

YTL HOSPITALITY REIT
(formerly known as Starhill Real Estate Investment Trust)

Established in Malaysia

Interim Financial Report
31 March 2014

YTL HOSPITALITY REIT

Interim Financial Report 31 March 2014

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YTL HOSPITALITY REIT**INTERIM FINANCIAL REPORT**

Interim financial report on consolidated results for the financial period ended 31 March 2014.

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
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	RM'000	RM'000	RM'000	RM'000
NET REVENUE	107,365	106,993	24,487	24,487
PROPERTY OPERATING EXPENSES	(54,435)	(39,679)	(1,219)	(1,333)
NET PROPERTY INCOME	52,930	67,314	23,268	23,154
OTHER INCOME	1,333	1,201	25,044	27,499
MANAGER'S FEES	(1,788)	(2,528)	(1,788)	(2,528)
TRUSTEE'S FEES	(219)	(354)	(219)	(354)
ADMINISTRATION EXPENSES	(17,698)	(33,446)	(337)	(1,000)
FINANCE COSTS	(18,123)	(17,443)	(18,123)	(17,443)
INCOME BEFORE UNREALISED ITEM	16,435	14,744	27,845	29,328
UNREALISED ITEM:				
- Unrealised gain/(loss) on foreign exchange	127	236	37,199	(96)
PROFIT BEFORE TAX	16,562	14,980	65,044	29,232
INCOME TAX EXPENSE	(767)	(215)	(189)	(190)
PROFIT FOR THE QUARTER	15,795	14,765	64,855	29,042

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

CONDENSED INCOME STATEMENTS FOR THE QUARTER - continued

	GROUP		TRUST	
	CURRENT YEAR CORRESPONDING QUARTER 31.03.2014 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.03.2013 RM'000	CURRENT YEAR CORRESPONDING QUARTER 31.03.2014 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.03.2013 RM'000
PROFIT FOR THE QUARTER	15,795	14,765	64,855	29,042
DISTRIBUTION ADJUSTMENTS:				
- Depreciation	16,277	14,987	-	-
- Unrealised foreign translation differences	(127)	(236)	(37,199)	96
-Net income receivable	-	-	2,957	-
-Net income not distributed from foreign operations	(1,332)	(378)	-	-
	-----	-----	-----	-----
INCOME AVAILABLE FOR DISTRIBUTION / TOTAL DISTRIBUTABLE INCOME	30,613	29,138	30,613	29,138
PROVISION FOR INCOME DISTRIBUTION	(27,553)	(29,138)	(27,553)	(29,138)
	-----	-----	-----	-----
UNDISTRIBUTED DISTRIBUTABLE INCOME	3,060	-	3,060	-
	=====	=====	=====	=====
DISTRIBUTABLE INCOME PER UNIT (Sen)	2.3115	2.2001	2.3115	2.2001
	=====	=====	=====	=====
GROSS DISTRIBUTION PER UNIT (Sen)	2.0804	-	2.0804	-
	=====	=====	=====	=====

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
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	RM'000	RM'000	RM'000	RM'000
PROFIT FOR THE QUARTER	15,795	14,765	64,855	29,042
OTHER COMPREHENSIVE EXPENSES :				
CURRENCY TRANSLATION DIFFERENCES	43,272	(1,799)	-	-
TOTAL COMPREHENSIVE INCOME FOR THE QUARTER	<u>59,067</u>	<u>12,966</u>	<u>64,855</u>	<u>29,042</u>
PROFIT FOR THE QUARTER IS MADE UP AS FOLLOWS :-				
REALISED PROFIT	15,668	14,529	27,656	29,138
UNREALISED PROFIT/(LOSS)	127	236	37,199	(96)
	<u>15,795</u>	<u>14,765</u>	<u>64,855</u>	<u>29,042</u>
EARNINGS PER UNIT (Sen)	<u>1.19</u>	<u>1.11</u>	<u>4.90</u>	<u>2.19</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	
	9 MONTHS ENDED		9 MONTHS ENDED	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	RM'000	RM'000	RM'000	RM'000
NET REVENUE	324,624	192,225	73,462	73,013
PROPERTY OPERATING EXPENSES	(166,896)	(57,327)	(3,641)	(3,744)
NET PROPERTY INCOME	157,728	134,898	69,821	69,269
OTHER INCOME	3,872	3,087	76,839	43,736
MANAGER'S FEES	(6,063)	(5,166)	(6,063)	(5,166)
TRUSTEE'S FEES	(876)	(741)	(876)	(741)
ADMINISTRATION EXPENSES	(49,016)	(48,960)	(791)	(1,503)
FINANCE COSTS	(54,898)	(28,301)	(54,898)	(28,301)
INCOME BEFORE UNREALISED ITEM	50,747	54,817	84,032	77,294
UNREALISED ITEM: - Unrealised gain/(loss) on foreign exchange	160	249	28,183	(22,380)
PROFIT BEFORE TAX	50,907	55,066	112,215	54,914
INCOME TAX EXPENSE	(1,732)	(729)	(575)	(646)
PROFIT FOR THE PERIOD	49,175	54,337	111,640	54,268

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

CONDENSED INCOME STATEMENTS FOR THE PERIOD - continued

	GROUP		TRUST	
	9 MONTHS ENDED		9 MONTHS ENDED	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	RM'000	RM'000	RM'000	RM'000
PROFIT FOR THE PERIOD	49,175	54,337	111,640	54,268
DISTRIBUTION ADJUSTMENTS:				
- Depreciation	44,928	20,309	-	-
- Unrealised foreign translation differences	(160)	(249)	(28,183)	22,380
- Net income receivable	-	-	2,957	-
- Net (income)/loss not distributed from foreign operations	(7,529)	2,251	-	-
	-----	-----	-----	-----
INCOME AVAILABLE FOR DISTRIBUTION / TOTAL DISTRIBUTABLE INCOME	86,414	76,648	86,414	76,648
DISTRIBUTION PAID	(51,599)	(47,510)	(51,599)	(47,510)
PROVISION FOR INCOME DISTRIBUTION	(27,553)	(29,138)	(27,553)	(29,138)
	-----	-----	-----	-----
UNDISTRIBUTED DISTRIBUTABLE INCOME	7,262	-	7,262	-
	=====	=====	=====	=====
DISTRIBUTABLE INCOME PER UNIT (Sen)	6.5248	5.7874	6.5248	5.7874
	=====	=====	=====	=====
GROSS DISTRIBUTION PER UNIT (Sen)*	5.9765	3.5873	5.9765	3.5873
	=====	=====	=====	=====

*The Trust changed the frequency of income distributions from half-yearly to quarterly with effect from the financial year ending 30 June 2014. For the nine months ended 31 March 2013, the gross distribution per unit of 3.5873 sen represented half yearly income distribution.

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	
	9 MONTHS ENDED		9 MONTHS ENDED	
	31.03.2014	31.03.2013	31.03.2014	31.03.2013
	RM'000	RM'000	RM'000	RM'000
PROFIT FOR THE PERIOD	49,175	54,337	111,640	54,268
OTHER COMPREHENSIVE EXPENSES :				
CURRENCY TRANSLATION DIFFERENCES	32,135	(30,769)	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>81,310</u>	<u>23,568</u>	<u>111,640</u>	<u>54,268</u>
PROFIT FOR THE PERIOD IS MADE UP AS FOLLOWS :-				
REALISED PROFIT	49,015	54,088	83,457	76,648
UNREALISED PROFIT/(LOSS)	160	249	28,183	(22,380)
	<u>49,175</u>	<u>54,337</u>	<u>111,640</u>	<u>54,268</u>
EARNINGS PER UNIT (Sen)	<u>3.71</u>	<u>4.10</u>	<u>8.43</u>	<u>4.10</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	AUDITED	UNAUDITED	AUDITED
	AS AT	AS AT	AS AT	AS AT
	31.03.2014	30.06.2013	31.03.2014	30.06.2013
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Non-current Assets				
Investment properties	1,547,049	1,548,539	1,343,634	1,342,627
Property, plant and equipment	1,251,727	1,263,617	-	-
Investment in subsidiaries	-	-	344,792	344,792
Amount due from subsidiaries	-	-	1,223,161	1,198,083
Deferred tax assets	3,130	3,317	-	-
	-----	-----	-----	-----
	2,801,906	2,815,473	2,911,587	2,885,502
	-----	-----	-----	-----
Current Assets				
Inventories	905	927	-	-
Trade and other receivables	21,613	12,620	3,143	1,392
Amount due from subsidiaries	-	-	70,300	56,485
Deposits with licensed financial institution	78,011	107,370	59,050	89,029
Bank balances	70,135	55,515	610	705
	-----	-----	-----	-----
	170,664	176,432	133,103	147,611
	-----	-----	-----	-----
TOTAL ASSETS	2,972,570	2,991,905	3,044,690	3,033,113
	=====	=====	=====	=====
UNITHOLDERS' FUNDS				
Unitholders' capital	1,291,395	1,291,395	1,291,395	1,291,395
Undistributed income	143,822	173,799	135,622	103,134
Currency translation reserves	(116,991)	(149,126)	-	-
	-----	-----	-----	-----
Net Asset Value	1,318,226	1,316,068	1,427,017	1,394,529
	-----	-----	-----	-----
LIABILITIES				
Non-current Liabilities				
Borrowing	1,576,542	1,575,469	1,576,542	1,575,469
Other payables	4,588	2,449	-	-
Deferred tax liabilities	-	285	-	-
	-----	-----	-----	-----
	1,581,130	1,578,203	1,576,542	1,575,469
	-----	-----	-----	-----
Current Liabilities				
Trade and other payables	44,372	47,300	13,578	12,881
Income tax liabilities	1,289	100	-	-
Provision for income distribution	27,553	50,234	27,553	50,234
	-----	-----	-----	-----
	73,214	97,634	41,131	63,115
	-----	-----	-----	-----
TOTAL LIABILITIES	1,654,344	1,675,837	1,617,673	1,638,584
TOTAL UNITHOLDERS' FUNDS & LIABILITIES	2,972,570	2,991,905	3,044,690	3,033,113
	=====	=====	=====	=====

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

	GROUP		TRUST	
	UNAUDITED AS AT 31.03.2014 RM'000	AUDITED AS AT 30.06.2013 RM'000	UNAUDITED AS AT 31.03.2014 RM'000	AUDITED AS AT 30.06.2013 RM'000
Net asset value (RM'000)	1,318,226	1,316,068	1,427,017	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	1.0551	1.068	1.1373	1.127
- after income distribution	0.9953	0.994	1.0775	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 MARCH 2014**

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	-	49,015	160	-	49,175
Other comprehensive expense					
Currency translation differences	-	-	-	32,135	32,135
	-----	-----	-----	-----	-----
Increase in net assets resulting from operations	-	49,015	160	32,135	81,310
Unitholders' transactions					
Distribution paid	-	(51,599)	-	-	(51,599)
Provision for income distribution	-	(27,553)	-	-	(27,553)
	-----	-----	-----	-----	-----
Decrease in net assets resulting from Unitholders' transaction	-	(79,152)	-	-	(79,152)
	-----	-----	-----	-----	-----
At 31 March 2014	1,291,395	100,230	43,592	(116,991)	1,318,226
	=====	=====	=====	=====	=====

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

**CONDENSED STATEMENTS OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014 - continued**

TRUST	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	179,613	(76,479)	-	1,394,529
Operations for the period					
Profit for the period	-	83,457	28,183	-	111,640
Other comprehensive income	-	-	-	-	-
Increase in net assets resulting from operations	-	83,457	28,183	-	111,640
Unitholders' transactions					
Distribution paid	-	(51,599)	-	-	(51,599)
Provision for income distribution	-	(27,553)	-	-	(27,553)
Decrease in net assets resulting from Unitholders' transaction	-	(79,152)	-	-	(79,152)
At 31 March 2014	1,291,395	183,918	(48,296)	-	1,427,017

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

**CONDENSED STATEMENTS OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 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 2012	1,291,395	172,211	43,585	8,345	1,515,536
Operations for the period					
Profit for the period	-	54,088	249	-	54,337
Other comprehensive expense					
Currency translation differences	-	-	-	(30,769)	(30,769)
	-----	-----	-----	-----	-----
Increase / (Decrease) in net assets resulting from operations	-	54,088	249	(30,769)	23,568
Unitholders' transactions					
Distribution paid	-	(47,510)	-	-	(47,510)
Provision for income distribution	-	(29,138)	-	-	(29,138)
	-----	-----	-----	-----	-----
Decrease in net assets resulting from Unitholders' transactions	-	(76,648)	-	-	(76,648)
	-----	-----	-----	-----	-----
At 31 March 2013	1,291,395	149,651	43,834	(22,424)	1,462,456
	=====	=====	=====	=====	=====

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

**CONDENSED STATEMENTS OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2013 - 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	-	76,648	(22,380)	-	54,268
Other comprehensive income	-	-	-	-	-
	-----	-----	-----	-----	-----
Increase/(Decrease) in net assets resulting from operations	-	76,648	(22,380)	-	54,268
Unitholders' transactions					
Distribution paid	-	(47,510)	-	-	(47,510)
Provision for income distribution	-	(29,138)	-	-	(29,138)
	-----	-----	-----	-----	-----
Decrease in net assets resulting from Unitholders' transactions	-	(76,648)	-	-	(76,648)
	-----	-----	-----	-----	-----
At 31 March 2013	1,291,395	172,174	28,076	-	1,491,645
	=====	=====	=====	=====	=====

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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 MARCH 2014**

	FOR THE 9 MONTHS ENDED	
	31.03.2014	31.03.2013
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	50,907	55,066
Adjustments for :-		
Amortisation of transaction cost	1,074	-
Depreciation of property, plant and equipment	44,928	20,309
Interest income	(2,477)	(1,525)
Interest expense	53,793	28,301
Loss on disposal of equipment	202	-
Unrealised gain on foreign currency exchange	(160)	(249)
	-----	-----
Operating profit before changes in working capital	148,267	101,902
Net changes in current assets	(8,680)	46,535
Net changes in current liabilities	(1,687)	26,525
	-----	-----
Cash generated from operation	137,900	174,962
Tax paid	(565)	(729)
	-----	-----
Net cash from operating activities	137,335	174,233
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	2,477	1,525
Proceed from disposal of equipment	29	-
Acquisition of property, plant and equipment	(2,562)	(1,427,633)
	-----	-----
Net cash used in investing activities	(56)	(1,426,108)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	-	1,401,800
Interest paid	(53,793)	(28,301)
Distribution paid	(101,834)	(95,515)
	-----	-----
Net cash (used in)/from financing activities	(155,627)	1,277,984
	-----	-----
Net (decrease)/increase in cash and cash equivalent	(18,348)	26,109
Effect on exchange rate changes	3,609	16,192
Cash and cash equivalent at beginning of financial period	162,885	92,007
	-----	-----
Cash and cash equivalent at end of financial period (note a)	148,146	134,308
	=====	=====

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014 - continued**

Note (a)

Cash and cash equivalent

	As At 31.03.2014 RM'000	As At 31.03.2013 RM'000
Deposits with licensed financial institution	78,011	84,626
Bank balances	70,135	49,682
	-----	-----
	<u>148,146</u>	<u>134,308</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 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

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.

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INTERIM FINANCIAL REPORT

Notes : - continued

A6. Income Distribution

An interim distribution of 1.9786 sen per unit (which is tax exempt at the Trust level under the amended Section 61A, Income Tax Act, 1967), totalling RM26,204,359, in respect of the three months ended 31 December 2013 was paid during the financial quarter.

A7. Segment Information

The Group's segmental result for the financial period ended 31 March 2014 is as follows:-

	<--- Property Rental --->		<-- Hotel-->	
	Malaysia RM'000	Japan RM'000	Australia RM'000	Total RM'000
External revenue	73,462	11,645	239,517	324,624
Operating expenses	(3,641)	(1,583)	(161,672)	(166,896)
Net property income	69,821	10,062	77,845	157,728
Other income	1,106	1	2,765	3,872
Total income	70,927	10,063	80,610	161,600
Trust and administration expenses	(7,570)	(139)	(48,086)	(55,795)
Finance costs	(54,898)	-	-	(54,898)
Profit before tax	8,459	9,924	32,524	50,907
Total assets	1,406,437	210,827	1,355,306	2,972,570

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

	<--- Property Rental --->		<-- Hotel-->	
	Malaysia RM'000	Japan RM'000	Australia RM'000	Total RM'000
External revenue	73,013	11,515	107,697	192,225
Operating expenses	(3,744)	(1,770)	(51,813)	(57,327)
Net property income	69,269	9,745	55,884	134,898
Other income	1,525	1	1,561	3,087
Total income	70,794	9,746	57,445	137,985
Trust and administration expenses	(7,161)	(597)	(46,860)	(54,618)
Finance costs	(28,301)	-	-	(28,301)
Profit before tax	35,332	9,149	10,585	55,066
Total assets	1,437,331	212,768	1,474,299	3,124,398

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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

On 11 March 2014, Maybank Trustee Berhad, the trustee on behalf of the Trust, acquired the entire issued and paid-up share capital of YTL REIT MTN Sdn Bhd (“YTLRMTN”) comprising 2 ordinary shares of RM1.00 each for a total consideration of RM2.00. As a result, YTLRMTN became a wholly-owned subsidiary of the Group and the Trust. The intended principal activity of YTLRMTN is to raise funding on behalf of the Group and the Trust.

The fund size of the Group and of the Trust for the current quarter ended 31 March 2014 stood 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 March 2014, the revenue of RM107.365 million approximated that of the preceding year corresponding revenue of RM106.993 million, while the net property income of RM52.930 million represented a decrease of 21.37% as compared to RM67.314 million recorded in the preceding year corresponding quarter ended 31 March 2013.

The decrease in net property income for the current financial quarter was attributed mainly to the classification of certain property expenses amounting to RM17.175 million as administrative expenses during the preceding year corresponding quarter ended 31 March 2013. The net property income for the preceding year corresponding quarter ended 31 March 2013 adjusted for the reclassification of certain administrative expenses to property expenses of RM17.175 million would be RM50.139 million. Comparing the adjusted net property income of RM50.139 million for the preceding year corresponding quarter with that recorded for the current quarter of RM52.930 million would result in an increase of 5.57% in net property income.

For the current financial quarter ended 31 March 2014, the Group recorded a profit before tax of RM16.562 million, an increase of 10.56%, as compared to RM14.980 million recorded in the preceding year corresponding quarter ended 31 March 2013. The net increase in profit before tax was due to lower trust expenses incurred in the current financial quarter.

The income available for distribution increased from RM29.138 million recorded in preceding year corresponding quarter to RM30.613 million recorded in current financial quarter, representing an increase of 5.06%, after adjustment of non-cash transactions.

Comparison with Preceding Year Corresponding Period

For the current financial period ended 31 March 2014, the Group recorded a revenue and net property income of RM324.624 million and RM157.728 million, respectively, representing an increase of 68.88% and 16.92%, respectively as compared to RM192.225 million and RM134.898 million, respectively recorded in the preceding year corresponding period ended 31 March 2013.

The increase in revenue and net property income for the current financial period was due mainly to the recognition of revenue generated by Australian Properties for a full 9 months as compared to 4 months in the preceding year corresponding period ended 31 March 2013. As set out in the commentary on the quarter to quarter comparison above, the adjusted net property income for the preceding year corresponding period ended 31 March 2013 would be RM111.820 million. Hence, this in comparison to the net property income of RM157.728 million recorded for the current financial period is an increase of 41.06%.

For the current financial period ended 31 March 2014, the Group recorded a profit before tax of RM50.907 million, a decrease of 7.55%, as compared to RM55.066 million recorded in the preceding year corresponding period ended 31 March 2013. 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 for a full 9 months as compared to 4 months in the preceding year corresponding period ended 31 March 2013.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B1. Review of Performance - continued

The income available for distribution increased from RM76.648 million recorded in preceding year corresponding period to RM86.414 million recorded in current financial period, representing an increase of 12.74%, after adjustment of non-cash transaction mainly for depreciation charges on the Australian Properties.

Comparison with Preceding Quarter

	Current Quarter 31.03.2014 RM'000	Preceding Quarter 31.12.2013 RM'000
Revenue	107,365	114,678
Net Property Income	52,930	56,524
Profit Before Tax	16,562	19,515
Income Available For Distribution	30,613	27,584

The Group revenue and net property income for the current financial quarter ended 31 March 2014 decreased by 6.38% and 6.36%, respectively as compared to the preceding quarter ended 31 December 2013. There was a drop in revenue and net property income in the current quarter under review as the Australian portfolio registered lower food and beverage revenue due to seasonal factors as there were more functions during the festive season in the preceding quarter ended 31 December 2013.

The Group profit before tax for the current financial quarter ended 31 March 2014 decreased to RM16.562 million from RM19.515 million, representing a decrease of 15.13% for the same reason set out above.

The income available for distribution increased to RM30.613 million recorded in current financial quarter from RM27.584 million recorded in preceding financial quarter ended 31 December 2013, representing an increase of 10.98%.

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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 March 2014, YTL Hospitality REIT's composition of investment portfolio is as follows:

	Fair value as at 31.03.2014 RM'000	% of fair value to NAV as at 31.03.2014 %
<u>Real Estate – Commercial</u>		
(i) JW Marriott Hotel, Kuala Lumpur	349,700	27
(ii) The Residences at The Ritz-Carlton, Kuala Lumpur	224,888	17
(iii) The Ritz-Carlton, Kuala Lumpur	253,017	19
(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	7
(viii) Tanjong Jara Resort	88,050	7
(ix) Cameron Highlands Resort	50,649	4
(x) Hilton Niseko *	203,415	15
(xi) Sydney Harbour Marriott ^	747,991	57
(xii) Brisbane Marriott ^	343,924	26
(xiii) Melbourne Marriott ^	159,812	12

Deposits with licensed financial institution	78,011	6

	<u>2,876,787</u>	

Note :

* Translated on 31 March 2014 at the exchange rate of JPY100 : RM3.1770

^ Translated on 31 March 2014 at the exchange rate of AUD1 : RM3.0173

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 March 2014 were RM1,318,225,603 and RM0.9953, respectively. The increase in total NAV and NAV per unit was mainly due to the recognition of unrealised foreign exchange gain on investments in Japanese and Australian subsidiaries.

	Current Quarter 31.03.2014 RM	Preceding Quarter 31.12.2013 RM
NAV	1,318,225,603	1,286,711,584
NAV per unit	0.9953	0.9716

B6. Change in Market Value

On 31 March 2014, YTL Hospitality REIT’s market value closed at RM0.905 per unit, a decrease of 10.4% as compared to the closing market value of RM1.01 per unit on 31 December 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 RM2,562,000 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 31.03.2014 RM'000	Current Year To Date 31.03.2014 RM'000
Malaysian income tax	228	228
Foreign income tax	591	948
Withholding tax	189	575
Deferred tax	(241)	(19)
	-----	-----
	767	1,732
	=====	=====

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 (“SC”) 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 10 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.

An application was submitted to the SC on 14 May 2014 to seek an extension of time of six (6) months from 30 June 2014 until 29 December 2014 to complete the Proposed Placement and Proposed Increase in Fund Size (“Proposed Extension of Time”). As at the date of this report, the Proposed Extension of Time is pending approval of the SC.

The Proposed Placement and Proposed Increase in Fund Size are currently pending implementation.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : continued

B15. Borrowings and Debt Securities

The Group's borrowings from financial institutions as at 31 March 2014 are set below:

Long term	RM'000
Term Loan – secured	1,581,800
Capitalised transaction costs	(5,258)

	1,576,542
	=====

B16. Income Distribution

The Board of Pintar Projek Sdn. Bhd. has declared an interim distribution of 2.0804 sen per unit (all taxable in the hands of unitholders), totaling RM27,552,586 (which is tax exempt at the Trust level under the amended Section 61A of the Income Tax Act 1967), representing approximately 90% of the total distributable income for the financial quarter ended 31 March 2014. The total income distribution paid and declared for the financial period ended 31 March 2014 is 5.9765 sen per unit, totaling RM79,152,102 and representing approximately 92% of the total distributable income. The book closure and payment dates in respect of the interim distribution will be fixed on 4 June 2014 and 24 June 2014 respectively.

The interim income distribution is from the following sources:-

	Current Year Quarter RM'000	Current Year To Date RM'000
Profit after taxation	15,795	49,175
Distribution adjustments:-		
Depreciation	16,277	44,928
Unrealised foreign translation differences	(127)	(160)
Net profit not distributed from overseas operations	(1,332)	(7,529)
	-----	-----
Income available for distribution/Total distributable income	30,613	86,414
Less: Income distribution	(27,553)	(79,152)
	-----	-----
Undistributed distributable income	3,060	7,262
	=====	=====

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : continued

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

As at 31 March 2014, 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	676,455
YTL Power International Berhad	43,090	38,996
Business & Budget Hotels (Kuantan) Sdn Bhd	18,750	16,969
Megahub Development Sdn Bhd	18,250	16,516
East-West Ventures Sdn Bhd	62,500	56,563
Syarikat Pelanchongan Pangkor Laut Sendirian Berhad	24,250	21,946
Tanjong Jara Beach Hotel Sdn Bhd	21,750	19,684
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE, FICE	870	787
Dato' Yeoh Seok Kah	2,000	1,810
Dato' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir	100	91

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 RM0.905 per unit as at 31 March 2014.

B18. Realised and Unrealised Retained Profits/Undistributed Income

The breakdown of the undistributed income of the Group as at 31 March 2014, 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 31.03.2014 RM'000	As at 30.06.2013 RM'000
Total undistributed income of the Trust and its subsidiaries		
- Realised	57,407	117,861
- Unrealised	(47,760)	(75,923)
	-----	-----
	9,647	41,938
Add: Consolidation adjustments	134,175	131,861
	-----	-----
Total group undistributed income as per consolidated financial statements	143,822	173,799
	=====	=====

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : continued

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 March 2014 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 May 2014