

YTL HOSPITALITY REIT

Established in Malaysia

**Interim Financial Report
30 September 2018**

YTL HOSPITALITY REIT

Interim Financial Report 30 September 2018

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YTL HOSPITALITY REIT**INTERIM FINANCIAL REPORT**

Interim financial report on results for the financial period ended 30 September 2018.

The figures have not been audited.

CONDENSED INCOME STATEMENTS FOR THE PERIOD

	GROUP		TRUST	
	CURRENT	PRECEDING	CURRENT	PRECEDING
	YEAR	YEAR	YEAR	YEAR
	CORRESPONDING	CORRESPONDING	CORRESPONDING	CORRESPONDING
	QUARTER	QUARTER	QUARTER	QUARTER
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
	RM'000	RM'000	RM'000	RM'000
NET REVENUE	113,867	120,515	33,609	26,614
PROPERTY OPERATING EXPENSES	(57,546)	(65,397)	(1,743)	(1,446)
NET PROPERTY INCOME	56,321	55,118	31,866	25,168
FINANCE INCOME	462	351	26,149	29,386
OTHER INCOME	478	1,518	52	1,060
MANAGER'S FEES	(2,285)	(2,130)	(2,285)	(2,130)
TRUSTEE'S FEES	(347)	(309)	(347)	(309)
DEPRECIATION	(19,451)	(21,854)	-	-
ADMINISTRATION EXPENSES	(2,593)	(1,869)	(1,334)	(399)
FINANCE COSTS	(21,138)	(18,925)	(21,115)	(18,902)
INCOME BEFORE UNREALISED ITEMS	11,447	11,900	32,986	33,874
UNREALISED ITEM: - Unrealised gain/(loss) on foreign exchange	550	(1,292)	1,407	(1,934)
PROFIT BEFORE TAX	11,997	10,608	34,393	31,940

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

CONDENSED INCOME STATEMENTS FOR THE QUARTER – continued

	GROUP		TRUST	
	CURRENT YEAR QUARTER 30.09.2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30.09.2017 RM'000	CURRENT YEAR QUARTER 30.09.2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30.09.2017 RM'000
PROFIT BEFORE TAX	11,997	10,608	34,393	31,940
INCOME TAX EXPENSE	(272)	(504)	(229)	(233)
PROFIT FOR THE PERIOD	11,725	10,104	34,164	31,707
DISTRIBUTION ADJUSTMENTS:				
- Depreciation	19,451	21,854	-	-
- Net income from foreign operations	2,131	391	-	-
- Unrealised foreign translation differences	(550)	1,292	(1,407)	1,934
INCOME AVAILABLE FOR DISTRIBUTION / TOTAL DISTRIBUTABLE INCOME	32,757	33,641	32,757	33,641
PROVISION FOR INCOME DISTRIBUTION	(32,757)	(33,640)	(32,757)	(33,640)
UNDISTRIBUTED DISTRIBUTABLE INCOME	-	1	-	1
DISTRIBUTABLE INCOME PER UNIT (Sen)	1.9219	1.9738	1.9219	1.9738
GROSS DISTRIBUTION PER UNIT (Sen)	1.9219	1.9737	1.9219	1.9737

The Condensed Income Statements should be read in conjunction with the audited annual financial statements for the year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIOD

	GROUP		TRUST	
	CURRENT YEAR QUARTER 30.09.2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30.09.2017 RM'000	CURRENT YEAR QUARTER 30.09.2018 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30.09.2017 RM'000
PROFIT FOR THE PERIOD	11,725	10,104	34,164	31,707
OTHER COMPREHENSIVE INCOME/(EXPENSE):-				
<i>ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO INCOME STATEMENT:-</i>				
CASH FLOW HEDGE	(55)	2,570	(55)	2,570
CURRENCY TRANSLATION DIFFERENCES	2,412	(159)	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	14,082	12,515	34,109	34,277
PROFIT FOR THE PERIOD IS MADE UP AS FOLLOWS:-				
REALISED PROFIT	30,626	33,250	32,757	33,641
UNREALISED (LOSS) / PROFIT	(18,901)	(23,146)	1,407	(1,934)
	11,725	10,104	34,164	31,707
Weighted average number of units ('000)	1,704,389	1,704,389	1,704,389	1,704,389
EARNINGS PER UNIT (Sen)	0.69	0.59	2.00	1.86

The Condensed Statements of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended 30 June 2018 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 30.09.2018 RM'000	AUDITED AS AT 30.06.2018 RM'000	UNAUDITED AS AT 30.09.2018 RM'000	AUDITED AS AT 30.06.2018 RM'000
ASSETS				
Non-current Assets				
Investment properties	2,590,536	2,371,618	2,079,000	2,079,000
Property, plant and equipment	1,940,126	1,947,753	-	-
Investment in subsidiaries	-	-	476,616	401,037
Amount due from subsidiaries	-	-	1,362,769	1,232,840
Deferred tax assets	2,646	2,550	-	-
	-----	-----	-----	-----
	4,533,308	4,321,921	3,918,385	3,712,877
	-----	-----	-----	-----
Current Assets				
Inventories	660	707	-	-
Trade and other receivables	43,692	33,570	10,417	7,916
Amount due from subsidiaries	-	-	125,181	126,351
Deposits with licensed financial institutions	42,256	45,754	12,231	1,350
Cash at banks	95,847	109,703	797	135
	-----	-----	-----	-----
	182,455	189,734	148,626	135,752
	-----	-----	-----	-----
TOTAL ASSETS	4,715,763	4,511,655	4,067,011	3,848,629
	=====	=====	=====	=====
UNITHOLDERS' FUNDS				
Unitholders' capital	1,690,806	1,690,806	1,690,806	1,690,806
Undistributed income	82,499	103,531	425,097	423,690
Reserves	926,532	924,174	(9,610)	(9,555)
	-----	-----	-----	-----
Net Asset Value	2,699,837	2,718,511	2,106,293	2,104,941
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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

CONDENSED STATEMENTS OF FINANCIAL POSITION – continued

	GROUP		TRUST	
	UNAUDITED AS AT 30.09.2018 RM'000	AUDITED AS AT 30.06.2018 RM'000	UNAUDITED AS AT 30.09.2018 RM'000	AUDITED AS AT 30.06.2018 RM'000
LIABILITIES				
Non-current Liabilities				
Borrowings	1,883,653	1,678,164	1,168,653	963,164
Other payables	-	963	-	-
Derivative financial instruments	9,610	9,555	9,610	9,555
Amount due to a subsidiary	-	-	715,000	715,000
	<u>1,893,263</u>	<u>1,688,682</u>	<u>1,893,263</u>	<u>1,687,719</u>
Current Liabilities				
Medium Term Notes	9,661	9,530	-	-
Trade and other payables	79,287	60,234	24,728	12,472
Amount due to a subsidiary	-	-	9,970	10,004
Income tax liabilities	958	1,205	-	-
Provision for income distribution	32,757	33,493	32,757	33,493
	<u>122,663</u>	<u>104,462</u>	<u>67,455</u>	<u>55,969</u>
TOTAL LIABILITIES	<u>2,015,926</u>	<u>1,793,144</u>	<u>1,960,718</u>	<u>1,743,688</u>
TOTAL UNITHOLDERS' FUNDS & LIABILITIES	<u>4,715,763</u>	<u>4,511,655</u>	<u>4,067,011</u>	<u>3,848,629</u>
Net asset value (RM'000)				
- before income distribution	2,732,594	2,852,618	2,139,050	2,239,048
- after income distribution	2,699,837	2,718,511	2,106,293	2,104,941
	<u>2,699,837</u>	<u>2,718,511</u>	<u>2,106,293</u>	<u>2,104,941</u>
Number of units in circulations ('000)				
	<u>1,704,389</u>	<u>1,704,389</u>	<u>1,704,389</u>	<u>1,704,389</u>
Net asset value per unit (RM)				
- before income distribution	1.603	1.674	1.255	1.314
- after income distribution	1.584	1.595	1.236	1.235
	<u>1.584</u>	<u>1.595</u>	<u>1.236</u>	<u>1.235</u>

The Condensed Statements of Financial Position should be read in conjunction with the audited annual financial statements for the year ended 30 June 2018 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 30 SEPTEMBER 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	-	30,626	(18,901)	-	-	-	11,725
Other comprehensive income/(expense)	-	-	-	129	2,284	(55)	2,358

Increase/(Decrease) in net assets resulting from operations	-	30,626	(18,901)	129	2,284	(55)	14,083
Unitholders' transactions							
Provision for income distribution	-	(32,757)	-	-	-	-	(32,757)

Decrease in net assets resulting from Unitholders' transaction	-	(32,757)	-	-	-	-	(32,757)

At 30 September 2018	1,690,806	200,697	(118,198)	(97,754)	1,033,896	(9,610)	2,699,837
=====							

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INTERIM FINANCIAL REPORT

**CONDENSED STATEMENTS OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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 2018	1,690,806	184,699	238,991	(9,555)	2,104,941
Operations for the period					
Profit for the period	-	32,757	1,407	-	34,164
Other comprehensive expense	-	-	-	(55)	(55)
	-----	-----	-----	-----	-----
Increase/(Decrease) in net assets resulting from operations	-	32,757	1,407	(55)	34,109
Unitholders' transactions					
Provision for income distribution	-	(32,757)	-	-	(32,757)
	-----	-----	-----	-----	-----
Decrease in net assets resulting from Unitholders' transaction	-	(32,757)	-	-	(32,757)
	-----	-----	-----	-----	-----
At 30 September 2018	1,690,806	184,699	240,398	(9,610)	2,106,293
	=====	=====	=====	=====	=====

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**CONDENSED STATEMENTS OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017**

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 period							
Profit/(Loss) for the period	-	33,250	(23,146)	-	-	-	10,104
Other comprehensive (expense)/income	-	-	-	(3,144)	2,985	2,570	2,411
Increase/(Decrease) in net assets resulting from operations	-	33,250	(23,146)	(3,144)	2,985	2,570	12,515
Unitholders' transactions							
Provision for income distribution	-	(33,640)	-	-	-	-	(33,640)
Decrease in net assets resulting from Unitholders' transaction	-	(33,640)	-	-	-	-	(33,640)
At 30 September 2017	1,690,806	181,825	(204,282)	27,391	825,429	(11,303)	2,509,866

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INTERIM FINANCIAL REPORT

**CONDENSED STATEMENTS OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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 2017	1,690,806	184,699	236,999	(13,873)	2,098,631
Operations for the period					
Profit/(Loss) for the period	-	33,641	(1,934)	-	31,707
Other comprehensive income	-	-	-	2,570	2,570
	-----	-----	-----	-----	-----
Increase/(Decrease) in net assets resulting from operations	-	33,641	(1,934)	2,570	34,277
Unitholders' transactions					
Provision for income distribution	-	(33,640)	-	-	(33,640)
	-----	-----	-----	-----	-----
Decrease in net assets resulting from Unitholders' transaction	-	(33,640)	-	-	(33,640)
	-----	-----	-----	-----	-----
At 30 September 2017	1,690,806	184,700	235,065	(11,303)	2,099,268
	=====	=====	=====	=====	=====

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 2018 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 30 SEPTEMBER 2018**

	3 MONTHS ENDED	
	30.09.2018	30.09.2017
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	11,997	10,608
Adjustments for:-		
Amortisation of transaction costs	521	1,801
Depreciation of property, plant and equipment	19,451	21,854
Interest income	(462)	(351)
Interest expense	20,428	17,047
(Gain)/Loss on disposal of property, plant and equipment	(18)	69
Unrealised (gain)/loss on foreign currency exchange	(550)	1,292
	-----	-----
Operating profit before changes in working capital	51,367	52,320
Net changes in current assets	(9,885)	(7,148)
Net changes in current liabilities	17,983	7,314
	-----	-----
Cash generated from operations	59,465	52,486
Income tax paid	(611)	(72)
	-----	-----
Net cash from operating activities	58,854	52,414
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	462	118
Acquisition of property, plant and equipment	(7,475)	(1,415)
Acquisition of investment property	(220,190)	-
Proceed from disposal of equipment	20	42
	-----	-----
Net cash used in investing activities	(227,183)	(1,255)
	-----	-----

YTL HOSPITALITY REIT**INTERIM FINANCIAL REPORT****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 - continued**

	3 MONTHS ENDED	
	30.09.2018	30.09.2017
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(20,428)	(15,684)
Distribution paid	(33,493)	(32,905)
Transaction costs paid	(1,512)	(1,360)
Net proceed of borrowings	205,420	-
	-----	-----
Net cash from/(used in) financing activities	149,987	(49,949)
	-----	-----
Net (decrease)/increase in cash and cash equivalents	(18,342)	1,210
Effect on exchange rate changes	988	(1,303)
Cash and cash equivalents at beginning of financial period	155,457	142,462
	-----	-----
Cash and cash equivalents at end of financial period (note a)	138,103	142,369
	=====	=====

Note (a)

Cash and cash equivalents

	As At	As At
	30.09.2018	30.09.2017
	RM'000	RM'000
Deposits with licensed financial institutions	42,256	46,534
Cash at banks	95,847	95,835
	-----	-----
	138,103	142,369
	=====	=====
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 2018 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 2018.

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 2018, 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 year to date save as disclosed in Note B14.

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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 30 September 2018:-

	RM'000
In respect of the three months ended 30 June 2018:- A final distribution of 1.9651 sen per unit each paid on 30 August 2018	33,493 =====

A7. Segment Information

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

	< ---Property rental--- >		< --Hotel-- >	
	Malaysia	Japan	Australia	Total
	RM'000	RM'000	RM'000	RM'000
External revenue	33,609	4,211	76,047	113,867
Operating expenses	(1,743)	(1,196)	(54,607)	(57,546)
	-----	-----	-----	-----
Net property income	31,866	3,015	21,440	56,321
	-----	-----	-----	
Finance income				462
Other income				478
Unrealised gain on foreign exchange				550

Total income				57,811
Trust and administration expenses				(5,225)
Depreciation				(19,451)
Finance costs				(21,138)

Profit before tax				11,997
				=====
Total assets	2,102,168	512,802	2,100,793	4,715,763
	=====	=====	=====	=====

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

A7. Segment Information - continued

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

	< ---Property rental--->		< --Hotel-- >	Total
	Malaysia RM'000	Japan RM'000	Australia RM'000	RM'000
External revenue	26,614	4,082	89,819	120,515
Operating expenses	(1,446)	(826)	(63,125)	(65,397)
Net property income	25,168	3,256	26,694	55,118
Finance income				351
Other income				1,518
Total income				56,987
Trust and administration expenses				(4,308)
Depreciation				(21,854)
Finance costs				(18,925)
Unrealised loss on foreign exchange				(1,292)
Profit before tax				10,608
Total assets	1,702,828	292,103	2,030,878	4,025,809

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 30 September 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 30.09.2018 RM'000	Preceding Year Corresponding Quarter 30.09.2017 RM'000	Changes %
Revenue	113,867	120,515	(5.52)
Net Property Income	56,321	55,118	2.18
Profit Before Tax	11,997	10,608	13.09
Income Available For Distribution	32,757	33,641	(2.63)

The income available for distribution in the current financial quarter of RM32.757 million, represented a slight decrease of 2.63% as compared to RM33.641 million recorded in the preceding year corresponding quarter.

For the current financial quarter ended 30 September 2018, Group revenue decreased by 5.52% while net property income increased by 2.18%, respectively as compared to the preceding year corresponding quarter.

Australian Properties contributed 66.78% of total revenue, or RM76.047 million in the current financial quarter. Australian Properties recorded lower revenue and net property income in the current financial quarter due substantially to the refurbishment exercise in the current financial quarter and also the weakening of Australian Dollar against Ringgit Malaysia which translated the revenue and net property income in Australian Dollar to a lower value in Ringgit Malaysia. As a result, the revenue was 15.33% lower as compared to RM89.819 million recorded in the preceding year corresponding quarter. Net property income contributed by the Australian Properties was RM21.440 million, a decrease of 19.68% as compared to RM26.694 million recorded in the preceding year corresponding quarter.

Malaysian Properties contributed 29.52% of total revenue, or RM33.609 million in the current financial quarter, 26.28% higher as compared to RM26.614 million recorded in the preceding year corresponding quarter. Net property income for Malaysian Properties was RM31.866 million, an increase of 26.61% from RM25.168 million recorded in the preceding year corresponding quarter. The increase in revenue and net property income was mainly contributed by The Majestic Hotel Kuala Lumpur which was acquired in November 2017. Step-up lease rental income of 5% every five years from the commencement of lease agreement also contributed to the increase in revenue and net property income.

Japanese Properties contributed 3.70% of total revenue, or RM4.211 million in the current financial quarter, 3.16% higher than that recorded in the preceding year corresponding quarter. The increase in revenue was mainly due to the acquisition of The Green Leaf Niseko Village in September 2018. Net property income for the current quarter was RM3.015 million, a decrease of 7.40% from the preceding year corresponding quarter due to one-off costs incurred in relation to the said acquisition.

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INTERIM FINANCIAL REPORT

Notes : - continued

B1. Review of Performance - continued

The Group recorded a profit before tax of RM11.997 million for the current financial quarter ended 30 September 2018, an increase of 13.09%, as compared to a profit before tax of RM10.608 million recorded in the preceding year corresponding quarter due to the additional net property income of RM6.698 million contributed by Malaysian Properties in the current financial quarter.

B2. Comparison with Preceding Quarter

	Current Quarter 30.09.2018 RM'000	Preceding Quarter 30.06.2018 RM'000	Changes %
Revenue	113,867	116,603	(2.35)
Net Property Income	56,321	58,105	(3.07)
Profit Before Tax	11,997	68,288	(82.43)
Income Available For Distribution	32,757	33,492	(2.19)

The income available for distribution in the current financial quarter recorded at RM32.757 million, represented a slight decrease of 2.19% as compared to RM33.492 million recorded in the preceding quarter.

For the current financial quarter, Group revenue and net property income decreased by 2.35% and 3.07%, respectively as compared to the preceding quarter ended 30 June 2018.

Revenue and net property income from Australian Properties at RM76.047 million and RM21.440 million, respectively in the current financial quarter decreased 3.71% and 6.64%, respectively as compared to RM78.973 million and RM22.964 million, respectively recorded in the preceding quarter. The Australian Properties in the preceding quarter ended 30 June 2018 generated lower revenue and net property income due to the reasons set out in Note B1.

Revenue and net property income from Malaysian Properties at RM33.609 million and RM31.866 million respectively, approximate to that in the preceding quarter of RM33.546 million and RM31.740 million, respectively.

For the current financial quarter, Japanese Properties recorded a revenue of RM4.211 million representing an increase of 3.11% whilst net property income was RM3.015 million, representing a decrease of 11.35% as compared to the revenue and net property income recorded in the preceding quarter of RM4.084 million and RM3.401 million, respectively due to the reasons set out in Note B1.

The Group's profit before tax for the current financial quarter ended 30 September 2018 decreased by RM56.291 million as compared to the preceding quarter ended 30 June 2018 due to the gain in fair value of properties of RM58.234 million recorded in the preceding quarter.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B3. Audit Report of the preceding financial year ended 30 June 2018

The Auditor's Report on the financial statements of the financial year ended 30 June 2018 did not contain any qualification.

B4. Portfolio Composition

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

	Fair Value As At 30.09.2018 RM'000	% of total investment %
<u>Real Estate - Commercial</u>		
<u>Malaysian Properties</u>		
(i) JW Marriott Hotel Kuala Lumpur	424,000	9
(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 Properties</u>		
(xi) Hilton Niseko Village*	292,505	6
(xii) The Green Leaf Niseko Village*	219,031	5
<u>Australian Properties</u>		
(xiii) Sydney Harbour Marriott^	1,462,454	32
(xiv) Brisbane Marriott^	246,550	5
(xv) Melbourne Marriott^	231,122	5
Total	4,530,662	100

Note :

* Translated on 28 September 2018 at the exchange rate of JPY100 : RM3.6472

^ Translated on 28 September 2018 at the exchange rate of AUD1 : RM2.9876

During the current the financial period, the Group completed the acquisition of The Green Leaf Niseko Village.

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 30 September 2018 were RM2,699,837,000 and RM1.5840, respectively. The decrease in total NAV was mainly due to the unrealised loss items recorded in respect of the investments in the Japanese and Australian subsidiaries. The unrealised loss items, which are non-distributable, include depreciation and foreign translation differences.

	Current Quarter 30.09.2018	Preceding Quarter 30.06.2018
NAV (RM'000)	2,699,837	2,718,511
Number of units in circulations ('000)	1,704,389	1,704,389
NAV per unit (after distribution) (RM)	1.5840	1.5950
NAV per unit (before distribution) (RM)	1.6033	1.6737

B6. Status of property development activities

There were no property development activities during the current financial quarter ended 30 September 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 period ended 30 September 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 period ended 30 September 2018, the Australian Properties incurred RM7,475,000 (AUD2,494,000) for the refurbishment works.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B12. Taxation

Taxation comprises the following:-

	Current Quarter 30.09.2018 RM'000
Malaysian income tax	20
Foreign income tax	342
Deferred tax	(90)

	272
	=====

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 30 September 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 September 2018 are as follows:-

	Short term RM'000	Long term RM'000	Total RM'000
Term Loan – secured	-	1,173,780	1,173,780
Medium Term Notes - secured	10,000	715,000	725,000
	-----	-----	-----
Total borrowings	10,000	1,888,780	1,898,780
Capitalised transaction costs	(339)	(5,127)	(5,466)
	-----	-----	-----
	9,661	1,883,653	1,893,314
	=====	=====	=====
Total Assets			4,715,763
			=====
Gearing ratio (%)			40.26
			=====

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

	Foreign currency '000	RM equivalents RM'000
Australian Dollar^	327,679	978,974
Japanese Yen*	5,341,250	194,806

		1,173,780
		=====

Note :

^ Translated on 28 September 2018 at the exchange rate of AUD1 : RM2.9876

* Translated on 28 September 2018 at the exchange rate of JPY100 : RM3.6472

During the current financial period, the Group raised a borrowing in Japanese Yen equivalent to RM194.806 million to finance the acquisition of The Green Leaf Niseko Village.

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 for the Australian Dollar term loan and issued the medium term notes with fixed coupon rates.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B15. Derivative Financial Instruments

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

Type of Derivative	Contract/ Notional Value RM'000	Fair Value RM'000
Interest rate swap contracts		
- 1 to 5 years	965,045^	(9,610)
	=====	=====

Note :

^ Translated on 28 September 2018 at the exchange rate of AUD1 : RM2.9876

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 amounted to a loss of RM0.055 million.

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 an interim distribution of 1.9219 sen per unit of which 1.7418 sen is taxable and 0.1801 sen is not taxable in the hands of unitholders, totalling RM32,756,650 (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 September 2018. The book closure and payment dates in respect of the interim distribution will be fixed on 7 and 28 December 2018, respectively.

The interim income distribution is from the following sources:-

	Current Year Quarter 30.09.2018 RM'000	Preceding Year Corresponding Quarter 30.09.2017 RM'000
Net property income	56,321	55,118
Other income	1,490	1,869
Expenses	(45,814)	(46,379)
	-----	-----
Profit before tax	11,997	10,608
Income tax expense	(272)	(504)
	-----	-----
Profit after taxation	11,725	10,104
Distribution adjustments	21,032	23,537
	-----	-----
Realised income for the quarter	32,757	33,641
Total undistributed realised income brought forward	184,699	184,699
	-----	-----
Total realised income available for distribution	217,456	218,340
Less: Income distribution	(32,757)	(33,640)
	-----	-----
Balance undistributed realised income	184,699	184,700
	=====	=====
Distribution per unit (sen)	1.9219	1.9737
	=====	=====

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

Kuala Lumpur
Dated: 23 November 2018