



STARHILL  
REIT

STARHILL  
REAL ESTATE  
INVESTMENT  
TRUST

the journey continues...

interim report 2007



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# Property Portfolio



## ABOUT STARHILL REIT

Starhill Real Estate Investment Trust ("Starhill REIT") is currently Malaysia's largest real estate investment trust, with a market capitalisation of approximately RM932 million (as at 31 December 2006), and comprises three prime properties situated in the heart of Kuala Lumpur's Golden Triangle, namely, Starhill Gallery and the adjoining JW Marriott Hotel Kuala Lumpur, and 137 parcels and 2 accessory parcels of retail, office, storage and other spaces within Lot 10 Shopping Centre ("Lot 10 Property") (collectively, the "Properties").

Property	Appraised Value	% of Total Real Estate Portfolio
Starhill Gallery	RM480 million	41.7%
Lot 10 Property	RM341 million	29.7%
JW Marriott Hotel Kuala Lumpur	RM329 million	28.6%

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

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

## ABOUT PINTAR PROJEK SDN BHD

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

### KEY HIGHLIGHTS OF STARHILL REIT'S PROPERTY PORTFOLIO

- Strategic location: The Properties are landmarks in Kuala Lumpur, strategically located in the Jalan Bukit Bintang area which forms part of the city's Golden Triangle. Jalan Bukit Bintang is one of Kuala Lumpur's main tourist hubs, popularly known as "Bintang Walk" and attracts a large number of tourists year-round.
- Convenient access: The Properties are located in an area close to numerous hotels and offices, making them easily accessible to tourists and travelers, as well as office workers. Lot 10 Shopping Centre is also linked by an overhead bridge to another popular shopping centre, Sungei Wang Plaza.
- Strong brand recognition: The Properties enjoy high profile status due to their strong branding, spearheaded by Pintar Projek, and their strategic location in Kuala Lumpur's prime shopping area.
- High occupancy levels: Both Starhill Gallery and Lot 10 Shopping Centre enjoy high occupancy levels, reflecting the demand for quality space at a prominent location in Kuala Lumpur's tourist hub. As at 31 December 2006, Starhill Gallery and the Lot 10 Property had occupancy rates of 99.1% and 96.4%, respectively.
- Strong tenant base: The Properties are tenanted by high profile, international brand names and prominent local retailers, as a result of Pintar Projek's marketing efforts to promote the Properties as a well-known and sought-after address.

# Property Portfolio

## STARHILL GALLERY

Property	Starhill Gallery
Address	181 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia

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

Notable tenants include Louis Vuitton, Alfred Dunhill, Audemars Piguet, Boucheron, Celine, Chopard, Christian Dior, Davidoff, DKNY, Fendi, Valentino, Givenchy, Gucci, Kenzo and Salvatore Ferragamo. In addition, Starhill Gallery's Feast Village offers a unique dining experience with 13 upscale restaurants to choose from and an amazing display of modern architecture and mixed culture.



## LOT 10 PROPERTY

Property	Lot 10 Property
Address	50 Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia

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

The selection of tenants has been specifically planned according to the nature of business, style of trading, specific floor designation and, most importantly, to optimise business potential and profitability. Notable tenants include Armani Exchange, The Body Shop, Esprit, Guess, Hour Glass, Timberland, Topshop/Topman, Toni & Guy and Swatch.



## JW MARRIOTT HOTEL KUALA LUMPUR

Property	JW Marriott Hotel Kuala Lumpur
Address	183 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia

The JW Marriott Hotel Kuala Lumpur is one of the flagship JW Marriott Hotels around the world and the first Marriott 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.



# Corporate Directory

## 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 • 03 2117 0088/03 2142 6633  
Fax • 03 2141 2703

## BOARD OF DIRECTORS OF THE MANAGER

*Chief Executive Officer*

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

PSM, CBE, SIMP, DPMS, DPMP, JMN, JP.

Hon. Doctor of Eng (Kingston), B. Sc. (Hons)

Civil Engineering

FFB, F Inst D, MBIM, RIM.

*Executive Directors*

**Dato' Hj Mohd Zainal Abidin Bin Hj Abdul Kadir**

DPMP, PMP, AMN, PPN, PJK, OStJ, JP.

**Dato' Yeoh Seok Kian**

DSSA.

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

*Independent Non-Executive Directors*

**Dato' (Dr) Yahya Bin Ismail**

DPMJ, DPCM, DPMP, KMN, PPT.

Bachelor of Veterinary Science

**Eu Peng Meng @ Leslie Eu**

B. Com., FCILT.

## MANAGEMENT TEAM

**Datin Kathleen Chew Wai Lin,**

Legal Advisor

**Ho Say Keng,** Company Secretary/  
Accountant

**Eoon Whai San,** General Manager

## COMPANY SECRETARY OF THE MANAGER

**Ho Say Keng**

## PROPERTY MANAGER

**Azmi & Co Building Services  
Sdn Bhd**

A9-1-1, Jalan Ampang Utama 2/2

One Ampang Business Avenue

68000 Ampang

Selangor Darul Ehsan

Tel • 03 4256 6868

Fax • 03 4256 2266

## REGISTRAR

**Pintar Projek Sdn Bhd**

11th Floor, Yeoh Tiong Lay Plaza

55 Jalan Bukit Bintang

55100 Kuala Lumpur

Tel • 03 2117 0088/03 2142 6633

Fax • 03 2141 2703

## TRUSTEE

**Mayban Trustees Berhad**

34th Floor, Menara Maybank

100 Jalan Tun Perak

50050 Kuala Lumpur

Tel • 03 2078 8363

Fax • 03 2070 9387

Email: mtb@maybank.com.my

## PRINCIPAL FINANCIER OF THE FUND

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

Level 19, Menara Great Eastern

No. 303, Jalan Ampang

50450 Kuala Lumpur

Tel • 03 4259 8888

Fax • 03 4813 0516

## AUDITORS

**HLB Ler Lum (AF 0276)**

Chartered Accountants

2nd & 3rd Floor, Bangunan Yeoh

35-37, Jalan Kamunting

50300 Kuala Lumpur

Tel • 03 2691 5737

Fax • 03 2691 3227

## STOCK EXCHANGE LISTING

**Bursa Malaysia Securities Berhad**

Main Board (16.12.2005)

# Chief Executive Officer's Statement

for the six months ended 31 December 2006



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

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 Interim Report and unaudited financial statements of Starhill Real Estate Investment Trust ("Starhill REIT" or the "Trust") for the six months ended 31 December 2006.

## FINANCIAL PERFORMANCE & DISTRIBUTION TO UNITHOLDERS

The Trust achieved revenue of RM47.94 million for the six months ended 31 December 2006 and income after taxation of RM35.00 million for the same period, outperforming the projections in the Trust's initial public offering (IPO) prospectus dated 22 November 2005 by approximately 2.3% on an annualised basis.

On 16 January 2007, the Board of Directors of Pintar Projek proposed a distribution of 3.365 sen per unit in respect of the six months ended 31 December 2006, representing approximately 100% of Starhill REIT's income after taxation for the period. The distribution was approved by the trustee, Mayban Trustees Berhad, on 18 January 2007 and will be paid on 27 February 2007.

The distribution of 3.365 sen per unit represents an annualised yield of 8.11% based on the volume weighted average price of RM0.83 per unit for the five-day period to 16 January 2007.

## CORPORATE DEVELOPMENTS

On 12 December 2006, Starhill REIT announced a proposal to acquire part of The Residences at The Ritz-Carlton, Kuala Lumpur, consisting of 60 serviced apartment units, 4 levels of commercial podium block and 2 levels of basement car parks ("The Residences Property") from YTL Land Sdn Bhd, a wholly-owned subsidiary of YTL Corporation Berhad, for a purchase consideration of RM125 million to be satisfied by the issuance of 138,888,889 new units at an issue price of RM0.90 per unit. The proposal is pending the receipt of approvals from the Securities Commission and unitholders.

Comprising luxury serviced apartments in a 38-storey tower block, this proposed acquisition presents a timely growth opportunity for Starhill REIT to increase its exposure to key urban areas in Kuala Lumpur, and is expected to further diversify and enhance Starhill REIT's asset base within the high-end, luxury property segment.

# Chief Executive Officer's Statement

for the six months ended 31 December 2006

## OPERATIONS REVIEW

The Trust's three prime properties – Starhill Gallery and the adjoining JW Marriott Hotel Kuala Lumpur, and 137 parcels and 2 accessory parcels of retail, office, storage and other spaces within Lot 10 Shopping Centre ("Lot 10 Property") (collectively, the "Properties") – continued to perform at optimal levels during the period under review, sustained by strong occupancy rates and ongoing cost-effectiveness of their operating strategies.

As at 31 December 2006, Starhill Gallery and Lot 10 had occupancy rates of 99.1% and 96.4%, respectively, exceeding estimated average occupancy rates of shopping centres in Kuala Lumpur of 85.1% for the 2nd quarter of 2006 and 84.7% for the 3rd quarter. Successful efforts by Starhill Gallery and the Lot 10 Property to leverage on their positions in the niche markets that they occupy have enabled the Properties to differentiate themselves from their competitors. To these ends, Starhill Gallery continues to develop its strategy of offering a "Gallery of Rich Experiences" which has proven successful in attracting the world's leading fashion houses and luxury brands to open stores in Starhill Gallery.

The launch during the period of the YTL Platinum Plus Card loyalty and privilege programme has also proven an attractive draw for participating tenants to attract and reward both new and existing customers, and has enabled the Properties to develop a range of mutually beneficial cross-marketing strategies.

## FUTURE PROSPECTS

The Manager remains committed to its efforts to conceptualise innovative marketing and operating strategies to ensure that the Properties continue to operate at optimal levels and to boost rental and occupancy rates, thereby improving Starhill REIT's yields and returns.

The Trust will also pursue capital growth opportunities, in addition to exploring yield-accretive acquisitions in the commercial and leisure property sub-sectors. The addition of The Residences Property is the Trust's next avenue of value creation and, coupled with ongoing prudent financial management and asset development, is expected to ensure that Starhill REIT continues to deliver strong returns to unitholders.

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

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

Date: 16 February 2007



# Corporate Events

29 AUGUST 2006

## YTL Platinum Plus Card Launch

Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay, Executive Chairman of YTL Corporation Berhad and Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Chief Executive Officer of Pintar Projek Sdn Bhd, officiated the launch of the YTL Platinum Plus programme at the new YTL Platinum Plus Lounge @ Starhill Gallery. The YTL Platinum Plus Programme offers members instant recognition, personalised services and a host of privileges at hotels and shopping centres owned by Starhill REIT and YTL.



Left: YTL Platinum Plus member Jackie Chan with Tan Sri Dato' (Dr) Francis Yeoh Sock Ping.



Louis Vuitton unveiled its new flagship store at Starhill Gallery, officiated by (from left) Francois Delage, President of Louis Vuitton Asia Pacific, Datin Siti Nurhaliza Tarudin, Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Chief Executive Officer of Pintar Projek Sdn Bhd, and Kathy Lam of Louis Vuitton Malaysia.

7 SEPTEMBER 2006

## CIMB Bank's First Branch Opens at Starhill Gallery

CIMB opened its very first CIMB Bank branch on the Relish Floor of Starhill Gallery, officiated by Prime Minister of Malaysia, YAB Dato' Seri Abdullah bin Haji Ahmad Badawi, and witnessed by (from left) Tan Sri Khalid Sahan, Chairman of Rating Agency Malaysia Berhad, Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay, Executive Chairman of YTL Corporation Berhad, Dato' Nazir Razak, Chief Executive Officer of CIMB Group, and Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Chief Executive Officer of Pintar Projek Sdn Bhd.



7 SEPTEMBER 2006

## Launch of Louis Vuitton Flagship Store at Starhill Gallery

## Corporate Events

27 NOVEMBER 2006

### Valentino Opens its Flagship Store at Starhill Gallery



Guests in attendance at the official launch included (from left) Soong Ai Ling, Mrs A. Felicani and H.E. Mr Anacleto Felicani, Italy's Ambassador to Malaysia, Pintar Projek Sdn Bhd Chief Executive Officer Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Asia-Pacific CEO of Valentino Giovanni Di Salvo, Valentino Boutique Manager Sofiah Rahman and Bernie Chan.



G. Nicolas Hayek Jr., Swatch Group Chief Executive Officer, with Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Chief Executive Officer of Pintar Project Sdn Bhd, at the official launch.



The launch of Omega's flagship store in Starhill Gallery marked a milestone for the prestige watchmaker, as the Swiss brand chose Kuala Lumpur as the site for its largest boutique in Southeast Asia.

From left: Sapura Group executive director Shahrman Shamsuddin, Omega Southeast Asia vice-president David Ponzo, Malaysia's Omega ambassadors Ziana Zain and Camelia, and G. Nicolas Hayek Jr. cut the ribbon at the media launch

28 NOVEMBER 2006

### Omega's Largest Boutique in Southeast Asia Opens in Starhill Gallery

## Corporate Events

8 JANUARY 2007

The Brand Laureates' Awards



**Tan Sri Dato' (Dr) Francis Yeoh Sock Ping – Brand Personality 2006/2007**

Dato' Seri Mohamad Nazri bin Abdul Aziz, Minister in the Prime Minister's Department, presented Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Chief Executive Officer of Pintar Projek Sdn Bhd, with the Brand Personality Award 2006/2007, witnessed by (from left) Dato' Syed Amin Aljeffri and The Brand Laureate CEO Dr. K.K. Johan.

**Starhill Gallery – Best Brand in Retail (Luxury Boutique)**

Dato' Yeoh Seok Kian (centre), Director of Pintar Projek Sdn Bhd, received the award on behalf of Starhill Gallery from Minister in the Prime Minister's Department Dato' Seri Mohamad Nazri bin Abdul Aziz (left).





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# Financial Statements

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# Manager’s Report

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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 unaudited financial statements of Starhill REIT for the six months period ended 31 December, 2006.

## 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 period.

## THE TRUST AND ITS INVESTMENT OBJECTIVE

Starhill REIT was established on 18 November, 2005 pursuant to a trust deed dated 18 November, 2005 (“Deed”) between the Manager and Mayban Trustees Berhad (“Trustee”) and is categorised as a real property fund.

Starhill REIT was listed on the Main Board of Bursa Malaysia Securities Berhad on 16 December, 2005 and is an income and growth type fund. The investment objective of Starhill REIT is to own and invest in real estate and real estate-related assets, whether directly or indirectly through the ownership of single-purpose companies whose principal assets comprise real estate. At the end of the six months period ended 31 December, 2006, Starhill REIT owns 137 parcels and 2 accessory parcels of retail, office, storage and other spaces within Lot 10 Shopping Centre (“Lot 10 Parcels”), Starhill Gallery and JW Marriott Hotel Kuala Lumpur (Lot 10 Parcels, Starhill Gallery and JW Marriott Hotel Kuala Lumpur collectively referred to as “Properties”).

## BENCHMARK RELEVANT TO THE TRUST

Management Expense Ratio (“MER”)

Six months  
ended  
31 December 2006

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MER for the financial period 0.16%

MER is calculated based on the total of all the fees and expenses incurred by Starhill REIT in the financial period and deducted directly from the income (including the manager’s fees, the trustee’s fee, the auditor’s fees 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 period calculated on a weekly basis.

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

# Manager's Report

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## MANAGER'S INVESTMENT STRATEGIES AND POLICIES

### INVESTMENT STRATEGIES

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

#### i Operating Strategy

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

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

#### ii Acquisition Strategy

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

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

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

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

# Manager's Report

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## 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.

## PERFORMANCE OF THE TRUST

	01.07.2006 to 31.12.2006 RM'000
Net revenue	47,941
Income before taxation	34,996
Distribution per unit (sen)	3.37

Analysis of net asset value since the last financial period ended 30 June, 2006 of the Trust:

	At 30 June 2006	At 31 December 2006
Total net asset value (RM'000)	1,022,756	1,022,852
Net asset value per unit (RM)	0.983	0.984

# Manager's Report

## COMPOSITION OF INVESTMENT PORTFOLIO

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

	RM '000	%
<b>Real Estate</b>		
<b>Commercial</b>		
• Lot 10 Parcels	341,000	27
• Starhill Gallery	480,000	39
• JW Marriott Hotel Kuala Lumpur	329,000	26
	1,150,000	92
<b>Others</b>		
Deposits with licensed financial institution	96,554	8
	1,246,554	100

The details of the real estate owned by the Trust as at the balance sheet date are as follow:

### 1 Lot 10 Parcels

Address/Location	50, Jalan Sultan Ismail, 50250 Kuala Lumpur.
Title details	Pajakan Negeri No. 11008 for Lot No. 1247, Section 67, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Property type	Shopping centre
Description	137 parcels and 2 accessory parcels of retail, office, storage and other spaces within a shopping centre which consists of an 8-storey block with a basement and a lower ground floor, together with a 7-storey annexe building with a lower ground floor.
Age	Approximately 17 years
Tenure	The land is a 99-year leasehold land expiring 29 July, 2076.
Status of holdings	Leasehold (Approval obtained in 30 July, 1977)
Unexpired lease remaining period	Approximately 70 years
Tenancy period	1 to 3 years, and rent review will be carried out prior to expiry of each lease.
Net lettable area	181,301 square feet
Existing use	Commercial building
Parking spaces	730 bays
Date of acquisition	18 November, 2005
Cost of acquisition	RM341,000,000
Major tenants (based on monthly rental payable)	(a) Autodome Sdn. Bhd. (b) Esprit De Corp (Malaysia) Sdn. Bhd. (c) FJ Benjamin Fashions Sdn. Bhd.
Occupancy rates	96.4%
Rental received	RM13,023,080
Maintenance cost and capital expenditure	Maintenance cost incurred amounted to RM2,582,304 and no capital expenditure was incurred during the financial period.

## Manager's Report

Encumbrances/Limitation in title/ interest	The property is charged to a financial institution to secure a term loan facility of RM180 million and the usage of land is restricted to commercial buildings and/or residential properties
Approved valuation	RM341,000,000
Date of last valuation	1 March, 2005
Basis of valuation	Income and comparison approach
Net book value	RM341,000,000

### 2 Starhill Gallery

Address/Location	181, Jalan Bukit Bintang, 55100 Kuala Lumpur.
Title details	Grant No. 28678 for Lot No. 1267 Section 67, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Property type	Shopping centre
Description	Part of a 7-level shopping centre with 5 basements and a 12-level annexe building with 3 basements.
Age	Approximately 12 years
Status of holdings	Freehold
Tenancy period	1 to 3 years, and rent review will be carried out prior to expiry of each lease.
Net lettable area	294,766 square feet
Existing use	Commercial building
Parking spaces	1,162 bays
Date of acquisition	18 November, 2005
Cost of acquisition	RM480,000,000
Major tenants (based on monthly rental payable)	(a) Autodome Sdn. Bhd. (b) Cortina Watch Sdn. Bhd. (c) Louis Vuitton (M) Sdn. Bhd.
Occupancy rates	99.1%
Rental received	RM17,070,160
Maintenance cost and capital expenditure	Maintenance cost amounted to RM2,700,000 and no capital expenditure was incurred during the financial period.
Encumbrances/Limitation in title/ interest	The property is charged to a financial institution to secure a term loan facility of RM180 million and there is no restriction and/or condition attached to the title.
Approved valuation	RM480,000,000
Date of last valuation	1 March, 2005
Basis of valuation	Income and comparison approach
Net book value	RM480,000,000

# Manager's Report

## 3 JW Marriott Hotel Kuala Lumpur

Address/Location	183, Jalan Bukit Bintang, 55100 Kuala Lumpur.
Title details.	Grant No. 28678 for Lot No. 1267 Section 67, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.
Property type	Hotel.
Description	A 5 star hotel with 561 rooms located on part of a 8-level podium block and the entire 24-level tower block of Starhill Gallery.
Age	Approximately 10 years
Status of holdings	Freehold
Tenancy period	The property is leased for a term expiring on 31 December, 2023.
Existing use	Commercial building
Date of acquisition	18 November, 2005
Cost of acquisition	RM329,000,000
Sole tenant	Star Hill Hotel Sdn. Bhd.
Rental received	RM10,260,000
Encumbrances/Limitation in title/ interest	The property is charged to a financial institution to secure a term loan facility of RM180 million and there is no restriction and/or condition attached to the title.
Approved valuation	RM329,000,000
Date of last valuation	1 March, 2005
Basis of valuation	Income and comparison approach
Net book value	RM329,000,000

## REVIEW OF THE PROPERTY MARKET

As at 31 December, 2006, Starhill Gallery and Lot 10 Parcels owned by Starhill REIT achieved good occupancy rates ranging between 96.40% to 99.10% of which are higher than the estimated average occupancy rate of 85.1% and 84.7% for shopping centres within Kuala Lumpur in the second quarter and third quarter of 2006 respectively. (Source: Jones Lang Wootton The Malaysian Third Quarterly Report 2006). The performance of the high occupancy rates achieved has proven that the said properties owned by Starhill REIT are quality investment properties. It is also a testimony to the success of the implemented operating and marketing strategies.

## PROSPECTS OF THE PROPERTY MARKET

### THE MALAYSIAN ECONOMY

The Malaysian economy grew by 5.8% in the third quarter 2006 from 6.2% recorded in the second quarter 2006 with services sector expanded at a strong pace of 6.5%. GDP growth is expected to reach 5.9% for the year 2006 while global growth is forecasted to strengthen from 4.9% in 2005 to 5.1% in 2006. (Source: Bank Negara, 17 November, 2006).

Inflation moderated to 3.6% against 4.1% in the second quarter 2006 and is forecasted to reach 3.7% in 2006 and ease to 3% in 2007. (Source: Bank Negara).

GDP growth is projected to achieve 5.2% in 2007 and may even record a 5.5% growth assuming US dollar underwent an orderly correction and that the oil prices remained stable. (Source: The Malaysian Institute of Economic Research, 6 December, 2006).

## Manager's Report

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Although the Malaysian economy is likely to slow down, the consumer sentiment is expected to improve with Visit Malaysia Year 2007, a strong currency and an unchanged Bank Negara overnight policy rate of 3.5% with the ease of inflation (Source: Bank Negara).

In 2007, tourists arrivals is expected to increase to 20.1 million with revenue of RM44.5 billion in line with Visit Malaysia Year 2007 campaign, a government's initiative to promote Malaysia as a tourist destination. This represents an increase of 14% from 2006's tourists arrivals of 17.6 million and receipts of RM35.2 billion. (Source: Tourism Ministry, 1 January, 2007).

Tourism not only contributes as much as 12% to 14% of the country's gross domestic product, the increase in tourists and the spending will largely benefit tourism-related industries such as retail and hospitality with the bulk of the tourism dollars spent on accommodation (33%), shopping (21%) and food and beverage (20%) as well as tours and transportation (26%).

### **SHOPPING CENTRES (Retail Sector)**

The retail sector moving into 2007 is expected to be resilient on the back of managed inflationary pressure, higher tourism activities in conjunction with Visit Malaysia Year 2007 offsetting the increase in cost of living.

In the third quarter 2006, the total existing retail supply increased to 36.4 million sq ft of which about 20 million sq ft are in Kuala Lumpur and an additional of 2.9 million sq ft new space in Kuala Lumpur coming on stream in 2007 (Source: Knightfrank, Property Market 1st Half of 2006).

The overall average occupancy of shopping centers in the Klang Valley is projected to increase from 84% in 2006 to 88% and 90% in 2007 and 2008 respectively and rental levels for prime retail space are poised to increase marginally in 2007. (Source: Jones Lang Wootton, The Malaysian Third Quarterly Report 2006).

Retail sales growth in 2007 is expected to trend higher at 8% to RM70.96 billion against 2006's projection of 7.5% and 6.2% in 2005. (Source: Kuwait Finance House, 1 January, 2007) The retail and wholesale sub-sector in Malaysia is also expected to grow by 8% in first half of 2007 from 6.3% recorded for the first half of 2006. (Source: Finance Ministry, 22 November, 2006).

Whilst 20% of tourist expenditure is contributed towards shopping, Tourism Ministry is expecting the component to contribute RM8.5 billion in 2006, a 10% increase from RM7.7 billion achieved in 2005. Starhill Gallery and Lot 10 Parcels will stage a stellar rise in income due to a combination of base rental revenue and turnover rent provision (Source: TA Securities, 2 January 2007).

Retailers are generally upbeat about the prospects for the retail market in Malaysia for 2007 despite the increase in petroleum and electricity prices in 2006.

# Manager's Report

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## HOTELS (Leisure Industry)

According to Tourism Ministry, there are 2,269 hotels with one star to five star ratings currently and will increase to 3,200 hotels by 2010. (Source: Tourism Ministry, 17 December, 2006).

With a total of 32,298 hotel rooms in Klang Valley at the end of the third quarter 2006, the average occupancy rate was recorded at 76.2% from 68.9% in the second quarter 2006. Hotels located within the Kuala Lumpur City have also recorded a higher average occupancy rate of 77% compared to other areas in Klang Valley which stood at 74%. The Average Daily Room Rates (ADRR) for international class hotels increased an average of 9% in third quarter 2006 compared to second quarter 2006. (Source: Jones Lang Wootton, The Malaysian Third Quarterly Report 2006). The average occupancy rate for all hotels in Malaysia is expected to increase from 70% in 2006 to 75% in 2007. (Source: Malaysian Association of Hotel Owners, 1 January, 2006).

In tandem with Visit Malaysia Year 2007 and 33% of the tourists expenditure attributed to accommodation, the hotel industry is expected to better its performance in terms of occupancy and average hotel room rate in 2007.

Starhill REIT will continuously evaluate and implement appropriate marketing and operating strategies aimed at increasing the revenue of the Properties which will in turn improve yields and returns for the Trust as the Malaysian economy maintains its growth momentum in year 2007.

Starhill REIT will also seek opportunities to explore capital growth opportunities through acquisitions in view of the favourable market outlook for the commercial and leisure property sub-sector in Malaysia or even other parts of the world.

## DISTRIBUTION OF INCOME

A first and final income distribution of 3.4524 sen per unit amounting to RM35,904,954, representing approximately 100% of the income after taxation was paid on 25 August, 2006 in respect of the financial period ended 30 June, 2006.

The Manager has proposed to declare an interim income distribution of 3.3650 sen per unit, totaling RM34,996,000, representing approximately 100% of the income after taxation. The distribution is subject to the approval of the Trustee. The distribution per unit of 3.3650 sen translates to a yield of 4.03% based on the closing price of RM0.835 on 31 December, 2006 and is in line with the objectives of Starhill REIT to provide unitholders with excellent distributions.

The effect of the income distribution in terms of the net asset value per unit as at 31 December, 2006 is as follows:

	<b>Before distribution RM</b>	<b>After distribution RM</b>
Net asset value per unit	1.017	0.984

# Manager's Report

## BREAKDOWN OF UNITHOLDINGS

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

Unit class	No. of Unitholders	%	No. of Units held	%
5,000 and below	3,926	69.83	7,855,900	0.76
5,001 to 10,000	703	12.50	5,859,900	0.56
10,001 to 50,000	612	10.89	15,942,500	1.53
50,001 to 500,000	300	5.34	46,546,100	4.48
500,001 and above	81	1.44	963,795,600	92.67
	5,622	100.00	1,040,000,000	100.00

There is no unit split exercise and proposal involving issuance of new units carried out during the financial period, except as disclosed in Note 26 to the financial statements.

## DIRECTORS

The directors who served on the Board of Pintar Projek Sdn. Bhd. since establishment of the Trust are:

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

## DIRECTORS' BENEFITS

During and at the end of the six months period ended 31 December, 2006, no arrangement subsisted to which Pintar Projek Sdn. Bhd. is a party, with the object or objects of enabling the directors of Pintar Projek Sdn. Bhd. to acquire benefits by means of the acquisition of units in or debentures of Starhill REIT or any other body corporate.

For the six months period ended 31 December, 2006, no director has received or become entitled to receive any benefit by reason of a contract made by Pintar Projek Sdn. Bhd. 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.

# Manager's Report

## DIRECTORS' INTERESTS

The following director of the Manager who held office at the end of the period under review had, according to the register of unitholdings in Starhill REIT, an interest in the units of Starhill REIT as follows:

	Balance at 01.07.2006	No. of units acquired	No. of units disposed	Balance at 31.12.2006
<b>Direct interest</b>				
Dato' Hj. Mohd Zainal Abidin Bin Hj. Abdul Kadir	20,000	-	-	20,000

Save as disclosed above, directors who held office at the end of the period under review did not have any interest 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 six months period ended 31 December, 2006 is disclosed in Note 5 to the financial statements.

## SOFT COMMISSION

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

## RESERVES AND PROVISIONS

There were no material transfers to and from reserves or provisions during the six months period ended 31 December, 2006 other than as disclosed in the Statement of Changes in Net Asset Value.

# Manager's Report

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## INFORMATION ON THE FINANCIAL STATEMENTS

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

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

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

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

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 period which secures the liability of any other person, except as disclosed in Note 15 to the financial statements; or
- b any contingent liability of Starhill REIT which has arisen since the end of the financial period.

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 period which, in the opinion of the directors of Pintar Projek Sdn. Bhd., will or may affect the ability of Starhill REIT to meet its obligations as and when they fall due.

# Manager's Report

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## OTHER STATUTORY INFORMATION

The directors of Pintar Projek Sdn. Bhd. 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 period under review 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 period under review 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 period in which this report is made.

## SIGNIFICANT EVENT

The Board of Pintar Projek Sdn. Bhd. had on 12 December, 2006 announced the proposal to acquire part of The Residences at The Ritz-Carlton, Kuala Lumpur from YTL Land Sdn Bhd, a wholly-owned subsidiary of YTL Corporation Berhad, for a purchase consideration of RM125 million to be satisfied by the issuance of 138,888,889 new units in Starhill REIT at an issue price of RM0.90 per unit ("Proposed Acquisition"). The Proposed Acquisition is subject, inter alia, to the approval of the Securities Commission and Unitholders.

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

Dato' Yeoh Seok Kian

Dated: 16 January 2007  
Kuala Lumpur

# Statement by Manager

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In the opinion of the directors of PINTAR PROJEK SDN. BHD., the accompanying unaudited financial statements are drawn up in accordance with applicable approved Accounting Standards in Malaysia, the provisions of the Companies Act, 1965, the Securities Commission's Guidelines on Real Estate Investment Trusts and the provisions of the deed dated 18 November, 2005 so as to give a true and fair view of the state of affairs of STARHILL REAL ESTATE INVESTMENT TRUST as at 31 December, 2006 and of the results of operations and cash flows of STARHILL REAL ESTATE INVESTMENT TRUST for the period ended on that date.

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

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

Dato' Yeoh Seok Kian

Dated: 16 January 2007  
Kuala Lumpur

# Statutory Declaration

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I, TAN SRI DATO' (DR) FRANCIS YEOH SOCK PING, CBE, 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 unaudited 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

Subscribed and solemnly declared by the  
abovenamed at Kuala Lumpur  
on 16 January 2007

Before me:

Commissioner for Oaths

# Trustee's Report

to the Unitholders of Starhill Real Estate Investment Trust

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We have acted as Trustee of STARHILL REAL ESTATE INVESTMENT TRUST ("the Fund") for the six months period ended 31 December, 2006. To the best of our knowledge, PINTAR PROJEK SDN. BHD., the Manager, has managed the Fund in accordance with the limitation imposed on the investment powers of the Manager and the Trustee under the Deed, other applicable provisions of the Deed, the Securities Commission's Guidelines on Real Estate Investment Trusts, the Securities Commission Act 1993 and other applicable laws during the six months period ended 31 December, 2006.

For Mayban Trustees Berhad

Maziah Yong  
Head Unit Trust & Retail

Dated: 16 January 2007

Kuala Lumpur

# Income Statement

for the six months period ended 31 December 2006 (unaudited)

	Note	01.07.2006 to 31.12.2006 RM	Audited 18.11.2005 to 30.6.2006 RM
<b>TOTAL INCOME</b>			
Net revenue	3	47,940,779	50,738,859
Property operating expenses	4	(8,549,378)	(9,151,880)
<b>Net property income</b>		<b>39,391,401</b>	<b>41,586,979</b>
Interest income		1,624,306	1,465,807
		41,015,707	43,052,786
<b>TRUST EXPENSES</b>			
Manager's fees	5	1,430,600	1,513,294
Trustee's fee	6	188,601	200,017
Borrowing costs	7	4,359,503	5,331,237
Auditors' remuneration		5,000	30,000
Tax agent's fee		5,000	10,000
Administration expenses		30,693	62,764
		6,019,397	7,147,312
<b>INCOME BEFORE TAXATION</b>		<b>34,996,310</b>	<b>35,905,474</b>
<b>TAXATION</b>	8	–	–
<b>INCOME AFTER TAXATION</b>		<b>34,996,310</b>	<b>35,905,474</b>
<b>INCOME AFTER TAXATION IS MADE UP OF THE FOLLOWING:</b>			
Realised		34,996,310	35,905,474
Unrealised		–	–
		34,996,310	35,905,474

The notes set out on pages 32 to 44 form an integral part of these financial statements.

# Income Statement

for the six months period ended 31 December 2006 (unaudited)

	Note	01.07.2006 to 31.12.2006 RM	Audited 18.11.2005 to 30.6.2006 RM
<b>EARNINGS PER UNIT</b>			
- after manager's fees (sen)	9	3.37	3.45
- before manager's fees (sen)		3.50	3.60
<b>NET INCOME DISTRIBUTION</b>			
Proposed interim income distribution per unit			
- Gross (sen)		3.3650	-
Proposed final income distribution per unit			
- Gross (sen)		-	3.4524

The notes set out on pages 32 to 44 form an integral part of these financial statements.

# Balance Sheet

as at 31 December 2006 (unaudited)

		31 December 2006	Audited 30 June 2006
	Note	RM	RM
<b>ASSETS</b>			
<b>INVESTMENT PROPERTIES</b>	10	1,150,000,000	1,150,000,000
<b>Current Assets</b>			
Trade receivables	11	2,491,370	1,738,139
Other receivables	12	593,839	238,023
Deposits with licensed financial institutions	13	96,553,888	97,917,072
Cash and bank		134,032	74,066
		99,773,129	99,967,300
<b>TOTAL ASSETS</b>		1,249,773,129	1,249,967,300
<b>UNITHOLDERS' FUNDS</b>			
Unitholders' capital	14	1,022,850,954	1,022,755,711
Undistributed income		830	514
<b>Net Asset Value</b>		1,022,851,784	1,022,756,225
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowing	15	180,000,000	180,000,000
<b>Current Liabilities</b>			
Other payables	16	11,925,345	11,306,115
Provision for income distribution	17	34,996,000	35,904,960
		46,921,345	47,211,075
<b>TOTAL LIABILITIES</b>		226,921,345	227,211,075
<b>TOTAL UNITHOLDERS' FUNDS &amp; LIABILITIES</b>		1,249,773,129	1,249,967,300
<b>NUMBER OF UNITS IN CIRCULATION</b>	14	1,040,000,000	1,040,000,000
<b>NET ASSET VALUE PER UNIT (RM)</b>			
- before income distribution		1.017	1.018
- after income distribution		0.984	0.983

The notes set out on pages 32 to 44 form an integral part of these financial statements.

# Statement of Changes in Net Asset Value

for the six months period ended 31 December 2006 (unaudited)

	Unitholders' Capital RM	Distributable Undistributed Income RM	Unitholders' Funds RM
At 18 November, 2005	1,000	–	1,000
Proceeds from initial public offering	1,043,595,040	–	1,043,595,040
Listing expenses (Note 18)	(20,840,329)	–	(20,840,329)
Net income for the period	–	35,905,474	35,905,474
Provision for income distribution (Note 17)	–	(35,904,960)	(35,904,960)
<b>At 30 June, 2006</b>	<b>1,022,755,711</b>	<b>514</b>	<b>1,022,756,225</b>
At 1 July, 2006	1,022,755,711	514	1,022,756,225
Listing expenses (Note 18)	95,243	–	95,243
Transfer from provision for distribution (Note 17)	–	6	6
Net income for the period	–	34,996,310	34,996,310
Provision for income distribution (Note 17)	–	(34,996,000)	(34,996,000)
<b>At 31 December, 2006</b>	<b>1,022,850,954</b>	<b>830</b>	<b>1,022,851,784</b>

The notes set out on pages 32 to 44 form an integral part of these financial statements.

# Cash Flow Statement

for the six months period ended 31 December 2006 (unaudited)

	01.07.2006 to 31.12.2006 RM	Audited 18.11.2005 to 30.6.2006 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before taxation	34,996,310	35,905,474
Adjustment for:		
Allowance for doubtful debts	139,132	211,496
Interest income	(1,624,306)	(1,465,807)
Interest expenses	4,355,507	4,663,233
Operating profit before changes in working capital	37,866,643	39,314,396
Increase in receivables	(1,248,179)	(2,187,658)
Increase in payables	619,230	11,306,115
Net cash generated from operating activities	37,237,694	48,432,853
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	1,624,306	1,465,807
Payment of listing expenses	95,243	(20,840,329)
Purchase of investment properties	–	(619,600,000)
Net cash generated from / (used in) investing activities	1,719,549	(638,974,522)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Interest paid	(4,355,507)	(4,663,233)
Distribution paid	(35,904,954)	–
Proceeds from issue of units	–	513,196,040
Proceeds from term loan	–	180,000,000
Net cash (used in) / generated from financing activities	(40,260,461)	688,532,807
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>	(1,303,218)	97,991,138
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	97,991,138	–
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	96,687,920	97,991,138

The notes set out on pages 32 to 44 form an integral part of these financial statements.

# Cash Flow Statement

for the six months period ended 31 December 2006 (unaudited)

	31.12.2006	Audited 30.6.2006
	RM	RM
<b>NOTES TO CASH FLOW STATEMENT</b>		
a Cash and cash equivalents at end of period comprise:		
Deposits with licensed financial institution	96,553,888	97,917,072
Cash at bank	134,032	74,066
	<b>96,687,920</b>	<b>97,991,138</b>
b Analysis of acquisition of investment properties:		
Cash	–	619,600,000
Issuance of units	–	530,400,000
	–	<b>1,150,000,000</b>

The notes set out on pages 32 to 44 form an integral part of these financial statements.

# Notes to the Financial Statements

for the six months period ended 31 December 2006

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## 1 GENERAL INFORMATION

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

Starhill Real Estate Investment Trust (“**Starhill REIT**” or “**Trust**”) was established on 18 November, 2005 pursuant to a trust deed dated 18 November, 2005 (“**Deed**”) between the Manager and Mayban Trustees Berhad (“**Trustee**”) and is categorised as a real property fund.

Starhill REIT was listed on the Main Board of Bursa Malaysia Securities Berhad on 16 December, 2005 and is an income and growth type fund. The investment objective of Starhill REIT is to own and invest in real estate and real estate-related assets, whether directly or indirectly through the ownership of single-purpose companies whose principal assets comprise real estate. At the end of the six months period ended 31 December, 2006, Starhill REIT owns 137 parcels and 2 accessory parcels of retail, office, storage and other spaces within Lot 10 Shopping Centre (“**Lot 10 Parcels**”), Starhill Gallery and JW Marriott Hotel Kuala Lumpur (Lot 10 Parcels, Starhill Gallery and JW Marriott Hotel Kuala Lumpur collectively referred to as “**Properties**”).

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

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

## 2 SIGNIFICANT ACCOUNTING POLICIES

### a Basis of preparation

The financial statements have been prepared under the historical cost convention (unless stated otherwise in the significant accounting policies below) and comply with the applicable approved Accounting Standards in Malaysia, provisions of the Deed and the Companies Act, 1965 and the Securities Commission’s Guidelines on Real Estate Investment Trusts, except for the adoption of the following new/revised Financial Reporting Standards (FRS) effective 1 July 2006 as disclosed below:

FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events After the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 140	Investment Property

Save as the early adoption of FRS 140 during the last financial period ended 30 June 2006, the adoption of other new / revised FRSs do not have significant financial impact on the Trust.

# Notes to the Financial Statements

## for the six months period ended 31 December 2006

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### **b Investment properties**

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

No depreciation is provided on investment properties. It is the Trust's practice to appraise the investment properties at least once every year. Any increase or decrease arising from a change in fair value is credited or charged directly to the Income Statement as a net appreciation or depreciation in the fair value of the investment properties.

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

### **c Trade and other receivables**

Known bad debts are written off and doubtful debts are provided for based on estimates of possible losses which may arise from non-collection of certain debtor accounts.

### **d Cash and cash equivalents**

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

### **e Other payables**

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

### **f 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.

### **g Borrowing**

Interest-bearing borrowing is recorded at the amount of proceeds received.

### **h Income tax**

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method in respect of all temporary differences arising between the carrying amounts of assets and liabilities in the financial statements and their attributable amounts for tax purposes. Deferred tax asset is recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unabsorbed tax losses can be utilised. Tax rates enacted or substantively enacted at the balance sheet date are used to determine deferred tax.

# Notes to the Financial Statements

## for the six months period ended 31 December 2006

### i Revenue recognition

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

#### i Rental income and service charges

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

#### ii Carpark income

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

#### iii Interest income

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

### j Financial instruments

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

Financial instruments carried on the balance sheet include cash at bank, deposits with financial institutions, receivables, payables and borrowing. The recognition methods adopted are disclosed in the respective accounting policy, where applicable. Distribution to holders of financial instruments classified as equity is charged directly to equity.

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

### 3 NET REVENUE

	01.07.2006 to 31.12.2006 RM	18.11.2005 to 30.6.2006 RM
Rental income	40,353,240	43,228,958
Service charges	4,680,280	4,915,635
Carpark income	2,500,000	2,715,054
Other interest income	72,947	57,793
Maintenance income	440,033	30,415
Other income	33,411	2,500
Less : Allowance for doubtful debts	(139,132)	(211,496)
	47,940,779	50,738,859

# Notes to the Financial Statements

## for the six months period ended 31 December 2006

### 4 PROPERTY OPERATING EXPENSES

	01.07.2006 to 31.12.2006 RM	18.11.2005 to 30.6.2006 RM
Service charges and fixed operating costs	5,282,304	5,736,696
Property management fees	705,071	741,515
Assessment and quit rent	2,270,447	2,467,968
Insurance and others	291,556	205,701
	8,549,378	9,151,880

For the six months period ended 31 December, 2006, property management fees of RM705,071 (2006: RM741,515) was paid to the Property Manager, Azmi & Co. Building Services Sdn. Bhd., in accordance to the Valuers, Appraisers and Estate Agent Acts, 1981.

### 5 MANAGER'S FEES

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

	01.07.2006 to 31.12.2006 RM	18.11.2005 to 30.6.2006 RM
i Base fee	628,671	666,724
ii Performance fee	801,929	846,570
	1,430,600	1,513,294

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

### 6 TRUSTEE'S FEE

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

# Notes to the Financial Statements

## for the six months period ended 31 December 2006

### 7 BORROWING COSTS

	01.07.2006 to 31.12.2006 RM	18.11.2005 to 30.6.2006 RM
Interest expense on term loan (Note 15)	4,355,507	4,663,233
Incidental cost incurred to obtain the term loan facility:		
- Facility fee	3,996	6,504
- Arranger's fee	-	661,500
	4,359,503	5,331,237

Stamp duty and legal fee of RM900,042 and RM184,778 respectively were capitalised in the listing expenses during the last financial period ended 30 June, 2006.

### 8 TAXATION

There is no taxation charged for the six months period ended 31 December, 2006. The Trust have provided approximately 100% of the distributable income to unitholders, which income at the Trust level is exempted from tax in accordance with the Income Tax Act, 1967. The Trust has sufficient capital allowances to set off the net income undistributed at the end of the period.

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

	01.07.2006 to 31.12.2006 RM	18.11.2005 to 30.6.2006 RM
Income before taxation	34,996,310	35,905,474
Taxation at Malaysian statutory tax rate of 28% (2006: 28%)	9,798,967	10,053,533
Expenses not deductible for tax purposes	94,284	321,865
Utilisation of capital allowances	(2,227,181)	(2,227,181)
Income exempted from tax	(7,666,070)	(8,148,217)
Tax expense for the period	-	-

# Notes to the Financial Statements

## for the six months period ended 31 December 2006

### 9 EARNINGS PER UNIT

- i The earnings per unit after manager's fees has been calculated based on the income after taxation for the period of RM34,996,310 (2006: RM35,905,474) and the weighted average number of units during the period of 1,040,000,000 (2006: 1,040,000,000).
- ii The earnings per unit before manager's fees has been calculated based on the income after taxation before deduction of manager's fees for the period of RM36,426,910 (2006: RM37,418,768) and the weighted average number of units during the period of 1,040,000,000 (2006: 1,040,000,000).

### 10 INVESTMENT PROPERTIES

	31.12.2006 RM	30.06.2006 RM
At beginning of period / date of establishment	1,150,000,000	–
Acquired during the period	–	1,150,000,000
	1,150,000,000	1,150,000,000
Analysis of investment properties:		
	31.12.2006 RM	30.06.2006 RM
Freehold land and building	809,000,000	809,000,000
Long term leasehold land and building - 99-year term expiring on 29 July, 2076	341,000,000	341,000,000
	1,150,000,000	1,150,000,000

The investment properties are charged as security for a term loan granted to the Trust.

### 11 TRADE RECEIVABLES

	31.12.2006 RM	30.06.2006 RM
Trade receivables	2,760,330	1,949,635
Less: Allowance for doubtful debts	(268,960)	(211,496)
	2,491,370	1,738,139

# Notes to the Financial Statements

## for the six months period ended 31 December 2006

### 12 OTHER RECEIVABLES

	31.12.2006	30.06.2006
	RM	RM
Other receivables	302,283	188,303
Prepayments	291,556	49,720
	593,839	238,023

### 13 DEPOSITS WITH LICENSED FINANCIAL INSTITUTION

The effective interest rate of the deposits placed with a licensed bank is at a weighted-average interest rate of 3.55% (2006: 3.42%) per annum.

The average maturities of deposits of the Trust range from 1 day to 46 days (2006: 1 day to 21 days).

### 14 UNITHOLDERS' CAPITAL

	2006	
	No. of units	
<b>Authorised:</b>		
At 31 December / 30 June		1,040,000,000
	31.12.2006	30.06.2006
	No. of units	No. of units
<b>Issued and fully paid:</b>		
At beginning of period / date of establishment	1,040,000,000	1,000
Issue of new units	–	
Partial payment of the purchase consideration on investment properties acquired	–	530,400,000
Initial public offering	–	509,599,000
	1,040,000,000	1,040,000,000

# Notes to the Financial Statements

## for the six months period ended 31 December 2006

	31.12.2006	30.06.2006
	Amount	Amount
	RM	RM
<b>Issued and fully paid:</b>		
At beginning of period / date of establishment	1,022,755,711	1,000
Issue of new units		
Partial payment of the purchase consideration on investment properties acquired	–	530,400,000
Initial public offering	–	513,195,040
Listing expenses (Note 18)	95,243	(20,840,329)
	1,022,850,954	1,022,755,711

### 15 BORROWING

	31.12.2006	30.06.2006
	RM	RM
Term loan	180,000,000	180,000,000

The term loan is secured by a first fixed charge over the Properties. The term loan has a tenure of five years at a fixed interest rate of 4.8% (2006: 4.8%) per annum. The term loan shall be repaid in one lump sum on 16 December, 2010 and the interest is payable monthly.

### 16 OTHER PAYABLES

	31.12.2006	30.06.2006
	RM	RM
Other payables	73,099	16,767
Accruals	926,565	1,519,722
Tenants' deposits		
- Payable within 12 months	3,914,713	2,239,006
- Payable after 12 months	7,010,968	7,530,620
	11,925,345	11,306,115

# Notes to the Financial Statements

## for the six months period ended 31 December 2006

### 17 PROVISION FOR INCOME DISTRIBUTION

	31.12.2006 RM	30.06.2006 RM
At beginning of period / date of establishment	35,904,960	–
Distribution paid	(35,904,954)	–
Transfer to distributable undistributed income	(6)	–
Provision made during the period	34,996,000	35,904,960
	<u>34,996,000</u>	<u>35,904,960</u>

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

For the six months period ended 31 December, 2006, the Manager has proposed to declare an interim income distribution of 3.365 sen per unit, totaling RM34,996,000, representing approximately 100% of the income after taxation. The distribution is subject to approval of the Trustee.

### 18 LISTING EXPENSES

	01.07.2006 to 31.12.2006 RM	18.11.2005 to 30.6.2006 RM
At beginning of period / date of establishment	20,840,329	–
Addition during the period	–	20,840,329
Over provision of expenses	(95,243)	–
	<u>20,745,086</u>	<u>20,840,329</u>

Analysis of listing expenses:

Underwriting fees, brokerage fees and commissions	13,129,634	13,129,634
Professional fees	4,909,321	4,909,321
Miscellaneous	2,706,131	2,801,374
	<u>20,745,086</u>	<u>20,840,329</u>

These expenses are deducted directly against the unitholders' funds.

# Notes to the Financial Statements

## for the six months period ended 31 December 2006

### 19 TRANSACTIONS WITH STOCKBROKING COMPANIES

No transactions with stockbroking companies were made during the period.

### 20 UNITHOLDING BY THE MANAGER

As at 31 December 2006, the Manager did not hold any unit in the Trust.

### 21 UNITHOLDERS RELATED TO THE MANAGER

	Number of units held	31.12.2006 Percentage of total units %	Market Value RM
YTL Corporation Berhad	577,647,700	55.54	482,335,830
YTL Power International Berhad	43,089,500	4.14	35,979,732
	620,737,200	59.68	518,315,562

The market value of the units held by the companies related to the Manager is determined by using closing market value of Starhill REIT as at 31 December, 2006 of RM0.835 per unit.

Pintar Projek Sdn. Bhd, the Manager of Starhill REIT is also a subsidiary company of YTL Corporation Berhad, a public limited liability company listed on the Main Board of Bursa Malaysia Securities Berhad. YTL Corporation Berhad is therefore deemed to have control over Starhill REIT as Pintar Projek Sdn Bhd governs the financial and operating policies of the Trust.

### 22 TRANSACTIONS WITH COMPANIES RELATED TO THE MANAGER

	01.07.2006 to 31.12.2006 RM	18.11.2005 to 30.6.2006 RM
Rental charged to:		
Autodome Sdn. Bhd.	13,215,330	15,544,469
Star Hill Hotel Sdn Bhd	10,322,700	11,210,675
Syarikat Pembinaan Yeoh Tiong Lay Sdn. Bhd.	188,790	205,030
YTL e-Solutions Berhad	394,590	428,533
YTL Land & Development Berhad	209,496	227,517
YTL Land Sdn. Bhd.	2,843,968	3,088,611

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.

# Notes to the Financial Statements

## for the six months period ended 31 December 2006

### 23 FINANCIAL INSTRUMENTS

#### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

#### a Interest rate risk

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

#### b Credit risk

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

#### c Liquidity and cash flow risk

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

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

	31.12.2006		30.06.2006	
	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Term loan	180,000,000	171,755,725	180,000,000	171,755,725

# Notes to the Financial Statements

## for the six months period ended 31 December 2006

### 24 PORTFOLIO TURNOVER RATIO

	01.07.2006 to 31.12.2006 RM	18.11.2005 to 30.06.2006 RM
Portfolio turnover ratio ("PTR")	–	0.56 times

PTR is the ratio of the average of acquisitions and disposals of investments for the period to the average net asset value of the Trust during the financial period calculated on a weekly basis. Save as disclosed in Note 26 to the financial statement, there is no acquisition or disposal of investment carried out during the period under review.

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

### 25 MANAGEMENT EXPENSE RATIO

Management Expense Ratio ("MER")

	01.07.2006 to 31.12.2006 RM	18.11.2005 to 30.06.2006 RM
MER for the financial period	0.16%	0.18%

MER is calculated based on the total of all the fees and expenses incurred by Starhill REIT in the financial period and deducted directly from the income (including the manager's fees, the trustee's fee, the auditors' fees 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 period calculated on a weekly basis.

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

### 26 SIGNIFICANT EVENT

The Board of Pintar Projek Sdn. Bhd. had on 12 December, 2006 announced the proposal to acquire part of The Residences at The Ritz-Carlton, Kuala Lumpur from YTL Land Sdn Bhd, a wholly-owned subsidiary of YTL Corporation Berhad, for a purchase consideration of RM125 million to be satisfied by the issuance of 138,888,889 new units in Starhill REIT at an issue price of RM0.90 per unit ("Proposed Acquisition"). The Proposed Acquisition is subject, inter alia, to the approval of the Securities Commission and Unitholders.

# Notes to the Financial Statements

## for the six months period ended 31 December 2006

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### **27 COMPARATIVE FIGURES**

As the Trust was established on 18 November, 2005 and commenced business on 16 December, 2005, no comparative figures for the preceding financial period ended 31 December, 2005 was made. However, we have provided the comparative figures of the audited financial statements for the period from 16 December, 2005 to 30 June, 2006.

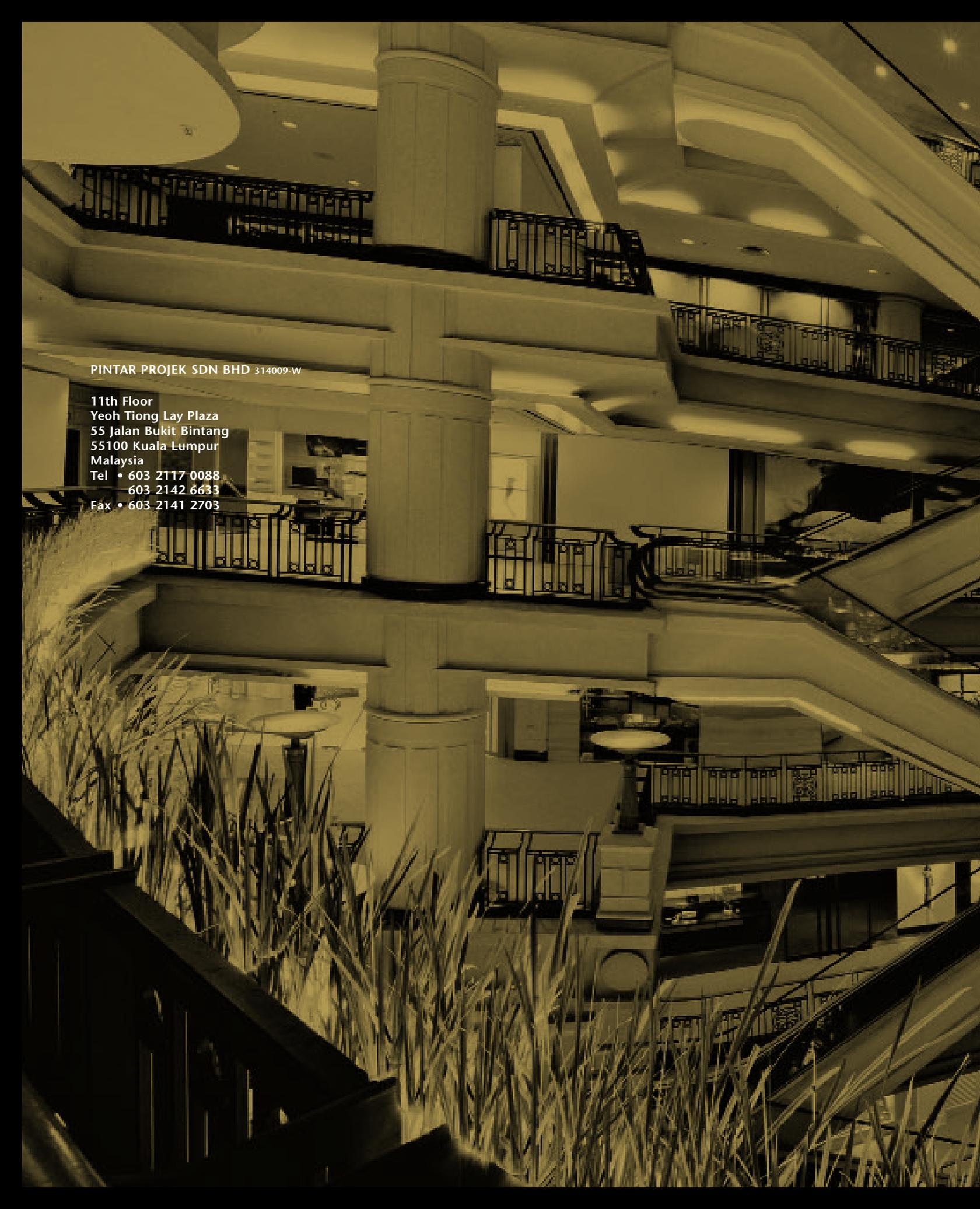
### **28 CURRENCY**

The financial statements are expressed in Ringgit Malaysia.

### **29 AUTHORISATION FOR ISSUE OF UNAUDITED FINANCIAL STATEMENTS**

The unaudited financial statements for the six months period ended 31 December, 2006 were authorised for issue by the Board of Directors of Pintar Projek Sdn. Bhd. in accordance with a resolution of the directors on 16 January, 2007.





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