STATEMENTS FOR THE QUARTER – continued**

	GROUP		TRUST	
	CURRENT YEAR QUARTER 31.12.2016 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.12.2015 RM'000	CURRENT YEAR QUARTER 31.12.2016 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.12.2015 RM'000
(LOSS)/PROFIT FOR THE QUARTER	(8,553)	(1,290)	26,355	14,234
DISTRIBUTION ADJUSTMENTS:				
- Depreciation	20,711	19,259	-	-
- Unrealised foreign translation differences	21,189	4,450	3,209	4,962
- Fair value of derivative instruments	-	6,387	-	6,387
- Net income from foreign operations	(3,783)	(3,223)	-	-
	-----	-----	-----	-----
INCOME AVAILABLE FOR DISTRIBUTION / TOTAL DISTRIBUTABLE INCOME	29,564	25,583	29,564	25,583
UNDISTRIBUTED DISTRIBUTABLE INCOME BROUGHT FORWARD	1,736	1,817	1,736	1,817
	-----	-----	-----	-----
UNDISTRIBUTED DISTRIBUTABLE INCOME AVAILABLE FOR DISTRIBUTION	31,300	27,400	31,300	27,400
	-----	-----	-----	-----

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

CONDENSED INCOME STATEMENTS FOR THE QUARTER – continued

	GROUP		TRUST	
	CURRENT YEAR QUARTER 31.12.2016 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.12.2015 RM'000	CURRENT YEAR QUARTER 31.12.2016 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.12.2015 RM'000
UNDISTRIBUTED DISTRIBUTABLE INCOME AVAILABLE FOR DISTRIBUTION	31,300	27,400	31,300	27,400
PROVISION FOR INCOME DISTRIBUTION	(31,299)	(25,395)	(31,299)	(25,395)
	-----	-----	-----	-----
UNDISTRIBUTED DISTRIBUTABLE INCOME	1	2,005	1	2,005
	=====	=====	=====	=====
DISTRIBUTABLE INCOME PER UNIT (Sen)	2.1330	1.9317	2.1330	1.9317
	=====	=====	=====	=====
GROSS DISTRIBUTION PER UNIT (Sen)	2.2640 [^]	1.9175	2.2640 [^]	1.9175
	=====	=====	=====	=====

[^] Distribution per unit for the financial quarter consists of an advance income distribution of 1.9181 sen per unit based on the number of units in issue of 1,324,388,889 units and 0.3459 sen per unit based on the number of units in issue of 1,704,388,889 units; subsequent to the issuance of 380,000,000 new placement units.

The Condensed Income Statements should be read in conjunction with the audited annual financial statements for the year ended 30 June 2016 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
	QUARTER	CORRESPONDING	QUARTER	CORRESPONDING
	31.12.2016	QUARTER	31.12.2016	QUARTER
	RM'000	31.12.2015	RM'000	31.12.2015
		RM'000		RM'000
(LOSS)/PROFIT FOR THE QUARTER	(8,553)	(1,290)	26,355	14,234
OTHER COMPREHENSIVE INCOME/(EXPENSE):-				
<i>ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO INCOME STATEMENT:-</i>				
CASH FLOW HEDGE	17,880	-	17,880	-
CURRENCY TRANSLATION DIFFERENCES	26,411	(2,518)	-	-
	-----	-----	-----	-----
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE QUARTER	35,738	(3,808)	44,235	14,234
	=====	=====	=====	=====
(LOSS)/PROFIT FOR THE QUARTER IS MADE UP AS FOLLOWS:-				
REALISED PROFIT	33,347	28,806	29,564	25,583
UNREALISED LOSS	(41,900)	(30,096)	(3,209)	(11,349)
	-----	-----	-----	-----
	(8,553)	(1,290)	26,355	14,234
	=====	=====	=====	=====
(LOSS)/EARNINGS PER UNIT (Sen)	(0.62)*	(0.10)	1.90*	1.07
	=====	=====	=====	=====

* (Loss)/Earnings per unit of the Group and the Trust for the quarter ended 31 December 2016 was calculated on a weighted average of 1,390,475,846 units.

The Condensed Statements of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended 30 June 2016 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	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
NET REVENUE	220,261	214,530	49,766	49,017
PROPERTY OPERATING EXPENSES	(115,728)	(114,817)	(2,863)	(2,842)
NET PROPERTY INCOME	104,533	99,713	46,903	46,175
OTHER INCOME	4,389	2,524	58,397	53,435
MANAGER'S FEES	(4,001)	(3,759)	(4,001)	(3,759)
TRUSTEE'S FEES	(573)	(529)	(573)	(529)
ADMINISTRATION EXPENSES	(43,174)	(42,029)	(475)	(378)
FINANCE COSTS	(43,094)	(41,722)	(43,048)	(41,722)
INCOME BEFORE UNREALISED ITEM	18,080	14,198	57,203	53,222
UNREALISED ITEM:				
- Unrealised (loss)/gain on foreign exchange	(66,847)	(59,700)	25,409	49,786
- Fair value of derivative instruments	-	(6,387)	-	(6,387)
(LOSS)/PROFIT BEFORE TAX	(48,767)	(51,889)	82,612	96,621
INCOME TAX EXPENSE	(1,566)	(1,068)	(475)	(427)
(LOSS)/PROFIT FOR THE PERIOD	(50,333)	(52,957)	82,137	96,194

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

CONDENSED INCOME STATEMENTS FOR THE PERIOD – continued

	GROUP		TRUST	
	6 MONTHS ENDED		6 MONTHS ENDED	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
(LOSS)/PROFIT FOR THE PERIOD	(50,333)	(52,957)	82,137	96,194
DISTRIBUTION ADJUSTMENTS:				
- Depreciation	40,248	37,482	-	-
- Unrealised foreign translation differences	66,847	59,700	(25,409)	(49,786)
- Fair value of derivative instruments	-	6,387	-	6,387
- Net income from foreign operations	1,725	2,183	1,759	-
	-----	-----	-----	-----
INCOME AVAILABLE FOR DISTRIBUTION / TOTAL DISTRIBUTABLE INCOME	58,487	52,795	58,487	52,795
DISTRIBUTION PAID	(27,187)	(25,395)	(27,187)	(25,395)
PROVISION FOR INCOME DISTRIBUTION	(31,299)	(25,395)	(31,299)	(25,395)
	-----	-----	-----	-----
UNDISTRIBUTED DISTRIBUTABLE INCOME	1	2,005	1	2,005
	=====	=====	=====	=====
DISTRIBUTABLE INCOME PER UNIT (Sen)	4.3169	3.9864	4.3169	3.9864
	=====	=====	=====	=====
GROSS DISTRIBUTION PER UNIT (Sen)	4.3168 [^]	3.8350	4.3168 [^]	3.8350
	=====	=====	=====	=====

[^] Distribution per unit for the financial period consists of interim and advance income distributions of 3.9709 sen per unit based on the number of units in issue of 1,324,388,889 units and 0.3459 sen per unit based on the number of units in issue of 1,704,388,889 units; subsequent to the issuance of 380,000,000 new placement units.

The Condensed Income Statements should be read in conjunction with the audited annual financial statements for the year ended 30 June 2016 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	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	RM'000	RM'000	RM'000	RM'000
(LOSS)/PROFIT FOR THE PERIOD	(50,333)	(52,957)	82,137	96,194
OTHER COMPREHENSIVE (EXPENSE)/INCOME:-				
<i>ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO INCOME STATEMENT:-</i>				
CASH FLOW HEDGE	13,395	-	13,395	-
CURRENCY TRANSLATION DIFFERENCES	135,328	159,345	-	-
	-----	-----	-----	-----
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	98,390	106,388	95,532	96,194
	=====	=====	=====	=====
(LOSS)/PROFIT FOR THE PERIOD IS MADE UP AS FOLLOWS:-				
REALISED PROFIT	56,762	50,612	56,728	52,795
UNREALISED (LOSS)/PROFIT	(107,095)	(103,569)	25,409	43,399
	-----	-----	-----	-----
	(50,333)	(52,957)	82,137	96,194
	=====	=====	=====	=====
(LOSS)/EARNINGS PER UNIT (Sen)	(3.71)*	(4.00)	6.05*	7.26
	=====	=====	=====	=====

* (Loss)/Earnings per unit of the Group and the Trust for the period ended 31 December 2016 was calculated on a weighted average of 1,357,432,367 units.

The Condensed Statements of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended 30 June 2016 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 31.12.2016 RM'000	AUDITED AS AT 30.06.2016 RM'000	UNAUDITED AS AT 31.12.2016 RM'000	AUDITED AS AT 30.06.2016 RM'000
ASSETS				
Non-current Assets				
Investment properties	1,838,564	1,843,183	1,586,000	1,586,000
Property, plant and equipment	1,739,456	1,623,328	-	-
Investment in subsidiaries	-	-	371,215	351,892
Amount due from subsidiaries	-	-	1,335,423	1,248,723
Deferred tax assets	2,933	2,663	-	-
	-----	-----	-----	-----
	3,580,953	3,469,174	3,292,638	3,186,615
	-----	-----	-----	-----
Current Assets				
Inventories	902	729	-	-
Trade and other receivables	34,199	32,360	4,722	6,206
Amount due from subsidiaries	-	-	99,998	95,390
Income tax assets	-	92	-	-
Deposits with licensed financial institutions	434,601	31,190	422,324	15,825
Cash at banks	88,245	88,373	3,346	529
	-----	-----	-----	-----
	557,947	152,744	530,390	117,950
	-----	-----	-----	-----
TOTAL ASSETS	4,138,900	3,621,918	3,823,028	3,304,565
	=====	=====	=====	=====
UNITHOLDERS' FUNDS				
Unitholders' capital	1,690,812	1,291,395	1,690,812	1,291,395
Undistributed income	27,071	135,890	402,882	379,231
Reserves	643,841	495,118	(10,329)	(23,724)
	-----	-----	-----	-----
Net Asset Value	2,361,724	1,922,403	2,083,365	1,646,902
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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

CONDENSED STATEMENTS OF FINANCIAL POSITION – continued

	GROUP		TRUST	
	UNAUDITED AS AT 31.12.2016 RM'000	AUDITED AS AT 30.06.2016 RM'000	UNAUDITED AS AT 31.12.2016 RM'000	AUDITED AS AT 30.06.2016 RM'000
LIABILITIES				
Non-current Liabilities				
Borrowings	1,688,915	1,598,976	1,680,157	1,590,422
Other payables	-	836	-	-
Derivative financial instruments	10,329	23,724	10,329	23,724
Amount due to a subsidiary	-	-	10,000	10,000
	<u>1,699,244</u>	<u>1,623,536</u>	<u>1,700,486</u>	<u>1,624,146</u>
Current Liabilities				
Trade and other payables	46,160	47,620	7,878	5,158
Income tax liabilities	473	-	-	-
Provision for income distribution	31,299	28,359	31,299	28,359
	<u>77,932</u>	<u>75,979</u>	<u>39,177</u>	<u>33,517</u>
TOTAL LIABILITIES	<u>1,777,176</u>	<u>1,699,515</u>	<u>1,739,663</u>	<u>1,657,663</u>
TOTAL UNITHOLDERS' FUNDS & LIABILITIES	<u>4,138,900</u>	<u>3,621,918</u>	<u>3,823,028</u>	<u>3,304,565</u>
Net asset value (RM'000)	<u>2,361,724</u>	<u>1,922,403</u>	<u>2,083,365</u>	<u>1,646,902</u>
Number of units in circulations ('000)	<u>1,704,389</u>	<u>1,324,389</u>	<u>1,704,389</u>	<u>1,324,389</u>
Net asset value per unit (RM)				
- before income distribution	1.420	1.530	1.257	1.322
- after income distribution	1.386	1.452	1.222	1.244
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

The Condensed Statements of Financial Position should be read in conjunction with the audited annual financial statements for the year ended 30 June 2016 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 2016**

GROUP	Unitholders' Capital RM'000	Distributable Undistributed Realised Income RM'000	<-----Non distributable----->				Cash Flow Hedge Reserve RM'000	Total Unitholders' Funds RM'000
			Unrealised Loss RM'000	Currency Translation Reserves RM'000	Revaluation Reserve RM'000			
At 1 July 2016	1,291,395	184,836	(48,946)	(73,393)	592,235	(23,724)	1,922,403	
Operations for the period								
Profit/(Loss) for the period	-	56,762	(107,095)	-	-	-	(50,333)	
Other comprehensive income	-	-	-	85,075	50,253	13,395	148,723	

Increase/(Decrease) in net assets resulting from operations	-	56,762	(107,095)	85,075	50,253	13,395	98,390	
Unitholders' transactions								
Issuance of units	402,800	-	-	-	-	-	402,800	
Issuing expenses	(3,383)	-	-	-	-	-	(3,383)	
Distribution paid	-	(27,187)	-	-	-	-	(27,187)	
Provision for income distribution [^]	-	(31,299)	-	-	-	-	(31,299)	

Increase/(Decrease) in net assets resulting from Unitholders' transaction	399,417	(58,486)	-	-	-	-	340,931	

At 31 December 2016	1,690,812	183,112	(156,041)	11,682	642,488	(10,329)	2,361,724	
=====								

[^] includes an advance income distribution of RM25.403 million or 1.9181 sen per unit for the financial period from 1 October 2016 to 14 December 2016, which was paid on 12 January 2017.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

**CONDENSED STATEMENTS OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016 - continued**

	Unitholders' Capital RM'000	Distributable Undistributed Realised Income RM'000	<-----Non distributable----> Unrealised Income RM'000	Cash Flow Hedge Reserve RM'000	Total Unitholders' Funds RM'000
At 1 July 2016	1,291,395	184,697	194,534	(23,724)	1,646,902
Operations for the period					
Profit for the period	-	56,728	25,409	-	82,137
Other comprehensive income	-	-	-	13,395	13,395
	-----	-----	-----	-----	-----
Increase in net assets resulting from operations	-	56,728	25,409	13,395	95,532
Unitholders' transactions					
Issuance of units	402,800	-	-	-	402,800
Issuing expenses	(3,383)	-	-	-	(3,383)
Distribution paid	-	(27,187)	-	-	(27,187)
Provision for income distribution [^]	-	(31,299)	-	-	(31,299)
	-----	-----	-----	-----	-----
Increase/(Decrease) in net assets resulting from Unitholders' transaction	399,417	(58,486)	-	-	340,931
	-----	-----	-----	-----	-----
At 31 December 2016	1,690,812	182,939	219,943	(10,329)	2,083,365
	=====	=====	=====	=====	=====

[^] includes an advance income distribution of RM25.403 million or 1.9181 sen per unit for the financial period from 1 October 2016 to 14 December 2016, which was paid on 12 January 2017.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

**CONDENSED STATEMENTS OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2015**

GROUP	Unitholders' Capital RM'000	Distributable Undistributed Realised Income RM'000	<-----Non distributable----->				Total Unitholders' Funds RM'000
			Unrealised Income/(Loss) RM'000	Currency Translation Reserves RM'000	Revaluation Reserve RM'000	Cash Flow Hedge Reserve RM'000	
At 1 July 2015	1,291,395	186,525	59,684	(168,388)	413,379	-	1,782,595
Operations for the period							
Profit/(Loss) for the period	-	50,612	(103,569)	-	-	-	(52,957)
Other comprehensive income	-	-	-	126,925	32,420	-	159,345

Increase/(Decrease) in net assets resulting from operations	-	50,612	(103,569)	126,925	32,420	-	106,388
Unitholders' transactions							
Distribution paid	-	(25,395)	-	-	-	-	(25,395)
Provision for income distribution	-	(25,395)	-	-	-	-	(25,395)

Decrease in net assets resulting from Unitholders' transaction	-	(50,790)	-	-	-	-	(50,790)

At 31 December 2015	1,291,395	186,347	(43,885)	(41,463)	445,799	-	1,838,193
=====							

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

**CONDENSED STATEMENTS OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2015 - continued**

	Unitholders' Capital RM'000	Distributable Undistributed Realised Income RM'000	<-----Non distributable----> Unrealised Income RM'000	Cash Flow Hedge Reserve RM'000	Total Unitholders' Funds RM'000
TRUST					
At 1 July 2015	1,291,395	184,696	93,137	-	1,569,228
Operations for the period					
Profit for the period	-	52,795	43,399	-	96,194
Other comprehensive income	-	-	-	-	-
	-----	-----	-----	-----	-----
Increase in net assets resulting from operations	-	52,795	43,399	-	96,194
Unitholders' transactions					
Distribution paid	-	(25,395)	-	-	(25,395)
Provision for income distribution	-	(25,395)	-	-	(25,395)
	-----	-----	-----	-----	-----
Decrease in net assets resulting from Unitholders' transaction	-	(50,790)	-	-	(50,790)
	-----	-----	-----	-----	-----
At 31 December 2015	1,291,395	186,701	136,536	-	1,614,632
	=====	=====	=====	=====	=====

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 2016 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 2016**

	6 MONTHS ENDED	
	31.12.2016	31.12.2015
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(48,767)	(51,889)
Adjustments for:-		
Amortisation of transaction costs	3,521	3,250
Depreciation of property, plant and equipment	40,248	37,482
Fair value of derivative instruments	-	6,387
Interest income	(1,657)	(954)
Interest expense	39,428	38,258
(Gain)/Loss on disposal of equipment	(35)	1,752
Unrealised loss on foreign currency exchange	66,847	59,700
	-----	-----
Operating profit before changes in working capital	99,585	93,986
Net changes in current assets	267	(1,349)
Net changes in current liabilities	(5,867)	859
	-----	-----
Cash generated from operations	93,985	93,496
Income tax paid	(562)	(1,229)
	-----	-----
Net cash from operating activities	93,423	92,267
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,182	527
Proceed from disposal of equipment	78	19
Acquisition of property, plant and equipment	(19,259)	(11,198)
	-----	-----
Net cash used in investing activities	(17,999)	(10,652)
	-----	-----

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YTL HOSPITALITY REIT**INTERIM FINANCIAL REPORT****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2016 - continued**

	6 MONTHS ENDED	
	31.12.2016	31.12.2015
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(39,375)	(38,258)
Distribution paid	(55,546)	(56,198)
Proceed from borrowing	19,323	7,100
Proceed from issuance of units	402,800	-
Issuing expenses	(3,383)	-
Transaction costs paid	(57)	-
	-----	-----
Net cash from/(used in) financing activities	323,762	(87,356)
	-----	-----
Net increase/(decrease) in cash and cash equivalents	399,186	(5,741)
Effect on exchange rate changes	4,097	8,409
Cash and cash equivalents at beginning of financial period	119,563	126,769
	-----	-----
Cash and cash equivalents at end of financial period (note a)	522,846	129,437
	=====	=====

Note (a)

Cash and cash equivalents

	As At	As At
	31.12.2016	31.12.2015
	RM'000	RM'000
Deposits with licensed financial institutions	434,601	38,918
Cash at banks	88,245	90,519
	-----	-----
	522,846	129,437
	=====	=====

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited annual financial statements for the year ended 30 June 2016 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 interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 30 June 2016.

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 2016, 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 Sydney Harbour Marriott, Brisbane Marriott and Melbourne Marriott (“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

For the current financial year to date, 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

There was no significant change in estimates of amounts reported in prior interim periods or prior financial years.

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 and financial year to date. The outstanding debts are disclosed in Note B15.

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

A6. Income Distribution

The following distribution payment (which were tax exempt at the Trust level under the amended Section 61A, Income Tax Act, 1967) was made during the financial period ended 31 December 2016:-

	RM'000
In respect of the three months ended 30 June 2016:- A final distribution of 2.1413 sen per unit each paid on 30 August 2016	28,359
In respect of the three months ended 30 September 2016:- An interim distribution of 2.0528 sen per unit each paid on 23 December 2016	27,187

	55,546
	=====

A7. Segment Information

The Group's segmental result for the financial period ended 31 December 2016 is as follows:-

	< ---Property rental--->		< --Hotel-- >	
	Malaysia	Japan	Australia	Total
	RM'000	RM'000	RM'000	RM'000
External revenue	49,766	7,756	162,739	220,261
Operating expenses	(2,863)	(2,164)	(110,701)	(115,728)
	-----	-----	-----	-----
Net property income	46,903	5,592	52,038	104,533
	-----	-----	-----	-----
Other income				4,389

Total income				108,922
Trust and administration expenses				(114,595)
Finance costs				(43,094)

Loss before tax				(48,767)
				=====
Total assets	2,015,194	274,885	1,848,821	4,138,900
	=====	=====	=====	=====

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

The Group's segmental result for the financial period ended 31 December 2015 is as follows:-

	< ---Property rental--->		< --Hotel-- >	Total
	Malaysia	Japan	Australia	Total
	RM'000	RM'000	RM'000	RM'000
External revenue	49,017	7,939	157,574	214,530
Operating expenses	(2,842)	(1,345)	(110,630)	(114,817)
Net property income	46,175	6,594	46,944	99,713
Other income				2,524
Total income				102,237
Trust and administration expenses				(112,404)
Finance costs				(41,722)
Loss before tax				(51,889)
Total assets	1,547,327	286,064	1,728,191	3,561,582

A8. Events after the interim period

There was no material event during the period from the end of the quarter under review to the date of this report.

A9. Changes in the Composition of the Group

YTL Hospitality REIT's fund size was increased from 1,324,388,889 units to 1,704,388,889 units with the issuance and listing of 380,000,000 new units at an issue price of RM1.06 per unit on 16 December 2016.

A10. Changes in Contingent Liabilities

There were no contingent liabilities to be disclosed.

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes :

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

The income available for distribution in the current financial quarter increased to RM29.564 million from RM25.583 million recorded in preceding year corresponding quarter, representing an increase of 15.56%, after adjustment for non-cash items.

For the current financial quarter ended 31 December 2016, the Group recorded a revenue of RM119.155 million, representing an increase of 1.74% as compared to RM117.114 million recorded in the preceding year corresponding quarter while the Group recorded a net property income of RM57.041 million, representing an increase of 2.70% as compared to RM55.544 million recorded in the preceding year corresponding quarter.

Australian Properties contributed 75.71% of total revenue, or RM90.213 million in the current financial quarter, 1.69% higher as compared to RM88.711 million recorded in the preceding year corresponding quarter. Net property income for Australian Properties was RM30.933 million, an increase of 5.56% as compared to RM29.305 million recorded in the preceding year corresponding quarter. The increase in net property income in the current financial quarter was due substantially to the cost saving initiatives carried out by the Australian Properties and the appreciation of the Australian Dollar in the current financial quarter ended 31 December 2016.

Malaysian Properties contributed 21.05% of total revenue, or RM25.078 million in the current financial quarter, 2.32% higher as compared to RM24.509 million recorded in the preceding year corresponding quarter. Net property income for Malaysian Properties was RM23.646 million, an increase of 2.63% from RM23.040 million recorded in the preceding year corresponding quarter. The increase in revenue and net property income were mainly due to the step-up lease rental income from The Residences at The Ritz-Carlton, Kuala Lumpur and other Malaysian properties (except for JW Marriott Hotel Kuala Lumpur) which took effect from July 2016 and November 2016, respectively.

Hilton Niseko Village contributed 3.24% of total revenue, or RM3.864 million in the current financial quarter, 0.77% lower than that recorded in the preceding year corresponding quarter. Net property income for the current quarter was RM2.462 million, a decrease of 23.04% from the preceding year corresponding quarter due to the recent maintenance works carried out at the property.

The Group recorded a loss before tax of RM7.602 million for the current financial quarter ended 31 December 2016, an increase of 1,102.85%, as compared to a loss before tax of RM0.632 million recorded in the preceding year corresponding quarter mainly due to the additional loss on unrealised foreign currency translation of RM16.806 million on the Australian Dollar denominated term loan, partially offset by the initial recognition of fair value loss on interest rate swaps of RM6.387 million in the preceding year corresponding quarter and additional interest income of RM2.305 million from placement proceeds in the current financial quarter.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

Comparison with Preceding Year Corresponding Period

The income available for distribution in the current financial period increased to RM58.487 million from RM52.795 million recorded in preceding year corresponding period, representing an increase of 10.78%, after adjustment for non-cash items.

For the current financial period ended 31 December 2016, the Group recorded a revenue of RM220.261 million, representing an increase of 2.67% as compared to RM214.530 million recorded in the preceding year corresponding period while the Group recorded a net property income of RM104.533 million, representing an increase of 4.83% as compared to RM99.713 million recorded in the preceding year corresponding period.

Australian Properties contributed 73.89% of total revenue, or RM162.739 million in the current financial period, 3.31% higher as compared to RM157.574 million recorded in the preceding year corresponding period. Net property income for Australian Properties was RM52.038 million, an increase of 10.85% as compared to RM46.944 million recorded in the preceding year corresponding period. The increase in net property income were mainly due to same reason set out above.

Malaysian Properties contributed 22.59% of total revenue, or RM49.766 million in the current financial period, 1.53% higher as compared to RM49.017 million recorded in the preceding year corresponding period. Net property income for Malaysian Properties was RM46.903 million, an increase of 1.58% from RM46.175 million recorded in the preceding year corresponding period. The increase in revenue and net property income were mainly due to same reason set out above.

Hilton Niseko Village contributed 3.52% of total revenue, or RM7.756 million in the current financial period, 2.31% lower than that recorded in the preceding year corresponding period. Net property income for the current period was RM5.592 million, a decrease of 15.20% from the preceding year corresponding period due to same reason set out above.

The Group recorded a loss before tax of RM48.767 million for the current financial period ended 31 December 2016, an improvement of 6.02%, as compared to a loss before tax of RM51.889 million recorded in the preceding year corresponding period. The improvement was mainly due to increase in net property income in the current financial period of RM4.820 million and the initial recognition of fair value loss on interest rate swaps of RM6.387 million in the preceding year corresponding period, partially offset by the additional loss on unrealised foreign currency translation of RM7.124 million on the Australian Dollar denominated term loan.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

Comparison with Preceding Quarter

	Current Quarter 31.12.2016 RM'000	Preceding Quarter 30.09.2016 RM'000
Revenue	119,155	101,106
Net Property Income	57,041	47,492
Loss Before Tax	(7,602)	(41,165)
Income Available For Distribution	29,564	28,923

The income available for distribution increased to RM29.564 million recorded in current financial quarter from RM28.923 million recorded in preceding financial quarter ended 30 September 2016, representing an increase of 2.22%, after adjustment for non-cash items.

For the current financial quarter ended 31 December 2016, Group revenue increased by 17.85% and net property income increased by 20.11% as compared to the preceding quarter ended 30 September 2016.

Revenue and net property income from Australian Properties at RM90.213 million and RM30.933 million, respectively in the current financial quarter increased 24.39% and 46.57%, respectively as compared to RM72.526 million and RM21.105 million, respectively recorded in the preceding quarter. The Australian portfolio generated higher revenue and net property income during the festive season in the current financial quarter ended 31 December 2016.

Revenue from Malaysian Properties at RM25.078 million increased by 1.58% as compared to that in the preceding quarter of RM24.688 million. Net property income for Malaysian Properties was RM23.646 million, an increase of 1.67% from RM23.257 million recorded in the preceding quarter. The increase in revenue and net property income was mainly due to the step-up lease rental income from all Malaysian properties (except for JW Marriott Hotel Kuala Lumpur and The Residences at The Ritz-Carlton, Kuala Lumpur) which took effect from November 2016.

Revenue and net property income from Hilton Niseko Village at RM3.864 million and RM2.462 million, respectively in the current financial quarter decreased 0.72% and 21.34% as compared to the revenue and net property income recorded in the preceding quarter of RM3.892 million and RM3.130 million, respectively. The decrease in net property income was due to reason set out above.

The Group's loss before tax for the current financial quarter ended 31 December 2016 improved by RM33.563 million as compared to the preceding quarter ended 30 September 2016. The following factors contributed to the improvement:

- (i) reduction in unrealised foreign currency translation loss on the Australian Dollar denominated term loan by RM24.634 million, from RM45.898 million in the preceding quarter to RM21.264 million in the current financial quarter; and
- (ii) increase in net property income by RM9.549 million in the current financial quarter.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B2. Audit Report of the preceding financial year ended 30 June 2016

The Auditor's Report on the financial statements of the financial year ended 30 June 2016 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 financial period under review.

B4. Portfolio Composition

As at 31 December 2016, YTL Hospitality REIT's composition of investment portfolio is as follows:

	Fair Value As At 31.12.2016 RM'000	% Of Fair Value To NAV As At 31.12.2016 %	
<u>Real Estate - Commercial</u>			
<u>Malaysian Properties</u>			
(i)	JW Marriott Hotel Kuala Lumpur	410,000	17.4
(ii)	The Residences at The Ritz-Carlton, Kuala Lumpur	254,000	10.8
(iii)	The Ritz-Carlton, Kuala Lumpur	320,000	13.5
(iv)	Pangkor Laut Resort	114,000	4.8
(v)	Tanjong Jara Resort	101,000	4.3
(vi)	Vistana Kuala Lumpur Titiwangsa	125,000	5.3
(vii)	Vistana Penang Bukit Jambul	117,000	5.0
(viii)	Vistana Kuantan City Centre	86,000	3.6
(ix)	Cameron Highlands Resort	59,000	2.5
<u>Japanese Property</u>			
(x)	Hilton Niseko Village*	252,564	10.7
<u>Australian Properties</u>			
(xi)	Sydney Harbour Marriott^	1,216,468	51.5
(xii)	Brisbane Marriott^	276,451	11.7
(xiii)	Melbourne Marriott^	246,537	10.4
		-----	-----
		3,578,020	151.5
	Deposits with licensed financial institutions	434,601	18.4
		-----	-----
		4,012,621	169.9
		=====	=====

Note :

* Translated on 30 December 2016 at the exchange rate of JPY100 : RM3.8442

^ Translated on 30 December 2016 at the exchange rate of AUD1 : RM3.2436

There was no change to the portfolio composition of the Group and the Trust for the financial period 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 2016 were RM2,361,724,520 and RM1.3857, respectively. The increase in total NAV was mainly due to the proceeds from issuance of units while the NAV per unit is adjusted based on the enlarged units in issue.

	Current Quarter 31.12.2016 RM	Preceding Quarter 30.09.2016 RM
NAV	2,361,724,520	1,957,868,707
NAV per unit	1.3857	1.4783

B6. Change in Market Value

On 30 December 2016, YTL Hospitality REIT’s market value closed at RM1.09 per unit, a decrease of 5.22% as compared to the closing market value of RM1.15 per unit on 30 September 2016.

B7. Prospects

The Manager, after considering the strength of the real estate portfolio invested, expects the Group to achieve satisfactory performance for the financial year ending 30 June 2017.

B8. Utilisation of Proceeds Raised from Issuance of New Units

The gross proceeds of RM402.8 million raised from the 380,000,000 new units issued will be used to partially prepay the borrowing and reduce its gearing level.

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

During the financial period ended 31 December 2016, Sydney Harbour Marriott and Hilton Niseko Village incurred RM19,259,000 and RM635,000 for the refurbishment works and the repair and maintenance of property, respectively.

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 Quarter 31.12.2016 RM'000	Year To Date 31.12.2016 RM'000
Malaysian income tax	30	50
Foreign income tax	1,002	1,557
Deferred tax	(81)	(41)
	-----	-----
	951	1,566
	=====	=====

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 for the financial period ended 31 December 2016.

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 tax at the prevailing corporate tax rate.
Non-resident companies	24%

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.

B15. Borrowings and Debt Securities

The Group's borrowings from financial institutions as at 31 December 2016 are set below:

Long term	RM'000
Term Loan – secured	1,690,219
Medium Term Notes - secured	10,000
Capitalised transaction costs	(11,304)

	1,688,915
	=====

The above includes a term loan denominated in Australian Dollar of AUD270,815,995 (RM878,418,761^).

Note :

^ Translated on 30 December 2016 at the exchange rate of AUD1 : RM3.2436

B16. Derivative Financial Instruments

The Group's outstanding derivatives as at 31 December 2016 were as follows:-

Type of Derivative	Contract/ Notional Value RM'000	Fair Value RM'000
Interest rate swap contracts		
- 1 to 5 years	851,571^	(10,329)
	=====	=====

Note :

^ Translated on 30 December 2016 at the exchange rate of AUD1 : RM3.2436

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 profit or loss.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

The fair value of interest rate swap recognised in other comprehensive income for the current financial quarter and financial period amounted to gains of RM17.880 million and RM13.395 million, respectively.

The Group's derivative financial instruments are classified in Level 2 of the fair value hierarchy.

B17. Income Distribution

The Board of Pintar Projek Sdn. Bhd. has declared an advance distribution of 1.9181 sen per unit of which 1.7854 sen is taxable and 0.1327 sen is not taxable in the hands of unitholders, totaling RM25,403,103 (which is tax exempt at the Trust level under the amended Section 61A of the Income Tax Act 1967) in respect of the financial period from 1 October 2016 to 14 December 2016, which was paid on 12 January 2017.

For the financial period from 15 December 2016 to 31 December 2016, the Board of Pintar Projek Sdn. Bhd. has declared an interim distribution of 0.3459 sen per unit of which 0.3263 sen is taxable and 0.0196 sen is not taxable in the hands of unitholders, totaling RM5,895,481 (which is tax exempt at the Trust level under the amended Section 61A of the Income Tax Act 1967). The book closure and payment dates in respect of the interim distribution will be fixed on 10 and 30 March 2017, respectively.

The above distributions totaling RM31,298,584 represent approximately 100% of the total distributable income of RM1.735 million brought forward from the financial quarter ended 30 September 2016 and the total distributable income of RM29.564 million for the financial quarter ended 31 December 2016.

The interim income distributions are from the following sources:-

	Current Quarter 31.12.2016 RM'000	Year To Date 31.12.2016 RM'000
Loss after taxation	(8,553)	(50,333)
Distribution adjustments:-		
Depreciation	20,711	40,248
Unrealised foreign translation differences	21,189	66,847
Net income from foreign operations	(3,783)	1,725
	-----	-----
Income available for distribution/Total distributable income	29,564	58,487
Total distributable income brought forward	1,736	-
	-----	-----
	31,300	58,487
Less: Income distribution	(31,299)	(58,486)
	-----	-----
Undistributed distributable income	1	1
	=====	=====

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B18. Unitholding by the Manager and Parties Related to the Manager

As at 31 December 2016, 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	937,464	1,021,836
YTL Power International Berhad	43,090	46,968
Business & Budget Hotels (Kuantan) Sdn Bhd	18,750	20,438
Megahub Development Sdn Bhd	18,250	19,893
East-West Ventures Sdn Bhd	62,500	68,125
Syarikat Pelanchongan Pangkor Laut Sendirian Berhad	24,250	26,433
Tanjong Jara Beach Hotel Sdn Bhd	21,750	23,708
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping	870	948
Dato' Yeoh Seok Kah	2,000	2,180
Dato' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir	100	109

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 RM1.09 per unit as at 30 December 2016.

B19. Realised and Unrealised Retained Profits/Undistributed Income

The breakdown of the undistributed income of the Group as at 31 December 2016, into realised and unrealised profits, pursuant to the directive issued by Bursa Securities on 25 March 2010 and 20 December 2010 is as follows:-

	As At 31.12.2016 RM'000	As At 30.06.2016 RM'000
Total undistributed income of the Trust and its subsidiaries		
- Realised	(169,734)	(128,119)
- Unrealised	224,138	198,771
	-----	-----
	54,404	70,652
Add: Consolidation adjustments	(27,333)	65,238
	-----	-----
Total group undistributed income	27,071	135,890
	=====	=====

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B20. 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 Securities so as to give a true and fair view of the financial position of YTL Hospitality REIT as at 31 December 2016 and of its financial performance and cash flows for the financial 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: 23 February 2017