

YTL HOSPITALITY REIT

Established in Malaysia

**Interim Financial Report
31 December 2014**

YTL HOSPITALITY REIT

Interim Financial Report 31 December 2014

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YTL HOSPITALITY REIT**INTERIM FINANCIAL REPORT**

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

The figures have not been audited.

CONDENSED INCOME STATEMENTS FOR THE QUARTER

	GROUP		TRUST	
	CURRENT	PRECEDING	CURRENT	PRECEDING
	YEAR	YEAR	YEAR	YEAR
	CORRESPONDING	CORRESPONDING	CORRESPONDING	CORRESPONDING
	QUARTER	QUARTER	QUARTER	QUARTER
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
NET REVENUE	113,235	114,678	24,509	24,487
PROPERTY OPERATING EXPENSES	(55,892)	(58,154)	(1,384)	(1,211)
NET PROPERTY INCOME	57,343	56,524	23,125	23,276
OTHER INCOME	1,150	1,638	24,763	25,650
MANAGER'S FEES	(1,958)	(2,153)	(1,958)	(2,153)
TRUSTEE'S FEES	(243)	(307)	(243)	(307)
ADMINISTRATION EXPENSES	(18,724)	(17,641)	(1,169)	(306)
FINANCE COSTS	(19,583)	(18,391)	(19,583)	(18,391)
INCOME BEFORE UNREALISED ITEM	17,985	19,670	24,935	27,769
UNREALISED ITEM:				
- Unrealised loss on foreign exchange	(1)	(155)	(1,145)	(49,076)
PROFIT/(LOSS) BEFORE TAX	17,984	19,515	23,790	(21,307)
INCOME TAX EXPENSE	(512)	(598)	(171)	(185)
PROFIT/(LOSS) FOR THE QUARTER	17,472	18,917	23,619	(21,492)

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

CONDENSED INCOME STATEMENTS FOR THE QUARTER - continued

	GROUP		TRUST	
	CURRENT	PRECEDING	CURRENT	PRECEDING
	YEAR	YEAR	YEAR	YEAR
	CORRESPONDING	CORRESPONDING	CORRESPONDING	CORRESPONDING
	QUARTER	QUARTER	QUARTER	QUARTER
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
PROFIT/(LOSS) FOR THE QUARTER	17,472	18,917	23,619	(21,492)
DISTRIBUTION ADJUSTMENTS:				
- Depreciation	16,509	16,325	-	-
- Unrealised foreign translation differences	1	155	1,145	49,076
-Net income not distributed from foreign operations	(9,218)	(7,813)	-	-
	-----	-----	-----	-----
INCOME AVAILABLE FOR DISTRIBUTION / TOTAL DISTRIBUTABLE INCOME	24,764	27,584	24,764	27,584
UNDISTRIBUTED DISTRIBUTABLE INCOME BROUGHT FORWARD	974	2,822	974	2,822
	-----	-----	-----	-----
TOTAL DISTRIBUTABLE INCOME AVAILABLE FOR DISTRIBUTION	25,738	30,406	25,738	30,406
PROVISION FOR INCOME DISTRIBUTION	(24,762)	(26,204)	(24,762)	(26,204)
	-----	-----	-----	-----
UNDISTRIBUTED DISTRIBUTABLE INCOME	976	4,202	976	4,202
	=====	=====	=====	=====
DISTRIBUTABLE INCOME PER UNIT (Sen)	1.8698	2.0828	1.8698	2.0828
	=====	=====	=====	=====
GROSS DISTRIBUTION PER UNIT (Sen)	1.8697	1.9786	1.8697	1.9786
	=====	=====	=====	=====

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The Condensed Income Statements should be read in conjunction with the audited annual financial statements for the year ended 30 June 2014 and the accompanying explanatory notes attached to the interim financial statements.

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

	GROUP		TRUST	
	CURRENT	PRECEDING	CURRENT	PRECEDING
	YEAR	YEAR	YEAR	YEAR
	CORRESPONDING	CORRESPONDING	CORRESPONDING	CORRESPONDING
	QUARTER	QUARTER	QUARTER	QUARTER
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
PROFIT/(LOSS) FOR THE QUARTER	17,472	18,917	23,619	(21,492)
OTHER COMPREHENSIVE EXPENSES :				
CURRENCY TRANSLATION DIFFERENCES	(2,660)	(59,284)	-	-
TOTAL COMPREHENSIVE INCOME/(EXPENSES) FOR THE QUARTER	14,812	(40,367)	23,619	(21,492)
PROFIT/(LOSS) FOR THE QUARTER IS MADE UP AS FOLLOWS :-				
REALISED PROFIT	33,982	35,397	24,764	27,584
UNREALISED LOSS	(16,510)	(16,480)	(1,145)	(49,076)
	17,472	18,917	23,619	(21,492)
EARNINGS/(LOSS) PER UNIT (Sen)	1.32	1.43	1.78	(1.62)

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The Condensed Statements of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended 30 June 2014 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	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
NET REVENUE	215,538	217,259	49,017	48,975
PROPERTY OPERATING EXPENSES	(110,723)	(112,461)	(2,767)	(2,422)
NET PROPERTY INCOME	104,815	104,798	46,250	46,553
OTHER INCOME	2,387	2,539	50,086	51,795
MANAGER'S FEES	(3,728)	(4,275)	(3,728)	(4,275)
TRUSTEE'S FEES	(489)	(657)	(489)	(657)
ADMINISTRATION EXPENSES	(37,187)	(31,318)	(1,609)	(454)
FINANCE COSTS	(39,025)	(36,775)	(39,025)	(36,775)
INCOME BEFORE UNREALISED ITEM	26,773	34,312	51,485	56,187
UNREALISED ITEM:				
- Unrealised (loss)/gain on foreign exchange	(226)	33	(71,202)	(9,016)
PROFIT/(LOSS) BEFORE TAX	26,547	34,345	(19,717)	47,171
INCOME TAX EXPENSE	(1,351)	(965)	(352)	(386)
PROFIT/(LOSS) FOR THE PERIOD	25,196	33,380	(20,069)	46,785

YTL HOSPITALITY REIT**INTERIM FINANCIAL REPORT****CONDENSED INCOME STATEMENTS FOR THE PERIOD - continued**

	GROUP		TRUST	
	6 MONTHS ENDED		6 MONTHS ENDED	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
PROFIT/(LOSS) FOR THE PERIOD	25,196	33,380	(20,069)	46,785
DISTRIBUTION ADJUSTMENTS:				
- Depreciation	33,404	28,651	-	-
- Unrealised foreign translation differences	226	(33)	71,202	9,016
-Net income not distributed from foreign operations	(7,693)	(6,197)	-	-
	-----	-----	-----	-----
INCOME AVAILABLE FOR DISTRIBUTION / TOTAL DISTRIBUTABLE INCOME	51,133	55,801	51,133	55,801
DISTRIBUTION PAID	(25,395)	(25,395)	(25,395)	(25,395)
PROVISION FOR INCOME DISTRIBUTION	(24,762)	(26,204)	(24,762)	(26,204)
	-----	-----	-----	-----
UNDISTRIBUTED DISTRIBUTABLE INCOME	976	4,202	976	4,202
	=====	=====	=====	=====
DISTRIBUTABLE INCOME PER UNIT (Sen)	3.8609	4.2133	3.8609	4.2133
	=====	=====	=====	=====
GROSS DISTRIBUTION PER UNIT (Sen)	3.7872	3.8961	3.7872	3.8961
	=====	=====	=====	=====

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The Condensed Income Statements should be read in conjunction with the audited annual financial statements for the year ended 30 June 2014 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	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
PROFIT/(LOSS) FOR THE PERIOD	25,196	33,380	(20,069)	46,785
OTHER COMPREHENSIVE EXPENSES :				
CURRENCY TRANSLATION DIFFERENCES	(95,061)	(11,137)	-	-
TOTAL COMPREHENSIVE (EXPENSES)/INCOME FOR THE PERIOD	(69,865)	22,243	(20,069)	46,785

PROFIT/(LOSS) FOR THE PERIOD IS MADE UP AS FOLLOWS :-

REALISED PROFIT	58,826	61,998	51,133	55,801
UNREALISED LOSS	(33,630)	(28,618)	(71,202)	(9,016)
	25,196	33,380	(20,069)	46,785
EARNINGS/(LOSS) PER UNIT (Sen)	1.90	2.52	(1.52)	3.53

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The Condensed Statements of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended 30 June 2014 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 31.12.2014 RM'000	AUDITED AS AT 30.06.2014 RM'000	UNAUDITED AS AT 31.12.2014 RM'000	AUDITED AS AT 30.06.2014 RM'000
ASSETS				
Non-current Assets				
Investment properties	1,708,296	1,725,633	1,500,000	1,500,000
Property, plant and equipment	1,323,721	1,428,255	-	-
Investment in subsidiaries	-	-	344,792	344,792
Amount due from subsidiaries	-	-	1,157,558	1,224,979
Deferred tax assets	2,581	3,701	-	-
	-----	-----	-----	-----
	3,034,598	3,157,589	3,002,350	3,069,771
	-----	-----	-----	-----
Current Assets				
Inventories	891	842	-	-
Trade and other receivables	20,986	17,295	2,619	2,174
Amount due from subsidiaries	-	-	101,054	94,384
Deposits with licensed financial institutions	56,340	79,296	20,487	37,101
Cash at banks	84,892	70,612	234	806
	-----	-----	-----	-----
	163,109	168,045	124,394	134,465
	-----	-----	-----	-----
TOTAL ASSETS	3,197,707	3,325,634	3,126,744	3,204,236
	=====	=====	=====	=====
UNITHOLDERS' FUNDS				
Unitholders' capital	1,291,395	1,291,395	1,291,395	1,291,395
Undistributed income	231,871	256,832	224,495	294,721
Currency translation reserves	(198,853)	(116,137)	-	-
Revaluation reserve	225,231	237,576	-	-
	-----	-----	-----	-----
Net Asset Value	1,549,644	1,669,666	1,515,890	1,586,116
	-----	-----	-----	-----
LIABILITIES				
Non-current Liabilities				
Borrowing	1,577,639	1,576,899	1,577,639	1,576,899
Other payables	-	1,872	-	-
	-----	-----	-----	-----
	1,577,639	1,578,771	1,577,639	1,576,899
	-----	-----	-----	-----
Current Liabilities				
Trade and other payables	44,710	43,200	8,453	8,313
Income tax liabilities	952	1,089	-	-
Provision for income distribution	24,762	32,908	24,762	32,908
	-----	-----	-----	-----
	70,424	77,197	33,215	41,221
	-----	-----	-----	-----
TOTAL LIABILITIES	1,648,063	1,655,968	1,610,854	1,618,120
TOTAL UNITHOLDERS' FUNDS & LIABILITIES	3,197,707	3,325,634	3,126,744	3,204,236
	=====	=====	=====	=====

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

	GROUP		TRUST	
	UNAUDITED	AUDITED	UNAUDITED	AUDITED
	AS AT	AS AT	AS AT	AS AT
	31.12.2014	30.06.2014	31.12.2014	30.06.2014
Net asset value (RM'000)	1,549,644	1,669,666	1,515,890	1,586,116
	=====	=====	=====	=====
Number of units in circulations ('000)	1,324,389	1,324,389	1,324,389	1,324,389
	=====	=====	=====	=====
Net asset value per unit (RM)				
- before income distribution	1.2080	1.3453	1.1825	1.2822
- after income distribution	1.1701	1.2607	1.1446	1.1976
	=====	=====	=====	=====

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The Condensed Statements of Financial Position should be read in conjunction with the audited annual financial statements for the year ended 30 June 2014 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 2014**

GROUP	Unitholders' Capital RM'000	Distributable Undistributed Realised Income RM'000	<-----Non distributable----->			Total Unitholders' Funds RM'000
			Unrealised Income RM'000	Currency Translation Reserves RM'000	Revaluation Reserve RM'000	
At 1 July 2014	1,291,395	184,342	72,490	(116,137)	237,576	1,669,666
Operations for the period						
Profit/(Loss) for the period	-	58,826	(33,630)	-	-	25,196
Other comprehensive expenses						
Currency translation differences	-	-	-	(82,716)	(12,345)	(95,061)

Increase/(Decrease) in net assets resulting from operations	-	58,826	(33,630)	(82,716)	(12,345)	(69,865)
Unitholders' transactions						
Distribution paid	-	(25,395)	-	-	-	(25,395)
Provision for income distribution	-	(24,762)	-	-	-	(24,762)

Decrease in net assets resulting from Unitholders' transaction	-	(50,157)	-	-	-	(50,157)

At 31 December 2014	1,291,395	193,011	38,860	(198,853)	225,231	1,549,644
=====						

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

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

	Unitholders' Capital RM'000	Distributable Undistributed Realised Income RM'000	Non distributable Unrealised Income RM'000	Unitholders' Funds RM'000
TRUST				
At 1 July 2014	1,291,395	184,695	110,026	1,586,116
Operations for the period				
Profit/(Loss) for the period	-	51,133	(71,202)	(20,069)
Other comprehensive income	-	-	-	-
	-----	-----	-----	-----
Increase/(Decrease) in net assets resulting from operations	-	51,133	(71,202)	(20,069)
Unitholders' transactions				
Distribution paid		(25,395)	-	(25,395)
Provision for income distribution	-	(24,762)	-	(24,762)
	-----	-----	-----	-----
Decrease in net assets resulting from Unitholders' transaction	-	(50,157)	-	(50,157)
	-----	-----	-----	-----
At 31 December 2014	1,291,395	185,671	38,824	1,515,890
	=====	=====	=====	=====

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

**CONDENSED STATEMENTS OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2013**

GROUP	Unitholders' Capital RM'000	Distributable	<--Non distributable-->		Unitholders' Funds RM'000
		Undistributed Realised Income RM'000	Unrealised Income RM'000	Currency Translation Reserves RM'000	
At 1 July 2013	1,291,395	130,367	43,432	(149,126)	1,316,068
Operations for the period					
Profit for the period	-	61,998	(28,618)	-	33,380
Other comprehensive expenses					
Currency translation differences	-	-	-	(11,137)	(11,137)
	-----	-----	-----	-----	-----
Increase/(Decrease) in net assets resulting from operations	-	61,998	(28,618)	(11,137)	22,243
Unitholders' transactions					
Distribution paid	-	(25,395)	-	-	(25,395)
Provision for income distribution	-	(26,204)	-	-	(26,204)
	-----	-----	-----	-----	-----
Decrease in net assets resulting from Unitholders' transactions	-	(51,599)	-	-	(51,599)
	-----	-----	-----	-----	-----
At 31 December 2013	1,291,395	140,766	14,814	(160,263)	1,286,712
	=====	=====	=====	=====	=====

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YTL HOSPITALITY REIT**INTERIM FINANCIAL REPORT****CONDENSED STATEMENTS OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2013 - continued**

		Distributable Undistributed	Non distributable	
TRUST	Unitholders' Capital RM'000	Realised Income RM'000	Unrealised Income RM'000	Unitholders' Funds RM'000
At 1 July 2013	1,291,395	179,613	(76,479)	1,394,529
Operations for the period				
Profit for the period	-	55,801	(9,016)	46,785
Other comprehensive income	-	-	-	-
	-----	-----	-----	-----
Increase in net assets resulting from operations	-	55,801	(9,016)	46,785
Unitholders' transactions				
Distribution paid	-	(25,395)	-	(25,395)
Provision for income distribution	-	(26,204)	-	(26,204)
	-----	-----	-----	-----
Decrease in net assets resulting from Unitholders' transactions	-	(51,599)	-	(51,599)
	-----	-----	-----	-----
At 31 December 2013	1,291,395	183,815	(85,495)	1,389,715
	=====	=====	=====	=====

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The Condensed Statements of Changes in Net Asset Value should be read in conjunction with the audited annual financial statements for the year ended 30 June 2014 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 2014**

	FOR THE 6 MONTHS ENDED	
	31.12.2014	31.12.2013
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	26,547	34,345
Adjustments for :-		
Amortisation of transaction costs	740	721
Depreciation of property, plant and equipment	33,404	28,651
Impairment loss on equipment	-	172
Interest income	(1,581)	(1,696)
Interest expense	37,929	36,043
Loss on disposal of equipment	70	70
Unrealised loss/(gain) on foreign currency exchange	226	(33)
	-----	-----
Operating profit before changes in working capital	97,335	98,273
Net changes in current assets	(4,571)	(1,707)
Net changes in current liabilities	1,575	(5,699)
	-----	-----
Cash generated from operations	94,339	90,867
Income tax paid	(505)	(405)
	-----	-----
Net cash from operating activities	93,834	90,462
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	1,581	1,696
Proceed from disposal of equipment	-	19
Acquisition of property, plant and equipment	(2,634)	(1,367)
	-----	-----
Net cash (used in)/from investing activities	(1,053)	348
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(37,929)	(36,043)
Distribution paid	(58,304)	(75,629)
	-----	-----
Net cash used in financing activities	(96,233)	(111,672)
	-----	-----
Net decrease in cash and cash equivalents	(3,452)	(20,862)
Effect on exchange rate changes	(5,224)	(951)
Cash and cash equivalents at beginning of financial period	149,908	162,885
	-----	-----
Cash and cash equivalents at end of financial period (note a)	141,232	141,072
	=====	=====

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

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

Note (a)

Cash and cash equivalents

	As At 31.12.2014 RM'000	As At 31.12.2013 RM'000
Deposits with licensed financial institutions	56,340	79,753
Cash at banks	84,892	61,319
	-----	-----
	141,232	141,072
	=====	=====

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The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited annual financial statements for the year ended 30 June 2014 and the accompanying explanatory notes attached to the interim financial statements.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes :

Disclosure requirements pursuant to MFRS 134

The condensed consolidated interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 30 June 2014.

A1. Accounting Policies and Methods of Computation

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134: “Interim Financial Reporting”, and Chapter 9, Part M3 paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The accounting policies and methods of computation adopted by the Group and the Trust in the interim financial report are consistent with those adopted in the latest audited annual financial statements.

The adoption of MFRS and amendments to MFRSs, which were effective for the financial period beginning 1 July 2014, do not have significant financial impacts on the interim financial report of the Group and of the Trust.

A2. Seasonality or Cyclicity of Operations

Save for Sydney Harbour Marriott, Brisbane Marriott and Melbourne Marriott (“Australian Properties”), the business operations of the Group and of the Trust are not materially affected by any seasonal or cyclical factors.

A3. Unusual Items

During the current financial quarter, there was no item of an unusual nature that affects the assets, liabilities, equity, net income or cash flows of the Group and of the Trust.

A4. Changes in estimates of amounts reported

This is not applicable as there were no estimates previously reported.

A5. Changes in Debt and Equity Securities

There was no issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the current financial quarter. The outstanding debts are disclosed in Note B15.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : continued

A6. Income Distribution

An interim distribution of 1.9175 sen per unit (which is tax exempt at the Trust level under the amended Section 61A, Income Tax Act, 1967), totalling RM25,395,157, in respect of the three months ended 30 September 2014 was paid during the financial quarter.

A7. Segment Information

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

	<--- Property Rental --->		<-- Hotel-->	
	Malaysia	Japan	Australia	Total
	RM'000	RM'000	RM'000	RM'000
External revenue	49,017	7,706	158,815	215,538
Operating expenses	(2,767)	(1,294)	(106,662)	(110,723)
Net property income	46,250	6,412	52,153	104,815
Other income	462	1	1,924	2,387
Total income	46,712	6,413	54,077	107,202
Trust and administration expenses	(6,052)	(60)	(35,518)	(41,630)
Finance costs	(39,025)	-	-	(39,025)
Profit before tax	1,635	6,353	18,559	26,547
Total assets	1,523,589	218,465	1,455,653	3,197,707

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

	<--- Property Rental --->		<-- Hotel-->	
	Malaysia	Japan	Australia	Total
	RM'000	RM'000	RM'000	RM'000
External revenue	48,975	7,763	160,521	217,259
Operating expenses	(2,422)	(1,391)	(108,648)	(112,461)
Net property income	46,553	6,372	51,873	104,798
Other income	913	-	1,626	2,539
Total income	47,466	6,372	53,499	107,337
Trust and administration expenses	(5,353)	(127)	(30,737)	(36,217)
Finance costs	(36,775)	-	-	(36,775)
Profit before tax	5,338	6,245	22,762	34,345
Total assets	1,368,043	205,668	1,359,707	2,933,418

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : continued

A8. Events after the interim period

There was no material event after the end of the current financial quarter.

A9. Changes in the Composition of the Group

There was no change in the composition of the Group and of the Trust for the current quarter ended 31 December 2014 and the fund size stood at 1,324,388,889.

A10. Changes in Contingent Liabilities

There were no contingent liabilities to be disclosed.

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YTL HOSPITALITY REIT

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Disclosure requirements pursuant to Part M3 paragraph 9.44 of Chapter 9 of the Main Market Listing Requirements of Bursa Securities

B1. Review of Performance

Comparison with Preceding Year Corresponding Quarter

For the current financial quarter ended 31 December 2014, the revenue and net property income of RM113.235 million and RM57.343 million approximated that of the preceding year corresponding quarter's revenue and net property income of RM114.678 million and RM56.524 million, respectively.

The Group recorded a profit before tax of RM17.984 million for the current financial quarter ended 31 December 2014, a decrease of 7.85%, as compared to RM19.515 million recorded in the preceding year corresponding quarter ended 31 December 2013. The decrease in profit before tax in the current financial quarter was mainly due to the increase in interest expense arising from the interest rate hike in July 2014 and foreign exchange losses due to the weakening in Australian Dollar and Japanese Yen against Ringgit.

As a result of the above, the income available for distribution decreased from RM27.584 million recorded in preceding year corresponding quarter to RM24.764 million recorded in current financial quarter, representing a decrease of 10.22%, after adjustment for non-cash items.

Comparison with Preceding Year Corresponding Period

For the current financial period ended 31 December 2014, the revenue and net property income of RM215.538 million and RM104.815 million approximated that of the preceding year corresponding period's revenue and net property income of RM217.259 million and RM104.798 million, respectively.

The Group recorded a profit before tax of RM26.547 million for the current financial period ended 31 December 2014, a decrease of 22.70%, as compared to RM34.345 million recorded in the preceding year corresponding period ended 31 December 2013. Included in the profit before tax for the preceding year corresponding period ended 31 December 2013 was a reversal of overprovision of depreciation charges of RM4.113 million on the Australian Properties. The profit before taxation of RM26.547 million recorded in the current period decreased by 12.19% as compared to the adjusted profit before taxation for the preceding year corresponding period of RM30.232 million (after adjustment for the depreciation charges on the Australian Properties). The decrease in profit before tax in the current financial period was also due to the increase in interest expense arising from the interest rate hike in July 2014 and foreign exchange losses due to the weakening in Australian Dollar and Japanese Yen against Ringgit.

As a result of the above, the income available for distribution decreased from RM55.801 million recorded in preceding year corresponding period to RM51.133 million recorded in current financial period, representing a decrease of 8.37%, after adjustment for non-cash items.

YTL HOSPITALITY REIT

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Notes : continued

Comparison with Preceding Quarter

	Current Quarter 31.12.2014 RM'000	Preceding Quarter 30.09.2014 RM'000
Revenue	113,235	102,303
Net Property Income	57,343	47,472
Profit Before Tax	17,984	8,563
Income Available For Distribution	24,764	26,369

The Group revenue and net property income for the current financial quarter ended 31 December 2014 improved by 10.68% and 20.79%, respectively as compared to the preceding quarter ended 30 September 2014. The Australian portfolio generated higher revenue and net property income during the festive season in the current financial quarter ended 31 December 2014.

The Group profit before tax for the current financial quarter ended 31 December 2014 improved to RM17.984 million from RM8.563 million, representing an increase of 110.02%. The increase in profit before taxation was due to the same reasons set out as above.

However, the income available for distribution decreased to RM24.764 million recorded in current financial quarter from RM26.369 million recorded in preceding financial quarter ended 30 September 2014, representing a decrease of 6.09%, after adjustment for non-cash items

B2. Audit Report of the preceding financial year ended 30 June 2014

The Auditor's Report on the financial statements of the financial year ended 30 June 2014 did not contain any qualification.

B3. Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Group and the Trust for the quarter under review.

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YTL HOSPITALITY REIT

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Notes : continued

B4. Portfolio Composition

As at 31 December 2014, YTL Hospitality REIT's composition of investment portfolio is as follows:

	Fair value as at 31.12.2014 RM'000	% of fair value to NAV as at 31.12.2014 %
<u>Real Estate – Commercial</u>		
(i) JW Marriott Hotel, Kuala Lumpur	383,000	25
(ii) The Residences at The Ritz-Carlton, Kuala Lumpur	239,000	15
(iii) The Ritz-Carlton, Kuala Lumpur	310,000	20
(iv) Vistana Penang Bukit Jambul	109,000	7
(v) Vistana Kuala Lumpur Titiwangsa	111,000	6
(vi) Vistana Kuantan City Centre	81,000	7
(vii) Pangkor Laut Resort	109,000	7
(viii) Tanjong Jara Resort	100,000	5
(ix) Cameron Highlands Resort	58,000	4
(x) Hilton Niseko Village*	208,296	13
(xi) Sydney Harbour Marriott ^	864,739	56
(xii) Brisbane Marriott ^	274,565	18
(xiii) Melbourne Marriott ^	184,417	12

	3,032,017	
Deposits with licensed financial institutions	56,340	4

	3,088,357	
	=====	

Note :

* Translated on 31 December 2014 at the exchange rate of JPY100 : RM2.9255

^ Translated on 31 December 2014 at the exchange rate of AUD1 : RM2.8664

There was no change to the portfolio composition of the Group and the Trust for the quarter under review.

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YTL HOSPITALITY REIT

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Notes : continued

B5. Change in Net Asset Value (“NAV”)

The total NAV and NAV per unit of the Group as at 31 December 2014 were RM1,549,644,677 and RM1.1701, respectively. The decrease in total NAV and NAV per unit was mainly due to unrealised foreign exchange loss on investments in Japanese and Australian subsidiaries.

	Current Quarter 31.12.2014 RM	Preceding Quarter 30.09.2014 RM
NAV	1,549,644,677	1,559,593,654
NAV per unit	1.1701	1.1776

B6. Change in Market Value

On 31 December 2014, YTL Hospitality REIT’s market value closed at RM0.995 per unit, a decrease of 1.5% as compared to the closing market value of RM1.010 per unit on 30 September 2014.

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 2015.

B8. Utilisation of Proceeds Raised from Issuance of New Units

There was no issuance of new units during the financial quarter.

B9. Circumstances Affecting Interest of Unitholders

There were no unusual circumstances which materially affected any interest of the unitholders.

B10. Material Litigation

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

YTL HOSPITALITY REIT

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Notes : continued

B11. Maintenance Costs and Major Capital Expenditure

There was no maintenance costs and major capital expenditure incurred during the financial period.

B12. Soft Commission

During the financial period, the Manager did not receive any soft commission (i.e. goods and services) from its broker, by virtue of transactions conducted by the Group or by the Trust.

B13. Taxation

Taxation comprises the following:-

	Current Year Quarter 31.12.2014 RM'000	Current Year To Date 31.12.2014 RM'000
Malaysian income tax	82	82
Foreign income tax	193	499
Withholding tax	171	352
Deferred tax	66	418
	-----	-----
	512	1,351
	=====	=====

Trust level

It is the policy of the Trust to distribute at least 90% of the total income to unitholders for each financial year. Income of the Trust shall be exempted from tax if it distributes 90% or more of its taxable income for that year of assessment, in accordance with the amended Section 61A, Income Tax Act, 1967, thus no Malaysian income tax is payable by the Trust during the financial quarter.

Unitholders' level

Pursuant to the amended Section 109D(2) of the Income Tax Act, 1967 under the Finance Act 2009 which was gazetted on 8 January 2009, the following withholding tax rates would be applicable on distribution of income which is tax exempt at YTL Hospitality REIT's level:-

Category of unitholders	Withholding tax rate
Resident and non-resident individuals	10%
Resident and non-resident institutions	10%
Resident companies	No withholding tax. Subject to corporate tax at the prevailing rate of 25%
Non-resident companies	25%

YTL HOSPITALITY REIT

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Notes : continued

B14. Corporate Development

As at the date of this report, there is no corporate proposal announced and pending completion, save for the following:-

On 14 June 2013, the Manager of YTL Hospitality REIT proposed to undertake the following proposals:-

- (i) Proposed placement of new units in YTL Hospitality REIT (“Placement Units”), at a price to be determined later, to raise gross proceeds of up to RM800 million to partially repay YTL Hospitality REIT’s borrowings and reduce its gearing level (“Proposed Placement”);
- (ii) Proposed increase in the existing approved fund size of YTL Hospitality REIT from 1,324,388,889 units up to a maximum of 2,125,000,000 units (“Proposed Increase in Fund Size”) to facilitate the issuance of the Placement Units pursuant to the Proposed Placement; and
- (iii) Proposed increase in borrowing limit to 60% of total asset value (“Proposed Increase in Borrowing Limit”) to provide YTL Hospitality REIT with the flexibility of funding larger acquisition opportunities through borrowings in the future.

On 28 June 2013, the existing major unitholder of YTL Hospitality REIT, namely YTL Corporation Berhad, accepted YTL Hospitality REIT’s conditional invitation for Placement Units of up to RM310 million in value (“Proposed Subscription”).

On 30 December 2013, Securities Commission Malaysia (“SC”) granted its approval for the Proposed Increase in Fund Size, the listing of and quotation for the Placement Units on the Main Market of Bursa Securities and the exemption from complying with Paragraphs 14.04(a)(i), (ii) and (iii) of the REIT Guidelines in relation to the Proposed Placement.

On 10 January 2014, Bursa Securities approved the listing of and quotation for up to 800,611,111 Placement Units to be issued pursuant to the Proposed Placement.

Unitholders approved the Proposed Placement, Proposed Increase in Fund Size, Proposed Increase in Borrowing Limit and Proposed Subscription at the meeting of unitholders held on 11 February 2014.

An application was submitted to the SC on 14 May 2014 to seek an extension of time of six (6) months from 30 June 2014 until 29 December 2014 to complete the Proposed Placement and Proposed Increase in Fund Size (“Proposed Extension of Time”). On 23 May 2014, SC approved the Proposed Extension of Time.

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

YTL HOSPITALITY REIT

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Notes : continued

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

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

B15. Borrowings and Debt Securities

The Group’s borrowings from financial institutions as at 31 December 2014 are set below:

Long term	RM’000
Term Loan – secured	1,581,800
Capitalised transaction costs	(4,161)

	1,577,639
	=====

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YTL HOSPITALITY REIT

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Notes : continued

B16. Income Distribution

The Board of Pintar Projek Sdn. Bhd. has declared an interim distribution of 1.8697 sen per unit (all taxable in the hands of unitholders), totaling RM24,762,099 (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 2014. The total income distribution paid and declared for the financial period ended 31 December 2014 is 3.7872 sen per unit, totaling RM50,157,256 and representing approximately 98% of the total distributable income. The book closure and payment dates in respect of the interim distribution will be fixed on 3 and 24 March 2015, respectively.

The interim income distribution is from the following sources:-

	Current Year Quarter 31.12.2014 RM'000	Current Year To Date 31.12.2014 RM'000
Profit after taxation	17,472	25,196
Distribution adjustments:-		
Depreciation	16,509	33,404
Unrealised foreign translation differences	1	226
Net profit not distributed from overseas operations	(9,218)	(7,693)
	-----	-----
Income available for distribution/Total distributable income	24,764	51,133
Total distributable income brought forward	974	-
	-----	-----
Total distributable income available for distribution	25,738	51,133
Less: Income distribution	(24,762)	(50,157)
	-----	-----
Undistributed distributable income	976	976
	=====	=====

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : continued

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

As at 31 December 2014, the Manager did not hold any units in YTL Hospitality REIT. The units held by the parties related to the Manager are as follows:-

	Number Of Units '000	Market Value RM'000
YTL Corporation Berhad	747,464	743,727
YTL Power International Berhad	43,090	42,874
Business & Budget Hotels (Kuantan) Sdn Bhd	18,750	18,656
Megahub Development Sdn Bhd	18,250	18,159
East-West Ventures Sdn Bhd	62,500	62,188
Syarikat Pelanchongan Pangkor Laut Sendirian Berhad	24,250	24,129
Tanjong Jara Beach Hotel Sdn Bhd	21,750	21,641
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping	870	866
Dato' Yeoh Seok Kah	2,000	1,990
Dato' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir	100	100

The market value of the units held by the parties related to the Manager is based on the closing market price of YTL Hospitality REIT at RM0.995 per unit as at 31 December 2014.

B18. Realised and Unrealised Retained Profits/Undistributed Income

The breakdown of the undistributed income of the Group as at 31 December 2014, into realised and unrealised profits, pursuant to the directive issued by Bursa Malaysia Securities Berhad ("Bursa Securities") on 25 March 2010 and 20 December 2010 is as follows:-

	As at 31.12.2014 RM'000	As at 30.06.2014 RM'000
Total undistributed income of the Trust and its subsidiaries		
- Realised	9,092	21,050
- Unrealised	66,672	134,446
	-----	-----
	75,764	155,496
Add: Consolidation adjustments	156,107	101,336
	-----	-----
Total group undistributed income as per consolidated financial statements	231,871	256,832
	=====	=====

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : continued

B19. Statement by the Directors of the Manager

In the opinion of the Directors of the Manager, this quarterly report has been prepared in accordance with MFRS 134: “Interim Financial Reporting”, and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of YTL Hospitality REIT as at 31 December 2014 and of its financial performance and cash flows for the financial period ended on that date.

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

Kuala Lumpur
Dated: 12 February 2015