

STARHILL  
REIT

STARHILL  
REAL ESTATE  
INVESTMENT  
TRUST

the journey continues...

annual report **2008**



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# Financial Highlights

	2008	2007	2006 *
Net revenue (RM'000)	108,228	98,835	50,739
Income before taxation (RM'000)	81,268	72,690	35,905
Income after taxation (RM'000)	81,268	72,690	35,905
Total assets (RM'000)	1,381,961	1,363,342	1,249,967
Net asset value (RM'000)	1,145,896	1,145,902	1,022,757
Units in circulation ('000)	1,178,889	1,178,889	1,040,000
Net asset value per Unit (RM)	0.972	0.972	0.983
Earnings per Unit (sen)	6.89	6.87	3.45
Distribution per Unit (sen)	6.8936	6.7019	3.4524

\* The Trust was established on 18 November 2005 and commenced business on 16 December 2005.

# Performance Data

## I Portfolio Composition of the Trust

At 30 June	2008 %	2007 %	2006* %
Real Estate			
- Lot 10 Parcels	24	25	27
- Starhill Gallery	35	36	39
- JW Marriott Hotel Kuala Lumpur	24	24	26
- The Residences Properties	9	9	-
	92	94	92
- Deposits with licensed financial institutions	8	6	8
	100	100	100

## II Net Asset Value & Unit Information

At 30 June	2008	2007	2006*
Total net asset value (RM'000)	1,145,896	1,145,902	1,022,757
Units in circulation ('000)	1,178,889	1,178,889	1,040,000
Net asset value per unit (RM)	0.972	0.972	0.983
Market value per unit (RM)	0.85	1.07	0.92
Highest traded price for the year / period (RM)	1.14	1.10	1.07
Lowest traded price for the year / period (RM)	0.84	0.82	0.89

## III Performance Details of the Trust Since Commencement

At 30 June	2008	2007	2006*
Income distribution per unit (sen)			
- Gross	6.8936	6.7019	3.4524
Management expense ratio (%)	0.34	0.33	0.18
Portfolio turnover ratio (times)	-	0.06	0.56

\* The Trust was established on 18 November 2005 and commenced business on 16 December 2005.

# Property Portfolio

## ABOUT STARHILL REIT

Starhill Real Estate Investment Trust (“Starhill REIT”) is currently Malaysia’s largest real estate investment trust, with a market capitalisation of approximately RM1.10 billion (as at 30 June 2008), and comprises four prime properties situated in the heart of Kuala Lumpur’s Golden Triangle, namely, Starhill Gallery and the adjoining JW Marriott Hotel Kuala Lumpur, 137 parcels and 2 accessory parcels of retail, office, storage and other spaces within Lot 10 Shopping Centre (“Lot 10 Parcels”), and 60 units of serviced apartments, 4 levels of commercial podium and 2 levels of car parks located within The Residences at The Ritz-Carlton, Kuala Lumpur (“The Residences Properties”) (collectively referred to as the “Properties”).

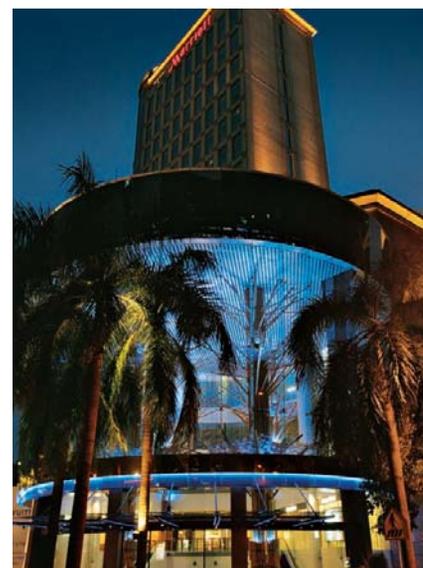
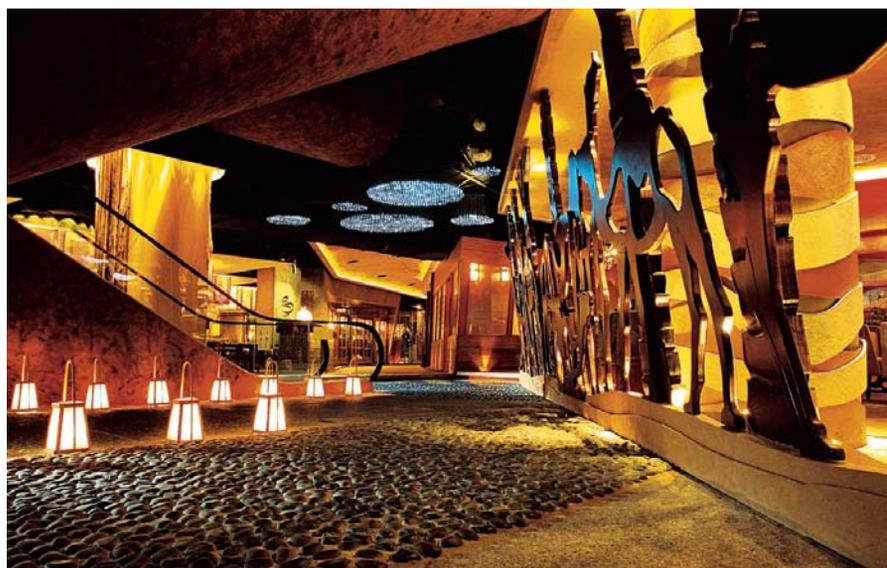
4

Property	Approved Valuation	% of Total Real Estate Portfolio
Starhill Gallery*	RM667.36 million	43.1%
Lot 10 Parcels*	RM402.00 million	25.9%
JW Marriott Hotel Kuala Lumpur*	RM335.00 million	21.6%
The Residences Properties	RM145.00 million	9.4%

\* Revalued on 1 March 2008 and approved by the Securities Commission on 11 July 2008

Starhill REIT was established by a trust deed entered into on 18 November 2005 between Pintar Projek Sdn Bhd and Mayban Trustees Berhad, as manager and trustee, respectively, of Starhill REIT.

Listed on 16 December 2005 on the Main Board of Bursa Malaysia Securities Berhad, Starhill REIT’s principal investment strategy is to invest in a diversified portfolio of income-producing real estate, used primarily for retail, office and hospitality purposes, with particular focus on retail and hotel properties. The primary objectives of Starhill REIT are to provide unitholders with stable cash distributions with the potential for sustainable growth, principally from the ownership of properties, and to enhance long-term unit value.

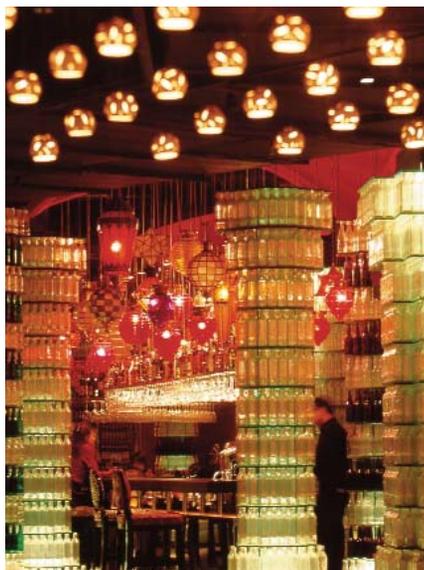


## ABOUT PINTAR PROJEK SDN BHD

Pintar Projek Sdn Bhd (“Pintar Projek”) was incorporated in 1994 and is a 70%-owned subsidiary of YTL Land Sdn Bhd, which is a wholly-owned subsidiary of YTL Corporation Berhad. Pintar Projek’s Board of Directors and key personnel comprise experienced and prominent individuals in their respective fields of expertise.

## KEY HIGHLIGHTS OF STARHILL REIT’S PROPERTY PORTFOLIO

- **Strategic location:** The Properties are landmarks in Kuala Lumpur, strategically located in the Jalan Bukit Bintang area which forms part of the city’s Golden Triangle. Jalan Bukit Bintang is one of Kuala Lumpur’s main tourist hubs, popularly known as “Bintang Walk”, and attracts a large number of tourists year-round.
- **Convenient access:** The Properties are located in an area close to numerous hotels and offices, making them easily accessible to tourists and travelers, as well as office workers. Lot 10 Shopping Centre is also linked by an overhead bridge to another popular shopping centre, Sungei Wang Plaza.
- **Strong brand recognition:** The Properties enjoy high profile status due to their strong branding, spearheaded by Pintar Projek, and their strategic location in Kuala Lumpur’s prime shopping area.
- **High occupancy levels:** Both Starhill Gallery and Lot 10 Shopping Centre enjoy high occupancy levels, reflecting the demand for high quality space at a prominent location in Kuala Lumpur’s tourist hub. As at 30 June 2008, Starhill Gallery and the Lot 10 Parcels had occupancy rates of 98.70% and 94.45%, respectively.
- **Strong tenant base:** The Properties are tenanted by high profile, international brand names and prominent local retailers, as a result of Pintar Projek’s intensive marketing efforts to promote the Properties as well-known and sought-after addresses.



# Property Portfolio

## Starhill Gallery

Property description	: Part of a 7-level shopping centre with 5 basements and a 12-level annexe building with 3 basements
Address	: 181 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia
Property type	: Shopping centre
Title	: Freehold
Age of building	: Approximately 13 years
Net lettable area	: 294,681 square feet
Approved valuation*	: RM667,360,000
Occupancy rate	: 98.70%
Major tenants	: Autodome Sdn Bhd Mystique Universal Sdn Bhd Cortina Watch Sdn Bhd

Starhill Gallery, through its association with international architects and designers, offers a lifestyle destination with seven levels each offering different and unique experiences:- Feast, Indulge, Adorn, Explore, Pamper, Relish and Muse. It houses some of the biggest designer labels and is the largest global watch retailer offering more than 70 luxurious brands under one roof, in an atmosphere of privacy and exclusivity rarely seen in large shopping complexes.

Notable tenants include Louis Vuitton, Audemars Piguet, Bottega Venetta, Boucheron, Chopard, Christian Dior, Davidoff, DKNY, Fendi, Givenchy, Gucci, Hublot, Kenzo, Richard Mille, Valentino and Van Cleef & Arpels. In addition, Starhill Gallery's Feast Village offers a unique dining experience with 12 upscale restaurants to choose from and an amazing display of modern architecture and mixed culture.

\* Revalued on 1 March 2008 and approved by the Securities Commission on 11 July 2008



## Lot 10 Parcels

Property description	: 137 parcels and 2 accessory parcels of retail, office storage and other spaces within Lot 10 Shopping Centre which consists of an 8-storey block with a basement and a lower ground floor, together with a 7-storey annexe building with a lower ground floor
Address	: 50 Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia
Property type	: Shopping centre
Title	: 99-year leasehold interest expiring on 29 July 2076
Age of building	: Approximately 18 years
Net lettable area	: 184,023 square feet
Approved valuation*	: RM402,000,000
Occupancy rate	: 94.45%
Major tenants	: Autodome Sdn Bhd Esprit De Corp (Malaysia) Sdn Bhd F.J. Benjamin Fashions Sdn Bhd

Lot 10 Shopping Centre is situated within central Kuala Lumpur's hottest shopping and entertainment district, Bintang Walk. Attractively designed, with wide pedestrian frontages and large atriums, and linked via an overhead bridge to Sungei Wang Plaza, Lot 10 Shopping Centre has been able to attract and secure high quality tenants and businesses.

The selection of tenants has been specifically planned according to the nature of business, style of trading, specific floor designation and, most importantly, to optimise business potential and profitability. Notable tenants include Braun Buffel, City Chain, Esprit, Guess, Hour Glass, Machine – Apple Premium Reseller, Oris, Timberland, Tissot, Topshop/Topman, Toni & Guy and Woo Hing.

\* Revalued on 1 March 2008 and approved by the Securities Commission on 11 July 2008



# Property Portfolio

## JW Marriott Hotel Kuala Lumpur

Property	:	A 5-star hotel with 561 rooms located on part of an 8-level podium block and the entire 24-level tower block of Starhill Gallery
Address	:	183 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia
Property type	:	Hotel
Title	:	Freehold
Age of building	:	Approximately 11 years
Approved valuation*	:	RM335,000,000
Tenancy details	:	The JW Marriott Hotel Kuala Lumpur is presently leased to Star Hill Hotel Sdn Bhd, a wholly-owned subsidiary of YTL Corporation Berhad and the operator of the hotel, for a term expiring on 31 December 2023.

The JW Marriott Hotel Kuala Lumpur is one of the flagship JW Marriott Hotels around the world and the first Marriott-managed property in Malaysia. Ideally located within the central business district of Kuala Lumpur, the five-star deluxe hotel anchors the popular Bintang Walk and provides a distinctive level of luxury and comfort with the impeccable service that is Marriott’s hallmark.

Directly linked to the prestigious Starhill Gallery, guests enjoy convenient access to the best shopping in the city. Designed with the business traveler in mind, all guest rooms and suites have an ample working area and high-speed Internet access. The hotel comprises part of an 8-level podium block and the entire 24-level tower block of the main building, adjacent to the iconic Starhill Gallery.

*\* Revalued on 1 March 2008 and approved by the Securities Commission on 11 July 2008*



## The Residences Properties

Property	: 60 units of serviced apartments, 4 levels of commercial podium, 1 level of facilities deck and 2 levels of basement car parks within The Residences at The Ritz-Carlton, Kuala Lumpur
Address	: Lot 1308, Jalan Yap Tai Chi, Seksyen 67, Off Jalan Imbi, 55100 Kuala Lumpur, Malaysia
Property type	: Serviced apartments
Title	: Freehold
Age of building	: Approximately 2 years
Approved valuation	: RM145,000,000
Tenancy details	: The Residences Properties are presently leased to Star Hill Hotel Sdn Bhd, a wholly-owned subsidiary of YTL Corporation Berhad, for a term expiring on 30 June 2031.

The Residences at The Ritz-Carlton, Kuala Lumpur comprise luxury serviced apartments in a 38-storey tower block adjacent to The Ritz-Carlton, Kuala Lumpur, located in the heart of Kuala Lumpur's Golden Triangle. Operated and fitted in a manner similar to hotel room standards, these serviced apartments provide the added advantage of hotel services with the flexibility and space of a home, and have been growing in popularity both internationally and in Kuala Lumpur in recent years.

The addition of The Residences Properties to Starhill REIT's portfolio facilitates the sharing of services with Starhill Gallery and the JW Marriott Hotel Kuala Lumpur. These services include world-class conference facilities at the Carlton Conference Centre, spa services at the award-winning Spa Village Kuala Lumpur and the high-end food and beverage outlets at Starhill Gallery's Feast Village.



On behalf of the Board of Directors of Pintar Projek Sdn Bhd ("Pintar Projek" or the "Manager"), I have the pleasure of presenting to you the Annual Report and audited financial statements of Starhill Real Estate Investment Trust ("Starhill REIT" or the "Trust") for the year ended 30 June 2008.



**TAN SRI DATO' (DR) FRANCIS YEOH SOCK PING, CBE, FICE**  
Chief Executive Officer of Pintar Projek Sdn Bhd

## Overview

Starhill REIT registered another year of solid results for the 2008 financial year, underpinned by the fundamentals of the portfolio and the proactive management of Starhill REIT's assets.

In the REIT industry, uncertainties over global real estate valuations which developed during the year under review have had an impact on investors' views on REIT stocks, reflected in depressed unit prices, and Malaysian REITs have not escaped unscathed. Nevertheless, the fundamentals of the Malaysian property market remain relatively firm and REITs with good occupancy rates have been able to maintain steady dividend streams arising from the mid to long term nature of their tenancies. This underscores the value of REITs as an attractive low-risk, relatively high-yield and liquid asset class of investment.

Starhill REIT owns four prime properties in the heart of Kuala Lumpur's Golden Triangle, located in the renowned Bintang Walk area, namely 137 parcels and 2 accessory parcels of retail, office, storage and other spaces within Lot 10 Shopping Centre ("Lot 10"), Starhill Gallery and the JW Marriott Hotel Kuala Lumpur, as well as 60 units of serviced apartments, 4 levels of commercial podium and 2 levels of car parks located within The Residences at The Ritz-Carlton, Kuala Lumpur ("The Residences") (collectively, the "Properties").

During the year under review, Mayban Trustees Berhad, the Trustee of Starhill REIT, undertook a revaluation of Lot 10, Starhill Gallery and the JW Marriott Hotel Kuala Lumpur, which were last valued in 2005. The Securities Commission, in its Guidelines on Real Estate Investment Trusts, requires a revaluation of a REIT's properties to be done every three years. The revaluation, which received the approval of the Securities Commission on 11 July 2008, increased the valuations of the three properties by RM254.36 million, concurrently increasing the Trust's net asset value to RM1.188 per unit from RM0.972 previously.

## Financial Performance

Starhill REIT recorded revenue of RM108.23 million for the year ended 30 June 2008, an increase of 9.5% or RM9.4 million compared to RM98.84 million for the previous corresponding year ended 30 June 2007. Net income for the year grew to RM81.27 million this year, compared to RM72.69 million last year, an increase of 11.8%.

The improved performance was due mainly to rental received from The Residences, which was acquired by the Trust in May 2007, as well as higher rental rates received from the renewal of existing tenancies and the commencement of new tenancies at Starhill Gallery and Lot 10.

## Distribution to Unitholders

On 11 July 2008, the Board of Directors of Pintar Projek declared a Final Distribution of 3.4911 sen per unit in respect of the six months from 1 January 2008 to 30 June 2008, representing approximately 100% of Starhill REIT's net income for the period. The distribution will be paid on 28 August 2008.

The Final Distribution, coupled with the interim distribution of 3.4025 sen per unit declared on 24 January 2008 for the six months ended 31 December 2007, represents a total distribution per unit ("DPU") of 6.8936 sen per unit for the 2008 financial year.

This translates into a yield of 7.43%, based on Starhill REIT's volume weighted average unit price of RM0.928 per unit for the year ended 30 June 2008. In comparison, the DPU for the previous year ended 30 June 2007 was 6.7019 sen, representing a yield of 7.22%.

## Operations Review

The Manager's ability to attract high quality tenants to the Trust's properties continues to drive Starhill REIT's growth and improved performance. The Manager's dedication to building enduring relationships with the Trust's tenants and retailers has been critical in enhancing the vibrancy of each of the Properties, providing tenants with a mutually advantageous platform from which to grow and develop their business, in turn generating higher revenues and growth in Starhill REIT's earnings.

This strategy continues to perform well for the Trust, yielding an excellent tenancy base and high occupancy rates, ranging between 94.45% and 98.70% achieved by Starhill REIT's shopping centres for the financial year ended 30 June 2008. Comparatively, the average occupancy rate for shopping centres within Kuala Lumpur was 84.90% in 2007 and 83.5% in 2006.

The addition of The Residences to the portfolio has benefited the Trust in enabling it to achieve an added level of cost aggregation and efficiency through the sharing of services with, and proximity of the property to, Starhill Gallery and the JW Marriott Hotel Kuala Lumpur. These services include world-class conference facilities at the Carlton Conference Centre, spa services at the award-winning Spa Village Kuala Lumpur and the high-end food and beverage outlets at Starhill Gallery's Feast Village.

Meanwhile, Starhill Gallery and Lot 10 continue to leverage their positions in the niche markets that they occupy, which in turn, have enabled the Properties to differentiate themselves from competitors. In December 2007, for example, Starhill Gallery hosted uniquely-themed events such as the 10-day watch and jewellery showcase, "A Journey Through Time", which attracted over 100 of the world's leading luxury watch and jewellery brands to the complex. These events and developments have the added benefit of exposing the Trust's properties to a global audience and a wide variety of potential new tenants and customers alike.



## Rebranding of Lot 10

Lot 10 is planning an extensive rebranding and repositioning exercise, the first in the 18 years since the complex first opened. The rebranding of Lot 10 is expected to be completed in phases by the end of the 2008 calendar year and plans for the refurbishment include upgrading of the interior and façade and remixing of the tenant base to include new concept stores and brands that will be unique in Malaysia. New development of the 70,000 sq.ft. roof-top area to feature new restaurants and designer clubs has also been planned.

## Corporate Developments

On 26 May 2008, AmInvestment Bank Berhad announced on behalf of the Board of Directors of the Manager that it had submitted an application to the Securities Commission for approval of the proposed revaluation of Lot 10, Starhill Gallery and the JW Marriott Hotel Kuala Lumpur carried out by the Trustee.

The proposed revaluation was carried out by Raine & Horne International Zaki & Partners Sdn Bhd, an independent professional valuer, and was approved by the Securities Commission on 11 July 2008, resulting in a revaluation surplus of RM254.36 million to be incorporated into the Trust.

Name of property	Approved valuation as at 30 June 2008 (RM)	Approved revaluation amount (RM)
Lot 10	341,000,000	402,000,000
Starhill Gallery	480,000,000	667,360,000
JW Marriott Hotel Kuala Lumpur	329,000,000	335,000,000
<b>Total</b>	<b>1,150,000,000</b>	<b>1,404,360,000</b>

## Corporate Social Responsibility

Social responsibility is one of the Manager's key values and Pintar Projek places a high priority on acting responsibly in every aspect of its business. The Manager is also part of the wider network of its parent company, YTL Corporation Berhad, which has a long-standing commitment to creating successful, profitable and sustainable businesses. This in turn benefits the surrounding community through the creation of sustained value for unitholders, secure and stable jobs for employees, support for the arts and culture in Malaysia and contributions to promote education for the benefit of future generations.

The Manager believes that effective corporate responsibility can deliver benefits to its businesses and, in turn, to its unitholders, by enhancing reputation and business trust, risk management performance, relationships with regulators, staff motivation and attraction of talent, customer preference and loyalty, the goodwill of local communities and long-term unitholder value.

Every employee of Pintar Projek is expected to maintain the highest standards of propriety, integrity and conduct in all their business relationships and the Trust is held to the same standard in its compliance with all applicable legal and regulatory requirements.

The Manager's Statement on Corporate Governance, which also elaborates on Pintar Projek's systems and controls, can be found as a separate section in this Annual Report.



## Outlook

Despite rising inflationary concerns, the domestic retail property sub-sector is expected to be supported by favourable labour market conditions and higher commodity prices. Tourism levels are also expected to remain steady, boosting the leisure sub-sector. On the REIT front, whilst the outlook for the global property market remains uncertain, driven primarily by concerns over the availability of funding, REITs with high occupancy rates, long-term financing structures and proactive management are expected to remain resilient.

In its exploration of new growth opportunities, the Trust remains focused on investing in middle to high-end retail real estate located in established markets with favourable demographics. The Manager will continue to target assets that provide attractive asset value and income growth prospects, particularly in real estate assets tenanted by leading businesses on long term leases. Starhill REIT will also seek opportunities to explore capital growth opportunities through acquisitions in commercial and leisure property sub-sectors both in Malaysia and internationally.

The Manager remains committed to its efforts to conceptualise innovative marketing and operating strategies to ensure that the Properties continue to operate at optimal levels and to boost rental and occupancy rates, thereby improving Starhill REIT's yields and returns. Prudent financial and risk management and proactive asset enhancement will continue to be key priorities.

As the Trust embarks on another year and strives to deliver stronger earnings growth and asset development, the Board of Directors of Pintar Projek would like to thank Starhill REIT's investors, customers, tenants, business associates and the regulatory authorities, for their continued support.

### TAN SRI DATO' (DR) FRANCIS YEOH SOCK PING

*PSM, CBE, FICE, SIMP, DPMS, DPMP, JMN, JP*

15 August 2008



# Corporate Events

**28 October 2007**

## Opening of First Jackie Chan Café

Famed action hero Jackie Chan opened Malaysia's first Jackie Chan Café at Starhill Gallery's Muse Floor. A percentage of revenue from the Café will be donated to charities supported by the actor, and a second Jackie Chan Café has also been opened at Lot 10 Shopping Centre.

Jackie Chan and Tan Sri Dato' (Dr) Francis Yeoh Sock Ping at the official launch.



**4 December 2007**

## Official Launch of "A Journey Through Time"

Forbes Inc and YTL Corporation Berhad, the holding company of Pintar Projek Sdn Bhd's parent company, YTL Land Sdn Bhd, co-hosted a gala dinner to launch "A Journey Through Time", featuring the world's leading luxury watch and jewellery brands. One of the key highlights of the 10-day showcase was the unveiling of the priceless Korloff Noir, the world's biggest brilliant-cut 88-carat black diamond, which has only been exhibited to the public 7 times.

From right to left:- His Royal Highness, Raja Perlis, Tuanku Syed Sirajuddin Ibni Al-Marhum Tuanku Syed Putra Jamalullail; Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Chief Executive Officer of Pintar Projek Sdn Bhd; and Christopher Forbes, Vice Chairman of Forbes Inc.



**13 December 2007**

## Starhill Gallery's Watch Award 2007

Starhill Gallery's "A Journey Through Time" exhibition culminated in the Starhill Gallery Watch Award 2007, created by one of Malaysia's foremost sculptors, Abdul Muthalib Musa, to honour the craftsmanship of the world's most revered watch makers.



**5 June 2008**

## Launch of Hublot at Starhill Gallery

Luxury Swiss watch brand, Hublot SA, officially opened its premier boutique in Kuala Lumpur at Starhill Gallery. The boutique is Hublot's first stand-alone boutique in Southeast Asia and third worldwide, with its other boutiques located in Paris and Shanghai. Hublot is part of the LVMH group.

From left to right:- Michael Tay, Executive Director of The Hour Glass; Ricardo Guadalupe, Managing Director of Hublot SA; Jean-Claude Biver, Chief Executive Officer of Hublot SA; Dr Kenny Chan, Managing Director of The Hour Glass; Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Chief Executive Office of Pintar Projek Sdn Bhd; and Philippe Pascal, President and CEO of LVMH Watch & Jewellery Division.



## 27 June 2008

### Rebranding of Lot 10 Shopping Centre

Pintar Projek Sdn Bhd announced plans for the rebranding and repositioning of Lot 10 Shopping Centre. The extensive rebranding exercise, scheduled to be completed in stages throughout 2008, will involve refurbishment of the building's interior and façade, tenant remixing and new development of the 70,000 sq.ft roof-top area.

Top, from left to right:- Jacob Yeoh, Director of Syarikat Pembinaan Yeoh Tiong Lay Sdn Bhd, a subsidiary of YTL Corporation Berhad; Alistair Barcham; Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Chief Executive Officer of Pintar Projek Sdn Bhd and Managing Director of YTL Corporation Berhad; Amarjit Chhina, Executive Director of YTL e-Solutions Berhad, a subsidiary of YTL Corporation Berhad; and Eric Eoon, General Manager of Pintar Projek Sdn Bhd.

Right:- Tan Sri Dato' (Dr) Francis Yeoh Sock Ping speaking at the press conference to announce the rebranding of Lot 10 Shopping Centre.



## 9 July 2008

### Armani/Casa Opens Flagship Store in Starhill Gallery

Armani/Casa's flagship store in Kuala Lumpur opened its doors on the Explore Floor of the prestigious Starhill Gallery. Featuring the latest Armani/Casa collections of furniture, accessories, lighting and textiles designed for every area of the home, the store offers custom interior design services for both private clients and property developers.

Left:- Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Chief Executive Officer of Pintar Projek Sdn Bhd, with representatives of Armani/Casa from Milan.



## 12 July 2008

### DeWitt Unveils First Boutique in the World at Starhill Gallery

DeWitt chose Starhill Gallery as the location of its first concept boutique in the world, exhibiting its magnificent collections of exquisite limited edition timepieces.

Second from left:- DeWitt founder Jerome DeWitt with Tan Sri Dato' (Dr) Francis Yeoh Sock Ping at the official opening.



## MANAGER

Pintar Projek Sdn Bhd

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### MANAGER'S REGISTERED OFFICE/ PRINCIPAL PLACE OF BUSINESS

11th Floor, Yeoh Tiong Lay Plaza  
55 Jalan Bukit Bintang  
55100 Kuala Lumpur  
Tel • 603 2117 0088/603 2142 6633  
Fax • 603 2141 2703

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### BOARD OF DIRECTORS OF THE MANAGER

*Chief Executive Officer*

**Tan Sri Dato' (Dr) Francis Yeoh Sock Ping**  
PSM, CBE, FICE, SIMP, DPMS, DPMP, JMN, JP.  
Hon. Doctor of Eng (Kingston), B. Sc. (Hons)  
Civil Engineering  
FFB, F Inst D, MBIM, RIM.

*Executive Directors*

**Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir**  
DPMP, PMP, AMN, PPN, PJK, OSTJ, JP.

**Dato' Yeoh Seok Kian**

DSSA.  
B. Sc. (Hons) Bldg, MCIQB, FFB.

*Independent Non-Executive Directors*

**Dato' (Dr) Yahya Bin Ismail**  
DPMJ, DPCM, DPMP, KMN, PPT.  
Bachelor of Veterinary Science

**Eu Peng Meng @ Leslie Eu**

B. Com., FCILT.

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### MANAGEMENT TEAM

**Datin Kathleen Chew Wai Lin**, *Legal Advisor*  
**Ho Say Keng**, *Accountant/Company Secretary*  
**Eoon Whai San**, *General Manager*

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### COMPANY SECRETARY OF THE MANAGER

**Ho Say Keng**

## PROPERTY MANAGER

**Azmi & Co Building Services Sdn Bhd**  
A9-1-1, Jalan Ampang Utama 2/2  
One Ampang Business Avenue  
68000 Ampang  
Selangor Darul Ehsan  
Tel • 603 4256 6868  
Fax • 603 4256 2266

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## TRUSTEE

**Mayban Trustees Berhad**  
34th Floor, Menara Maybank  
100 Jalan Tun Perak  
50050 Kuala Lumpur  
Tel • 603 2078 8363  
Fax • 603 2070 9387  
Email: mtb@maybank.com.my

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## REGISTRAR

**Pintar Projek Sdn Bhd**  
11th Floor, Yeoh Tiong Lay Plaza  
55 Jalan Bukit Bintang  
55100 Kuala Lumpur  
Tel • 603 2117 0088/603 2142 6633  
Fax • 603 2141 2703

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## AUDITORS

**HLB Ler Lum (AF 0276)**  
*Chartered Accountants*  
(A member of HLB International)

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## PRINCIPAL FINANCIERS

**Great Eastern Life Assurance (Malaysia) Berhad**  
**OCBC Bank (Malaysia) Berhad**

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## STOCK EXCHANGE LISTING

**Bursa Malaysia Securities Berhad**  
Main Board (16.12.2005)

# Profile of the Board of Directors

**Tan Sri Dato' (Dr) Francis Yeoh Sock Ping**, Malaysian, aged 53, has been the Chief Executive Officer and Executive Director of Pintar Projek Sdn Bhd since 10 March 2005. Tan Sri Francis studied at Kingston University, UK, where he obtained a Bachelor of Science (Hons) in Civil Engineering and was conferred an Honorary Doctorate of Engineering in 2004. He became the Managing Director of YTL Corporation Berhad Group in 1988 which under his stewardship, has grown from a single listed entity into a force comprising six listed entities ie. YTL Corporation Berhad, YTL Power International Berhad, YTL Cement Berhad, YTL Land & Development Berhad, YTL e-Solutions Berhad and Starhill Real Estate Investment Trust. He is presently Managing Director of YTL Corporation Berhad, YTL Power International Berhad, YTL Land & Development Berhad and YTL Cement Berhad, all listed on the Main Board of Bursa Malaysia Securities Berhad. Tan Sri Francis is also the Executive Chairman of YTL e-Solutions Berhad, which is listed on the MESDAQ Market of Bursa Malaysia Securities Berhad. Besides the listed entities in YTL Group, Tan Sri Francis also sits on the board of several public companies such as YTL Industries Berhad, YTL Foundation and the prominent private utilities companies in United Kingdom, Wessex Water Limited and Wessex Water Services Limited.

He is a Founder Member of the Malaysian Business Council and The Capital Markets Advisory Council. He is also a member of The Nature Conservancy Asia Pacific Council, the Asia Business Council and Trustee of the Asia Society. He is also a member of the Advisory Council of London Business School, Wharton School and INSEAD.

He was ranked by both Fortune Magazine and Business Week Magazine as Asia's 25 Most Powerful and Influential Business Personalities. He won the inaugural Ernst & Young's Master Entrepreneur in Malaysia in 2002 and CNBC Asia Pacific named him Malaysia CEO of the Year in 2005.

He was appointed as member of Barclays Asia-Pacific Advisory Committee in 2005. In 2006, he was awarded the Commander of the Most Excellent Order of the British Empire (CBE) by Her Majesty Queen Elizabeth II. In 2008, he was appointed Chairman for South East Asia of the International Friends of the Louvre and he also received a prestigious professional accolade when made a Fellow of the Institute of Civil Engineers in London.

**Dato' Yeoh Seok Kian**, Malaysian, aged 50, has been an Executive Director of Pintar Projek Sdn Bhd since 10 March 2005. He graduated from Heriot-Watt University, Edinburgh, United Kingdom in 1981 with a Bachelor of Science (Hons) Degree in Building. He attended the Advance Management Programme conducted by Wharton Business School, University of Pennsylvania in 1984. Dato' Yeoh is a Fellow of the Faculty of Building, United Kingdom as well as a Member of the Chartered Institute of Building (UK). He is presently the Deputy Managing Director of YTL Corporation Berhad and YTL Power International Berhad and Executive Director of YTL Land & Development Berhad and YTL Cement Berhad, all listed on the Main Board of Bursa Malaysia Securities Berhad. Dato' Yeoh also serves on the board of several other public companies such as YTL Industries Berhad, The Kuala Lumpur Performing Arts Centre, YTL Vacation Club Berhad and private utilities company, Wessex Water Limited.

**Dato' (Dr) Yahya Bin Ismail**, Malaysian, aged 80, has been an Independent, Non-Executive Director of Pintar Projek Sdn Bhd since 18 May 2005. Dato' Yahya is a Director of YTL Corporation Berhad and YTL Power International Berhad, both listed on the Main Board of Bursa Malaysia Securities Berhad. He also sits on the Board of several other public companies including Metroplex Berhad since 1993. He was formerly with the Government and his last appointment was the Director General of the National Livestock Authority Malaysia. He was also with the Totalisator Board Malaysia from 1982 to 1990 and served as its Chairman from 1986.

**Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir**, Malaysian, aged 68, has been an Executive Director of Pintar Projek Sdn Bhd since 10 March 2005. He qualified as a teacher in 1963 from the Day Training Centre for Teaching in Ipoh, Perak and was in the teaching profession from 1964 to 1981 prior to entering the business arena as a property developer in May 1981. Dato' Hj Mohamed Zainal Abidin also sits on the Board of several reputable private limited companies involved in construction, property development and resort operations such as Pakatan Perakbina Sdn Bhd, Seri Yakin Sdn Bhd and Syarikat Pelancongan Pangkor Laut Sdn Bhd.

## Profile of the Board of Directors

**Eu Peng Meng @ Leslie Eu**, Malaysian, aged 73, has been an Independent, Non-Executive Director of Pintar Projek Sdn Bhd since 10 March 2005. Mr Leslie Eu graduated with a Bachelor of Commerce degree from the Republic of Ireland. He is a Fellow of the Chartered Institute of Logistics and Transport and was one of the founding directors of Global Maritime Ventures Berhad. He has been in the shipping business for more than 40 years. He was the first Chief Executive Officer of Malaysian International Shipping Corporation Berhad from the company's inception in 1969 until his early retirement in 1985. He was a Board Member of Lembaga Pelabuhan Kelang from 1970 to 1999. In 1995, he was presented the Straits Shipper Transport Personality award by the Minister of Transport. He was appointed by the United Nations Conference on Trade and Development as one of the 13 experts to assist the developing nations in establishing their maritime fleets. Mr Leslie Eu presently serves on the board of several public companies such as YTL Corporation Berhad, YTL Cement Berhad and YTL Land & Development Berhad, all listed on the Main Board of Bursa Malaysia Securities Berhad and Lloyd's Register of Shipping (Malaysia) Bhd.

### Notes:

#### 1. Family Relationship with Director and/or Major Unitholder

Tan Sri Dato' (Dr) Francis Yeoh Sock Ping is the brother of Dato' Yeoh Seok Kian. Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay, the father of Tan Sri Dato' (Dr) Francis Yeoh Sock Ping and Dato' Yeoh Seok Kian, is a deemed major shareholder of YTL Corporation Berhad which is a major unitholder of Starhill REIT. Save as disclosed, none of the Directors has any family relationship with any director and/or major unitholder of Starhill REIT.

#### 2. Conflict of Interest

Save for the Director's interest in Starhill REIT (as disclosed under Directors' Interests in the Manager's Report) and the transactions with companies related to the Manager (as disclosed in the notes to the financial statements), no conflict of interest has arisen during the financial year under review.

#### 3. Conviction of Offences

None of the Directors has been convicted of any offences in the past ten (10) years.

## Details of Attendance of Directors at Board Meetings

During the financial year, a total of 4 Board meetings were held and the details of attendance are as follows:-

	Attendance
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping	4
Dato' Yeoh Seok Kian	2
Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir	3
Dato' (Dr) Yahya Bin Ismail	4
Eu Peng Meng @ Leslie Eu	3

# Statement on Corporate Governance

Starhill Real Estate Investment Trust (“Starhill REIT”) was established on 18 November 2005 pursuant to a trust deed (“Deed”) entered into between Pintar Projek Sdn Bhd (“PPSB” or the “Manager”) and Mayban Trustees Berhad (the “Trustee”). Starhill REIT has been listed on the Main Board of Bursa Malaysia Securities Berhad (“Bursa Securities”) since 16 December 2005.

The Board of Directors of PPSB (“Board”) is firmly committed to ensuring that the Manager implements and operates good corporate governance practices. In developing its system of corporate governance, the Directors have been guided by the measures recommended by the Guidelines on Real Estate Investment Trusts issued by the Securities Commission (“REIT Guidelines”), the Listing Requirements of Bursa Securities (“Listing Requirements”) and the Malaysian Code on Corporate Governance (“Code”), which was revised on 1 October 2007.

## The Role of the Manager

Starhill REIT is managed and administered by the Manager, who has the primary objectives of: (a) providing Unitholders with stable cash distributions with the potential for sustainable growth, principally from the ownership of properties; and (b) enhancing long-term Unit value.

The Manager must carry on and conduct its business in a proper, diligent and efficient manner and ensure that Starhill REIT is carried on and conducted in a proper, diligent and efficient manner, and in accordance with acceptable and efficacious business practices in the real estate investment trust industry in Malaysia. Subject to the provisions of the Deed, the Manager has full and complete powers of management and must manage the Starhill REIT (including all assets and liabilities of Starhill REIT) for the benefit of the Unitholders.

The Board recognises that an effective corporate governance framework is critical in order to achieve these objectives, to fulfil its duties and obligations and to ensure that Starhill REIT continues to perform strongly.

The general functions, duties and responsibilities of the Manager include the following:

- (a) to manage Starhill REIT’s assets and liabilities for the benefit of Unitholders;
- (b) to be responsible for the day-to-day management of Starhill REIT;
- (c) to carry out activities in relation to the assets of Starhill REIT in accordance with the provisions of the Deed;
- (d) to set the strategic direction of Starhill REIT and submit proposals to the Trustee on the acquisition, divestment or enhancement of assets of Starhill REIT;

- (e) to issue an annual report and interim report of Starhill REIT to Unitholders within 2 months of Starhill REIT’s financial year end and the end of the period covered, respectively; and
- (f) to ensure that Starhill REIT is managed within the ambit of the Deed, the Securities Commission Act and other securities laws, the Listing Requirements, the REIT Guidelines and other applicable laws.

## Conflicts of Interest

The Deed provides that the Manager, the Trustee and any delegate of either of them shall avoid conflicts of interest arising or, if conflicts arise, shall ensure that Starhill REIT is not disadvantaged by the transaction concerned. The Manager must not make improper use of its position in managing Starhill REIT to gain, directly or indirectly, an advantage for itself or for any other person or to cause detriment to the interests of Unitholders.

In order to deal with any conflict-of-interest situations that may arise, the Manager’s policy is that all transactions carried out for or on behalf of Starhill REIT are to be executed on terms that are the best available to Starhill REIT and which are no less favourable than on arm’s length transactions between independent parties.

Cash or other liquid assets of Starhill REIT may only be placed in a current or deposit account if: (a) the party is an institution licensed or approved to accept deposits; and (b) the terms of the deposit are the best available for Starhill REIT and are no less favourable to Starhill REIT than an arm’s length transaction between independent parties.

The Manager may not act as principal in the sale and purchase of real estate, securities and any other Assets to and from Starhill REIT. “Acting as principal” includes a reference to:

- (a) dealing in or entering into a transaction on behalf of a person associated with the Manager;
- (b) acting on behalf of a corporation in which the Manager has a controlling interest; or
- (c) the Manager acting on behalf of a corporation in which the Manager’s interest and the interests of its Directors together constitute a controlling interest.

In addition, the Manager must not, without the prior approval of the Trustee, invest any funds available for investment under the Deed in any securities, real estate or other assets in which the Manager or any officer of the Manager has a financial interest or from which the Manager or any officer of the Manager derives a benefit.

# Statement on Corporate Governance

## Related Party Transactions

In dealing with any related party transactions that may arise, it is the Manager's policy that no real estate may be acquired from, or disposed to, a related party of the Manager unless the criteria set out in (a) to (c) below are satisfied and the procedures described further below are complied with:

- (a) (i) a valuation must be undertaken of the real estate by an approved valuer, in accordance with the Deed, and a valuation report given to the Trustee;
  - (ii) the date of valuation must not be more than 6 months before the date of the proposed acquisition or disposal;
  - (iii) since the last valuation date, no circumstances must have arisen to materially affect the valuation;
  - (iv) the valuation must not have been revised by the SC pursuant to the REIT Guidelines;
- (b) the real estate must be transacted at a price as assessed below:
- (i) in the case of acquisitions, not more than the value assessed in the valuation report referred to in (a) above;
  - (ii) in the case of disposals, not less than 90% of the value assessed in the valuation report referred to in (a) above; and
- (c) the consent of the Trustee must be obtained if it has not already been obtained.

An announcement must be made by the Manager to the Unitholders prior to the acquisition or disposal of real estate, providing full details of the proposed transaction, the value of the real estate as assessed by an approved valuer, whether the consent of the Trustee and the SC, where applicable, has been obtained and the acquisition or disposal price.

Where the transaction is conditional upon the approval of Unitholders, Unitholders' approval must be sought prior to completion of the transaction. The Trustee must ensure that the prior approval of Unitholders is obtained at a general meeting, held specifically for that purpose, in the following circumstances:

- (a) where the real estate is to be acquired or disposed of at a price other than that at a price assessed by reference to the valuation report; and
- (b) a disposal which exceeds 50% of the gross asset value (on a per-transaction basis).

In this regard, the Manager adheres strictly to the provisions of the REIT Guidelines which prohibit the Manager and its related parties from voting their Units at any meeting of Unitholders convened unless an exemption is obtained from the SC.

## Board Structure

The Manager is led and managed by an experienced Board with a wide and varied range of expertise. This broad spectrum of skills and experience gives added strength to the leadership, thus ensuring the Manager is under the guidance of an accountable and competent board. The Directors recognise the key role they play in charting the strategic direction, development and control of the Manager and have adopted the six primary responsibilities as listed in the REIT Guidelines as well as the roles and duties set out in the REIT Guidelines, which facilitate the discharge of the Directors' stewardship responsibilities.

The Board currently has five Directors comprising three executive members and two non-executive members, both of whom are independent. This is in compliance with the requirement for at least one-third of the Board to be independent.

The presence of Independent Non-Executive Directors brings a critical element of balance to the Board and these Independent Non-Executive Directors must be of the calibre necessary to carry sufficient weight in the Board's decisions. The differing roles of Executive and Non-Executive Directors are delineated, both having fiduciary duties to Unitholders. Executive Directors have a direct responsibility for business operations whereas Non-Executive Directors have the necessary skill and experience to bring an independent judgement to bear on issues of strategy, performance and resources.

The Executive Directors are responsible for the Manager's operations and for ensuring that the strategies proposed by the executive management are fully discussed and examined, and take account of the long term interests of the Unitholders. Together, the Directors possess the wide range of business, commercial and financial experience essential for the management and direction of its operations.

## Board Meetings & Access to Information

Board meetings are scheduled at least four times per annum to review the operations of Starhill REIT and to approve the interim and annual financial statements of Starhill REIT. The Board met four times during the financial year ended 30 June 2008.

The Directors have full and unrestricted access to all information pertaining to the business and affairs of Starhill REIT, both as a full Board and in their individual capacity, to enable them to discharge their duties. There are matters specifically reserved for the Board's decision to ensure that the direction and control of the Manager is firmly in its hands.

Prior to Board meetings, all Directors receive the agenda together with a full set of Board papers containing information relevant to the business of the meeting. This allows the Directors to obtain further explanations/clarifications, where necessary, in order to be properly briefed before the meetings. A record of the Board's deliberations of the issues discussed and conclusions reached in discharging its duties and responsibilities is captured in the minutes of each meeting, prepared by the Company Secretary.

All Directors have full access to the advice and services of the Company Secretary who ensures that Board procedures are adhered to at all times during meetings and advises the Board on matters including corporate governance issues and the Directors' responsibilities in complying with relevant legislation and regulations.

### **Appointments to the Board**

The appointment of Directors is undertaken by the Board as a whole. The Chief Executive Officer makes recommendations on the suitability of candidates nominated for appointment to the Board and, thereafter, the final decision lies with the entire Board to ensure that the resulting mix of experience and expertise of members of the Board is sufficient to address the issues affecting the Manager. In its deliberations, the Board is required to take into account the integrity, professionalism, skill, knowledge, expertise and experience of the proposed candidate.

### **Directors' Remuneration**

Directors' remuneration is decided in line with the objective recommended by the REIT Guidelines to determine the remuneration for Directors so as to attract and retain Directors of the calibre needed to successfully carry on the Manager's operations.

In general, the component parts of remuneration are structured so as to link rewards to performance, in the case of Executive Directors. In the case of Non-Executive Directors, the level of remuneration reflects the experience and responsibilities undertaken by the particular non-executive concerned.

### **Directors' Training**

Throughout the financial year under review, the Directors attended various conferences and programmes, including speaking engagements, to enhance their knowledge and expertise. In this regard, the Board will continue to evaluate and determine the training needs of its Directors on an ongoing basis.

### **Financial Reporting**

The Directors are responsible for ensuring that financial statements are drawn up in accordance with the provisions of the Act and applicable approved accounting standards in Malaysia. In presenting the financial statements, the Manager has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. The Directors also strive to ensure that financial reporting presents a fair and understandable assessment of the position and prospects of Starhill REIT. Interim financial statements are reviewed and approved by the Directors prior to release to the relevant regulatory authorities.

### **Relationship with the Auditors**

The Board has established a formal and transparent arrangement for maintaining an appropriate relationship with the auditors of Starhill REIT. Starhill REIT's auditors report their findings to members of the Board as part of the audit process on the statutory financial statements each financial year. From time to time, the auditors highlight matters that require attention to the Board.

### **Communication with Unitholders and Investors**

The Manager values dialogue with Unitholders and investors as a means of effective communication that enables the Board to convey information about Starhill REIT's performance, corporate strategy and other matters affecting Unitholders' interests. The Board recognises the importance of timely dissemination of information to Unitholders and accordingly ensures that they are well informed of any major developments of Starhill REIT.

Such information is communicated through the annual and interim reports, the various disclosures and announcements to Bursa Securities, including interim and annual results, and the corporate website, [www.starhillreit.com](http://www.starhillreit.com).

The Chief Executive Officer meets with analysts, institutional unitholders and investors throughout the year to provide updates on strategies and new developments. However, price-sensitive information and information that may be regarded as undisclosed material information about Starhill REIT is not disclosed in these sessions until after the requisite announcements to Bursa Securities have been made.

This statement was approved by the Board on 11 July 2008.

# Analysis of Unitholdings as at 15 July 2008

Size of holding	No. of Unitholders	%	No. of Units	%
1 - 99	25	0.49	732	0.00
100 - 1,000	1,521	29.79	1,436,668	0.12
1,001 - 10,000	2,320	45.44	11,600,500	0.98
10,001 - 100,000	983	19.25	35,786,500	3.04
100,001 - to less than 5% of issued units	255	4.99	386,193,400	32.76
5% and above of issued units	2	0.04	743,871,089	63.10
<b>Total</b>	<b>5,106</b>	<b>100.00</b>	<b>1,178,888,889</b>	<b>100.00</b>

## Thirty largest Unitholders (as per Record of Depositors)

Name	No. of Units	%
1 YTL Corporation Berhad	670,280,889	56.86
2 YTL Corporation Berhad	73,590,200	6.24
3 Citigroup Nominees (Tempatan) Sdn Bhd - ING Insurance Berhad (INV-IL PAR)	29,243,000	2.48
4 DB (Malaysia) Nominee (Asing) Sdn Bhd - Exempt An for Deutsche Bank AG Singapore (PWM Asing)	27,791,000	2.36
5 Employees Provident Fund Board	26,026,700	2.21
6 YTL Power International Berhad	20,496,900	1.74
7 Cartaban Nominees (Asing) Sdn Bhd - RBC Dexia Investor Services Bank for Robeco Emerging Marketsecurities (EUR-RCGF)	20,000,000	1.70
8 Citigroup Nominees (Tempatan) Sdn Bhd - Exempt An for American International Assurance Berhad	16,900,000	1.43
9 HSBC Nominees (Asing) Sdn Bhd - Exempt An for Jpmorgan Chase Bank, National Association (Kuwait)	15,000,000	1.27
10 YTL Power International Berhad	14,628,000	1.24
11 Valuecap Sdn Bhd	11,213,600	0.95
12 HSBC Nominees (Asing) Sdn Bhd - Exempt An for The Hongkong and Shanghai Banking Corporation Limited (HBFS-I CLT ACCT)	10,940,300	0.93
13 Cartaban Nominees (Asing) Sdn Bhd - Credit Suisse Securities (Europe) Limited for LP Value Limited	8,857,580	0.75
14 Citigroup Nominees (Tempatan) Sdn Bhd - Exempt An for Prudential Assurance Management Berhad	8,781,000	0.74
15 Citigroup Nominees (Asing) Sdn Bhd - UBS AG for NPJ Global Opportunities Master Fund (Pledged)	8,505,900	0.72
16 YTL Power International Berhad	7,964,600	0.68
17 Cartaban Nominees (Asing) Sdn Bhd - Credit Suisse Securities (Europe) Limited for Laxey Investors LP	7,124,171	0.60
18 Amanah Raya Nominees (Tempatan) Sdn Bhd - Kumpulan Wang Bersama	5,041,700	0.43
19 Cartaban Nominees (Asing) Sdn Bhd - Credit Suisse Securities (Europe) Limited for National Bank of Canada	4,481,170	0.38
20 HSBC Nominees (Asing) Sdn Bhd - BNY Lux for Pan Holding SA	4,415,500	0.37
21 Cartaban Nominees (Asing) Sdn Bhd - Credit Suisse Securities (Europe) Limited for LP Alternative L.P.	4,407,600	0.37
22 Kurnia Insurans (Malaysia) Berhad	4,250,000	0.36

23	AM Nominees (Tempatan) Sdn Bhd - AMBank (M) Berhad	3,984,400	0.34
24	Citigroup Nominees (Tempatan) Sdn Bhd - ING Insurance Berhad (INV-IL NON-PAR)	3,461,700	0.29
25	Cartaban Nominees (Asing) Sdn Bhd - Credit Suisse Securities (Europe) Limited for Value Catalyst Fund Ltd	3,218,369	0.27
26	Mayban Securities Nominees (Asing) Sdn Bhd - OCBC Securities Private Limited for Grand Strand Pty Ltd (MT)	3,216,600	0.27
27	HSBC Nominees (Asing) Sdn Bhd - SIS for Bank Sarasin CIE	3,000,000	0.25
28	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chin Kiam Hsung	2,993,500	0.25
29	Mayban Nominees (Tempatan) Sdn Bhd - Mayban Life Assurance Berhad (PAR Fund)	2,984,200	0.25
30	Cartaban Nominees (Asing) Sdn Bhd - Credit Suisse Securities (Europe) Limited for Laxey Universal Value LP	2,972,670	0.25
<b>Total</b>		<b>1,025,771,249</b>	<b>86.98</b>

#### Substantial Unitholders (as per Record of Depositors)

Name	Direct	No. of Units Held		%
		%	Indirect	
YTL Corporation Berhad	746,350,789	63.31	43,089,500 <sup>①</sup>	3.66

<sup>①</sup> Deemed interested by virtue of its interests in YTL Power International Berhad pursuant to section 6A of the Companies Act, 1965.

# Statement of Interests of Directors of the Manager

**Statement of interests of Directors of Pintar Projek Sdn Bhd** in Starhill Real Estate Investment Trust and related corporations as at 15 July 2008

## Starhill Real Estate Investment Trust

Name	Direct	No. of Units Held		%
		%	Indirect	
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	870,000	0.07	–	–
Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir	20,000	–	–	–

## Holding Company YTL Corporation Berhad

Name	Direct	No. of Shares Held		%	No. of Share Options
		%	Indirect		
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	14,203,652	0.95	–	–	5,000,000
Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir	10,000	–	3,728,474	0.25	–
Dato' Yeoh Seok Kian	5,321,210	0.36	510,683	0.03	3,500,000
Dato' (Dr) Yahya Bin Ismail	237,242	0.02	100,261	0.01	–
Eu Peng Meng @ Leslie Eu	20,000	–	–	–	–

Name	Direct	No. of 1999/2009 Warrants Held		%
		%	Indirect	
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	2,285,472	0.87	–	–
Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir	10,000	–	6,797,076	2.58
Dato' Yeoh Seok Kian	655,866	0.25	–	–
Dato' (Dr) Yahya Bin Ismail	42,000	0.02	2,000	–

## Ultimate Holding Company Yeoh Tiong Lay & Sons Holdings Sdn Bhd

Name	Direct	No. of Shares Held		%
		%	Indirect	
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	5,000,000	12.28	–	–
Dato' Yeoh Seok Kian	5,000,000	12.28	–	–

## Related Corporations

### YTL Cement Berhad

Name	Direct	No. of Shares Held		No. of Share Options	
		%	Indirect	%	
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	2,042,923	0.44	–	–	1,400,000
Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir	225,634	0.05	15,043,545	3.21	–
Dato' Yeoh Seok Kian	618,754	0.13	83,200	0.02	350,000
Dato' (Dr) Yahya Bin Ismail	81,536	0.02	–	–	–
Eu Peng Meng @ Leslie Eu	20,000	–	–	–	–

#### No. of Irredeemable Convertible Unsecured Loan Stocks 2005/2015 Held

Name	Direct	No. of Shares Held		No. of Share Options	
		%	Indirect	%	
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	1,727,423	0.36	–	–	
Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir	225,634	0.05	642,800	0.13	
Dato' Yeoh Seok Kian	618,754	0.13	100,000	0.02	

### YTL e-Solutions Berhad

Name	Direct	No. of Shares Held		No. of Share Options	
		%	Indirect	%	
Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir	430,700	0.03	2,424,000	0.18	
Dato' (Dr) Yahya Bin Ismail	527,000	0.04	–	–	

### YTL Land & Development Berhad

Name	Direct	No. of Shares Held		No. of Share Options	
		%	Indirect	%	
Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir	35,637,470	4.56	90,159,187	11.53	
Eu Peng Meng @ Leslie Eu	20,000	–	–	–	

#### No. of Irredeemable Convertible Preference Shares 2001/2011 Held

Name	Direct	No. of Shares Held		No. of Share Options	
		%	Indirect	%	
Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir	200,000	0.11	240,000	0.13	
Dato' Yeoh Seok Kian	240,000	0.13	–	–	

## Statement of Interests of Directors of the Manager

### YTL Power International Berhad

Name	Direct	No. of Shares Held		%	No. of Share Options
		%	Indirect		
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	14,580,529	0.28	–	–	7,000,000
Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir	80,637	–	114,884,526	2.17	–
Dato' Yeoh Seok Kian	4,898,888	0.09	1,215,553	0.02	3,000,000
Dato' (Dr) Yahya Bin Ismail	619,351	0.01	37,669	–	–
Eu Peng Meng @ Leslie Eu	19,679	–	–	–	–

Name	Direct	No. of 2000/2010 Warrants Held		%
		%	Indirect	
Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir	240,000	0.03	50,000	0.01
Dato' (Dr) Yahya Bin Ismail	4,000	–	6,000	–

Name	Direct	No. of 2008/2018 Warrants Held		%
		%	Indirect	
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE	4,860,175	0.28	–	–
Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir	26,878	–	38,294,840	2.19
Dato' Yeoh Seok Kian	1,632,962	0.09	450,000	0.03
Dato' (Dr) Yahya Bin Ismail	206,450	0.01	–	–
Eu Peng Meng @ Leslie Eu	7,000	–	–	–

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# Manager's Report

The Directors of Pintar Projek Sdn. Bhd., the Manager of Starhill Real Estate Investment Trust ("Starhill REIT" or "Trust"), is pleased to present their Report to the Unitholders of Starhill REIT together with the audited financial statements of Starhill REIT for the financial year ended 30 June 2008.

## PRINCIPAL ACTIVITY OF THE MANAGER

The principal activity of the Manager is the management of real estate investment trusts. There has been no significant change in the nature of this activity during the financial year.

## THE TRUST AND ITS INVESTMENT OBJECTIVE

Starhill REIT was established on 18 November 2005 pursuant to a trust deed dated 18 November 2005 and the supplementary deed dated 19 April 2007 (collectively referred to as "Deed") between the Manager and Mayban Trustees Berhad ("Trustee") and is categorised as a real property fund.

Starhill REIT was listed on the Main Board of Bursa Malaysia Securities Berhad on 16 December 2005 and is an income and growth type fund. The investment objective of Starhill REIT is to own and invest in real estate and real estate-related assets, whether directly or indirectly through the ownership of single-purpose companies whose principal assets comprise real estate. At the end of financial year ended 30 June 2008, Starhill REIT owns 137 parcels and 2 accessory parcels of retail, office, storage and other spaces within Lot 10 Shopping Centre ("Lot 10 Parcels"), Starhill Gallery, JW Marriott Hotel Kuala Lumpur, and part of The Residences at The Ritz-Carlton, Kuala Lumpur ("The Residences Properties") (Lot 10 Parcels, Starhill Gallery, JW Marriott Hotel Kuala Lumpur and The Residences Properties are collectively referred to as "Properties").

## BENCHMARK RELEVANT TO THE TRUST

Management Expense Ratio ("MER")

	2008	2007
MER for the financial year	0.34 %	0.33%

MER is calculated based on the total of all the fees and expenses incurred by Starhill REIT in the financial year and deducted directly from the income (including the manager's fees, the trustee's fee, the auditors' remuneration and other professional fees and expenses) and all the expenses not recovered from and/or charged to the Trust (including the costs of printing, stationery and postage), to the average net asset value of the Trust during the financial year calculated on a weekly basis.

Since the basis of calculating MER can vary among real estate investment trusts, there is no sound basis for providing an accurate comparison of Starhill REIT's MER against other real estate investment trusts.

## MANAGER'S INVESTMENT STRATEGIES AND POLICIES

### INVESTMENT STRATEGIES

During the financial year, the Manager continued to carry out the following investment strategies in order to achieve Starhill REIT's business objectives:

#### (i) Operating Strategy

The Manager's operating strategy is to continue to enhance the performance of the Properties by increasing yields and returns from the Properties through a combination of retaining existing tenants, reducing vacancy levels, adding and/or optimising retail/office space at the Properties and minimising interruptions in rental income and operational costs. In carrying out this operating strategy, the Manager will continue to apply the following key operating and management practices:

- (a) optimising rental rates via active management of tenancies renewals and new tenancies;
- (b) maintaining good relationships with tenants to optimise tenant retention;
- (c) actively working with the property manager to pursue new tenancy opportunities;
- (d) optimising the tenant mix and space configuration;
- (e) continuously reviewing the tenant mix and if practicable, reconfiguring lettable space; and
- (f) continuously maintaining the quality of the Properties.

#### (ii) Acquisition Strategy

The Manager seeks to increase cash flow and enhance unit value through selective acquisitions. This acquisition strategy takes into consideration:

- (a) location;
- (b) occupancy and tenant mix;
- (c) building and facilities specifications;
- (d) opportunities; and
- (e) yield thresholds.

The Manager also has access to networks and relationships with leading participants in the real estate and hotel industry which may assist Starhill REIT in identifying (a) acquisition opportunities to achieve favourable returns on invested capital and growth in cashflow; and (b) underperforming assets.

The Manager intends to hold the Properties on a long-term basis. However, in the future where the Manager considers that any property has reached a stage that offers only limited scope for growth, the Manager may consider selling the property and using the proceeds for alternative investments in properties that meet their investment criteria.

#### (iii) Capital Management Strategy

The Manager optimises Starhill REIT's capital structure and cost of capital within the borrowing limits prescribed by the Guidelines on Real Estate Investment Trusts issued by the Securities Commission ("SC") ("REIT Guidelines") via a combination of debt and equity funding for future acquisitions and improvement works at the Properties. This capital management strategy involves:

- (a) adopting and maintaining an optimal gearing level; and
- (b) adopting an active interest rate management strategy to manage risks associated with changes in interest rates

while maintaining flexibility in Starhill REIT's capital structure to meet future investment and/or capital expenditure requirements.

# Manager's Report

## INVESTMENT POLICIES

The Manager will continue to comply with the REIT Guidelines and other requirements as imposed by the SC from time to time and the Deed, including (i) to invest in investment permitted by the SC; (ii) to ensure the investment portfolio requirements and limits imposed by the REIT Guidelines and/or the Deed are adhered to.

The Manager will also ensure that Starhill REIT will not be involved in (i) extending loans and credit facilities to any party; (ii) entering into forward purchases or forward sales in any currencies or any foreign contract; and (iii) property development unless the development has met the criteria imposed by the REIT Guidelines.

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## PERFORMANCE OF THE TRUST

Comparison of results against the prospectus dated 22 November 2005 and circular dated 5 April 2007:

	Actual RM'000	Prospectus RM'000	Circular RM'000
Net revenue	108,228	100,310	111,492
Income before taxation	81,268	70,500	83,082
Distribution per unit (sen)	6.89	6.44 <sup>(1)</sup>	6.70 <sup>(1)</sup>

Note :

<sup>(1)</sup> Represent 95% of the total distributable income payout.

During the financial year ended 30 June 2008, the Trust recorded net revenue and income before taxation of RM108.228 million and RM81.268 million respectively, as compared to the forecast net revenue and income before taxation of RM100.310 million and RM70.500 million respectively reported in the prospectus dated 22 November 2005, representing an increase of 7.89% and 15.27% in net revenue and income before taxation respectively. The increase were mainly contributed by the rental received from The Residences Properties acquired in May 2007 and interest income generated from the placement of funds.

As compared to the forecast net revenue and income before taxation of RM111.492 million and RM83.082 million reported in the circular dated 5 April 2007, it represents a slight decrease of 2.93% and 2.18% in net revenue and income before taxation respectively. With a series of rebranding and reimagining exercise and implementation of operation and marketing strategies to obtain the targeted upscale market, Starhill Gallery is progressively achieving the targeted rental rate as projected in the forecast. Whereas, Lot 10 Parcels is undergoing a rebranding and relaunching exercise, where there are plans to replace expiring tenancies with desired brands, rental income are therefore affected due to the temporary disruption in completing the plans, resulted decrease in both net revenue and income before taxation.

Analysis of net asset value since the last financial period ended 30 June 2006.

At 30 June	2008	2007	2006
Total net asset value (RM'000)	1,145,896	1,145,902	1,022,757
Net asset value per unit (RM)	0.972	0.972	0.983

## COMPOSITION OF INVESTMENT PORTFOLIO

As at the balance sheet date, Starhill REIT's composition of investment portfolio is as below:

	RM'000	%
<b>Real Estate - Commercial</b>		
• Lot 10 Parcels	341,135	24
• Starhill Gallery	480,000	35
• JW Marriott Hotel Kuala Lumpur	329,000	24
• The Residences Properties	125,000	9
	1,275,135	92
<b>Others</b>		
Deposits with licensed financial institution	103,588	8
	1,378,723	100

The details of the Properties as at the balance sheet date are as follow:

### Lot 10 Parcels

Address/Location	50, Jalan Sultan Ismail, 50250 Kuala Lumpur.
Title details	Pajakan Negeri No. 11008 for Lot No. 1247, Section 67, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Property type	Shopping centre
Description	137 parcels and 2 accessory parcels of retail, office, storage and other spaces within a shopping centre which consists of an 8-storey block with a basement and a lower ground floor, together with a 7-storey annexe building with a lower ground floor.
Age	Approximately 18 years
Tenure	The land is a 99-year leasehold land expiring 29 July 2076.
Status of holdings	Leasehold (Approval obtained in 30 July 1977)
Unexpired lease remaining period	68 years
Tenancy period	1 to 3 years, and rent review will be carried out prior to expiry of each lease.
Net lettable area	184,023 square feet
Existing use	Commercial building
Parking spaces	730 bays
Date of acquisition	16 December 2005
Cost of acquisition	RM341,000,000
Major tenants (based on monthly rental payable)	(a) Autodome Sdn. Bhd. (b) Esprit De Corp (Malaysia) Sdn. Bhd. (c) F.J. Benjamin Fashions Sdn. Bhd.
Average occupancy rates	94.45%
Rental received	RM25,591,848
Maintenance costs and capital expenditure	Maintenance costs incurred amounted to RM5,164,608 and RM135,375 incurred in capital expenditure.
Encumbrances/Limitation in title/interest	The property is charged to a financial institution to secure a term loan facility of RM180 million and the usage of land is restricted to commercial buildings and/or residential properties
Approved valuation	RM341,000,000
Date of last valuation	1 March 2005 <sup>(1)</sup>
Basis of valuation	Income and comparison approach
Net book value	RM341,135,375

# Manager's Report

## Starhill Gallery

Address/Location	181, Jalan Bukit Bintang, 55100 Kuala Lumpur.
Title details	Grant No. 28678 for Lot No. 1267 Section 67, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Property type	Shopping center
Description	Part of a 7-level shopping centre with 5 basements and a 12-level annexe building with 3 basements.
Age	Approximately 13 years
Status of holdings	Freehold
Tenancy period	1 to 3 years, and rent review will be carried out prior to expiry of each lease.
Net lettable area	294,681 square feet
Existing use	Commercial building
Parking spaces	1,162 bays
Date of acquisition	16 December 2005
Cost of acquisition	RM480,000,000
Major tenants (based on monthly rental payable)	(a) Autodome Sdn. Bhd. (b) Mystique Universal Sdn. Bhd. (c) Cortina Watch Sdn. Bhd.
Average occupancy rates	98.70%
Rental received	RM37,937,989
Maintenance costs and capital expenditure	Maintenance costs amounted to RM5,400,000 and no capital expenditure was incurred during the financial year.
Encumbrances/Limitation in title/interest	The property is charged to a financial institution to secure a term loan facility of RM180 million and there is no restriction and/or condition attached to the title.
Approved valuation	RM480,000,000
Date of last valuation	1 March 2005 <sup>(1)</sup>
Basis of valuation	Income and comparison approach
Net book value	RM480,000,000

## JW Marriott Hotel Kuala Lumpur

Address/Location	183, Jalan Bukit Bintang, 55100 Kuala Lumpur.
Title details	Grant No. 28678 for Lot No. 1267 Section 67, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Property type	Hotel
Description	A 5 star hotel with 561 rooms located on part of a 8-level podium block and the entire 24-level tower block of Starhill Gallery.
Age	Approximately 11 years
Status of holdings	Freehold
Tenancy period	The property is leased for a term expiring on 31 December 2023.
Existing use	Commercial building
Date of acquisition	16 December 2005
Cost of acquisition	RM329,000,000
Sole tenant	Star Hill Hotel Sdn Bhd
Rental received	RM21,118,500
Encumbrances/Limitation in title/interest	The property is charged to a financial institution to secure a term loan facility of RM180 million and there is no restriction and/or condition attached to the title.
Approved valuation	RM329,000,000
Date of last valuation	1 March 2005 <sup>(1)</sup>
Basis of valuation	Income and comparison approach
Net book value	RM329,000,000

## The Residences Properties

Address/Location	Lot 1308, Jalan Yap Tai Chi, Seksyen 67 Off Jalan Imbi, 55100 Kuala Lumpur.
Title details	Geran 47693, Lot No. 1308 Seksyen 67, Bandar Kuala Lumpur, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Property type	Serviced apartment
Description	60 units of serviced apartments, 4 levels of commercial podium , 1 level of facilities deck and 2 levels of basement car park.
Age	Approximately 3 years
Status of holdings	Freehold
Tenancy period	The property is leased for a term expiring on 30 June 2031.
Existing use	Commercial building
Date of acquisition	16 May 2007
Cost of acquisition	RM125,000,000
Sole tenant	Star Hill Hotel Sdn Bhd
Rental received	RM8,400,000
Encumbrances/Limitation in title/interest	There is no registered encumbrance.
Approved valuation	RM145,000,000
Date of last valuation	25 September 2006
Basis of valuation	Investment and comparison method.
Net book value	RM125,000,000

### Note:

- (1) The Trust had on 26 May 2008 announced its proposed revaluation for the investment properties, namely Lot 10 Parcels, Starhill Gallery and JW Marriott Hotel Kuala Lumpur and the incorporation of revaluation surplus into the Income Statement of the Trust pursuant to the REIT Guidelines. The revaluation is pending approval of the SC.

## REVIEW OF THE PROPERTY MARKET

During the financial year ended 30 June 2008, Starhill Gallery and Lot 10 Parcels owned by Starhill REIT recorded satisfactory average occupancy rates of 98.70 % and 94.45% respectively which are relatively higher than the average occupancy rate recorded at 84.9% for shopping centers within Kuala Lumpur in 2007, an increase from 83.5% in 2006 while shopping centers in Malaysia recorded 80.4% occupancy rates for the year ended 2007 (*Source: Property Market Report 2007, Valuation and Property Services Department, Ministry of Finance, NAPIC*).

The higher occupancy rates are the testimony for the quality and yield-accretive of the Properties owned by Starhill REIT and the success of operating and marketing strategies implemented.

## PROSPECTS OF THE MALAYSIAN PROPERTY MARKET

### THE MALAYSIAN ECONOMY

According to Bank Negara, the Malaysian economy expanded 7.1% in 1Q 2008 compared with 5.5% in 1Q 2007 and 6.3% in the year of 2007 being the fastest pace in the past three years underpinned by the double-digit expansion in private and public consumption spending. The main driver of growth was the services sector, which expanded by 8% backed by strong consumption activities which contributed to higher increase in the wholesale and retail trade, accommodation and restaurant, finance and insurance as well as transport and storage sub-sectors. Private consumption which accounts for 52.9% of the GDP rose 11.8% supported by rising disposable income, strong export performance and favourable labour market conditions.

The inflation rate increased to 2.6% in the first quarter of 2008 compared to 2.2% in the fourth quarter of 2007 due mainly to higher prices in food as food accounts for around 33% of the Consumer Price Index (CPI). In May 2008, the CPI increased further to 3.8%.

## Manager's Report

The revamp of the Government subsidy scheme in June 2008 had resulted in a petrol and energy hike where petrol which accounts for 15.9% of the CPI increased 40.6% to RM2.70 per litre and electricity cost increased 18% to 26%. Consumer spending will likely be the component of GDP that will be significantly affected by the recent fuel hike. According to Malaysia Rating Corporation Berhad, 13% of the total monthly income for households with income bracket of RM700 to RM5,000 was spent on transportation cost. The increase in fuel prices coupled with the increasing food cost will likely result in reduction in expenditure on more luxury items and entertainment.

The recent petrol hike is also likely to push inflation to 5% in June this year and would average to 4.2% for 2008 compared to the earlier forecast of 2.5% to 3%. The increase in price are expected to peak in 1Q2009 to a 10 year high of about 5.3% similar to 1998 following the Asian financial crisis. The CPI is expected to moderate to less than 3% in 4Q 2009.

While the Overnight Policy Rate remained at 3.5% throughout the first quarter of 2008, Bank Negara is likely to increase interest rate if the inflation is mainly due to demand factor and if there is a generalised increase in price as one of the monetary measures to curb inflation.

The Ringgit while appreciating against the US dollar, recorded a mixed performance against other major currencies during the first quarter of 2008, reflecting volatile portfolio flows. Nevertheless, the upward trend of the Ringgit as well as other regional currencies against the US dollar was supported by positive investor sentiment towards the Asian region as well as the weakening of the US dollar.

Tourist arrivals into Malaysia reached 20.97 million in 2007, a 20% increase from 17.55 million in 2006 and tourism receipts increased from RM36.27 million in 2006 to RM46.1 billion in 2007. A total of 9 million tourists visited in Malaysia from January to May 2008 compared with 8.89 million in the same period in 2007.

The Tourism Ministry has targeted tourist arrivals to reach 22.5 million by end of 2008 and ultimately 25.7 million by 2010 with tourists spending targeted to reach RM50.3 billion in 2008 from RM46.094 billion in 2007, which will augur well for the retail and hotel industry in 2008.

### SHOPPING CENTRES (RETAIL SECTOR)

Despite rising inflationary concerns, consumption activities are expected to be supported by favourable labour market conditions and higher commodity prices. The retail sector is expected to remain stable on the back of managed inflationary pressure and higher tourism activities.

2007 saw a substantial supply of new shopping complexes with 531,966 m<sup>2</sup> resulting in a total retail space of 8.563 million m<sup>2</sup> in Malaysia of which Kuala Lumpur accounts for 25% of the total retail space. The year 2007 has seen Kuala Lumpur retail space grew 12% from 1.908 million m<sup>2</sup> in year 2006 to 2.130 million m<sup>2</sup> in 2007, an increase of 12 % with 222,353 m<sup>2</sup> additional retail space completed in 2007.

Meanwhile, there would be new incoming supply of 1.67 million m<sup>2</sup> retail space in the country. Kuala Lumpur accounts for 28% of the new retail space totaling to 466,429 m<sup>2</sup> within 2 to 3 years time.

The rentals of shopping complexes in Kuala Lumpur are relatively stable while shopping complexes in suburban areas recorded an increase in general in the year 2007.

In 2007, the retail industry achieved a sales growth of 12.8% from 2006 being the highest growth rate in the local retail industry since 1992.

Malaysian Retailers Association reduced its retail growth projection from 8% to 7% with total sales expected to reach RM68 billion, a shortfall of RM610 million in view of higher living costs due to the recent fuel hike, increasing food prices and stagnant salaries that are weighing down consumer confidence for 2008.

With 28.2% of tourism expenditure on shopping, the optimism in the tourism industry will be a great contributor for the retail sales for this year.

## HOTELS (LEISURE INDUSTRY)

The hotel industry performed favourably with occupancy rates of 72.7% in Kuala Lumpur as compared to national average of 62.5% in 2007. While the 3 to 5 star hotels occupancy rates increased to 77% in second half 2007 from 69% in first half 2007 in the Klang Valley. Average room rates for all hotels continued to improve with 5-star and 4-star achieving RM397 and RM219 respectively in second half of 2007 (Source: CH Williams Talhar & Wong Second Half of 2007 Report on Hotel Sector in Klang Valley).

In 1Q 2008, the hotel occupancy rates in Kuala Lumpur rose to 74.5% compared to 73.3% in 1Q 2007 and 72.7% in year 2007.

As at end of 2007, the existing supply of hotel rooms in the country stood at 151,904 rooms. Future supply of hotel rooms comprised 16,795 rooms in the incoming supply and 34,945 rooms in the planned supply. While in Kuala Lumpur, the existing supply of hotel rooms stood at 29,911 hotel rooms which accounts for 20% of the total hotel rooms in Malaysia. Future supply of hotel rooms in Kuala Lumpur comprised 5,066 rooms in the incoming supply and 21,514 rooms in the planned supply. The current supply of 4-star and 5-star hotel rooms in Kuala Lumpur stands at 6,752 and 9,091 rooms respectively with the bulk of the supply being located within tourist belts in Kuala Lumpur city.

Hotels in the Klang Valley are expected to achieve 75% to 76% occupancy rates in 2008 in anticipation of a positive tourism industry with the Government extending Visit Malaysia Year 2007 to 2008 and a budget of RM858 million for the implementation of various tourist programmes targeting to an increase of tourist arrival to 22.5 million this year.

Bank Negara has indicated possibility to revise its GDP growth from between 6% to 6.5% to in between 4.5% and 5% for 2008 amid concerns over a slowdown in the global economy and higher inflation. While services sector of the economy is expected to sustain its growth momentum at 7.9% in 2008 according to midterm review of the Ninth Malaysia Plan.

The Malaysian retail and hotel outlook remains stable with the country's sustainable population growth, in excess of 2.5% of its population of 26 million, its conducive macroeconomic environment and its flourishing tourism industry.

Starhill REIT will continuously develop and implement effective strategies in the area of management, marketing and operation to enhance the revenue of the Properties and improve the yields and returns of the Trust amid a marginal slowdown in the economy.

Starhill REIT will also continue to grow a stable and yield accretive generating assets and strive to explore acquisitions and capital growth opportunities in Malaysia or even globally.

## DISTRIBUTION OF INCOME

An interim distribution of income (which is tax exempt at Starhill REIT level under Section 61A of the Income Tax Act, 1967) of 3.4025 sen per unit amounting to RM40,111,694 representing approximately 100% of the income after taxation was paid on 29 February 2008 in respect of the six months financial period from 1 July 2007 to 31 December 2007.

The Manager has declared a final income distribution (which is tax exempt at Starhill REIT level under Section 61A of the Income Tax Act, 1967) of 3.4911 sen per unit, totaling RM41,156,190, representing approximately 100% of the income after taxation in respect of the six months financial period from 1 January 2008 to 30 June 2008.

Total distribution paid and declared for the financial year ended 30 June 2008 is 6.8936 sen per unit, totaling RM81,267,884, which translates to a yield of 7.41% based on the twelve months weighted average market price of RM0.93 as at 30 June 2008.

The effect of the income distribution in terms of the net asset value per unit as at 30 June 2008 is as follows:

	Before distribution RM	After distribution RM
Net asset value ("NAV")~		
NAV per unit	1.041	0.972

# Manager's Report

## BREAKDOWN OF UNITHOLDINGS

The analysis of unitholdings of Starhill REIT at balance sheet date:

Unit class	No. of Unitholders	%	No. of Units held '000	%
5,000 and below	3,129	61.16	6,650	0.57
5,001 to 10,000	739	14.45	6,406	0.54
10,001 to 50,000	787	15.38	20,263	1.72
50,001 to 500,000	380	7.43	55,419	4.70
500,001 and above	81	1.58	1,090,151	92.47
	5,116	100.00	1,178,889	100.00

There is no unit split exercise carried out during the financial year.

## DIRECTORS

The Directors who served on the Board of the Manager, Pintar Projek Sdn. Bhd. since the date of last Report of the Trust are:

Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE, FICE  
Dato' Yeoh Seok Kian  
Dato' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir  
Dato' (Dr) Yahya Bin Ismail  
Mr. Eu Peng Meng @ Leslie Eu

## DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangement subsisted to which the Manager is a party, with the object or objects of enabling the Directors of the Manager to acquire benefits by means of the acquisition of units in or debentures of Starhill REIT or any other body corporate.

For the financial year ended 30 June 2008, no Director has received or become entitled to receive any benefit by reason of a contract made by the Manager for Starhill REIT or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in the Notes to the financial statements.

## DIRECTORS' INTERESTS

The following Directors of the Manager who held office at the end of the financial year had, according to the register of unitholdings in Starhill REIT, interests in the units of Starhill REIT as follows:

	Balance at 01.07.2007	No. of units acquired	No. of units disposed	Balance at 30.06.2008
<b>Direct interest</b>				
Dato' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir	20,000	–	–	20,000
Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE, FICE	870,000	–	–	870,000

Other than as disclosed above, Directors who held office at the end of the financial year did not have interests in the units of Starhill REIT.

## MANAGER'S REMUNERATION

Pursuant to the Deed, the Manager is entitled to receive from the Trust:

- (i) a base fee (exclusive of GST, if any) of up to 1.0% per annum of the gross asset value of the Trust;
- (ii) a performance fee (exclusive of GST, if any) of up to 5.0% of net property income, but before deduction of property management fees payable to any property manager appointed to manage any real estate;
- (iii) an acquisition fee of 1.0% of the acquisition price of any real estate or single-purpose company purchased for the Trust (pro rated if applicable to the proportion of the interest of the Trust in the asset acquired); and
- (iv) a divestment fee of 0.5% of the sale price of any asset being real estate or a single-purpose company sold or diverted by the Trust (pro rated if applicable to the proportion of the interest of the Trust in the asset sold).

The remuneration received by the Manager during the financial year is disclosed in Note 5 to the financial statements.

## SOFT COMMISSION

During the financial year, the Manager did not receive any soft commission (ie. goods and services) from its broker, by virtue of transactions conducted by the Trust.

## RESERVES AND PROVISIONS

There were no material transfers to and from reserves or provisions during the financial year other than as disclosed in the Statement of Changes in Net Asset Value.

## STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of Starhill REIT were made out, the Manager took reasonable steps:

- (a) to ascertain that proper action has been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts have been written off and that adequate allowance has been made for doubtful debts; and
- (b) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records of Starhill REIT in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this Report, the Manager is not aware of any circumstances:

- (a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of Starhill REIT inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of Starhill REIT misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of Starhill REIT misleading or inappropriate.

## Manager's Report

At the date of this Report, there does not exist:

- (a) any charge on the assets of Starhill REIT which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of Starhill REIT which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors of the Manager, will or may affect the ability of Starhill REIT to meet its obligations as and when they fall due.

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### OTHER STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

The Directors of the Manager state that:

At the date of this report, they are not aware of any circumstances not otherwise dealt with in this report or the financial statements of Starhill REIT which would render any amount stated in the financial statements misleading.

In their opinion,

- (a) the results of the operations of Starhill REIT during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this Report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of Starhill REIT for the financial year in which this Report is made.

### AUDITORS

The auditors, Messrs. HLB Ler Lum, Chartered Accountants, have expressed their willingness to continue in office.

Signed on behalf of the Board of Pintar Projek Sdn. Bhd. in accordance with a resolution of the Directors,

**Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE, FICE**

**Dato' Yeoh Seok Kian**

Dated: 11 July 2008  
Kuala Lumpur

# Statement by Manager

In the opinion of the Directors of PINTAR PROJEK SDN. BHD., the accompanying financial statements are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, the provisions of the Companies Act, 1965, the Securities Commission's Guidelines on Real Estate Investment Trusts, the provisions of the trust deed dated 18 November 2005 and the supplementary deed dated 19 April 2007 so as to give a true and fair view of the state of affairs of STARHILL REAL ESTATE INVESTMENT TRUST as at 30 June 2008 and of the results of operations and cash flows of STARHILL REAL ESTATE INVESTMENT TRUST for the financial year ended on that date.

Signed on behalf of the Board of Pintar Projek Sdn. Bhd. in accordance with a resolution of the Directors,

**Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE, FICE**

**Dato' Yeoh Seok Kian**

Dated: 11 July 2008  
Kuala Lumpur

## Statutory Declaration

I, TAN SRI DATO' (DR) FRANCIS YEOH SOCK PING, CBE, FICE, being the Director of PINTAR PROJEK SDN. BHD. primarily responsible for the financial management of STARHILL REAL ESTATE INVESTMENT TRUST, do solemnly and sincerely declare that to the best of my knowledge and belief the accompanying financial statements are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

**Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE, FICE**

Subscribed and solemnly declared  
by the abovenamed  
TAN SRI DATO' (DR) FRANCIS  
YEOH SOCK PING, CBE, FICE  
at Kuala Lumpur on 11 July 2008

Before me:

**Commissioner for Oaths**

## Trustee's Report to the Unitholders of Starhill Real Estate Investment Trust

We have acted as Trustee of STARHILL REAL ESTATE INVESTMENT TRUST ("the Fund") for the financial year ended 30 June 2008. In our opinion, PINTAR PROJEK SDN. BHD., the Manager, has managed the Fund in the year under review:

- a) within the limitation imposed on the investment powers of the Manager and the Trustee under the Deed, other applicable provisions of the Deed, the Securities Commission's Guidelines on Real Estate Investment Trusts, the Capital Market & Services Act, 2007 and other applicable laws;
- b) that the valuation of the Fund is carried out in accordance with the Deed and any regulatory requirements; and
- c) that the income distributions declared and paid are in line with the investment objectives of the Fund.

For Mayban Trustees Berhad,

**Tracy Hazel Siguji**  
Head, Unit Trust & Retail

Dated: 11 July 2008  
Kuala Lumpur

## Independent Auditor's Report to the Unitholders of Starhill Real Estate Investment Trust

### Report on the Financial Statements

We have audited the financial statements of STARHILL REAL ESTATE INVESTMENT TRUST, which comprise the Balance Sheet as at 30 June 2008, and the Income Statement, Statement Of Changes In Net Asset Value and Cash Flow Statement for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 42 to 58.

### Directors' Responsibility for the Financial Statements

The Directors of Pintar Projek Sdn. Bhd., the Manager of STARHILL REAL ESTATE INVESTMENT TRUST are responsible for the preparation and fair presentation of these financial statements in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, the provisions of the Companies Act, 1965, the Securities Commission's Guidelines on Real Estate Investment Trusts, the provisions of the deed dated 18 November 2005 and the supplementary deed dated 19 April 2007. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved Standards on Auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to STARHILL REAL ESTATE INVESTMENT TRUST's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the STARHILL REAL ESTATE INVESTMENT TRUST's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors of the Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements have been properly drawn up in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, the provisions of the Companies Act, 1965, the Securities Commission's Guidelines on Real Estate Investment Trusts, the provisions of the deed dated 18 November 2005 and the supplementary deed dated 19 April 2007 so as to give a true and fair view of the financial position of STARHILL REAL ESTATE INVESTMENT TRUST as of 30 June 2008 and of its financial performance and cash flows for the financial year then ended.

### **Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of the Securities Commission's Guidelines on Real Estate Investment Trusts and Companies Act, 1965 in Malaysia, we also report that in our opinion the accounting and other records and the registers required by the Guidelines and Act to be kept by STARHILL REAL ESTATE INVESTMENT TRUST have been properly kept in accordance with the Guidelines and provisions of the Act.

### **Other Matters**

This report is made solely to the unitholders of STARHILL REAL ESTATE INVESTMENT TRUST, as a body, in accordance with the Securities Commission's Guidelines on Real Estate Investment Trusts and for no other purpose. We do not assume responsibility to any other person for the content of this Report.

### **HLB LER LUM**

AF 0276

Chartered Accountants

### **LUM TUCK CHEONG**

1005/3/09(J/PH)

Chartered Accountant

Dated: 11 July 2008

Kuala Lumpur

# Income Statement for the financial year ended 30 June 2008

	Note	2008 RM'000	2007 RM'000
Net revenue	3	108,228	98,835
Property operating expenses	4	(17,610)	(17,201)
Net property income		90,618	81,634
Interest income		3,218	3,138
Total income		93,836	84,772
Manager's fees	5	3,221	2,923
Trustee's fee	6	413	378
Borrowing cost	7	8,674	8,651
Auditors' remuneration		20	20
Tax agent's fees		10	25
Administration expenses		230	85
Total expenses		12,568	12,082
<b>Income before taxation</b>		<b>81,268</b>	<b>72,690</b>
<b>Income tax expense</b>	8	–	–
<b>Income for the financial year</b>		<b>81,268</b>	<b>72,690</b>
<b>Income for the financial year is made up as follows :</b>			
Realised		81,268	72,690
Unrealised		–	–
		81,268	72,690
<b>Earnings per unit</b>	9		
- after manager's fees (sen)		6.89	6.87
- before manager's fees (sen)		7.17	7.15
<b>Net income distribution</b>			
- First interim income distribution of 3.4025 sen paid on 29 February 2008 (2007 : 3.3650 sen paid on 27 February 2007)		40,112	34,996
- Second interim income distribution (2007 : 1.1840 sen paid on 24 April 2007)		–	12,314
- Final income distribution of 3.4911 sen (2007 : 2.1529 sen paid on 24 August 2007)		41,156	25,380
<b>Income distribution per unit</b>			
- First interim income distribution - Gross (sen)		3.4025	3.3650
- Second interim income distribution - Gross (sen)		–	1.1840
- Final income distribution - Gross (sen)		3.4911	2.1529

The notes set out on pages 46 to 58 form an integral part of these financial statements.

# Balance Sheet as at 30 June 2008

	Note	2008 RM'000	2007 RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment properties	10	1,275,135	1,275,000
<b>Current assets</b>			
Trade receivables	11	2,895	2,384
Other receivables	12	176	174
Deposits with licensed financial institution	13	103,588	84,842
Cash at bank		167	942
		<b>106,826</b>	<b>88,342</b>
Total assets		<b>1,381,961</b>	<b>1,363,342</b>
<b>UNITHOLDERS' FUNDS AND LIABILITIES</b>			
<b>Unitholders' funds</b>			
Unitholders' capital	14	1,145,895	1,145,901
Undistributed income		1	1
Total unitholders' funds		<b>1,145,896</b>	<b>1,145,902</b>
<b>Non-current liabilities</b>			
Borrowing	15	180,000	180,000
Other payables	16	8,531	6,294
		<b>188,531</b>	<b>186,294</b>
<b>Current liabilities</b>			
Other payables	16	6,378	5,766
Provision for income distribution	17	41,156	25,380
		<b>47,534</b>	<b>31,146</b>
Total liabilities		<b>236,065</b>	<b>217,440</b>
Total unitholders' funds and liabilities		<b>1,381,961</b>	<b>1,363,342</b>
Net assets value ("NAV")		<b>1,145,896</b>	<b>1,145,902</b>
Number of units in circulation ('000)	14	<b>1,178,889</b>	<b>1,178,889</b>
<b>NAV per unit (RM)</b>			
- before income distribution		<b>1.041</b>	1.034
- after income distribution		<b>0.972</b>	0.972

The notes set out on pages 46 to 58 form an integral part of these financial statements.

# Statement of Changes in Net Asset Value for the financial year ended 30 June 2008

	Unitholders' Capital RM'000	Distributable Undistributed Income RM'000	Total Unitholders' Funds RM'000
At 1 July 2006	1,022,756	1	1,022,757
<b>Operations for the financial year ended 30 June 2007</b>			
Income for the financial year	–	72,690	72,690
Increase in net assets resulting from operations	–	72,690	72,690
<b>Unitholders transactions</b>			
Creation of units	125,000	–	125,000
Acquisition expenses (Note 18)	(1,855)	–	(1,855)
Distribution paid	–	(47,310)	(47,310)
Provision for income distribution (Note 17)	–	(25,380)	(25,380)
Increase in net assets resulting from unitholders transactions	123,145	(72,690)	50,455
At 30 June 2007	1,145,901	1	1,145,902
At 1 July 2007	1,145,901	1	1,145,902
<b>Operations for the financial year ended 30 June 2008</b>			
Income for the financial year	–	81,268	81,268
Increase in net assets resulting from operations	–	81,268	81,268
<b>Unitholders transactions</b>			
Acquisition expenses (Note 18)	(6)	–	(6)
Distribution paid	–	(40,112)	(40,112)
Provision for income distribution (Note 17)	–	(41,156)	(41,156)
Decrease in net assets resulting from unitholders transactions	(6)	(81,268)	(81,274)
At 30 June 2008	1,145,895	1	1,145,896

The notes set out on pages 46 to 58 form an integral part of these financial statements.

# Cash Flow Statement

for the financial year ended 30 June 2008

	2008 RM'000	2007 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before taxation	81,268	72,690
Adjustments for:		
Allowance for doubtful debts	–	193
Bad debts written off	16	–
Bad debts recovered	–	(139)
Interest income	(3,218)	(3,138)
Interest expense	8,664	8,640
Operating profit before changes in working capital	86,730	78,246
Increase in receivables	(529)	(636)
Increase in payables	2,849	754
Net cash from operating activities	89,050	78,364
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	3,218	3,138
Payment of acquisition expenses	(6)	(1,855)
Cost incurred on investment property	(135)	–
Net cash from investing activities	3,077	1,283
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(8,664)	(8,640)
Distribution paid	(65,492)	(83,214)
Net cash used in financing activities	(74,156)	(91,854)
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>17,971</b>	<b>(12,207)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>	<b>85,784</b>	<b>97,991</b>
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>	<b>103,755</b>	<b>85,784</b>
<b>NOTES TO CASH FLOW STATEMENT</b>		
(a) Cash and cash equivalents comprise:		
Deposits with licensed financial institution	103,588	84,842
Cash at bank	167	942
	103,755	85,784
(b) Analysis of cost incurred on investment property:		
Cash	135	–
Issuance of units	–	125,000
	135	125,000

The notes set out on pages 46 to 58 form an integral part of these financial statements.

# Notes to the Financial Statements

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## 1. GENERAL INFORMATION

The principal activity of Pintar Projek Sdn. Bhd., the Manager, is the management of real estate investment trusts. There has been no significant change in the nature of this activity during the financial year.

Starhill Real Estate Investment Trust ("Starhill REIT" or "Trust") was established on 18 November 2005 pursuant to a trust deed dated 18 November 2005 and supplementary deed dated 19 April 2007 (collectively referred as "Deed") between the Manager and Mayban Trustees Berhad ("Trustee") and is categorised as a real property fund.

Starhill REIT was listed on the Main Board of Bursa Malaysia Securities Berhad ("Bursa Securities") on 16 December 2005 and is an income and growth type fund. The investment objective of Starhill REIT is to own and invest in real estate and real estate-related assets, whether directly or indirectly through the ownership of single-purpose companies whose principal assets comprise real estate.

The address of the registered office of the Manager is as follows:

11th Floor, Yeoh Tiong Lay Plaza  
55 Jalan Bukit Bintang  
55100 Kuala Lumpur

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The financial statements have been prepared under the historical cost convention (unless stated otherwise in the significant accounting policies below) and comply with the applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, the provisions of the Companies Act, 1965, the Securities Commission's Guidelines on Real Estate Investment Trusts, the provisions of the deed dated 18 November 2005 and the supplementary deed dated 19 April 2007.

The preparation of financial statements in conformity with the applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, the provisions of the Companies Act, 1965, the Securities Commission's Guidelines on Real Estate Investment Trusts, the provisions of the deed dated 18 November 2005 and the supplementary deed dated 19 April 2007 requires the Directors of the Manager to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities (if any) at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

The financial statements are presented in Ringgit Malaysia, which is the Trust's functional and presentation currency.

The adoption of the relevant new or revised Financial Reporting Standards ("FRSs") and Interpretation Committee ("IC") Interpretations, effective for the financial year beginning on or after 1 July 2007 are as follows:

FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 117	Leases
FRS 118	Revenue
Amendment to FRS 121	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
FRS 124	Related Party Disclosures
FRS 129	Financial Reporting in Hyperinflationary Economies
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets
FRS 139	Financial Instruments: Recognition and Measurement (effective date to be announced)
IC Interpretation 8	Scope of FRS 2

The Trust has not early adopted the deferred FRS 139 for the financial year, the adoption of the above others new/revised FRSs and IC Interpretation do not have significant impact on the Trust. The financial statements have been amended as required, in accordance with the relevant transitional provisions in the respective FRSs and IC Interpretation.

#### FRS 117 Leases

The adoption of the revised FRS 117 requires the Trust to reassess the accounting policy relating to the reclassification of the leases of land & building. Property leased out under the operating lease is presented on the Balance Sheet according to the nature of the assets. Rental income from operating lease is recognised over the period of lease. Property held under operating lease that would otherwise meet the definition of an investment property is classified as an investment property. Thus the Trust continues to classify the asset held under lease as investment property.

### (b) Significant accounting estimates and judgements

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

#### (i) Provisions

The Trust recognises provisions when it has a present legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. The recording of provisions requires the application of judgments about the ultimate resolution of these obligations. As a result, provisions are reviewed at each balance sheet date and adjusted to reflect the Trust's current best estimate.

#### (ii) Allowance for doubtful debts

The Trust assesses at each balance sheet date whether there is objective evidence that trade receivables have been impaired. Impairment loss is calculated based on a review of the current status of existing receivables and historical collections experience. Such provisions are adjusted periodically to reflect the actual and anticipated impairment.

### (c) Investment properties

Investment properties consist of leasehold and freehold land & buildings held for investment potential and rental income. Investment properties are accounted for as non-current assets and are stated at fair value.

No depreciation is provided on investment properties. Investment properties are stated at fair value, which reflects market condition at the balance sheet date. The fair value is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. In compliance with the Securities Commission's ("SC") Guidelines on Real Estate Investment Trusts, real properties are to be revalued at least once in every 3 years from the last valuation. Such revaluation must be approved by the SC before being incorporated into the Income Statement. Any increase or decrease arising from changes in the fair value is credited or charged directly to the Income Statement as a net appreciation or depreciation in the value of the investment properties.

Upon disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Income Statement.

### (d) Receivables

Receivables are stated at cost less any allowances for doubtful debts. Known bad debts are written off and doubtful debts are provided for based on estimates of possible losses which may arise from non-collection of certain receivables accounts.

### (e) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and deposits with licensed financial institutions.

## (f) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

## (g) Provisions

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation (legal or constructive) as a result of a past event and a reliable estimate can be made of the amount.

### *Provisions for income distribution*

Provisions for income distribution is recognised when any distribution is declared, determined or publicly recommended by the Directors of the Manager and but not distributed at the balance sheet date.

## (h) Interest-bearing borrowings

Interest-bearing bank loans are recorded at the amount of proceeds received.

Borrowing costs are recognised as an expense in the Income Statement in the period in which they are incurred.

## (i) Income tax and deferred tax

Income tax on the profit or loss for the financial year comprises current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributable to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unabsorbed tax losses can be utilised.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

## (j) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Trust and the revenue can be reliably measured.

### (i) Rental income and service charges

Rental income and service charges are recognised in the Income Statement as they accrue over the period of the rental.

### (ii) Carpark income

Carpark income is recognised in the Income Statement on accrual basis.

### (iii) Interest income

Interest income is recognised in the Income Statement as it accrues, taking into account the effective yield on the asset.

**(k) Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments carried on the Balance Sheet comprise cash and cash equivalents, receivables, payables and borrowing. The recognition methods adopted are disclosed in the respective accounting policy, where applicable. Distribution to holders of financial instruments classified as equity is charged directly to equity.

The face values of the assets (less any estimated credit adjustment) and financial liabilities with a maturity period of less than one financial year are assumed to approximate their fair values.

**3. NET REVENUE**

	2008 RM'000	2007 RM'000
Rental income	93,048	83,477
Service charges	9,124	9,291
Carpark income	5,136	5,000
Other interest income	193	142
Maintenance income	643	841
Other income	100	138
Gross revenue	108,244	98,889
Add: Bad debts recovered	–	139
Less: Allowance for doubtful debts	–	(193)
Bad debts written off	(16)	–
	108,228	98,835

**4. PROPERTY OPERATING EXPENSES**

	2008 RM'000	2007 RM'000
Service charges & fixed operating costs	10,565	10,565
Property management fees	1,467	1,442
Assessment & quit rent	5,068	4,607
Insurance & others	510	587
	17,610	17,201

For the financial year ended 30 June 2008, property management fees of RM1,467,535 (2007: RM1,442,141) was paid to the Property Manager, Azmi & Co. Building Services Sdn. Bhd., in accordance to the Valuers, Appraisers and Estate Agent Acts, 1981.

# Notes to the Financial Statements

## 5. MANAGER'S FEES

Fees paid and payable to the Manager during the financial year comprise:

	2008 RM'000	2007 RM'000
(i) Base fee	1,379	1,261
(ii) Performance fee	1,842	1,662
	3,221	2,923

- (i) Pursuant to the Deed, the base fee, accrued daily, representing 0.1% per annum of the gross asset value of the Trust; and  
(ii) Pursuant to the Deed, the performance fee representing 2% of the net property income of the Trust recorded during the financial year, but before deduction of property management fees.

## 6. TRUSTEE'S FEE

Pursuant to the Deed, the Trustee's fee, accrued daily, paid and payable to the Trustee, representing 0.03% per annum of the gross asset value of the Trust.

## 7. BORROWING COST

	2008 RM'000	2007 RM'000
Interest expense on term loan (Note 15)	8,664	8,640
Incidental cost incurred to administer the term loan facility:		
- Facility fee	10	11
	8,674	8,651

## 8. INCOME TAX EXPENSE

There is no taxation charged for the financial year ended 30 June 2008 (2007: Nil). The Trust have provided approximately 100% of the distributable income to unitholders which income at the Trust level is exempted from tax in accordance with Section 61A of Income Tax Act, 1967.

A reconciliation of income tax expense applicable to income before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Trust is as follows:

	2008 RM'000	2007 RM'000
Income before taxation	81,268	72,690
Taxation at Malaysian statutory tax rate of 26% (2007: 27%)	21,130	19,626
Expenses not deductible for tax purposes	154	124
Utilisation of capital allowances	(5,085)	(8,683)
Income exempted from tax	(16,199)	(11,067)
Income tax expense	-	-

## 9. EARNINGS PER UNIT

- (i) The earnings per unit after manager's fees has been calculated based on the income for the financial year of RM81,267,907 (2007: RM72,690,392) and the weighted average number of units in circulation during the financial year of 1,178,888,889 (2007: 1,057,503,805).
- (ii) The earnings per unit before manager's fees has been calculated based on the income for the financial year before deduction of manager's fees of RM84,488,520 (2007: RM75,613,430) and the weighted average number of units in circulation during the financial year of 1,178,888,889 (2007: 1,057,503,805).

## 10. INVESTMENT PROPERTIES

	2008 RM'000	2007 RM'000
At beginning of the financial year	1,275,000	1,150,000
Acquired during the financial year	-	125,000
Enhancement during the financial year	135	-
At end of the financial year	1,275,135	1,275,000
Analysis of investment properties:		
Freehold land & building	934,000	934,000
Long term leasehold land & building -99-financial year term expiring on 29 July 2076	341,135	341,000
	1,275,135	1,275,000

Investment properties amounting to RM1,150 million (2007: RM1,150 million) are charged as security for a term loan granted to the Trust as disclosed in Note 15.

# Notes to the Financial Statements

## 11. TRADE RECEIVABLES

	2008 RM'000	2007 RM'000
Trade receivables	3,078	2,567
Less: Allowance for doubtful debts	(183)	(183)
	2,895	2,384

During the financial year, the Trust wrote off trade receivables of RM15,865 (2007: Nil). In the previous financial year, the Trust wrote off trade receivables of RM81,668 against the allowance for doubtful debts.

## 12. OTHER RECEIVABLES

	2008 RM'000	2007 RM'000
Other receivables	125	119
Prepayments	51	55
	176	174

## 13. DEPOSITS WITH LICENSED FINANCIAL INSTITUTION

The effective interest rate of the deposits placed with a licensed bank is at a weighted-average interest rate of 3.5% (2007: 3.5%) per annum.

The average maturities of deposits of the Trust ranged from 1 day to 33 days (2007: 1 day to 46 days).

#### 14. UNITHOLDERS' CAPITAL

	2008 No. of units '000	2007 No. of units '000
Authorised:		
At beginning of the financial year	1,178,889	1,040,000
Created during the financial year	–	138,889
At end of the financial year	1,178,889	1,178,889

	2008 Amount RM'000	2007 Amount RM'000
Issued and fully paid:		
At beginning of the financial year	1,145,901	1,022,756
Consideration for acquisition of investment property	–	125,000
Acquisition expenses (Note 18)	(6)	(1,855)
At end of the financial year	1,145,895	1,145,901

	2008 Units '000	2007 Units '000
Issued and fully paid:		
At beginning of the financial year	1,178,889	1,040,000
Units issued for acquisition of investment property	–	138,889
At end of the financial year	1,178,889	1,178,889

#### 15. BORROWING - secured

	2008 RM'000	2007 RM'000
Term loan	180,000	180,000

The term loan is secured by a first fixed charge over investment properties as disclosed in Note 10. The term loan has a tenure of five years at a fixed interest rate of 4.8% (2007: 4.8%) per annum. The term loan shall be repaid in one lump sum on 16 December 2010 and the interest is payable monthly.

# Notes to the Financial Statements

## 16. OTHER PAYABLES

	2008 RM'000	2007 RM'000
Other payables	272	57
Accruals	1,697	1,146
Tenants' deposits		
- Payable within 12 months	4,409	4,563
- Payable after 12 months	8,531	6,294
	<b>14,909</b>	<b>12,060</b>
Represented by :		
Current liabilities	6,378	5,766
Non-current liabilities	8,531	6,294
	<b>14,909</b>	<b>12,060</b>

## 17. PROVISION FOR INCOME DISTRIBUTION

	2008 RM'000	2007 RM'000
At beginning of the financial year	25,380	35,904
Provision made during the financial year	81,268	72,690
Distribution paid during the financial year	(65,492)	(83,214)
At end of the financial year	<b>41,156</b>	<b>25,380</b>

Pursuant to the Deed, it is the policy of the Manager to distribute at least 90% of the net income for each financial year.

For the financial year ended 30 June 2008, the Manager has declared a final income distribution of 3.4911 sen per unit (2007: 2.1529 sen per unit), totaling RM41,156,190 (2007: RM25,380,300), representing approximately 100% of the income after taxation. The Trust has distributed and declared an aggregate of 6.8936 sen per unit, totaling RM81,267,884 in respect of the financial year ended 30 June 2008 (2007: 6.7019 sen per unit, totaling RM72,689,900).

Distribution to unitholders is from the following sources:

	2008 RM'000	2007 RM'000
Net property income	90,618	81,634
Interest income	3,218	3,138
Less: Expenses	93,836 (12,568)	84,772 (12,082)
	81,268	72,690
Distribution to unitholders	81,268	72,690
Gross distribution per unit (sen)	6.8936	6.7019
Net distribution per unit (sen)	6.8936	6.7019

#### 18. ACQUISITION EXPENSES

	2008 RM'000	2007 RM'000
At beginning of the financial year	22,695	20,840
Addition during the financial year	6	1,950
Over-provision	-	(95)
At end of the financial year	22,701	22,695

The acquisition expenses incurred was in relation to the issuance of 138,888,889 new units during the last financial year ended 30 June 2007.

	2008 RM'000	2007 RM'000
Professional fees	-	1,880
Miscellaneous	6	70
	6	1,950

These expenses are deducted directly against the unitholders' funds. Included in the last financial year ended 30 June 2007 was the acquisition expenses of RM1,250,000 paid to the Manager pursuant to the Deed in respect of the acquisition of The Residences Properties.

# Notes to the Financial Statements

## 19. TRANSACTIONS WITH STOCKBROKING COMPANIES

No transactions with stockbroking companies were made during the financial year.

## 20. UNITHOLDING BY THE MANAGER

As at 30 June 2008, the Manager did not hold any unit in the Trust.

## 21. UNITHOLDERS RELATED TO THE MANAGER

	← 2008 →		Market Value RM'000
	Number of units held '000	Percentage of total units %	
YTL Corporation Berhad	746,351	63.31	634,398
YTL Power International Berhad	43,090	3.66	36,626
	789,441	66.97	671,024

	← 2007 →		Market Value RM'000
	Number of units held '000	Percentage of total units %	
YTL Corporation Berhad	741,983	62.94	793,922
YTL Power International Berhad	43,090	3.66	46,106
	785,073	66.60	840,028

The market value of the units held by the companies related to the Manager is determined by using closing market value of the Trust as at 30 June 2008 of RM0.85 per unit (2007: as at 29 June 2007 of RM1.07 per unit).

Pintar Projek Sdn. Bhd., the Manager of the Trust is also a subsidiary of YTL Corporation Berhad, a public listed company. YTL Corporation Berhad is therefore deemed to have control over the Trust as Pintar Projek Sdn. Bhd. governs the financial and operating policies of the Trust.

## 22. TRANSACTIONS WITH COMPANIES RELATED TO THE MANAGER

	2008 RM'000	2007 RM'000
Rental charged to :		
Autodome Sdn. Bhd.	23,747	26,850
Star Hill Hotel Sdn. Bhd.	29,650	21,707
Syarikat Pembinaan Yeoh Tiong Lay Sdn. Bhd.	157	378
YTL e-Solutions Berhad	868	789
YTL Land & Development Berhad	461	419
YTL Land Sdn. Bhd.	5,824	5,688
YMax Sdn. Bhd.	220	-

The Manager is of the opinion that these transactions are conducted in the normal course of business and are under terms that are not less favourable than those arranged with third parties. At the end of financial year ended 30 June 2008, there is no outstanding due from the companies related to the Manager (2007: RM46,811).

## 23. FINANCIAL INSTRUMENTS

### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Trust's operations are subject to a variety of financial risks, including interest rate risk, credit risk, liquidity and cash flow risk.

The Trust's financial risk management policy seeks to ensure that adequate resources are available to manage the above risks and to create value for its unitholders. It is not the Trust's policy to engage in speculative transactions.

#### (a) Interest rate risk

The Trust's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure which arises from borrowing is managed through the use of fixed rate debt with long term tenure. The Trust seeks to invest cash assets safely and profitably with placements of such assets with creditworthy licensed banks and financial institutions. The interest rate exposure which arises from such investments is managed by varying the maturities.

#### (b) Credit risk

The Trust is exposed to credit risk mainly from receivables. The Trust extends credit to its tenants based upon established credit evaluation and credit control and monitoring guidelines.

#### (c) Liquidity and cash flow risk

The Trust practises prudent liquidity risk management policies and maintains sufficient levels of cash for working capital and contingent funding requirements.

The carrying amounts of financial assets and liabilities of the Trust at the balance sheet date approximate their fair values other than as disclosed below :

	2008		2007	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Term loan	180,000	171,756	180,000	171,756

# Notes to the Financial Statements

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## 24. PORTFOLIO TURNOVER RATIO

	2008	2007
Portfolio turnover ratio ("PTR")	–	0.06 times

PTR is the ratio of the average of acquisitions and disposals of investments for the financial year to the average net asset value of the Trust during the financial year calculated on a weekly basis.

During the financial year, the PTR is Nil because there is no acquisition and disposal of investments. Since the basis of calculating PTR can vary among real estate investment trusts, there is no sound basis for providing an accurate comparison of the Trust's PTR against other real estate investment trusts.

## 25. MANAGEMENT EXPENSE RATIO

	2008	2007
Management Expense Ratio ("MER")	0.34%	0.33%

MER is calculated based on the total of all the fees and expenses incurred by the Trust in the financial year and deducted directly from the income (including the manager's fees, the trustee's fee, the auditors' remuneration and other professional fees and expenses) and all the expenses not recovered from and/or charged to the Trust (including the costs of printing, stationery and postage), to the average net asset value of the Trust during the financial year calculated on a weekly basis.

Since the basis of calculating MER can vary among real estate investment trusts, there is no sound basis for providing an accurate comparison of the Trust's MER against other real estate investment trusts.

## 26. SIGNIFICANT EVENTS

The Trust had on 26 May 2008 announced its proposed revaluation for the investment properties, namely Lot 10 Parcels, Starhill Gallery and JW Marriott Hotel Kuala Lumpur ("Properties") and the incorporation of a revaluation surplus of RM254.36 million following the appraisal by a firm of professional valuers, into the Income Statement of the Trust pursuant to the Securities Commission's ("SC") Guidelines on Real Estate Investment Trusts. The revaluation is pending approval of the SC.

## 27. SEGMENTAL REPORTING

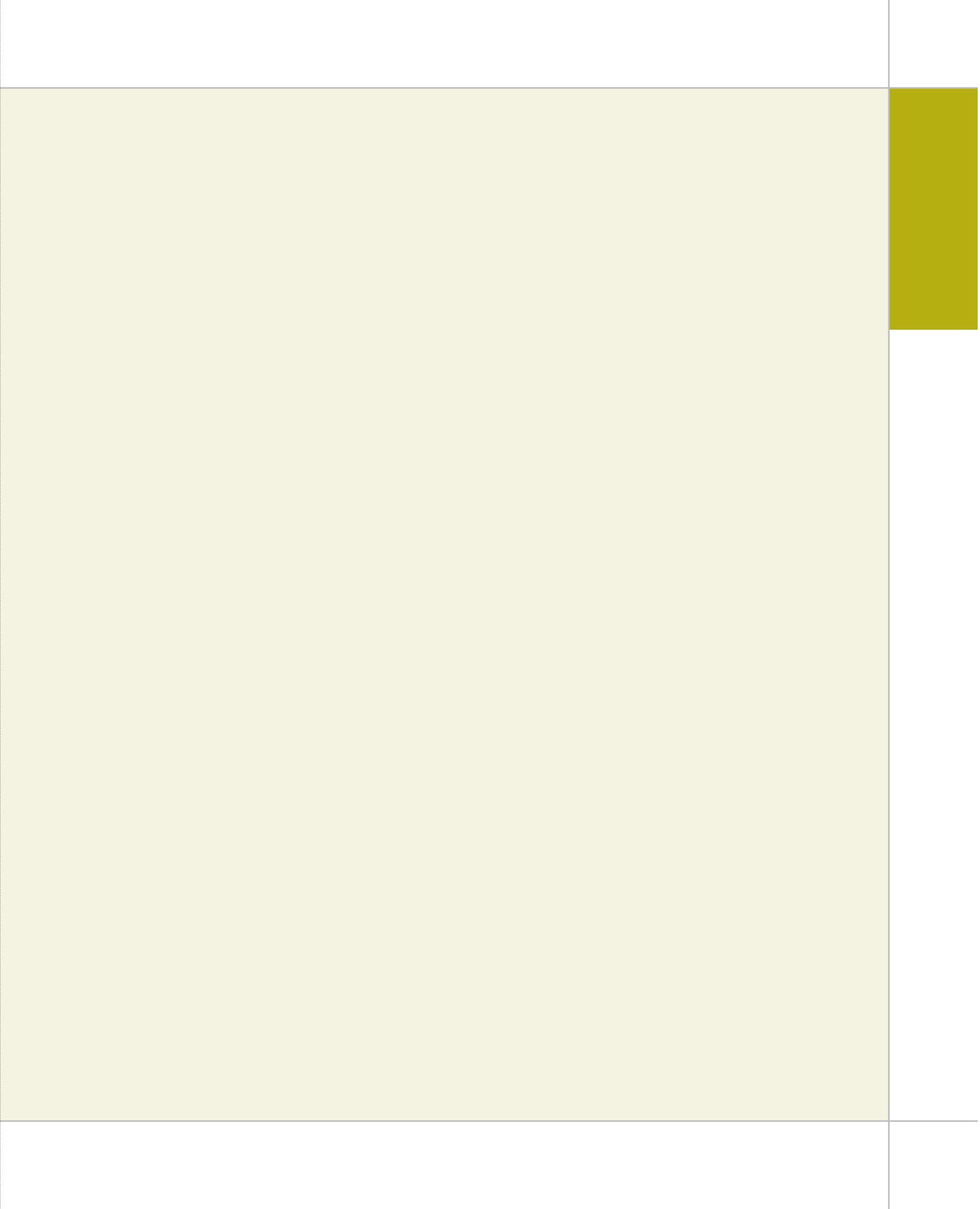
As the investment objectives of Starhill REIT is to invest in real estate and real estate-related assets with the primary objective to provide unitholders with stable distribution per unit with the potential for sustainable long term capital growth of such distributions, there are no risks and returns distinguishable between business and geographical segments. No segmental reporting is thus presented.

## 28. CURRENCY

The financial statements of the Trust are expressed in Ringgit Malaysia.

## 29. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors of Pintar Projek Sdn. Bhd. in accordance with a resolution of the Directors on 11 July 2008.



[www.starhillreit.com](http://www.starhillreit.com)

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