

YTL HOSPITALITY REIT

Established in Malaysia

**Interim Financial Report
31 March 2016**

YTL HOSPITALITY REIT

Interim Financial Report 31 March 2016

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YTL HOSPITALITY REIT**INTERIM FINANCIAL REPORT**

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

The figures have not been audited.

CONDENSED INCOME STATEMENTS FOR THE QUARTER

	GROUP		TRUST	
	CURRENT	PRECEDING	CURRENT	PRECEDING
	YEAR	YEAR	YEAR	YEAR
	QUARTER	CORRESPONDING	QUARTER	CORRESPONDING
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	RM'000	RM'000	RM'000	RM'000
NET REVENUE	110,572	107,895	24,508	24,508
PROPERTY OPERATING EXPENSES	(58,677)	(53,468)	(1,419)	(1,391)
NET PROPERTY INCOME	51,895	54,427	23,089	23,117
OTHER INCOME	1,305	1,009	26,145	23,832
MANAGER'S FEES	(1,902)	(1,872)	(1,902)	(1,872)
TRUSTEE'S FEES	(260)	(236)	(260)	(236)
ADMINISTRATION EXPENSES	(20,172)	(20,319)	(193)	(1,161)
FINANCE COSTS	(20,744)	(19,817)	(20,744)	(19,817)
INCOME BEFORE UNREALISED ITEM	10,122	13,192	26,135	23,863
UNREALISED ITEMS:				
- Unrealised gain/(loss) on foreign exchange	35,014	19	(19,949)	(4,007)
- Fair value of derivative instruments	6,387	-	6,387	-
PROFIT BEFORE TAX	51,523	13,211	12,573	19,856
INCOME TAX EXPENSE	(459)	(1,186)	(216)	(183)
PROFIT FOR THE QUARTER	51,064	12,025	12,357	19,673

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

CONDENSED INCOME STATEMENTS FOR THE QUARTER - continued

	GROUP		TRUST	
	CURRENT YEAR QUARTER 31.03.2016 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.03.2015 RM'000	CURRENT YEAR QUARTER 31.03.2016 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.03.2015 RM'000
PROFIT FOR THE QUARTER	51,064	12,025	12,357	19,673
DISTRIBUTION ADJUSTMENTS:				
- Depreciation	18,851	17,451	-	-
- Unrealised foreign translation differences	(35,014)	(19)	19,949	4,007
- Fair value of derivative instruments	(6,387)	-	(6,387)	-
- Net income from foreign operations	(2,595)	(5,777)	-	-
	-----	-----	-----	-----
INCOME AVAILABLE FOR DISTRIBUTION / TOTAL DISTRIBUTABLE INCOME	25,919	23,680	25,919	23,680
UNDISTRIBUTED DISTRIBUTABLE INCOME BROUGHT FORWARD	2,005	976	2,005	976
	-----	-----	-----	-----
UNDISTRIBUTED DISTRIBUTABLE INCOME AVAILABLE FOR DISTRIBUTION	27,924	24,656	27,924	24,656
PROVISION FOR INCOME DISTRIBUTION	(25,395)	(24,655)	(25,395)	(24,655)
	-----	-----	-----	-----
UNDISTRIBUTED DISTRIBUTABLE INCOME	2,529	1	2,529	1
	=====	=====	=====	=====
DISTRIBUTABLE INCOME PER UNIT (Sen)	1.9571	1.7880	1.9571	1.7880
	=====	=====	=====	=====
GROSS DISTRIBUTION PER UNIT (Sen)	1.9175	1.8616	1.9175	1.8616
	=====	=====	=====	=====

The Condensed Income Statements should be read in conjunction with the audited annual financial statements for the year ended 30 June 2015 and the accompanying explanatory notes attached to the interim financial statements.

YTL HOSPITALITY REIT

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CONDENSED STATEMENTS OF COMPREHENSIVE INCOME FOR THE QUARTER

	GROUP		TRUST	
	CURRENT	PRECEDING	CURRENT	PRECEDING
	YEAR	YEAR	YEAR	YEAR
	QUARTER	CORRESPONDING	QUARTER	CORRESPONDING
	31.03.2016	QUARTER	31.03.2016	QUARTER
	RM'000	31.03.2015	RM'000	31.03.2015
		RM'000		RM'000
PROFIT FOR THE QUARTER	51,064	12,025	12,357	19,673
OTHER COMPREHENSIVE EXPENSE:-				
<i>ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO INCOME STATEMENT:-</i>				
CASH FLOW HEDGE	(13,867)	-	(13,867)	-
CURRENCY TRANSLATION DIFFERENCES	(77,122)	(3,179)	-	-
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE QUARTER	(39,925)	8,846	(1,510)	19,673
PROFIT FOR THE QUARTER IS MADE UP AS FOLLOWS:-				
REALISED PROFIT	28,514	29,457	25,919	23,680
UNREALISED PROFIT/(LOSS)	22,550	(17,432)	(13,562)	(4,007)
	51,064	12,025	12,357	19,673
EARNINGS PER UNIT (Sen)	3.86	0.91	0.93	1.49

The Condensed Statements of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended 30 June 2015 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	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	RM'000	RM'000	RM'000	RM'000
NET REVENUE	325,102	323,433	73,525	73,525
PROPERTY OPERATING EXPENSES	(173,494)	(164,191)	(4,261)	(4,158)
NET PROPERTY INCOME	151,608	159,242	69,264	69,367
OTHER INCOME	3,829	3,396	79,580	73,918
MANAGER'S FEES	(5,661)	(5,600)	(5,661)	(5,600)
TRUSTEE'S FEES	(789)	(725)	(789)	(725)
ADMINISTRATION EXPENSES	(62,201)	(57,506)	(571)	(2,770)
FINANCE COSTS	(62,466)	(58,842)	(62,466)	(58,842)
INCOME BEFORE UNREALISED ITEM	24,320	39,965	79,357	75,348
UNREALISED ITEM: - Unrealised (loss)/gain on foreign exchange	(24,686)	(207)	29,837	(75,209)
(LOSS)/PROFIT BEFORE TAX	(366)	39,758	109,194	139
INCOME TAX EXPENSE	(1,527)	(2,537)	(643)	(535)
(LOSS)/PROFIT FOR THE PERIOD	(1,893)	37,221	108,551	(396)

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

CONDENSED INCOME STATEMENTS FOR THE PERIOD - continued

	GROUP		TRUST	
	9 MONTHS ENDED		9 MONTHS ENDED	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	RM'000	RM'000	RM'000	RM'000
(LOSS)/PROFIT FOR THE PERIOD	(1,893)	37,221	108,551	(396)
DISTRIBUTION ADJUSTMENTS:				
- Depreciation	56,333	50,855	-	-
- Unrealised foreign translation differences	24,686	207	(29,837)	75,209
- Net income from foreign operations	(412)	(13,470)	-	-
	-----	-----	-----	-----
INCOME AVAILABLE FOR DISTRIBUTION / TOTAL DISTRIBUTABLE INCOME	78,714	74,813	78,714	74,813
DISTRIBUTION PAID	(50,790)	(50,157)	(50,790)	(50,157)
PROVISION FOR INCOME DISTRIBUTION	(25,395)	(24,655)	(25,395)	(24,655)
	-----	-----	-----	-----
UNDISTRIBUTED DISTRIBUTABLE INCOME	2,529	1	2,529	1
	=====	=====	=====	=====
DISTRIBUTABLE INCOME PER UNIT (Sen)	5.9434	5.6489	5.9434	5.6489
	=====	=====	=====	=====
GROSS DISTRIBUTION PER UNIT (Sen)	5.7525	5.6488	5.7525	5.6488
	=====	=====	=====	=====

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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 2015 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	
	31.03.2016	31.03.2015	31.03.2016	31.03.2015
	RM'000	RM'000	RM'000	RM'000
(LOSS)/PROFIT FOR THE PERIOD	(1,893)	37,221	108,551	(396)
OTHER COMPREHENSIVE INCOME/(EXPENSE):-				
<i>ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO INCOME STATEMENT:-</i>				
CASH FLOW HEDGE	(13,867)	-	(13,867)	-
CURRENCY TRANSLATION DIFFERENCES	82,223	(98,240)	-	-
	-----	-----	-----	-----
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD	66,463	(61,019)	94,684	(396)
	=====	=====	=====	=====
(LOSS)/PROFIT FOR THE PERIOD IS MADE UP AS FOLLOWS:-				
REALISED PROFIT	79,126	88,283	78,714	74,813
UNREALISED (LOSS)/PROFIT	(81,019)	(51,062)	29,837	(75,209)
	-----	-----	-----	-----
	(1,893)	37,221	108,551	(396)
	=====	=====	=====	=====
(LOSS)/EARNINGS PER UNIT (Sen)	(0.14)	2.81	8.20	(0.03)
	=====	=====	=====	=====

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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 2015 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 31.03.2016 RM'000	AUDITED AS AT 30.06.2015 RM'000	UNAUDITED AS AT 31.03.2016 RM'000	AUDITED AS AT 30.06.2015 RM'000
ASSETS				
Non-current Assets				
Investment properties	1,794,388	1,764,714	1,532,000	1,532,000
Property, plant and equipment	1,510,415	1,506,976	-	-
Investment in subsidiaries	-	-	351,892	344,792
Amount due from subsidiaries	-	-	1,232,278	1,179,671
Deferred tax assets	2,906	3,355	-	-
	-----	-----	-----	-----
	3,307,709	3,275,045	3,116,170	3,056,463
	-----	-----	-----	-----
Current Assets				
Inventories	650	850	-	-
Trade and other receivables	36,621	28,008	4,080	2,872
Amount due from subsidiaries	-	-	102,712	99,384
Deposits with licensed financial institutions	30,532	56,391	10,025	14,025
Cash at banks	82,409	70,378	294	2,070
	-----	-----	-----	-----
	150,212	155,627	117,111	118,351
	-----	-----	-----	-----
TOTAL ASSETS	3,457,921	3,430,672	3,233,281	3,174,814
	=====	=====	=====	=====
UNITHOLDERS' FUNDS				
Unitholders' capital	1,291,395	1,291,395	1,291,395	1,291,395
Undistributed income	168,131	246,209	310,199	277,833
Reserves	313,347	244,991	(13,867)	-
	-----	-----	-----	-----
Net Asset Value	1,772,873	1,782,595	1,587,727	1,569,228
	-----	-----	-----	-----
LIABILITIES				
Non-current Liabilities				
Borrowings	1,601,710	1,564,898	1,601,710	1,564,898
Other payables	-	1,967	-	-
Derivative financial instruments	13,867	-	13,867	-
	-----	-----	-----	-----
	1,615,577	1,566,865	1,615,577	1,564,898
	-----	-----	-----	-----
Current Liabilities				
Trade and other payables	43,968	49,333	4,582	9,885
Income tax liabilities	108	1,076	-	-
Provision for income distribution	25,395	30,803	25,395	30,803
	-----	-----	-----	-----
	69,471	81,212	29,977	40,688
	-----	-----	-----	-----
TOTAL LIABILITIES	1,685,048	1,648,077	1,645,554	1,605,586
TOTAL UNITHOLDERS' FUNDS & LIABILITIES	3,457,921	3,430,672	3,233,281	3,174,814
	=====	=====	=====	=====

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

	GROUP		TRUST	
	UNAUDITED AS AT 31.03.2016 RM'000	AUDITED AS AT 30.06.2015 RM'000	UNAUDITED AS AT 31.03.2016 RM'000	AUDITED AS AT 30.06.2015 RM'000
Net asset value (RM'000)	1,772,873 =====	1,782,595 =====	1,587,727 =====	1,569,228 =====
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	1.396	1.426	1.256	1.265
- after income distribution	1.339 =====	1.346 =====	1.199 =====	1.185 =====

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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 2015 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 2016**

GROUP	Unitholders' Capital RM'000	Distributable Undistributed Realised Income RM'000	<-----Non distributable----->				Total Unitholders' Funds RM'000
			Unrealised Income/(Loss) RM'000	Cash Flow Hedge Reserve RM'000	Currency Translation Reserves RM'000	Revaluation 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	-	79,126	(81,019)	-	-	-	(1,893)
Other comprehensive (expense)/ income	-	-	-	(13,867)	68,708	13,515	68,356
Increase/(Decrease) in net assets resulting from operations	-	79,126	(81,019)	(13,867)	68,708	13,515	66,463
Unitholders' transactions							
Distribution paid	-	(50,790)	-	-	-	-	(50,790)
Provision for income distribution	-	(25,395)	-	-	-	-	(25,395)
Decrease in net assets resulting from Unitholders' transaction	-	(76,185)	-	-	-	-	(76,185)
At 31 March 2016	1,291,395	189,466	(21,335)	(13,867)	(99,680)	426,894	1,772,873

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

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

TRUST	Unitholders' Capital RM'000	Distributable	<-----Non distributable----->	Cash Flow Hedge Reserve RM'000	Total Unitholders' Funds RM'000
		Undistributed Realised Income RM'000	Unrealised Income RM'000		
At 1 July 2015	1,291,395	184,696	93,137	-	1,569,228
Operations for the period					
Profit for the period	-	78,714	29,837	-	108,551
Other comprehensive expense	-	-	-	(13,867)	(13,867)
Increase/(Decrease) in net assets resulting from operations	-	78,714	29,837	(13,867)	94,684
Unitholders' transactions					
Distribution paid	-	(50,790)	-	-	(50,790)
Provision for income distribution	-	(25,395)	-	-	(25,395)
Decrease in net assets resulting from Unitholders' transaction	-	(76,185)	-	-	(76,185)
At 31 March 2016	1,291,395	187,225	122,974	(13,867)	1,587,727

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

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

GROUP	Unitholders' Capital RM'000	Distributable Undistributed Realised Income RM'000	<-----Non distributable----->			Total Unitholders' Funds RM'000
			Unrealised Income RM'000	Currency Translation Reserves RM'000	Revaluation Reserve RM'000	
At 1 July 2014	1,291,395	184,342	72,490	(116,137)	237,576	1,669,666
Operations for the period						
Profit/(Loss) for the period	-	88,283	(51,062)	-	-	37,221
Other comprehensive expense	-	-	-	(83,263)	(14,977)	(98,240)
Increase/(Decrease) in net assets resulting from operations	-	88,283	(51,062)	(83,263)	(14,977)	(61,019)
Unitholders' transactions						
Distribution paid	-	(50,157)	-	-	-	(50,157)
Provision for income distribution	-	(24,655)	-	-	-	(24,655)
Decrease in net assets resulting from Unitholders' transaction	-	(74,812)	-	-	-	(74,812)
At 31 March 2015	1,291,395	197,813	21,428	(199,400)	222,599	1,533,835

YTL HOSPITALITY REIT**INTERIM FINANCIAL REPORT****CONDENSED STATEMENTS OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2015 - continued**

	Unitholders' Capital RM'000	Distributable Undistributed Realised Income RM'000	Non distributable Unrealised Income RM'000	Total Unitholders' Funds RM'000
TRUST				
At 1 July 2014	1,291,395	184,695	110,026	1,586,116
Operations for the period				
Profit/(Loss) for the period	-	74,813	(75,209)	(396)
Other comprehensive income	-	-	-	-
Increase/(Decrease) in net assets resulting from operations	-	74,813	(75,209)	(396)
Unitholders' transactions				
Distribution paid	-	(50,157)	-	(50,157)
Provision for income distribution	-	(24,655)	-	(24,655)
Decrease in net assets resulting from Unitholders' transaction	-	(74,812)	-	(74,812)
At 31 March 2015	1,291,395	184,696	34,817	1,510,908

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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 2015 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 2016**

	9 MONTHS ENDED	
	31.03.2016	31.03.2015
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before tax	(366)	39,758
Adjustments for:-		
Amortisation of transaction costs	4,876	1,700
Depreciation of property, plant and equipment	56,333	50,855
Interest income	(1,406)	(2,200)
Interest expense	57,328	56,765
Loss on disposal of equipment	1,800	889
Unrealised loss on foreign currency exchange	24,686	207
	-----	-----
Operating profit before changes in working capital	143,251	147,974
Net changes in current assets	(7,531)	(11,602)
Net changes in current liabilities	(8,804)	8,232
	-----	-----
Cash generated from operations	126,916	144,604
Income tax paid	(1,329)	(1,354)
	-----	-----
Net cash from operating activities	125,587	143,250
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	763	2,200
Proceed from disposal of equipment	24	-
Acquisition of property, plant and equipment	(12,179)	(3,033)
	-----	-----
Net cash used in investing activities	(11,392)	(833)
	-----	-----

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

	9 MONTHS ENDED	
	31.03.2016	31.03.2015
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(57,328)	(66,665)
Distribution paid	(81,593)	(83,066)
Proceed from borrowing	7,100	-
	-----	-----
Net cash used in financing activities	(131,821)	(149,731)
	-----	-----
Net decrease in cash and cash equivalents	(17,626)	(7,314)
Effect on exchange rate changes	3,798	(4,853)
Cash and cash equivalents at beginning of financial period	126,769	149,908
	-----	-----
Cash and cash equivalents at end of financial period (note a)	112,941	137,741
	=====	=====

Note (a)

Cash and cash equivalents

	As At	As At
	31.03.2016	31.03.2015
	RM'000	RM'000
Deposits with licensed financial institutions	30,532	43,731
Cash at banks	82,409	94,010
	-----	-----
	112,941	137,741
	=====	=====

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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 2015 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 2015.

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 2015, 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.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

A6. Income Distribution

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

	RM'000
In respect of the three months ended 30 June 2015:- A final distribution of 2.3258 sen per unit was paid on 28 August 2015	30,803
In respect of the three months ended 30 September 2015:- An interim distribution of 1.9175 sen per unit was paid on 30 December 2015	25,395
In respect of the three months ended 31 December 2015:- An interim distribution of 1.9175 sen per unit was paid on 31 March 2016	25,395

	81,593
	=====

A7. Segment Information

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

	< ---Property rental--->		< --Hotel-- >	
	Malaysia	Japan	Australia	Total
	RM'000	RM'000	RM'000	RM'000
External revenue	73,525	11,836	239,741	325,102
Operating expenses	(4,261)	(2,043)	(167,190)	(173,494)
	-----	-----	-----	-----
Net property income	69,264	9,793	72,551	151,608
	-----	-----	-----	-----
Other income				3,829

Total income				155,437
Trust and administration expenses				(93,337)
Finance costs				(62,466)

Loss before tax				(366)
				=====
Total assets	1,546,899	281,539	1,629,483	3,457,921
	=====	=====	=====	=====

YTL HOSPITALITY REIT**INTERIM FINANCIAL REPORT****Notes : - continued**

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

	< ---Property rental--->		< --Hotel-- >	Total
	Malaysia	Japan	Australia	
	RM'000	RM'000	RM'000	RM'000
External revenue	73,525	11,617	238,291	323,433
Operating expenses	(4,158)	(1,795)	(158,238)	(164,191)
Net property income	69,367	9,822	80,053	159,242
Other income				3,396
Total income				162,638
Trust and administration expenses				(64,038)
Finance costs				(58,842)
Profit before tax				39,758
Total assets	1,517,124	233,041	1,429,439	3,179,604

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

There was no change in the composition of the Group and of the Trust for the current financial period ended 31 March 2016 and the fund size 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

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 current financial quarter increased to RM25.919 million from RM23.680 million recorded in preceding year corresponding quarter, representing an increase of 9.46%, after adjustment for non-cash items.

For the current financial quarter ended 31 March 2016, the Group recorded a revenue of RM110.572 million, representing an increase of 2.48% as compared to RM107.895 million recorded in the preceding year corresponding quarter ended 31 March 2015 while the Group recorded a net property income of RM51.895 million, representing a decrease of 4.65% as compared to RM54.427 million recorded in the preceding year corresponding quarter ended 31 March 2015.

Australian Properties contributed 74.31% of total revenue, or RM82.167 million in the current financial quarter, 3.39% higher as compared to RM79.476 million recorded in the preceding year corresponding quarter. Net property income for Australian Properties was RM25.607 million, a decrease of 8.22% as compared to RM27.900 million recorded in the preceding year corresponding quarter. The decrease in net property income in the current financial quarter was due to lower contribution by Brisbane Marriott which was partially cushioned by the appreciation of the Australian Dollar in the current financial quarter ended 31 March 2016.

Malaysian Properties contributed 22.17% of total revenue, or RM24.508 million in the current financial quarter. Net property income for Malaysian Properties was RM23.089 million, a decrease of 0.12% from RM23.117 million recorded in the preceding year corresponding quarter, mainly due to additional property insurance expense on political violence cover taken in the current financial year.

Hilton Niseko Village contributed 3.52% of total revenue, or RM3.897 million in the current financial quarter, 0.36% lower than that recorded in the preceding year corresponding quarter. Net property income for the current quarter was RM3.199 million, a decrease of 6.19% from the preceding year corresponding quarter.

The Group recorded a profit before tax of RM51.523 million for the current financial quarter ended 31 March 2016, an increase of 290.00%, as compared to a profit before tax of RM13.211 million recorded in the preceding year corresponding quarter ended 31 March 2015. The increase was mainly due to the reasons as set out below:-

1. the unrealised foreign currency translation gain of RM35.201 million on the Australian Dollar denominated term loan; and
2. reclassification of fair value expense of RM6.387 million on the derivative financial instrument from income statement to cash flow hedge reserve.

The said increases were partially offset by the increase in depreciation charges and finance costs during the current financial quarter.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

Comparison with Preceding Year Corresponding Period

The income available for distribution in current financial period increased to RM78.714 million from RM74.813 million recorded in preceding year corresponding period, representing an increase of 5.21%, after adjustment for non-cash items.

For the current financial period ended 31 March 2016, the revenue of RM325.102 million increased by 0.52% as compared to the preceding year corresponding period's revenue of RM323.433 million. Net property income of RM151.608 million decreased by 4.79% as compared to the preceding year corresponding period's net property income of RM159.242 million due to lower contribution by Brisbane Marriott.

Australian Properties contributed RM239.741 million in revenue, representing 73.74% of total revenue in the current financial period, 0.61% higher than that recorded in the preceding year corresponding period. Net property income for Australian Properties was RM72.551 million, representing a decrease of 9.37% as compared to the preceding year corresponding period. The decrease in net property income in the current financial period was due to the same reason as set out above.

Malaysian Properties contributed RM73.525 million in revenue, representing 22.62% of total revenue in the current financial period. Net property income for Malaysian Properties was RM69.264 million, representing a decrease of 0.15% compared to the preceding year corresponding period, due to same reason set out above.

Hilton Niseko Village contributed RM11.836 million in revenue, representing 3.64% of total revenue in the current financial period, 1.89% higher than that recorded in the preceding year corresponding period. Net property income for the current period was RM9.793 million, representing a decrease of 0.30% compared to the preceding year corresponding period.

The Group recorded a loss before tax of RM0.366 million for the current financial period ended 31 March 2016, a decrease of 100.92%, as compared to a profit before tax of RM39.758 million recorded in the preceding year corresponding period ended 31 March 2015. The decrease was mainly due to unrealised foreign currency translation loss of RM24.836 million on Australian Dollar denominated term loan. Other contributors to the decrease in profit before tax were the increase in depreciation charges and finance costs during the current financial period.

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

Comparison with Preceding Quarter

	Current Quarter 31.03.2016 RM'000	Preceding Quarter 31.12.2015 RM'000
Revenue	110,572	117,114
Net Property Income	51,895	55,544
Profit/(Loss) Before Tax	51,523	(632)
Income Available For Distribution	25,919	25,583

The income available for distribution increased to RM25.919 million recorded in current financial quarter from RM25.583 million recorded in preceding financial quarter ended 31 December 2015, representing an increase of 1.31%.

The Group's revenue and net property income for the current financial quarter ended 31 March 2016 decreased by 5.59% and 6.57%, respectively as compared to the preceding quarter ended 31 December 2015 due to lower contribution by Brisbane Marriott.

Revenue and net property income from Australian Properties at RM82.167 million and RM25.607 million, respectively in the current financial quarter decreased 7.38% and 12.62%, respectively as compared to RM88.711 million and RM29.305 million, respectively recorded in the preceding quarter due to the same reason as set out above.

Revenue from Malaysian Properties at RM24.508 million was similar to the revenue in the preceding quarter. Net property income for Malaysian Properties was RM23.089 million, an increase of 0.21% from RM23.040 million recorded in the preceding quarter.

Revenue and net property income from Hilton Niseko Village at RM3.897 million and RM3.199 million, respectively in the current financial quarter were similar to the revenue and net property income recorded in the preceding quarter.

The Group's profit before tax for the current financial quarter ended 31 March 2016 improved 8,252.37% as compared to its loss before tax for the preceding quarter ended 31 December 2015. The improvement was mainly due to the reasons as set out below:-

1. unrealised foreign currency translation gain of RM35.201 million on the Australian Dollar denominated term loan; and
2. reclassification of fair value expense of RM6.387 million on the derivative financial instrument from income statement to cash flow hedge reserve.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B2. Audit Report of the preceding financial year ended 30 June 2015

The Auditor's Report on the financial statements of the financial year ended 30 June 2015 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 March 2016, YTL Hospitality REIT's composition of investment portfolio is as follows:

	Fair Value As At 31.03.2016 RM'000	% Of Fair Value To NAV As At 31.03.2016 %
<u>Real Estate - Commercial</u>		
<u>Malaysian Properties</u>		
(i) JW Marriott Hotel Kuala Lumpur	389,000	21.9
(ii) The Residences at The Ritz-Carlton, Kuala Lumpur	240,000	13.5
(iii) The Ritz-Carlton, Kuala Lumpur	313,000	17.7
(iv) Pangkor Laut Resort	113,000	6.4
(v) Tanjung Jara Resort	100,000	5.6
(vi) Vistana Kuala Lumpur Titiwangsa	120,000	6.8
(vii) Vistana Penang Bukit Jambul	114,000	6.4
(viii) Vistana Kuantan City Centre	85,000	4.8
(ix) Cameron Highlands Resort	58,000	3.3
<u>Japanese Property</u>		
(x) Hilton Niseko Village*	262,388	14.8
<u>Australian Properties</u>		
(xi) Sydney Harbour Marriott^	1,009,021	56.9
(xii) Brisbane Marriott^	285,139	16.1
(xiii) Melbourne Marriott^	216,255	12.2
	-----	-----
	3,304,803	186.4
Deposits with licensed financial institutions	30,532	1.7
	-----	-----
	3,335,335	188.1
	=====	=====

Note :

* Translated on 31 March 2016 at the exchange rate of JPY100 : RM3.4892

^ Translated on 31 March 2016 at the exchange rate of AUD1 : RM3.0009

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 March 2016 were RM1,772,872,649 and RM1.3386, respectively. The decrease in total NAV and NAV per unit was mainly due to the unrealised foreign exchange loss on the investments in Japanese and Australian subsidiaries.

	Current Quarter 31.03.2016 RM	Preceding Quarter 31.12.2015 RM
NAV	1,772,872,649	1,838,192,960
NAV per unit	1.3386	1.3880

B6. Change in Market Value

On 31 March 2016, YTL Hospitality REIT’s market value closed at RM1.06 per unit, an increase of 1.92% as compared to the closing market value of RM1.04 per unit on 31 December 2015.

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 2016.

B8. Utilisation of Proceeds Raised from Issuance of New Units

There was no issuance of new units during the current financial period ended 31 March 2016.

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

A total of RM12,179,000 was incurred for refurbishment works carried out at Sydney Harbour Marriott during the financial period ended 31 March 2016.

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 31.03.2016 RM'000	Year To Date 31.03.2016 RM'000
Malaysian income tax	42	164
Foreign income tax	(384)	803
Deferred tax	801	560
	-----	-----
	459	1,527
	=====	=====

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 March 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% (effective 1 January 2016)

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”). On 23 May 2014, SC approved the Proposed Extension of Time.

YTL HOSPITALITY REIT

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Notes : - continued

An application was submitted to Bursa Securities on 28 May 2014 to seek an extension of time of approximately six (6) months from 10 July 2014 until 29 December 2014 to complete the Proposed Placement and Proposed Increase in Fund Size. Bursa Securities had vide its letter dated 12 June 2014 approved an extension of time until 29 December 2014 for the implementation of the Proposed Placement.

Applications were submitted to the SC and Bursa Securities on 21 November 2014 and 26 November 2014, respectively to seek a further extension of time of six (6) months from 30 December 2014 until 29 June 2015 to complete the Proposed Placement and Proposed Increase in Fund Size (“Proposed Extension of Time II”). Both SC and Bursa Securities had vide their letters dated 2 December 2014 approved the Proposed Extension of Time II.

Further applications were submitted to the SC and Bursa Securities on 14 May 2015 to seek an extension of time of six (6) months from 30 June 2015 to 29 December 2015 to complete the Proposed Placement and Proposed Increase in Fund Size (“Proposed Extension of Time III”). Both SC and Bursa Securities had vide their letters dated 21 May 2015 and 27 May 2015, respectively approved the Proposed Extension of Time III.

Further applications were submitted to the SC and Bursa Securities on 20 November 2015 to seek an extension of time of six (6) months from 30 December 2015 to 29 June 2016 to complete the Proposed Placement and Proposed Increase in Fund Size (“Proposed Extension of Time IV”). Both SC and Bursa Securities had vide their letters dated 9 December 2015 and 11 December 2015, respectively approved the Proposed Extension of Time IV.

Further applications were submitted to the SC and Bursa Securities on 20 May 2016 to seek an extension of time of six (6) months from 30 June 2016 to 29 December 2016 to complete the Proposed Placement and Proposed Increase in Fund Size (“Proposed Extension of Time V”) and are pending approval.

B15. Borrowings and Debt Securities

The Group’s borrowings from financial institutions as at 31 March 2016 are set below:

Long term	RM’000
Term Loan – secured	1,616,648
Capitalised transaction costs	(14,938)

	1,601,710
	=====

The above includes a term loan denominated in Australian Dollar of AUD264,869,843 (RM794,847,910^).

Note :

^ Translated on 31 March 2016 at the exchange rate of AUD1 : RM3.0009

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B16. Derivative Financial Instruments

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

Type of Derivative	Contract/ Notional Value RM'000	Fair Value RM'000
Interest rate swap contracts		
- 1 to 5 years	787,853	(13,867)
	=====	=====

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.

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

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B17. Income Distribution

The Board of Pintar Projek Sdn. Bhd. has declared an interim distribution of 1.9175 sen per unit of which 1.8715 sen is taxable and 0.0460 sen is not taxable in the hands of unitholders, totaling RM25,395,157 (which is tax exempt at the Trust level under the amended Section 61A of the Income Tax Act 1967), representing approximately 98% of the total distributable income for the financial quarter ended 31 March 2016.

The total income distribution paid and declared for the financial period ended 31 March 2016 is 5.7525 sen per unit, totaling RM76,185,471 and representing approximately 97% of the total distributable income. The book closure and payment dates in respect of the interim distribution will be fixed on 10 and 30 June 2016, respectively.

The interim income distribution is from the following sources:-

	Current Quarter 31.03.2016 RM'000	Year To Date 31.03.2016 RM'000
Profit/(Loss) after taxation	51,064	(1,893)
Distribution adjustments:-		
Depreciation	18,851	56,333
Unrealised foreign translation differences	(35,014)	24,686
Net income from foreign operations	(2,595)	(412)
Fair value of derivative instruments	(6,387)	-
	-----	-----
Income available for distribution/Total distributable income	25,919	78,714
Total distributable income brought forward	2,005	-
	-----	-----
Total distributable income available for distribution	27,924	78,714
Less: Income distribution	(25,395)	(76,185)
	-----	-----
Undistributed distributable income	2,529	2,529
	=====	=====

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

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

As at 31 March 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	747,464	792,312
YTL Power International Berhad	43,090	45,675
Business & Budget Hotels (Kuantan) Sdn Bhd	18,750	19,875
Megahub Development Sdn Bhd	18,250	19,345
East-West Ventures Sdn Bhd	62,500	66,250
Syarikat Pelanchongan Pangkor Laut Sendirian Berhad	24,250	25,705
Tanjong Jara Beach Hotel Sdn Bhd	21,750	23,055
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping	870	922
Dato' Yeoh Seok Kah	2,000	2,120
Dato' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir	100	106

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 RM1.06 per unit as at 31 March 2016.

B19. Realised and Unrealised Retained Profits/Undistributed Income

The breakdown of the undistributed income of the Group as at 31 March 2016, 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 31.03.2016 RM'000	As At 30.06.2015 RM'000
Total undistributed income of the Trust and its subsidiaries		
- Realised	(73,540)	(19,737)
- Unrealised	160,485	130,088
	-----	-----
	86,945	110,351
Add: Consolidation adjustments	81,186	135,858
	-----	-----
Total group undistributed income	168,131	246,209
	=====	=====

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 Malaysia Securities Berhad so as to give a true and fair view of the financial position of YTL Hospitality REIT as at 31 March 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: 26 May 2016