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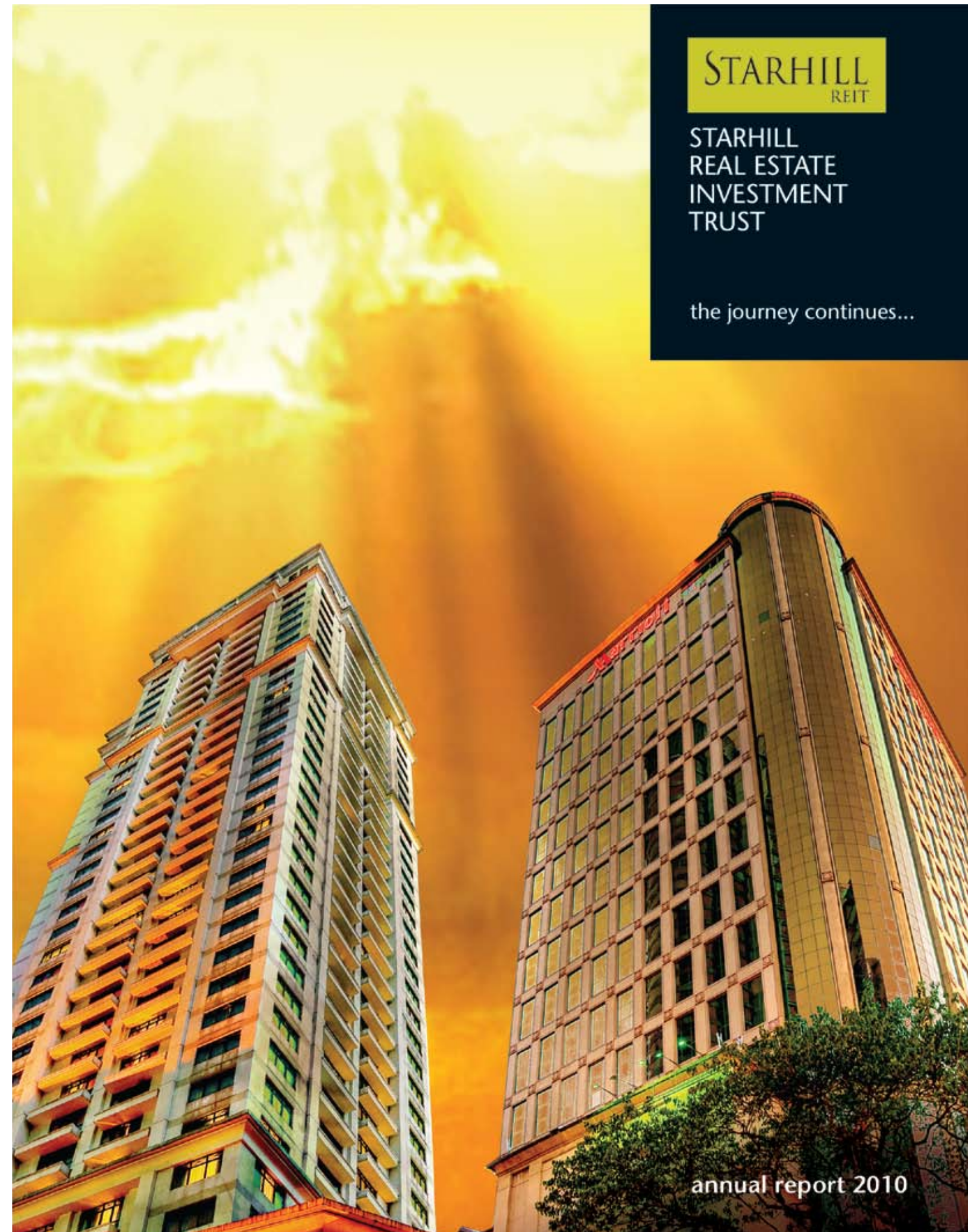
STARHILL REAL ESTATE INVESTMENT TRUST

annual report 2010

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annual report 2010

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annual report 2010



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Financial Highlights

	2010	2009	2008	2007	2006*
Net revenue (RM'000)	109,823	110,483	108,228	98,835	50,739
Income before tax (RM'000)	31,077[^]	355,847 [#]	81,268	72,690	35,905
Income after tax (RM'000)	31,077[^]	355,847 [#]	81,268	72,690	35,905
Total assets (RM'000)	1,618,702	1,656,676	1,381,961	1,363,342	1,249,967
Net asset value (RM'000)	1,374,877	1,420,257	1,145,896	1,145,902	1,022,757
Units in circulation ('000)	1,178,889	1,178,889	1,178,889	1,178,889	1,040,000
Net assets value per Unit (RM)	1.166	1.205	0.972	0.972	0.983
Earnings per Unit (sen)	2.64[^]	30.18 [#]	6.89	6.87	3.45
Distribution per Unit (sen)	6.4855	6.9121	6.8936	6.7019	3.4524

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

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.

Fund Performance

(I) Portfolio Composition of the Trust

At 30 June	2010 %	2009 %	2008 %	2007 %	2006 ⁽¹⁾ %
Real Estate					
– Lot 10 Parcels	—	26	27	27	30
– Starhill Gallery	—	43	37	37	42
– JW Marriott Hotel Kuala Lumpur	37	22	26	26	28
– Car park at JW Marriott Hotel Kuala Lumpur	2	—	—	—	—
– The Residences Properties	16	9	10	10	—
	55	100	100	100	100
Non-real estate-related assets					
– Convertible Preference Units in Starhill Global REIT	45	—	—	—	—
	100	100	100	100	100

(II) Net Asset Value & Unit Information

	2010	2009	2008	2007	2006 ⁽¹⁾
Total assets (RM'000)	1,618,702	1,656,676	1,381,961	1,363,342	1,249,967
Total net asset value (“NAV”) (RM'000)	1,374,877	1,420,257	1,145,896	1,145,902	1,022,757
Units in circulation ('000)	1,178,889	1,178,889	1,178,889	1,178,889	1,040,000
NAV per Unit (RM)					
– as at 30 June (before income distribution)	1.231	1.274	1.041	1.034	1.018
– as at 30 June (after income distribution)	1.166	1.205	0.972	0.972	0.983
– Highest NAV during the year/period	1.205	1.205	0.972	0.984	0.992
– Lowest NAV during the year/period	1.166	0.972	0.972	0.972	0.983
Market value per Unit (RM)					
– as at 30 June	0.86	0.83	0.85	1.07	0.92
– Weighted average price for the year/period	0.86	0.80	0.93	0.94	0.98
– Highest traded price for the year/period	0.92	0.89	1.14	1.10	1.07
– Lowest traded price for the year/period	0.83	0.70	0.84	0.82	0.89

(III) Performance Details of the Trust Since Commencement

	2010	2009	2008	2007	2006 ⁽¹⁾
Distribution per unit (sen)					
– First interim	3.2865	3.4554	3.4025	3.3650	—
– Second interim	—	—	—	1.1840	—
– Final	3.1990	3.4567	3.4911	2.1529	3.4524
	6.4855	6.9121	6.8936	6.7019	3.4524
Distribution date					
– First interim	25 Feb	26 Feb	29 Feb	27 Feb	—
– Second interim	—	—	—	24 Apr	—
– Final	24 Aug	24 Aug	28 Aug	24 Aug	25 Aug
Distribution yield (%) ⁽²⁾	7.54	8.64	7.41	7.13	6.50 ⁽³⁾
Management expense ratio (%)	0.70	0.31	0.34	0.33	0.18
Portfolio turnover ratio (times)	0.38	—	—	0.06	0.56
Total return (%) ⁽⁴⁾	15.04	(5.34)	6.35	3.05	1.65
Average total return ⁽⁵⁾					
– One year	15.04	(5.34)			
– Three years	5.35	1.35			
– Since inception	4.15	1.43			

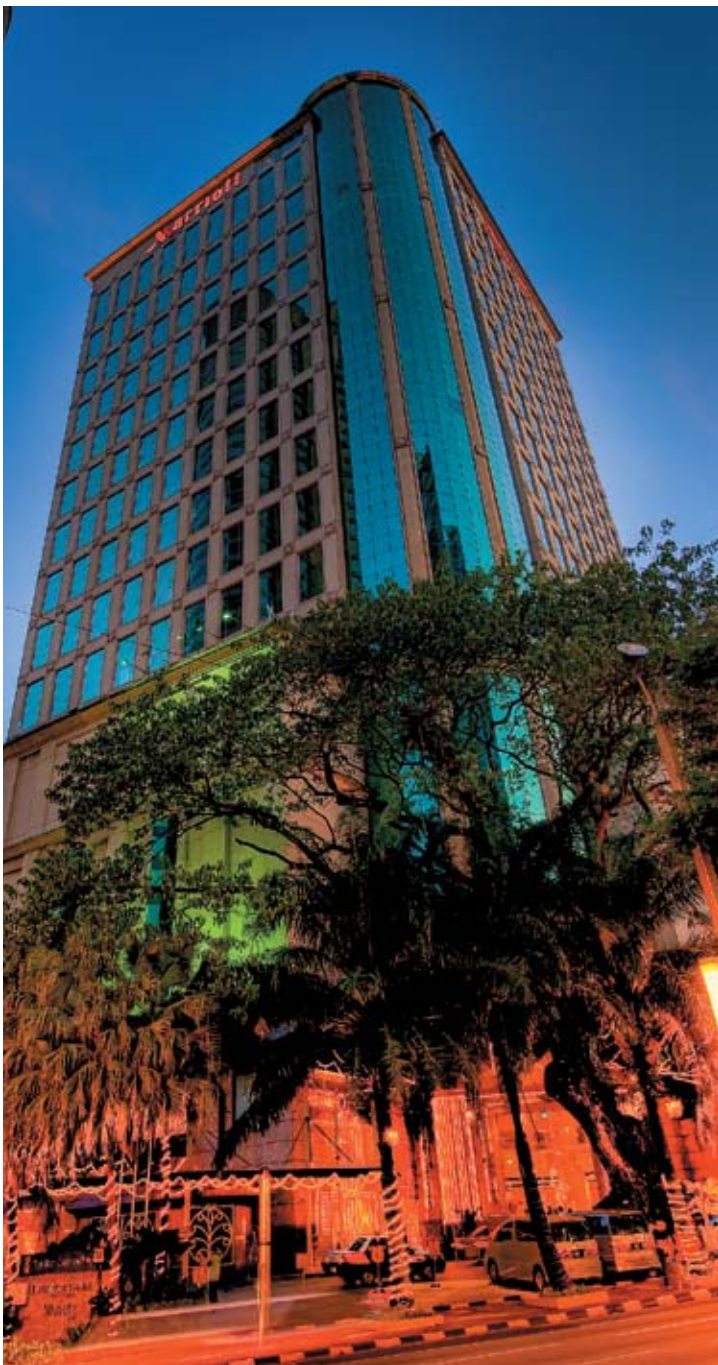
Notes:

- The Trust was established on 18 November 2005 and commenced business on 16 December 2005.
- Distribution yield is computed based on weighted average market price of the respective financial year/period.
- Annualised for the period from 16 December 2005 to 30 June 2006.
- 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/period.
- 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.

Property Portfolio

Overview



ABOUT STARHILL REIT

Starhill Real Estate Investment Trust (“Starhill REIT”) has a market capitalisation of approximately RM1,025 million (as at 30 June 2010) 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 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 2010 is as follows:-

	RM	%
Real Estate – Commercial:		
JW Marriott Hotel Kuala Lumpur	335,000,000	37
Car park at JW Marriott Hotel Kuala Lumpur	14,700,000	2
The Residences Properties	145,000,000	16
Non-Real Estate-Related Assets:		
Convertible preference units in Starhill Global Real Estate Investment Trust	405,000,000	45
	899,700,000	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



- Property** : A 5-star hotel with 561 rooms located on part of an 8-level podium block and the entire 24-level tower block of Starhill Gallery
- Address** : 183 Jalan Bukit Bintang
55100 Kuala Lumpur
Malaysia
- Property type** : Hotel
- Title** : Freehold
- Age of building** : Approximately 13 years
- Approved valuation** : RM335,000,000
- Tenancy details** : The JW Marriott Hotel Kuala Lumpur is presently leased to Star Hill Hotel Sdn Bhd, a wholly-owned subsidiary of YTL Corporation Berhad and the operator of the hotel, for a term expiring on 31 December 2023.



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

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



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 5 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 matter 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.



Chief Executive Officer's Statement

for the financial year ended 30 June 2010

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 2010.



OVERVIEW

The financial year under review was an eventful one for Starhill REIT. Most significantly, the Trust embarked on the rationalisation of its property portfolio, designed to transform Starhill REIT into a pure-play hospitality REIT. This involved the sale of Starhill REIT's two retail properties, Starhill Gallery and the Trust's parcels in Lot 10 Shopping Centre ("Lot 10 Property"), to Starhill Global Real Estate Investment Trust ("SG REIT") in Singapore, via a securitisation exercise undertaken by Ara Bintang Berhad, a special purpose vehicle.

During the year, the Trust completed its rebranding and repositioning of the Lot 10 Property. The centre's roof-top, previously largely vacant, was modified to include a two-level gym, high-end food and beverage outlets, an exclusive night club and a new branch of The Actors Studio, all in the midst of a spectacular roof garden and surrounding landscaping, providing a unique venue to host launches and lifestyle events.

Starhill Gallery, meanwhile, continued to build on its niche position in the luxury retail market, focusing on key areas, including its dedicated 20,000 sq.ft. watch pavilion which features every major luxury watch retailer from around the world. For the third year running, Starhill Gallery hosted its 11-day watch and jewellery showcase, "A Journey Through Time", in December 2009, attracting the world's leading luxury watch and jewellery brands to the Gallery.

These asset enhancement programmes enabled Starhill REIT to unlock the value of its retail properties at market value. 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 issued by SG REIT. The sale of the retail properties was completed on 28 June 2010 and, therefore, has not had a significant effect on the Trust's financial performance for the financial year under review.

The completion of this part of the rationalisation exercise has put us well on the path towards enabling Starhill REIT to focus on a single, dedicated class of hotel and hospitality-related assets. 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 the Trust's earnings in light of volatility in the tourism and hospitality sector.

FINANCIAL PERFORMANCE

Starhill REIT recorded revenue of RM109.8 million for the financial year ended 30 June 2010, representing a marginal decrease of 0.6% compared to RM110.5 million for the previous corresponding financial year ended 30 June 2009. Net income for the year stood at RM31.1 million this financial year, compared to RM355.8 million last year.

Included in income before taxation last year was a revaluation surplus of RM274.36 million required to be made under fair value accounting standards. As reported last year, the surplus arose from the revaluation of the REIT's properties during the financial year under review, namely, Starhill Gallery, the Lot 10 Property, the JW Marriott Hotel Kuala Lumpur and The Residences.

The Trust disposed of the Lot 10 Property and Starhill Gallery on 28 June 2010 and recognised a loss on disposal of RM39.65 million which arose mainly as a result of a decrease in fair value adjustment on the investment properties of RM24.66 million since the last valuation approved by the SC in July 2008. The Trust also incurred a divestment fee and other professional fees of approximately RM5.7 million in relation to the disposal.

Distribution to Unitholders

On 12 July 2010, 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 2010 to 30 June 2010, representing approximately 100% of Starhill REIT's net income for the period. The distribution will be paid on 24 August 2010.

The Final Distribution, coupled with the interim distribution of 3.2865 sen per unit paid on 25 February 2010 in respect of the six months ended 31 December 2009, represents a total distribution per unit ("DPU") of 6.4855 sen per unit for the 2010 financial year.



This translates into a yield of 7.5%, based on Starhill REIT's volume weighted average unit price of RM0.86 per unit for the year ended 30 June 2010. In comparison, the DPU for the previous year ended 30 June 2009 was 6.9121 sen.

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

Upon completion of the ongoing rationalisation process, Starhill REIT will become a streamlined, pure-play vehicle for prime, yield accretive hotel and hospitality-related assets, both in Malaysia and in renowned international destinations. The repositioning will open up new avenues for the expansion of Starhill REIT's portfolio and scope of investments in order to further diversify and enhance the Trust's asset base within the high-end, luxury hospitality segment.

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, tenants, business associates and regulatory authorities, for their continued support.

TAN SRI DATO' (DR) FRANCIS YEOH SOCK PING

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

11 August 2010



4 JULY 2009

STARHILL GALLERY'S MIDSUMMER NIGHTS FEAST AT SHOOK!

Starhill Gallery's annual Midsummer Nights Feast returned for another season of the freshest and finest flavors from around the world. The 10-day gastronomic journey kick-started with a special collaborative menu created by celebrated Australian chef, Stephen Mercer, and YTL Corporate Executive Chef, Kevin Cape.



From left to right: Chef Stephen Mercer; Chef Kevin Cape; Kuala Lumpur City Mayor Datuk Seri Ahmad Fuad bin Ismail; and Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Chief Executive Officer of Pintar Projek Sdn Bhd, the Manager of Starhill REIT



From left to right: Tan Sri Dato' Seri (Dr) Yeoh Tiong Lay, Executive Chairman of YTL Corporation Berhad; Datuk Seri Ahmad Fuad bin Ismail; Tan Sri Dato' (Dr) Francis Yeoh Sock Ping; Dato' Sri Khalid Mohamad Jiwa; Datuk Siti Nurhaliza; and Dato' Dr. Sheikh Muszaphar



4 SEPTEMBER 2009

FOREST IN THE CITY AT LOT 10

Lot 10 Shopping Centre underwent expansion and reinvention with the repositioning and re-launching of its 'Forest in the City' on the centre's rooftop, a heritagegourmet village on the lower ground floor called Lot 10 Hutong and other new tenants such as the National Geographic store and Debenhams.

Centre: Tan Sri Dato' (Dr) Francis Yeoh Sock Ping with new tenants of Lot 10 Shopping Centre

Corporate Events



2 OCTOBER 2009

STARHILL GALLERY ARTS FESTIVAL 2009

The annual Starhill Gallery Arts Festival was celebrated under the theme "Passions" in collaboration with the National Art Gallery, focusing on sculptures and installation art by Malaysian artists.

Tan Sri Dato' (Dr) Francis Yeoh Sock Ping (standing, fourth from left) with the Festival's featured sculptors and artists



13 OCTOBER – 5 DECEMBER 2009

'A JOURNEY THROUGH TIME III' RETURNS WITH A GREEN MESSAGE

Starhill Gallery, in collaboration with Tourism Malaysia, proudly announced its third chapter of Asia's largest luxury watch and jewellery showcase – A Journey Through Time III – which presented yet another eleven days of astounding events and exhibitions, a celebration of high-end timepieces accompanied by exquisite culinary delights and world-class live entertainment.

Y.B. Dato' Sri Dr. Ng Yen Yen, Minister of Tourism, and Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Chief Executive Officer of Pintar Projek Sdn Bhd



17 OCTOBER 2009

MALAYSIAN ASTRONAUT OPENS MEDICAL CLINIC AT STARHILL GALLERY

Malaysia's very own astronaut opened his first charity driven medical practice at Starhill Gallery, officiated by Tun Dr. Mahathir Mohamad.

Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Tun Dr. Mahathir bin Mohamad and Dato' Dr. Sheikh Muszaphar officiating the opening of the clinic



11 NOVEMBER 2009

REPOSITIONING OF STARHILL REIT AS A GLOBAL HOSPITALITY REIT

Starhill REIT announced its rationalisation exercise in November 2009 to reposition Starhill REIT as a full fledged hospitality REIT. This involved the sale of Starhill Gallery and the Trust's parcels in Lot 10 Shopping Centre, to be followed by the injection of new hotel and hospitality-related assets into the Trust.



28 OCTOBER 2009

TEEQ HOSTS SPECIAL EVENING WITH ANNA KOURNIKOVA

Kuala Lumpur's newest hot spot, the Lot 10 Rooftop, saw excitement as Russian tennis player Anna Kournikova made her way to Teeq Brasserie, in conjunction with her role as an ambassador for this year's Showdown of Champions 2009.

From left to right: Deputy Prime Minister, Y.A.B. Dato' Haji Muhyiddin bin Mohd. Yassin; Anna Kournikova; and Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Chief Executive Officer of Pintar Projek Sdn Bhd



24 NOVEMBER 2009

CULINARY MAESTRO MARTIN YAN DISCOVERS TRADITIONAL MALAYSIAN CUISINE AT LOT 10 HUTONG

Martin Yan, renowned television personality, culinary maestro and cultural ambassador of Asia, visited the Lot 10 Shopping Centre to savour the various local and traditional Malaysian cuisines at Lot 10 Hutong.

From left to right: Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Martin Yan and Puan Sri Datin Seri Tan Kai Yong @ Tan Kay Neong



29 OCTOBER 2009

BERNARD ARNAULT VISITS STARHILL GALLERY

Chief Executive Officer of the LVMH Group and Chairman of Christian Dior SA, Bernard Arnault, visited the LVMH stores in Starhill Gallery.

From left to right: Jacob Yeoh Keong Yeow, Executive Director of YTL e-Solutions Berhad; Bernard Arnault; Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Chief Executive Officer of Pintar Projek Sdn Bhd; and Dato' Yeoh Soo Min, Executive Director of YTL Corporation Berhad



2 DECEMBER 2009

GLAD SOUNDS AT STARHILL GALLERY

Fellow Christian church members and pastors across Kuala Lumpur gathered for the momentous opening of the Christian bookstore, Glad Sounds, at Starhill Gallery.

From left to right: Chung Siew Leng, Personnel Director of YTL Corporation Berhad; Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Chief Executive Officer of Pintar Projek Sdn Bhd; and Reverend Dr. Philip Lok



15 APRIL 2010

DEBENHAMS OPENS AT LOT 10 WITH STELLAR MATTHEW WILLIAMSON FASHION SHOW

The Debenhams store was officially launched with a grand celebration at the concourse of Lot 10 Shopping Centre, featuring special guests such as fashion designer Matthew Williamson, alongside International Director of Debenhams, Francis McAuley. The launch of the highly anticipated flagship store at Lot 10 included a spectacular fashion show.

From right to left: Tan Sri Dato' (Dr) Francis Yeoh Sock Ping, Chief Executive Officer of Pintar Projek Sdn Bhd; Matthew Williamson; renowned shoe designer Dato' Jimmy Choo; Datuk Seri Ahmad Fuad bin Ismail, Mayor of Kuala Lumpur; and Dato' Yeoh Soo Min, Executive Director of YTL Corporation Berhad



9 APRIL 2010

WYCLEF JEAN & LIONEL RICHIE AT ROOTZ

International singing superstar Lionel Richie and multi-platinum recording artist and record producer Wyclef Jean visited Rootz dance club, located on Lot 10's Rooftop, after the Malaysian Grand Prix Gala Dinner.

From left to right: Lionel Richie, Wyclef Jean and Tan Sri Dato' (Dr) Francis Yeoh Sock Ping



30 APRIL 2010

NATIONAL GEOGRAPHIC STORE OPENS AT LOT 10

National Geographic opened its fourth NatGeo store in the world at Lot 10 Shopping Centre to cater for the fast growing group of environmentally aware shoppers. The store aims to engage, educate and inspire customers to better understand global cultures and natural environments and is a perfect complement to Lot 10's "Forest in the City" concept.

Dato' Michelle Yeoh and Tan Sri Dato' (Dr) Francis Yeoh Sock Ping at the official opening of the National Geographic Store

Corporate Information

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 0088/603-2142 6633
Fax: 603-2141 2703

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

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

PROPERTY MANAGER

Azmi & Co Building Services Sdn Bhd

A9-1-1, Jalan Ampang Utama 2/2
One Ampang Business Avenue
68000 Ampang
Selangor Darul Ehsan
Tel: 603-4256 6868
Fax: 603-4256 2266

TRUSTEE

Mayban Trustees Berhad

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

REGISTRAR

Pintar Projek Sdn Bhd

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

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)

Profile of the Board of Directors

TAN SRI DATO' (DR) FRANCIS YEOH SOCK PING

Malaysian, aged 55, 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.

DATO' YEOH SEOK KIAN

Malaysian, aged 52, 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 82, 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.

DATO' HJ MOHAMED ZAINAL ABIDIN BIN HJ ABDUL KADIR

Malaysian, aged 70, 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 Sdn Bhd.

EU PENG MENG @ LESLIE EU

Malaysian, aged 75, 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.

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	4
Dato' (Dr) Yahya Bin Ismail	4
Eu Peng Meng @ Leslie Eu	4

NOTES:

1. Family Relationship with Director and/or Major Unitholder

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

2. Conflict of Interest

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

3. Conviction of Offences

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

Statement on Corporate Governance

Starhill Real Estate Investment Trust (“Starhill REIT” or “Trust”) was established on 18 November 2005 pursuant to a trust deed (“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 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 the 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 on and conducted in a proper, diligent and efficient manner, and in accordance with acceptable and efficacious business practices in the real estate investment trust industry in Malaysia. Subject to the provisions of the Deed, the Manager has full and complete powers of management and must manage 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 or, if conflicts arise, shall ensure that Starhill REIT is not disadvantaged by the transaction concerned. The Manager must not make improper use of its position in managing Starhill REIT to gain, directly or indirectly, an advantage for itself or for any other person or to cause detriment to the interests of Unitholders.

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

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

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

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

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

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

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

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

BOARD MEETINGS & ACCESS TO INFORMATION

Board meetings are scheduled at least four times per annum to review the operations of Starhill REIT and to approve the interim and annual financial statements of Starhill REIT. The Board met four times during the financial year ended 30 June 2010.

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

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

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

APPOINTMENTS TO THE BOARD

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

DIRECTORS' REMUNERATION

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

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

DIRECTORS' TRAINING

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; and
- Conducting follow-up reviews to assess if appropriate action has been taken to address issues highlighted in audit reports.

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 applicable approved accounting standards in Malaysia, the provisions of the Companies Act 1965, 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 2010.

Analysis of Unitholdings

as at 30 June 2010

Size of holding	No. of Unitholders	%	No. of Units	%
1 – 99	130	1.98	2,342	0.00
100 – 1,000	1,575	23.95	1,432,358	0.12
1,001 – 10,000	3,026	46.01	16,122,100	1.37
10,001 – 100,000	1,569	23.86	57,274,900	4.86
100,001 – to less than 5% of issued units	274	4.17	359,660,700	30.51
5% and above of issued units	2	0.03	744,396,489	63.14
Total	6,576	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	Employees Provident Fund Board	43,166,400	3.66
4	Valuecap Sdn Bhd	36,689,000	3.11
5	Citigroup Nominees (Tempatan) Sdn Bhd – ING Insurance Berhad (INV-IL PAR)	29,243,000	2.48
6	DB (Malaysia) Nominee (Asing) Sdn Bhd – Exempt An for Deutsche Bank AG Singapore (PWM Asing)	27,791,000	2.36
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)	20,000,000	1.70
9	Citigroup Nominees (Tempatan) Sdn Bhd – Exempt An for American International Assurance Berhad	16,900,000	1.43
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	4,250,000	0.36
15	Citigroup Nominees (Asing) Sdn Bhd – UBS AG for NPJ Global Opportunities Master Fund (Pledged)	4,069,500	0.35
16	Kurnia Insurans (Malaysia) Berhad	4,000,000	0.34
17	Kenanga Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Chin Kiam Hsung	3,413,500	0.29
18	Hong Leong Assurance Berhad – As Beneficial Owner (Life Par)	3,100,000	0.26
19	Kurnia Insurans (Malaysia) Berhad	3,000,000	0.25

Analysis of Unitholdings

as at 30 June 2010

	Name	No. of Units	%
20	Mayban Nominees (Tempatan) Sdn Bhd – Mayban Life Assurance Berhad (PAR Fund)	2,984,200	0.25
21	Mayban Nominees (Tempatan) Sdn Bhd – Mayban Life Assurance Berhad (Non-PAR Fund)	2,872,200	0.24
22	YTL Corporation Berhad	2,687,700	0.23
23	Law Chin Wat	2,620,000	0.22
24	Chin Kian Fong	2,459,600	0.21
25	Chow Yook Hey @ Chow Yoke Pui	2,410,000	0.20
26	Hong Leong Assurance Berhad – As Beneficial Owner (Life Non PAR)	2,200,000	0.19
27	Hong Leong Bank Berhad	2,200,000	0.19
28	HSBC Nominees (Tempatan) Sdn Bhd – HSBC (Malaysia) Trustee Berhad for Amanah Saham Sarawak	2,000,000	0.17
29	Mayban Nominees (Tempatan) Sdn Bhd – Etiqa Insurance Berhad (Life Par Fund)	1,941,000	0.16
30	TCL Nominees (Tempatan) Sdn Bhd – Pledged Securities Account for Chin Kiam Hsung	1,906,800	0.16
Total		1,029,431,589	87.32

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

STATEMENT OF INTERESTS OF DIRECTORS OF THE MANAGER, PINTAR PROJEK SDN BHD in Starhill Real Estate Investment Trust as at 30 June 2010

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	20,000	*	—	—

* Negligible

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Manager's Report

The Directors of Pintar Projek Sdn. Bhd., the Manager of Starhill Real Estate Investment Trust ("**Starhill REIT**" or "**Trust**"), is pleased to present their Report to the Unitholders of Starhill REIT together with the audited financial statements of Starhill REIT for the financial year ended 30 June 2010.

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 disposed of the Lot 10 Parcels and Starhill Gallery to Starhill Global REIT ("**SG REIT**") at the sale consideration of RM401 million and RM629 million respectively on 28 June 2010 following a rationalisation exercise to reposition Starhill REIT as a hospitality real estate investment trust ("**Proposed Rationalisation**"). The Proposed 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 financial year, 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**")

	2010	2009
MER for the financial year	0.70%	0.31%

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

	RM'000	%
Real Estate – Commercial		
• JW Marriott Hotel Kuala Lumpur	335,000	37
• Car park at JW Marriott Hotel Kuala Lumpur	14,700	2
• The Residences Properties	145,000	16
	494,700	55
Non-Real Estate-Related Asset		
• Convertible Preference Units of Starhill Global REIT	405,000	45
	899,700	100

BREAKDOWN OF UNITHOLDINGS

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

Unit class	No. of Unitholders	%	No. of units held	%
Less than 100	130	1.98	2,342	0.00
100 to 1,000	1,575	23.95	1,432,358	0.12
1,001 to 10,000	3,026	46.01	16,122,100	1.37
10,001 to 100,000	1,569	23.86	57,274,900	4.86
100,001 to less than 5% of issued units	274	4.17	359,660,700	30.51
5% and above of issued units	2	0.03	744,396,489	63.14
	6,576	100.00	1,178,888,889	100.00

INVESTMENT PORTFOLIO

The details of the Properties as at the balance sheet 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.
Property type	Hotel
Age	Approximately 13 years
Title details	Grant No. 28678 for Lot No. 1267 Section 67, Town and District of Kuala Lumpur, State of Wilayah Persekutuan Kuala Lumpur.

INVESTMENT PORTFOLIO (CONTINUED)

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
Sole tenant	Star Hill Hotel 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	RM329,000,000
Market value	RM335,000,000
Date of last valuation	1 March 2008
Independent valuer	Raine & Horne International Zaki + Partners Sdn Bhd
Net book value	RM335,000,000

Car Park at JW Marriott Hotel Kuala Lumpur

Address/Location	183, Jalan Bukit Bintang, 55100 Kuala Lumpur.
Description	490 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	Car park
Age	Approximately 13 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	There are no registered encumbrances.
Status of holdings	Freehold
Existing use	Car park
Sole Operator	YTL Land Sdn. Bhd.
Agreement period	The car park is leased for a term expiring on 27 June 2015.
Date of acquisition	16 December 2005
Cost of acquisition	RM2,024,096
Market value	RM14,700,000
Date of last valuation	1 March 2008
Independent valuer	Raine & Horne International Zaki + Partners Sdn Bhd
Net book value	RM14,700,000

INVESTMENT PORTFOLIO (CONTINUED)**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 5 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
Net book value	RM145,000,000

MATERIAL CONTRACTS

The detail of the material contract entered involving the Manager and the major unitholders' interests, still subsisting at the balance sheet 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 5 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

	2010 RM'000	2009 RM'000
Net revenue	109,823	110,483
Income before tax	31,077	355,847
Income after tax	31,077	355,847

For the financial year ended 30 June 2010, the Trust recorded RM109.823 million and RM31.077 million of revenue and income before tax respectively, representing a marginal decrease of 0.59% and a decrease of 91.27% compared to RM110.483 million and RM355.847 million of revenue and income before tax respectively recorded in the previous financial year ended 30 June 2009.

Included in the income before tax in the prior year was the fair value adjustment on investment properties amounting to RM274.360 million, in respect of the revaluation surplus that arose from the revaluation of investment properties, namely Lot 10 Parcels, Starhill Gallery, JW Marriott Hotel Kuala Lumpur and The Residences Properties.

The Trust disposed of the Lot 10 Parcels and Starhill Gallery on 28 June 2010 and recognised a loss on disposal of RM39.650 million which is mainly due to a decrease in fair value adjustment on the investment properties of RM24.660 million since the last valuation approved by the Securities Commission in July 2008. The Trust also incurred a divestment fee and other professional fees of approximately RM5.731 million in relation to the disposal.

At the operating level, income before tax amounted to RM76.458 million, a decrease of RM5.029 million as compared to prior year. Revenue was lower in the current year as a result of the de-recognition of rental income and service charges from the Lot 10 Parcels and Starhill Gallery after the disposals. The de-recognition resulted in a decrease of revenue of approximately RM0.570 million. Property operating costs increased by approximately RM3.841 million mainly due to the maintenance and enhancement of the Lot 10 Parcels and Starhill Gallery prior to the disposals. Lower interest rates in the current year had resulted in a RM0.596 million decrease in interest income compared to the prior year.

DISTRIBUTION OF INCOME

An interim distribution of income (which is tax exempt at Starhill REIT level under Section 61A of the Income Tax Act 1967) of 3.2865 sen per unit (of which 2.5436 sen per unit is taxable and 0.7429 sen per unit is non-taxable in the hands of unitholders) amounting to RM38,744,183 representing approximately 100% of the realised and distributable income after tax was paid on 25 February 2010 in respect of the six months financial period from 1 July 2009 to 31 December 2009.

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 3.1990 sen per unit is taxable in the hands of unitholders), totaling RM37,712,656, representing approximately 100% of the realised and distributable income after tax in respect of the six months financial period from 1 January 2010 to 30 June 2010.

Total distribution paid and declared for the financial year ended 30 June 2010 is 6.4855 sen per unit, totaling RM76,456,839, which translates to a yield of 7.54% based on the twelve months weighted average market price of RM0.86 as at 30 June 2010.

The effect of the income distribution in terms of the net asset value per unit as at 30 June 2010 is as follows:-

Net asset value ("NAV")

	Before distribution RM	After distribution RM
NAV per unit	1.231	1.166

Analysis of net asset value since the last financial year ended 30 June 2009:-

At 30 June	2010	2009
Total net asset value (RM'000)	1,374,877	1,420,257
Net asset value per unit (RM)	1.166	1.205

The decrease in total net asset value was attributed by the loss on disposal of investment properties as disclosed in Note 10 of the Financial Statements.

Analysis of changes in prices since the last financial year ended 30 June 2009:-

The Trust's units traded at RM0.83 per unit at the beginning of the financial year and ended the year marginally higher at RM0.86 per unit, with a volume weighted average price for the financial year of RM0.86 per unit. During the financial year under review, the Trust's unit price reached a high of RM0.92 per unit and a low of RM0.83 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

Prior to the disposals of the Lot 10 parcels and Starhill Gallery, 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.

After the disposals of the Lot 10 parcels and Starhill Gallery, the Manager's operating strategy is to position Starhill REIT as a full-fledged hospitality REIT. This will provide a platform to enable the Starhill REIT to focus on a single, dedicated class of asset.

Under the Proposed Rationalisation, Starhill REIT 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.

Starhill REIT 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.

(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 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.

INVESTMENT STRATEGIES (CONTINUED)

(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

PROSPECTS OF THE MALAYSIAN PROPERTY MARKET

THE MALAYSIAN ECONOMY

The services sector remained the largest contributor to Malaysia economy and is on the road to recovery with Gross Domestic Product ("GDP") rebounded 4.5% in 4th quarter 2009 after recording three consecutive quarters of negative growth in GDP for 2009 contracted 1.7%. The services sector recorded a lower growth of 2.6% in 2009 against 7.2% in 2008.¹

GDP registered a strong growth of 10.1% in 1st quarter 2010 led by continued expansion in domestic demand which expanded by 5.4% compared to 4th quarter 2009 of 2.8% due mainly to higher private consumption and sustained public sector spending. Private consumption spending grew by 5.1% compared to 1.6% in 4th quarter 2009, supported by continued improvement in labour market conditions amidst an environment of low inflation and improved consumer sentiment. Similarly, the services sector recorded a higher growth of 8.5% in 1st quarter 2010 compared to 5.2% in 4th quarter 2009 with strong performance growth, with a contribution of 4.9% points to overall GDP growth.¹

Malaysia's inflation based on Consumer Price Index rose at a slower pace at 0.6% in 2009 compared to 5.4% in 2008 and increased further to 1.3% on an annual basis in 1st quarter 2010 compared to -0.2% in 4th quarter 2009. The increase in consumer prices was attributed mainly to price increase in food and non-alcoholic beverages. Bank Negara forecasted inflation to grow at 2% to 2.5% in 2010.²

Growth in the wholesale and retail trade sub-sector also registered a higher growth of 9.6% in 1st quarter 2010 compared to 3.6% in 4th quarter 2009 due to improved household consumption spending.²

Bank Negara forecasted a growth rate of between 4.5% and 5.5% for 2010 given the stronger than expected first quarter growth of 10.1%. The services sector is projected to register a higher growth of 4.9% in 2010 and will remain key contributor to the overall GDP.³

¹ Source: Bank Negara, *Economic and Financial Developments in Malaysia in the First Quarter of 2010*, 13 May 2010

² Source: *The New Straits Times*, 24 March 2010

³ Source: *The Star*, 25 March 2010

HOTELS (LEISURE INDUSTRY)

The performance of the hotel is starting to improve with Malaysia Institute Economic Research's Tourism Market Index stood at 114.1 points in 4th quarter 2009 indicating improvements. ¹In tandem, tourist arrivals increased 7.2% in 2009 to 23.65 million against 22.05 million in 2008 compared to the increase of 5.1% from 2007 to 2008. Tourists receipts reached RM53.367 billion in 2009 against RM49.561 billion in 2008.

There was also a 5% increase in tourist arrivals for the January to March period in 2010 with 5.75 million compared to same period in 2009 with 5.46 million.⁴

However, despite higher tourist arrivals, the performance of hotels was generally flat with occupancy rates of three to five star hotels continued to slide. In 2009, the occupancy recorded 55.6% for the total rooms of 163,103 against 62.1% in 2008.¹

Kuala Lumpur also recorded a decline in occupancy rate for its total hotel rooms supply of 29,946 from 68.8% to 62.7% according to Ministry of Tourism statistics.

Backed by government incentives and co-ordinated efforts in promoting Malaysia as the "Truly Asia" tourist destination, alongside improving external economies, the hotel sector is expected to show improved performance. Also the leisure sub-sector is expected to benefit from the RM899 million allocations provided in the Budget 2010 aimed at intensifying the tourism industry.¹

Tourism ministry is projecting RM56 billion in receipts from 24 million visitor arrivals for 2010.⁴

OUTLOOK FOR 2010

The year 2010 would see all sectors of the economy regain strength supported by various measures proposed under Budget 2010 such as cap for individual income tax is reduced from 27% to 26% whilst the personal relief be increased from RM8,000 to RM9,000 and many other measures to impel the sectors forward.

The strong and broad-based expansion of the domestic economy in 1st quarter 2010 affirms that the recovery of the Malaysia economy is firmly established. Going forward, growth is expected to be sustained, supported by the continued expansion in domestic and external demand. Expansion in domestic demand is expected to be supported by favourable employment conditions, improving consumer and business confidence and an accommodative policy environment, while external demand will be supported by stronger regional trade and the global upturn.

Starhill REIT will continuously ensure the business philosophy is achieved by the acquisition of hotel properties located both in Malaysia and internationally, subject to attractive valuations which would provide yield accretive returns to Unitholders.

Nonetheless, Starhill REIT is committed to deliver long term sustainable distributions and capital stability with effective strategies in growing yield accretive assets and building portfolio by exploring acquisitions and capital growth opportunities in Malaysia and 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.

⁴ Source: *The Star*, 26 May 2010

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

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 2010, 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 01.07.2009	No. of units acquired	No. of units disposed	Balance at 30.06.2010
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	—	—	20,000
Eu Peng Meng @ Leslie Eu	20,000	—	(20,000)	—

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

MANAGER'S REMUNERATION

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

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

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

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.

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 2010
Kuala Lumpur

Statement by Manager

In the opinion of the Directors of PINTAR PROJEK SDN. BHD., the accompanying financial statements are drawn up in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, the Companies Act 1965, 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 2010 and of the results of operations and cash flows of STARHILL REAL ESTATE INVESTMENT TRUST for the financial year ended on that date.

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

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

Dato' Hj. Mohamed Zainal Abidin Bin Hj. Abdul Kadir

Dated: 12 July 2010
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 2010

Before me:

Commissioner for Oaths

Trustee's Report

to the Unitholders of Starhill Real Estate Investment Trust

We have acted as Trustee of STARHILL REAL ESTATE INVESTMENT TRUST ("the Fund") for the financial year ended 30 June 2010. 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 24 February 2010 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 2010
Kuala Lumpur

Independent Auditors' Report

to the Unitholders of Starhill Real Estate Investment Trust

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of STARHILL REAL ESTATE INVESTMENT TRUST, which comprise the Balance Sheet as at 30 June 2010 and the Income Statement, Statement Of Changes In Net Asset Value and Cash Flow Statement for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 42 to 62.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors of Pintar Projek Sdn. Bhd., the Manager of STARHILL REAL ESTATE INVESTMENT TRUST are responsible for the preparation and fair presentation of these financial statements in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, the Companies Act 1965, 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. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

In our opinion, the financial statements have been properly drawn up in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, the Companies Act 1965, 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 STARHILL REAL ESTATE INVESTMENT TRUST as of 30 June 2010 and of its financial performance and cash flows for the financial year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

OTHER MATTERS

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

HLB LER LUM

(Firm Number: AF 0276)

Chartered Accountants

LUM TUCK CHEONG

1005/3/11(J/PH)

Chartered Accountant

Dated: 12 July 2010

Kuala Lumpur

Income Statement

for the financial year ended 30 June 2010

	Note	2010 RM'000	2009 RM'000
Net revenue	3	109,823	110,483
Property operating expenses	4	(22,735)	(18,894)
Net property income		87,088	91,589
Interest income		2,217	2,813
Fair value adjustment on investment properties		—	274,360
Total income		89,305	368,762
Manager's fees	5	8,576	3,486
Trustee's fees	6	496	487
Borrowing costs	7	8,650	8,651
Auditors' remuneration		20	20
Tax agent's fees		10	10
Valuation fees		156	147
Administration expenses		670	114
Loss on disposal of investment properties	10	39,650	—
Total expenses		58,228	12,915
Income before tax		31,077	355,847
Income tax expense	8	—	—
Income after tax		31,077	355,847
Income after tax is made up as follows:-			
Realised and distributable		76,458	81,487
Realised and undistributable		190,303	—
Unrealised from fair value adjustment on investment properties		—	274,360
Realisation of fair value on disposal of investment properties		(235,684)	—
		31,077	355,847

The notes set out on pages 48 to 62 form an integral part of these financial statements.

	Note	2010 RM'000	2009 RM'000
Earnings per unit	9		
– after manager's fees (sen)		2.64	30.18
– before manager's fees (sen)		3.36	30.48
<hr/>			
Net income distribution			
– Interim income distribution of 3.2865 sen, paid on 25 February 2010 (2009: 3.4554 sen, paid on 26 February 2009)		38,744	40,735
<hr/>			
– Final income distribution of 3.1990 sen (2009: 3.4567 sen, paid on 24 August 2009)		37,713	40,751
<hr/>			
Income distribution per unit			
– Interim income distribution – Gross (sen)		3.2865	3.4554
<hr/>			
– Final income distribution – Gross (sen)		3.1990	3.4567
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The notes set out on pages 48 to 62 form an integral part of these financial statements.

Balance Sheet

as at 30 June 2010

	Note	2010 RM'000	2009 RM'000
ASSETS			
Non-current assets			
Investment properties	10	494,700	1,550,201
Current assets			
Trade receivables	11	6,682	7,341
Other receivables & prepayments	12	625,567	735
Investments	13	405,000	—
Deposits with licensed financial institution	14	84,155	97,661
Cash at bank		2,598	738
		1,124,002	106,475
Total assets		1,618,702	1,656,676
UNITHOLDERS' FUNDS AND LIABILITIES			
Unitholders' funds			
Unitholders' capital	15	1,145,895	1,145,895
Undistributed income		228,982	274,362
Total unitholders' funds		1,374,877	1,420,257
Non-current liabilities			
Borrowing	16	—	180,000
Other payables	17	—	9,347
		—	189,347

The notes set out on pages 48 to 62 form an integral part of these financial statements.

	Note	2010 RM'000	2009 RM'000
Current liabilities			
Borrowing	16	180,000	—
Other payables	17	26,112	6,321
Provision for income distribution	18	37,713	40,751
		243,825	47,072
Total liabilities		243,825	236,419
Total unitholders' funds and liabilities		1,618,702	1,656,676
Net asset value ("NAV")		1,374,877	1,420,257
Number of units in circulation ('000)	15	1,178,889	1,178,889
NAV per unit (RM)			
– before income distribution		1.231	1.274
– after income distribution		1.166	1.205

The notes set out on pages 48 to 62 form an integral part of these financial statements.

Statement of Changes in Net Asset Value

for the financial year ended 30 June 2010

	Unitholders' Capital RM'000	Distributable Undistributed Income		Total Unitholders' Funds RM'000
		Realised RM'000	Unrealised RM'000	
At 1 July 2008	1,145,895	1	—	1,145,896
Operations for the financial year ended 30 June 2009				
Income for the financial year	—	81,487	—	81,487
Changes in fair value	—	—	274,360	274,360
Increase in net assets resulting from operations	—	81,487	274,360	355,847
Unitholders transactions				
Distribution paid	—	(40,735)	—	(40,735)
Provision for income distribution (Note 18)	—	(40,751)	—	(40,751)
Decrease in net assets resulting from unitholders transactions	—	(81,486)	—	(81,486)
At 30 June 2009	1,145,895	2	274,360	1,420,257
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 18)	—	(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

The notes set out on pages 48 to 62 form an integral part of these financial statements.

Cash Flow Statement

for the financial year ended 30 June 2010

	2010 RM'000	2009 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before tax	31,077	355,847
Adjustments for:-		
Allowance for doubtful debts	528	681
Interest income	(2,217)	(2,813)
Interest expense	8,640	8,640
Fair value adjustment on investment properties	—	(274,360)
Loss on disposal of investment properties	39,650	—
Operating profit before changes in working capital	77,678	87,995
Increase/(Decrease) in receivables	299	(5,686)
Increase in payables	10,444	759
Net cash from operating activities	88,421	83,068
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	2,217	2,813
Enhancement of investment properties	(14,149)	(706)
Net cash (used in)/from investing activities	(11,932)	2,107
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(8,640)	(8,640)
Distribution paid	(79,495)	(81,891)
Net cash used in financing activities	(88,135)	(90,531)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,646)	(5,356)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR	98,399	103,755
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	86,753	98,399
NOTES TO THE CASH FLOW STATEMENT		
(a) Cash and cash equivalents comprise:-		
Deposits with licensed financial institution	84,155	97,661
Cash at bank	2,598	738
	86,753	98,399
(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 48 to 62 form an integral part of these financial statements.

Notes to the 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 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 MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, the Companies Act 1965, 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.

The preparation of financial statements in conformity with MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities, the Companies Act 1965, 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 requires the Directors of the Manager to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities (if any) at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

The financial statements are presented in Ringgit Malaysia (RM) and all values are rounded to the nearest thousand (RM'000) except as otherwise indicated.

(b) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of FRS 8, Operating Segments and early adoption of Amendments to FRS 8, Operating Segments effective from the financial period beginning 1 July 2009.

Adoption of the above standard and interpretations did not have any effect on the financial performance or position of the Trust except as discussed in the Note 29 to the Financial Statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) 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 Financial Reporting Standards ("FRS"), amendments to FRS and IC Interpretations ("IC Int") 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 4	Insurance Contracts	1 Jan 2010
FRS 7	Financial Instruments : Disclosures	1 Jan 2010
FRS 101	Presentation of Financial Statements (revised)	1 Jan 2010
FRS 123	Borrowing costs	1 Jan 2010
FRS 139	Financial Instruments: Recognition and Measurement	1 Jan 2010
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards and FRS 127 Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 Jan 2010
Amendments to FRS 2	Share-based Payment - Vesting Conditions and Cancellations	1 Jan 2010
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 Jan 2010 & 1 Jul 2010
Amendments to FRS 7	Financial Instruments: Disclosures	1 Jan 2010
Amendments to FRS 8	Operating Segments	1 Jan 2010
Amendments to FRS 107	Statement of Cash Flows	1 Jan 2010
Amendments to FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 Jan 2010
Amendments to FRS 110	Events After the Reporting Period	1 Jan 2010
Amendments to FRS 116	Property, Plant and Equipment	1 Jan 2010
Amendments to FRS 117	Leases	1 Jan 2010
Amendments to FRS 118	Revenue	1 Jan 2010
Amendments to FRS 119	Employee Benefits	1 Jan 2010
Amendments to FRS 120	Accounting for Government Grants and Disclosure of Government Assistance	1 Jan 2010
Amendments to FRS 123	Borrowing Costs	1 Jan 2010
Amendments to FRS 127	Consolidated and Separate Financial Statements	1 Jan 2010
Amendments to FRS 128	Investments in Associates	1 Jan 2010
Amendments to FRS 129	Financial Reporting in Hyperinflationary Economies	1 Jan 2010
Amendments to FRS 131	Interests in Joint Ventures	1 Jan 2010
Amendments to FRS 132	Financial Instruments: Presentation	1 Jan 2010 & 1 Mar 2010

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

		Effective for financial periods beginning on or after
Amendments to FRS 134	Interim Financial Reporting	1 Jan 2010
Amendments to FRS 136	Impairment of Asset	1 Jan 2010
Amendments to FRS 138	Intangible Assets	1 Jan 2010 & 1 Jul 2010
Amendments to FRS 139	Financial Instruments: Recognition and Measurement	1 Jan 2010
Amendments to FRS 140	Investment Property	1 Jan 2010
IC Int 9	Reassessment of Embedded Derivatives	1 Jan 2010
IC Int 10	Interim Financial Reporting and Impairment	1 Jan 2010
IC Int 11	FRS 2 – Group and Treasury Share Transactions	1 Jan 2010
IC Int 13	Customer Loyalty Programmes	1 Jan 2010
IC Int 14	FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 Jan 2010
FRS 1	First-time Adoption of Financial Reporting Standards (revised)	1 Jul 2010
FRS 3	Business combination (revised)	1 Jul 2010
FRS 127	Consolidated and Separate Financial Statements (revised)	1 Jul 2010
Amendments to FRS 2	Share-based Payment	1 Jul 2010
IC Int 12	Service Concession Arrangements	1 Jul 2010
IC Int 15	Agreements for the Construction of Real Estate	1 Jul 2010
IC Int 16	Hedges of net Investment in a Foreign Operation	1 Jul 2010
IC Int 17	Distributions of Non-cash Assets to Owners	1 Jul 2010
IC Int 201	Preliminary and Pre-operating Expenditure	1 Jul 2010
Amendments to IC Int 9	Reassessment of Embedded Derivative	1 Jul 2010
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards – Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters	1 Jan 2011
Amendments to FRS 7	Financial Instruments: Disclosures Improving Disclosures about Financial Instruments	1 Jan 2011

FRS 3, 4 and 127, Amendments to FRS 2, 5, 116, 119, 120, 127, 128, 129, 131, 138, IC Int 9, 11, 12, 13, 14, 15, 16 and 17, Amendments to IC Int 9 are not relevant to the Trust's operations.

The Trust is exempted from disclosing the possible impact, if any, to the financial statements upon initial application of FRS 7 and FRS 139.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Significant accounting estimates and judgments

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

(i) Provisions

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

(ii) Allowance for doubtful debts

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

(e) Investment properties

Investment properties consist of leasehold and freehold land & buildings which are held for long term rental yield or for capital appreciation or both. Investment properties are accounted for as non-current assets and are stated at fair value.

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

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.

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.

(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) Receivables

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

(h) Cash and cash equivalents

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

(i) Payables

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(j) Provisions**

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

Provisions for income distribution

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

(k) Interest-bearing borrowings

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

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

(l) Income tax and deferred tax

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

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

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

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

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

(m) 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 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.

(n) Financial instruments

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

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

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

3. NET REVENUE

	2010 RM'000	2009 RM'000
Rental income	91,914	92,617
Service charges	12,064	12,321
Carpark income	5,359	5,250
Other interest income	390	268
Maintenance income	565	617
Other income	59	91
Gross revenue	110,351	111,164
Less: Allowance for doubtful debts	(528)	(681)
	109,823	110,483

4. PROPERTY OPERATING EXPENSES

	2010 RM'000	2009 RM'000
Service charges & fixed operating costs	11,548	11,645
Property management fees	1,493	1,514
Assessment & quit rent	4,971	5,068
Insurance & others	596	604
Property promotions & maintenance	4,127	63
	22,735	18,894

For the financial year ended 30 June 2010, property management fees of RM1,493,547 (2009: RM1,513,786) 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 year comprise:-

	2010 RM'000	2009 RM'000
(i) Base fee	1,654	1,624
(ii) Performance fee	1,772	1,862
(iii) Divestment fee	5,150	—
	8,576	3,486

- (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.

6. 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.

7. BORROWING COSTS

	2010 RM'000	2009 RM'000
Interest expense on term loan (Note 16)	8,640	8,640
Incidental cost incurred to administer the term loan facility:-		
– Facility fee	10	11
	8,650	8,651

8. INCOME TAX EXPENSE

There is no taxation charged for the financial year ended 30 June 2010 (2009: Nil). 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.

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:-

	2010 RM'000	2009 RM'000
Income before tax	31,077	355,847
Income tax using Malaysian statutory tax rate of 25% (2009: 25%)	7,769	88,962
Expenses not deductible for tax purposes	1,609	188
Effect of fair value adjustment on investment properties not subject to tax	58,921	(68,590)
Utilisation of capital allowances	(1,662)	(4,858)
Income exempted from tax	(66,637)	(15,702)
Income tax expense	—	—

9. EARNINGS PER UNIT

- (i) The earnings per unit after manager's fees has been calculated based on the income for the financial year of RM31,077,465 (2009: RM355,847,162) and the weighted average number of units in circulation during the financial year of 1,178,888,889 (2009: 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 RM39,653,451 (2009: RM359,333,175) and the weighted average number of units in circulation during the financial year of 1,178,888,889 (2009: 1,178,888,889).

10. INVESTMENT PROPERTIES

	2010 RM'000	2009 RM'000
At beginning of the financial year	1,550,201	1,275,135
Enhancement during the financial year	14,149	706
Fair value adjustments	—	274,360
Disposal	(1,069,650)	—
At end of the financial year	494,700	1,550,201
Analysis of investment properties:-		
Freehold land & building	494,700	1,147,897
Long term leasehold land & building – 99-financial year term expiring on 29 July 2076	—	402,304
	494,700	1,550,201

Investment properties at cost amounting to RM454 million (2008: RM1,150 million) are charged as security for a term loan granted to the Trust as disclosed in Note 16 to the Financial Statements.

During the year, the Lot 10 Parcels and Starhill Gallery, with a combined net book value of RM1,069.65 million, were sold to Starhill Global REIT (“SG REIT”) at the sale consideration of RM401 million and RM629 million respectively. The loss on disposal of investment properties amounted to RM39.65 million.

The sale consideration for Lot 10 Parcels was satisfied via issuance of Convertible Preference Units (“CPUs”) by SG REIT of RM157,674,757 and RM243,325,243 in cash while Starhill Gallery was satisfied via the issuance of CPUs by SG REIT of RM247,325,243 and RM381,674,757 in cash. The terms and conditions of the CPUs are disclosed in Note 13 to the Financial Statements.

11. TRADE RECEIVABLES

	2010 RM'000	2009 RM'000
Trade receivables	8,076	8,205
Less : Allowance for doubtful debts	(1,394)	(864)
	6,682	7,341

The amounts due from the companies related to the Manager, which amounted to RM1,279,971 (2009: RM3,409,568) relates to rental and other charges due in respect of tenancy agreements and are subject to normal trade terms.

12. OTHER RECEIVABLES & PREPAYMENTS

	2010 RM'000	2009 RM'000
Other receivables	625,545	680
Prepayments	22	55
	625,567	735

The amounts due from the companies related to the Manager, which amounted to RM348,842 (2009: RM582,462) are unsecured, interest free and receivable on demand.

Other receivable of RM625 million relates to cash proceeds from the disposal of the Lot 10 Parcels and Starhill Gallery held in trust by the solicitor as disclosed in the Note 28 to the Financial Statements.

13. INVESTMENTS

	2010 RM'000	2009 RM'000
CPUs At Cost	405,000	—
At Fair Value	405,000	—

The CPUs are part of sales consideration issued by SG REIT, the terms of the CPUs is seven year and pays an annual variable distribution. Any CPUs not converted or redeemed upon expiry of the term will be mandatorily converted into SG REIT units.

The CPUs 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 28 to the Financial Statements.

14. DEPOSITS WITH LICENSED FINANCIAL INSTITUTION

The effective interest rate of deposits placed with a licensed bank was 2.2% (2009: 2.1%) per annum.

The average maturities of deposits of the Trust ranged from 1 day to 36 days (2009: 1 day to 35 days).

15. UNITHOLDERS' CAPITAL

	2010 No. of units '000	2009 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
	2010 RM'000	2009 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

16. BORROWING – SECURED

	2010 RM'000	2009 RM'000
Term loan		
– Current	180,000	—
– Non-current	—	180,000

The term loan with a tenure of five years and bearing a fixed interest rate of 4.8% (2009: 4.8%) per annum is secured by a first fixed charge over investment properties as disclosed in Note 10 to the Financial Statements. The term loan shall be repaid in one lump sum on 16 December 2010.

17. OTHER PAYABLES

	2010 RM'000	2009 RM'000
Other payables	845	157
Accruals	22,731	1,530
Tenants' deposits		
– Payable within 12 months	2,536	4,634
– Payable after 12 months	—	9,347
	26,112	15,668

17. OTHER PAYABLES (CONTINUED)

	2010 RM'000	2009 RM'000
Represented by:-		
Current liabilities	26,112	6,321
Non-current liabilities	—	9,347
	26,112	15,668

The amounts due to the Manager and the companies related to the Manager, which amounted to RM739,212 (2009: RM61,789) are unsecured, interest free and payable on demand.

18. PROVISION FOR INCOME DISTRIBUTION

	2010 RM'000	2009 RM'000
At beginning of the financial year	40,751	41,156
Provision made during the financial year	76,457	81,486
Distribution paid during the financial year	(79,495)	(81,891)
At end of the financial year	37,713	40,751

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 2010, the Manager has declared a final income distribution of 3.1990 sen per unit (2009: 3.4567 sen per unit), totaling RM37,712,656 (2009: RM40,750,652). Total distribution paid and declared for the financial year ended 30 June 2010 is 6.4855 sen per unit, totaling RM76,456,839, representing approximately 100% of the realised and distributable income after tax (2009: 6.9121 sen per unit, totaling RM81,485,979).

Distribution to unitholders is from the following sources:

	2010 RM'000	2009 RM'000
Net property income	87,088	91,589
Interest income	2,217	2,813
	89,305	94,402
Less: Expenses	(58,228)	(12,915)
Add: Realisation of fair value on disposal of investment properties	235,684	—
	266,761	81,487
Less: Undistributed income	(190,304)	(1)
Total income distribution	76,457	81,486
Gross distribution per unit (sen)	6.4855	6.9121
Net distribution per unit (sen)	6.4855	6.9121

19. LISTING/ACQUISITION EXPENSES

	2010 RM'000	2009 RM'000
At beginning/end of the financial year	22,701	22,701

These expenses are deducted directly against the unitholders' funds.

20. TRANSACTIONS WITH STOCKBROKING COMPANIES

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

21. UNITHOLDING BY THE MANAGER

As at 30 June 2010, the Manager did not hold any unit in the Trust.

22. UNITHOLDERS RELATED TO THE MANAGER

	← 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

	← 2009 →		
	No. of units held '000	Percentage of total units %	Market Value RM'000
YTL Corporation Berhad	747,084	63.37	620,080
YTL Power International Berhad	43,090	3.66	35,765
	790,174	67.03	655,845

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 2010 of RM0.86 per unit (2009: as at 30 June 2009 of RM0.83 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.

23. TRANSACTIONS WITH COMPANIES RELATED TO THE MANAGER

	2010 RM'000	2009 RM'000
Rental income received and receivable from:-		
Autodome Sdn. Bhd.	16,234	21,154
Happy Steamboat Sdn. Bhd.	409	—
Natural Adventure Sdn. Bhd.	617	—
Niche Retailing Sdn. Bhd.	2,669	—
Prestige Lifestyles & Living Sdn. Bhd.	971	875
Star Hill Hotel Sdn. Bhd.	32,971	30,092
Star Hill Living.Com Sdn. Bhd.	618	109
Trendy Retailing Sdn. Bhd.	617	—
YTL e-Solutions Berhad	981	981
YTL Land & Development Berhad	1,151	521
YTL Land Sdn. Bhd.	11,224	7,639
YMax Sdn. Bhd.	—	220

The Manager is of the opinion that these transactions are conducted in the normal course of business and are under terms that are not less favourable than those arranged with third parties.

24. OPERATING LEASE ARRANGEMENT

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

	2010 RM'000	2009 RM'000
Not later than 1 year	29,946	34,894
Later than 1 year and not later than 5 years	124,247	225,555
Later than 5 years	355,263	386,706
	509,456	647,155

25. 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.

25. FINANCIAL INSTRUMENTS (CONTINUED)**FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****(b) Credit risk**

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

(c) Liquidity and cash flow risk

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

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

	2010		2009	
	Carrying Amount RM'000	Fair Value RM'000	Carrying Amount RM'000	Fair Value RM'000
Term Loan	180,000	180,000	180,000	171,756

26. PORTFOLIO TURNOVER RATIO ("PTR")

	2010	2009
Portfolio Turnover Ratio ("PTR")	0.38 times	N/A

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.

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

27. MANAGEMENT EXPENSE RATIO

	2010	2009
Management Expense Ratio ("MER")	0.70%	0.31%

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.

28. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

During the year, the Trust undertakes a Proposed Rationalisation to reposition the Trust as a full-fledged hospital REIT.

In connection to the Proposed Rationalisation, the Trust disposed of the Lot 10 Parcels and Starhill Gallery to SG REIT by way of a securitisation exercise in Malaysia. A locally incorporated special purpose vehicle, Ara Bintang Berhad, acted as the purchaser of the properties ("Disposal").

The sale consideration for the Lot 10 Parcels and Starhill Gallery was RM401 million and RM629 million respectively. The sale considerations are disclosed in Note 10 to the Financial Statements and the Disposal was completed on 28 June 2010.

Upon completion of the Disposal, 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 ("Proposed Acquisition"). The Trust will complete the Proposed Acquisition within six months after the completion of the Disposal.

29. 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.

30. 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 2010.