

YTL HOSPITALITY REIT

Established in Malaysia

**Interim Financial Report
30 June 2018**

YTL HOSPITALITY REIT

Interim Financial Report 30 June 2018

	Page No.
Condensed Income Statements for the Quarter	1 - 3
Condensed Statements of Comprehensive Income for the Quarter	4 - 5
Condensed Income Statements for the Year	6 - 7
Condensed Statements of Comprehensive Income for the Year	8 - 9
Condensed Statements of Financial Position	10 - 11
Condensed Statements of Changes in Net Asset Value	12 - 15
Condensed Consolidated Statement of Cash Flows	16 - 17
Notes to the Interim Financial Report	18 - 32

YTL HOSPITALITY REIT**INTERIM FINANCIAL REPORT**

Interim financial report on results for the financial year ended 30 June 2018.

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
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
NET REVENUE	116,603	111,133	33,546	25,776
PROPERTY OPERATING EXPENSES	(58,498)	(63,328)	(1,806)	(1,458)
NET PROPERTY INCOME	58,105	47,805	31,740	24,318
FINANCE INCOME	276	157	25,753	28,059
OTHER INCOME	2,635	1,633	2	707
MANAGER'S FEES	(2,293)	(1,934)	(2,293)	(1,934)
TRUSTEE'S FEES	(338)	(293)	(338)	(293)
DEPRECIATION	(21,085)	(21,416)	-	-
ADMINISTRATION EXPENSES	(1,889)	(2,740)	(452)	(688)
FINANCE COSTS	(20,726)	(17,545)	(20,703)	(17,523)
INCOME BEFORE UNREALISED ITEMS	14,685	5,667	33,709	32,646
UNREALISED ITEMS:				
- Fair value on investment properties	63,816	34,794	31,279	12,360
- Fair value on trade receivable	-	(52)	-	(52)
- Unrealised (loss)/gain on foreign exchange	(4,631)	20,772	1,775	(14,658)
- Revaluation (loss)/gain on Property	(5,582)	49	-	-
PROFIT BEFORE TAX	68,288	61,230	66,763	30,296

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

CONDENSED INCOME STATEMENTS FOR THE QUARTER – continued

	GROUP		TRUST	
	CURRENT YEAR QUARTER 30.06.2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30.06.2017 RM'000	CURRENT YEAR QUARTER 30.06.2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30.06.2017 RM'000
PROFIT BEFORE TAX	68,288	61,230	66,763	30,296
INCOME TAX EXPENSE	(734)	(343)	(217)	(228)
PROFIT FOR THE QUARTER	67,554	60,887	66,546	30,068
DISTRIBUTION ADJUSTMENTS:				
- Depreciation	21,085	21,416	-	-
- Net income from foreign operations	(1,544)	3,919	-	(1,759)
- Unrealised foreign translation differences	4,631	(20,772)	(1,775)	14,658
- Unrealised loss on fair value of trade receivable	-	52	-	52
- Unrealised gain on fair value of investment properties	(63,816)	(34,794)	(31,279)	(12,360)
- Revaluation loss/(gain) on property	5,582	(49)	-	-
INCOME AVAILABLE FOR DISTRIBUTION / TOTAL DISTRIBUTABLE INCOME	33,492	30,659	33,492	30,659
UNDISTRIBUTED DISTRIBUTABLE INCOME BROUGHT FORWARD	1	2,248	1	2,248
UNDISTRIBUTED DISTRIBUTABLE INCOME AVAILABLE FOR DISTRIBUTION	33,493	32,907	33,493	32,907

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

CONDENSED INCOME STATEMENTS FOR THE QUARTER – continued

	GROUP		TRUST	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
UNDISTRIBUTED DISTRIBUTABLE INCOME AVAILABLE FOR DISTRIBUTION	33,493	32,907	33,493	32,907
PROVISION FOR INCOME DISTRIBUTION	(33,493)	(32,905)	(33,493)	(32,905)
UNDISTRIBUTED DISTRIBUTABLE INCOME	-	2	-	2
DISTRIBUTABLE INCOME PER UNIT (Sen)	1.9651	1.9306	1.9651	1.9306
GROSS DISTRIBUTION PER UNIT (Sen)	1.9651	1.9306	1.9651	1.9306

The Condensed Income Statements should be read in conjunction with the audited annual financial statements for the year ended 30 June 2017 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 30.06.2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30.06.2017 RM'000	CURRENT YEAR QUARTER 30.06.2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30.06.2017 RM'000
PROFIT FOR THE QUARTER	67,554	60,887	66,546	30,068
OTHER COMPREHENSIVE INCOME/(EXPENSE):-				
<i>ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO INCOME STATEMENT:-</i>				
CASH FLOW HEDGE	937	368	937	368
CURRENCY TRANSLATION DIFFERENCES	91,049	(114,783)	-	-
<i>ITEM THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO INCOME STATEMENT:-</i>				
SURPLUS ON REVALUATION OF PROPERTIES	209,168	230,209	-	-
TOTAL COMPREHENSIVE INCOME FOR THE QUARTER	368,708	176,681	67,483	30,436

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

**CONDENSED STATEMENTS OF COMPREHENSIVE INCOME FOR THE QUARTER -
continued**

	GROUP		TRUST	
	CURRENT YEAR QUARTER 30.06.2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30.06.2017 RM'000	CURRENT YEAR QUARTER 30.06.2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30.06.2017 RM'000
PROFIT FOR THE QUARTER IS MADE UP AS FOLLOWS:-				
REALISED PROFIT	35,036	26,740	33,492	32,418
UNREALISED PROFIT /(LOSS)	32,518	34,147	33,054	(2,350)
	----- 67,554 =====	----- 60,887 =====	----- 66,546 =====	----- 30,068 =====
Weighted average number of units ('000)	1,704,389 =====	1,704,389 =====	1,704,389 =====	1,704,389 =====
EARNINGS PER UNIT (Sen)	3.96 =====	3.57 =====	3.90 =====	1.76 =====

The Condensed Statements of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended 30 June 2017 and the accompanying explanatory notes attached to the interim financial statements.

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

	GROUP		TRUST	
	12 MONTHS ENDED		12 MONTHS ENDED	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
NET REVENUE	500,953	449,683	124,701	100,993
PROPERTY OPERATING EXPENSES	(252,126)	(240,067)	(6,731)	(5,748)
NET PROPERTY INCOME	248,827	209,616	117,970	95,245
FINANCE INCOME	1,192	3,077	108,773	114,199
OTHER INCOME	5,244	5,966	1,069	3,843
MANAGER'S FEES	(9,242)	(8,021)	(9,242)	(8,021)
TRUSTEE'S FEES	(1,278)	(1,148)	(1,278)	(1,148)
DEPRECIATION	(83,667)	(83,444)	-	-
ADMINISTRATION EXPENSES	(6,468)	(7,435)	(1,425)	(1,496)
FINANCE COSTS	(80,976)	(79,084)	(80,885)	(78,994)
INCOME BEFORE UNREALISED ITEMS	73,632	39,527	134,982	123,628
UNREALISED ITEMS:				
- Fair value on investment properties	63,816	34,794	31,279	12,360
- Fair value on trade receivable	-	(52)	-	(52)
- Unrealised gain/(loss) on foreign exchange	107,272	(83,537)	(29,287)	30,157
- Revaluation (loss)/gain on property	(5,582)	49	-	-
PROFIT/(LOSS) BEFORE TAX	239,138	(9,219)	136,974	166,093
INCOME TAX EXPENSE	(2,579)	(2,902)	(875)	(936)
PROFIT/(LOSS) FOR THE YEAR	236,559	(12,121)	136,099	165,157

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

CONDENSED INCOME STATEMENTS FOR THE YEAR – continued

	GROUP		TRUST	
	12 MONTHS ENDED		12 MONTHS ENDED	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
PROFIT/(LOSS) FOR THE YEAR	236,559	(12,121)	136,099	165,157
DISTRIBUTION ADJUSTMENTS:				
- Depreciation	83,667	83,444	-	-
- Net income from foreign operations	(20,613)	2,623	-	-
- Unrealised foreign translation differences	(107,272)	83,537	29,287	(30,157)
- Unrealised loss on fair value of trade receivable	-	52	-	52
- Unrealised gain on fair value of investment properties	(63,816)	(34,794)	(31,279)	(12,360)
- Revaluation loss/(gain) on property	5,582	(49)	-	-
	-----	-----	-----	-----
INCOME AVAILABLE FOR DISTRIBUTION / TOTAL DISTRIBUTABLE INCOME	134,107	122,692	134,107	122,692
DISTRIBUTION PAID	(100,614)	(89,785)	(100,614)	(89,785)
PROVISION FOR INCOME DISTRIBUTION	(33,493)	(32,905)	(33,493)	(32,905)
	-----	-----	-----	-----
UNDISTRIBUTED DISTRIBUTABLE INCOME	-	2	-	2
	=====	=====	=====	=====
DISTRIBUTABLE INCOME PER UNIT (Sen)	7.8683	8.0839	7.8683	8.0839
	=====	=====	=====	=====
GROSS DISTRIBUTION PER UNIT (Sen)	7.8683	8.0838[^]	7.8683	8.0838[^]
	=====	=====	=====	=====

[^] Distribution per unit for the previous financial year consists of interim and advance income distribution of 3.9709 sen per unit based on the number of units in issue of 1,324,388,889 units and 4.1129 sen per unit based on the enlarged number of units in issue of 1,704,388,889 units.

The Condensed Income Statements should be read in conjunction with the audited annual financial statements for the year ended 30 June 2017 and the accompanying explanatory notes attached to the interim financial statements.

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

	GROUP		TRUST	
	12 MONTHS ENDED		12 MONTHS ENDED	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
PROFIT/(LOSS) FOR THE YEAR	236,559	(12,121)	136,099	165,157
OTHER COMPREHENSIVE INCOME/(EXPENSE):-				
<i>ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO INCOME STATEMENT:-</i>				
CASH FLOW HEDGE	4,318	9,851	4,318	9,851
CURRENCY TRANSLATION DIFFERENCES	(128,418)	103,928	-	-
<i>ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO INCOME STATEMENT:-</i>				
SURPLUS ON REVALUATION OF PROPERTIES	209,168	230,209	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	321,627	331,867	140,417	175,008

YTL HOSPITALITY REIT**INTERIM FINANCIAL REPORT****CONDENSED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEAR -
continued**

	GROUP		TRUST	
	12 MONTHS ENDED		12 MONTHS ENDED	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
PROFIT/(LOSS) FOR THE YEAR IS MADE UP AS FOLLOWS:-				
REALISED PROFIT	154,720	120,069	134,107	122,692
UNREALISED PROFIT /(LOSS)	81,839	(132,190)	1,992	42,465
	-----	-----	-----	-----
	236,559	(12,121)	136,099	165,157
	=====	=====	=====	=====
Weighted average number of units ('000)	1,704,389	1,529,485	1,704,389	1,529,485
	=====	=====	=====	=====
EARNINGS/(LOSS) PER UNIT (Sen)	13.88	(0.79)	7.99	10.80
	=====	=====	=====	=====

The Condensed Statements of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended 30 June 2017 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 30.06.2018 RM'000	AUDITED AS AT 30.06.2017 RM'000	UNAUDITED AS AT 30.06.2018 RM'000	AUDITED AS AT 30.06.2017 RM'000
ASSETS				
Non-current Assets				
Investment properties	2,371,618	1,937,647	2,079,000	1,663,500
Property, plant and equipment	1,947,753	1,921,844	-	-
Investment in subsidiaries	-	-	401,037	396,657
Amount due from subsidiaries	-	-	1,232,840	1,357,497
Deferred tax assets	2,550	2,733	-	-
	-----	-----	-----	-----
	4,321,921	3,862,224	3,712,877	3,417,654
	-----	-----	-----	-----
Current Assets				
Inventories	707	860	-	-
Trade and other receivables	33,570	33,660	7,916	10,304
Amount due from subsidiaries	-	-	126,351	99,524
Deposits with licensed financial institutions	45,754	51,051	1,350	30,975
Cash at banks	109,703	91,411	135	888
	-----	-----	-----	-----
	189,734	176,982	135,752	141,691
	-----	-----	-----	-----
TOTAL ASSETS	4,511,655	4,039,206	3,848,629	3,559,345
	=====	=====	=====	=====
UNITHOLDERS' FUNDS				
Unitholders' capital	1,690,806	1,690,806	1,690,806	1,690,806
Undistributed income	103,531	1,079	423,690	421,698
Reserves	924,174	839,106	(9,555)	(13,873)
	-----	-----	-----	-----
Net Asset Value	2,718,511	2,530,991	2,104,941	2,098,631
	-----	-----	-----	-----

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

CONDENSED STATEMENTS OF FINANCIAL POSITION – continued

	GROUP		TRUST	
	UNAUDITED AS AT 30.06.2018 RM'000	AUDITED AS AT 30.06.2017 RM'000	UNAUDITED AS AT 30.06.2018 RM'000	AUDITED AS AT 30.06.2017 RM'000
LIABILITIES				
Non-current Liabilities				
Borrowings	1,678,164	989,837	963,164	915,830
Other payables	963	1,195	-	-
Derivative financial instruments	9,555	13,873	9,555	13,873
Amount due to a subsidiary	-	-	715,000	75,000
	-----	-----	-----	-----
	1,688,682	1,004,905	1,687,719	1,004,703
	-----	-----	-----	-----
Current Liabilities				
Borrowings	-	414,753	-	414,753
Medium Term Notes	9,530	-	-	-
Trade and other payables	60,234	54,723	12,472	8,353
Amount due to a subsidiary	-	-	10,004	-
Income tax liabilities	1,205	929	-	-
Provision for income distribution	33,493	32,905	33,493	32,905
	-----	-----	-----	-----
	104,462	503,310	55,969	456,011
	-----	-----	-----	-----
TOTAL LIABILITIES	1,793,144	1,508,215	1,743,688	1,460,714
	-----	-----	-----	-----
TOTAL UNITHOLDERS' FUNDS & LIABILITIES	4,511,655	4,039,206	3,848,629	3,559,345
	=====	=====	=====	=====
Net asset value (RM'000)				
- before income distribution	2,852,618	2,653,681	2,239,048	2,221,321
- after income distribution	2,718,511	2,530,991	2,104,941	2,098,631
	=====	=====	=====	=====
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	1.674	1.557	1.314	1.303
- after income distribution	1.595	1.485	1.235	1.231
	=====	=====	=====	=====

The Condensed Statements of Financial Position should be read in conjunction with the audited annual financial statements for the year ended 30 June 2017 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 YEAR ENDED 30 JUNE 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 2017	1,690,806	182,215	(181,136)	30,535	822,444	(13,873)	2,530,991
Operations for the year							
Profit for the year	-	154,720	81,839	-	-	-	236,559
Other comprehensive (expense)/income	-	-	-	(128,418)	209,168	4,318	85,068

Increase/(Decrease) in net assets resulting from operations	-	154,720	81,839	(128,418)	209,168	4,318	321,627
Unitholders' transactions							
Distribution paid	-	(100,614)	-	-	-	-	(100,614)
Provision for income distribution	-	(33,493)	-	-	-	-	(33,493)

Decrease in net assets resulting from Unitholders' transaction	-	(134,107)	-	-	-	-	(134,107)

At 30 June 2018	1,690,806	202,828	(99,297)	(97,883)	1,031,612	(9,555)	2,718,511
=====							

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

**CONDENSED STATEMENTS OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 - continued**

	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		
TRUST					
At 1 July 2017	1,690,806	184,699	236,999	(13,873)	2,098,631
Operations for the year					
Profit for the year	-	134,107	1,992	-	136,099
Other comprehensive income	-	-	-	4,318	4,318
Increase in net assets resulting from operations	-	134,107	1,992	4,318	140,417
Unitholders' transactions					
Distribution paid	-	(100,614)	-	-	(100,614)
Provision for income distribution	-	(33,493)	-	-	(33,493)
Decrease in net assets resulting from Unitholders' transaction	-	(134,107)	-	-	(134,107)
At 30 June 2018	1,690,806	184,699	238,991	(9,555)	2,104,941

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

**CONDENSED STATEMENTS OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

GROUP	Unitholders' Capital RM'000	Distributable Undistributed Realised Income RM'000	<-----Non distributable----->				Cash Flow Hedge Reserve RM'000	Total Unitholders' Funds RM'000
			Unrealised Loss RM'000	Currency Translation Reserves RM'000	Revaluation Reserve RM'000			
At 1 July 2016	1,291,395	184,836	(48,946)	(73,393)	592,235	(23,724)	1,922,403	
Operations for the year								
Profit/(Loss) for the year	-	120,069	(132,190)	-	-	-	(12,121)	
Other comprehensive income	-	-	-	103,928	230,209	9,851	343,988	
Increase/(Decrease) in net assets resulting from operations	-	120,069	(132,190)	103,928	230,209	9,851	331,867	
Unitholders' transactions								
Issuance of units	402,800	-	-	-	-	-	402,800	
Issuing expenses	(3,389)	-	-	-	-	-	(3,389)	
Distribution paid	-	(89,785)	-	-	-	-	(89,785)	
Provision for income distribution	-	(32,905)	-	-	-	-	(32,905)	
Increase/(Decrease) in net assets resulting from Unitholders' transaction	399,411	(122,690)	-	-	-	-	276,721	
At 30 June 2017	1,690,806	182,215	(181,136)	30,535	822,444	(13,873)	2,530,991	

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

**CONDENSED STATEMENTS OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 - 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 2016	1,291,395	184,697	194,534	(23,724)	1,646,902
Operations for the year					
Profit for the year	-	122,692	42,465	-	165,157
Other comprehensive income	-	-	-	9,851	9,851
	-----	-----	-----	-----	-----
Increase in net assets resulting from operations	-	122,692	42,465	9,851	175,008
Unitholders' transactions					
Issuance of units	402,800	-	-	-	402,800
Issuing expenses	(3,389)	-	-	-	(3,389)
Distribution paid	-	(89,785)	-	-	(89,785)
Provision for income distribution	-	(32,905)	-	-	(32,905)
	-----	-----	-----	-----	-----
Increase/(Decrease) in net assets resulting from Unitholders' transaction	399,411	(122,690)	-	-	276,721
	-----	-----	-----	-----	-----
At 30 June 2017	1,690,806	184,699	236,999	(13,873)	2,098,631
	=====	=====	=====	=====	=====

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 2017 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 YEAR ENDED 30 JUNE 2018**

	12 MONTHS ENDED	
	30.06.2018	30.06.2017
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax	239,138	(9,219)
Adjustments for:-		
Amortisation of transaction costs	4,035	6,501
Depreciation of property, plant and equipment	83,667	83,444
Impairment losses on trade receivables - net	-	52
Interest income	(1,192)	(3,077)
Interest expense	76,141	71,750
Fair value on investment properties	(63,816)	(34,794)
Loss on disposal of property, plant and equipment	399	35
Unrealised (gain)/loss on foreign currency exchange	(107,272)	83,537
Revaluation loss/(gain) on property	5,582	(49)
	-----	-----
Operating profit before changes in working capital	236,682	198,180
Net changes in current assets	(1,670)	1,967
Net changes in current liabilities	9,913	3,004
	-----	-----
Cash generated from operations	244,925	203,151
Income tax paid	(1,427)	(722)
	-----	-----
Net cash from operating activities	243,498	202,429
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	317	2,140
Acquisition of property, plant and equipment	(10,088)	(43,572)
Acquisition of investment property	(4,221)	-
Enhancement of investment properties	-	(65,140)
Proceed from disposal of equipment	60	76
	-----	-----
Net cash used in investing activities	(13,932)	(106,496)
	-----	-----

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 - continued**

	12 MONTHS ENDED	
	30.06.2018	30.06.2017
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceed from issuance of units	-	402,800
Interest paid	(76,141)	(71,750)
Distribution paid	(133,519)	(118,144)
Transaction costs paid	(1,368)	(72)
Net proceed/(repayment) of borrowings	7,580	(285,236)
Issuance expenses	-	(3,389)
	-----	-----
Net cash used in financing activities	(203,448)	(75,791)
	-----	-----
Net increase in cash and cash equivalents	26,118	20,142
	-----	-----
Effect on exchange rate changes	(13,123)	2,757
	-----	-----
Cash and cash equivalents at beginning of financial year	142,462	119,563
	-----	-----
Cash and cash equivalents at end of financial year (note a)	155,457	142,462
	=====	=====

Note (a)

Cash and cash equivalents

	As At	As At
	30.06.2018	30.06.2017
	RM'000	RM'000
Deposits with licensed financial institutions	45,754	51,051
Cash at banks	109,703	91,411
	-----	-----
	155,457	142,462
	=====	=====
Analysis of acquisition of investment property:-		
Cash	4,221	-
Borrowings	380,000	-
	-----	-----
	384,221	-
	=====	=====

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited annual financial statements for the year ended 30 June 2017 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 2017.

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 year beginning 1 July 2017, 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 years 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 save as disclosed in Note B18.

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 year ended 30 June 2018:-

	RM'000
In respect of the three months ended 30 June 2017:- A final distribution of 1.9306 sen per unit each paid on 30 August 2017	32,905
In respect of the three months ended 30 September 2017:- An interim distribution of 1.9737 sen per unit each paid on 29 December 2017	33,640
In respect of the three months ended 31 December 2017:- An interim distribution of 1.9917 sen per unit each paid on 30 March 2018	33,946
In respect of the three months ended 31 March 2018:- An interim distribution of 1.9378 sen per unit each paid on 29 June 2018	33,028

	133,519
	=====

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YTL HOSPITALITY REIT**INTERIM FINANCIAL REPORT**

Notes : - continued

A7. Segment Information

The Group's segmental result for the financial year ended 30 June 2018 is as follows:-

	< ---Property rental--->		< --Hotel-- >	Total
	Malaysia	Japan	Australia	Total
	RM'000	RM'000	RM'000	RM'000
External revenue	124,701	16,335	359,917	500,953
Operating expenses	(6,731)	(3,671)	(241,724)	(252,126)
Net property income	117,970	12,664	118,193	248,827
Finance income				1,192
Fair value gain on investment properties				63,816
Other income				5,244
Unrealised gain on foreign exchange				107,272
Total income				426,351
Trust and administration expenses				(16,988)
Depreciation				(83,667)
Finance costs				(80,976)
Revaluation loss property				(5,582)
Profit before tax				239,138
Total assets	2,087,961	319,447	2,104,247	4,511,655

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

A7. Segment Information - continued

The Group's segmental result for the financial year ended 30 June 2017 is as follows:-

	< ---Property rental--->		< --Hotel-- >	Total
	Malaysia RM'000	Japan RM'000	Australia RM'000	RM'000
External revenue	100,993	15,954	332,736	449,683
Operating expenses	(5,748)	(3,834)	(230,485)	(240,067)
Net property income	95,245	12,120	102,251	209,616
Finance income				3,077
Fair value gain on investment properties				34,794
Revaluation gain on property				49
Other income				5,966
Total income				253,502
Trust and administration expenses				(16,656)
Depreciation				(83,444)
Finance costs				(79,084)
Unrealised loss on foreign exchange				(83,537)
Loss before tax				(9,219)
Total assets	1,704,720	298,440	2,036,046	4,039,206

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 year ended 30 June 2018 and the fund size stood at 1,704,388,889.

A10. Changes in Contingent Liabilities

There were no contingent liabilities to be disclosed.

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

	Current Quarter 30.06.2018 RM'000	Preceding Year Corresponding Quarter 30.06.2017 RM'000	Changes %
Revenue	116,603	111,133	4.92
Net Property Income	58,105	47,805	21.55
Profit Before Tax	68,288	61,230	11.53
Income Available For Distribution	33,492	30,659	9.24

The income available for distribution in the current financial quarter of RM33.492 million, represented an increase of 9.24% as compared to RM30.659 million recorded in the preceding year corresponding quarter. The increase was mainly contributed by the acquisition of The Majestic Hotel Kuala Lumpur in November 2017.

For the current financial quarter ended 30 June 2018, the Group recorded a revenue and net property income of RM116.603 million and RM58.105 million, respectively, representing an increase of 4.92% and 21.55% respectively as compared to RM111.133 million and RM47.805 million recorded in the preceding year corresponding quarter, respectively.

Australian Properties contributed 67.73% of total revenue, or RM78.973 million in the current financial quarter. Australian Properties recorded higher revenue and net property income in the current financial quarter in its Australian Dollar functional currencies due substantially to the increase in room sales following the completion of a refurbishment exercise in the financial quarter ended 31 March 2017. However, the weakening of Ringgit Malaysia against Australian Dollar translated the revenue and net property income to a lower value. As a result, the revenue is 2.59% lower as compared to RM81.069 million recorded in the preceding year corresponding quarter. Net property income for Australian Properties was RM22.964 million, an increase of 14.14% as compared to RM20.119 million recorded in the preceding year corresponding quarter, partly due to cost saving initiatives.

Malaysian Properties contributed 28.77% of total revenue, or RM33.546 million in the current financial quarter, 30.14% higher as compared to RM25.776 million recorded in the preceding year corresponding quarter. Net property income for Malaysian Properties was RM31.740 million, an increase of 30.52% from RM24.318 million recorded in the preceding year corresponding quarter. The increase in revenue and net property income was mainly due to the acquisition of The Majestic Hotel Kuala Lumpur in November 2017. Step-up lease rental income of 5% every five years from the commencement of lease agreement and additional rentals from The Ritz Carlton Suite and Hotel Wing following the completion of the refurbishment in May 2017 also contributed to the increase in revenue and net property income.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B1. Review of Performance - continued

Hilton Niseko Village contributed 3.50% of total revenue, or RM4.084 million in the current financial quarter, 4.76% lower than that recorded in the preceding year corresponding quarter. Net property income for the current quarter was RM3.401 million, an increase of 0.98% from the preceding year corresponding quarter.

The Group recorded a profit before tax of RM68.288 million for the current financial quarter ended 30 June 2018, an increase of 11.53%, as compared to a profit before tax of RM61.230 million recorded in the preceding year corresponding quarter. The following factors contributed to the increase:

- (i) Fair value gain on properties from RM34.843 million recorded in the preceding year corresponding quarter to RM58.234 million recorded in the current quarter; and
- (ii) additional net property income of RM7.422 million contributed by Malaysian properties in the current quarter; partially offset by
- (iii) Unrealised foreign currency translation loss of RM4.631 million recorded in the current financial quarter on the Australian Dollar denominated term loan, arising from the weakening of Ringgit Malaysia against Australian Dollar as compared to the unrealised foreign currency translation gain recorded in the preceding year corresponding quarter of RM20.772 million.

Comparison with Preceding Year

	Current Year 30.06.2018 RM'000	Preceding Year 30.06.2017 RM'000	Changes %
Revenue	500,953	449,683	11.40
Net Property Income	248,827	209,616	18.71
Profit/(Loss) Before Tax	239,138	(9,219)	2,693.97
Income Available For Distribution	134,107	122,692	9.30

The income available for distribution in the current financial year increased to RM134.107 million from RM122.692 million recorded in preceding year, representing an increase of 9.30%, after adjustment for non-cash items, mainly due to the reasons set out above.

For the current financial year ended 30 June 2018, the Group recorded a revenue and net property income of RM500.953 million and RM248.827 million, respectively, representing an increase of 11.40% and 18.71% respectively, as compared to the revenue and net property income recorded in the preceding financial year of RM449.683 million and RM209.616 million, respectively.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B1. Review of Performance - continued

Australian Properties contributed 71.85% of total revenue, or RM359.917 million in the current financial year, 8.17% higher as compared to RM332.736 million recorded in the preceding financial year. Net property income for Australian Properties was RM118.193 million, an increase of 15.59% as compared to RM102.251 million recorded in the preceding financial year. The increase in revenue and net property income in the current financial year were due substantially to the reasons set out above.

Malaysian Properties contributed 24.89% of total revenue, or RM124.701 million in the current financial year, 23.47% higher as compared to RM100.993 million recorded in the preceding financial year. Net property income for Malaysian Properties was RM117.970 million, an increase of 23.86% from RM95.245 million recorded in the preceding financial year. The increase in revenue and net property income were mainly due to the reasons set out above.

Hilton Niseko Village contributed 3.26% of total revenue, or RM16.335 million in the current financial year, 2.39% higher than that recorded in the preceding financial year. Net property income for the current year was RM12.664 million, an increase of 4.49% from RM12.120 million recorded in the preceding financial year.

The Group recorded a profit before tax of RM239.138 million for the current financial year ended 30 June 2018, an increase of 2,693.96%, as compared to a loss before tax of RM9.219 million recorded in the preceding financial year. The following factors contributed to the increase:

- (i) unrealised foreign currency translation gain on Australian Dollar denominated term loan of RM107.272 million recorded during the current financial year ended 30 June 2018 as compared to a translation loss of RM83.537 million recognised during the preceding financial year ended 30 June 2017.
- (ii) gain on fair value of properties of RM58.234 million recorded during the current financial year ended 30 June 2018 as compared to the gain of RM34.843 million recognised in the preceding financial year ended 30 June 2017.
- (iii) additional net property income of RM22.725 million mainly contributed by Malaysian Properties in the current financial year.

B2. Comparison with Preceding Quarter

	Current Quarter 30.06.2018 RM'000	Preceding Quarter 31.03.2018 RM'000	Changes %
Revenue	116,603	129,162	(9.72)
Net Property Income	58,105	67,887	(14.41)
Profit Before Tax	68,288	87,103	(21.60)
Income Available For Distribution	33,492	33,029	1.40

The income available for distribution in the current financial quarter recorded at RM33.492 million, representing an increase of 1.40% as compared to RM33.029 million recorded in preceding year corresponding quarter.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B2. Comparison with Preceding Quarter - continued

For the current financial quarter, Group revenue decreased by 9.72% while net property income decreased by 14.41% as compared to the preceding financial quarter ended 31 March 2018.

Revenue and net property income from Australian Properties at RM78.973 million and RM22.964 million, respectively in the current financial quarter decreased 13.71% and 30.05%, respectively as compared to RM91.524 million and RM32.829 million, respectively recorded in the preceding quarter. The Australian Properties in the preceding quarter ended 31 March 2018 generated higher revenue and net property income owing to the festive season.

Revenue and net property income from Malaysian Properties at RM33.546 million and RM31.740 million respectively, approximate to that in the preceding quarter of RM33.547 million and RM31.735 million respectively.

For the current financial quarter, Hilton Niseko Village recorded a revenue of RM4.084 million representing a decrease of 0.17% whilst net property income was at RM3.401 million, an increase of 2.35% as compared to the revenue and net property income recorded in the preceding quarter of RM4.091 million and RM3.323 million, respectively.

The Group's profit before tax for the current financial quarter ended 30 June 2018 decreased by RM18.815 million as compared to the preceding quarter ended 31 March 2018. The current financial quarter recorded an unrealised foreign currency translation loss of RM4.631 million on the Australian Dollar denominated term loan arising from the weakening of Ringgit Malaysia against Australian Dollar as compared to the unrealised foreign currency translation gain of RM64.146 million recorded in the preceding quarter, partially offset by the gain on fair value of properties of RM58.234 million in the current financial quarter.

B3. Audit Report of the preceding financial year ended 30 June 2017

The Auditor's Report on the financial statements of the financial year ended 30 June 2017 did not contain any qualification.

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B4. Portfolio Composition

As at 30 June 2018, YTL Hospitality REIT's composition of investment portfolio is as follows:

	Fair Value As At 30.06.2018 RM'000	% of total investment %	
<u>Real Estate - Commercial</u>			
<u>Malaysian Properties</u>			
(i)	JW Marriott Hotel Kuala Lumpur	424,000	10
(ii)	The Majestic Hotel Kuala Lumpur	385,000	9
(iii)	The Ritz-Carlton, Kuala Lumpur - Hotel Wing	343,000	8
(iv)	The Ritz-Carlton, Kuala Lumpur - Suite Wing	306,000	7
(v)	Vistana Kuala Lumpur Titiwangsa	136,000	3
(vi)	Vistana Penang Bukit Jambul	118,000	3
(vii)	Pangkor Laut Resort	117,000	3
(viii)	Tanjong Jara Resort	102,000	2
(ix)	Vistana Kuantan City Centre	88,000	2
(x)	Cameron Highlands Resort	60,000	1
<u>Japanese Property</u>			
(xi)	Hilton Niseko Village*	292,618	7
<u>Australian Properties</u>			
(xii)	Sydney Harbour Marriott^	1,473,642	34
(xiii)	Brisbane Marriott^	241,808	6
(xiv)	Melbourne Marriott^	232,303	5
	Total	4,319,371	100

Note :

* Translated on 29 June 2018 at the exchange rate of JPY100 : RM3.6486

^ Translated on 29 June 2018 at the exchange rate of AUD1 : RM2.9810

During the current the financial year, the Group completed the acquisition of The Majestic Hotel Kuala Lumpur.

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

The total NAV and NAV per unit of the Group as at 30 June 2018 were RM2,718,512,398 and RM1.5950, respectively. The increase in total NAV was mainly due to the recognition of revaluation surpluses on the properties during the current financial quarter.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

	Current Quarter 30.06.2018 RM	Preceding Quarter 31.03.2018 RM
NAV	2,718,512,398	2,383,296,746
Number of units in circulations	1,704,388,889	1,704,388,889
NAV per unit (after distribution)	1.5950	1.3983
NAV per unit (before distribution)	1.6737	1.4574

B6. Status of property development activities

There was no property development activities during the current financial quarter ended 30 June 2018.

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 2019.

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 year ended 30 June 2018.

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 year ended 30 June 2018, the Australian Properties and Hilton Niseko Village incurred RM10,088,000 and RM592,000 for the refurbishment works and property repair and maintenance, respectively.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B12. Taxation

Taxation comprises the following:-

	Current Quarter 30.06.2018 RM'000	Current Year 30.06.2018 RM'000
Malaysian income tax	56	141
Foreign income tax	393	2,529
Deferred tax	285	(91)
	-----	-----
	734	2,579
	=====	=====

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 year ended 30 June 2018.

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 30 June 2018 are as follows:

	Short term RM'000	Long term RM'000	Total RM'000
Term Loan – secured [^]	-	967,300	967,300
Medium Term Notes - secured	10,000	715,000	725,000
	-----	-----	-----
Total borrowings	10,000	1,682,300	1,692,300
Capitalised transaction costs	(470)	(4,136)	(4,606)
	-----	-----	-----
	9,530	1,678,164	1,687,694
	=====	=====	=====
Total Assets			4,511,655
			=====
Gearing ratio (%)			37.51
			=====

Note :

[^] Translated on 29 June 2018 at the exchange rate of AUD1 : RM2.9810

The term loan is denominated in Australian Dollar at AUD323,016,856. In order to protect the Group's distributable income from the volatility in interest rates and provide stability to unitholder's returns, the Group hedged its exposure to changes in the variable interest rates by entering into interest rate swaps and issued the medium term notes with fixed coupon rates.

During the current financial year, the Group raised borrowings totaling RM800 million to finance the acquisition of The Majestic Hotel Kuala Lumpur and to repay term loan denominated in Ringgit Malaysia.

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B15. Derivative Financial Instruments

The Group's outstanding derivatives as at 30 June 2018 were as follows:-

Type of Derivative	Contract/ Notional Value RM'000	Fair Value RM'000
Interest rate swap contracts		
- 1 to 5 years	962,913^	(9,555)
	=====	=====

Note :

^ Translated on 29 June 2018 at the exchange rate of AUD1 : RM2.9810

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 of interest rate swap recognised in other comprehensive income for the current financial quarter and financial year amounted to gains of RM0.937 million and RM4.318 million, respectively.

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

B16. Income Distribution

The Board of Pintar Projek Sdn. Bhd. has declared a final distribution of 1.9651 sen per unit of which 1.6282 sen is taxable and 0.3369 sen is not taxable in the hands of unitholders, totaling RM33,492,946 (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 30 June 2018.

The total income distribution paid and declared for the financial year ended 30 June 2018 is 7.8683 sen per unit, totaling RM134,106,432 and representing approximately 100% of the total distributable income. The book closure and payment dates in respect of the final distribution will be fixed on 14 and 30 August 2018, respectively.

The income distributions are from the following sources:-

	Current Year Quarter 30.06.2018 RM'000	Preceding Year Corresponding Quarter 30.06.2017 RM'000	12 Months Ended	
			30.06.2018 RM'000	30.06.2017 RM'000
Net property income	58,105	47,805	248,827	209,616
Other income	66,727	57,405	177,524	43,886
Expenses	(56,544)	(43,980)	(187,213)	(262,721)
	-----	-----	-----	-----
Profit before tax	68,288	61,230	239,138	(9,219)
Income tax expense	(734)	(343)	(2,579)	(2,902)
	-----	-----	-----	-----
Profit after taxation	67,554	60,887	236,559	(12,121)
Distribution adjustments	(34,062)	(30,228)	(102,452)	134,813
	-----	-----	-----	-----
Realised income for the quarter/year	33,492	30,659	134,107	122,692
Total undistributed realised income brought forward	184,700	186,945	184,699	184,697
	-----	-----	-----	-----
Total realised income available for distribution	218,192	217,604	318,806	307,389
Less: Income distribution	(33,493)	(32,905)	(134,107)	(122,690)
	-----	-----	-----	-----
Balance undistributed realised income	184,699	184,699	184,699	184,699
	=====	=====	=====	=====

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B16. Income Distribution - continued

	12 Months Ended	
	30.06.2018	30.06.2017
Distribution per unit (sen)		
- first interim	1.9737	2.0528
- advance	-	1.9181
- second interim	1.9917	0.3459
- third interim	1.9378	1.8364
- final	1.9651	1.9306
	-----	-----
Total income distribution per unit (sen)	7.8683	8.0838
	=====	=====

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:31 July 2018