

YTL HOSPITALITY REIT

Established in Malaysia

**Interim Financial Report
31 March 2020**

YTL HOSPITALITY REIT

Interim Financial Report 31 March 2020

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YTL HOSPITALITY REIT**INTERIM FINANCIAL REPORT**

Interim financial report on results for the financial period ended 31 March 2020.

The figures have not been audited.

CONDENSED INCOME STATEMENTS FOR THE QUARTER

	GROUP		TRUST	
	CURRENT YEAR QUARTER 31.03.2020 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.03.2019 RM'000	CURRENT YEAR QUARTER 31.03.2020 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.03.2019 RM'000
NET REVENUE	104,855	125,906	35,059	33,485
PROPERTY OPERATING EXPENSES	(47,692)	(58,533)	(1,850)	(1,756)
NET PROPERTY INCOME	57,163	67,373	33,209	31,729
FINANCE INCOME	303	455	25,392	26,592
OTHER INCOME	381	453	-	63
MANAGER'S FEES	(2,316)	(3,607)	(2,316)	(3,607)
TRUSTEE'S FEES	(352)	(347)	(352)	(347)
DEPRECIATION	(17,360)	(19,191)	(1)	-
ADMINISTRATION EXPENSES	(1,054)	(1,357)	24	(133)
FINANCE COSTS	(21,538)	(21,361)	(21,515)	(21,338)
INCOME BEFORE UNREALISED ITEM	15,227	22,418	34,441	32,959
UNREALISED ITEM: - Unrealised gain/(loss) on foreign exchange	60,557	13,841	(5,858)	(3,725)
PROFIT BEFORE TAX	75,784	36,259	28,583	29,234

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CONDENSED INCOME STATEMENTS FOR THE QUARTER – continued

	GROUP		TRUST	
	CURRENT YEAR QUARTER 31.03.2020 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.03.2019 RM'000	CURRENT YEAR QUARTER 31.03.2020 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.03.2019 RM'000
PROFIT BEFORE TAX	75,784	36,259	28,583	29,234
INCOME TAX EXPENSE	(799)	(891)	(409)	(377)
PROFIT FOR THE QUARTER	74,985	35,368	28,174	28,857
DISTRIBUTION ADJUSTMENTS:				
- Depreciation	17,359	19,191	-	-
- Net income from foreign operations	2,245	(8,136)	-	-
- Unrealised foreign translation differences	(60,557)	(13,841)	5,858	3,725
INCOME AVAILABLE FOR DISTRIBUTION / TOTAL DISTRIBUTABLE INCOME	34,032	32,582	34,032	32,582
UNDISTRIBUTED DISTRIBUTABLE INCOME BROUGHT FORWARD	1	-	1	-
UNDISTRIBUTED DISTRIBUTABLE INCOME AVAILABLE FOR DISTRIBUTION	34,033	32,582	34,033	32,582

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CONDENSED INCOME STATEMENTS FOR THE QUARTER – continued

	GROUP		TRUST	
	CURRENT YEAR QUARTER 31.03.2020 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.03.2019 RM'000	CURRENT YEAR QUARTER 31.03.2020 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.03.2019 RM'000
UNDISTRIBUTED DISTRIBUTABLE INCOME AVAILABLE FOR DISTRIBUTION	34,033	32,582	34,033	32,582
PROVISION FOR INCOME DISTRIBUTION	-*	(32,581)	-*	(32,581)
UNDISTRIBUTED DISTRIBUTABLE INCOME	34,033	1	34,033	1
DISTRIBUTABLE INCOME PER UNIT (Sen)	1.9967	1.9117	1.9967	1.9117
GROSS DISTRIBUTION PER UNIT (Sen)	-*	1.9116	-*	1.9116

* The income distribution frequency has been changed from quarterly to semi-annually effective from the current financial quarter ended 31 March 2020.

The Condensed Income Statements should be read in conjunction with the audited annual financial statements for the year ended 30 June 2019 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED STATEMENTS OF COMPREHENSIVE INCOME FOR THE QUARTER

	GROUP		TRUST	
	CURRENT YEAR QUARTER 31.03.2020 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.03.2019 RM'000	CURRENT YEAR QUARTER 31.03.2020 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.03.2019 RM'000
PROFIT FOR THE QUARTER	74,985	35,368	28,174	28,857
OTHER COMPREHENSIVE INCOME/(EXPENSE):-				
<i>ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO INCOME STATEMENT:-</i>				
CASH FLOW HEDGE	3,005	(1,824)	3,005	(1,824)
CURRENCY TRANSLATION DIFFERENCES	(117,315)	(30,258)	-	-
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE QUARTER	(39,325)	3,286	31,179	27,033
PROFIT FOR THE QUARTER IS MADE UP AS FOLLOWS:-				
REALISED PROFIT	31,787	40,718	34,032	32,582
UNREALISED PROFIT / (LOSS)	43,198	(5,350)	(5,858)	(3,725)
	74,985	35,368	28,174	28,857
Weighted average number of units ('000)	1,704,389	1,704,389	1,704,389	1,704,389
EARNINGS PER UNIT (Sen)	4.40	2.08	1.65	1.69

The Condensed Statements of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended 30 June 2019 and the accompanying explanatory notes attached to the interim financial statements.

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

	GROUP		TRUST	
	9 MONTHS ENDED		9 MONTHS ENDED	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
	RM'000	RM'000	RM'000	RM'000
NET REVENUE	356,673	372,239	105,176	100,641
PROPERTY OPERATING EXPENSES	(165,735)	(179,222)	(5,506)	(5,247)
NET PROPERTY INCOME	190,938	193,017	99,670	95,394
FINANCE INCOME	910	1,383	78,754	80,373
OTHER INCOME	1,161	1,294	-	115
MANAGER'S FEES	(7,423)	(8,472)	(7,423)	(8,472)
TRUSTEE'S FEES	(1,081)	(1,053)	(1,081)	(1,053)
DEPRECIATION	(54,019)	(58,406)	(2)	-
ADMINISTRATION EXPENSES	(6,401)	(8,239)	(2,149)	(2,477)
FINANCE COSTS	(66,562)	(64,568)	(66,494)	(64,500)
INCOME BEFORE UNREALISED ITEM	57,523	54,956	101,275	99,380
UNREALISED ITEM: - Unrealised gain/(loss) on foreign exchange	77,641	28,898	(8,832)	(3,035)
PROFIT BEFORE TAX	135,164	83,854	92,443	96,345

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INTERIM FINANCIAL REPORT

CONDENSED INCOME STATEMENTS FOR THE PERIOD – continued

	GROUP		TRUST	
	9 MONTHS ENDED		9 MONTHS ENDED	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
	RM'000	RM'000	RM'000	RM'000
PROFIT BEFORE TAX	135,164	83,854	92,443	96,345
INCOME TAX EXPENSE	(2,408)	(2,301)	(1,210)	(998)
	-----	-----	-----	-----
PROFIT FOR THE PERIOD	132,756	81,553	91,233	95,347
DISTRIBUTION ADJUSTMENTS:				
- Depreciation	54,017	58,406	-	-
- Net income from foreign operations	(9,067)	(12,679)	-	-
- Unrealised foreign translation differences	(77,641)	(28,898)	8,832	3,035
	-----	-----	-----	-----
INCOME AVAILABLE FOR DISTRIBUTION / TOTAL DISTRIBUTABLE INCOME	100,065	98,382	100,065	98,382
DISTRIBUTION PAID	(66,032)	(65,800)	(66,032)	(65,800)
PROVISION FOR INCOME DISTRIBUTION	-*	(32,581)	-*	(32,581)
	-----	-----	-----	-----
UNDISTRIBUTED DISTRIBUTABLE INCOME	34,033	1	34,033	1
	=====	=====	=====	=====
DISTRIBUTABLE INCOME PER UNIT (Sen)	5.8710	5.7723	5.8710	5.7723
	=====	=====	=====	=====
GROSS DISTRIBUTION PER UNIT (Sen)	3.8742	5.7722	3.8742	5.7722
	=====	=====	=====	=====

* The income distribution frequency has been changed from quarterly to semi-annually effective from the current financial quarter ended 31 March 2020.

The Condensed Income Statements should be read in conjunction with the audited annual financial statements for the year ended 30 June 2019 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED STATEMENTS OF COMPREHENSIVE INCOME FOR THE PERIOD

	GROUP		TRUST	
	9 MONTHS ENDED		9 MONTHS ENDED	
	31.03.2020	31.03.2019	31.03.2020	31.03.2019
	RM'000	RM'000	RM'000	RM'000
PROFIT FOR THE PERIOD	132,756	81,553	91,233	95,347
OTHER COMPREHENSIVE INCOME/(EXPENSE):-				
<i>ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO INCOME STATEMENT:-</i>				
CASH FLOW HEDGE	9,843	(2,389)	9,843	(2,389)
CURRENCY TRANSLATION DIFFERENCES	(153,810)	(55,981)	-	-
	-----	-----	-----	-----
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	(11,211)	23,183	101,076	92,958
	=====	=====	=====	=====
PROFIT FOR THE PERIOD IS MADE UP AS FOLLOWS:-				
REALISED PROFIT	109,132	111,061	100,065	98,382
UNREALISED PROFIT / (LOSS)	23,624	(29,508)	(8,832)	(3,035)
	-----	-----	-----	-----
	132,756	81,553	91,233	95,347
	=====	=====	=====	=====
Weighted average number of units ('000)	1,704,389	1,704,389	1,704,389	1,704,389
	=====	=====	=====	=====
EARNINGS PER UNIT (Sen)	7.79	4.78	5.35	5.59
	=====	=====	=====	=====

The Condensed Statements of Comprehensive Income should be read in conjunction with the audited annual financial statements for the year ended 30 June 2019 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED STATEMENTS OF FINANCIAL POSITION

	GROUP		TRUST	
	UNAUDITED AS AT 31.03.2020 RM'000	AUDITED AS AT 30.06.2019 RM'000	UNAUDITED AS AT 31.03.2020 RM'000	AUDITED AS AT 30.06.2019 RM'000
ASSETS				
Non-current Assets				
Investment properties	2,749,176	2,732,554	2,203,000	2,203,000
Property, plant and equipment	1,737,574	1,946,226	-	-
Right-of-use asset	207	-	207	-
Investment in subsidiaries	-	-	527,536	521,056
Amount due from subsidiaries	-	-	1,272,020	1,349,378
Deferred tax assets	2,141	2,679	-	-
	-----	-----	-----	-----
	4,489,098	4,681,459	4,002,763	4,073,434
	-----	-----	-----	-----
Current Assets				
Inventories	554	664	-	-
Trade and other receivables	52,525	33,682	4,837	6,014
Income tax assets	798	-	-	-
Amount due from subsidiaries	-	-	126,002	123,399
Deposits with licensed financial institutions	29,023	58,935	1,700	10,130
Cash at banks	91,577	90,037	1,349	317
	-----	-----	-----	-----
	174,477	183,318	133,888	139,860
	-----	-----	-----	-----
TOTAL ASSETS	4,663,575	4,864,777	4,136,651	4,213,294
	=====	=====	=====	=====
UNITHOLDERS' FUNDS				
Unitholders' capital	1,690,806	1,690,806	1,690,806	1,690,806
Undistributed income	140,774	74,050	484,835	459,634
Reserves	828,277	972,244	(4,705)	(14,548)
	-----	-----	-----	-----
Net Asset Value	2,659,857	2,737,100	2,170,936	2,135,892
	-----	-----	-----	-----

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INTERIM FINANCIAL REPORT

CONDENSED STATEMENTS OF FINANCIAL POSITION – continued

	GROUP		TRUST	
	UNAUDITED AS AT 31.03.2020 RM'000	AUDITED AS AT 30.06.2019 RM'000	UNAUDITED AS AT 31.03.2020 RM'000	AUDITED AS AT 30.06.2019 RM'000
LIABILITIES				
Non-current Liabilities				
Borrowings	1,023,178	1,016,393	213,178	206,393
Lease liability	201	-	201	-
Other payables	-	963	-	-
Amount due to a subsidiary	-	-	810,000	810,000
	<u>1,023,379</u>	<u>1,017,356</u>	<u>1,023,379</u>	<u>1,016,393</u>
Current Liabilities				
Borrowings	916,591	993,031	916,591	993,031
Derivative financial instruments	4,705	14,548	4,705	14,548
Trade and other payables	59,043	66,948	21,040	17,648
Amount due to a subsidiary	-	-	-	9
Income tax liabilities	-	21	-	-
Provision for income distribution	=	35,773	-	35,773
	<u>980,339</u>	<u>1,110,321</u>	<u>942,336</u>	<u>1,061,009</u>
TOTAL LIABILITIES	<u>2,003,718</u>	<u>2,127,677</u>	<u>1,965,715</u>	<u>2,077,402</u>
TOTAL UNITHOLDERS' FUNDS & LIABILITIES	<u>4,663,575</u>	<u>4,864,777</u>	<u>4,136,651</u>	<u>4,213,294</u>
Net asset value (RM'000)				
- before income distribution	2,725,889	2,871,254	2,236,968	2,270,046
- after income distribution	2,659,857	2,737,100	2,170,936	2,135,892
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	1.599	1.685	1.312	1.332
- after income distribution	1.561	1.606	1.274	1.253

The Condensed Statements of Financial Position should be read in conjunction with the audited annual financial statements for the year ended 30 June 2019 and the accompanying explanatory notes attached to the interim financial statements.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

**CONDENSED STATEMENTS OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020**

GROUP	Unitholders' Capital RM'000	Distributable Undistributed Realised Income RM'000	<-----Non-distributable----->				Total Unitholders' Funds RM'000
			Unrealised Loss RM'000	Currency Translation Reserves RM'000	Revaluation Reserve RM'000	Cash Flow Hedge Reserve RM'000	
At 1 July 2019	1,690,806	210,903	(136,853)	(95,066)	1,081,858	(14,548)	2,737,100
Operations for the period							
Profit for the period	-	109,132	23,624	-	-	-	132,756
Other comprehensive (expense)/income	-	-	-	(62,093)	(91,717)	9,843	(143,967)

Increase/(Decrease) in net assets resulting from operations	-	109,132	23,624	(62,093)	(91,717)	9,843	(11,211)
Unitholders' transactions							
Distribution paid	-	(66,032)	-	-	-	-	(66,032)
Provision for income distribution*	-	-	-	-	-	-	-

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

At 31 March 2020	1,690,806	254,003	(113,229)	(157,159)	990,141	(4,705)	2,659,857
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* The income distribution frequency has been changed from quarterly to semi-annually effective from the current financial quarter ended 31 March 2020.

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INTERIM FINANCIAL REPORT

**CONDENSED STATEMENTS OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020 - continued**

	Unitholders' Capital RM'000	Distributable Undistributed Realised Income RM'000	<-----Non-distributable----> Unrealised Income RM'000	Cash Flow Hedge Reserve RM'000	Total Unitholders' Funds RM'000
TRUST					
At 1 July 2019	1,690,806	184,699	274,935	(14,548)	2,135,892
Operations for the period					
Profit/(Loss) for the period	-	100,065	(8,832)	-	91,233
Other comprehensive income	-	-	-	9,843	9,843
	-----	-----	-----	-----	-----
Increase/(Decrease) in net assets resulting from operations	-	100,065	(8,832)	9,843	101,076
Unitholders' transactions					
Distribution paid	-	(66,032)	-	-	(66,032)
Provision for income distribution*	-	-	-	-	-
	-----	-----	-----	-----	-----
Decrease in net assets resulting from Unitholders' transaction	-	(66,032)	-	-	(66,032)
	-----	-----	-----	-----	-----
At 31 March 2020	1,690,806	218,732	266,103	(4,705)	2,170,936
	=====	=====	=====	=====	=====

* The income distribution frequency has been changed from quarterly to semi-annually effective from the current financial quarter ended 31 March 2020.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

**CONDENSED STATEMENTS OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

GROUP	Unitholders' Capital RM'000	Distributable Undistributed Realised Income RM'000	<-----Non-distributable----->				Total Unitholders' Funds RM'000
			Unrealised Loss RM'000	Currency Translation Reserves RM'000	Revaluation Reserve RM'000	Cash Flow Hedge Reserve RM'000	
At 1 July 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	-	111,061	(29,508)	-	-	-	81,553
Other comprehensive loss	-	-	-	(25,112)	(30,869)	(2,389)	(58,370)
Increase/(Decrease) in net assets resulting from operations	-	111,061	(29,508)	(25,112)	(30,869)	(2,389)	23,183
Unitholders' transactions							
Distribution paid	-	(65,800)	-	-	-	-	(65,800)
Provision for income distribution	-	(32,581)	-	-	-	-	(32,581)
Decrease in net assets resulting from Unitholders' transaction	-	(98,381)	-	-	-	-	(98,381)
At 31 March 2019	1,690,806	215,508	(128,805)	(122,995)	1,000,743	(11,944)	2,643,313

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

**CONDENSED STATEMENTS OF CHANGES IN NET ASSET VALUE
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019 - continued**

	Unitholders' Capital RM'000	Distributable Undistributed Realised Income RM'000	<-----Non-distributable----> Unrealised Income RM'000	Cash Flow Hedge Reserve RM'000	Total Unitholders' Funds RM'000
TRUST					
At 1 July 2018	1,690,806	184,699	238,991	(9,555)	2,104,941
Operations for the period					
Profit/(Loss) for the period	-	98,382	(3,035)	-	95,347
Other comprehensive expense	-	-	-	(2,389)	(2,389)
	-----	-----	-----	-----	-----
Increase/(Decrease) in net assets resulting from operations	-	98,382	(3,035)	(2,389)	92,958
Unitholders' transactions					
Distribution paid	-	(65,800)	-	-	(65,800)
Provision for income distribution	-	(32,581)	-	-	(32,581)
	-----	-----	-----	-----	-----
Decrease in net assets resulting from Unitholders' transaction	-	(98,381)	-	-	(98,381)
	-----	-----	-----	-----	-----
At 31 March 2019	1,690,806	184,700	235,956	(11,944)	2,099,518
	=====	=====	=====	=====	=====

The Condensed Statements of Changes in Net Asset Value should be read in conjunction with the audited annual financial statements for the year ended 30 June 2019 and the accompanying explanatory notes attached to the interim financial statements.

YTL HOSPITALITY REIT**INTERIM FINANCIAL REPORT****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020**

	9 MONTHS ENDED	
	31.03.2020	31.03.2019
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	135,164	83,854
Adjustments for:-		
Amortisation of transaction costs	1,812	1,730
Depreciation of property, plant and equipment	54,019	58,406
Interest income	(910)	(1,383)
Interest expense	64,589	62,271
Loss on disposal of property, plant and equipment	128	2,320
Unrealised gain on foreign currency exchange	(77,641)	(28,898)
	-----	-----
Operating profit before changes in working capital	177,161	178,300
Net changes in current assets	(21,583)	(7,436)
Net changes in current liabilities	(5,243)	8,693
	-----	-----
Cash generated from operations	150,335	179,557
Income tax paid	(2,917)	(3,509)
	-----	-----
Net cash from operating activities	147,418	176,048
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	910	1,383
Acquisition of property, plant and equipment	(7,828)	(45,184)
Acquisition of investment property (note a)	-	(220,190)
Proceed from disposal of equipment	-	32
	-----	-----
Net cash used in investing activities	(6,918)	(263,959)
	-----	-----

YTL HOSPITALITY REIT**INTERIM FINANCIAL REPORT****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020 - continued**

	9 MONTHS ENDED	
	31.03.2020	31.03.2019
	RM'000	RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(64,589)	(62,271)
Distribution paid	(101,805)	(99,293)
Transaction costs paid	-	(1,740)
Proceeds of borrowings	6,480	247,821
	-----	-----
Net cash (used in)/from financing activities	(159,914)	84,517
	-----	-----
Net decrease in cash and cash equivalents	(19,414)	(3,394)
Effect on exchange rate changes	(8,958)	(2,927)
Cash and cash equivalents at beginning of financial period	148,972	155,457
	-----	-----
Cash and cash equivalents at end of financial period (note a)	120,600	149,136
	=====	=====

Note (a)

	As At	As At
	31.03.2020	31.03.2019
	RM'000	RM'000
Cash and cash equivalents:-		
Deposits with licensed financial institutions	29,023	46,368
Cash at banks	91,577	102,768
	-----	-----
	120,600	149,136
	=====	=====
Analysis of acquisition of investment property:-		
Cash	-	24,353
Borrowings	-	195,837
	-----	-----
	-	220,190
	=====	=====

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited annual financial statements for the year ended 30 June 2019 and the accompanying explanatory notes attached to the interim financial statements.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes :

Disclosure requirement pursuant to MFRS 134

The condensed interim financial statements should be read in conjunction with the audited annual financial statements of the Group for the financial year ended 30 June 2019.

A1. Accounting Policies and Methods of Computation

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

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

The adoption of MFRSs, interpretations and amendments to MFRSs, which were effective for the financial year beginning 1 July 2019, do not have significant financial impacts on the interim financial report of the Group and of the Trust.

A2. Seasonality or Cyclicity of Operations

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

A3. Unusual Items

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

A4. Changes in estimates of amounts reported

There was no significant change in estimates of amounts reported in prior interim periods or prior financial years.

A5. Changes in Debt and Equity Securities

There was no issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the current financial quarter and financial period to date save as disclosed in Note B14.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

A6. Income Distribution

The following distribution payment (which was tax exempt at the Trust level under the amended Section 61A, Income Tax Act 1967) was made during the financial period ended 31 March 2020:-

	RM'000
In respect of the three months ended 30 June 2019:- A final distribution of 2.0989 sen per unit each paid on 30 August 2019	35,773
In respect of the three months ended 30 September 2019:- An interim distribution of 1.9584 sen per unit each paid on 27 December 2019	33,379
In respect of the three months ended 31 December 2019:- An interim distribution of 1.9158 sen per unit each paid on 25 March 2020	32,653

	101,805
	=====

A7. Segment Information

The Group's segmental result for the financial period ended 31 March 2020 is as follows:-

	< ---Property rental--- >		< --Hotel-- >	
	Malaysia	Japan	Australia	Total
	RM'000	RM'000	RM'000	RM'000
External revenue	105,176	21,198	230,299	356,673
Operating expenses	(5,506)	(3,604)	(156,625)	(165,735)
	-----	-----	-----	-----
Net property income	99,670	17,594	73,674	190,938
	-----	-----	-----	-----
Finance income				910
Other income				1,161
Unrealised gain on foreign exchange				77,641

Total income				270,650
Trust and administration expenses				(14,905)
Depreciation				(54,019)
Finance costs				(66,562)

Profit before tax				135,164
				=====
Total assets	2,211,168	560,427	1,891,980	4,663,575
	=====	=====	=====	=====

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

A7. Segment Information - continued

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

	< ---Property rental--->		< --Hotel-- >	Total
	Malaysia	Japan	Australia	
	RM'000	RM'000	RM'000	RM'000
External revenue	100,641	18,165	253,433	372,239
Operating expenses	(5,247)	(3,477)	(170,498)	(179,222)
Net property income	95,394	14,688	82,935	193,017
Finance income				1,383
Other income				1,294
Unrealised gain on foreign exchange				28,898
Total income				224,592
Trust and administration expenses				(17,764)
Depreciation				(58,406)
Finance costs				(64,568)
Profit before tax				83,854
Total assets	2,093,548	523,975	2,045,685	4,663,208

A8. Material and Subsequent Events

The COVID-19 pandemic has adversely impacted the hospitality sector worldwide. Since the outbreak, country borders are closed to international travel, both local and international market demands have been badly affected. Many Governments have set up measures to contain the pandemic and introduced various forms of support to mitigate and cushion the impact for businesses.

Australian borders were closed to all non-residents from 20 March 2020 and the government implemented stricter social distancing measures to contain the pandemic. Meanwhile, the Australian portfolios participated in the Australian Government's programme for self-isolation guests and remained in operations throughout. The Manager took immediate measures to review the business continuity plans, tighten cost saving measures and delay non-essential capital expenditures to mitigate the financial impact.

In Japan, the Japanese government declared a one-month state of emergency in April 2020 which was extended to 31 May 2020. The lifting of the state of emergency was declared on 25 May 2020 as the implementation of emergency measures are deemed no longer necessary.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

A8. Material and Subsequent Events – continued

The Malaysian government declared movement control order from 18 March 2020 to 12 May 2020 in response to the COVID-19 pandemic in the country. As a result, government and private premises providing non-essential services were compulsorily closed. On 4 May 2020, the government eased the order via the conditional movement control order which allowed almost all businesses to re-open, guided by the standard operating procedures. This order remains effective until 9 June 2020.

A9. Changes in the Composition of the Group

There was no change in the composition of the Group and of the Trust for the current financial period ended 31 March 2020 and the fund size stood at 1,704,388,889.

A10. Changes in Contingent Liabilities

There were no contingent liabilities to be disclosed.

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes :

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

B1. Review of Performance

	Individual Quarter		Variance %	Cumulative Quarter		Variance %
	31.03.2020 RM'000	31.03.2019 RM'000		31.03.2020 RM'000	31.03.2019 RM'000	
Revenue:						
- Hotel (Management contracts)	62,749	85,478	-26.59	230,299	253,433	-9.13
- Property rental (Master leases)	42,106	40,428	4.15	126,374	118,806	6.37
	-----	-----		-----	-----	
	104,855	125,906	-16.72	356,673	372,239	-4.18
	=====	=====		=====	=====	
Net Property Income:						
- Hotel (Management contracts)	17,945	29,596	-39.37	73,674	82,935	-11.17
- Property rental (Master leases)	39,218	37,777	3.81	117,264	110,082	6.52
	-----	-----		-----	-----	
	57,163	67,373	-15.15	190,938	193,017	-1.08
	=====	=====		=====	=====	
Profit Before Tax	75,784	36,259	109.01	135,164	83,854	61.19
Income Available For Distribution	34,032	32,582	4.45	100,065	98,382	1.71

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B1. Review of Performance - continued

For the current financial quarter under review, the Group recorded revenue and net property income of RM104.855 million and RM57.163 million, respectively, as compared to RM125.906 million and RM67.373 million, respectively, recorded in the preceding year corresponding quarter. This represented a decrease of 16.72% and 15.15% respectively. The Group recorded a profit before tax of RM75.784 million for the current financial quarter ended 31 March 2020, an increase of 109.01% as compared to a profit before tax of RM36.259 million recorded in the preceding year corresponding quarter, mainly due to the unrealised foreign currency translation gain on borrowings denominated in foreign currencies.

The income available for distribution in the current financial quarter of RM34.032 million, represented an increase of 4.45% as compared to RM32.582 million recorded in the preceding year corresponding quarter.

For the current financial period under review, the Group recorded revenue and net property income of RM356.673 million and RM190.938 million, respectively, as compared to RM372.239 million and RM193.017 million, respectively, recorded in the preceding year corresponding period. This represented a decrease of 4.18% and 1.08%, respectively as compared to the preceding year corresponding period. The Group recorded a profit before tax of RM135.164 million for the current financial period ended 31 March 2020, an increase of 61.19% as compared to a profit before tax of RM83.854 million recorded in the preceding year corresponding period due to the reason mentioned above.

The income available for distribution in the current financial period of RM100.065 million, represented a slight increase of 1.71% as compared to RM98.382 million recorded in the preceding year corresponding period.

Performance of the respective operating business segments for the financial quarter/period ended 31 March 2020 as compared to the preceding year corresponding quarter/period are analysed as follows:

Hotel

Revenue and net property income from Australian Properties have been impacted by the COVID-19 pandemic in February 2020 and the implementation of stricter social distancing measures by the Australian government to contain the spread in late March 2020.

Property rental

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

Additionally, the acquisition of The Green Leaf Niseko Village in September 2018 contributed to the increase in revenue and net property income for the current financial period ended 31 March 2020.

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B2. Comparison with Preceding Quarter

	Current Quarter 31.03.2020 RM'000	Preceding Quarter 31.12.2019 RM'000	Variance % +/-
Revenue	104,855	131,100	-20.02
Net Property Income	57,163	71,037	-19.53
Profit Before Tax	75,784	19,048	297.86
Income Available For Distribution	34,032	32,653	4.22

For the current financial quarter, Group revenue and net property income decreased by 20.02% and 19.53%, respectively as compared to the preceding financial quarter ended 31 December 2019. The Australian Properties generated lower revenue and net property income in the current financial quarter ended 31 March 2020 due to the reason set out in Note B1.

The Group recorded a profit before tax of RM75.784 million for the current financial quarter ended 31 March 2020, an increase of 297.86%, as compared to the preceding financial quarter ended 31 December 2019, mainly due to the reason set out in Note B1.

The income available for distribution in the current financial quarter recorded at RM34.032 million, represented an increase of 4.22% as compared to RM32.653 million recorded in the preceding quarter mainly contributed from saving of the finance costs.

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

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

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B4. Portfolio Composition

As at 31 March 2020, YTL Hospitality REIT's composition of investment portfolio is as follows:-

	Fair Value As At 31.03.2020 RM'000	% of total investment %
<u>Real Estate - Commercial</u>		
<u>Malaysian Properties</u>		
(i) JW Marriott Hotel Kuala Lumpur	519,000	11
(ii) The Majestic Hotel Kuala Lumpur	388,000	9
(iii) The Ritz-Carlton, Kuala Lumpur - Hotel Wing	357,000	8
(iv) The Ritz-Carlton, Kuala Lumpur - Suite Wing	311,000	7
(v) AC Hotel Kuala Lumpur Titiwangsa	138,000	3
(vi) AC Hotel Penang Bukit Jambul	120,000	3
(vii) Pangkor Laut Resort	118,000	3
(viii) Tanjung Jara Resort	103,000	2
(ix) AC Hotel Kuantan City Centre	89,000	2
(x) Cameron Highlands Resort	60,000	1
<u>Japanese Properties</u>		
(xi) Hilton Niseko Village*	305,636	7
(xii) The Green Leaf Niseko Village*	240,540	5
<u>Australian Properties</u>		
(xiii) Sydney Harbour Marriott^	1,290,166	29
(xiv) Brisbane Marriott^	240,890	5
(xv) Melbourne Marriott^	206,518	5
Total	4,486,750	100

Note :

* Translated on 31 March 2020 at the exchange rate of JPY100 : RM3.9693

^ Translated on 31 March 2020 at the exchange rate of AUD1 : RM2.6568

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

The total NAV and NAV per unit of the Group as at 31 March 2020 were RM2,659,857,000 and RM1.5606, respectively. The decrease in total NAV was mainly due to the unrealised loss items recorded in respect of the investments in the Australian subsidiary.

	Current Quarter 31.03.2020	Preceding Quarter 31.12.2019
NAV (RM'000)	2,659,857	2,699,182
Number of units in circulations ('000)	1,704,389	1,704,389
NAV per unit (after distribution) (RM)	1.5606	1.5837
NAV per unit (before distribution) (RM)	1.5993	1.6224

YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B6. Status of property development activities

There were no property development activities during the current financial quarter ended 31 March 2020.

B7. Prospects

The World Health Organization declared the COVID-19 outbreak a global pandemic while the International Monetary Fund (“IMF”) adjusted global economy growth projection to contract by 3% in year 2020, much worse than the 2008-2009 global financial crisis. In a baseline scenario, IMF assumes that the containment of pandemic will be in the second half of year 2020, the global economy is projected to grow by 5.8% in year 2021 as economic activity normalizes, helped by policy support. (Source : *International Monetary Fund, World Economic Outlook, April 2020 – Chapter 1: The Great Lockdown, 6 April 2020*).

The unprecedented pandemic has adversely impacted the tourism, travel and hospitality industries worldwide and business recovery is expected to take a longer period in view of the uncertainties and challenges that are ahead.

Notwithstanding the short term challenges, the Manager remains confident of the long term prospects of hospitality sector.

B8. Profit forecast

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

B9. Utilisation of Proceeds Raised from Issuance of New Units

There was no issuance of new units during the current financial period ended 31 March 2020.

B10. Material Litigation

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

B11. Maintenance Costs and Major Capital Expenditure

During the financial period ended 31 March 2020, RM7,828,000 (AUD2,776,000) was incurred on refurbishment works on the Australian Properties while Hilton Niseko Village incurred RM830,000 (JPY21,599,000) for property repairs and maintenance.

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B12. Taxation

Taxation comprises the following:-

	Current Quarter 31.03.2020 RM'000	Year To Date 31.03.2020 RM'000
Malaysian income tax	58	153
Foreign income tax	(62)	1,925
Deferred tax	803	330
	-----	-----
	799	2,408
	=====	=====

Trust level

It is the policy of the Trust to distribute at least 90% of the total income to unitholders for each financial year. Income of the Trust shall be exempted from tax if it distributes 90% or more of its taxable income for that year of assessment, in accordance with the amended Section 61A, Income Tax Act 1967, thus no Malaysian income tax is payable by the Trust for the financial period ended 31 March 2020.

Unitholders' level

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

Category of unitholders	Withholding tax rate
Resident and non-resident individuals	10%
Resident and non-resident institutions	10%
Resident companies	No withholding tax. Subject to tax at the prevailing corporate tax rate.
Non-resident companies	24%

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B13. Corporate Development

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

B14. Borrowings and Debt Securities

The Group's borrowings as at 31 March 2020 are as follows:-

	Short term RM'000	Long term RM'000	Total RM'000
Term Loan – secured	917,108	214,391	1,131,499
Medium Term Notes - secured	-	810,000	810,000
	-----	-----	-----
Total borrowings	917,108	1,024,391	1,941,499
Capitalised transaction costs	(517)	(1,213)	(1,730)
	-----	-----	-----
	916,591	1,023,178	1,939,769
	=====	=====	=====
Total Assets			4,663,575
			=====
Gearing ratio (%)			41.63
			=====

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

	Foreign currency '000	RM equivalents RM'000
Australian Dollar^	345,193	917,108
Japanese Yen*	5,401,250	214,391

		1,131,499
		=====

Note :

^ Translated on 31 March 2020 at the exchange rate of AUD1 : RM2.6568

* Translated on 31 March 2020 at the exchange rate of JPY100 : RM3.9693

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

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YTL HOSPITALITY REIT

INTERIM FINANCIAL REPORT

Notes : - continued

B15. Derivative Financial Instruments

The Group's outstanding derivatives as at 31 March 2020 were as follows:-

Type of Derivative	Contract/ Notional Value RM'000	Fair Value RM'000
Interest rate swap contracts		
- Less than 1 year	858,191 [^]	(4,705)
	=====	=====

Note :

[^] Translated on 31 March 2020 at the exchange rate of AUD1 : RM2.6568

The Group entered into interest rate swap contracts to manage its interest rate risk arising primarily from interest-bearing borrowings. Borrowings at floating rate expose the Group to fair value interest rates and the derivative financial instruments minimise the fluctuation of cash flow due to changes in the market interest rates. The derivative financial instruments are executed with credit-worthy financial institutions which are governed by appropriate policies and procedures with a view to limit the credit risk exposure of the Group.

The derivative financial instruments are stated at fair value based on banks' quotes. The fair value changes on the effective portion of the derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

The fair value on interest rate swap recognised in other comprehensive income for the current financial quarter and financial period amounted to gains of RM3.005 million and RM9.843 million, respectively.

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

B16. Income Distribution

Following YTL Hospitality REIT's change of its income distribution frequency from quarterly to semi-annually distributions effective from the current financial quarter ended 31 March 2020, there is no income distribution declared for the current financial quarter.

The Manager believes that the switch of its distribution frequency from quarterly to semi-annual for each six-month period ending 30 June and 30 December will enable the Trust to preserve and better manage its cashflows and achieve savings in terms of cost and administrative resources in view of the unprecedented COVID-19 pandemic.

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YTL HOSPITALITY REIT**INTERIM FINANCIAL REPORT**

Notes : - continued

B16. Income Distribution - continued

The interim income distribution is from the following sources:-

	Current Year Quarter 31.03.2020 RM'000	Preceding Year Corresponding Quarter 31.03.2019 RM'000	Current Year To Date 31.03.2020 RM'000	Preceding Year To Date 31.03.2019 RM'000
Net property income	57,163	67,373	190,938	193,017
Other income	61,241	14,749	79,712	31,575
Expenses	(42,620)	(45,863)	(135,486)	(140,738)
	-----	-----	-----	-----
Profit before tax	75,784	36,259	135,164	83,854
Income tax expense	(799)	(891)	(2,408)	(2,301)
	-----	-----	-----	-----
Profit after taxation	74,985	35,368	132,756	81,553
Distribution adjustments	(40,953)	(2,786)	(32,691)	16,829
	-----	-----	-----	-----
Realised income for the quarter/period	34,032	32,582	100,065	98,382
Total undistributed realised income brought forward	184,700	184,699	184,699	184,699
	-----	-----	-----	-----
Total realised income available for distribution	218,732	217,281	284,764	283,081
Less: income distribution	-	(32,581)	(66,032)	(98,381)
	-----	-----	-----	-----
Balance undistributed realised income	218,732	184,700	218,732	184,700
	=====	=====	=====	=====
Distribution per unit (sen)	-	1.9116	3.8742	5.7722
	=====	=====	=====	=====

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

Kuala Lumpur
Dated: 16 June 2020