

YTL HOSPITALITY REIT

Established in Malaysia

**Interim Financial Report
31 December 2019**

YTL HOSPITALITY REIT

Interim Financial Report 31 December 2019

	Page No.
Condensed Income Statements for the Quarter	1 - 3
Condensed Statements of Comprehensive Income for the Quarter	4
Condensed Income Statements for the Period	5 - 6
Condensed Statements of Comprehensive Income for the Period	7
Condensed Statements of Financial Position	8 - 9
Condensed Statements of Changes in Net Asset Value	10 - 13
Condensed Consolidated Statement of Cash Flows	14 - 15
Notes to the Interim Financial Report	16 - 27

YTL HOSPITALITY REIT**INTERIM FINANCIAL REPORT**

Interim financial report on results for the financial period ended 31 December 2019.

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
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
NET REVENUE	131,100	132,466	35,058	33,547
PROPERTY OPERATING EXPENSES	(60,063)	(63,143)	(1,828)	(1,748)
NET PROPERTY INCOME	71,037	69,323	33,230	31,799
FINANCE INCOME	361	466	26,763	27,632
OTHER INCOME	396	363	-	-
MANAGER'S FEES	(2,638)	(2,580)	(2,638)	(2,580)
TRUSTEE'S FEES	(365)	(359)	(365)	(359)
DEPRECIATION	(18,283)	(19,764)	-	-
ADMINISTRATION EXPENSES	(2,521)	(4,289)	(1,423)	(1,010)
FINANCE COSTS	(22,543)	(22,069)	(22,520)	(22,047)
INCOME BEFORE UNREALISED ITEM	25,444	21,091	33,047	33,435
UNREALISED ITEM: - Unrealised (loss)/gain on foreign exchange	(6,396)	14,507	(432)	(717)
PROFIT BEFORE TAX	19,048	35,598	32,615	32,718

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

CONDENSED INCOME STATEMENTS FOR THE QUARTER – continued

	GROUP		TRUST	
	CURRENT YEAR QUARTER 31.12.2019 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.12.2018 RM'000	CURRENT YEAR QUARTER 31.12.2019 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.12.2018 RM'000
PROFIT BEFORE TAX	19,048	35,598	32,615	32,718
INCOME TAX EXPENSE	(940)	(1,138)	(394)	(392)
PROFIT FOR THE QUARTER	18,108	34,460	32,221	32,326
DISTRIBUTION ADJUSTMENTS:				
- Depreciation	18,283	19,764	-	-
- Net income from foreign operations	(10,134)	(6,674)	-	-
- Unrealised foreign translation differences	6,396	(14,507)	432	717
INCOME AVAILABLE FOR DISTRIBUTION / TOTAL DISTRIBUTABLE INCOME	32,653	33,043	32,653	33,043
UNDISTRIBUTED DISTRIBUTABLE INCOME BROUGHT FORWARD	1	-	1	-
UNDISTRIBUTED DISTRIBUTABLE INCOME AVAILABLE FOR DISTRIBUTION	32,654	33,043	32,654	33,043

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

	GROUP		TRUST	
	CURRENT YEAR QUARTER 31.12.2019 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.12.2018 RM'000	CURRENT YEAR QUARTER 31.12.2019 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.12.2018 RM'000
UNDISTRIBUTED DISTRIBUTABLE INCOME AVAILABLE FOR DISTRIBUTION	32,654	33,043	32,654	33,043
PROVISION FOR INCOME DISTRIBUTION	(32,653)	(33,043)	(32,653)	(33,043)
UNDISTRIBUTED DISTRIBUTABLE INCOME	1	-	1	-
DISTRIBUTABLE INCOME PER UNIT (Sen)	1.9158	1.9387	1.9158	1.9387
GROSS DISTRIBUTION PER UNIT (Sen)	1.9158	1.9387	1.9158	1.9387

The Condensed Income Statements should be read in conjunction with the audited annual financial statements for the year ended 30 June 2019 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 YEAR QUARTER 31.12.2019 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.12.2018 RM'000	CURRENT YEAR QUARTER 31.12.2019 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.12.2018 RM'000
PROFIT FOR THE QUARTER	18,108	34,460	32,221	32,326
OTHER COMPREHENSIVE INCOME/(EXPENSE):-				
<i>ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO INCOME STATEMENT:-</i>				
CASH FLOW HEDGE	3,876	(510)	3,876	(510)
CURRENCY TRANSLATION DIFFERENCES	10,705	(28,136)	-	-
TOTAL COMPREHENSIVE INCOME FOR THE QUARTER	32,689	5,814	36,097	31,816
PROFIT FOR THE QUARTER IS MADE UP AS FOLLOWS:-				
REALISED PROFIT	42,787	39,717	32,653	33,043
UNREALISED LOSS	(24,679)	(5,257)	(432)	(717)
	18,108	34,460	32,221	32,326
Weighted average number of units ('000)	1,704,389	1,704,389	1,704,389	1,704,389
EARNINGS PER UNIT (Sen)	1.06	2.02	1.89	1.90

The Condensed Statements of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended 30 June 2019 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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
NET REVENUE	251,818	246,333	70,117	67,156
PROPERTY OPERATING EXPENSES	(118,043)	(120,689)	(3,656)	(3,491)
NET PROPERTY INCOME	133,775	125,644	66,461	63,665
FINANCE INCOME	607	928	53,362	53,781
OTHER INCOME	780	841	-	52
MANAGER'S FEES	(5,107)	(4,865)	(5,107)	(4,865)
TRUSTEE'S FEES	(729)	(706)	(729)	(706)
DEPRECIATION	(36,659)	(39,215)	(1)	-
ADMINISTRATION EXPENSES	(5,347)	(6,882)	(2,173)	(2,344)
FINANCE COSTS	(45,024)	(43,207)	(44,979)	(43,162)
INCOME BEFORE UNREALISED ITEM	42,296	32,538	66,834	66,421
UNREALISED ITEM: - Unrealised gain/(loss) on foreign exchange	17,084	15,057	(2,974)	690
PROFIT BEFORE TAX	59,380	47,595	63,860	67,111

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

CONDENSED INCOME STATEMENTS FOR THE PERIOD – continued

	GROUP		TRUST	
	6 MONTHS ENDED		6 MONTHS ENDED	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
PROFIT BEFORE TAX	59,380	47,595	63,860	67,111
INCOME TAX EXPENSE	(1,609)	(1,410)	(801)	(621)
	-----	-----	-----	-----
PROFIT FOR THE PERIOD	57,771	46,185	63,059	66,490
DISTRIBUTION ADJUSTMENTS:				
- Depreciation	36,658	39,215	-	-
- Net income from foreign operations	(11,312)	(4,543)	-	-
- Unrealised foreign translation differences	(17,084)	(15,057)	2,974	(690)
	-----	-----	-----	-----
INCOME AVAILABLE FOR DISTRIBUTION / TOTAL DISTRIBUTABLE INCOME	66,033	65,800	66,033	65,800
DISTRIBUTION PAID	(33,379)	(32,757)	(33,379)	(32,757)
PROVISION FOR INCOME DISTRIBUTION	(32,653)	(33,043)	(32,653)	(33,043)
	-----	-----	-----	-----
UNDISTRIBUTED DISTRIBUTABLE INCOME	1	-	1	-
	=====	=====	=====	=====
DISTRIBUTABLE INCOME PER UNIT (Sen)	3.8743	3.8606	3.8743	3.8606
	=====	=====	=====	=====
GROSS DISTRIBUTION PER UNIT (Sen)	3.8742	3.8606	3.8742	3.8606
	=====	=====	=====	=====

The Condensed Income Statements should be read in conjunction with the audited annual financial statements for the year ended 30 June 2019 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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
PROFIT FOR THE PERIOD	57,771	46,185	63,059	66,490
OTHER COMPREHENSIVE INCOME/(EXPENSE):-				
<i>ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO INCOME STATEMENT:-</i>				
CASH FLOW HEDGE	6,838	(565)	6,838	(565)
CURRENCY TRANSLATION DIFFERENCES	(36,495)	(25,723)	-	-
	-----	-----	-----	-----
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	28,114	19,897	69,897	65,925
	=====	=====	=====	=====
PROFIT FOR THE PERIOD IS MADE UP AS FOLLOWS:-				
REALISED PROFIT	77,345	70,343	66,033	65,800
UNREALISED (LOSS) / PROFIT	(19,574)	(24,158)	(2,974)	690
	-----	-----	-----	-----
	57,771	46,185	63,059	66,490
	=====	=====	=====	=====
Weighted average number of units ('000)	1,704,389	1,704,389	1,704,389	1,704,389
	=====	=====	=====	=====
EARNINGS PER UNIT (Sen)	3.39	2.71	3.70	3.90
	=====	=====	=====	=====

The Condensed Statements of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended 30 June 2019 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 31.12.2019 RM'000	AUDITED AS AT 30.06.2019 RM'000	UNAUDITED AS AT 31.12.2019 RM'000	AUDITED AS AT 30.06.2019 RM'000
ASSETS				
Non-current Assets				
Investment properties	2,721,133	2,732,554	2,203,000	2,203,000
Property, plant and equipment	1,889,709	1,946,226	-	-
Right-of-use asset	208	-	208	-
Investment in subsidiaries	-	-	521,056	521,056
Amount due from subsidiaries	-	-	1,329,401	1,349,378
Deferred tax assets	3,120	2,679	-	-
	-----	-----	-----	-----
	4,614,170	4,681,459	4,053,665	4,073,434
	-----	-----	-----	-----
Current Assets				
Inventories	649	664	-	-
Trade and other receivables	44,101	33,682	2,331	6,014
Amount due from subsidiaries	-	-	124,438	123,399
Deposits with licensed financial institutions	33,062	58,935	3,650	10,130
Cash at banks	112,745	90,037	1,825	317
	-----	-----	-----	-----
	190,557	183,318	132,244	139,860
	-----	-----	-----	-----
TOTAL ASSETS	4,804,727	4,864,777	4,185,909	4,213,294
	=====	=====	=====	=====
UNITHOLDERS' FUNDS				
Unitholders' capital	1,690,806	1,690,806	1,690,806	1,690,806
Undistributed income	65,789	74,050	456,661	459,634
Reserves	942,587	972,244	(7,710)	(14,548)
	-----	-----	-----	-----
Net Asset Value	2,699,182	2,737,100	2,139,757	2,135,892
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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

CONDENSED STATEMENTS OF FINANCIAL POSITION – continued

	GROUP		TRUST	
	UNAUDITED AS AT 31.12.2019 RM'000	AUDITED AS AT 30.06.2019 RM'000	UNAUDITED AS AT 31.12.2019 RM'000	AUDITED AS AT 30.06.2019 RM'000
LIABILITIES				
Non-current Liabilities				
Borrowings	1,012,084	1,016,393	202,084	206,393
Lease liability	209	-	209	-
Other payables	-	963	-	-
Amount due to a subsidiary	-	-	810,000	810,000
	-----	-----	-----	-----
	1,012,293	1,017,356	1,012,293	1,016,393
	-----	-----	-----	-----
Current Liabilities				
Borrowings	981,416	993,031	981,416	993,031
Derivative financial instruments	7,710	14,548	7,710	14,548
Trade and other payables	71,247	66,948	12,080	17,648
Amount due to a subsidiary	-	-	-	9
Income tax liabilities	226	21	-	-
Provision for income distribution	32,653	35,773	32,653	35,773
	-----	-----	-----	-----
	1,093,252	1,110,321	1,033,859	1,061,009
	-----	-----	-----	-----
TOTAL LIABILITIES	2,105,545	2,127,677	2,046,152	2,077,402
	-----	-----	-----	-----
TOTAL UNITHOLDERS' FUNDS & LIABILITIES	4,804,727	4,864,777	4,185,909	4,213,294
	=====	=====	=====	=====
Net asset value (RM'000)				
- before income distribution	2,765,214	2,871,254	2,205,789	2,270,046
- after income distribution	2,699,182	2,737,100	2,139,757	2,135,892
	=====	=====	=====	=====
Number of units in circulations ('000)				
	1,704,389	1,704,389	1,704,389	1,704,389
	=====	=====	=====	=====
Net asset value per unit (RM)				
- before income distribution	1.622	1.685	1.294	1.332
- after income distribution	1.584	1.606	1.255	1.253
	=====	=====	=====	=====

The Condensed Statements of Financial Position should be read in conjunction with the audited annual financial statements for the year ended 30 June 2019 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 2019**

GROUP	Unitholders' Capital RM'000	Distributable Undistributed Realised Income RM'000	<-----Non-distributable----->				Total Unitholders' Funds RM'000
			Unrealised Loss RM'000	Currency Translation Reserves RM'000	Revaluation Reserve RM'000	Cash Flow Hedge Reserve RM'000	
At 1 July 2019	1,690,806	210,903	(136,853)	(95,066)	1,081,858	(14,548)	2,737,100
Operations for the period							
Profit for the period	-	77,345	(19,574)	-	-	-	57,771
Other comprehensive (expense)/income	-	-	-	(22,744)	(13,751)	6,838	(29,657)

Increase/(Decrease) in net assets resulting from operations	-	77,345	(19,574)	(22,744)	(13,751)	6,838	28,114
Unitholders' transactions							
Distribution paid	-	(33,379)	-	-	-	-	(33,379)
Provision for income distribution	-	(32,653)	-	-	-	-	(32,653)

Decrease in net assets resulting from Unitholders' transaction	-	(66,032)	-	-	-	-	(66,032)

At 31 December 2019	1,690,806	222,216	(156,427)	(117,810)	1,068,107	(7,710)	2,699,182
=====							

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

**CONDENSED STATEMENTS OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019 - 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 2019	1,690,806	184,699	274,935	(14,548)	2,135,892
Operations for the period					
Profit/(Loss) for the period	-	66,033	(2,974)	-	63,059
Other comprehensive income	-	-	-	6,838	6,838
	-----	-----	-----	-----	-----
Increase/(Decrease) in net assets resulting from operations	-	66,033	(2,974)	6,838	69,897
Unitholders' transactions					
Distribution paid	-	(33,379)	-	-	(33,379)
Provision for income distribution	-	(32,653)	-	-	(32,653)
	-----	-----	-----	-----	-----
Decrease in net assets resulting from Unitholders' transaction	-	(66,032)	-	-	(66,032)
	-----	-----	-----	-----	-----
At 31 December 2019	1,690,806	184,700	271,961	(7,710)	2,139,757
	=====	=====	=====	=====	=====

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

**CONDENSED STATEMENTS OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018**

GROUP	Unitholders' Capital RM'000	Distributable Undistributed Realised Income RM'000	<-----Non-distributable----->				Total Unitholders' Funds RM'000
			Unrealised Loss RM'000	Currency Translation Reserves RM'000	Revaluation Reserve RM'000	Cash Flow Hedge Reserve RM'000	
At 1 July 2018	1,690,806	202,828	(99,297)	(97,883)	1,031,612	(9,555)	2,718,511
Operations for the period							
Profit/(Loss) for the period	-	70,343	(24,158)	-	-	-	46,185
Other comprehensive expense	-	-	-	(5,582)	(20,141)	(565)	(26,288)
Increase/(Decrease) in net assets resulting from operations	-	70,343	(24,158)	(5,582)	(20,141)	(565)	19,897
Unitholders' transactions							
Distribution paid	-	(32,757)	-	-	-	-	(32,757)
Provision for income distribution	-	(33,043)	-	-	-	-	(33,043)
Decrease in net assets resulting from Unitholders' transaction	-	(65,800)	-	-	-	-	(65,800)
At 31 December 2018	1,690,806	207,371	(123,455)	(103,465)	1,011,471	(10,120)	2,672,608

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

**CONDENSED STATEMENTS OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2018 - 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 2018	1,690,806	184,699	238,991	(9,555)	2,104,941
Operations for the period					
Profit for the period	-	65,800	690	-	66,490
Other comprehensive expense	-	-	-	(565)	(565)
	-----	-----	-----	-----	-----
Increase/(Decrease) in net assets resulting from operations	-	65,800	690	(565)	65,925
Unitholders' transactions					
Distribution paid	-	(32,757)	-	-	(32,757)
Provision for income distribution	-	(33,043)	-	-	(33,043)
	-----	-----	-----	-----	-----
Decrease in net assets resulting from Unitholders' transaction	-	(65,800)	-	-	(65,800)
	-----	-----	-----	-----	-----
At 31 December 2018	1,690,806	184,699	239,681	(10,120)	2,105,066
	=====	=====	=====	=====	=====

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 2019 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 2019**

	6 MONTHS ENDED	
	31.12.2019	31.12.2018
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	59,380	47,595
Adjustments for:-		
Amortisation of transaction costs	1,208	1,122
Depreciation of property, plant and equipment	36,659	39,215
Interest income	(607)	(928)
Interest expense	43,709	41,707
Loss on disposal of property, plant and equipment	41	2,329
Unrealised gain on foreign currency exchange	(17,084)	(15,057)
	-----	-----
Operating profit before changes in working capital	123,306	115,983
Net changes in current assets	(11,032)	(15,050)
Net changes in current liabilities	4,098	5,475
	-----	-----
Cash generated from operations	116,372	106,408
Income tax paid	(1,879)	(2,620)
	-----	-----
Net cash from operating activities	114,493	103,788
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	607	928
Acquisition of property, plant and equipment	(5,075)	(28,829)
Acquisition of investment property (note a)	-	(220,190)
Proceed from disposal of equipment	-	20
	-----	-----
Net cash used in investing activities	(4,468)	(248,071)
	-----	-----

YTL HOSPITALITY REIT**INTERIM FINANCIAL REPORT****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2019 - continued**

	6 MONTHS ENDED	
	31.12.2019	31.12.2018
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(43,709)	(41,707)
Distribution paid	(69,152)	(66,250)
Transaction costs paid	-	(1,656)
Proceeds of borrowings	-	230,356
	-----	-----
Net cash (used in)/from financing activities	(112,861)	120,743
	-----	-----
Net decrease in cash and cash equivalents	(2,836)	(23,540)
Effect on exchange rate changes	(329)	(1,232)
Cash and cash equivalents at beginning of financial period	148,972	155,457
	-----	-----
Cash and cash equivalents at end of financial period (note a)	145,807	130,685
	=====	=====

Note (a)

	As At	As At
	31.12.2019	31.12.2018
	RM'000	RM'000
Cash and cash equivalents:-		
Deposits with licensed financial institutions	33,062	44,941
Cash at banks	112,745	85,744
	-----	-----
	145,807	130,685
	=====	=====
Analysis of acquisition of investment property:-		
Cash	-	24,353
Borrowings	-	195,837
	-----	-----
	-	220,190
	=====	=====

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited annual financial statements for the year ended 30 June 2019 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 2019.

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 MFRSs, interpretations and amendments to MFRSs, which were effective for the financial year beginning 1 July 2019, 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 period 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 period to date save as disclosed in Note B14.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

A6. Income Distribution

The following distribution payment (which was tax exempt at the Trust level under the amended Section 61A, Income Tax Act 1967) was made during the financial period ended 31 December 2019:-

	RM'000
In respect of the three months ended 30 June 2019:- A final distribution of 2.0989 sen per unit each paid on 30 August 2019	35,773
In respect of the three months ended 30 September 2019:- An interim distribution of 1.9584 sen per unit each paid on 27 December 2019	33,379

	69,152
	=====

A7. Segment Information

The Group's segmental result for the financial period ended 31 December 2019 is as follows:-

	< ---Property rental--->		< --Hotel-- >	
	Malaysia	Japan	Australia	Total
	RM'000	RM'000	RM'000	RM'000
External revenue	70,117	14,151	167,550	251,818
Operating expenses	(3,656)	(2,566)	(111,821)	(118,043)
	-----	-----	-----	-----
Net property income	66,461	11,585	55,729	133,775
	-----	-----	-----	-----
Finance income				607
Other income				780
Unrealised gain on foreign exchange				17,084

Total income				152,246
Trust and administration expenses				(11,183)
Depreciation				(36,659)
Finance costs				(45,024)

Profit before tax				59,380
				=====
Total assets	2,211,082	528,897	2,064,748	4,804,727
	=====	=====	=====	=====

YTL HOSPITALITY REIT**INTERIM FINANCIAL REPORT**

Notes : - continued

A7. Segment Information - continued

The Group's segmental result for the financial period ended 31 December 2018 is as follows:-

	< ---Property rental--->		< --Hotel-- >	
	Malaysia	Japan	Australia	Total
	RM'000	RM'000	RM'000	RM'000
External revenue	67,156	11,222	167,955	246,333
Operating expenses	(3,491)	(2,582)	(114,616)	(120,689)
	-----	-----	-----	-----
Net property income	63,665	8,640	53,339	125,644
	-----	-----	-----	-----
Finance income				928
Other income				841
Unrealised gain on foreign exchange				15,057

Total income				142,470
Trust and administration expenses				(12,453)
Depreciation				(39,215)
Finance costs				(43,207)

Profit before tax				47,595
				=====
Total assets	2,092,680	529,535	2,062,341	4,684,556
	=====	=====	=====	=====

A8. Subsequent Events

There was no item, transaction or event of a material or unusual in nature 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 December 2019 and the fund size stood at 1,704,388,889.

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

	Individual Quarter		Variance %	Cumulative Quarter		Variance %
	31.12.2019 RM'000	31.12.2018 RM'000		31.12.2019 RM'000	31.12.2018 RM'000	
Revenue:						
- Hotel (Management contracts)	89,041	91,908	-3.12	167,550	167,955	-0.24
- Property rental (Master leases)	42,059	40,558	3.70	84,268	78,378	7.51
	-----	-----		-----	-----	
	131,100	132,466	-1.03	251,818	246,333	2.23
	=====	=====		=====	=====	
Net Property Income:						
- Hotel (Management contracts)	32,284	31,899	1.21	55,729	53,339	4.48
- Property rental (Master leases)	38,753	37,424	3.55	78,046	72,305	7.94
	-----	-----		-----	-----	
	71,037	69,323	2.47	133,775	125,644	6.47
	=====	=====		=====	=====	
Profit Before Tax	19,048	35,598	-46.49	59,380	47,595	24.76
Income Available For Distribution	32,653	33,043	-1.18	66,033	65,800	0.35

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B1. Review of Performance - continued

For the current financial quarter under review, the Group recorded revenue and net property income of RM131.100 million and RM71.037 million, respectively, as compared to RM132.466 million and RM69.323 million, respectively, recorded in the preceding year corresponding quarter, represented a decrease of 1.03% in revenue while net property income increased by 2.47%. The Group recorded a profit before tax of RM19.048 million for the current financial quarter ended 31 December 2019, a decrease of 46.49% as compared to a profit before tax of RM35.598 million recorded in the preceding year corresponding quarter, mainly due to the unrealised foreign currency translation loss on borrowings denominated in foreign currencies.

The income available for distribution in the current financial quarter of RM32.653 million, represented a marginal decrease of 1.18% as compared to RM33.043 million recorded in the preceding year corresponding quarter.

For the current financial period under review, the Group revenue and net property income increased by 2.23% and 6.47%, respectively as compared to the preceding year corresponding period. The Group recorded a profit before tax of RM59.380 million for the current financial period ended 31 December 2019, an increase of 24.76% as compared to a profit before tax of RM47.595 million recorded in the preceding year corresponding period.

The income available for distribution in the current financial period of RM66.033 million, represented a slight increase of 0.35% as compared to RM65.800 million recorded in the preceding year corresponding period.

Performance of the respective operating business segments for the financial quarter/period ended 31 December 2019 as compared to the preceding year corresponding quarter/period are analysed as follows:

Hotel

Revenue and net property income from Australian Properties improved due to continuous improvement in room sales subsequent to the completion of refurbishment of Brisbane Marriott and also attributed to increased operational efficiency and cost savings. However, the performances was offset by the continuous weakening of Australian Dollar against Ringgit Malaysia which resulted in lower translated revenue and net property income in Ringgit Malaysia.

Property rental

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

Additionally, the acquisition of The Green Leaf Niseko Village in September 2018 contributed to the increase in revenue and net property income for the current financial period ended 31 December 2019.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B2. Comparison with Preceding Quarter

	Current Quarter 31.12.2019 RM'000	Preceding Quarter 30.09.2019 RM'000	Variance % +/-
Revenue	131,100	120,718	8.60
Net Property Income	71,037	62,738	13.23
Profit Before Tax	19,048	40,332	-52.77
Income Available For Distribution	32,653	33,380	-2.18

For the current financial quarter, Group revenue and net property income increased by 8.60% and 13.23%, respectively as compared to the preceding financial quarter ended 30 September 2019. The Australian Properties generated higher revenue and net property income in the current financial quarter ended 31 December 2019 during the festive season in the current financial quarter ended 31 December 2019.

The Group recorded a profit before tax of RM19.048 million for the current financial quarter ended 31 December 2019, a decrease of 52.77%, as compared to the preceding financial quarter ended 30 September 2019, mainly due to unrealised foreign currency translation loss on Australian Dollar borrowing.

The income available for distribution in the current financial quarter recorded at RM32.653 million, represented a decrease of 2.18% as compared to RM33.380 million recorded in the preceding quarter.

B3. Audit Report of the preceding financial year ended 30 June 2019

The Auditor's Report on the financial statements of the financial year ended 30 June 2019 did not contain any qualification.

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B4. Portfolio Composition

As at 31 December 2019, YTL Hospitality REIT's composition of investment portfolio is as follows:-

	Fair Value As At 31.12.2019 RM'000	% of total investment %
<u>Real Estate - Commercial</u>		
<u>Malaysian Properties</u>		
(i) JW Marriott Hotel Kuala Lumpur	519,000	11
(ii) The Majestic Hotel Kuala Lumpur	388,000	8
(iii) The Ritz-Carlton, Kuala Lumpur - Hotel Wing	357,000	8
(iv) The Ritz-Carlton, Kuala Lumpur - Suite Wing	311,000	7
(v) AC Hotel Kuala Lumpur Titiwangsa (formerly Vistana Kuala Lumpur Titiwangsa)	138,000	3
(vi) AC Hotel Penang Bukit Jambul (formerly Vistana Penang Bukit Jambul)	120,000	3
(vii) Pangkor Laut Resort	118,000	3
(viii) Tanjong Jara Resort	103,000	2
(ix) AC Hotel Kuantan City Centre (formerly Vistana Kuantan City Centre)	89,000	2
(x) Cameron Highlands Resort	60,000	1
<u>Japanese Properties</u>		
(xi) Hilton Niseko Village*	289,944	6
(xii) The Green Leaf Niseko Village*	228,189	5
<u>Australian Properties</u>		
(xiii) Sydney Harbour Marriott^	1,404,901	30
(xiv) Brisbane Marriott^	262,449	6
(xv) Melbourne Marriott^	222,359	5
	-----	-----
Total	4,610,842	100
	=====	=====

Note :

* Translated on 31 December 2019 at the exchange rate of JPY100 : RM3.7655

^ Translated on 31 December 2019 at the exchange rate of AUD1 : RM2.8660

B5. Change in Net Asset Value ("NAV")

The total NAV and NAV per unit of the Group as at 31 December 2019 were RM2,699,182,000 and RM1.5837, respectively, approximate to that in the preceding quarter.

	Current Quarter 31.12.2019	Preceding Quarter 30.09.2019
NAV (RM'000)	2,699,182	2,699,146
Number of units in circulations ('000)	1,704,389	1,704,389
NAV per unit (after distribution) (RM)	1.5837	1.5836
NAV per unit (before distribution) (RM)	1.6224	1.6032

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B6. Status of property development activities

There were no property development activities during the current financial quarter ended 31 December 2019.

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 2020.

B8. Profit forecast

The Group did not issue any profit forecast or profit guarantee for the current financial quarter.

B9. Utilisation of Proceeds Raised from Issuance of New Units

There was no issuance of new units during the current financial period ended 31 December 2019.

B10. Material Litigation

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

B11. Maintenance Costs and Major Capital Expenditure

During the financial period ended 31 December 2019, RM5,075,000 (AUD1,779,000) was incurred on refurbishment works on the Australian Properties while Hilton Niseko Village incurred RM712,000 (JPY18,500,000) for property repairs and maintenance.

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B12. Taxation

Taxation comprises the following:-

	Current Quarter 31.12.2019 RM'000	Year To Date 31.12.2019 RM'000
Malaysian income tax	57	95
Foreign income tax	1,128	1,987
Deferred tax	(245)	(473)
	-----	-----
	940	1,609
	=====	=====

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 2019.

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%

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B13. Corporate Development

As at the date of this report, there is no corporate proposal announced and pending completion.

B14. Borrowings and Debt Securities

The Group's borrowings as at 31 December 2019 are as follows:-

	Short term RM'000	Long term RM'000	Total RM'000
Term Loan – secured	982,450	203,384	1,185,834
Medium Term Notes - secured	-	810,000	810,000
	-----	-----	-----
Total borrowings	982,450	1,013,384	1,995,834
Capitalised transaction costs	(1,034)	(1,300)	(2,334)
	-----	-----	-----
	981,416	1,012,084	1,993,500
	=====	=====	=====
Total Assets			4,804,727
			=====
Gearing ratio (%)			41.54
			=====

Foreign currency borrowings included in the above are as follows:-

	Foreign currency '000	RM equivalents RM'000
Australian Dollar [^]	342,795	982,450
Japanese Yen [*]	5,401,250	203,384

		1,185,834
		=====

Note :

[^] Translated on 31 December 2019 at the exchange rate of AUD1 : RM2.8660

^{*} Translated on 31 December 2019 at the exchange rate of JPY100 : RM3.7655

In order to protect the Group's distributable income from the volatility in interest rates and provide stability to unitholder's returns, the Group issued medium term notes with fixed coupon and entered into interest rate swaps for the term loan denominated in Australian Dollar.

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B15. Derivative Financial Instruments

The Group's outstanding derivatives as at 31 December 2019 were as follows:-

Type of Derivative	Contract/ Notional Value RM'000	Fair Value RM'000
Interest rate swap contracts		
- Less than 1 year	925,766 [^]	(7,710)
	=====	=====

Note :

[^] Translated on 31 December 2019 at the exchange rate of AUD1 : RM2.8660

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 fair value on interest rate swap recognised in other comprehensive income for the current financial quarter and financial period amounted to gains of RM3.876 million and RM6.838 million, respectively.

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

B16. Income Distribution

The Board of Pintar Projek Sdn. Bhd. has declared an interim distribution of 1.9158 sen per unit of which 1.5223 sen is taxable and 0.3935 sen is not taxable in the hands of unitholders, totalling RM32,652,682 (which is tax exempt at the Trust level under the amended Section 61A of the Income Tax Act 1967), representing approximately 100% of the total distributable income for the financial quarter ended 31 December 2019.

The total income distribution paid and declared for the financial period ended 31 December 2019 is 3.8742 sen per unit, totalling RM66,031,434 and representing approximately 100% of the total distributable income. The book closure and payment dates in respect of the interim distribution have been fixed on 5 and 25 March 2020, respectively.

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YTL HOSPITALITY REIT**INTERIM FINANCIAL REPORT**

Notes : - continued

B16. Income Distribution - continued

The interim income distribution is from the following sources:-

	Current Year Quarter 31.12.2019 RM'000	Preceding Year Corresponding Quarter 31.12.2018 RM'000	Current Year To Date 31.12.2019 RM'000	Preceding Year To Date 31.12.2018 RM'000
Net property income	71,037	69,323	133,775	125,644
Other income	757	15,336	18,471	16,826
Expenses	(52,746)	(49,061)	(92,866)	(94,875)
	-----	-----	-----	-----
Profit before tax	19,048	35,598	59,380	47,595
Income tax expense	(940)	(1,138)	(1,609)	(1,410)
	-----	-----	-----	-----
Profit after taxation	18,108	34,460	57,771	46,185
Distribution adjustments	14,545	(1,417)	8,262	19,615
	-----	-----	-----	-----
Realised income for the quarter/period	32,653	33,043	66,033	65,800
Total undistributed realised income brought forward	184,700	184,699	184,699	184,699
	-----	-----	-----	-----
Total realised income available for distribution	217,353	217,742	250,732	250,499
Less: Income distribution	(32,653)	(33,043)	(66,032)	(65,800)
	-----	-----	-----	-----
Balance undistributed realised income	184,700	184,699	184,700	184,699
	=====	=====	=====	=====
Distribution per unit (sen)				
- first interim			1.9584	1.9219
- second interim			1.9158	1.9387
			-----	-----
Total income distribution per unit (sen)			3.8742	3.8606
			=====	=====

By Order of the Board
HO SAY KENG
Secretary
Pintar Projek Sdn Bhd
Company No : 199401028328 (314009-W)
(As the Manager of YTL Hospitality REIT)

Kuala Lumpur
Dated: 20 February 2020