

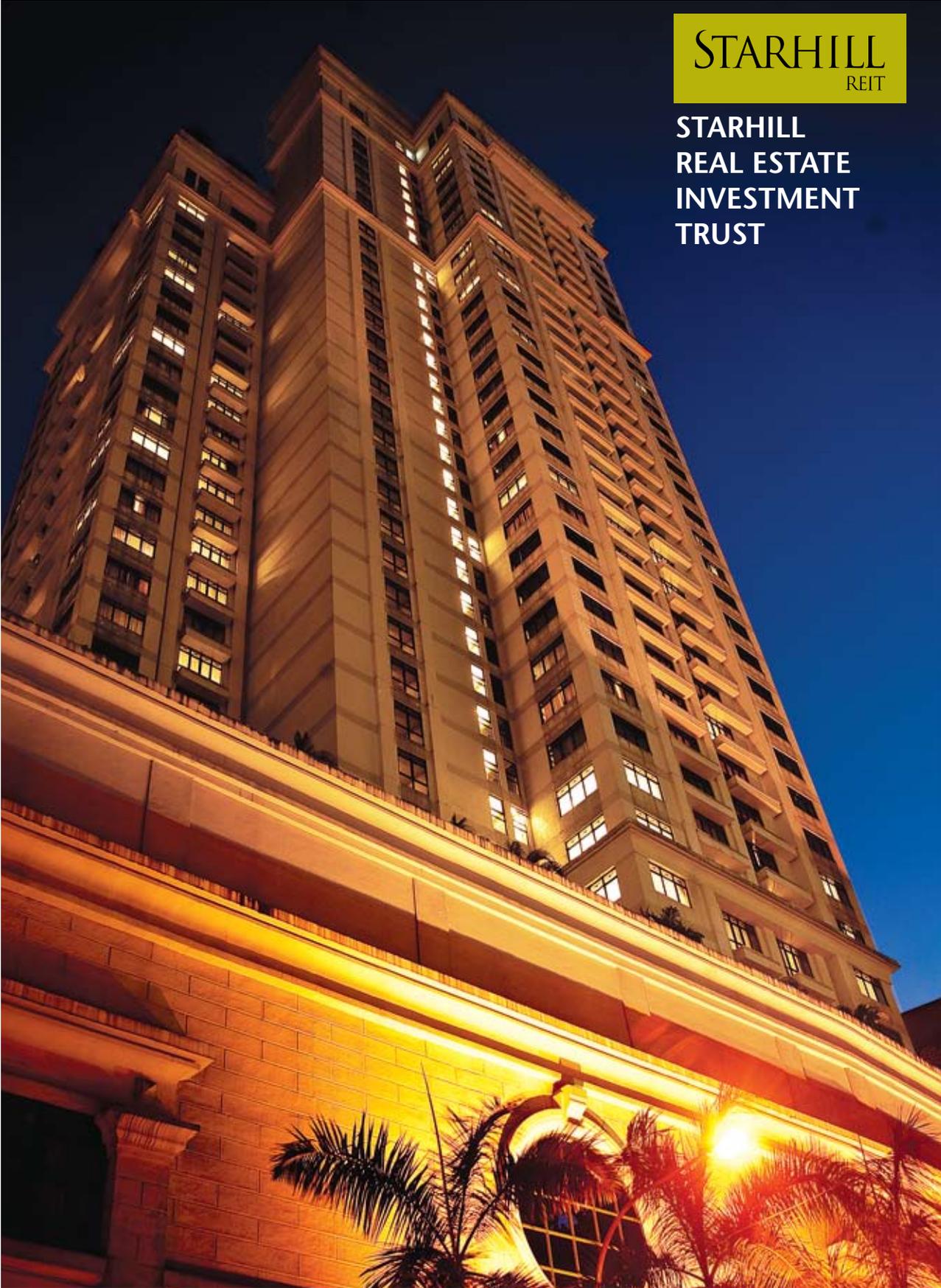
STARHILL
REIT

STARHILL
REAL ESTATE
INVESTMENT
TRUST

the journey continues...



annual report 2011



STARHILL
REIT

**STARHILL
REAL ESTATE
INVESTMENT
TRUST**

annual report
2011

Table of Contents



CORPORATE REVIEW

- 2 Financial Highlights
- 3 Fund Performance
- 4 Property Portfolio
 - JW Marriott Hotel Kuala Lumpur
 - The Residences Properties
- 10 Chief Executive Officer's Statement
- 14 Corporate Information
- 15 Profile of the Board of Directors
- 17 Statement on Corporate Governance
- 21 Analysis of Unitholdings
- 22 Statement of Interests of Directors of the Manager

FINANCIAL STATEMENTS

- 24 Manager's Report
- 36 Statement by Manager
- 36 Statutory Declaration
- 37 Trustee's Report
- 38 Independent Auditors' Report
- 40 Statement of Comprehensive Income
- 42 Statement of Financial Position
- 44 Statement of Changes in Net Asset Value
- 45 Statement of Cash Flow
- 46 Notes to the Financial Statements

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|-------------------------------|-----------|---------------------|----------------------|-----------|-----------|
| Net revenue (RM'000) | 30,148 | 109,823 | 110,483 | 108,228 | 98,835 |
| Income before tax (RM'000) | 59,923 | 31,077 [^] | 355,847 [#] | 81,268 | 72,690 |
| Income after tax (RM'000) | 58,239 | 31,077 [^] | 355,847 [#] | 81,268 | 72,690 |
| Total assets (RM'000) | 1,586,102 | 1,618,702 | 1,656,676 | 1,381,961 | 1,363,342 |
| Net asset value (RM'000) | 1,356,659 | 1,374,877 | 1,420,257 | 1,145,896 | 1,145,902 |
| Units in circulation ('000) | 1,178,889 | 1,178,889 | 1,178,889 | 1,178,889 | 1,178,889 |
| Net asset value per Unit (RM) | 1.151 | 1.166 | 1.205 | 0.972 | 0.972 |
| Earnings per Unit (sen) | 4.94 | 2.64 [^] | 30.18 [#] | 6.89 | 6.87 |
| Distribution per Unit (sen) | 6.4855 | 6.4855 | 6.9121 | 6.8936 | 6.7019 |

[#] Includes the fair value adjustment on investment properties of RM274.36 million that arose from the revaluation of the Lot 10 Parcels, Starhill Gallery, JW Marriott Hotel Kuala Lumpur and The Residences Properties during the financial year ended 30 June 2009.

[^] Includes the loss on disposal of the Lot 10 Parcels and Starhill Gallery of RM39.65 million mainly due to the decrease in fair value adjustment of RM24.66 million.

(I) PORTFOLIO COMPOSITION OF THE TRUST

| At 30 June | 2011 | 2010 | 2009 | 2008 | 2007 |
|--|------|------|------|------|------|
| | % | % | % | % | % |
| Real Estate | | | | | |
| – Lot 10 Parcels | – | – | 26 | 27 | 27 |
| – Starhill Gallery | – | – | 43 | 37 | 37 |
| – JW Marriott Hotel Kuala Lumpur | 39 | 39 | 22 | 26 | 26 |
| – The Residences Properties | 16 | 16 | 9 | 10 | 10 |
| | 55 | 55 | 100 | 100 | 100 |
| Non-real estate-related assets | | | | | |
| – Convertible Preference Units in Starhill Global REIT | 45 | 45 | – | – | – |
| | 100 | 100 | 100 | 100 | 100 |

(II) NET ASSET VALUE & UNIT INFORMATION

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|--|-----------|-----------|-----------|-----------|-----------|
| Total assets (RM'000) | 1,586,102 | 1,618,702 | 1,656,676 | 1,381,961 | 1,363,342 |
| Total net asset value ("NAV") (RM'000) | 1,356,659 | 1,374,877 | 1,420,257 | 1,145,896 | 1,145,902 |
| Units in circulation ('000) | 1,178,889 | 1,178,889 | 1,178,889 | 1,178,889 | 1,178,889 |
| NAV per Unit (RM) | | | | | |
| – as at 30 June (before income distribution) | 1.216 | 1.231 | 1.274 | 1.041 | 1.034 |
| – as at 30 June (after income distribution) | 1.151 | 1.166 | 1.205 | 0.972 | 0.972 |
| – Highest NAV during the year | 1.166 | 1.205 | 1.205 | 0.972 | 0.984 |
| – Lowest NAV during the year | 1.151 | 1.166 | 0.972 | 0.972 | 0.972 |
| Market value per Unit (RM) | | | | | |
| – as at 30 June | 0.89 | 0.86 | 0.83 | 0.85 | 1.07 |
| – Weighted average price for the year | 0.87 | 0.86 | 0.80 | 0.93 | 0.94 |
| – Highest traded price for the year | 0.89 | 0.92 | 0.89 | 1.14 | 1.10 |
| – Lowest traded price for the year | 0.85 | 0.83 | 0.70 | 0.84 | 0.82 |

(III) PERFORMANCE DETAILS OF THE TRUST

| | 2011 | 2010 | 2009 | 2008 | 2007 |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Distribution per unit (sen) | | | | | |
| – First interim | 3.2865 | 3.2865 | 3.4554 | 3.4025 | 3.3650 |
| – Second interim | – | – | – | – | 1.1840 |
| – Final | 3.1990 | 3.1990 | 3.4567 | 3.4911 | 2.1529 |
| | 6.4855 | 6.4855 | 6.9121 | 6.8936 | 6.7019 |
| Distribution date | | | | | |
| – First interim | 25 February | 25 February | 26 February | 29 February | 27 February |
| – Second interim | – | – | – | – | 24 April |
| – Final | 25 August | 24 August | 24 August | 28 August | 24 August |
| Distribution yield (%) ⁽¹⁾ | 7.45 | 7.54 | 8.64 | 7.41 | 7.13 |
| Management expense ratio (%) | 0.26 | 0.70 | 0.31 | 0.34 | 0.33 |
| Portfolio turnover ratio (times) | – | 0.38 | – | – | 0.06 |
| Total return (%) ⁽²⁾ | 8.61 | 15.04 | (5.34) | 6.35 | 3.05 |
| Average total return ⁽³⁾ | | | | | |
| – One year | 8.61 | | | | |
| – Three years | 6.10 | | | | |
| – Five years | 5.54 | | | | |

Notes :

¹ Distribution yield is computed based on weighted average market price of the respective financial year.

² Total return is computed based on the distribution yield per unit and the change in the weighted average market price of the respective financial year.

³ Average total return is computed based on total return per unit averaged over number of years.

Past performance is not necessarily indicative of future performance and unit prices and investment returns may fluctuate.

Overview



ABOUT STARHILL REIT

Starhill Real Estate Investment Trust ("Starhill REIT") has a market capitalisation of approximately RM1,026 million (as at 30 June 2011) and comprises two prime properties situated in the heart of Kuala Lumpur's Golden Triangle, namely, the JW Marriott Hotel Kuala Lumpur 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").

Starhill REIT was established by a trust deed entered into on 18 November 2005 (as amended) (collectively referred to as "Deed") between Pintar Projek Sdn Bhd and Mayban Trustees Berhad, as manager and trustee, respectively, of Starhill REIT.

The composition of Starhill REIT's investment portfolio as at 30 June 2011 is as follows:-

| | RM '000 | % |
|--|----------------|------------|
| Real Estate – Commercial: | | |
| JW Marriott Hotel Kuala Lumpur | 349,700 | 39 |
| The Residences Properties | 145,000 | 16 |
| Non-Real Estate-Related Assets: | | |
| Convertible Preference Units of Starhill Global Real Estate Investment Trust | 405,000 | 45 |
| | 899,700 | 100 |

Listed on 16 December 2005 on the Main Market 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.
- **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 tourist destination.

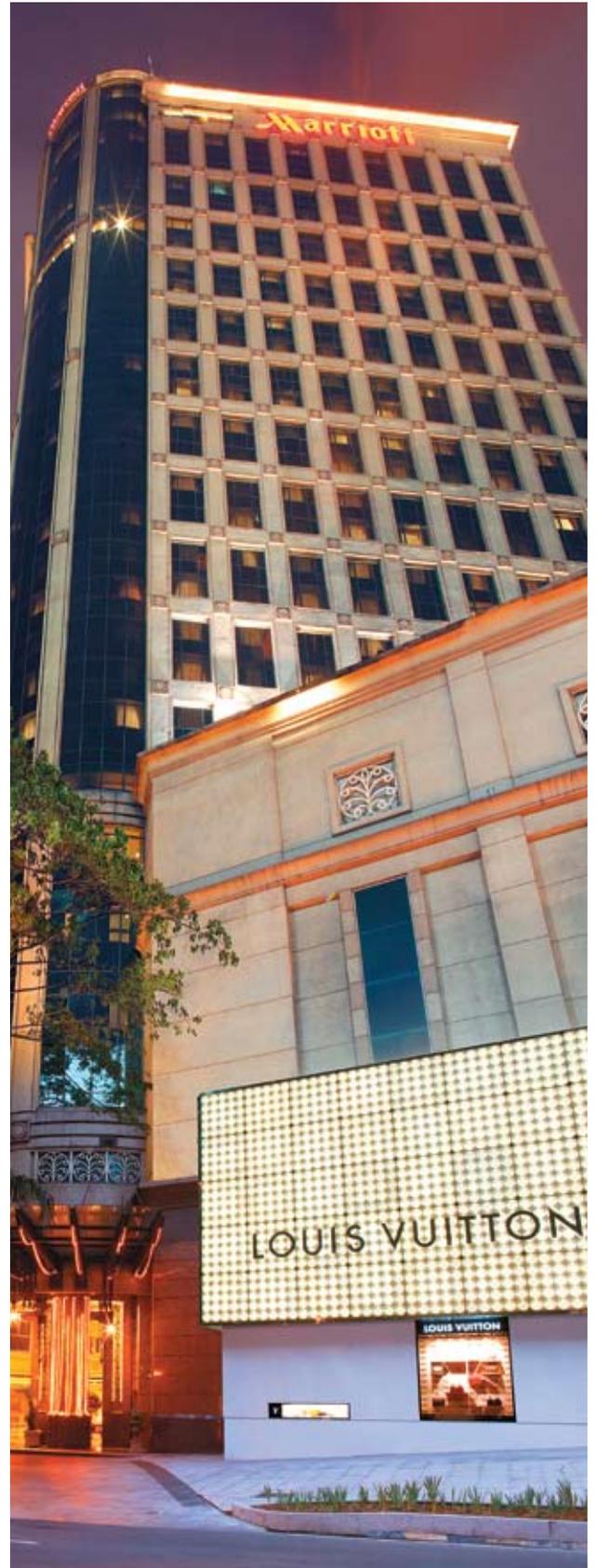


JW Marriott Hotel Kuala Lumpur

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.

| | |
|--------------------|--|
| 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 together with car park bays located partially at basement 1 & 4 and the entire basement 2, 3, and 5 of JW Marriott Hotel Kuala Lumpur |
| Address | 183, Jalan Bukit Bintang, 55100, Kuala Lumpur, Malaysia |
| Property type | Hotel |
| Title | Freehold |
| Age of building | Approximately 14 years |
| Approved valuation | RM349,700,000 |
| 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 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 6 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 Feast Village, situated at the adjoining Starhill Gallery, a luxury shopping centre.



TAN SRI DATO' (DR) FRANCIS YEOH SOCK PING
PSM, CBE, FICE, SIMP, DPMS, DPMP, JMN, JP

“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 financial year ended 30 June 2011.”

OVERVIEW

During the financial year under review, Starhill REIT continued to move forward on the rationalisation of its property portfolio that the Trust embarked on last year. The rebranding exercise is designed to transform Starhill REIT into a pure-play hospitality REIT for prime, yield-accretive hotel and hospitality-related assets.

Completed on 28 June 2010, the first stage of this exercise involved the sale of Starhill REIT's two retail properties, Starhill Gallery and the Trust's parcels in Lot 10 Shopping Centre, to Starhill Global Real Estate Investment Trust (“SG REIT”) in Singapore, via a securitisation exercise undertaken by Ara Bintang Berhad, a special purpose vehicle. The total sale consideration for the two properties amounted to RM1.03 billion, comprising RM625 million in cash and the equivalent of RM405 million in convertible preference units (“CPUs”) issued by SG REIT.

With the first stage of the rationalisation exercise having been completed, the Trust continued to work towards the acquisition of new hotel assets. In December 2010, Starhill REIT announced the proposed acquisition of nine new assets ranging from business hotels in the Vistana chain to luxury assets such as The Ritz-Carlton, Kuala Lumpur, Pangkor Laut, Tanjong Jara and Cameron Highlands resorts and the Hilton Niseko in Hokkaido, Japan. These proposed acquisitions are subject to approvals from unitholders and the relevant regulatory and state authorities, which are currently pending.

Starhill REIT currently owns two prime properties in the heart of Kuala Lumpur's Golden Triangle, located in the renowned Bintang Walk area, namely the JW Marriott Hotel Kuala Lumpur 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") (collectively, the "Properties"). The REIT's long-term leases for the rental of the JW Marriott Hotel Kuala Lumpur and The Residences provide the Manager with a valuable degree of income certainty and an important avenue to manage its earnings in light of volatility in the tourism and hospitality sector.

FINANCIAL PERFORMANCE

Starhill REIT recorded revenue of RM30.148 million for the financial year ended 30 June 2011 compared to RM109.823 million for the previous financial year ended 30 June 2010, whilst income before tax increased to RM59.923 million this year over RM31.077 million last year. The decrease in net revenue was due to the disposal of Starhill Gallery and the Trust's parcels in Lot 10 Shopping Centre on 28 June 2010, as reported last year.

At the operating level, income before tax amounted to RM59.923 million, a decrease of RM16.535 million as compared to RM76.458 million recorded in the preceding financial year. As a result of the derecognition, revenue and property operating expenses decreased by approximately RM79.675 million and RM20.934 million following the disposal of Starhill Gallery and the Trust's parcels in Lot 10 Shopping Centre. Meanwhile, interest income increased by RM41.475 million primarily due to the coupon payments received on the CPUs held and higher interest rates on fixed deposit placements.

Distribution to Unitholders

On 12 July 2011, the Board of Directors of Pintar Projek declared a Final Distribution of 3.1990 sen per unit in respect of the six months from 1 January 2011 to 30 June 2011, representing approximately 100% of Starhill REIT's net income for the period. The distribution will be paid on 25 August 2011.



The Final Distribution, coupled with the interim distribution of 3.2865 sen per unit paid on 25 February 2011 in respect of the six months ended 31 December 2010, represents a total distribution per unit ("DPU") of 6.4855 sen per unit for the 2011 financial year, which is the same as the total DPU for the previous financial year ended 30 June 2010.

This translates into a yield of 7.45%, based on Starhill REIT's volume weighted average unit price of RM0.87 per unit for the year ended 30 June 2011.

CORPORATE DEVELOPMENTS

On 14 December 2010, the Trust announced that Mayban Trustees Berhad, the trustee of Starhill REIT, had entered into several agreements for the proposed acquisition of nine hotel properties for a total indicative purchase consideration of RM1.054 billion to be satisfied via a combination of cash, new units in Starhill REIT and SG REIT CPUs currently held by the Trust. The Trust is in the process of obtaining the necessary approvals for these proposed acquisitions, including approvals from the Securities Commission, Bursa Malaysia Securities Berhad and the unitholders of Starhill REIT at a general meeting to be convened.



The proposed acquisition involves the following hotel properties:-

Cameron Highlands Resort

Cameron Highlands Resort is situated on the largest hill retreat in Malaysia. The boutique resort is designed to embody the splendour, charisma and nostalgia of Cameron Highlands' grand colonial heritage and features 56 rooms and suites. The resort fronts an 18-hole golf course and houses the third wellness centre of the award-winning Spa Village group, which offers exotic treatments focusing on the healing and restorative properties of tea.

Hilton Niseko

Hilton Niseko is one of Asia's most well-rounded summer and winter resort destinations primarily targeting high income individual travellers and groups from Japan and overseas. Niseko Village is a prime winter and summer destination in Hokkaido, set at the foot of the Niseko Annapuri Mountain with scenic views of Mountain Yotei, a landmark dormant volcano. Hilton Niseko is part of the Niseko Village, comprising Hilton Niseko, two 18-hole golf courses, and 155 hectares of ski mountain, natural hot springs and ample leisure amenities.

Vistana Penang

Vistana Penang is a 4-star hotel located along the southern part of Jalan Bukit Gambier, within Bukit Jambul, and is approximately 12 kilometres to the south-west of Georgetown City Centre and within 4-5 kilometres of Penang International Airport and the Penang Bridge Interchange.

Vistana Kuala Lumpur

The Vistana Kuala Lumpur is a 364-room hotel strategically located within the hub of Malaysia's capital city and situated near key public transportation services. The hotel grants easy access to the city's major business centres such as Putra World Trade Centre and Kuala Lumpur city centre. The hotel is designed to cater to business travellers, both local and international.

Vistana Kuantan

Vistana Kuantan is a 215-room hotel located in Kuantan's town centre. The hotel offers business travellers easy access to major shopping centres such as the Mega Mall, and key roads leading to the famous Teluk Chempedak beach and manufacturing and industrial areas in Gebeng as well as Kuantan port.

Remainder of The Residences at The Ritz-Carlton, Kuala Lumpur

Comprising the remaining 50 units of serviced apartments, 4 penthouses and a basement car park level not already owned by the Trust, this property is located within Kuala Lumpur's prestigious Golden Triangle district and conveniently linked to Starhill Gallery, an upmarket Bukit Bintang shopping mall and entertainment area, via a link bridge.

The Ritz-Carlton, Kuala Lumpur

Located within Kuala Lumpur's prestigious Golden Triangle district, The Ritz-Carlton, Kuala Lumpur offers easy access to the trendy, upscale business and entertainment hub of Bukit Bintang and features 251 guest rooms including 2 suites, meeting rooms and restaurants.

Pangkor Laut Resort

The resort is located at Pangkor Laut, a privately owned island located 1.6 kilometres off the West Coast of Peninsular Malaysia along the Straits of Malacca. The resort also houses the award winning Spa Village which includes eight treatment pavilions, a deluxe Belian treatment pavilion, three 'healing huts', which include Chinese herbal, ayurvedic and Malay huts, two bath houses, three spa huts, three Nap Gazebos and a spa boutique.



Tanjong Jara Resort

Tanjong Jara Resort is situated on the east coast of Peninsular Malaysia, between Kuala Terengganu in the north and Kuantan in the south. The 99-room resort is built on a 16.75-hectare site facing the South China Sea and is designed to reflect the elegance and grandeur of 17th century Malay palace.

On 23 June 2011, the Manager announced that Tanjong Jara Beach Hotel Sdn Bhd, the vendor of the resort had via its letter dated 21 June 2011, informed the Trust that a fire at the resort on 15 June 2011 had damaged one block of the buildings comprising 12 rooms/villas. The parties are currently evaluating these developments and the appropriate course of action will be announced in due course.

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. 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

Starhill REIT's ongoing repositioning as a hospitality REIT will generate new opportunities for the development of the Trust's property portfolio and scope of investments, and will further enhance and diversify Starhill REIT's asset base within the high-end, luxury hospitality segment in Malaysia and in key international destinations.

As the Manager embarks on another year and remains focused on developing and improving the Trust's assets and earnings growth, the Board of Directors of Pintar Projek would like to thank Starhill REIT's investors, customers, 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

8 August 2011

MANAGER

Pintar Projek Sdn Bhd

**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
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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 DEng (Kingston), BSc (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
BSc (Hons) Bldg, MCIQB, FFB

Yeoh Keong Shyan

LLB (Hons)

Independent Non-Executive Directors

Dato' (Dr) Yahya Bin Ismail

DPMJ, DPCM, DPMP, KMN, PPT
Bachelor of Veterinary Science

Eu Peng Meng @ Leslie Eu

BCom, FCILT

MANAGEMENT TEAM

Datin Kathleen Chew Wai Lin
Legal Advisor

Ho Say Keng
Accountant/Company Secretary

Eoon Whai San
General Manager

**COMPANY SECRETARY OF THE
MANAGER**

Ho Say Keng

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Azmi & Co Building Services Sdn Bhd

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Mayban Trustees Berhad

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55 Jalan Bukit Bintang
55100 Kuala Lumpur
Tel • 603 2117 0088
603 2142 6633
Fax • 603 2141 2703

AUDITORS

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

PRINCIPAL FINANCIERS

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

STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad
Main Market (16.12.2005)

TAN SRI DATO' (DR) FRANCIS YEOH SOCK PING

Malaysian, aged 56, 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 Market of Bursa Malaysia Securities Berhad. Tan Sri Francis is also the Executive Chairman of YTL e-Solutions Berhad, which is listed on the ACE Market of Bursa Malaysia Securities Berhad, and YTL Starhill Global REIT Management Limited, which is the manager for Starhill Global REIT, a vehicle listed on the Main Board of the Singapore Exchange Securities Trading Limited (SGX-ST). 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. He was named one of Asia's Top Executives in 2008 by Asiamoney.

He is the Primus Inter Pares Honouree of the 2010 Oslo Business for Peace Award, for his advocate of socially responsible business ethics and practices. The Award was conferred by a panel of Nobel Laureates in Oslo, home of the Nobel Peace Prize. He also received the Corporate Social Responsibility Award at CNBC's 9th Asia Business Leaders Awards 2010.

DATO' HJ MOHAMED ZAINAL ABIDIN BIN HJ ABDUL KADIR

Malaysian, aged 71, 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 Pelanchongan Pangkor Laut Sendirian Berhad.

DATO' YEOH SEOK KIAN

Malaysian, aged 53, 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 Market 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 and private utilities company, Wessex Water Limited, as well as YTL Starhill Global REIT Management Limited, which is the manager for Starhill Global REIT, a vehicle listed on the Main Board of the Singapore Exchange Securities Trading Limited (SGX-ST).

DATO' (DR) YAHYA BIN ISMAIL

Malaysian, aged 83, has been an Independent, Non-Executive Director of Pintar Projek Sdn Bhd since 18 May 2005. 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 since 1986. Dato' Yahya is a Director of YTL Corporation Berhad and YTL Power International Berhad, both listed on the Main Market of Bursa Malaysia Securities Berhad. He also sits on the Board of Metroplex Berhad since 1993.

EU PENG MENG @ LESLIE EU

Malaysian, aged 76, 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 and Lloyd's Register of Shipping (Malaysia) Bhd from 1983 to 2009. 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 Market of Bursa Malaysia Securities Berhad.

YEOH KEONG SHYAN

Malaysian, aged 25, has been an Executive Director of Pintar Projek Sdn Bhd since 18 January 2011. He graduated from the University of Nottingham with an LLB (Hons) and was subsequently called to the Bar at Gray's Inn, London in 2008. He has obtained the Capital Markets and Financial Advisory Services (CMFAS) Certification in 2010. He joined YTL Group in 2009 and is presently responsible for the YTL Hotels and Resorts Division. He is also a board member of several private limited companies.

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 |
| Yeoh Keong Shyan (Appointed on 18.01.2011) | 1 |

Notes:**Family Relationship with any Director and/or Major Unitholder**

Tan Sri Dato' (Dr) Francis Yeoh Sock Ping and Dato' Yeoh Seok Kian are siblings. 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. Mr Yeoh Keong Shyan is a son of Tan Sri Dato' (Dr) Francis Yeoh Sock Ping. Save as disclosed herein, none of the Directors of the Manager has any family relationship with any other directors and/or major unitholders of Starhill REIT.

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.

Conviction for Offences

None of the Directors of the Manager has been convicted for any offences other than traffic offences within the past ten (10) years.

Starhill Real Estate Investment Trust (“Starhill REIT” or “Trust”) was established on 18 November 2005 pursuant to a trust deed (as amended) (“Deed”) entered into between Pintar Projek Sdn Bhd (“PPSB” or “Manager”) and Mayban Trustees Berhad (“Trustee”). Starhill REIT has been listed on the Main Market 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 its overall management of the Trust. In developing its system of corporate governance, the Directors have been guided by the measures set out in the Guidelines on Real Estate Investment Trusts (“REIT Guidelines”) issued by the Securities Commission (“SC”), the Main Market Listing Requirements of Bursa Securities (“Listing Requirements”) and the Malaysian Code on Corporate Governance (“Code”).

THE ROLE OF THE MANAGER

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

The Manager is required to ensure that the business and operations of Starhill REIT are carried out 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 Starhill REIT (including all assets and liabilities of the Trust) for the benefit of its 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 quarterly reports of Starhill REIT to Unitholders within 2 months of Starhill REIT’s financial year end and the end of the periods covered, respectively; and

- (f) to ensure that Starhill REIT is managed within the ambit of the Deed, the Capital Markets and Services Act 2007 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 the Trust 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 the Trust 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.

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, such 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 oversight and 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 Code as well as the roles and duties set out in the REIT Guidelines, all of which facilitate the discharge of the Directors' stewardship responsibilities.

The Board currently has six Directors comprising four 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 and objective 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 2011.

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 strategic 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 Code to determine the remuneration for Directors so as to attract and retain Directors of the calibre needed to successfully carry out the Manager's operations.

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

DIRECTORS' TRAINING

The Directors are fully cognisant of the importance and value of attending seminars, training programmes and conferences in order to update themselves on developments and changes in the REIT industry, as well as wider economic, financial and governance issues to enhance their skills, knowledge and expertise in their respective fields. All Directors have attended and completed the Mandatory Accreditation Programme prescribed by Bursa Securities, and the Board will continue to evaluate and determine the training needs of its Directors on an ongoing basis.

Throughout the financial year under review, the Directors attended various conferences, programmes and speaking engagements covering areas that included corporate governance, leadership, updates on the REIT industry and global business developments which they collectively or individually considered useful in discharging their stewardship responsibilities.

INTERNAL AUDIT

The Manager's internal audit function is undertaken by the Internal Audit department of its parent company, YTL Corporation Berhad ("YTLIA"). YTLIA reports directly to the Audit Committee of YTL Corporation Berhad and to the Board on matters pertaining to the Manager and the Trust.

The activities of the internal audit function during the year under review included:-

- Developing the annual internal audit plan and proposing this plan to the Board;
- Conducting scheduled internal audit engagements, focusing primarily on the effectiveness of internal controls and recommending improvements where necessary;
- Conducting follow-up reviews to assess if appropriate action has been taken to address issues highlighted in audit reports; and
- Presenting audit findings to the Board for consideration.

None of the weaknesses or issues identified during the review for the financial year has resulted in non-compliance with any relevant policies or procedures, listing requirements or recommended industry practices that would require disclosure in the Company's Annual Report.

The Manager's system of internal control will continue to be reviewed, enhanced and updated in line with changes in the operating environment. The Board will seek regular assurance on the continuity and effectiveness of the internal control system through independent appraisals by YTLIA. The Board is of the view that the current system of internal control in place is effective to safeguard the interests of Starhill REIT.

FINANCIAL REPORTING

The Directors are responsible for ensuring that financial statements of the Trust are drawn up in accordance with the Financial Reporting Standards, the REIT Guidelines and the Deed. 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 report, the Trust's various disclosures and announcements to Bursa Securities, including quarterly and annual results, and the corporate website, 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 12 July 2011.

| Size of holding | No. of Unitholders | % | No. of Units | % |
|---|--------------------|---------------|----------------------|---------------|
| 1 – 99 | 152 | 2.12 | 2,482 | 0.00 |
| 100 – 1,000 | 1,549 | 21.57 | 1,382,058 | 0.12 |
| 1,001 – 10,000 | 3,318 | 46.20 | 18,115,060 | 1.54 |
| 10,001 – 100,000 | 1,831 | 25.49 | 64,974,000 | 5.51 |
| 100,001 – to less than 5% of issued units | 330 | 4.59 | 350,018,800 | 29.69 |
| 5% and above of issued units | 2 | 0.03 | 744,396,489 | 63.14 |
| Total | 7,182 | 100.00 | 1,178,888,889 | 100.00 |

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 | 74,115,600 | 6.29 |
| 3 | Valuecap Sdn Bhd | 37,827,100 | 3.21 |
| 4 | Citigroup Nominees (Tempatan) Sdn Bhd – Employees Provident Fund Board | 37,731,000 | 3.20 |
| 5 | DB (Malaysia) Nominee (Asing) Sdn Bhd – Exempt An for Deutsche Bank AG Singapore (PWM Asing) | 27,991,000 | 2.37 |
| 6 | Citigroup Nominees (Tempatan) Sdn Bhd – ING Insurance Berhad (INV-IL PAR) | 22,820,500 | 1.94 |
| 7 | YTL Power International Berhad | 20,496,900 | 1.74 |
| 8 | Cartaban Nominees (Asing) Sdn Bhd – RBC Dexia Investor Services Bank for Robeco Emerging Marketsecurities (EUR-RCGF) | 19,900,000 | 1.69 |
| 9 | Citigroup Nominees (Tempatan) Sdn Bhd – Exempt An for American International Assurance Berhad | 16,400,000 | 1.39 |
| 10 | HSBC Nominees (Asing) Sdn Bhd – Exempt An for JPMorgan Chase Bank, National Association (Kuwait) | 15,000,000 | 1.27 |
| 11 | YTL Power International Berhad | 14,628,000 | 1.24 |
| 12 | YTL Power International Berhad | 7,964,600 | 0.68 |
| 13 | Amanah Raya Berhad – Kumpulan Wang Bersama | 5,041,700 | 0.43 |
| 14 | Kurnia Insurans (Malaysia) Berhad | 4,000,000 | 0.34 |
| 15 | Citigroup Nominees (Asing) Sdn Bhd – UBS AG for NPJ Global Opportunities Master Fund (Pledged) | 3,890,800 | 0.33 |
| 16 | Kurnia Insurans (Malaysia) Berhad | 3,500,000 | 0.30 |
| 17 | Hong Leong Assurance Berhad – As Beneficial Owner (Life Par) | 3,100,000 | 0.26 |
| 18 | Kurnia Insurans (Malaysia) Berhad | 3,000,000 | 0.25 |
| 19 | Kenanga Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Chin Kiam Hsung | 2,963,500 | 0.25 |

| | Name | No. of Units | % |
|----|---|----------------------|--------------|
| 20 | YTL Corporation Berhad | 2,687,700 | 0.23 |
| 21 | Law Chin Wat | 2,620,000 | 0.22 |
| 22 | Chin Kian Fong | 2,479,600 | 0.21 |
| 23 | Chow Yook Hey @ Chow Yoke Pui | 2,410,000 | 0.20 |
| 24 | Hong Leong Assurance Berhad – As Beneficial Owner (Life Non Par) | 2,200,000 | 0.19 |
| 25 | Hong Leong Bank Berhad | 2,200,000 | 0.19 |
| 26 | HSBC Nominees (Tempatan) Sdn Bhd – HSBC (Malaysia) Trustee Berhad for Amanah Saham Sarawak | 2,000,000 | 0.17 |
| 27 | OSK Nominees (Tempatan) Sdn Berhad – Pledged Securities Account for Chin Kiam Hsung | 1,906,800 | 0.16 |
| 28 | Tokio Marine Life Insurance Malaysia Bhd – As Beneficial Owner (PF) | 1,813,400 | 0.15 |
| 29 | Hong Leong Assurance Berhad – As Beneficial Owner (S'holders NPar) | 1,800,000 | 0.15 |
| 30 | Hong Leong Assurance Berhad – As Beneficial Owner (Life Ann Par) | 1,500,000 | 0.13 |
| | Total | 1,014,269,089 | 86.04 |

SUBSTANTIAL UNITHOLDERS (as per Record of Depositors)

| Name | No. of Units Held | | | |
|------------------------|-------------------|-------|-------------|------|
| | Direct | % | Indirect | % |
| YTL Corporation Berhad | 747,084,189 | 63.37 | 43,089,500# | 3.66 |

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

Pintar Projek Sdn Bhd in Starhill Real Estate Investment Trust as at 30 June 2011

| Name | No. of Units Held | | | |
|--|-------------------|------|----------|---|
| | Direct | % | Indirect | % |
| Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE, FICE | 870,000 | 0.07 | – | – |
| Dato' Hj Mohamed Zainal Abidin Bin Hj Abdul Kadir | 70,000 | 0.01 | – | – |

| | |
|----|---|
| 24 | Manager's Report |
| 36 | Statement by Manager |
| 36 | Statutory Declaration |
| 37 | Trustee's Report |
| 38 | Independent Auditors' Report |
| 40 | Statement of Comprehensive Income |
| 42 | Statement of Financial Position |
| 44 | Statement of Changes in Net Asset Value |
| 45 | Statement of Cash Flow |
| 46 | Notes to the Financial Statements |

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 2011.

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 Market 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. Starhill REIT had undertaken a rationalisation exercise (“**Rationalisation**”) to reposition as a full-fledged hospitality REIT. The Rationalisation will enable Starhill REIT to focus on the acquisition of hotel properties both in Malaysia and internationally, subject to attractive valuations which will provide yield accretive returns to the Unitholders. At the end of the financial year ended 30 June 2011, the investment portfolio of Starhill REIT comprise JW Marriott Hotel Kuala Lumpur, and part of The Residences at The Ritz-Carlton, Kuala Lumpur (“**The Residences Properties**”) (JW Marriott Hotel Kuala Lumpur and The Residences Properties are collectively referred to as “**Properties**”).

BENCHMARK RELEVANT TO THE TRUST

Management Expense Ratio (“**MER**”)

| | 2011 | 2010 |
|----------------------------|-------------|-------------|
| | % | % |
| MER for the financial year | 0.26 | 0.70 |

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 daily 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.

DISTRIBUTION POLICY

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

COMPOSITION OF INVESTMENT PORTFOLIO

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

| | RM'000 | % |
|---|---------|-----|
| Real Estate – Commercial | | |
| • JW Marriott Hotel Kuala Lumpur | 349,700 | 39 |
| • The Residences Properties | 145,000 | 16 |
| | 494,700 | 55 |
| Non-Real Estate-Related Asset | | |
| • Convertible Preference Units (“CPUs”) of Starhill Global REIT | 405,000 | 45 |
| | 899,700 | 100 |

BREAKDOWN OF UNITHOLDINGS

The analysis of unitholdings of Starhill REIT as at the reporting date:-

| Unit class | No. of Unitholders | % | No. of Units held | % |
|---|-----------------------|--------|----------------------|--------|
| Less than 100 | 152 | 2.12 | 2,482 | 0.00 |
| 100 to 1,000 | 1,549 | 21.57 | 1,382,058 | 0.12 |
| 1,001 to 10,000 | 3,318 | 46.20 | 18,115,060 | 1.54 |
| 10,001 to 100,000 | 1,831 | 25.49 | 64,974,000 | 5.51 |
| 100,001 to less than 5% of issued units | 330 | 4.59 | 350,018,800 | 29.69 |
| 5% and above of issued units | 2 | 0.03 | 744,396,489 | 63.14 |
| | 7,182 | 100.00 | 1,178,888,889 | 100.00 |

INVESTMENT PORTFOLIO

The details of the Properties as at the reporting date are as follow:-

JW Marriott Hotel Kuala Lumpur

| | |
|--|---|
| Address / Location | 183, Jalan Bukit Bintang, 55100 Kuala Lumpur. |
| 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 together with car park bays located partially at basement 1 and 4 and the entire basement 2, 3 and 5 of JW Marriott Hotel Kuala Lumpur. |
| Property type | Hotel |
| Age | Approximately 14 years |
| Title details | Grant No. 28678 for Lot No. 1267 Section 67, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur. |
| 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. |
| Status of holdings | Freehold |
| Existing use | Commercial building |
| Parking spaces | 490 bays |
| Sole tenant | Star Hill Hotel Sdn. Bhd. |
| Car park operator | YTL Land Sdn. Bhd. |
| Tenancy period | The property is leased for a term expiring on 31 December 2023. |
| Date of acquisition | 16 December 2005 |
| Cost of acquisition | RM331,024,096 |
| Market value | RM349,700,000 |
| Date of last valuation | 1 March 2011 |
| Independent valuer | Raine & Horne International Zaki & Partners Sdn Bhd |
| Net book value | RM349,700,000 |

The Residences Properties

| | |
|--|--|
| Address / Location | Lot 1308, Jalan Yap Tai Chi, Seksyen 67 Off Jalan Imbi, 55100 Kuala Lumpur. |
| Description | 60 units of serviced apartments, 4 levels of commercial podium, 1 level of facilities deck and 2 levels of basement car park. |
| Property type | Serviced apartment |
| Age | Approximately 6 years |
| Title details | Geran 47693, Lot No. 1308 Seksyen 67, Bandar Kuala Lumpur, District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur. |
| 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. |
| Status of holdings | Freehold |
| Existing use | Commercial building |
| Parking spaces | 137 bays |
| Sole tenant | Star Hill Hotel Sdn. Bhd. |
| Tenancy period | The property is leased for a term expiring on 30 June 2031. |
| Date of acquisition | 16 May 2007 |
| Cost of acquisition | RM125,000,000 |
| Market value | RM145,000,000 |
| Date of last valuation | 12 June 2009 |
| Independent valuer | Raine & Horne International Zaki & Partners Sdn Bhd |
| Net book value | RM145,000,000 |

MATERIAL CONTRACTS

The details of the material contracts involving the Manager and the major unitholders' interests, still subsisting at the reporting date are as follow:-

| | |
|--|--|
| Name | Pintar Projek Sdn. Bhd. |
| Date of agreement | 18 November 2005 |
| General nature | Trust deed |
| Consideration passing from the Trust | As disclosed in Note 6 to the Financial Statements |
| Mode of satisfaction of the consideration | By cash |
| Relationship with the major unitholder | 70% owned subsidiary company |

MATERIAL CONTRACTS (continued)

| | |
|--|-------------------------------------|
| Name | Star Hill Hotel Sdn. Bhd. |
| Date of agreement | 8 March 2005 and 18 October 2006 |
| Deed of novation | 16 December 2005 and 16 May 2007 |
| General nature | Agreement for lease |
| Consideration passing to the Trust | Total monthly rental of RM2,495,500 |
| Mode of satisfaction of the consideration | By cash |
| Relationship with the major unitholder | A wholly-owned subsidiary company |

| | |
|--|-----------------------------------|
| Name | YTL Land Sdn. Bhd. |
| Date of agreement | 28 June 2010 |
| General nature | Car park agreement |
| Consideration passing to the Trust | Monthly fee of RM133,034 |
| Mode of satisfaction of the consideration | By cash |
| Relationship with the major unitholder | A wholly-owned subsidiary company |

PERFORMANCE OF THE TRUST

| | 2011 | 2010 |
|-------------------|---------------|---------------|
| | RM'000 | RM'000 |
| Net revenue | 30,148 | 109,823 |
| Income before tax | 59,923 | 31,077 |
| Income after tax | 58,239 | 31,077 |

For the financial year ended 30 June 2011, the Trust recorded RM30.148 million and RM59.923 million of revenue and income before tax respectively, representing a decrease of 72.55% and an increase of 92.82% compared to RM109.823 million and RM31.077 million of revenue and income before tax respectively recorded in the previous financial year ended 30 June 2010.

The decrease in net revenue was due to the Rationalisation undertaken by the Trust to reposition the Trust as a full-fledged hospitality REIT. In connection with the Rationalisation, the Trust disposed of the Lot 10 Parcels and Starhill Gallery on 28 June 2010.

PERFORMANCE OF THE TRUST (continued)

At the operating level, income before tax amounted to RM59.923 million, a decrease of RM16.535 million as compared to RM76.458 million recorded in the preceding financial year. As a result of the derecognition, revenue and property operating expenses decreased by approximately RM79.675 million and RM20.934 million following the disposal of the Lot 10 Parcels and Starhill Gallery. Interest income increased by RM41.475 million primarily due to the coupon payments received on the CPUs held and higher interest rates on fixed deposit placements.

DISTRIBUTION OF INCOME

The Trust has decided to maintain a distribution per unit for the financial year ended 30 June 2011 of 6.4855 sen per unit, utilising part of its existing realised and undistributed income from the disposal of Lot 10 Parcels and Starhill Gallery in the preceding financial year.

An interim distribution of income (which is tax exempt at Starhill REIT level under Section 61A of the Income Tax Act 1967) of 3.2865 sen per unit (of which 0.1864 sen is taxable and 3.1001 sen is non-taxable in the hands of unitholders) amounted to RM38,744,183 was paid on 25 February 2011.

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 3.1990 sen per unit (of which 0.1902 sen is taxable and 3.0088 sen is non-taxable in the hands of unitholders), totaling RM37,712,656.

Total distribution paid and declared for the financial year ended 30 June 2011 is 6.4855 sen per unit, totaling RM76,456,839, which translates to a yield of 7.45% based on the twelve months weighted average market price of RM0.87 per unit as at 30 June 2011.

The total income distribution of RM76,456,839 for the financial year ended 30 June 2011 is from the following sources:-

| | Interim Distribution RM | Final Distribution RM | Total Distribution RM |
|--|--|--------------------------------------|--------------------------------------|
| Approximately 100% realised and distributable income for the financial year ended 30 June 2011 | 28,962,132 | 29,360,417 | 58,322,549 |
| Partial realised and undistributed income from the disposal of investment properties | 9,782,051 | 8,352,239 | 18,134,290 |
| Total | 38,744,183 | 37,712,656 | 76,456,839 |

The effect of the income distribution in terms of the net asset value per unit as at 30 June 2011 is as follows:-

Net asset value ("NAV")

| | Before distribution RM | After distribution RM |
|--------------|---------------------------------------|--------------------------------------|
| NAV per unit | 1.216 | 1.151 |

DISTRIBUTION OF INCOME (continued)

Analysis of net asset value since the last financial year ended 30 June 2010:-

| At 30 June | 2011 | 2010 |
|--------------------------------|-------------|-------------|
| Total net asset value (RM'000) | 1,356,659 | 1,374,877 |
| Net asset value per unit (RM) | 1.151 | 1.166 |

The decrease in total net asset value was attributed to the distribution of income from realised and undistributed income from the disposal of the Lot 10 Parcels and Starhill Gallery.

Analysis of changes in prices since the last financial year ended 30 June 2010:-

The Trust's units traded at RM0.86 per unit at the beginning of the financial year and ended the year marginally higher at RM0.89 per unit, with a volume weighted average price for the financial year of RM0.87 per unit. During the financial year under review, the Trust's unit price reached a high of RM0.89 per unit and a low of RM0.85 per unit, and traded largely in line with the FTSE Bursa Malaysia.

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 reposition Starhill REIT as a full-fledged hospitality REIT. This will provide a platform to enable Starhill REIT to focus on a single, dedicated class of assets.

Under the Rationalisation, the Trust will focus on the acquisition of hotel properties located both in Malaysia and internationally, subject to attractive valuations which will provide yield accretive returns to the Unitholders.

The Trust will be able to leverage on focused co-branding and cross marketing strategies to enhance the performance of its hospitality assets. In carrying out this operating strategy, the Manager will continue to apply the following key operating and management practices:-

- (a) integrated conference facilities to draw international business interest;
- (b) internationally acclaimed food and beverage outlets;
- (c) luxury, award-winning SPA Village concept; and
- (d) continuously maintaining the quality of the Properties.

INVESTMENT STRATEGIES (continued)

(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) opportunities; and
- (c) 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 cash flow; 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.

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.

REVIEW OF THE PROPERTY MARKET

During the financial year ended 30 June 2011, revenue received from the lease of JW Marriott Hotel Kuala Lumpur and The Residences Properties to Star Hill Hotel Sdn. Bhd. remained constant.

PROSPECTS OF THE MALAYSIAN PROPERTY MARKET

THE MALAYSIAN ECONOMY

Malaysia economy expanded strongly with Gross Domestic Product ("GDP") rebounded from negative 1.7% in 2009 to a growth of 7.2% in 2010. According to Malaysia Institute of Economic Research, the 4th Quarter 2010 Consumer Sentiments Index stood at 117.2 points compared to 3rd Quarter 115.8 points reflecting positive consumer sentiment.¹

The services sector remained as the key contributor to growth at 6.8% in 2010 compared to 2.6% in 2009 contributing 3.9% points to overall GDP growth.

Malaysia's inflation based on Consumer Price Index ("CPI") rose to 1.7% in 2010 compared to 0.6% in 2009.

HOTELS (LEISURE INDUSTRY)

Tourist arrivals increased to 24.6 million in 2010 compared to 23.6 million in 2009 and the tourist receipts also increased to 56.5 billion in 2010 from 53.4 billion in 2009.¹

The average per capita expenditure of tourists also grew from RM2,257 in 2009 to RM2,299 in 2010. On average, tourists stayed 6.8 nights in 2010 as compared to 6.7 nights in 2009.²

Though the average occupancy of 3 to 5 star hotels in Malaysia declined to 53.1% in 2010 from 55.6% in 2009, the occupancy of 3 to 5 star hotels in Kuala Lumpur registered the second highest occupancy rate with 69.2% in 2010 compared to 65.9% in 2009.¹

Kuala Lumpur dominated supply with 18.6% of the existing supply of hotel rooms in Malaysia with a total of 31,065 hotel rooms in 2010 compared to 30,431 hotel rooms in 2009, 24.2% of the incoming supply and 38.3% of the planned supply.

According to CB Richard Ellis, though the average room rates were lower in 2010 than in 2009, the net effect was positive, as revenue per average room was RM224 in 2010 compared with RM196 in 2009, an increase of 14%.³

OUTLOOK FOR 2011

Malaysia's GDP grew 4.6% in the 1st Quarter 2011 led by steady performance of the services and manufacturing sectors. The services sector expanded 5.9% while inflation, as measured by the annual change in the CPI, edged up to 2.8% in 1st Quarter 2011 in line with rising global food commodity and crude oil prices.

Headline inflation in April 2011 rose further by 3.2% mainly due to increases in the prices of food and non-alcoholic beverages by 4.9%. Amid rising global energy and commodity prices, the overnight policy rate was held at 2.75% as at end-March 2011 to remain supportive of growth. During the 1st Quarter 2011, the ringgit continued to strengthen against the US dollar in line with other regional currencies and recorded several new peaks against the greenback since the 1997/98 financial crisis. The ringgit touched a new high of RM2.9615 against the greenback on 28 April 2011. However, on 18 May, the ringgit retreated against the US dollar and other currencies in the range of 0.2% to 2.3% on investor concerns over slowing global growth and fluctuating commodity prices.⁴

The year 2011 would see all sectors of the economy regain strength supported by various measures undertaken by the government and the successful implementation of two Economic Stimulus Packages amounting to RM67 billion. With continued government efforts under Economic Transformation Programme with a total investment of RM182 billion, the Malaysian economy is expected to expand between 5% and 6% as the country anticipates the manufacturing sector to slow down and inflation to average between 2.5% to 3.5% according to Bank Negara 2010 Annual Report.

¹ Source: NAFIC Property Market Report 2010 by Valuation and Property Services Department, Ministry of Finance Malaysia.

² Source: NST, 23 February 2011

³ Source: The Star, 18 April 2011

⁴ Source: Ministry of Finance, Q1 Malaysia Economy Report

OUTLOOK FOR 2011 (continued)

The hotel industry in Malaysia is expected grow in line with the growth in Malaysia economy as well to benefit from measures proposed in the 2011 Budget. Tourism Ministry efforts will be intensified to attract more foreign tourists by offering innovative tourism packages and products through the provision of RM85 million to facilitate construction of hotels and resorts in remote areas with the potential to attract tourists as well as an allocation of RM100 million to develop an integrated eco-nature resort in Sabah.

In 2011, the Tourism Ministry is targeting 25 million arrivals and RM60 billion in tourism receipts.

Driven to enhance the revenue of the hotel properties and improve the yields and returns of the Trust, Starhill REIT will continuously develop and implement proactive asset management, marketing and operating strategies buoyed by positive economic growth.

Starhill REIT will also strive to actively build up a stable and yield accretive assets to add value through acquisitions and exploring capital growth opportunities in view of the favourable market outlook for the leisure property sub-sector in Malaysia or even other parts of the world.

MATERIAL LITIGATION

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

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.

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
Eu Peng Meng @ Leslie Eu
Yeoh Keong Shyan (appointed on 18 January 2011)

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 2011, 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 01.07.2010 | No. of units acquired | No. of units disposed | Balance at 30.06.2011 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| Direct interest | | | | |
| Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, CBE, FICE | 870,000 | – | – | 870,000 |
| Dato' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir | 20,000 | 50,000 | – | 70,000 |

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 6 to the Financial Statements.

RESERVES AND PROVISIONS

There were no material transfers to and from reserves or provisions during the financial year other than as disclosed in the financial statements.

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.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (continued)

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.

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.

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' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir

Dated : 12 July 2011
Kuala Lumpur

In the opinion of the Directors of PINTAR PROJEK SDN. BHD. (“**Manager**”), the accompanying financial statements are drawn up in accordance with Financial Reporting Standards, the Securities Commission’s Guidelines on Real Estate Investment Trusts, 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 2011 and of the results of operations and cash flows of STARHILL REAL ESTATE INVESTMENT TRUST for the financial year ended on that date.

In the opinion of the Directors of the Manager, the information set out in Note 33 to the Financial Statements have been compiled in accordance with the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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’ Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir

Dated : 12 July 2011
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 12 July 2011

Before me :

Tan Seok Kett
Commissioner for Oaths

We have acted as Trustee of STARHILL REAL ESTATE INVESTMENT TRUST ("the Fund") for the financial year ended 30 June 2011. In our opinion, PINTAR PROJEK SDN. BHD., the Manager, has managed the Fund in the financial 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, other applicable laws and the Securities Commission's Guidelines on Real Estate Investment Trusts ("SC REIT Guidelines") EXCEPT for Clause 8.08, 8.22(b), 8.22(c), 8.22(d) of the SC REIT Guideline where the Securities Commission had vide its letter dated 16 June 2011 granted extension of time to comply with;
- b) wherein the valuation of the Fund is carried out in accordance with the Deed and any regulatory requirements; and
- c) of which the income distributions declared and paid are in line with the investment objectives of the Fund.

For Mayban Trustees Berhad,

Jennifer Wong
Head, Operations

Dated : 12 July 2011
Kuala Lumpur

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of STARHILL REAL ESTATE INVESTMENT TRUST ("the Trust"), which comprise the Statement of Financial Position as at 30 June 2011 and the Statement of Comprehensive Income, Statement Of Changes In Net Asset Value and Statement of Cash Flow for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 40 to 70.

DIRECTORS OF PINTAR PROJEK SDN. BHD'S ("THE MANAGER") RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of the Manager of the Trust are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards, the Securities Commission's Guidelines on Real Estate Investment Trusts, the trust deed dated 18 November 2005 and the supplementary deed dated 19 April 2007 and for such internal controls as the Directors of the Manager determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 the entity's preparation of financial statements that give a true and fair view 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 entity'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 Financial Reporting Standards, the Securities Commission's Guidelines on Real Estate Investment Trusts, 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 financial position of the Trust as of 30 June 2011 and of its financial performance and cash flows for the financial year then ended.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 33 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors of the Manager are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants (“MIA Guidance”) and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the unitholders of the Trust and for no other purpose. We do not assume responsibility to any other person for the content of this report.

HLB LER LUM

(Firm Number : AF 0276)

Chartered Accountants

LER CHENG CHYE

871/3/13(J/PH)

Chartered Accountant

Dated : 12 July 2011

Kuala Lumpur

| | Note | 2011 RM'000 | 2010 RM'000 |
|--|------|----------------|----------------|
| Net revenue | 4 | 30,148 | 109,823 |
| Property operating expenses | 5 | (1,801) | (22,735) |
| Net property income | | 28,347 | 87,088 |
| Interest income | | | |
| – financial institution deposits | | 20,633 | 2,217 |
| – available-for-sale financial assets | | 23,059 | – |
| Total income | | 72,039 | 89,305 |
| Manager's fees | 6 | 2,167 | 8,576 |
| Trustee's fees | 7 | 479 | 496 |
| Borrowing costs | 8 | 8,601 | 8,650 |
| Auditors' remuneration | | 20 | 20 |
| Tax agent's fees | | 10 | 10 |
| Valuation fees | | – | 156 |
| Administration expenses | | 839 | 670 |
| Loss on disposal of investment properties | 11 | – | 39,650 |
| Total expenses | | 12,116 | 58,228 |
| Income before tax | | 59,923 | 31,077 |
| Income tax expense | 9 | (1,684) | – |
| Income after tax | | 58,239 | 31,077 |
| Income after tax is made up as follows:- | | | |
| Realised and distributable | | 58,323 | 76,458 |
| Realised and distributable (disposal gain) | | – | 190,303 |
| Realisation of fair value on disposal of investment properties | | – | (235,684) |
| Unrealised loss on fair value of trade receivables | | (84) | – |
| | | 58,239 | 31,077 |

The notes set out on pages 46 to 70 form an integral part of these financial statements.

| | Note | 2011 RM'000 | 2010 RM'000 |
|--|------|----------------|----------------|
| Earnings per unit | 10 | | |
| – after manager's fees (sen) | | 4.94 | 2.64 |
| – before manager's fees (sen) | | 5.12 | 3.36 |
| <hr/> | | | |
| Net income distribution | | | |
| – Interim income distribution of 3.2865 sen, paid on 25 February 2011 (2010: 3.2865 sen, paid on 25 February 2010) | | 38,744 | 38,744 |
| <hr/> | | | |
| – Final income distribution of 3.1990 sen (2010: 3.1990 sen, paid on 24 August 2010) | | 37,713 | 37,713 |
| <hr/> | | | |
| Income distribution per unit | | | |
| – Interim income distribution – Gross (sen) | | 3.2865 | 3.2865 |
| <hr/> | | | |
| – Final income distribution – Gross (sen) | | 3.1990 | 3.1990 |
| <hr/> | | | |

The notes set out on pages 46 to 70 form an integral part of these financial statements.

| | Note | 2011 RM'000 | 2010 RM'000 |
|--|------|------------------|------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Investment properties | 11 | 494,700 | 494,700 |
| Current assets | | | |
| Trade receivables | 12 | 1,477 | 6,682 |
| Other receivables & prepayments | 13 | 7,806 | 625,567 |
| Available-for-sale financial assets | 14 | 405,000 | 405,000 |
| Deposits with licensed financial institution | 15 | 676,460 | 84,155 |
| Cash at bank | | 659 | 2,598 |
| | | 1,091,402 | 1,124,002 |
| Total assets | | | |
| | | 1,586,102 | 1,618,702 |
| UNITHOLDERS' FUNDS AND LIABILITIES | | | |
| Unitholders' funds | | | |
| Unitholders' capital | 16 | 1,145,895 | 1,145,895 |
| Undistributed income | | 210,764 | 228,982 |
| Total unitholders' funds | | | |
| | | 1,356,659 | 1,374,877 |
| Non-current liabilities | | | |
| Borrowing | 17 | 180,000 | – |

The notes set out on pages 46 to 70 form an integral part of these financial statements.

| | Note | 2011 RM'000 | 2010 RM'000 |
|--|------|------------------|----------------|
| Current liabilities | | | |
| Borrowing | 17 | – | 180,000 |
| Other payables | 18 | 11,730 | 26,112 |
| Provision for income distribution | 19 | 37,713 | 37,713 |
| | | 49,443 | 243,825 |
| Total liabilities | | 229,443 | 243,825 |
| Total unitholders' funds and liabilities | | 1,586,102 | 1,618,702 |
| Net asset value ("NAV") | | 1,356,659 | 1,374,877 |
| Number of units in circulation ('000) | 16 | 1,178,889 | 1,178,889 |
| NAV per unit (RM) | | | |
| – before income distribution | | 1.216 | 1.231 |
| – after income distribution | | 1.151 | 1.166 |

The notes set out on pages 46 to 70 form an integral part of these financial statements.

| | Unitholders' Capital RM'000 | Distributable Undistributed Income | | Total Unitholders' Funds RM'000 |
|---|-----------------------------------|---------------------------------------|----------------------|--|
| | | Realised RM'000 | Unrealised RM'000 | |
| At 1 July 2009 | 1,145,895 | 2 | 274,360 | 1,420,257 |
| Operations for the financial year ended 30 June 2010 | | | | |
| Income for the financial year | – | 76,458 | – | 76,458 |
| Disposal of investment properties | – | 190,303 | (235,684) | (45,381) |
| Increase/(Decrease) in net assets resulting from operations | – | 266,761 | (235,684) | 31,077 |
| Unitholders transactions | | | | |
| Distribution paid | – | (38,744) | – | (38,744) |
| Provision for income distribution (Note 19) | – | (37,713) | – | (37,713) |
| Decrease in net assets resulting from unitholders transactions | – | (76,457) | – | (76,457) |
| At 30 June 2010 | 1,145,895 | 190,306 | 38,676 | 1,374,877 |
| At 1 July 2010 | 1,145,895 | 190,306 | 38,676 | 1,374,877 |
| Operations for the financial year ended 30 June 2011 | | | | |
| Income for the financial year | – | 58,323 | (84) | 58,239 |
| Increase/(Decrease) in net assets resulting from operations | – | 58,323 | (84) | 58,239 |
| Unitholders transactions | | | | |
| Distribution paid | – | (38,744) | – | (38,744) |
| Provision for income distribution (Note 19) | – | (37,713) | – | (37,713) |
| Decrease in net assets resulting from unitholders transactions | – | (76,457) | – | (76,457) |
| At 30 June 2011 | 1,145,895 | 172,172 | 38,592 | 1,356,659 |

The notes set out on pages 46 to 70 form an integral part of these financial statements.

| | 2011 RM'000 | 2010 RM'000 |
|--|----------------|-----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Income before tax | 59,923 | 31,077 |
| Adjustments for:- | | |
| Impairment loss on trade receivables | 1,400 | 528 |
| Interest income | (43,692) | (2,217) |
| Interest expense | 8,591 | 8,640 |
| Loss on disposal of investment properties | - | 39,650 |
| Operating profit before changes in working capital | 26,222 | 77,678 |
| Decrease in receivables | 2,981 | 299 |
| (Decrease)/Increase in payables | (14,381) | 10,444 |
| Net cash from operating activities | 14,822 | 88,421 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest income | 35,592 | 2,217 |
| Cash receipts from solicitor (Notes to the Statement of Cash Flow (b)) | 625,000 | - |
| Enhancement of investment properties | - | (14,149) |
| Net cash from/(used in) investing activities | 660,592 | (11,932) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Interest paid | (8,591) | (8,640) |
| Distribution paid | (76,457) | (79,495) |
| Net cash used in financing activities | (85,048) | (88,135) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 590,366 | (11,646) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR | 86,753 | 98,399 |
| CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR | 677,119 | 86,753 |
| NOTES TO THE STATEMENT OF CASH FLOW | | |
| (a) Cash and cash equivalents comprise:- | | |
| Deposits with licensed financial institution | 676,460 | 84,155 |
| Cash at bank | 659 | 2,598 |
| | 677,119 | 86,753 |
| (b) Proceeds from disposal of investment properties:- | | |
| Money held in trust by the solicitor | - | 625,000 |
| By issuance of Convertible Preference Units | - | 405,000 |
| | - | 1,030,000 |

The notes set out on pages 46 to 70 form an integral part of these financial statements.

1. GENERAL INFORMATION

The principal activity of Pintar Projek Sdn. Bhd., the Manager, is the management of real estate investment trusts.

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 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 Market 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.

The address of the registered office and principal place of business of the Manager is as follows:-

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

2. BASIS OF PREPARATION

(a) Statement of Compliance

The financial statements of the Trust have been prepared in accordance with Financial Reporting Standards (“**FRSs**”), accounting principles generally acceptable in Malaysia, the Securities Commission’s Guidelines on Real Estate Investment Trusts (“**SC**”) (“**REIT Guidelines**”), the trust deed dated 18 November 2005 and the supplementary deed dated 19 April 2007.

(b) These financial statements have been prepared on the historical cost basis except for the following assets and liabilities as explained in their respective accounting policy notes:

- *Note 3(b) – Financial instruments*
- *Note 3(e) – Investment Properties*

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Trust’s functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires the Directors of the Manager to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

2. BASIS OF PREPARATION (continued)

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed 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 reporting date and adjusted to reflect the Trust's current best estimate.

(ii) Impairment loss on trade receivables

The Trust assesses at each reporting 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.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Trust at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a cash flow hedge of currency risk, which are recognised in other comprehensive income.

(b) Financial instruments

Arising from the adoption of FRS 139, *Financial Instruments: Recognition and Measurement*, with effect from 1 January 2010, financial instruments are categorised and measured using accounting policies as mentioned below. Before 1 July 2010, different accounting policies were applied. Significant changes to the accounting policies are discussed in note 3(c).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial instruments (continued)

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Trust becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Financial assets

Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

The Trust categorises financial instruments as follows:-

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

(ii) Financial instrument categories and subsequent measurement

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets are subject to review for impairment.

Financial liabilities

All financial liabilities are categorised as other liabilities are subsequently measured at amortised cost.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of new and revised FRSs, amendment to FRSs and Interpretation Committee ("IC") interpretations which were effective for financial period beginning 1 July 2010.

On 1 July 2010, the Trust adopted the following relevant new and amended FRSs and IC Interpretations mandatory for annual financial year beginning on or after 1 July 2010.

| | |
|---|--|
| FRS 7 | Financial Instruments: Disclosures |
| FRS 101 | Presentation of Financial Statements (Revised) |
| FRS 123 | Borrowing Costs |
| FRS 139 | Financial Instruments: Recognition and Measurement |
| Amendments to FRS 132 Financial Instruments: Presentation | |
| Amendments to FRS 139 Financial Instruments: Recognition and Measurement, FRS 7 Financial Instruments: Disclosures and IC Interpretation 9 Reassessment of Embedded Derivatives | |
| Improvements to FRS issued in 2009 | |
| IC Interpretation 9 Reassessment of Embedded Derivatives | |
| IC Interpretation 10 Interim Financial Reporting and Impairment | |
| Amendment to FRS 5 Non-current Assets Held for Sale and Discontinued Operations | |
| Amendment to IC Interpretation 9 Reassessment of Embedded Derivatives | |

The adoption of the new and revised FRSs, amendments to FRSs and IC Interpretations do not have significant financial impacts on the Trust other than the effects of the following FRSs:

FRS 101 (revised) "Presentation of Financial Statements"

The revised FRS 101 requires all non-owner changes in equity to be presented either in a single statement of comprehensive income, or in two statements which comprise a separate income statement and statement of comprehensive income. The Trust had elected to present the statement of comprehensive income in two statements if there is any comprehensive income being recognised in the period.

There is no impact on the financial position of the Trust since these changes affect only the presentation of items of income and expenses. The Trust has adopted the standard retrospectively.

FRS 7 "Financial Instruments: Disclosures"

FRS 7 requires extensive disclosure of qualitative and quantitative information about exposure to risks from financial instruments. Such information will be disclosed in the audited financial statements of the Trust.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

FRS 139 "Financial Instruments : Recognition and Measurement"

FRS 139 sets out the new requirements for the recognition and measurement of the Trust's financial instruments.

Financial instruments are recorded initially at fair value. Subsequent measurement of the financial instruments at the end of each reporting period reflects the designation of the financial instruments. The Trust determines the classification at initial recognition and re-evaluates its designation at each year end except for those financial instruments measured at fair value through profit or loss.

(d) Financial Reporting Standards and IC Interpretations Issued but not yet effective

At the date of authorisation of these financial statements, the following new or revised FRSs, amendments to FRSs and IC Interpretations have been issued but are not yet effective and have not been adopted by the Trust:-

| | Effective for financial periods beginning on or after |
|---|--|
| • FRS 124 Related Party Disclosures | 1 January 2012 |
| • Amendment to FRS 1 Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters | 1 January 2011 |
| • Amendment to FRS 1 Additional Exemption for First-time Adopters | 1 January 2011 |
| • Amendment to FRS 1 First-time Adoption of Financial Reporting Standards | 1 January 2011 |
| • Amendment to FRS 2 Group Cash-settled Share-based Payment Transactions | 1 January 2011 |
| • Amendment to FRS 3 Business Combinations | 1 January 2011 |
| • Amendment to FRS 7 Improving Disclosures about Financial Instruments | 1 January 2011 |
| • Amendment to FRS 7 Financial Instruments: Disclosures | 1 January 2011 |
| • Amendment to FRS 101 Presentation of Financial Statements | 1 January 2011 |
| • Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rate | 1 January 2011 |
| • Amendment to FRS 128 Investment in Associates | 1 January 2011 |
| • Amendment to FRS 131 Interests in Joint Ventures | 1 January 2011 |
| • Amendment to FRS 132 Financial Instruments : Presentation | 1 January 2011 |
| • Amendment to FRS 134 Initial Financial Reporting | 1 January 2011 |
| • Amendment to FRS 139 Financial Instruments : Recognition and Measurement | 1 January 2011 |
| • IC Interpretation 4 Determining Whether and Arrangement contains a Lease | 1 January 2011 |
| • IC Interpretation 15 Agreements for the Construction of Real Estate | 1 January 2012 |
| • IC Interpretation 18 Transfer of Assets from Customers | 1 January 2011 |
| • IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments | 1 July 2011 |
| • Amendment to IC Interpretation 13 Customer Loyalty Programmes | 1 January 2011 |
| • Amendment to IC Interpretation 14 Prepayments of a Minimum Funding Requirement | 1 July 2011 |
| • Amendment to IC Interpretation 15 Agreements for the Construction of Real Estate | 30 August 2010 |

The Directors of the Manager expect that the adoption of the other FRSs and IC Interpretations above will have no material impact on the financial statements in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Investment properties

(i) Investment properties carried at fair value (continued)

Investment properties consist of freehold land & buildings which are held for long term rental yield or for capital appreciation or both.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

A property interest held under operating lease is classified and accounted for as investment property as the Trust holds it to earn rental income or for capital appreciation or both.

(ii) Determination of fair value

An external, independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Trust's investment property portfolio at least once in every 3 years from the last valuation, in compliance with the SC's REIT Guidelines.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, where appropriate:

- the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness;
- the allocation of maintenance and insurance responsibilities between the Trust and the lessee; and
- the remaining economic life of the property.

When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and where appropriate counter-notices have been served validly and within the appropriate time.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Investment properties (continued)

(ii) Determination of fair value (continued)

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

Any increase or decrease arising from changes in the fair value is credited or charged directly to profit or loss as a net appreciation or depreciation in the value of the investment properties.

(f) Leases

Rental income from operating lease is recognised over the term of the lease. Property held under operating lease, which is held for rental income or capital appreciation of both, is classified as investment property.

(g) Cash and cash equivalents

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

Cash and cash equivalents are categorised and measured as loans and receivables in accordance with policy Note 3(b).

(h) Impairment

Financial assets

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(i) 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 are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

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 reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Interest-bearing borrowings

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(k) 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 reporting 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 reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

(l) Revenue recognition

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

(i) Rental income and other related charges

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

(ii) Car park income

Car park income is recognised in the profit or loss on accrual basis.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

4. NET REVENUE

| | 2011 | 2010 |
|---|---------------|----------------|
| | RM'000 | RM'000 |
| Rental income | 29,880 | 91,914 |
| Service charges | (74) | 12,064 |
| Car park income | 1,596 | 5,359 |
| Other interest income | 47 | 390 |
| Maintenance income | 99 | 565 |
| Other income | - | 59 |
| <hr/> | | |
| Gross revenue | 31,548 | 110,351 |
| Less : Impairment loss on trade receivables | (1,400) | (528) |
| <hr/> | | |
| | 30,148 | 109,823 |

5. PROPERTY OPERATING EXPENSES

| | 2011 | 2010 |
|---|---------------|---------------|
| | RM'000 | RM'000 |
| Service charges & fixed operating costs | - | 11,548 |
| Property management fees | 6 | 1,493 |
| Assessment & quit rent | 1,711 | 4,971 |
| Insurance & others | 84 | 596 |
| Property promotions & maintenance | - | 4,127 |
| <hr/> | | |
| | 1,801 | 22,735 |

For the financial year ended 30 June 2011, property management fees of RM6,319 (2010: RM1,493,547) was paid to the Property Manager, Azmi & Co. Building Services Sdn. Bhd., in accordance to the Valuers, Appraisers and Estate Agent Acts 1981.

6. MANAGER'S FEES

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

| | 2011 | 2010 |
|----------------------|---------------|---------------|
| | RM'000 | RM'000 |
| (i) Base fee | 1,598 | 1,654 |
| (ii) Performance fee | 569 | 1,772 |
| (iii) Divestment fee | - | 5,150 |
| <hr/> | | |
| | 2,167 | 8,576 |

6. MANAGER'S FEES (continued)

- (i) Pursuant to the Deed, the base fee, accrued daily, represents 0.1% per annum of the gross asset value of the Trust;
- (ii) Pursuant to the Deed, the performance fee represents 2% of the net property income of the Trust recorded during the financial year, but before deduction of property management fees; and
- (iii) Pursuant to the Deed, the divestment fee represents 0.5% of the sale price of the asset sold.

7. TRUSTEE'S FEES

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

8. BORROWING COSTS

| | 2011 RM'000 | 2010 RM'000 |
|---|----------------|----------------|
| Interest expense on term loan (Note 17) | 8,591 | 8,640 |
| Incidental cost incurred to administer the term loan facility:- | | |
| – Facility fee | 10 | 10 |
| | 8,601 | 8,650 |

9. INCOME TAX EXPENSE

| | 2011 RM'000 | 2010 RM'000 |
|-----------------|----------------|----------------|
| Withholding tax | 1,684 | – |

The Trust has 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.

9. INCOME TAX EXPENSE (continued)

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

| | 2011 RM'000 | 2010 RM'000 |
|---|----------------|----------------|
| Income before tax | 59,923 | 31,077 |
| Income tax using Malaysian statutory tax rate of 25% (2010: 25%) | 14,981 | 7,769 |
| Expenses not deductible for tax purposes | 344 | 1,609 |
| Effect of fair value adjustment on investment properties not subject to tax | - | 58,921 |
| Utilisation of capital allowances | (3,292) | (1,662) |
| Income exempted from tax | (10,349) | (66,637) |
| Income tax expense | 1,684 | - |

10. EARNINGS PER UNIT

- (i) The earnings per unit after manager's fees has been calculated based on the income for the financial year of RM58,238,474 (2010: RM31,077,465) and the weighted average number of units in circulation during the financial year of 1,178,888,889 (2010: 1,178,888,889).
- (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 RM60,405,359 (2010: RM39,653,451) and the weighted average number of units in circulation during the financial year of 1,178,888,889 (2010: 1,178,888,889).

11. INVESTMENT PROPERTIES

| | 2011 RM'000 | 2010 RM'000 |
|---------------------------------------|----------------|----------------|
| At beginning of the financial year | 494,700 | 1,550,201 |
| Enhancement during the financial year | - | 14,149 |
| Disposal | - | (1,069,650) |
| At end of the financial year | 494,700 | 494,700 |
| Analysis of investment properties:- | | |
| Freehold land & building | 494,700 | 494,700 |

Based on annual valuation exercise conducted by independent professional valuers, Raine & Horne International Zaki + Partners Sdn Bhd on 1 March 2011, the fair value of JW Marriott Hotel as at the reporting date, which is determined by the Investment Method of Valuation is approximately RM349,700,000 (2010: RM349,700,000).

Based on annual valuation exercise conducted by the management on 30 June 2011, the fair value of The Residences Properties is RM145,000,000 (2010: RM145,000,000).

11. INVESTMENT PROPERTIES (continued)

The following are recognised in profit or loss in respect of investment properties:-

| | 2011 RM'000 | 2010 RM'000 |
|---|----------------|----------------|
| Rental income | 31,548 | 110,351 |
| Direct operating expenses: – income generating investment properties | (1,801) | (22,735) |

Investment properties at cost amounting to RM495 million (2010: RM495 million) are charged as security for a term loan granted to the Trust as disclosed in Note 17 to the Financial Statements.

12. TRADE RECEIVABLES

| | 2011 RM'000 | 2010 RM'000 |
|---|----------------|----------------|
| Trade receivables | 4,271 | 8,076 |
| Less : Impairment loss on trade receivables | (2,794) | (1,394) |
| | 1,477 | 6,682 |

The movement in the allowance for impairment during the financial year were:-

| | RM'000 |
|--|--------|
| At 1 July 2010 | 1,394 |
| Doubtful debts recognised | 1,316 |
| Changes in fair value of trade receivables | 84 |
| At 30 June 2011 | 2,794 |

The amounts due from the companies related to the Manager, which amounted to RM133,036 (2010: RM1,279,971) relates to rental and other charges due in respect of agreements and are subject to normal trade terms.

13. OTHER RECEIVABLES & PREPAYMENTS

| | 2011 RM'000 | 2010 RM'000 |
|-------------------|----------------|----------------|
| Other receivables | 6,686 | 625,545 |
| Prepayments | 1,120 | 22 |
| | 7,806 | 625,567 |

The amounts due from the companies related to the Manager, which amounted to RM268,862 (2010: RM348,842) are unsecured, interest free and receivable on demand.

At the end of the preceding financial year, the solicitor held in trust the RM625 million of cash proceeds from the disposal of the Lot 10 Parcels and Starhill Gallery.

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | 2011 RM'000 | 2010 RM'000 |
|---------|----------------|----------------|
| CPU's | | |
| At Cost | 405,000 | 405,000 |

173,062,575 CPU in Starhill Global REIT ("SG REIT") at SGD1.00 per CPU were received on 28 June 2010 as part of sales consideration for the disposal of the Lot 10 Parcels and Starhill Gallery. The principal terms of the CPU are as follows:

- Subject to the discretion of SG REIT's Manager, the CPU holders are entitled to receive a discretionary, non-cumulative variable SGD coupon distribution of up to RM0.1322 per CPU, which is equivalent to a distribution rate of 5.65% per annum assuming the CPU distribution is paid in full and based on RM amount of the CPU determined on the date of issuance of the CPU;
- Any CPU distribution or part thereof not due or payable shall not accumulate for the benefit of the CPU holders or entitle the CPU holders to any claims in respect thereof against SG REIT, its Trustee and/or its Manager;
- the CPU rank senior to the units in SG REIT in respect of the entitlement to participate in the distribution of SG REIT and rank senior to the units in respect of the entitlement to receive out of the asset of SG REIT in the event of the commencement of any dissolution or winding up of SG REIT. Upon the dissolution of SG REIT, CPU holders are entitled to receive an amount equivalent to the sum of (i) the number of CPU held by the CPU holder multiplied by the issue price and (ii) any outstanding CPU and special CPU distributions;
- the CPU holder have the right to convert the CPU after a period of three years commencing from the date of issuance of the CPU at a conversion price of SGD0.7266 per unit determined at the date of issuance of the CPU. Any CPU remaining in existence after seven years from the date of issuance of the CPU shall be mandatorily converted into SG REIT units at the conversion price;
- the CPU holders do not have a right to attend and vote at meetings of unitholders except during such periods as the CPU or special CPU distribution remains in arrears and unpaid for at least 12 months, or in respect of any resolution which varies or abrogates any right, preference or privilege of the CPU, or in respect of any resolution for the dissolution or winding up of SG REIT; and
- SG REIT's Manager shall have the sole right to redeem any number of CPU on a pro rata basis at the issue price after a period of three years commencing from the date of issuance of the CPU.
- The CPU must not be distributed in accordance with the SC's approval vide its letter dated 24 February 2010. In this respect, apart from the possibility that the Trust may retain up to 10% of the CPUs as investment, the CPUs shall only be utilised to acquire hotel assets from the YTL Corporation Group as disclosed in the Note 29 to the Financial Statements.

15. DEPOSITS WITH LICENSED FINANCIAL INSTITUTION

The effective interest rate of deposits placed with a licensed bank was 3.3% (2010: 2.2%) per annum.

The average maturities of deposits of the Trust ranged from 1 day to 31 days (2010: 1 day to 36 days).

16. UNITHOLDERS' CAPITAL

| | 2011 No. of units '000 | 2010 No. of units '000 |
|--|------------------------------|------------------------------|
| Authorised:- | | |
| At beginning / end of the financial year | 1,178,889 | 1,178,889 |
| Issued and fully paid:- | | |
| At beginning / end of the financial year | 1,178,889 | 1,178,889 |
| | 2011 RM'000 | 2010 RM'000 |
| Authorised:- | | |
| At beginning / end of the financial year | 1,145,895 | 1,145,895 |
| Issued and fully paid:- | | |
| At beginning / end of the financial year | 1,145,895 | 1,145,895 |

17. BORROWING – secured

| | 2011 RM'000 | 2010 RM'000 |
|---------------|----------------|----------------|
| Term loan | | |
| – Current | – | 180,000 |
| – Non-current | 180,000 | – |

The term loan with tenure of five years and bearing a fixed interest rate of 4.80% per annum matured on 16 December 2010 and was extended for a period of five years. The fixed interest rate had been revised to 4.75% (2010: 4.80%) per annum. The term loan is secured by a first fixed charge over investment properties as disclosed in Note 11 to the Financial Statements. The term loan shall be repaid in one lump sum on 16 December 2015.

18. OTHER PAYABLES

| | 2011 RM'000 | 2010 RM'000 |
|----------------------------|----------------|----------------|
| Other payables | 193 | 845 |
| Accruals | 10,718 | 22,731 |
| Tenants' deposits | | |
| – Payable within 12 months | 819 | 2,536 |
| | 11,730 | 26,112 |

The amounts due to the Manager and the companies related to the Manager, which amounted to RM9,682,370 (2010: RM16,739,212) are unsecured, interest free and payable on demand.

19. PROVISION FOR INCOME DISTRIBUTION

| | 2011 RM'000 | 2010 RM'000 |
|---|----------------|----------------|
| At beginning of the financial year | 37,713 | 40,751 |
| Provision made during the financial year | 76,457 | 76,457 |
| Distribution paid during the financial year | (76,457) | (79,495) |
| At end of the financial year | 37,713 | 37,713 |

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

For the financial year ended 30 June 2011, the Manager has declared a final income distribution of 3.1990 sen per unit (2010: 3.1990 sen per unit), totaling RM37,712,656 (2010: RM37,712,656). Total distribution paid and declared for the financial year ended 30 June 2011 is 6.4855 sen per unit, totaling RM76,456,839, representing approximately 100% of the realised and distributable income after tax and partial distribution from the realised and undistributed income from the disposal of Lot 10 Parcels and Starhill Gallery in the preceding financial year (2010: 6.4855 sen per unit, totaling RM76,456,839).

Distribution to unitholders is from the following sources:

| | 2011 RM'000 | 2010 RM'000 |
|---|----------------|----------------|
| Net property income | 28,347 | 87,088 |
| Interest income | 43,692 | 2,217 |
| | 72,039 | 89,305 |
| Less : Expenses | (12,116) | (58,228) |
| Add : Realisation of fair value on disposal of investment properties | – | 235,684 |
| Less : Withholding tax paid | (1,684) | – |
| | 58,239 | 266,761 |
| Less : Undistributed income | – | (190,304) |
| Add : Unrealised loss on fair value of trade receivables | 84 | – |
| Add : Distribution of preceding financial year's undistributed income | 18,134 | – |
| Total income distribution | 76,457 | 76,457 |
| Gross distribution per unit (sen) | 6.4855 | 6.4855 |
| Net distribution per unit (sen) | 6.4855 | 6.4855 |

During the financial year, income distribution from realised and undistributed income from the disposal of Lot 10 Parcels and Starhill Gallery in the preceding financial year amounted to RM18,134,290 (2010: Nil).

20. LISTING / ACQUISITION EXPENSES

| | 2011 RM'000 | 2010 RM'000 |
|--|----------------|----------------|
| At beginning / end of the financial year | 22,701 | 22,701 |

These expenses are deducted directly against the unitholders' funds.

21. TRANSACTIONS WITH STOCKBROKING COMPANIES

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

22. UNITHOLDING BY THE MANAGER

As at 30 June 2011, the Manager did not hold any unit in the Trust.

23. UNITHOLDERS RELATED TO THE MANAGER

| | ← 2011 → | | |
|--------------------------------|------------------------------|-----------------------------------|---------------------------|
| | No. of units held '000 | Percentage of total units % | Market Value RM'000 |
| YTL Corporation Berhad | 747,084 | 63.37 | 661,169 |
| YTL Power International Berhad | 43,090 | 3.66 | 38,135 |
| | 790,174 | 67.03 | 699,304 |

| | ← 2010 → | | |
|--------------------------------|------------------------------|-----------------------------------|---------------------------|
| | No. of units held '000 | Percentage of total units % | Market Value RM'000 |
| YTL Corporation Berhad | 747,084 | 63.37 | 638,757 |
| YTL Power International Berhad | 43,090 | 3.66 | 36,842 |
| | 790,174 | 67.03 | 675,599 |

The market value of the units held by the companies related to the Manager is determined by using the closing market value of the Trust as at 30 June 2011 of RM0.89 per unit (2010: RM0.86 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.

24. TRANSACTIONS WITH COMPANIES RELATED TO THE MANAGER

The following significant transactions which have been transacted with companies related to the Manager are as follows:-

| | 2011 RM'000 | 2010 RM'000 |
|--|------------------------------|------------------------------|
| Rental income received and receivable from:- | | |
| Autodome Sdn. Bhd. | - | 16,234 |
| Happy Steamboat Sdn. Bhd. | - | 409 |
| Natural Adventure Sdn. Bhd. | - | 617 |
| Niche Retailing Sdn. Bhd. | 39 | 2,669 |
| Prestige Lifestyles & Living Sdn. Bhd. | - | 971 |
| Star Hill Hotel Sdn. Bhd. | 29,946 | 32,971 |
| Star Hill Living.Com Sdn. Bhd. | (315) | 618 |
| Trendy Retailing Sdn. Bhd. | 36 | 617 |
| YTL e-Solutions Berhad | - | 981 |
| YTL Land & Development Berhad | - | 1,151 |
| YTL Land Sdn. Bhd. | 1,596 | 11,224 |

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.

25. OPERATING LEASE ARRANGEMENT

The future minimum lease payments receivable under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, are analysed as follows:-

| | 2011 RM'000 | 2010 RM'000 |
|--|------------------------------|------------------------------|
| Not later than 1 year | 31,962 | 29,946 |
| Later than 1 year and not later than 5 years | 130,423 | 124,247 |
| Later than 5 years | 323,819 | 355,263 |
| | 486,204 | 509,456 |

26. FINANCIAL INSTRUMENTS

26.1. Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:-

- Loans and receivables (L&R);
- Available for sales (AFS); and
- Other financial liabilities measured at amortised cost (OL).

| | Carrying amount RM'000 | L&R RM'000 | AFS RM'000 |
|-------------------------------------|------------------------------|----------------|----------------|
| 2011 | | | |
| <i>Financial assets</i> | | | |
| Trade receivables | 1,477 | 1,477 | – |
| Other receivables and prepayments | 7,806 | 7,806 | – |
| Available-for-sale financial assets | 405,000 | – | 405,000 |
| Cash and cash equivalents | 677,119 | 677,119 | – |
| | 1,091,402 | 686,402 | 405,000 |

| | Carrying amount RM'000 | OL RM'000 |
|------------------------------|------------------------------|----------------|
| <i>Financial liabilities</i> | | |
| Borrowing | 180,000 | 180,000 |
| Other payables | 11,730 | 11,730 |
| | 191,730 | 191,730 |

26.2 Financial Risk Management

The Trust has exposure to the following risks from its use of financial instruments:-

- Credit risk
- Liquidity risk
- Market risk

(a) Credit risk

Credit risk is the risk of a financial loss to the Trust if a tenants or counterparty to a financial instrument fails to meet its contractual obligations. The Trust's exposure to credit risk arises principally from its receivables from tenants or other financial assets (including cash & bank balances) the Trust minimise credit risk by dealing with high credit rating counterparties.

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally security deposits are obtained and credit evaluations are performed on customers requiring credit over a certain amount.

26. FINANCIAL INSTRUMENTS (continued)

26.2 Financial Risk Management (continued)

(a) Credit risk (continued)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. The Trust uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 30 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for receivables as at the end of the reporting period by geographic region was:-

| | 2011 RM'000 |
|----------|----------------|
| Domestic | 1,477 |

Impairment losses

The ageing of receivables as at the end of the reporting period was:

| | Gross RM'000 | Individual impairment RM'000 | Collective impairment RM'000 | Net RM'000 |
|-----------------------------|-----------------|------------------------------------|------------------------------------|---------------|
| Not past due | 133 | - | - | 133 |
| Past due more than 180 days | 4,138 | (2,794) | - | 1,344 |

The allowance account in respect of receivables is used to record impairment losses. At the end of the financial period, the Trust is satisfied that recovery of the amount is possible.

Credit risk concentration profile

The Trust has significant concentration of credit risk with a single customer.

At the reporting date, 86% (2010: 31%) of the Trust's trade receivables were due from four (2010: three) customers.

26. FINANCIAL INSTRUMENTS (continued)

26.2 Financial Risk Management (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due. The Trust's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Trust maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

Maturity analysis

The table below summarises the maturity profile of the Trust's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:-

| | Contractual Cash flows RM'000 | Under 1 year RM'000 | 1 – 2 years RM'000 | 2 – 5 years RM'000 |
|------------------------------|--|------------------------------------|-----------------------------------|-----------------------------------|
| 2011 | | | | |
| <i>Financial liabilities</i> | | | | |
| Borrowing | 218,119 | 8,550 | 8,550 | 201,019 |
| Other payables | 11,730 | 11,730 | – | – |
| | 229,849 | 20,280 | 8,550 | 201,019 |

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Trust's financial position or cash flows.

Interest rate risk

The Trust's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

26. FINANCIAL INSTRUMENTS (continued)

26.2 Financial Risk Management (continued)

(c) Market risk (continued)

Risk management objectives, policies and processes for managing the risk

The interest rate profile of the Trust's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:-

| | 2011 RM'000 |
|--|----------------|
| Fixed rate instruments | |
| <i>Financial assets</i> | |
| Available-for-sale financial assets | 405,000 |
| <i>Financial liabilities</i> | |
| Borrowing | 180,000 |
| <hr/> | |
| Floating rate instruments | |
| <i>Financial assets</i> | |
| Deposits with licensed financial institution | 676,460 |
| <hr/> | |

Interest rate risk sensitivity analysis(i) *Fair value sensitivity analysis for fixed rate instruments*

The Trust does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(ii) *Cash flow sensitivity analysis for variable rate instruments*

A change of 50 basis points in interest rate at the end of the reporting period would have increased equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

| | Equity | | Profit or loss | |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | 50 bp increase RM'000 | 50 bp decrease RM'000 | 50 bp increase RM'000 | 50 bp decrease RM'000 |
| 2011 | | | | |
| Floating rate instruments | - | - | 3,382 | (3,382) |
| <hr/> | | | | |
| Cash flow sensitivity (net) | - | - | 3,382 | (3,382) |
| <hr/> | | | | |

26. FINANCIAL INSTRUMENTS (continued)

26.3 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables approximate fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Trust's investment in unquoted CPU due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

The carrying amounts of other financial liabilities approximate the fair value as there is no change in the market interest rate for similar financing facilities. The following summarises the methods used in determining the fair value of financial instruments reflected in the above table.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future cash flows, discounted at the market rate of interest at the end of the reporting period.

Interest rates used to determine fair value

The interest rates used to discount estimated cash flows, when applicable, are as follows:-

| | |
|------------|-------|
| Borrowings | 4.75% |
|------------|-------|

27. PORTFOLIO TURNOVER RATIO ("PTR")

| | 2011 | 2010 |
|-----|------|------------|
| PTR | N/A | 0.38 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 daily basis.

In the previous financial year, the Trust disposed of Lot 10 Parcels and Starhill Gallery. 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.

28. MANAGEMENT EXPENSE RATIO (“MER”)

| | 2011 % | 2010 % |
|-----|-----------|-----------|
| MER | 0.26 | 0.70 |

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 fees, 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 daily 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.

29. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

During the year, as part of the Rationalisation to reposition the Trust as a full-fledged hospitality REIT, Mayban Trustee Berhad, the trustee of the Trust had entered into several agreements for the proposed acquisitions which entails the acquisitions of the following hospitality related properties (“**Hospitality Properties**”) for a total indicative purchase consideration of RM1,054 million, to be satisfied via a combination of cash, issuance of new units in the Trust and convertible preference units (“**CPU**”) issued by Starhill Global REIT which are currently held by the Trust valued at SGD1.00 per CPU:-

- (i) Cameron Highlands Resort;
- (ii) Hilton Niseko;
- (iii) Vistana Penang;
- (iv) Vistana Kuala Lumpur;
- (v) Vistana Kuantan;
- (vi) The Residences at the Ritz-Carlton, Kuala Lumpur;
- (vii) The Ritz-Carlton Hotel, Kuala Lumpur;
- (viii) Pangkor Laut Resort; and
- (ix) Tanjong Jara Resort.

The SC has, vide its letter dated 2 December 2010, approved the Trust’s application for an extension of time until 28 June 2011 to comply with clause 8.08, 8.22(b), (c) and (d) of the REIT Guidelines. On 16 June 2011, SC has approved the Trust’s application for an extension of time until 28 December 2011.

Tanjong Jara Beach Hotel Sdn. Bhd., the vendor of Tanjong Jara Resort (“**Property**”) has, via its letter dated 21 June 2011, notified the Manager and the Trustee that a fire at the Property on 15 June 2011 had damaged one block of the buildings comprising 12 rooms/villas.

The Trustee and the respective vendors of the Hospitality Properties have mutually agreed to extend the period to satisfy the conditions precedent of the respective sale and purchase agreements to expire on 14 December 2011.

30. 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.

The following are major customers with revenues equal or more than 10 per cent of the Trust's total revenue:-

| | Revenue | |
|---------------------------|----------------|----------------|
| | 2011 RM'000 | 2010 RM'000 |
| Star Hill Hotel Sdn. Bhd. | 29,946 | 32,971 |
| Autodome Sdn. Bhd. | – | 16,234 |
| YTL Land Sdn. Bhd. | – | 11,224 |

31. CAPITAL COMMITMENT

| | 2011 RM'000 | 2010 RM'000 |
|---------------------------------|----------------|----------------|
| Contracted but not provided for | 1,054,000 | – |

The above commitments are related to the acquisition of investment properties disclosed in Note 29 to the Financial Statements.

32. CAPITAL MANAGEMENT

The Manager optimises Starhill REIT's capital structure and cost of capital within the borrowing limits prescribed by the REIT Guidelines issued by the SC via a combination of debt and equity funding for future acquisitions and improvement works at the Properties.

The capital management strategy for the Trust 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.

32. CAPITAL MANAGEMENT (continued)

The REIT Guidelines require that the total borrowing of a real estate investment trust (including borrowings through issuance of debt securities) should not exceed 50% of its total asset value. The Manager reviews the capital structure of the Trust on a regular basis and monitors capital using a gearing ratio, which is total borrowings divided by total assets. There were no changes in the Trust's approach to capital management during the year, the Trust maintain a gearing ratio of 11.35% (2010: 11.12%) which is below threshold allowed by the SC.

| | 2011 RM'000 | 2010 RM'000 |
|-------------------|----------------|----------------|
| Total borrowing | 180,000 | 180,000 |
| Total assets | 1,586,102 | 1,618,702 |
| Gearing Ratio (%) | 11.35 | 11.12 |

The Trust is not subject to externally imposed capital requirements for the financial years ended 30 June 2011 and 30 June 2010.

33. SUPPLEMENTARY INFORMATION ON THE DISCLOSURE ON REALISED AND UNREALISED PROFITS OR LOSS

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuer pursuant to Paragraphs 2.06 and 2.23 of the Bursa Securities Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as of the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued guidance on the disclosure and the prescribed format of the disclosure.

The breakdown of the undistributed income of the Trust as at 30 June 2011 into realised and unrealised profits, pursuant to the directive is as follows:-

| | 2011 RM'000 |
|----------------------------|----------------|
| Total undistributed income | |
| – Realised | 172,088 |
| – Unrealised | 38,676 |
| | 210,764 |

Comparative information is not presented in the first financial year of application pursuant to the directive.

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits above is solely complying with the disclosure requirement stipulated in the directive of Bursa Malaysia and should not be applied for any other purposes.

34. 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 12 July 2011.

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